Impact Report

Company Name:	Xylem Inc.
Ticker:	NYSE: XYL
Sector:	Industrials
Industry:	Machinery
Year of Review:	2025

Impact Business Model	Impact Centred
Impact Assessment Score*	76%

*Scoring methodology in Appendix

Executive Summary

Xylem Inc. is assessed as a High Conviction impact investment within the Biodiversity Preservation theme, specifically the Water Treatment and Conservation sub-theme. As one of the world's three largest water technology companies, with more than $9 billion in FY 2025 revenue and operations across 150+ countries, Xylem's intentionality is unambiguous: the entirety of its revenue is derived from solutions that move, treat, measure, and manage water and wastewater. Intentionality is further established by the company's ability to demonstrate that its products and services have led to significant emissions avoided and water conserved - enabling customers to avoid 8.10 million metric tonnes of CO2e and treat 22.33 billion cubic metres of water for reuse since 2019. The Impact Thesis maps cleanly to the Theory of Change: inputs of skilled labour, R&D capital, and responsibly sourced materials feed a comprehensive range of manufacturing and service activities, producing outputs - pumps, treatment systems, smart meters, digital platforms, and maintenance services - that generate measurable, enduring outcomes for utilities, communities, and the natural environment. The Theory of Change alignment is assessed as High, and the company's intentionality, materiality, additionality, and measurability are all rated High.

The quality and quantity of Xylem's intended impact is assessed as High across the Five Dimensions of Impact. The 'What' is fundamental - clean water access, reduced pollution, and lower carbon emissions from water infrastructure - and aligns with SDGs 6, 13, 9, and 11. The 'Who' spans hundreds of millions of people globally, with disproportionate benefit to underserved communities in LMICs. 'How Much' is substantial in scale (22+ billion m^3 of water reused cumulatively), deep (multi-decade infrastructure improvements), and durable (product lifespans of 10–30 years). The counterfactual analysis supports a positive contribution judgment: Xylem's proprietary technology and market leadership create genuine additionality that would not be replicated by alternative providers, and investor engagement further strengthens impact ambition and disclosure quality. The principal impact risk is the concentration of downstream Scope 3 emissions in energy-intensive product use-phase, which is partially dependent on global grid decarbonisation - a systemic challenge managed through product efficiency investment and advocacy.

Impact risk is rated Low overall. Evidence risk, alignment risk, drop-off risk, execution risk, and endurance risk are all Low, reflecting the strength of Xylem's governance, track record, and deeply integrated impact business model. Unexpected impact risk and external risk are Medium, reflecting supply chain complexity and the grid decarbonisation dependency. Mitigants are robust: SBTi-validated targets, Board-level sustainability oversight, sustainability-linked compensation, CDP A List disclosure, EcoVadis Silver (93rd percentile), ISS ESG Prime (Decile Rank 1), comprehensive supplier due diligence, and an annual pay equity process with no systemic disparities identified. Negative impact is rated Low; no violations of minimum social safeguards have been identified, health and safety performance is improving (TRIR 0.44 in FY 2025), and all 21 major manufacturing facilities achieved zero waste to landfill.

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Impact delivery in FY 2025 was strong, with all four Customer Sustainability Goals exceeded, a 16% reduction in Scope 1 and 2 GHG emissions from the 2023 baseline (on track toward the 2030 SBTi target of 42%), 92% of electricity from renewable sources (up 12 percentage points), 3.7 million additional people reached through WASH programmes (20 million cumulative since 2019, achieving the 2025 goal), and CDP Climate Change A List status. Non-financial disclosure is rated Excellent: Xylem publishes detailed, independently audited sustainability data aligned to GRI, ESRS, SASB, and TCFD, with full accounting methodologies and multi-year trend data. For an impact investment fund targeting Biodiversity Preservation and Water Treatment and Conservation, Xylem is a benchmark-quality holding combining financial strength, market leadership, and measurable, scaled, enduring impact.

Overall Impact Investment Case

Xylem Inc. presents one of the most compelling impact investment cases within the water technology sector globally. The company's entire business model is oriented around solving the most critical water management challenges of the 21st century: water scarcity, water quality, infrastructure resilience, and the decarbonisation of water and wastewater systems. Impact is not incidental to Xylem's commercial success - it is the mechanism by which commercial success is generated. Every pump sold, every smart meter installed, every treatment plant optimised directly contributes to the company's environmental and social mission.

The scale of cumulative impact delivered since 2019 - 22+ billion m³ of water reused, 13+ billion m³ of polluted water prevented, 4.3+ billion m³ of non-revenue water reduced, 8+ million tonnes of CO2e avoided in customer operations - is genuinely transformative and exceeds original targets by substantial margins. Impact delivery is measurable, consistently improving, and verified against robust external standards (SBTi, CDP, GRI, ESRS). The company's risk profile is Low overall, with well-managed governance, strong operational execution, and a deeply embedded alignment between revenue generation and impact delivery.

The primary limitation - Xylem's very large Scope 3 Category 11 footprint (nearly 60 million tonnes CO2e from the use of sold products in FY 2025) - reflects both the scale of Xylem's operations and the fundamental challenge of decarbonising electricity-powered water infrastructure in a grid that is still predominantly fossil-based. This is a systemic challenge rather than a company-specific failure, and Xylem is actively working to address it through product efficiency improvements, digital optimisation, and advocacy for grid decarbonisation. The investor can constructively engage on the pace and ambition of Scope 3 Category 11 reduction strategies.

For an impact investment fund with a Biodiversity Preservation theme and Water Treatment and Conservation sub-theme, Xylem represents a highly suitable, high-conviction holding: large-cap liquidity, strong financial performance (>$9 billion revenue, Fortune 500), market leadership, robust impact governance, and demonstrable, measurable impact at global scale.

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1. Impact Thesis

1.1 - Impact Thesis

Xylem Inc. sits squarely within the Biodiversity Preservation theme of the fund's impact classification framework, and most precisely within the Water Treatment and Conservation sub-theme. The company is a leading global water technology company generating more than $9 billion in annual revenue (FY 2025) from the design, manufacture, and servicing of solutions that move, treat, test, and manage water across the entire water cycle.

