

A Drop is Everything

2012 SUSTAINABILITY REPORT



xylem
Let's Solve Water

A Drop is Everything

2012 SUSTAINABILITY REPORT

At Xylem, we believe in the ripple effect. Whether it's a single person or a large, multi-national company, we can all have an impact. Our decisions and actions are like stones dropped in a pond where they create ripples that travel outward and impact others. What we do at Xylem can change the world and change it for the better. Our company is focused on sustainability.

The title of this Report, *A Drop is Everything*, speaks to this belief. The sustainability "drops" highlighted in this Report – both big and small – will continue to expand and become part of a shared sustainability culture at Xylem.

The title also reflects the vital place of water in the world and Xylem's central role in finding better ways to transport, treat, test – and "solve" – this essential resource. It shows our belief that big changes start with small actions. Xylem's first full year as a standalone company was 2012. Although we are a new company, we have broad experience and a focus on sustainability that is front and center because of the kind of work we do. We have even bigger ambitions of becoming a more sustainable company as time passes.

This Report completes what we began in our debut Sustainability Report, published in September 2012 near the one-year anniversary of our company and, where appropriate, incorporates sustainability progress made in early 2013. With the benefit of more time, we are providing more complete metrics. Over time, we will be able to report on long-term trends. This Report offers a baseline snapshot of our new company in Year One. We've gotten a strong start on our sustainability journey.

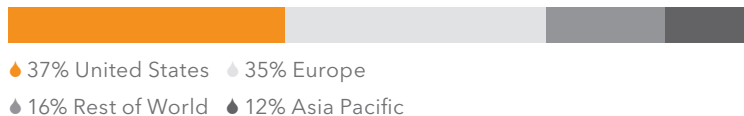
Business Segments



Market Balance



Global Balance



All percentages based on 2012 revenues.

About Xylem

Xylem Inc. is a leading global water technology provider, enabling customers to transport, treat, test and efficiently use water in public utility, residential and commercial building services, industrial and agricultural settings. The company does business in more than 150 countries through a number of market-leading product brands, and our people bring broad applications expertise with a strong focus on finding local solutions to the world's most challenging water and wastewater problems.

Xylem is headquartered in White Plains, New York, with 2012 revenues of \$3.8 billion and more than 12,700 employees worldwide. In 2012, Xylem was named to the Dow Jones Sustainability World and North America Indexes for advancing sustainable business practices and solutions worldwide.

The name Xylem is derived from classical Greek and is the tissue that transports water in plants, highlighting the engineering efficiency in our water-centric business by linking it with the best water transportation of all – that which occurs in nature.

For more information, please visit us at www.xyleminc.com.



Our Focus on Water Makes **Sustainability** a Way of Life at Xylem

A message from Gretchen McClain

At Xylem, sustainability isn't an abstract concept. We have a living, dynamic and clear blue example right in front of us every day: water.

Access to clean water is one of the world's most important and pressing sustainability issues. Too many people face economically limiting, environmentally harmful and, in some cases, life-threatening water-related problems caused by wasteful and careless practices - both past and present. Following our company's call to action, we are working to "solve water" responsibly and sustainably, so that there's enough clean, safe water for everyone who needs it - today and in the future.

As a leader in water, sustainability helps drive the core of our business. And because we see the benefits of balancing short- and long-term thinking with water issues, it's natural to bring the same mindset to all areas of our business.

We are committed to keeping sustainability in the forefront of everything we do. Our products help our customers achieve their sustainability goals, and our sustainability program is being driven to all levels of the organization.

This Report highlights the ways we are advancing business sustainability and ensuring that we consider the needs of our shareowners on equal footing with the needs of society and the environment.

This balance is evident everywhere. In our board room, company directors provide guidance to improve our financial and sustainability performance. In our human resources offices, interviewers are looking for people who want to bring their talents and social conscience to bear on the big issues that Xylem addresses. And in our production facilities, Xylem employees are coming up with new ways of operating safely and efficiently. For example, we developed new packaging that lets us fit more pumps on a truck so we can meet customers' delivery demands faster while also reducing transportation-related CO₂ emissions.

We're still at the beginning of our sustainability journey. With each day, one success inspires another. Employees like working on projects that produce equal amounts of profit and pride. They like being part of a business that is growing and contributing positively to society.

That's a big part of what motivates me and why I love coming to work each day. Today, I might see a demonstration of a new pump that will save energy and water resources while boosting our sales. Tomorrow, I might hear from one of our business or site leaders who is making her numbers while also making a difference. My schedule could include a meeting with our Sustainability Steering Committee to discuss how we're reducing our water usage or a speech at a water industry event where I can encourage Xylem's peers to work together to raise awareness about the world's challenges.

We're doing a lot, and we're building momentum behind our sustainability efforts. Still we realize there's much more we need to do. This Report gives you a picture of the progress we are making on all fronts. This Report gives you a picture of the progress we are making on all fronts, including our formal commitment to meeting the U.N. Global Compact principles. It captures a moment in time, and its last words are the most important: To be continued.

Gretchen McClain
President and Chief Executive Officer
Xylem Inc.

Materiality and Transparency

In creating this Report, we used a framework based on materiality and transparency. Our goal is to provide information that tells our sustainability story in a complete and honest way to meet the needs of our readers and the criteria laid out by the Global Reporting Initiative (GRI) for corporate sustainability reports. This Report also serves as our Communication on Progress (COP) as required by the United Nations Global Compact (UNGC).

MATERIALITY

Materiality means we address topics that matter most from a sustainability perspective. Not every sustainability issue is as relevant to Xylem and our stakeholders as others.

For the purposes of this Report, we focused on the issues that both impact our company and are important to our stakeholders – shareowners, customers, employees, local community members and society as a whole. This determination of material topics was developed with input from the Xylem Sustainability Steering Committee and selected company leaders, who looked at each subject from a Xylem and stakeholder vantage point.

Currently we are working with PricewaterhouseCoopers to develop a “sustainability scorecard” that provides a comprehensive framework for Xylem to assess our sustainability performance. In March 2013, we introduced the first scorecard, outlining our strengths and opportunities for improvement on material sustainability issues for our company. The scorecard framework is included in this section of the Report, and going forward, we will use this framework to set and publicize our corporate sustainability goals.

TRANSPARENCY

When it comes to transparency, simply publishing this Report is a first step, but it's not the end of the process. True transparency requires reporting on our sustainability performance in full, including all relevant facts, figures and trends, even those that show that we have room for improvement.

While we don't divulge internal information that will put us at a competitive disadvantage or sensitive material that could put us at risk of cyber-attacks or other damage, this Report is an honest assessment of the current state of sustainability at Xylem, highlighting our best practices and successes and addressing the ways we will strengthen ourselves in areas where we know we can improve.

