



**PRENTISS
SMITH & CO**

Sustainable Investment Report for:

Xylem, Inc.

Washington, NY

Ticker: XYL US Equity

Website: www.xylem.com

2-29-2024

I. Exclusionary Screening

Does Xylem, Inc. appear on any of the following lists? In our exclusionary screening, a single appearance disqualifies an investment.

Fossil Fuels & Precious Metals Mining

- BICS - Oil, Gas & Coal Industries¹
- BICS - Precious Metals Mining¹
- CDP/CAI Carbon Majors Database²

2

Defense & Retail Gun Sales

- BICS - Defense Primes¹
- SIPRI Arms Industry Database⁵
- NRA Industry Allies/Gun Retailers⁶

7

Plastics Production

- Top 100 Plastic Polymer Producers³

Private Prisons

- BICS - Security Services¹

Agrochemicals & Animal Cruelty

- BICS - Crop Chemicals & Fertilizers¹
- Cruelty Free Investing Worst Companies for Animals⁴

Pornography, Gambling & Tobacco

- BICS - Casinos¹
- BICS - Tobacco¹
- BICS - Pornography¹

¹ BICS = [Bloomberg Industry Classification Systems](#)

² [CDP/CAI Carbon Majors](#)

³ [Minderoo Foundation Top 100 Plastic Polymer Producers](#)

⁴ [Cruelty Free Investing 10 Worst Companies for Animals](#)

⁵ SIPRI = [Stockholm International Peace Research Institute](#)

⁶ NRA = [National Rifle Association Top 10 Industry Allies](#)

⁷ Prentiss Smith & Company Internal Research

II. Recognition & Data

What quantifiable environmental, social and governance data, policies or recognition does Xylem, Inc. exhibit? Positive factors may help support a decision to invest.*

General

Newsweek's Most Responsible Companies 2024

2

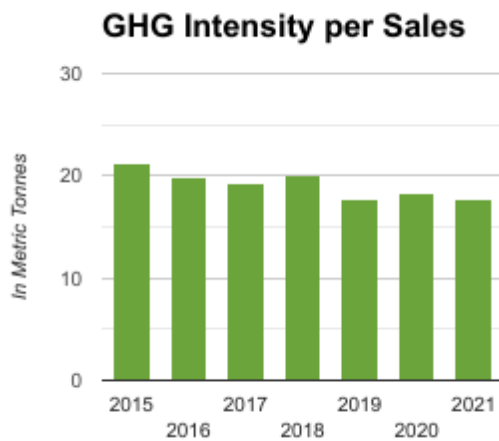
Just Capital Overall (1-954)

301

Barron's 100 Most Sustainable Companies 2024

15

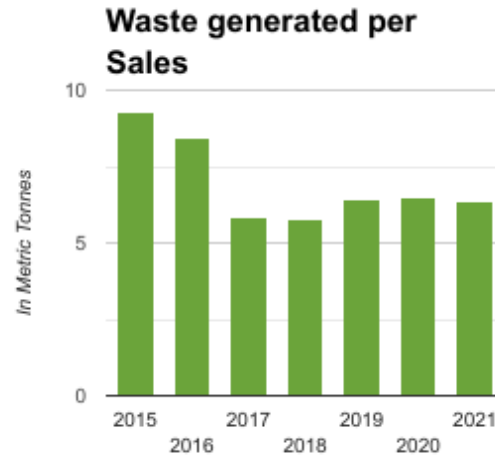
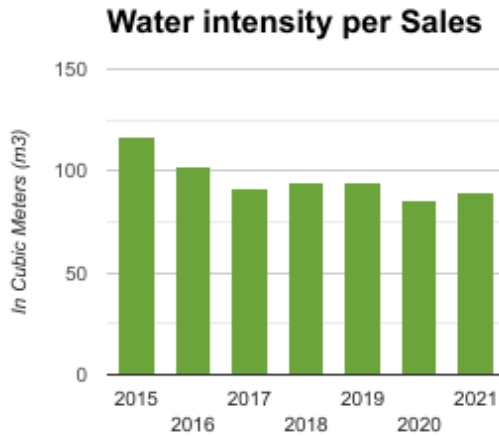
Climate Change & Fossil Fuels