Intentionality is established on two independent grounds. First, substantially more than 50% of Xylem's revenue is directly linked to the Water Treatment and Conservation sub-theme: the company's four reportable segments - Water Infrastructure, Applied Water, Measurement and Control Solutions, and Water Solutions and Services - are each devoted entirely to the transport, treatment, measurement, and optimisation of water and wastewater systems. No meaningful revenue stream sits outside the water sector. Second, Xylem's products and operating approach lead to significant water savings and emissions avoided. In FY 2025, Xylem's solutions enabled customers to reuse 22.33 billion cubic metres of water (cumulative since 2019), prevent 13.05 billion cubic metres of polluted water from entering communities, reduce 4.32 billion cubic metres of non-revenue water, and avoid 8.10 million metric tonnes of CO2e emissions since 2019.

The company's stated purpose - 'to empower our customers and communities to build a more water-secure world' - is fully aligned with the Water Treatment and Conservation sub-theme, and there is clear and demonstrable intentionality to solve one of the world's most urgent resource challenges. Xylem's impact classification is unambiguous.

2. Theory of Change

2.1 - Overview

The specific problem targeted by this investment is global water insecurity: the inadequate availability, quality, and management of freshwater resources for human communities, industry, and ecosystems. Water stress is intensifying because of population growth, urbanisation, agricultural demand, industrial expansion, ageing infrastructure, and the accelerating effects of climate change. Today, 2.2 billion people globally lack access to safely managed drinking water, 3.5 billion lack adequate sanitation, and water utilities worldwide lose an estimated 20–30% of treated water to leaks - so-called non-revenue water. The energy consumption of water and wastewater utilities alone contributes approximately 2% of global greenhouse gas emissions, and water-related activities more broadly account for around 10%. Water scarcity and inadequate sanitation impose severe burdens on public health, economic productivity, biodiversity, and social equity, disproportionately affecting low-income countries and communities.

The primary beneficiaries of solutions to this problem are the municipalities, utilities, and industrial water users in approximately 150 countries that operate and rely on water and wastewater infrastructure. Beyond institutional customers, the ultimate beneficiaries are the billions of individuals who depend on clean drinking water, adequate sanitation, and resilient water supplies for their health and livelihoods. Specific groups that benefit disproportionately include populations in water-stressed regions of Asia, Africa, the Middle East, and Latin America; communities in low-income countries with ageing infrastructure; rural populations without piped water access; and industrial workers and nearby communities exposed to contaminated water sources. The 20 million people Xylem has directly reached through its Watermark programme (2019–2025) disproportionately represent the bottom of the global economic pyramid.

Xylem contributes to addressing these problems through a comprehensive portfolio of products, services, and digital solutions spanning the full water lifecycle. Its pump, treatment, analytics, and smart metering technologies enable utilities and industries to reduce water losses, improve treatment efficiency, reuse water, and cut energy consumption. Globally, Xylem is a top-three water technology company by revenue, with approximately $9 billion in FY 2025 revenue and operations in more than 150 countries, giving it an outsized role in shaping how water infrastructure is managed and upgraded worldwide.

The investor contributes to this change through patient, long-term equity ownership in Xylem; active engagement with management on sustainability strategy, KPI target-setting, and disclosure quality; and alignment of portfolio construction decisions with the quality and trajectory of Xylem's impact outcomes. Engagement efforts focus on further strengthening Xylem's science-based emissions targets, improving Scope 3 Category 11 disclosures, and pressing for more granular WASH beneficiary data. Patient holding periods allow Xylem's long-duration infrastructure projects and product lifecycle improvements to fully realise their impact.

Non-financial KPIs that play a material role in investment decisions include: volume of water enabled for reuse (billion m^3), volume of polluted water prevented from entering waterways (billion m^3), volume of non-revenue water reduced (billion m^3), CO2e emissions avoided through customer solutions (million tonnes), Scope 1 and 2 GHG emissions (market-based), Scope 3 economic intensity, total injury frequency rate (TRIR), women in leadership (%), and number of people reached through WASH programmes.

2.2 - Inputs

Xylem deploys significant human capital across its global workforce of approximately 22,000 employees, comprising engineers, scientists, field service technicians, data scientists, and sustainability professionals. The company invested more than $226 million in research and development in FY 2025, reflecting continued commitment to product innovation in pump efficiency, digital water management, and treatment technology. Manufacturing operations span facilities in Europe, North America, Latin America, Asia, and the Middle East, consuming approximately 493,532 MWh of total energy in FY 2025. Raw materials include metals (steel, brass, copper, aluminium), electronic components, polymers, and rare earth minerals for specialised equipment.

Responsible sourcing is governed by Xylem's Business Partner and Supplier Partner Code of Conduct, which explicitly requires suppliers to comply with applicable labour, environmental, and human rights standards. The company is a signatory to the United Nations Global Compact and the CEO Water Mandate, and expressly commits to the UN Guiding Principles on Business and Human Rights and the OECD Due Diligence Guidance for Responsible Business Conduct. Its Human Rights Statement (March 2025) explicitly references these principles and establishes commitments on child labour, forced labour, non-discrimination, freedom of association, fair wages, and safe working conditions. Supplier risk is assessed annually through EcoVadis ratings - at year-end 2024, suppliers with active EcoVadis scorecards represented 42% of global spend. The Conflict Minerals Policy Statement, aligned to the OECD five-step framework, governs responsible sourcing of tin, tantalum, tungsten, and gold from conflict-affected regions. In 2024, three on-site audits were conducted under Xylem's Sustainability Risk Mitigation process for high-risk suppliers.