For additional information about our sustainability progress in 2012 and our overall, ongoing efforts in this area, visit the Xylem Sustainability Web site, which includes our interim 2012 Sustainability Report published in September 2012, at www.xyleminc.com/en-us/sustainability

ORGANIZATIONAL COMMITMENT AND ALIGNMENT

Leadership Commitment



Sustainability Strategy



Organizational Structure and Governance



Organizational Alignment



Internal Culture and Employee Engagement



STAKEHOLDER COMMUNICATION AND ENGAGEMENT

Community and Social Initiatives



Strategic Partnerships



Political Advocacy and Lobbying



Customer and Distribution
Partner Engagement



External Reporting



Xylem Sustainability Scorecard

Based on PricewaterhouseCoopers sustainability scorecard

CORE SUSTAINABILITY PERFORMANCE

Environmental Initiatives



Health & Safety



Labor and Human Rights



Human Capital



Supply Chain Responsibility



Products, Systems and Services



Innovation



Reporting Progress Against Our Scorecard



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and Governance: p. 8-9



Eco-Efficiency: p.10-11



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and Services: p. 12-13



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Global Citizenship: p. 16-17



Reporting, Recognition
and Partnerships: p. 18-21



Solving Water: The Xylem Business Model

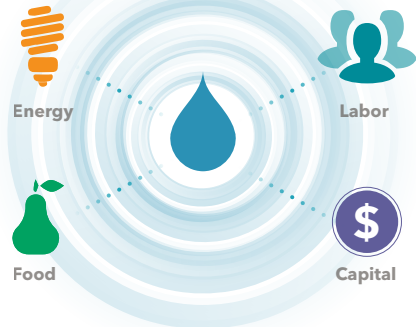
At Xylem, our goal is to find sustainable solutions to the world's water problems. *Let's Solve Water* is our call to action.

MAKING PROGRESS WHERE IT MATTERS

2012 Accomplishments, Projects and Commitments

The Long-Term Viability of Our Core Business

Xylem's core business is water, which is essential to life and the one resource that is connected to all other vital resources, including energy, labor, capital and food.

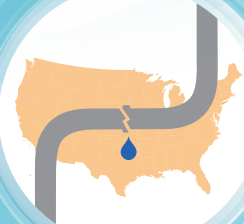


Water is the great enabler of human development, but the availability of clean, usable water is a growing concern. Trillions of gallons of water are lost each day due to aging infrastructure. Water quality is degraded by urbanization, intensive agricultural use and industrial waste. The world's growing middle class wants products that use more water in the manufacturing process, and the global population rises by roughly 80 million people per year, which increases demand for freshwater by 64 billion cubic meters a year, according to the U.N.

Visit our Web report at:
www.xyleminc.com/en-us/sustainability
for more ways we are making progress where it matters.



Our Value of Water survey raised understanding about the need for investments in America's water infrastructure.



We have solutions to help customers recover from the increasing number and severity of weather-related water emergencies. After Hurricane Sandy, our Godwin-brand dewatering pumps were employed in Belmar, New Jersey and other flooded areas in the northeast United States.

As demand increases and sources of this precious resource suffer from overuse, Xylem's focus on solving water becomes increasingly vital. In 2012, our long-term viability was visible in a number of ways:

- ◆ **Water infrastructure investments.** We conducted and broadcast the results of our second Value of Water Survey. With this survey, we aim to raise understanding about the crumbling state of water infrastructure in the U.S. and make the case for investments now – before water problems become a bigger, daily reality in America. Please visit xylem.com/valueofwater to link to the survey overview and results. To reinforce the survey and the need for infrastructure investments, we sent a letter to every U.S. Congress member on World Water Day 2013 urging them to make water infrastructure investment a priority.
- ◆ **Water and energy accountability.** We helped customers take greater accountability for their vital water resources by introducing advanced services – such as TotalCare – and integrated systems innovations like our new Biological Treatment Advanced Process Control. This intelligent system combines our treatment and analytics technologies, enabling wastewater treatment plants to limit their energy use without compromising the quality of water they are returning to nature or back into their town's water systems.
- ◆ **Focus on emerging markets and growing water markets.** We continued to expand our presence in emerging markets – including China, Panama, Vietnam, Russia and the Middle East – where demand for water is escalating due to fast-expanding populations and a growing middle class.
- ◆ **Climate change readiness.** A growing body of evidence shows that climate change is impacting our planet's weather patterns and leading to an increase in the number and severity of natural disasters. Xylem provides products that aid customers in flooding events – for example, our Godwin-brand dewatering pumps were instrumental in helping the northeastern United States recover after Hurricane Sandy in late 2012.

Sustainability Focus

Water issues are complex, urgent and interrelated. To ensure our business model is aligned with the current and future state of water in the world, we are sharpening our focus on sustainability. In 2012, we:

- ◆ Began work on a Xylem-specific sustainability strategy framework with associated long-term goals that will be finalized in 2013.
- ◆ Introduced four new growth and success pillars for Xylem, including one that keeps us focused on "Improving Business Sustainability." One of our businesses also introduced a sustainability competition in 2012 that recognizes our best-performing sites in terms of sustainable performance.
- ◆ Advanced a number of projects put forth by the Xylem Sustainability Steering Committee, representatives from all geographies, businesses and functions who meet regularly to guide our sustainability efforts and ensure we maintain momentum. Recent projects include introducing revised sustainability-related metrics – such as waste sent to landfills and volatile organic compound emissions – to measure Xylem's sustainability performance; ensuring that sustainability issues are considered during mergers and acquisitions; and strengthening assurance of our data through the use of external auditors.

Q & A

Colin Sabol
Chief Strategy &
Growth Officer



SWI: A New Business Model for Xylem

The water industry consists of many companies that are highly compartmentalized into component-level expertise – pipes, pumps, treatment technology and services – with a narrow focus on innovations that improve reliability in their specific area. But this model is outdated, and in 2012, Xylem introduced a new way forward with Sustainable Water Infrastructure (SWI).

Why is the current water industry model outdated?

The myth of water as an infinite resource has ended. The world expects greater accountability for use of this vital resource. The time has come to enter a new era of greater resource intelligence where companies, governments and individuals can better value and account for the water they use.

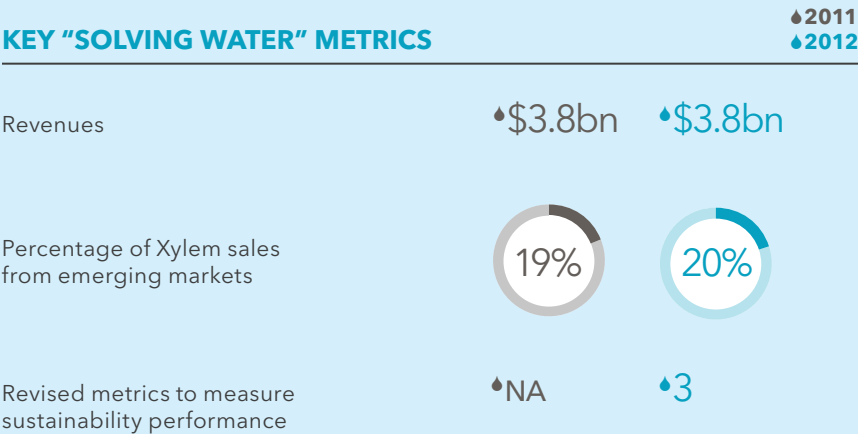
What makes Xylem's Sustainable Water Infrastructure the right model for the new reality?

SWI is our own innovative industry model that delivers solutions that meet the need for resource accountability. With SWI, we're connecting the practical expertise behind our leading brands into a collaborative network of expertise needed to "solve water." That means we're turning the nearly 13,000 men and women of Xylem into a connected network of expertise. It is a highly collaborative approach that breaks down the compartmentalized nature of our industry.