Environmental Stewardship

Just Capital - Environment (1-954)

43



Human Rights & Well-Being

As You Sow Racial Justice Score (-23 to 62)

26

Just Capital - Workers (1-954)

545

Just Capital - Communities (1-954)

502

Just Capital - Customers (1-954)

629

Corporate Responsibility

Just Capital - Shareholders (1-954)

62.0

* Data sources may include:

- Corporate SEC filings
- Company sustainability and other reporting.
- Bloomberg LP ESG Data (via Data License).
- [As You Sow Clean 200](#)
- [As You Sow Racial Justice 1000 Scorecard](#)
- [Banktrack Human Rights Benchmark](#)
- [Barron's 100 Most Sustainable US Companies](#)
- [CDP A-List](#)
- [CDP Responses](#)
- [CEO Action for Diversity & Inclusion Pledge](#)
- Climate Group [EP100 Members](#), [EV100 Members](#)
- [Corporate Knights 100 Most Sustainable Corporations](#)
- [CPA-Zicklin Index](#) for Political Accountability
- [Digital Rights Corporate Accountability Index](#)
- [Diversity Inc's Top 50 Companies for Diversity](#)
- [Dow Jones Sustainability Indices \(DJSI\)](#)
- [EPA's Green Power Partners](#)
- [Equileap's Top 100 Companies for Gender Equality](#)
- Forbes [Best Large Employers](#), [Best Midsize Employers](#), [Best Employers for Diversity](#)
- Fortune [100 Best Employers](#), [Best Workplaces for Women](#), [Best Workplaces for Millennials](#)
- [Glassdoor Best Places to Work](#)
- Great Places to Work [World's Best Workplaces](#), [Best Workplaces for Parents](#)
- [HRC's Corporate Equality Index](#)
- [Institute for Clinical and Economic Review \(ICER\) Policy Leadership Forum Members](#)
- [JUST Capital Rankings](#)
- KnowTheChain [Food, Apparel and IT Benchmarks](#)
- [MSCI ESG Ratings](#)
- PEOPLE [Companies That Care](#)
- [Points of Light Civic 50 Honorees](#)
- [RE100 Member List](#)
- [Roundtable on Sustainable Palm Oil \(RSPO\) Supply Chain Certificate Holders](#)
- [S&P Global Sustainability Yearbook](#)
- [Science-Based Targets initiative \(SBTi\) Companies](#)
- [State Street Global Advisors' Gender Diversity Index](#)
- [Task Force on Climate-related Financial Disclosures \(TCFD\) Supporters](#)
- World Benchmarking Alliance [Corporate Human Rights Benchmark](#), [Social Transformation Benchmark](#), [Gender Benchmark](#), [Digital Inclusion Benchmark](#), [Food and Agriculture Benchmark](#), [Auto and Utilities Benchmark](#)

III. Further Research

What else has our research process told us about how Xylem, Inc. conducts business, in terms of its products and services, its environmental impact, and its approach to governance?

Summary

Xylem is a global water solutions company whose products help customers manage wastewater, water treatment and reuse, industrial process water and other business- and utility-scale water needs. The company consists of many brands, but efficiency and minimizing water waste are a common theme between many of its products. The company recently acquired Evoqua, a large wastewater management company, and says this makes it the world's largest company dealing only in water technology. Xylem has aggressive goals to reduce operational emissions, water use and waste, as well as product-oriented goals to reduce scope 3 emissions and water use. The company has a Scope 3 goal and a 1.5-aligned target with SBTi. A number of other notable initiatives include financial and operation commitments to promote clean water and sanitation in underserved parts of the world, sustainability-linked compensation beyond the executive team, investing cash on hand with local community banks and other community financial institutions, and a borrowing program whose interest rates are tied to achievement of the company's sustainability goals.