2.3 - Activities

Xylem's activities span the complete arc from strategic planning and R&D to final product deployment and ongoing service. In the planning and design phase, the company's engineers apply life cycle assessment (LCA) methodology (aligned with ISO 14040 and ISO 14044) and a Design for Sustainability framework to ensure environmental performance is embedded at the earliest stages of product development. In FY 2025, expanded LCAs and Product Sustainability Reports were completed for the Flygt 4600 mixer, Grindex 8100 dewatering pump, Concertor 6030, Steady & Lowara 1300 series pumps, and Sensus 640 water meters.

In procurement, Xylem sources motors, fabricated parts, castings, electronic components, and raw commodities through a globally diversified supply base, screened against sustainability and human rights criteria. Manufacturing takes place at 67 manufacturing sites globally, supported by 350 sales and service locations. Products include pumps and pumping systems (Flygt, Goulds Water Technology, Lowara), water and wastewater treatment systems (Wedeco, Sanitaire, Leopold), analytical instruments and sensors (YSI, OI Analytical), smart metering and grid intelligence (Sensus, ARIO), digital water management platforms (Xylem Vue, Insite), and dewatering equipment (Godwin). The Water Solutions and Services segment provides long-term operations and maintenance agreements, preventive maintenance programmes, and managed services for utility customers.

Marketing activities emphasise measurable customer outcomes - energy savings, water savings, CO2e reductions - positioning Xylem's products as net-zero enablers. The 'Race to Zero' campaign, product emissions disclosures (Environmental Product Declarations verified by NSF International), and participation in UN COP water pavilions form part of thought leadership activity aimed at accelerating sector-wide decarbonisation.

2.4 - Outputs

Xylem's primary outputs are its products and services: pumping systems that move water and wastewater efficiently through distribution networks; water and wastewater treatment systems that remove contaminants, pathogens, and pollutants; smart metering and digital solutions that detect leaks and optimise system performance; analytical instruments that monitor water quality in real time; and service contracts that maintain system performance over multi-decade product lifecycles. Key examples include Flygt submersible pumps for wastewater collection, Wedeco UV disinfection systems for water reuse applications, Sensus smart water meters for demand management, and ARIO digital platforms for utility optimisation.

By-products and waste outputs from Xylem's manufacturing operations include solid waste, volatile organic compound (VOC) emissions (75.9 metric tonnes in FY 2025), and wastewater from production processes. The company reports total waste generated in operations under Scope 3 Category 5. In FY 2025, Xylem achieved zero waste to landfill from all 21 major facilities, reflecting the application of circular economy principles in manufacturing. The most significant indirect by-product of Xylem's sold products is downstream electricity consumption during end-user operation (Scope 3 Category 11), which in FY 2025 amounted to approximately 59.97 million metric tonnes of CO2e - equivalent to more than 96% of Xylem's total value chain emissions. This represents both the largest impact risk and the greatest opportunity for decarbonisation in Xylem's business model.

2.5 - Outcomes for Beneficiaries

The primary beneficiaries are the utility customers, municipalities, and industrial water users that operate Xylem's technology, and the communities and ecosystems that depend on reliable, safe, affordable water services. Secondary beneficiaries include the approximately 22,000 Xylem employees, and the populations in underserved communities reached through the Watermark programme.

Short-term outcomes (0–3 years) include reduced water losses at utility customers through smart metering and leak detection; improved water and wastewater treatment quality through advanced disinfection and filtration technology; reduced energy consumption and associated GHG emissions at customer facilities through more efficient pumping and process equipment; and improved working conditions and safety (TRIR of 0.44 in FY 2025, a 15% reduction year-on-year).

Medium-term outcomes (3–10 years) include material reductions in pollutant discharges to waterways; increased water reuse rates in water-scarce regions; reduced risk of waterborne disease for communities served by upgraded infrastructure; and measurable progress towards net-zero water utility operations enabled by Xylem's technology roadmap. Since 2019, customers have cumulatively prevented 13.05 billion m³ of polluted water from entering waterways and reused 22.33 billion m³ of water.

Long-term outcomes (10+ years) include systemic improvement in global water security through infrastructure modernisation; significant contributions to climate change mitigation via the decarbonisation of the water sector (targeting avoidance of 2.8 million metric tonnes of CO2e annually by 2030 in customer operations); healthier aquatic ecosystems through reduced nutrient and pollutant loading; and resilient communities with improved access to clean water and sanitation, particularly in water-stressed developing regions. The 2030 goal of improving water security for 80 million people through WASH access represents the long-term human development outcome.

2.6 - Impact Generated

The impact generated by Xylem is systemic and positive, operating at global scale through the acceleration of sustainable water management and the decarbonisation of the water sector. The intended impact is the long-term improvement in the condition of the natural environment through reduced water pollution, improved water quality, and more efficient water use; and improvements in human wellbeing through access to clean drinking water, sanitation, and reduced waterborne disease.

The impact is both positive and intended. In FY 2025 alone, Xylem's solutions contributed an incremental 1.67 million metric tonnes of CO2e reductions in customer operations, 4.18 billion m³ of water enabled for reuse, 2.31 billion m³ of polluted water prevented from entering waterways, and 0.61 billion m³ of non-revenue water reduced. Since 2019, cumulative customer impact amounts to more than 8 million metric tonnes of CO2e avoided, 22+ billion m³ of water reused, 13+ billion m³ of polluted water prevented, and 4.3+ billion m³ of non-revenue water reduced.

Unintended negative impacts include the substantial electricity consumption associated with the use of sold products (Scope 3 Category 11: approximately 59.97 million metric tonnes CO2e in FY 2025), the environmental footprint of Xylem's own manufacturing operations, and supply chain social risks in sourcing regions with weaker labour protections. These are acknowledged, measured, and subject to active management through science-based targets and supply chain due diligence.

2.7 - Theory of Change Summary

Xylem addresses global water insecurity by providing the technological infrastructure that enables utilities and industries worldwide to conserve, treat, reuse, and manage water more effectively. Inputs of skilled human capital, R&D investment, and responsibly sourced materials feed activities spanning design, manufacturing, and services across 150 countries. Outputs include a diverse product and solutions portfolio covering pumping, treatment, smart metering, analytics, and digital management. Outcomes for beneficiary utilities, communities, and ecosystems include reduced water loss, improved water quality, lower GHG emissions, and greater access to safe water. Long-term systemic impact targets the decarbonisation of the global water sector and the improvement of water security for hundreds of millions of people, particularly in underserved regions.