Can you provide an example of how SWI is solving broader water issues for customers?

On the way to pick up cargo or passengers, ocean-going ships take on ballast water to maintain their stability and then discharge it when they have a full load. This untreated discharge can wreak havoc on ecosystems, and global regulations are being enacted to address the issue. When we saw the new regulations coming, we formed a team of experts from all of our businesses to create a ballast water solution that utilizes our ultraviolet and ozone technologies, controls and analytic instruments and offers customers solutions that address the pending regulations and improve energy efficiency.

KEY "SOLVING WATER" METRICS





Employees and Workplace

For our global employees, we strive to provide meaningful development opportunities and safe, healthy operations, which allow them to feel engaged, inspired and aligned with Xylem's vision and goals.

MAKING PROGRESS WHERE IT MATTERS

2012 Accomplishments, Projects and Commitments

Employee Safety, Health and Wellness

In 2012, Xylem achieved meaningful reductions in both injury frequency (IF) and injury severity (IS). While we didn't attain our aggressive goals of 1.0 for IF and 12.0 for IS, we saw a 4.5 percent reduction in IF and a 28 percent reduction in IS (see metrics chart in this section) and implemented a number of practices in 2012 that will continue our journey toward world-class results.

- ◆ **Targeting the top safety issues.** Xylem created action plans to address the most common safety issues at Xylem sites, including lacerations and slips, trips and falls. ESH site managers around the globe now have a guide for how to minimize these incidents.
- ◆ **Expanding our safety metrics.** To better gauge our workplace safety, we began including contractor injuries to our IS and IF metrics.
- ◆ **A global wellness policy.** Xylem sites have developed local wellness programs that fit their sites' populations and personalities. These range from sponsored sports clubs to discounts on Weight Watchers at Work® programs and a global team competition that encourages exercise through walking.

Diversity and Equal Opportunity

The Xylem Code of Conduct makes clear our company's commitment to inclusion and diversity and our disallowance of employment-related decisions based on age, color, gender or any other legally protected personal basis.



Xylem reduced Injury Frequency and Injury Severity in 2012, and we are introducing action plans to reduce them further by targeting common safety issues, including lacerations, slips and falls.



Visit our Web report at:
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for more ways we are making progress where it matters.



More than 7,500 employees participated in our first-ever Xylem Global Employee Survey, which measured our performance as employers, as sellers and as stewards of the planet and communities where we reside.

Training and Development

In our goal to strengthen and sustain a high-performing culture, Xylem provides a wide range of training and development programs for employees. In 2012, we expanded and introduced a number of new programs:

- One of our businesses is building a “functional academies” program. Currently in pilot stage in three European countries, the three-year program offers classes to sales employees who want to enhance their job-related skills. Going forward, the goal is to offer similar academies in engineering, manufacturing, finance and other functional areas, and to expand this program to other Xylem businesses.
- Through our Partnership for Performance (PfP) system, we offer employees an annual performance assessment with their direct supervisor to guide their development at Xylem. In 2012, we completed PfP assessments for 96 percent of all employees. In addition, we added performance descriptors to measure the impact of an employee’s performance and conducted focus groups with dozens of company leaders and 35 employee teams in 14 countries to evaluate the overall PfP process and gather feedback that will help us better identify and differentiate top performance at Xylem.

Recruitment and Retention

In an effort to find, hire and keep top talent who will help Xylem “solve water” in the years ahead, we introduced a number of innovative programs in the past year:

- In February 2013, we launched our first-ever Xylem Global Employee Survey using a methodology called “Good Company Assessment” that measures our performance as employers, as sellers and as stewards of the planet and communities where we operate. This inaugural survey was distributed to more than 9,500 employees and achieved a 78 percent response rate, including valuable feedback on sustainability statements such as *Xylem is taking active steps to reduce its environmental impact* and *Xylem makes significant contributions to the communities in which we work*. Xylem leaders are currently analyzing the survey results and will develop and communicate action plans for improvement. Going forward, we will continue to gather employee feedback using employee surveys, focus groups, town hall gatherings, skip level meetings and more.
- In November 2012, we conducted a Virtual Career Fair as part of company’s first free virtual trade show. This innovative approach enabled us to meet and “chat” with more than 300 potential candidates from across the globe. Participants took part in online dialogues with Xylem subject matter experts about innovation, the Xylem culture and our diversity and inclusion programs. Two current college students were awarded job shadowing opportunities at Xylem.

Q & A

Robyn Mingle
Senior Vice President
& Chief Human
Resources Officer



Boosting our Transformation Efforts with Better Career “Roadmaps”

To help strengthen our high-performance culture, Xylem is building Career Frameworks for all functions and job roles throughout the organization. The project, which began in 2012, is set to be completed by early 2014.

How do Career Frameworks differ from traditional job competency models?

The frameworks define the skills, behaviors and experiences needed at various career stages to help employees succeed in delivering Xylem’s business strategy. As would be expected, these elements can vary quite dramatically by function as well as by level, and this model takes all of it into consideration. Ultimately, the Career Frameworks provide employees with a clear roadmap of how to grow their careers while growing our business.

Why is this good news for employees?

They can see exactly how to become more valuable to Xylem, and how to succeed in building Xylem’s business. Instead of broad job competencies, employees will have a very clear, meaningful and defined set of criteria to help create their future. As an example, if an engineer is interested in moving into a sales and marketing role, he or she can see what competencies and experiences are required and then perform the self-assessments and 360-degree assessments, along with identifying the suggested training and development work needed to get there.



KEY EMPLOYEES AND WORKPLACE METRICS

▲ 2011
▲ 2012

Employee Retention

Metrics will be available with launch of Xylem Human Resources Information System (HRIS).

Women in Management

Metrics will be available with launch of Xylem HRIS system.

Injury Frequency*



Injury Severity**



* Medical + lost workday cases x 200,000 / number of hours worked

** Lost workday x 200,000 / number of hours worked



Leadership and Governance

At Xylem, we have created a business structure and put controls in place that promote corporate fairness, transparency and accountability.



In 2012, eight of 10 Xylem board of directors were independent. The current board includes nine of 11 independent directors, including board Chairman Markos Tambakeras.

In 2012, we updated both our Code of Conduct and Anti-Corruption Manual, and 100 percent of employees participated in Code of Conduct Training.



MAKING PROGRESS WHERE IT MATTERS

2012 Accomplishments, Projects and Commitments

Board structure and independence

Xylem has a system of processes and controls designed to help us operate according to the highest governance principles. It starts at the top with our board of directors. We look to our board for oversight and decision making. Nine of 11 board members are independent, including our board Chairman Markos Tambakeras and our newest members, Robert Friel, who joined our board in December 2012, and Jerome Peribere and James Rogers, who joined the Xylem board in May 2013. This independence helps ensure their oversight and judgments are objective and made in the best interests of all Xylem stakeholders.

Shareowner Engagement

In early 2013, Xylem held our first Investor and Analyst Day event since our launch as an independent company. In the audio and video presentation, shareowners, analysts and the general public heard from company leaders about our strategies to achieve sustainable, long-term growth.

Policies, standards and codes of conduct

At Xylem, we require our global sites and workforce to adhere to Xylem-wide standards in the areas of ethics, trade compliance, anti-corruption and other governance matters.

