


<b>MEETING DATE</b>	Wed, 10 May 2017 11:00 am	<b>TYPE</b>	AGM	<b>ISSUE DATE</b>	Thu, 04 May 2017
<b>MEETING LOCATION</b>	Xylem World Headquarters, 1 International Drive, Rye Brook, New York 10573				
<b>CURRENT INDICES</b>	S&P500				
<b>SECTOR</b>	Pumps and pumping equipment				

<b>PROPOSALS</b>		<b>ADVICE</b>
<b>1a</b>	<b>Re-elect Curtis J. Crawford</b> Independent Non-Executive Director.	<b>For</b>
<b>1b</b>	<b>Re-elect Robert F. Friel</b> Independent Non-Executive Director.	<b>For</b>
<b>1c</b>	<b>Re-elect Sten E. Jakobsson</b> Independent Non-Executive Director.	<b>For</b>
<b>1d</b>	<b>Re-elect Steven R. Loranger</b> Non-Executive Director. Not considered independent as he served President and Chief Executive of the ITT Corporation, from which the Company spun-off in 2011, and also served as Interim President and CEO of the Company from September 2013 to March 2014. There is sufficient independent representation on the Board.	<b>For</b>
<b>1e</b>	<b>Re-elect Surya N. Mohapatra</b> Independent Non-Executive Director. He is chair of the Nomination Committee and less than 20% of the Board are women which Triodos does not support.	<b>Oppose</b>
<b>1f</b>	<b>Re-elect Jerome A. Peribere</b> Independent Non-Executive Director.	<b>For</b>
<b>2</b>	<b>Appoint the Auditors</b> Deloitte proposed. Non-audit fees represented 6.38% of audit fees during the year under review and 5.10% on a three-year aggregate basis. This level of non-audit fees does not raise serious concerns about the independence of the statutory auditor.	<b>For</b>
<b>3</b>	<b>Advisory Vote on Executive Compensation</b> 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: CCC. For fiscal 2016, annual cash awards were not excessive, with overall pay levels below peer group averages. However, the CEO's maximum opportunity exceeds 200% of his base salary which is not considered best practice. With respect to PSUs, the TSR vesting scale is insufficiently broad to ensure superior awards reflect superior performance as executives may receive payouts for below median performance. Essentially rewarding the executives for performing below average. In addition, 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. Triodos abstain this resolution.	<b>Abstain</b>

#### 4 **Approve an amendment to the Company's Articles of Incorporation to Allow Shareholders to Amend the By-Laws** **For**

The Company has put forward a resolution requesting shareholders to approve an amendment to the Company's Third Amended and Restated Articles of Incorporation to provide shareholders with the right to amend the Company's By-laws. Currently, the Company's Articles of Incorporation and By-laws provide that only a majority of the Board may amend the Company's By-laws. The Company reached out to shareholders representing approximately 60% of the Company's outstanding shares to obtain feedback on their views regarding the right of shareholders to amend by-laws, engaging in discussions on this topic with shareholders representing more than 20% of the Company's outstanding shares.

No serious governance concerns have been identified. The proposal does not reduce shareholder rights.

Triodos supports this resolution.

---

## **SUPPORTING INFORMATION FOR RESOLUTIONS**

### **Proposal 3 - Advisory Vote on Executive Compensation**

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

**Disclosure: C-** Annual cash incentives are based on revenue, operating income and working capital. The Company granted long-term incentives in the form of performance share units (PSUs), time-based restricted stock units (RSUs) and stock options. PSUs are based on three-year absolute return on invested capital (ROIC) metric (25%) and three-year relative total shareholder return TSR metric (25%). Specific targets are disclosed.

**Balance: C-** For fiscal 2016, annual cash awards were not excessive, with overall pay levels below peer group averages. However, the CEO's maximum opportunity exceeds 200% of his base salary which is not considered best practice. With respect to PSUs, the TSR vesting scale is insufficiently broad to ensure superior awards reflect superior performance as executives may receive payouts for below median performance. Essentially rewarding the executives for performing below average. In addition, 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.

**Contract: C-** The Company has adopted double-trigger vesting upon a change of control for severance plans and Long-Term Incentive Plan (LTIP) awards.

**For Private Circulation only**

©Copyright 2017 PIRC Ltd

Researcher: Irene Tsopanoglou  
Email: [pircresearch@pirc.co.uk](mailto:pircresearch@pirc.co.uk)

Information is believed to be correct but cannot be guaranteed. Opinions and recommendations constitute our judgement as of this date and are subject to change without notice. The document is not intended as an offer, solicitation or advice to buy or sell securities. Clients of Pensions & Investment Research Consultants Ltd may have a position or engage in transaction in any of the securities mentioned.



Pensions & Investment Research Consultants Limited  
8th Floor, Suite 8.02, Exchange Tower  
2 Harbour Exchange Square  
E14 9GE

Tel: 020 7247 2323  
Fax: 020 7247 2457  
<http://www.pirc.co.uk>

**Regulated by the Financial Conduct Authority**