2.8 - Theory of Change Alignment

Theory of Change Alignment Rating	**HIGH**

Does this investment clearly contribute to the intended impact? YES. Xylem's entire business model is constructed around water treatment, conservation, and management solutions. Revenue is 100% linked to the Water Treatment and Conservation sub-theme. Every product sold and service delivered directly addresses the water insecurity problem identified in the Theory of Change. The contribution is direct, measurable, and quantified through comprehensive KPI reporting.

Does the range of activities performed by the company map well with the Theory of Change? YES. Xylem's activities - spanning R&D, design, manufacturing, marketing, service, and community investment - map comprehensively to the Inputs, Activities, Outputs, Outcomes, and Impact components of the Theory of Change. The company's sustainability strategy explicitly links capital allocation, operational decisions, and product innovation to the delivery of the intended impact outcomes.

2.9 - Intentionality Assessment

Intentionality Rating	**HIGH**

Xylem demonstrates clear and significant intent to contribute to positive social and environmental outcomes. The company's stated corporate purpose ('to empower our customers and communities to build a more water-secure world') is inseparable from its commercial strategy. Sustainability goals are embedded in executive compensation, with the Leadership Development and Compensation Committee directly linking remuneration to progress against sustainability KPIs. Xylem has set 2030 science-based targets validated by SBTi, signed the UN Global Compact and CEO Water Mandate, and committed to net-zero by 2050. The company's 2025 Sustainability Report provides granular, independently reviewed impact data across all four customer sustainability goals. The intentionality is hardwired into the business model rather than being a peripheral CSR activity.

2.10 - Materiality Assessment

Materiality Rating	**HIGH**

The outcomes delivered by Xylem are material and significant for its beneficiaries. The scale of impact - 22+ billion m³ of water reused, 13+ billion m³ of polluted water prevented, 4.3+ billion m³ of non-revenue water reduced, 8+ million tonnes of CO2e avoided since 2019 - represents changes of immense practical consequence for the environment and for the communities and industries that depend on reliable water services. The health, economic, and environmental consequences of waterborne disease, water scarcity, and untreated sewage discharge are well documented and among the most material global sustainability challenges. Xylem's solutions address these challenges at scale and in markets where the marginal benefit of intervention is high.

2.11 - Additionality Assessment

Additionality Rating	**HIGH**

Xylem provides strong additionality to the intended impact. The company's proprietary technology - from its Flygt advanced pumping systems to Sensus smart metering and Xylem Vue digital platform - delivers efficiency improvements that are specifically attributable to Xylem's R&D investment and engineering expertise. The four 2025 Customer Sustainability Goals have been independently tracked since 2019, with all four exceeded: non-revenue water reduction (4.32 billion m³ vs. 3.5 billion m³ target), water reuse (22.33 billion m³ vs. 13 billion m³ target), polluted water prevented (13.05 billion m³ vs. 7 billion m³ target), and CO2e footprint reduction (8.10 million tonnes vs. 2.8 million tonnes target). These outcomes are directly attributable to the installation and operation of Xylem's products at customer sites, tracked through a defined methodology

that links product specifications (power consumption, runtime, service life) to measurable environmental outcomes. Achievement of targets that significantly exceed original goals provides strong evidence that the impact is attributable to Xylem's activities rather than coincidental to external factors such as regulatory change or general market trends.

2.12 - Measurability Assessment

Measurability Rating	**HIGH**

Xylem provides a high standard of measurable impact data. The 2025 Sustainability Report discloses comprehensive performance data across all four customer sustainability dimensions, with detailed accounting principles, methodology notes, and multi-year comparatives. GHG emissions data is reported across Scopes 1, 2, and all material Scope 3 categories, with science-based targets validated by SBTi. Key environmental data is collected from 417 global sites. The report is prepared in accordance with GRI Standards, ESRS (European Sustainability Reporting Standards), SASB, TCFD, and UN Global Compact reporting principles. Certain data - notably the Scope 3 Category 11 figures - required a restatement in the prior year to correct for inaccuracies in product power assumptions, which demonstrates methodological rigour and willingness to correct errors. Minor gaps exist in the disclosure of WASH beneficiary data at the individual programme level, and 2030 goals for product lifecycle disclosures do not yet report.

3. Five Dimensions of Impact

3.1 - What

Xylem contributes to positive social and environmental outcomes through the provision of technology and services that enable the efficient, safe, and sustainable management of water resources across the full water cycle. The outcomes include: reduced loss of treated drinking water (non-revenue water reduction); prevention of pollutant and pathogen discharge into communities and natural waterways; treatment of water for reuse in industrial, agricultural, and municipal applications; and reduction of the energy intensity - and thus the carbon footprint - of water and wastewater systems globally.

These outcomes are unambiguously positive. They are of critical importance to customers (cost and operational efficiency), employees (job security in a growth sector), the natural environment (reduced pollution and water withdrawals), communities (public health, water security), and supply chain entities (long-term demand visibility for responsible suppliers).

Outcome Level: Customers using Xylem's products experience measurable reductions in energy consumption, water losses, and pollutant discharges, as well as increases in the volume of water treated for safe reuse.

Outcome Threshold: Outcomes are deemed positive where they demonstrably reduce non-revenue water below utility benchmark levels, prevent treated effluent from causing ecological damage, and reduce per-unit energy consumption below industry averages.

Importance to Stakeholders: Access to clean water and adequate sanitation is recognised as a human right by the United Nations. For the 2.2 billion people lacking safely managed drinking water and the 3.5 billion without adequate sanitation, improvements in water infrastructure are transformative. For utilities and municipalities, Xylem's solutions reduce operational costs and regulatory compliance risk. For the natural environment,

reduced pollution loading to waterways and improved water efficiency directly support biodiversity and ecosystem health.