- ◆ In 2012, we updated our Code of Conduct, Anti-Corruption Manual, corporate policies and training programs to reflect the Xylem culture. Our Code of Conduct, Anti-Corruption and some relevant policies - including Anti-Corruption and International Facilitating Payments policies - have been translated into multiple languages for our global employee population.

- During 2012, we provided Code of Conduct training to 100 percent of Xylem employees, and we are currently updating communications, including worksite posters, to raise awareness about the Code and site-specific avenues for ethics reporting. Where it makes sense from a job responsibility standpoint, we also provide training on numerous regulatory and legal issues, including government compliance with international trade laws, the Foreign Corrupt Practices Act, environment, safety and health regulations and anti-discrimination and accounting policies.

Risk management

We conduct robust risk assessments to gauge possible risk factors facing our company from issues such as supply chain disruptions, damages or disturbances to our information technology network and adverse economic conditions. Our company's risks are described in our 2012 annual report. By identifying these potential risks, we are providing transparency to our stakeholders and increasing our preparedness in the face of unique challenges.

In addition, nearly every Xylem site has a business continuity plan in place to enable them to react and recover quickly in the event of an unexpected emergency. When Hurricane Sandy hit the northeastern United States in October 2012, the region was in desperate need of dewatering pumps, but our East Brunswick, New Jersey Dewatering Solutions branch was without essential utilities. The team there quickly implemented business continuity plans to redirect generators, fuel, cellular phones, laptops and personnel to the site. Once it was operational, the team began providing products to customers in the area who were in serious need of dewatering support.

During Hurricane Sandy, we used our business continuity plans to get our Dewatering Solutions branch in New Jersey back into operation quickly so we could help customers with their flooding issues.



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Q & A



Christian Na
 Senior Vice President,
 General Counsel and
 Corporate Secretary

The "Guardians" of Corporate Governance

In December 2012, Christian Na joined Xylem as the leader of our Legal function, which includes Corporate Responsibility. The Legal team plays a vital role in corporate governance at Xylem.

What is the role of Xylem's Legal Department when it comes to corporate governance?

We play a critical role as guardians of corporate governance. As in-house counsels for a public company, our ultimate client is the corporation and this means that our responsibility is not only to partner with our business teams to enhance shareowner value but also protect the corporation from legal liability and reputational harm.

What is the Legal Department's role in enhancing Xylem's sustainability efforts?

The Legal Department includes our Ethics & Compliance team, which is responsible for maintaining a robust ethics and compliance program and an effective internal reporting process to address any compliance issues. The Legal Department also includes our Environment, Safety & Health organization, which plays a critical role in driving best-in-class business continuity and sustainability programs.

Under the Corporate Secretary function, we serve as a focal point for communication between the Board of Directors, our senior management and our shareowners.

What's one important way the Legal Department advanced Xylem's sustainability efforts in 2012?

To remain an economically viable company and to retain our valued reputation in the marketplace, we have to ensure we are complying with the laws and regulations across the globe that apply to our operations. This is an ongoing effort as laws and regulations continue to change and evolve and our businesses continue to expand into new jurisdictions. One example is providing guidance to our business teams on complying with the conflict mineral rules under the new Dodd-Frank Act.

KEY LEADERSHIP AND GOVERNANCE METRICS

2011
 2012

Board Independence	<div><div></div></div>	7 of 9 members 8 of 10 members
Code of Conduct Training	<div><div></div></div>	98% of employees 100% of employees
Ethics and Compliance Reporting	<div><div></div></div>	45 concerns 74 concerns
Concerns raised through Xylem's complaint-handling and resolution process; a well-functioning process facilitates additional reporting		

Ethics and Compliance Investigations & Resolution
 Reported cases investigated and substantiated cases resolved through policy changes, training, reprimands and/or terminations



of all reported cases



Eco-Efficiency

At Xylem, our goal is to minimize our impact on the Earth's ecosystems and adopt "beyond compliance" environmental standards at all of our sites.



Our largest plant in Emmaboda, Sweden, will soon start reusing "waste" heat – now being stored and charged in 140 boreholes drilled into the ground – to lower its energy usage by 50 percent.



MAKING PROGRESS WHERE IT MATTERS

2012 Accomplishments, Projects and Commitments

Climate Change and GHG Emissions

At Xylem, we adhere to the U.N. Global Compact's "precautionary approach" to environmental challenges. This means we won't take an action that could cause harm to the environment, even if there is not yet scientific consensus that it will. For example, we aren't waiting for conclusive scientific or political agreement that greenhouse gas (GHG) emissions contribute to global climate change, and are taking a number of precautionary actions in this area:

- ◆ We are in the process of finalizing a more formal sustainability strategy that includes our operations as a key sustainability focus area. Our next step is to establish the appropriate goals to support the strategy. We plan to include a multi-year goal for the minimization of GHG emissions at our facilities. To ensure that we meet our goal, the Xylem ESH Leadership Team has developed a tool that will be implemented at our sites to provide best practices in energy reduction, as well as water use reduction and waste minimization. Throughout 2013, we are providing training to our ESH Coordinators around the globe on use of the tool.
- ◆ In early 2013, we introduced new metrics to track volatile organic compound (VOC) emissions into the air. We currently track GHG emissions from buildings, equipment and company vehicles, but by breaking them down even further to include VOC emissions, we can identify sites that need to change their practices to improve indoor and outdoor air quality impacted by VOCs.
- ◆ When Xylem purchases or leases a new site, one of our key decision-making criteria is energy efficiency. Our newest Xylem India office in Vadodara opened in 2012 and is LEED certified. Our future, permanent European "hub" headquarters in Schaffhausen, Switzerland – set to open later in 2013 – is being designed to meet the appropriate energy efficiency standards in Switzerland. And we are designing our new corporate headquarters in Rye Brook, New York – scheduled for completion in late 2013 – to meet U.S. Green Building standards for sustainability and plan to obtain LEED certification.

Waste Management

Following the process used in our site safety program, we have begun the development of an "Easy Tool" that will provide our sites with guidance, best practices and simple actions for minimizing the generation of hazardous and non-hazardous waste – as well as greenhouse gas emissions and water usage.

In early 2013, we also began tracking the amount of waste we send to landfills. Our company has always measured the amount of hazardous and non-hazardous waste we generate and dispose of, but this new metric will tell us how well we are meeting our "recycle and reuse" goals and reducing reliance on landfills, which have been shown at times to affect groundwater sources adversely.

Through a 2012 contest, Paul Shute, Variable Speed Drive Specialist at Applied Water Systems, U.K., and many other employees shared examples of how they are solving water at work or at home.



Our new Xylem India office met LEED criteria for energy efficiency and its adjoining plant installed Xylem products to enable wastewater to be reused as drinking water. Pictured here, Sam Yamdagni, President and Managing Director of Xylem India.

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Q & A

Bennett Leff
Director of Environment,
Safety and Health



Serving as an Example of Solving Water

As a water technology company, Xylem can and should serve as a leader in efficient and responsible water use. Currently, we track our company's impact in water-stressed areas of the world, and all of our sites measure water usage with an eye on reducing their water withdrawals. But water-related projects are now becoming a much higher priority.

How are you elevating your efforts to walk the talk and "solve water" at Xylem operations?