Xylem acknowledges that it is behind on its own goals for improving gender and racial diversity at the company overall. The executive team and board could certainly be more diverse, and we look forward to the company reporting on its pay equity analysis as one step to improving its diversity.

Products & Services

Background

- *Brief description of products/services:*
"Xylem offers a portfolio of products and systems designed to meet the demands and challenges of treating water and wastewater. From smarter aeration to advanced filtration

to chemical-free disinfection, the portfolio is to ensure water and wastewater treatment equipment keeps running at its best.”¹

- *Founding date:*

Xylem Inc. was incorporated in 2011 and was originally a spinoff of ITT Corp.²

- *Key historical changes to company structure (e.g. M&A):*

In 2023, XYL completed its \$7.5 billion acquisition of Evoqua Water Technologies Corp, which is a leader in water treatment solutions and services.³

- *Key historical changes to products:*

Xylem has many products and services under several brands that are constantly being updated and changed to adapt to modern needs.⁴

Product Detail

- *Current products/services detail, including social/environmental benefits:*

There are a variety of efficiencies built into Xylem and the products put out under various brands, including advanced filtration, chemical-free disinfection, smarter aeration, etc.⁵

- *Significant recent developments or new plans for products/services (in the context of industry developments if applicable):*

In February 2024, Xylem released a new IQ Sensor Net multi-parameter measuring system for drinking water to improve efficiency and user-friendliness.⁶

Landscape

- *Company size:*

In 2022, XYL had more than 22,000 employees.⁷

- *Business segments and revenue:*

Xylem is in the Water Infrastructure segment and their 2023 revenue was \$7.4 billion.⁸

- *Industry position/market share:*

Xylem’s market share is approximately 1.16%.⁹

¹ <https://www.xylem.com/en-us/products--services/>

² <https://finance.yahoo.com/quote/XYL/profile/>

³ <https://www.xylem.com/en-us/about-xylem/newsroom/press-releases/xylem-completes-acquisition-of-evoqua/>

⁴ <https://www.xylem.com/en-us/products--services/>

⁵ <https://www.xylem.com/en-us/products--services/>

⁶ <https://www.xylemanalytics.com/en/company/news/the-new-innovative-solution-for-your-drinking-water-monitoring>

⁷ <https://www.xylem.com/en-us/about-xylem/newsroom/press-releases/xylem-completes-acquisition-of-evoqua/>

⁸ <https://www.xylem.com/en-us/about-xylem/newsroom/press-releases/xylem-reports-fourth-quarter-and-full-year-2023-results/>

⁹ https://csimarket.com/stocks/compet_glance.php?code=XYL#:~:text=Due%20to%20outstanding%20performance%20in.More%20on%20XYL%20Market%20Share.

Impact

- *Detail on additional social/environmental impacts of products:*
Xylem is currently working on a Product Selector Tool that will show emissions and footprint information during the quoting process.¹⁰

Environment

Goals & Disclosure

- Environmental Commitments
 - *CDP reporting and score:*
In 2023, Xylem received a B rating for Climate Change and a C rating for Water Security from the CDP.¹¹
 - *Emissions target(s)? 1.5-degree SBTi target?*
Xylem is committed to the 1.5 SBTi target.¹²
 - *Scope 3 targets?*
Xylem's Scope 3 target is to reduce Scope 3 GHG emission economic intensity 55% by 2030.¹³
 - *Water/waste/deforestation goals?*
Xylem has a 2025 goal to reach 100% process water recycling at their major facilities. For example, the Emmaboda Swedish facility uses all Xylem equipment to recycle and reuse their process water.¹⁴ Xylem has the goal to achieve zero waste to landfill from processes at major facilities. They are currently at 12 out of 22 facilities for both goals.¹⁵
- Environmental Disclosures and Progress
 - *Emissions:*
XYL reduced net scope 1 & 2 GHG emissions by 21% compared to last year.¹⁶
 - *Water:*
XYL has had a 26% reduction of water use in their operations since 2019.¹⁷
 - *Waste, including use of recyclable materials:*
Xylem provides a thorough breakdown of the waste by type and disposal method