Key SDG Alignments: SDG 6 (Clean Water and Sanitation); SDG 13 (Climate Action); SDG 9 (Industry, Innovation and Infrastructure); SDG 11 (Sustainable Cities and Communities).

3.2 - Who

The primary stakeholders experiencing the social and environmental outcomes are: (1) approximately 150 countries' worth of utility, municipal, and industrial water customers who operate Xylem's installed base; (2) the communities - including billions of individuals globally - who depend on water services provided by these customers; and (3) the natural environment, particularly freshwater ecosystems and coastal waters that receive discharge from wastewater systems.

The degree to which different stakeholders are underserved varies considerably. Utility customers in high-income OECD countries have access to adequate water services but benefit from efficiency and decarbonisation improvements. Customers and communities in low- and middle-income countries (LMICs) - where water infrastructure is often ageing, underfunded, or absent - experience the most severe underservice and therefore benefit most from Xylem's interventions. Through the Watermark programme, Xylem reached 3.7 million people in 2025 alone, with a cumulative total of 20 million people since 2019, primarily in underserved communities across South and Southeast Asia, Sub-Saharan Africa, and Latin America.

Not all stakeholders experience the same change. Utility customers in water-abundant, well-funded OECD markets experience primarily efficiency and decarbonisation improvements. Communities in water-stressed or LMIC regions experience more fundamental improvements in health, access, and security. Aquatic ecosystems experience reduced pollution loading and lower water extraction pressure.

Baseline Outcome: Prior to Xylem's intervention, many utility customers operated inefficient networks losing 20–30% of water to leakage, disposed of treated wastewater with limited reuse, and powered pumping systems with no energy optimisation. Communities in LMICs lacked access to safe water and sanitation. The baseline is characterised by inefficiency, waste, pollution, and inequitable access.

3.3 - How Much

Scale: Xylem's products and solutions are installed in more than 150 countries, serving utilities and industries responsible for water services to hundreds of millions of people. The cumulative customer impact since 2019 (22.33 billion m^3 reused; 13.05 billion m^3 of polluted water prevented; 4.32 billion m^3 of non-revenue water reduced; 8.10 million tonnes CO_2e avoided) represents substantial scale. In FY 2025 alone, 3.7 million people were reached through WASH programmes.

Depth: The degree of change for customers and communities is material. A utility reducing non-revenue water by even a few percentage points can recover tens of millions of litres of treated water annually, reducing energy waste and deferring capital expenditure on new supply. Communities gaining access to treated wastewater reuse in water-scarce regions experience fundamental improvements in agricultural and industrial water security. Aquatic ecosystems receiving reduced pollutant loads from improved treatment benefit from measurable biodiversity improvements.

Duration: Xylem's products typically have service lives exceeding 10 years, and preventive maintenance programmes (such as Flygt Service Solutions in Florida) extend operational lifespans to 20+ years in many cases. The beneficial outcomes therefore persist for the full operational life of each installation, and - where infrastructure is upgraded rather than replaced - are essentially permanent. The company's Scope 3 Category 11 methodology explicitly models product lifespan in calculating lifetime emissions, confirming the long-duration nature of impact delivery.

3.4 - Contribution (Counterfactual Analysis)

In the absence of Xylem's activities, the world's water infrastructure would lose access to one of its leading technology providers, slowing the modernisation of water systems and the adoption of energy-efficient and low-carbon solutions. Given Xylem's scale - ranking among the top-three global water technology companies - its market exit or significant reduction in ambition would materially set back the water sector's decarbonisation trajectory.

Xylem's SBTi-validated 2030 targets (42% Scope 1 and 2 absolute reduction; 52% Scope 3 economic intensity reduction) and its 2030 customer impact goals are industry-leading commitments that exert pressure on competitors and supply chain partners. The company's product development in high-efficiency motors, variable-frequency drives, and digital optimisation platforms accelerates the adoption of low-carbon technology across the water sector globally. Without Xylem's continued investment in these capabilities - particularly given that its products' use-phase emissions account for more than 96% of its total value chain carbon footprint - the rate of decarbonisation of water infrastructure globally would slow materially.

As investor, contributing patient, long-term equity capital supports Xylem's continued R&D investment and infrastructure project development, which are capital-intensive and long-duration in nature. Active engagement on disclosure quality and target-setting helps maintain and raise the bar on impact ambition. These contributions are incremental to what the market alone would deliver.

3.5 - Risk

Overall Positive Impact Variation Risk	**MEDIUM**

The likelihood that Xylem's positive impact will be different than expected is assessed as Medium. The company has a strong track record of exceeding its own impact targets (all four 2025 Customer Sustainability Goals were exceeded, in many cases by large margins). However, the concentration of downstream Scope 3 emissions in Category 11 (more than 96% of value chain footprint) means that Xylem's most material decarbonisation lever is largely dependent on the pace of grid decarbonisation globally - a factor external to Xylem's direct control. A small number of large custom pump installations (particularly in China and India) can materially influence reported Category 11 emissions in any given year, creating volatility. Geopolitical disruption, regulatory changes, and slower-than-expected adoption of low-carbon energy in key markets could slow progress toward Scope 3 intensity targets.

Likelihood of Unexpected Negative Impact	**MEDIUM**

The likelihood of unexpected negative impact is Medium, primarily driven by supply chain risks (opaque upstream sourcing of metals and electronic components), the environmental footprint of manufacturing operations, and the risk that large-scale pump installations accelerate water infrastructure expansion in a way that inadvertently increases aggregate water consumption. Xylem mitigates these risks through its Conflict Minerals Policy, supplier EcoVadis assessments, annual EHS audits, and by designing products with energy efficiency and lifecycle sustainability embedded from the start.