It starts with measurement. Until a year-and-a-half ago, we were part of a larger multi-industrial company where water consumption was just one of many metrics we tracked. Now, as a company united around water, we have a stronger business reason to set an example for our customers and other companies. To assess where we stand, we are expanding use of the Global Water Tool to ensure we aren't taxing water resources in water-stressed

areas – from our 42 largest sites to all 350 global sites. We also completed the Carbon Disclosure Project's Water Disclosure survey that measures water usage and water-related risks.

What are some tangible ways you are working to reduce water use at Xylem operations?

In 2013, we are rolling out formal tools that give our sites more guidance and best practices for reducing water consumption. We've never had anything like this before. Our sites are also coming up with creative solutions on their own. For example, our new pump manufacturing plant in Vadodara, India, has installed a system consisting of Xylem products that recycles wastewater for reuse as drinking water.

Besides changes to your operations, are there other ways you can help conserve water?

In 2012, we ran a contest asking employees how they "solve water" at home or in their daily lives, and shared the entries with the entire organization as a way to encourage smart personal water use. We're also considering ways to engage suppliers in water-reduction efforts and developing processes to ensure that our product designers look at ways to make our offerings even more sustainable, which should include reducing water usage throughout our products' life cycles.

KEY ECO-EFFICIENCY METRICS

	2011	2012
Energy Consumption	207,020 MWh	195,265 MWh
Greenhouse Gas (GHG) Emissions by weight	97,236 metric tons	71,717 metric tons
Volatile Organic Compound (VOC) Emissions to air	Not collected	Data to be collected in 2013
Water Use	439 megaliters	399 megaliters
Waste Disposal	9,589 tons	6,519 tons
Waste to Landfills	Not collected	Data to be collected in 2013
Non-Compliance Fines	US \$718	None



Products, Systems and Services

We take responsibility for the safety and sustainability of our products from their initial design to their end of life.

MAKING PROGRESS WHERE IT MATTERS

2012 Accomplishments, Projects and Commitments

Eco-Efficiency

In considering Xylem's environmental impact on the world, the largest impact comes from the use of our products and systems. For that reason, we are focused heavily on finding ways to design and sell products and systems that reduce water and energy consumption and improve water quality. We are making progress in a number of areas:

- ◆ Eco-efficient products. In 2012, we continued to introduce products that help customers increase their water and energy conservation, including a new and more power-efficient EXO sonde used for collecting important water quality data and our new high-efficiency e-SV™ pumps that move water efficiently through buildings. In September 2012, we completed a test at a wastewater plant in Sternö, Sweden that showed our Sanitaire diffusers, blowers and control systems increased aeration efficiency by 300 percent and reduced energy consumption by 65 percent.
- ◆ Increased investments. In early 2013, Xylem signed a financing agreement with the European Investment Bank to fund innovative and aspirational research and development projects across Europe. The fund will finance the development of new innovative and sustainable products and services for biological water treatment, desalination, filtration and disinfection, as well as improvements to energy-efficient controls for these processes.

Visit our Web report at:
www.xyleminc.com/en-us/sustainability
for more ways we are making progress
where it matters.



A test at a wastewater plant in Sweden showed our Sanitaire diffusers, blowers and control systems reduced energy consumption by 65 percent.

Our e-SV hot water circulator pumps are the most energy-efficient pumps in their class.



Quality and Safety

Many of our products, such as the e-SV, eco-Circ and Expor pumps, and the IQ SensorNet monitoring system, address the sustainability needs of customers in the areas of energy and water efficiency. Now our goal is to integrate other sustainability factors more deeply into our product development process. Actions begun in 2012 include:

- ◆ **Formation of a product safety review board for Xylem and each Xylem business.** These review boards will assure new products are designed and launched in compliance with the latest safety and environmental considerations, and that legacy products are not only compliant to regional standards but also continuously improved.
- ◆ **Integration of more robust sustainability standards into the product development process.** We train R&D personnel on the key sustainability value drivers we need to consider at the outset of our product design process. Training will also include personnel involved in our product development "stage-gate" process, so they can include sustainability as a factor in their "go/no go" decisions.

Product Pricing and Target Markets

Water is essential to life and commerce. It's not a luxury, but at the same time it does cost money to develop products that transport, treat, test and analyze water. That means we must figure out the best way to deliver water solutions to everyone from the tip of the economic pyramid to the base, while also remaining a profitable and growing business enterprise. Here are some ways we are doing this:

- ◆ **Emerging markets.** To reach customers in emerging markets, we're building in-country manufacturing, engineering and sales sites that allow us to customize products and streamline delivery to meet the water needs and economic realities in these regions. In 2012, we established our first-ever sales offices in Russia, Panama and Vietnam, expanded in the Middle East region, and added new expertise to our engineering Centers of Excellence in India and China.

In March 2013, we launched our first Essence of Life product, a human-powered "stepper" irrigation pump for customers in emerging markets and economically challenged regions.



Q & A

Johan Grön
Chief Technology Officer



Life Cycle Assessments and Environmental Product Declarations

A life-cycle assessment (or LCA) measures the environmental impacts associated with all the stages of a product's life from cradle-to-grave. Based on these assessments, a company can produce an Environmental Product Declaration (EPD) that provides customers with standardized, comparable data to make choices supporting their own sustainability achievements.

What percentage of Xylem products currently offer customers LCAs and EPDs?

We have developed a reliable process for LCA and EPD within a part of our organization. Right now, we support our customers with LCAs and EPDs for products and solutions that make up about 25 percent of our total portfolio, based on revenues.

How are you working to increase that percentage?

We developed our current approach by adhering to best practices in our industry

and by engaging with relevant policymakers and customers to understand the needs around LCAs and EPDs. Now we will look at a controlled way of implementing the approach across our organization.

To remain competitive and ensure that our products live up to the sustainability expectations of our customers, it's crucial for us to stay ahead in energy efficiency and lifetime expectations for our products. We also have to ensure that the materials used in our products and wearing parts comply with regulatory requirements – as well as our even more restrictive internal guidelines – dealing with the use of hazardous substances.

What are the key challenges in implementing this?

We are determined to implement the approach, but we need to ensure that the time and resources spent are well planned. The regulatory guidelines and sustainability requirements are still being developed. Right now, life cycle assessments are becoming more important to our customers, but there is still some education needed about the connection between the environmental and financial advantages of sustainability. Our goal is to provide LCAs and EPDs that provide a full, long-term picture of product ownership and show the economic advantages of using our products.

