


MEETING DATE	Wed, 13 May 2020 11:00 am	TYPE	AGM	ISSUE DATE	Tue, 12 May 2020
MEETING LOCATION	Virtual Meeting: www.virtualshareholdermeeting.com/XYL2020				
CURRENT INDICES	S&P500				
SECTOR	Pumps and pumping equipment				

PROPOSALS		ADVICE
1a	Elect Director Jeanne Beliveau-Dunn Independent Non-Executive Director. This director serves as an executive of Claridad LLC and serves on more than one listed company. For this reason there are concerns over the director's potential time commitments. As individual director attendance is not disclosed it is not possible to establish that these concerns are manifest in the directors' attendance record. However, voting against this director would lead to the level of female representation on the board becoming less than 20%. Triodos supports this resolution.	For
1b	Elect Director Patrick K. Decker Chief Executive.	For
1c	Elect Director Robert F. Friel Independent Non-Executive Director.	For
1d	Elect Director Jorge M. Gomez Independent Non-Executive Director.	For
1e	Elect Director Victoria D. Harker Independent Non-Executive Director.	For
1f	Elect Director Sten E. Jakobsson Independent Non-Executive Director.	For
1g	Elect Director Steven R. Loranger Non-Executive Director. Not considered independent as Mr. Loranger served as 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, however, he is also member of the Audit Committee, which as a result is not fully independent. Triodos opposes this resolution.	Oppose
1h	Elect Director Surya N. Mohapatra Non-Executive Director. Not considered independent owing to a tenure of over nine years. Although there is sufficient independent representation on the Board he is also a member of the Remuneration Committee which is not fully independent as a result. Triodos opposes this resolution.	Oppose
1i	Elect Director Jerome A. Peribere Independent Non-Executive Director.	For
1j	Elect Director Markos I. Tambakeras Independent Non-Executive Chair.	For
2	Appoint the Auditors Deloitte proposed. Non-audit fees represented 0.97% of audit fees during the year under review and 0.74% on a three-year aggregate basis. This level of non-audit fees does not raise serious concerns about the independence of the statutory auditor.	For

3 **Advisory Vote on Executive Compensation**

Oppose

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.

Maximum long-term award opportunities are not limited to 200% of base salary, which raises concerns over the potential excessiveness of the remuneration structure. Retention awards make up a significant portion of the long-term incentives and therefore the scheme does not link pay to performance. Performance shares have a three-year performance period, which is a market standard. Potential severance entitlements in a change of control scenario are considered excessive as they exceed three times the base salary. 'Good reason' is not defined appropriately, such that the Remuneration Committee is able to apply discretion when determining the status of a departing executive.

The compensation rating is: ACB.

Triodos opposes this resolution.

4 **Shareholder Resolution: Right to Call Special Meetings** **PIRC's Analysis**

For

The right to call a special shareholder meeting provides shareholders with a way of communicating with the Board and debating and voting on issues with the rest of shareholders which in itself enhances shareholders' rights. The 15% threshold recommended by the Proponent is considered acceptable. Support is recommended.

SUPPORTING INFORMATION FOR RESOLUTIONS

Proposal 3 - Advisory Vote on Executive Compensation

Disclosure: A - The Company has failed to provide the fees it paid the Compensation Consultants. The disclosure of these fees is encouraged in the interests of greater transparency. The peer groups used for the purpose of pay comparison have been fully disclosed by the Company. The grant of performance awards was based on the achievement of set levels of specific performance targets. The performance-based long term incentive is subject to quantified performance targets.

Balance: C - Executive compensation is aligned with peer group averages. In addition, executive compensation is aligned with companies of a similar market cap. The Company uses adjusted performance metrics for most elements of compensation. The use of non-GAAP metrics prevents shareholders from being able to assess fully whether the performance targets are sufficiently challenging. The Company included non-financial metrics into the annual bonus structure, which is considered best practice. The annual incentive award made during the year under review is not considered to be overly excessive as it amounts to less than 200% of base salary. Awards under the annual-incentive plans are tied to multiple performance conditions, which is considered best practice. Performance measures attached to long-term incentives do not duplicate those attached to other awards, which is considered acceptable practice. Maximum long-term award opportunities are not limited to 200% of base salary, which raises concerns over the potential excessiveness of the remuneration structure. Retention awards make up a significant portion of the long-term incentives and therefore the scheme does not link pay to performance. Performance shares have a three-year performance period, which is a market standard. However, a five-year performance period is considered best practice.