3.6 - Five Dimensions Summary

Quality and Quantity of Impact - Overall Rating	**HIGH**

The quality and quantity of Xylem's intended impact is rated High. The company's products address a fundamental and urgent global challenge - water security and the decarbonisation of water infrastructure - at a scale that is genuinely transformative. The breadth and depth of impact data, combined with SBTi-validated targets, independent sustainability ratings (CDP Climate Change A List; ISS ESG Prime, Decile Rank 1; EcoVadis Silver, 93rd percentile), and consistent overperformance against its own sustainability goals, provide strong evidence of both high quality and high quantity of impact. The principal limitation is the indirect nature of Xylem's most material environmental outcome (reduction in Scope 3 Category 11 emissions), which requires grid decarbonisation globally to fully materialise.

4. Impact Risk

4.1 - Evidence Risk

Evidence Risk	LOW

Evidence risk is Low. Xylem publishes a comprehensive annual Sustainability Report prepared in accordance with GRI, ESRS, SASB, and TCFD standards, covering more than 417 global sites. GHG emissions data is independently validated (SBTi for targets; CDP A List for disclosure). Impact KPIs are tracked annually with multi-year trend data, detailed accounting methodologies, and independent assurance on select metrics. The company voluntarily corrected a restatement in Scope 3 Category 11 data in 2024 to reflect improved product-level accuracy, which is a positive indicator of data quality commitment.

4.2 - Stakeholder Participation Risk

Stakeholder Participation Risk	LOW

Stakeholder participation risk is Low. Xylem conducts formal stakeholder engagement processes as the basis for its materiality assessment (most recently in preparation for CSRD compliance), drawing in customers, employees, suppliers, investors, NGOs, and regulators. Customer sustainability goals are explicitly defined in terms of measurable outcomes for the beneficiary communities, not merely activity metrics. Employee engagement is high (81% volunteer participation in 2025; active Works Councils and health and safety committees). The Xylem Integrity Line provides a confidential multilingual channel for employees, suppliers, and customers to report concerns.

4.3 - Efficiency Risk

Efficiency Risk	LOW

Efficiency risk is Low. Xylem's integrated product and services model means that technology is deployed at scale through established utility and industrial customer relationships, with well-defined procurement, installation, and commissioning processes. The company's preventive maintenance agreements reduce unplanned downtime and extend product lifespans, improving resource efficiency. The Design for

Sustainability framework and LCA process ensure that environmental impact is minimised across the full product lifecycle. R&D investment of more than $226 million annually is well-directed toward efficiency-improving innovations (variable-frequency drives, smart metering, digital optimisation).

4.4 - Alignment Risk

Alignment Risk	LOW

Alignment risk is Low. Impact is deeply locked into Xylem's enterprise model. The company's revenue is 100% derived from water technology and services. Sustainability KPIs are directly linked to executive compensation. The 2025 five-year revolving credit facility is tied to performance against sustainability goals, including GHG reduction and customer impact targets. SBTi-approved targets create an external accountability mechanism. The Board's Nominating and Governance Committee oversees sustainability strategy, and the Sustainability Goal Deployment Committee reviews progress against 2025 and 2030 goals. There is no credible scenario in which Xylem could pursue financial success by abandoning its water impact mission.

4.5 - Unexpected Impact Risk

Unexpected Impact Risk	MEDIUM

Unexpected impact risk is Medium. The principal risk of unexpected negative impact arises from: (1) supply chain exposure to conflict minerals and labour rights violations in upstream sourcing of metals and electronic components (mitigated through Conflict Minerals Policy and EcoVadis); (2) the large use-phase carbon footprint of sold products in electricity-intensive regions; (3) the risk that more efficient water distribution systems inadvertently accelerate water demand in water-scarce regions (rebound effect); and (4) cybersecurity risks in smart water infrastructure, which could have public health consequences if critical systems were compromised. These risks are acknowledged and actively managed, but are material given Xylem's global scale of operations.

4.6 - External Risk

External Risk	MEDIUM

External risk is Medium. The pace of grid decarbonisation globally is the most critical external factor, given that Scope 3 Category 11 emissions dominate the value chain footprint. Slower-than-expected transition to renewable energy in key markets (China, India, US) would delay progress on this dimension. Regulatory uncertainty in key markets, infrastructure funding constraints in LMICs, geopolitical disruptions affecting supply chains (particularly rare earth minerals and semiconductors), and macroeconomic slowdowns reducing utility capital expenditure represent additional external risk factors. Partially offsetting these risks, the secular demand trend for water infrastructure investment is strongly positive, driven by regulatory pressure, climate adaptation needs, and global population growth.

4.7 - Drop-off Risk

Drop-off Risk	LOW

Drop-off risk is Low. The impact is embedded in the physical infrastructure of water systems that typically operate for 10–30 years. Xylem's service and maintenance business ensures continued performance and longevity of installed systems. Once a utility upgrades to smart metering or energy-efficient pumping, the benefits persist for the system's operational life. The company's growing services revenue reduces dependency on new product sales cycles. The WASH impact through Watermark is more vulnerable to funding cycles, but this represents a small proportion of overall impact.

4.8 - Execution Risk

Execution Risk	LOW

Execution risk is Low. Xylem has a strong track record of meeting and exceeding its own sustainability targets, with all four 2025 Customer Sustainability Goals achieved. The company has maintained consistent revenue growth, with FY 2025 revenue exceeding $9 billion. There is no evidence of material project delays, cost overruns, or significant impairments in recent financial years. The integration of Evoqua (acquired May 2023) has expanded the company's capabilities and geographic footprint without disrupting sustainability performance. TRIR declined to 0.44 in FY 2025, demonstrating strong operational execution in health and safety.

4.9 - Endurance Risk

Endurance Risk	LOW

Endurance risk is Low. Xylem's commercial model creates strong long-term revenue visibility through multi-year service contracts, preventive maintenance agreements, and the long operational lives of installed water infrastructure. The secular growth trends in global water investment - driven by regulatory requirements, ageing infrastructure replacement, urbanisation, and climate adaptation - provide a durable demand environment. The company's $226 million annual R&D investment and expanding digital solutions portfolio position it well to remain relevant through multiple technology cycles.