KEY PRODUCTS, SYSTEMS AND SERVICES METRICS

◆2011
◆2012

Product life cycle assessments (LCAs) and environmental product declarations (EPDs)

Currently in place for key products at our Water Solutions business; goal is LCAs and EPDs for 100 percent of key products across all of Xylem

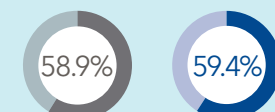
Environmental Product Innovations
As a percentage of total product innovations



Customer Satisfaction



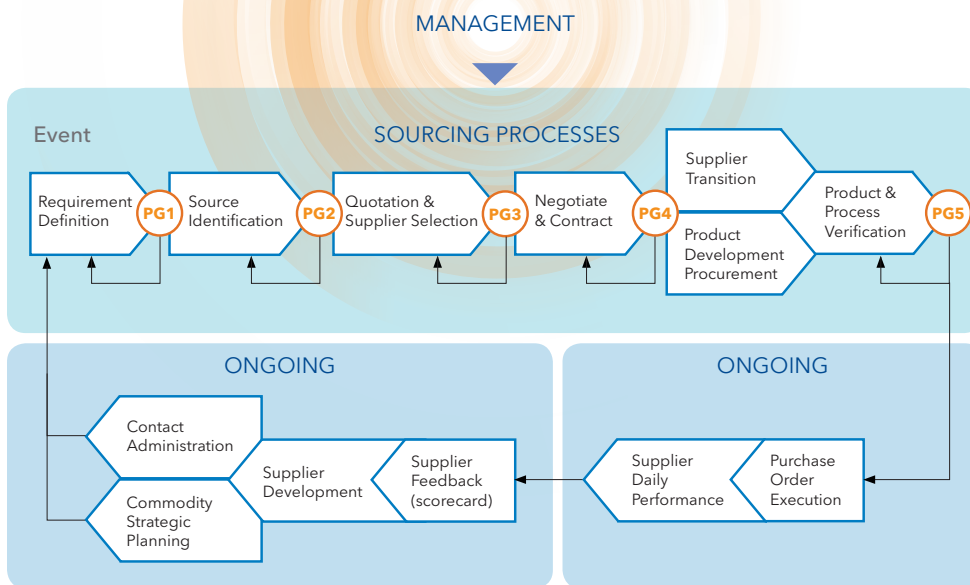
Average Efficiency of Sold Products
Measuring more than 220,000 products from our largest manufacturing facility





Supply Chain

Our suppliers are not just business partners, they are sustainability partners. We engage them to ensure their products, practices, materials and services advance our sustainability efforts.



MAKING PROGRESS WHERE IT MATTERS

2012 Accomplishments, Projects and Commitments

Conflict Minerals

At Xylem, we are working to address our use of "conflict minerals" - tantalum, tin, tungsten and gold - and to ensure that when we use any of these materials that they didn't come from the Democratic Republic of the Congo and surrounding countries. It has been shown that these countries mine the minerals to help fuel war and human rights violations.

Our commitment includes compliance with the new conflict minerals requirements included in the Dodd-Frank Act approved by the U.S. Securities and Exchange Commission in August 2012. Under the Act, after January 31, 2013, publicly traded companies are required to perform due diligence as to the source and chain of custody of conflict minerals in their supply chains. We have initiated an internal review of our supply chain and intend to adopt due diligence procedures consistent with the Organization for Economic Cooperation and Development (OECD) guidelines.

Xylem is taking steps to ensure we don't work with suppliers selling conflict minerals.



Raw Material Demand

Through our ongoing Lean Six Sigma efforts, Xylem plants pursue projects to eliminate waste. By streamlining our production processes, these projects often result in the reduction of raw material usage at our local sites.

Supply Chain Standards and Selection

Xylem has thousands of components, materials and service suppliers worldwide. Through our Global Strategic Sourcing program, we continue to consolidate this supplier base. In reducing the number of suppliers, we're increasing our ability to provide oversight and quality control in the form of supplier site audits and control batch testing and enhancing our sustainability efforts.

As part of our Sustainability Program, Xylem suppliers are expected to share our adherence to the Code of Conduct, national laws and sustainability practices. We are currently consolidating multiple supplier agreement forms into a single agreement that requires our Tier One suppliers to adhere to our Code of Conduct and our policies in the areas of human rights, conflict minerals, and environment, safety and health.

Supply Chain Engagement

Xylem provides Lean Six Sigma training programs for our Tier One suppliers. The training ensures they are following the same proven methodologies as our company in pursuing waste elimination, quality control, efficiencies and cost reductions.

We provide Lean Six Sigma training to our Tier One suppliers.



Visit our Web report at:
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for more ways we are making progress where it matters.

Q & A

Bo Nilsson
Manager, Strategic Sourcing
and Processes, Water Solutions



Qualifying Suppliers Based on Sustainability Criteria

Xylem is committed to improving our process for assessing and developing suppliers with the goal of choosing suppliers who minimize our risk of supply disruption and who share our commitment to ethics, human rights and environmental responsibility. As part of this work, we are developing a set of criteria we can use to assess our suppliers' commitment to sustainability.

Why is it important that Xylem work with sustainable supply partners?

Our suppliers are an extension of the Xylem family and a reflection of our company's commitment to sustainability. We need supply partners who enhance our sustainability efforts. This reduces our risks and helps us strengthen our reputation as a company that cares about the right things.

Can you describe how the new supplier sustainability assessment criteria will work?

We already use formal assessments that rate suppliers against business and performance criteria, such as total cost, on-time delivery record, pricing, and quality and service levels. Going forward, we will include sustainability criteria in our supplier selection.

We have developed a set of possible supplier criteria and are running a pilot program in Sweden where we analyze the suppliers to our largest manufacturing plant against these new criteria. The findings of this pilot will help us develop sustainability-related questions and checklists for all our supplier audits, self-assessments, supplier agreements and evaluation forms.

As part of this effort, we're also suggesting changes to the Xylem Code of Conduct to ensure our requirements for suppliers are stated as clearly as possible, and that the document explains that we expect Xylem suppliers to adhere to the U.N. Global Compact principles.

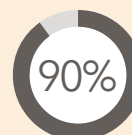
What if it comes down to a low-cost supplier versus a higher-cost but sustainable supplier?

We'll take everything into consideration when selecting the right suppliers. But the low-cost supplier could end up costing us money because they cause more problems or issues in the long run. So sustainability will not take a backseat to cost. We believe this evaluation process will help convince all potential and existing suppliers to step up their sustainability efforts to win or keep our business.

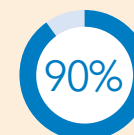
KEY SUPPLY CHAIN METRICS

▲ 2011
▲ 2012

Supplier
Sustainability Criteria



▲ Tier One suppliers for our largest business measured against key criteria



▲ Tier One suppliers for our largest business measured against key criteria, with plans to add sustainability criteria to measurements



Global Citizenship

Our call to action – *Let's Solve Water* – extends naturally to our global citizenship efforts. The centerpiece is Xylem Watermark, which provides and protects safe water resources for communities in need.

In 2012, Xylem Watermark volunteers worked with Water For People's World Water Corps to collect data on water, sanitation and hygiene conditions in schools and communities in West Bengal, India (seen here) and the Cajamarca Region of Peru.



photo credit:
Cassandra Nelson / Mercy Corps

MAKING PROGRESS WHERE IT MATTERS

2012 Accomplishments, Projects and Commitments

Community Impact and Engagement

In its first five years, Xylem Watermark has provided water solutions to more than 2 million people in more than 20 countries, raising more than \$1.1 million for communities around the world. In 2012, the program supported more than 100 new sustainable water projects:

- ◆ In 2012, we expanded our network of Xylem Watermark nonprofit partners from three to five. One new partner, Planet Water Foundation, is focused on the installation of community-based water filtration systems and water, sanitation and hygiene education programs. This partnership enables Xylem to make an even greater impact in China, India, the Philippines and Cambodia. The other new partner, Fundación Avina, aims to improve and increase access to water in Latin America, and our partnership expands Xylem Watermark's presence into Brazil.
- ◆ As part of Xylem Watermark's partnership with the China Women's Development Foundation, 14 Xylem employees constructed sustainable water solutions for 12 classrooms in Nanjing, China. They also delivered hygiene training and water education lessons to students and teachers. Similar projects took place in Guizhou, Xinjiang, Inner Mongolia, Yunnan and Jiangsu provinces.
- ◆ Xylem employees in our São Paulo, Brazil offices are currently working with one of our new nonprofit partners, Fundación Avina, and other local nonprofits to provide safe water and hygiene education in the semiarid region of Brazil. The partners are building water cisterns at community schools that will provide clean water for students and their families.
- ◆ On World Water Day - March 22, 2013 - Xylem employees took part in activities to improve water quality in their local communities, including a visit to the Udaan Ghar shelter home for girls in Mumbai, India to bring clean water, sanitation and hygiene education. At Xylem headquarters, nonprofit partners Mercy Corps and Planet Water Foundation hosted a discussion on our joint efforts to tackle the global water crisis. In addition, we launched a new interactive "impact map" on our Xylem Watermark website to show how we're implementing local water solutions in cooperation with our nonprofit partners.