¹⁰ https://www.xylem.com/siteassets/sustainability/2022/2022_xylem_sustainability_report_r01.pdf pg. 49

¹¹ <https://www.cdp.net/en/responses?queries%5Bname%5D=xylem>

¹² <https://sciencebasedtargets.org/companies-taking-action#dashboard>

¹³ https://www.xylem.com/siteassets/sustainability/2022/2022_xylem_sustainability_report_r01.pdf pg. 51

¹⁴ https://www.xylem.com/siteassets/sustainability/2022/2022_xylem_sustainability_report_r01.pdf pg. 12

¹⁵ https://www.xylem.com/siteassets/sustainability/2022/2022_xylem_sustainability_report_r01.pdf pg. 16

¹⁶ https://www.xylem.com/siteassets/sustainability/2022/2022_xylem_sustainability_report_r01.pdf pg. 24

¹⁷ https://www.xylem.com/siteassets/sustainability/2022/2022_xylem_sustainability_report_r01.pdf pg. 12

[here](#). In an attempt to increase facilities that have reached net zero process waste to landfill, they are reducing packaging, improving their recycling processes and focusing on new ways to reuse materials.¹⁸

- *Deforestation:*
Deforestation information was not found.

Product & Supply Chain Impacts

- *Further environmental benefits to using products:*
Using Xylem's variable frequency drives on pumps can control the motor speed based on demand and reduce the overall energy needed to pump the same volume of water.¹⁹
- *Significant environmental commitments in supply chain:*
Xylem has had 39.7 of their global suppliers complete the EcoVadis assessment, while 9.1% of their US spend is for diverse suppliers, and 32.4% of their global suppliers have completed the CDP disclosure cycle in 2022, nearly double the number from 2021.²⁰
- *Do products help customers reduce emissions? By how much?*
Xylem's Flygt N-pumps have a self cleaning impeller that prevents clogging and can reduce the pump's energy use by 25%.²¹
- *Intermediate scope 3 milestones and targets:*
XYL's biggest emission challenge is Scope 3 Category 11, emissions that result from the use of their technologies. These make up 95% of Xylem's overall GHG emissions and led them to the target to reduce Scope 3 intensity 55% by 2030.²²
- *Significant environmental fines, remediation or controversy:*
Nothing significant was found.

Operational Initiatives

- *Are scope 1 and 2 commitments 1.5-aligned?*
Xylem did submit their targets for 1.5 validation.²³
- *Intermediate scope 1/2 initiatives, milestones and targets:*
No specific intermediate targets found.
- *Specific initiatives that could help achieve scope 1/2 targets, or lower emissions if no targets:*

¹⁸ https://www.xylem.com/siteassets/sustainability/2022/2022_xylem_sustainability_report_r01.pdf pg. 27

¹⁹ <https://www.xylem.com/en-us/making-waves/water-utilities-news/intelligent-pumping-systems-reduce-environmental-impact/>

²⁰ https://www.xylem.com/siteassets/sustainability/2022/2022_xylem_sustainability_report_r01.pdf pg. 40

²¹ <https://www.xylem.com/en-us/making-waves/water-utilities-news/intelligent-pumping-systems-reduce-environmental-impact/>

²² https://www.xylem.com/siteassets/sustainability/2022/2022_xylem_sustainability_report_r01.pdf pg. 51

²³ https://www.xylem.com/siteassets/sustainability/2022/2022_xylem_sustainability_report_r01.pdf pg. 28

To lower scope 1 and 2 emissions by 21%, Xylem increased their electric vehicle fleet and has increased the mix of renewable energy at their smaller facilities.²⁴

- *Other specific, internal initiatives in service of water conservation, waste management, etc:* In 2022, Xylem reduced their water consumption in high, extremely high, and arid water-stressed areas by 14% which is equivalent to 2.78 million gallons of water saved.²⁵