4.10 - Overall Impact Risk

Overall Impact Risk Rating	LOW

Overall impact risk is Low. The majority of individual risk dimensions rate as Low, with Unexpected Impact Risk and External Risk rating as Medium. The aggregate risk profile is anchored by strong internal governance (sustainability-linked compensation, SBTi targets, Board-level oversight), comprehensive and transparent impact reporting, deeply embedded alignment between revenue generation and impact delivery, and a strong operational track record. The principal risk concentration - the dependency on grid decarbonisation for Scope 3 Category 11 progress - is a systemic, sector-wide challenge rather than a

company-specific execution failure. Xylem is well-positioned to manage and mitigate this risk through product efficiency improvements and customer engagement.

4.11 - Risk Mitigants

Existing Internal and External Mitigants

Governance: The Nominating and Governance Committee provides Board-level oversight. Executive compensation is linked to sustainability KPIs. The Sustainability Goal Deployment Committee, Sustainability Reporting and Green Finance Committee, and Disclosure Committee provide layered internal accountability. The company's Global Ethics and Compliance Programme, with its Integrity Ambassadors network and anonymous Integrity Line, strengthens governance against conduct risks.

Regulation: Increasingly stringent water quality regulations globally (including the EU Wastewater Directive and US EPA standards) structurally support demand for Xylem's treatment and monitoring technology. SBTi validation of Xylem's 2030 targets creates an external accountability mechanism for climate performance.

Reporting Quality: CDP Climate Change A List, EcoVadis Silver (93rd percentile), ISS ESG Prime (Decile Rank 1), and GRI/ESRS-aligned reporting represent a high standard of non-financial disclosure, reducing the risk of material information asymmetry.

Investor Mitigants

The investor should engage with Xylem's management during and after investment selection to: (1) press for more granular beneficiary data underpinning WASH goals, particularly 2030 targets for the 80 million people goal; (2) encourage accelerated Scope 3 Category 11 disclosure at the product line level to improve attribution; (3) monitor progress against SBTi 2030 targets and the feasibility assessment of the 2050 net-zero ambition (due in 2026); and (4) engage on supply chain due diligence quality, particularly for LMIC-based suppliers.

Portfolio-Level Mitigants

Xylem's concentration in the Water Treatment and Conservation sub-theme should be balanced at portfolio level with exposure to other impact themes (Climate Change Mitigation, Healthcare, Financial Inclusion) to diversify both impact delivery and financial risk. Within the Biodiversity Preservation theme, exposure to Resource Efficiency and Recycling/Circular Economy companies would complement Xylem's water-specific impact.

4.12 - Negative Impact Rating

Potential Negative Impact Rating	**LOW**

The potential negative social and environmental impact associated with Xylem is rated Low. The company's products are designed primarily to reduce environmental harm (water pollution, energy waste, water scarcity), and there is no evidence of material environmental damage arising from manufacturing operations. VOC emissions of 75.9 metric tonnes in FY 2025 are modest at the company's scale. The most significant negative impact is the use-phase energy consumption of sold products (Scope 3 Category 11: approximately 59.97 million tonnes CO2e in FY 2025), which is an inherent feature of electrically powered water infrastructure and is subject to active management through efficiency improvements and customer engagement. Health and safety performance is strong (TRIR of 0.44, LTIR of 0.23). No incidents of forced labour, child labour, or modern slavery were identified in operations or supply chains in 2024. No violations of the UN Global Compact principles have been identified in the last three years. The Conflict Minerals programme and supplier audit process mitigate supply chain social risks.

5. Company Reporting and Targets

5.1 - Minimum Social Safeguards

Xylem demonstrates strong compliance with Minimum Social Safeguards. The company is a signatory to the United Nations Global Compact and its CEO Water Mandate, and makes explicit reference in its Human Rights Statement (March 2025) to the UN Guiding Principles on Business and Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work, the Universal Declaration of Human Rights, and the OECD Due Diligence Guidance for Responsible Business Conduct. The Human Rights Statement also references the Women's Empowerment Principles, the International Convention on the Elimination of All Forms of Racial Discrimination, the Convention on the Rights of the Child, and the Charter of Fundamental Rights of the European Union, among others.

Commitments are operationalised through the Code of Conduct (2025 edition), the Business Partner and Supplier Partner Code of Conduct, the Conflict Minerals Policy Statement (OECD five-step framework), the Modern Slavery Statement (April 2025), and annual reporting under the UK Modern Slavery Act (2015), Australian Modern Slavery Act (2018), and Canada's Fighting Against Forced Labour and Child Labour in Supply Chains Act (2023). The 2025 Modern Slavery Statement confirms that no incidents of forced labour or child labour were identified in operations or supply chains during FY 2024. There is no evidence in the publicly available record of any material violation of UN Global Compact principles or UN Guiding Principles within the past three years.

5.2 - Non-Financial Disclosure Rating

Non-Financial Disclosure Rating	**EXCELLENT**

Xylem's non-financial disclosure is rated Excellent. The 2025 Sustainability Report (published April 2026) is prepared in accordance with GRI Standards, ESRS (including ESRS E1, E2, S1, and GOV standards), SASB (RT-IG and other relevant standards), TCFD, and UN Global Compact principles. The report covers 417 sites across more than 150 countries. Comprehensive performance tables with multi-year comparatives (2019, 2023, 2024, 2025) cover GHG emissions (Scopes 1, 2, and all material Scope 3 categories), energy consumption, water usage, waste, biodiversity impacts, employee health and safety, workforce demographics, and community investment. Accounting methodologies are published in full. The company achieved CDP Climate Change A List status in 2025 (its strongest performance since reporting commenced in 2013), holds EcoVadis Silver (93rd percentile), and ISS ESG Prime (Decile Rank 1, Environment Quality Score 1, Social Quality Score 1). The 2030 goals include commitments to begin product lifecycle disclosures in 2026 and to expand environmental product declarations across the portfolio.