- ♦ We are engaging young people around the world in the search for water solutions through our ongoing global sponsorship of the Stockholm Junior Water Prize, which encourages high school students to find ways to improve the world's water quality.

Community Contributions

- ♦ In 2013, Xylem Watermark will complete our three-year, \$10.5 million commitment to fund water, sanitation and hygiene education and sustainable water systems for vulnerable schools and water-related disaster relief efforts and plans to continue supporting the program in 2014 and beyond.
- ♦ In 2011 and 2012, contributions from Xylem Watermark's Disaster Risk Reduction Initiative - Water enabled Mercy Corps to embark on six disaster prevention, training and readiness projects in Indonesia, Ethiopia, Tajikistan, China, Nepal and Colombia - improving the lives of more than 900,000 people.

Young students at a school in flood-prone western Nepal learn how to stay safe in the event of disaster. The training was provided by Mercy Corps with aid from Xylem Watermark funds.



For World Water Day 2013, Xylem employees took part in activities to improve the water quality in their local communities. In Shenyang, China, employees and their families visited a wastewater plant to learn more about how it operates.

Visit our Web report at:
www.xylem.com/en-us/sustainability
 for more ways we are making progress where it matters.

Q & A

Angela Buonocore
 Senior Vice President and
 Chief Communications Officer



Another Way to Solve Water

Five years ago, Xylem's Chief Communications Officer was the driving force behind the development and launch of Xylem Watermark. To date, the program has provided water solutions to more than 2 million people, but she believes that's just the beginning of its impact.

What makes Xylem Watermark such a powerful corporate citizenship program?

Xylem Watermark is a corporate citizenship and social investment program with a direct and strategic tie to our global water business strategy. Through this broad initiative, we bring clean water, sanitation and hygiene education solutions to communities in need around the world. We also provide swift response in the aftermath of emergency situations around the globe, as well as disaster risk reduction to disaster prone regions around the globe to help reduce the impacts of crises.

We're a company united around water, and this program provides an avenue for us to unite around a common cause - a signature citizenship effort.

How will the program continue to improve and expand?

We will continue to look for new nonprofit partners who can help us expand our impact around the world, and for ways to increase the support and participation of employees and other interested stakeholders. As technology evolves, we will work to drive innovation to create shared value for our business and the communities in which we operate. And while we are strategic in choosing and tracking the projects we fund, moving forward we will do more to measure the business benefits of these projects and our overall program.

Was there a "moment" in 2012 that defined the long-term promise of Xylem Watermark?

Our legacy of achievement was solidified in my mind upon learning that we have impacted the lives of more than 2 million people around the world since the launch of the program. When we unveiled Watermark in 2008, we had high hopes for the change we could make, and these hopes are now a reality. Looking ahead, the expansion of our program and our partnerships is opening doors for us as we continue to build the social value we are creating around the world through the collective efforts of our employees and nonprofit partners.

KEY GLOBAL CITIZENSHIP METRICS

♦2011
 ♦2012

Community Investments

Total nonprofit partner investments and matching funds to employee contributions

♦\$3.7 million¹
 ♦\$2.5 million

¹ Reflects one-time investment in Disaster Risk Reduction Initiative

Community Impact

Water Access and WASH Education Projects

♦43 projects benefitting 37,500 people²
 ♦119 projects benefitting 50,800 people³

Response to Water-Related Disasters

♦3 disasters assisting 235,800 people⁴
 ♦4 disasters assisting 273,000 people⁵

Disaster Risk Reduction Projects

♦NA
 ♦6 projects benefitting 959,000 people⁶

Xylem Watermark Nonprofit Partners

♦3
 ♦5

² India, Peru and China ³ India, Peru, China and Cambodia ⁴ Japan, Kenya and Pakistan
⁵ Japan, Colombia and Yemen ⁶ Indonesia, Colombia, Nepal, Ethiopia, China and Tajikistan



Reporting, Recognition and Partnerships

We will accelerate and enhance our sustainability efforts by sharing our progress and teaming with other committed organizations. Two-way communications and partnerships will lift our company's sustainability performance to even greater heights.

REPORTING

At Xylem, we are committed to reporting on our sustainability strategies and performance.

In 2012, we launched a sustainability microsite on the home page of our corporate Web site. The microsite provides an overview of our sustainability focus areas, along with information about the various programs and projects now in place at our company. We also published our first sustainability Report in September 2012 to capture our progress since the launch of Xylem as an independent company in October 2011.

This Report, released in June 2013, supplements the information found on our microsite and in our 2011-2012 Report. It captures full-year sustainability results and progress for 2012 and includes some case examples from early 2013.

Information for this Report was collected through interviews with Xylem's President and Chief Executive Officer, Sustainability Champion and members of the Xylem Sustainability Steering Committee, along with review of company documents and reports, including Xylem's Form 10-K for 2012 and Xylem policies, which are located on the company intranet site. The information in this Report captures data from all of Xylem's owned and leased facilities. Our operation does not include any joint ventures, subsidiaries or outsourced operations.

For this Report, we use the reporting criteria set out in the Global Reporting Initiative (GRI) guidelines. GRI identifies specific sets of indicators for reporting and establishes progressively higher levels for companies to use as overall benchmarks for the reporting depth and quality of reporting. This year, Xylem is reporting at a GRI self-declared level C.

The "C" rating means we met all of GRI's Profile Disclosure requirements, including a CEO statement, information about our company and markets, reporting parameters and governance mechanisms. We also reported on a minimum of 10 Performance Indicators, including at least one from the Economic, Social and Environmental categories.

In addition, in August 2012, Xylem formally committed to support the 10 principles of the U.N. Global Compact.

As part of this commitment, we will publish an annual Communication on Progress (COP) on our progress against the 10 principles. The following index shows where we are reporting the information requested by the Global Reporting Initiative and The Global Compact.

For more information about the content included in this report, contact Bennett Leff at bennett.leff@xyleminc.com or 914-323-5989.