Management Integrity and Ethics

Leadership & Diversity

- *Brief profile of CEO and any other notable leaders:*
Matthew Pine, President and CEO, earned his masters in business from Northeastern. He is a member of the US Business Roundtable and the World Economic Forum's Alliance of CEO Climate Leaders. He joined Xylem in 2020 serving as COO, and led several segments and the Americas region before becoming CEO in 2024.²⁶
- Leadership Composition
 - *Executive team:*
3 of the 13 executive team are women. 6 of the 13 are racially diverse.²⁷
 - *Board:*
30% of the 12 board of directors are diverse. 4 of the 12 directors are women.²⁸
- Employee/Management Composition and Pay Equity
 - *Employees:*
From US employee data: 13% African American, 4.1% Asian-American, 12.6% Hispanic, and 2.5% other ethnicities are non-management employees.²⁹
 - *Management:*
From US employee data: 4.1% African American, 7.2% Asian American, 6.1% Hispanic, and 3.5% other ethnicities are leadership employees.³⁰
 - *Pay equity:*
Xylem is working on a pay equity assessment based on gender and US minority classifications; it should be completed by the end of 2023, and they plan on including it in the compensation process on a regular basis going forward.³¹

²⁴ https://www.xylem.com/siteassets/sustainability/2022/2022_xylem_sustainability_report_r01.pdf pg. 28

²⁵ https://www.xylem.com/siteassets/sustainability/2022/2022_xylem_sustainability_report_r01.pdf pg. 26

²⁶ <https://www.xylem.com/en-us/about-xylem/executive-leadership/matthew-pine/>

²⁷ <https://www.xylem.com/en-us/about-xylem/executive-leadership/>

²⁸ <https://www.xylem.com/en-us/about-xylem/board-of-directors/>

²⁹ https://www.xylem.com/siteassets/sustainability/2022/2022_xylem_sustainability_report_r01.pdf pg. 67

³⁰ https://www.xylem.com/siteassets/sustainability/2022/2022_xylem_sustainability_report_r01.pdf pg. 67

³¹ https://www.xylem.com/siteassets/sustainability/2022/2022_xylem_sustainability_report_r01.pdf pg. 17

Human & Labor Rights

- *Are clear policies in place on forced labor and supply chain monitoring?*
XYL does have clear policies on child labor and forced labor, as well as supply chain monitoring.³²
- *What % of the supply chain is covered?*
The supplier code of conduct is for all of Xylem's suppliers.³³
- *Supply chain enforcement mechanisms:*
XYL has a third party vendor "Xylem Integrity Line" to provide suppliers a confidential way for raising ethics and compliance related concerns.³⁴
- *Employee safety metrics:*
Nothing found.
- *Labor relations disputes or successful agreements:*
Nothing significant was found.
- *Employee satisfaction metrics:*
On Glassdoor, Xylem has a 3.9 rating with 992 total reviews.³⁵
- *Programs requiring diverse hiring practices, professional training in underserved communities, or other equity-focused initiatives:*
Xylem has many youth/community focused initiatives to focus on water challenges and bring out the next generation of water leaders including Xylem Ignite, Stockholm Junior Water Prize, and Water Heroes Academy.³⁶ They also have different programs to attract talent from universities for entry-level positions in the various countries they operate in, a Female Technical Engineer program partnership, and other partnerships with organizations to hire people with disabilities, veterans, etc.³⁷

Political & Charitable Activity

- *Does the company have a policy not to spend anything on lobbying or political contributions?*
Xylem has a policy to not form, maintain, or support any PACs. They also have a policy against making any direct or indirect political contributions, and their employees cannot make political contributions on behalf of Xylem.³⁸

³² <https://www.xylem.com/siteassets/about-xylem/code-of-conduct/supplier-code-of-conduct/english.pdf>

³³ <https://www.xylem.com/en-us/about-xylem/supplier-code-of-conduct/>

³⁴ <https://www.xylem.com/siteassets/about-xylem/code-of-conduct/supplier-code-of-conduct/english.pdf>