5.3 - Emissions Reduction Targets

Xylem has comprehensive, science-based emissions reduction targets validated by the Science Based Targets initiative (SBTi) in December 2024, against a 2023 baseline:

- Scope 1 and 2: 42% absolute reduction by 2030 (market-based). Progress in FY 2025: -16% from 2023 baseline.
- Scope 3: 52% reduction in economic intensity (absolute Scope 3 emissions / gross profit) by 2030. Progress in FY 2025: -15% from 2023 baseline.

- Net-zero ambition: Xylem has set a net-zero ambition for all Scopes by 2050. Feasibility will be assessed in 2026 in the context of evolving technologies and policy landscapes.
- Renewable energy: 92% of electricity sourced from renewable energy in FY 2025, targeting 100% at all 21 major facilities.

All targets are aligned with the 1.5°C scenario. Progress is tracked and reported annually, with trajectory charts published in both the 2025 Sustainability Report and the 2025 Climate Action Plan (updated December 2025). The 2030 customer impact goal also includes a target to enable customers to reduce water's CO2e footprint by at least 2.8 million metric tonnes annually - already exceeded at 8.10 million tonnes (cumulative since 2019) by FY 2025.

6. Impact Delivery

6.1 - Impact KPIs

Key Impact KPIs tracked by Xylem include the following, all of which are disclosed annually with multi-year trend data and targets where stated:

KPI	FY 2025	FY 2024	YoY Change
Water reused (cum. bn m³)	22.33	18.15	+23.0%
Polluted water prevented (cum. bn m³)	13.05	10.74	+21.5%
Non-revenue water reduced (cum. bn m³)	4.32	3.71	+16.4%
CO2e avoided by customers (cum. mn t)	8.10	6.43	+26.0%
Scope 1 + 2 (market-based) (kt CO2e)	79.1	91.5	-13.5%
Scope 3 economic intensity (mtCO2e/$ GP)	0.0179	0.0198	-9.6%
Total injury frequency (TRIR)	0.44	0.52	-15.4%
Women in leadership (%)	29%	27%	+2pp
% electricity from renewables	92%	80%	+12pp
People reached via WASH (mn, cum.)	20.0	16.3	+22.7%

Virtually all impact KPIs are tracking positively year-on-year. The company publishes formal 2025 and 2030 impact targets across all four customer sustainability goal dimensions, with the 2030 goals including science-based targets validated by SBTi. Of the 2025 goals, all four Customer Sustainability Goals were met or exceeded, zero-waste-to-landfill and 100% process water recycling at major facilities were achieved, and the injury frequency goal (0.44 vs. 0.5 target) was surpassed. The minority representation in US leadership (18% vs. 21% target) was the only significant shortfall.

6.2 - Key Impact Delivered in Most Recent Financial Year

In FY 2025 (year ending 31 December 2025), Xylem delivered the following key social and environmental impact:

- 4.18 billion m^3 of water enabled for reuse by customers - a 23% increase on FY 2024.
- 2.31 billion m^3 of polluted water prevented from entering communities and waterways.
- 0.61 billion m^3 of non-revenue water reduced, preserving treated water that would otherwise be lost.
- 1.67 million metric tonnes of CO2e avoided by customers through the use of Xylem's water solutions.
- Scope 1 and 2 GHG emissions (market-based) reduced to 79,127 mtCO2e, a 13.5% reduction vs. FY 2024 and a 16% reduction from the 2023 baseline.
- 92% of electricity sourced from renewable energy (a 12 percentage point increase from FY 2024).
- 3.7 million people reached through WASH access programmes, bringing the cumulative total since 2019 to 20 million.
- Humanitarian aid deployed to 46 disaster-affected areas, achieving the 2025 goal of 200 areas cumulatively since 2019.
- TRIR of 0.44, surpassing the 2025 goal of 0.5 - a 15% reduction vs. FY 2024.
- Zero waste to landfill from all 21 major manufacturing facilities.
- 29% women in leadership, achieving the 2025 goal.
- CDP Climate Change A List - Xylem's highest-ever performance since commencing reporting in 2013.

6.3 - SDG Contribution

Xylem makes meaningful contributions to the following UN Sustainable Development Goals:

- SDG 6 - Clean Water and Sanitation: The core of Xylem's business, enabling clean water access, wastewater treatment, and water reuse globally, with 20 million people reached through WASH programmes since 2019.
- SDG 13 - Climate Action: SBTi-validated 2030 targets, 1.5°C aligned; net-zero ambition for 2050; 8+ million tonnes of CO2e avoided in customer operations since 2019; 92% renewable electricity.
- SDG 9 - Industry, Innovation and Infrastructure: More than $226 million in R&D investment in FY 2025; digital water management platforms accelerating infrastructure modernisation; 100+ years of engineering expertise.
- SDG 11 - Sustainable Cities and Communities: Smart metering and digital solutions improve urban water efficiency; humanitarian aid to 200 disaster-affected communities since 2019; water resilience solutions for municipalities globally.
- SDG 3 - Good Health and Wellbeing: Prevention of 13+ billion m^3 of polluted water from entering communities; advanced disinfection technology reducing pathogen and emerging contaminant risks.
- SDG 17 - Partnerships for the Goals: CEO Water Mandate signatory; UN Global Compact signatory; Race to Zero participant; collaboration with NGOs, governments, and utilities on water access and stewardship.

APPENDIX

Impact Score methodology

The Delta Outcomes Limited Proprietary Impact Score is an average score based on assessing 34 factors across a detailed due diligence framework. The factors cover a detailed analysis of the following:

- Business sustainability and corporate governance
- Impact business model and impact thesis
- Theory of Change
- Quality and quantity of the impact as determined through the Five Dimensions of Impact framework
- Impact risk
- The company's non-financial reporting quality and detail, including stated sustainability targets and current progress towards meeting those targets
- Annual change and progress in key Impact KPIs
- Year-on-year trend analysis in Principal Adverse Impact (PAI) indicators

Each factor is scored as follows:

Positive assessment = +1

Neutral or Negative assessment, or No data available = 0

A total score of >60% indicates a progressive company that delivers tangible social and environmental impact, whilst mitigating any negative impacts that may arise from its business activities.