To view our full GRI index and self-declaration, visit the Reporting, Recognition and Partnerships section of our online 2012 Sustainability Report at: www.xyleminc.com/en-us/sustainability

GLOBAL REPORTING INITIATIVE AND U.N. GLOBAL COMPACT INDEX

Profile Disclosure	Description	Reported	Report Section	UNGC COP Element
	ECONOMIC			
EC1	Direct economic value generated and distributed	Fully	Xylem 2012 Annual Report, Form 10-K	No specific COP requirement
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	Fully	Solving Water; Xylem 2012 Annual Report, Form 10-K	
	ENVIRONMENT			
EN3	Direct energy consumption by primary energy source	Partially	Eco-Efficiency	Principle 8
EN4	Indirect energy consumption by primary source	Partially	Eco-Efficiency	
EN8	Total water withdrawal by source	Partially	Eco-Efficiency	
EN16	Total direct and indirect GHG emissions by weight	Fully	Eco-Efficiency	
EN21	Total water discharge by quality and destination	Partially	Eco-Efficiency	
EN22	Total weight of waste by type and disposal method	Partially	Eco-Efficiency	
EN23	Total number and volume of significant spills	Fully	Eco-Efficiency	
EN24	Weight of waste, type of disposal and percentage transported under terms of Basel Convention	Partially	Eco-Efficiency	
EN28	Monetary fines and non-monetary sanctions for non-compliance	Fully	Eco-Efficiency	
	SOCIAL: LABOR PRACTICES AND DECENT WORK			
LA7	Rates of injury, occupational disease, lost days and absenteeism, and number of work-related fatalities by region and by gender	Partially	Employees and Workplace	Principles 1 – 6
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	Partially	Employees and Workplace	
SO1	Percentage of operations with implemented local community engagement, impact assessments and development programs	Partially	Global Citizenship; Reporting, Recognition and Partnerships	No specific COP requirement
SO3	Percentage of employees trained in organization's anti-corruption policies and procedures	Partially	Leadership and Governance	Principle 10
SO5	Public policy positions and participation in public policy development and lobbying	Fully	Leadership and Governance	
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures	Partially	Products and Services	Principle 9
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	Partially	Products and Services	
PR6	Programs for adherence to laws, standards and voluntary codes related to marketing, communications	Partially	Products and Services	
HR2	Percentage of significant suppliers, contractors and other business partners that have undergone human rights screenings, and actions taken	Partially	Products and Services	Principle 1 Principle 2
HR2	Percentage of significant suppliers, contractors and other business partners that have undergone human rights screenings, and actions taken	Partially	Products and Services	Principle 1 Principle 2
HR2	Percentage of significant suppliers, contractors and other business partners that have undergone human rights screenings, and actions taken	Partially	Products and Services	Principle 1 Principle 2



RECOGNITION

External recognition provides useful progress markers on our journey to become a best-in-class, sustainability-minded business. In 2012, Xylem received recognition for our sustainability performance in a number of areas:

For Sustainability...

In September 2012, Xylem earned a place on the Dow Jones Sustainability Index, in both the World and North America Indexes. The index measures the sustainability performance of the biggest companies in the world and selects the top 10 percent based on the combined scores for economic, environmental and social performance - the "triple bottom line" that define a sustainable company. Our selection validates the work we are doing to advance sustainable business practices and aligns us with a class of global investors who will only put their money in companies that meet this standard.



For Product Eco-Efficiency...

In November 2012, our Bell & Gossett® eco-Circ "smart" heating circulator pump, which uses 70 percent less energy than standard circulator pumps, was named a Top New Product at the CIPHEX West tradeshow. A panel of industry experts presented the award based on specific criteria such as sustainability, energy-efficient design and use of materials in an innovative manner.



Visit our Web report at:
www.xyleminc.com/en-us/sustainability
for more examples of 2012 recognition.



For Citizenship...

In June 2012, Xylem Watermark was honored with the prestigious Excellence Award from the Committee Encouraging Corporate Philanthropy. The CECF - a forum of business CEOs and chairpersons focused exclusively on corporate philanthropy - recognized Xylem Watermark for its strong CEO leadership, commitment to innovation, dedication to measurement and cultivation of strategic partnerships.



For Workplace Safety...

In the past year, six Xylem sites in the U.S. were awarded Safety Leadership Awards by the National Safety Council for achieving five consecutive years without an occupational injury or illness resulting in lost employee work days or death. The sites, which employ a combined 60 employees, are located in Savannah, Georgia; Corpus Christi, Texas; Dallas, Texas; Los Angeles, California; Portland, Oregon; and Rochester, New York.



For Water Thought Leadership...

In 2012, Chris McIntire, President of our Analytics business and Xylem's Sustainability Champion, was selected to be part of the Massachusetts Water Mission to Israel. The goals of this project are to develop partnerships that will benefit both Massachusetts and Israeli businesses, to learn lessons from Israel's leading water experts and to encourage Israeli water companies to set up shop in Massachusetts. McIntire was part of a 40-person group of water-focused researchers, executives, investors and government leaders who traveled to Israel for four days in 2012. Together, the group aims to bring abundant, clean water to the world through local innovation, global export and a connected community of business, academia and government.

PARTNERS

Xylem has aligned itself with a number of associations, civic organizations, customers and non-governmental organizations. By partnering with these stakeholder groups, we can further our sustainability efforts, and they can benefit from our expertise and involvement as well.



Enterprise-wide partnerships

- ◆ **International Water Association:** global network dedicated to helping water professionals create innovative, pragmatic and sustainable solutions to challenging global needs
- ◆ **NAEM:** nonprofit, non-partisan educational association dedicated to advancing the knowledge and practice of Environment, Safety and Health management
- ◆ **Stockholm International Water Institute:** policy institute that seeks sustainable solutions to the world's escalating water crisis
- ◆ **European Investment Bank:** bank owned by and representing the interests of the European Union Member States, which provides finance and expertise for sound and sustainable investment projects
- ◆ **Water Environment Federation:** nonprofit association that provides technical education and training for water quality professionals who clean water and return it safely to the environment
- ◆ **Singapore Public Utilities Board (PUB):** Singapore's public water utility (Xylem has a Memorandum of Understanding with PUB to conduct joint development and testing of innovative, energy-efficient water treatment and transport technologies.)
- ◆ **Xylem Water Advisory Board:** high-profile individuals from diverse areas of the water space who provide our company with insight on global water issues and help guide our outreach initiatives

Xylem Watermark partnerships

- ◆ **China Women's Development Foundation:** nationwide nonprofit social welfare organization dedicated to improving women's overall quality of life through education, training, poverty alleviation and disaster rescue
- ◆ **Fundación Avina:** nonprofit foundation that seeks to advance sustainable development in Latin America by encouraging links and partnerships between social and business leaders
- ◆ **Mercy Corps:** international nonprofit organization focused on disaster response, sustainable economic development, health services and emergency and natural disaster relief
- ◆ **Planet Water Foundation:** nonprofit international organization focused on bringing clean water to the world's most disadvantaged communities through community-based water filtration systems and hygiene education
- ◆ **Water For People:** international nonprofit humanitarian organization focused on sustainable, safe drinking water resources and improved sanitation systems in developing countries

Business-level partnerships

- ◆ **Ceres:** U.S.-based network of investors, environmental organizations and public interest groups working with companies to address sustainability challenges
- ◆ **Global Compact Nordic Network:** network of businesses and associations from Denmark, Finland, Iceland, Norway and Sweden dedicated to promoting the U.N. Global Compact
- ◆ **MAPI Sustainability Council:** MAPI serves Council members by providing unique opportunities to exchange ideas and knowledge with peers through meetings, interchanges and targeted research.



To be continued...



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