Contract: B - Potential severance entitlements in a change of control scenario are considered excessive as they exceed three times the base salary. Change-in-control payments are subject to double-trigger provisions. 'Good reason' is not defined appropriately, such that the Remuneration Committee is able to apply discretion when determining the status of a departing executive. Equity awards are subject to pro-rata vesting, which is line with best practice. The claw-back policy is considered appropriate as it applies to short- and long-term incentives, and is not limited to cases of financial misstatement.

Proposal 4 - Shareholder Resolution: Right to Call Special Meetings **Proponent's Argument**

Resolved, Shareowners ask our board to take the steps necessary (unilaterally if possible) to amend our bylaws and each appropriate governing document to give holders in the aggregate of 15% of our outstanding common stock the power to call a special shareowner meeting (or the standard closest to 15% permitted by state law). This proposal does not

impact our board's current power to call a special meeting. Xylem shareholders permanently lack the right to act by written consent. This proposal topic won more than 70%-support at Edwards Lifesciences and SunEdison in 2013. A shareholder right to call a special meeting and to act by written consent are 2 complimentary ways to bring an important matter to the attention of both management and shareholders outside the annual meeting cycle. More than 100 Fortune 500 companies provide for shareholders to call a special meeting and to act by written consent. We have no right to act by written consent - hence the greater need to expand the right to call a special meeting at Xylem Inc. Unfortunately our top management decided relatively recently to incorporate in the shareholder unfriendly state of Indiana. Indiana does not allow shareholders to act by written consent unless every single one of our 180 million shares agree - which is a sad joke of a right under Indiana law. Thus we need this most shareholder friendly version of a shareholder right to call a special meeting to help make up for this downsizing of shareholder rights. The 2019 management statement next to the 2019 version of this proposal said, "We continue to view direct shareholder engagement as critical to our Company's success." Apparently this so called "shareholder engagement" did not predict the strong support that the 2019 edition of this proposal received - 41% - which represents a near majority from the Xylem shareholders who had access to independent proxy voting advice. Shareholders can ask their brokerage firms to make such important proxy voting advice available to their clients as a valuable service. Apparently the so-called Xylem "shareholder engagement" did not predict that Victoria Harker, the chair of the Xylem Audit Committee, would be rejected by 17-times as many shares as each of 5 other Xylem directors.

Company's Argument

We adopted a right to call special meetings that reflects a balanced approach to enhancing shareholder rights and protecting the interests of all shareholders. Currently, holders of 25% or more of our common stock have the right to call a special meeting, pursuant to a Company proposal adopted by shareholders representing more than 80% of our outstanding shares at our 2014 annual meeting. Prior to the adoption of this right in 2014, the Company reached out to its 25 largest shareholders, engaging in discussions on this topic with 17 shareholders. Since then, we have continued to regularly engage with our largest shareholders to discuss our governance profile and special meeting rights, including conversations with 16 shareholders representing more than 45% of our outstanding shares in 2018. In 2019, we reached out to more than 30 of our largest shareholders on this topic, engaging with 11 shareholders representing more than 30% of our outstanding shares. These shareholders generally continue to support a 25% ownership threshold. Taking the 2019 shareholder vote on the proponent's special meeting proposal and the results of our January 2020 shareholder outreach into consideration, our Board continues to believe that the Company's 25% threshold to call a special meeting provides shareholders with assurance that a reasonable number of shareholders consider a matter important enough to warrant a special meeting. We believe this threshold remains right for Xylem and our shareholders, particularly given our concentrated shareholder base. Preparing for, and holding, a special meeting is time-consuming and expensive. The 25% threshold helps avoid waste of Company and shareholder resources on addressing narrow or special interests. Our shareholders can be assured that their right to be apprised of, and vote on significant matters is protected not only by their existing right to call special meetings, but also by state law and other regulations. Since it was spun off from its former parent in 2011, Xylem has been incorporated in Indiana, which requires that major corporate actions, such as a merger or a sale of all or substantially all of Xylem's assets, be approved by its shareholders. Xylem is also listed on the NYSE, which requires, among other things, that listed companies obtain shareholder approval for issuances of equity representing more than 20% of an issuer's voting power as well as equity compensation plans and significant issuances of equity to related parties.

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