³⁵ <https://www.glassdoor.com/Reviews/Xylem-Reviews-E494852.htm>

³⁶ https://www.xylem.com/siteassets/sustainability/2022/2022_xylem_sustainability_report_r01.pdf pg. 56

³⁷ https://www.xylem.com/siteassets/sustainability/2022/2022_xylem_sustainability_report_r01.pdf pg. 57

³⁸ <https://www.xylem.com/siteassets/about-xylem/political-activities-policy-40-11---final.pdf>

- *Federal lobbying expenditures and political donations:*
2023 lobbying expenditures were \$580k.³⁹
- *Is lobbying data voluntarily disclosed, including state and local contributions, trade association memberships, and PACs?*
Lobbying data is disclosed on OpenSecrets.⁴⁰
- *How much is spent annually on charitable contributions?*
Annual contributions were not found.
- *How much volunteer time do employees give annually?*
Xylem provides 10 hours of time off annually for employee volunteering. In 2022, Xylem employees volunteered 156,000 hours for community service.⁴¹
- *Major charitable or volunteer projects with meaningful long-term impact:*
In 2022, XYL and a supply partner built a water tower at a government school for girls in Maharashtra, India to provide clean drinking water for 1800 people. This is one example of the WASH Pledge where Xylem partners with suppliers to fulfill mutual commitments.⁴²

Legal

- *Outstanding legal disputes with significant reputational and/or financial stakes (including shareholder lawsuits):*
In 2023, an investigation was started looking into Xylem on behalf of Evoqua stockholders after the merger of the companies. The investigation is about “concerns about the accuracy of the Company’s cash liquidity given findings of two sets of financial statements and its ability to meet Wall Street’s aggressive financial expectations.”⁴³
- *Significant fines paid or in dispute:*
Nothing significant was found.
- *Current or recent headline controversies involving the company or its management:*
Nothing significant was found.

³⁹ <https://www.opensecrets.org/federal-lobbying/clients/summary?cycle=2023&id=D000071067>

⁴⁰ <https://www.opensecrets.org/federal-lobbying/clients/lobbyists?cycle=2023&id=D000071067>

⁴¹ https://www.xylem.com/siteassets/sustainability/2022/2022_xylem_sustainability_report_r01.pdf pg. 65

⁴² https://www.xylem.com/siteassets/sustainability/2022/2022_xylem_sustainability_report_r01.pdf pg. 42

⁴³ <https://www.girardsharp.com/results-investigations/xylem-investigation/>

Legal Notice

The material contained in this report is provided for informational purposes only and should not be considered an individualized recommendation of any particular security, strategy or investment product. This report is not intended to be used as a general guide to investing, or as a substitute for personalized investment advice, and it makes no implied or express recommendations concerning the manner in which any specific client account should be handled. If you have questions regarding the applicability of any issue discussed on this report to your own situation, you are encouraged to consult with a professional advisor of your choosing. Prentiss Smith & Co is neither a law firm nor a certified public accounting firm, and no portion of this report should be construed as legal or tax advice.

No guarantee is made as to the accuracy, completeness or timeliness of any information, projections or opinions contained in this report or upon which any such projections or opinions have been based. The information contained in this report is compiled for the convenience of site visitors and is accepted by the reader on the condition that errors or omissions shall not be made the basis for any claim, demand or cause of action. Due to factors that may include changing market conditions or applicable laws, some content on this report may no longer be reflective of our current positions or opinions. Some information on this report has also been obtained from published sources and/or prepared by unaffiliated third parties. While such sources are believed to be reliable, neither Prentiss Smith & Co nor its respective employees or representatives assumes any responsibility for the accuracy or completeness of such information. References and hyperlinks to other websites are not an endorsement, approval or certification of information, projections or opinions located at such web sites.

Investing in securities involves risk, including the loss of all principal invested. Other types of investments involve varying degrees of risk. There can be no assurance that the future performance of any specific investment, investment strategy, or product (including the investments and/or investment strategies recommended or undertaken by Prentiss Smith & Co), will be profitable or suitable for your portfolio or individual situation.