


MEETING DATE	Wed, 11 May 2016 11:00 am	TYPE	AGM	ISSUE DATE	Sat, 30 Apr 2016
MEETING LOCATION	Xylem World Headquarters 1 International Drive, Rye Brook, New York 10573				
CURRENT INDICES	S&P500				
SECTOR	Pumps and pumping equipment				

PROPOSALS		ADVICE
1a Elect Curtis J. Crawford	Non-Executive Director. Not considered independent as he has served on the Company board (and its predecessor, ITT) for an aggregate time of eighteen years. There is sufficient independent representation on the Board. Acceptable proposal.	For
1b Elect Robert F. Friel	Independent Non-Executive Director.	For
1c Elect Surya N. Mohapatra	Independent Non-Executive Director. He is chair of the Nomination committee and less than 20% of the Board are women which does not meet Triodos guidelines. Triodos does not support this resolution.	Oppose
2 Ratification of the appointment of Deloitte	Deloitte & Touche LLP proposed. Non-audit fees represented 6.7% of audit fees during the year under review and 12% on a three-year aggregate basis. This level of non-audit fees does not raise serious concerns about the independence of the statutory auditors. The current auditor has been in place for less than five years. Acceptable proposal.	For
3 Advisory vote on executive compensation	The Company has submitted a proposal for shareholder ratification of its executive compensation policy and practices. The voting outcome for this resolution reflects the balance of opinion on the adequacy of disclosure, the balance of performance and reward and the terms of executive employment. The compensation rating is: DCD. There is a concern over compensation being potentially excessive due to the Compensation Committee's use of discretion when awarding annual bonuses. Maximum long-term award opportunities are not limited to 200% of base salary. With respect to PSUs, no targets were made available to shareholders, which is considered unacceptable and does not allow shareholders the opportunity to assess the challenging nature of targets. Based on these concerns, Triodos does not support this resolution.	Oppose

SUPPORTING INFORMATION FOR RESOLUTIONS

Proposal 3 - Advisory vote on executive compensation

The Company has achieved: a poor level of disclosure; an average balance for rewards; and a poor approach to contracts with executives.

Disclosure: D- Annual cash incentives are based on the following performance measures: revenue; operating income; and working capital (as percent of revenue). Payouts are subject to individual performance adjustments. The Company has disclosed the financial targets for its short-term incentives but has not provided information with respect to individual performance factors. The Company granted long-term incentives in the form of performance share units (PSUs) (33%), time-based restricted stock units (RSUs) (33%) and stock options (34%). PSUs are based on a pre-set, three-year return on invested capital (ROIC) metric and include a relative TSR modifier. Targets are not disclosed.

Balance: C- There is a concern over compensation being potentially excessive due to the Compensation Committee's

use of discretion when awarding annual bonuses. Maximum long-term award opportunities are not limited to 200% of base salary. With respect to PSUs, no targets were made available to shareholders, which is considered unacceptable and does not allow shareholders the opportunity to assess the challenging nature of targets. Whilst the amount of reward derived from stock options is determined by share price growth, the awards of options have no performance conditions attached. Thus an increase in share price over the lifespan of an option (and falls are unusual) can reward executives even in circumstances of poor relative performance. Stock options vest in three annual installments which is contrary to best practice.

Contract: D- The Company has a compensation claw back policy that provides for recoupment of both cash and equity performance-based compensation. Acceleration of all outstanding equity awards is triggered by a change in control. The Company has adopted double-trigger vesting upon a change of control starting in 2016, for LTIP awards.

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