Sustainable Fitch
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Corporates
Diversified Manufacturing
United States

Xylem Inc.

Second-Party Opinion — Blue and Green Finance Framework

Xylem Inc. is a global water technology company providing products and solutions across the water cycle. The issuer has published a blue and green finance framework. The use of proceeds (UoP) includes projects under water stewardship and access to water, sanitation and hygiene (WASH), and decarbonisation of the water sector. The framework is aligned with the core pillars of the ICMA Green Bond Principles (GBP) 2025.

Excellent | Good ✓ | Aligned | Not Aligned

Pillar	Alignment	Key Drivers
Use of Proceeds	Good	• Sustainable Fitch views the UoP categories as environmentally positive, supporting water stewardship and access to WASH, as well as the decarbonisation of the water sector. • We view Xylem's UoP categories as aligned with the ICMA GBP; the LMA, LSTA and APLMA Green Loan Principles (GLP); and the International Finance Corporation (IFC) Guidelines for Blue Finance.
Use of Proceeds – Other Information	Good	• Clear eligible project descriptions and a defined three-year lookback period is aligned with standard market practice.
Evaluation and Selection	Excellent	• The project evaluation and selection process is clearly defined, with a single-layer control structure, and incorporates input from various team members, including those with sustainability expertise.
Management of Proceeds	Good	• Xylem's management of proceeds is in line with standard market practice, supported by internal register-based tracking of proceeds and temporary investment of unallocated proceeds in its treasury liquidity portfolio, cash or other short-term liquid instruments.
Reporting and Transparency	Excellent	• The framework commits to annual allocation reporting and intends to provide impact reporting in line with market best practice. • Xylem has committed to obtain an external verification on its allocation report, which we view positively.

Relevant UN Sustainable Development Goals

Framework Type	Blue and Green	
Alignment	✓	Green Bond Principles 2025 (ICMA)
	✓	Green Loan Principles 2025 (LMA/LSTA/APLMA)
	✓	Guidelines for Blue Finance (IFC) Version 2.0 2025
Date assigned	18 May 2026	
SPO Methodology		
See Appendix B for definitions.		

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Use of Proceeds Summary – ICMA Categories

Blue	Sustainable water and wastewater management Pollution prevention and control Climate change adaptation Terrestrial and aquatic biodiversity conservation Environmentally sustainable management of living natural resources and land use
Green	Renewable energy Energy efficiency Clean transportation Circular economy adapted products, production technologies

Source: Xylem blue and green finance framework (May 2026)

Framework Highlights

We consider transactions under Xylem's blue and green finance framework to be aligned with the ICMA GBP (2025); the LMA, LSTA and APLMA GLP (2025); and the IFC Guidelines for Blue Finance Version 2.0 (2025).

Xylem issued its green finance framework in June 2020 and issued two bonds in the same year. The new framework expands on the existing framework to include a new theme – decarbonisation of the water sector. In addition, the framework expands the water stewardship and access to WASH category into a blue category and introduces new subcategories including disaster preparation and response, transport and shipping, environmental monitoring, and pollution prevention and control. The framework is based on the four core pillars of the ICMA: UoP, process for project evaluation and selection, management of proceeds, and reporting and transparency.

The framework includes two high-level UoP themes with multiple eligible categories, organised to reflect the company's strategic focus areas: water stewardship and access to WASH, and decarbonisation of the water sector.

Xylem's issuance of bonds under its blue and green finance framework supports its net-zero emissions by 2050 objectives, particularly the decarbonisation of the water sector UoP theme. Xylem's framework expressly excludes any expenditures or investments associated with fossil fuel production and refining, fossil fuel-based power generation, controversial weapons and tobacco.

The proceeds from the bonds will be used to finance new or existing projects that have been funded, acquired or developed within three years from issuance. Xylem will use the proceeds towards capex, opex, R&D costs related to new products and solutions consistent with the activities described in the framework, and equity investments to acquire a controlling stake in pure-play companies, that derive at least 90% of revenue or balance sheet from eligible activities listed in the framework.

The eligible categories under the water stewardship and access to WASH theme by Xylem align with its objectives of water stewardship through high-efficiency pumps, wastewater reuse and leakage control technologies, and contribute to the ICMA's sustainable water and wastewater management category.

Eligible sub-categories in the framework also contribute to the ICMA's climate change adaptation category such as disaster preparation and response and environmental monitoring. Measuring and monitoring solutions offered by Xylem enable users to pre-empt the environmental impacts of climate change such as floods, water scarcity, and unsustainable fishing and aquaculture practices.

The sub-categories of pollution prevention and control, and transport and shipping contribute to the ICMA's pollution prevention and control category as eligible activities prevent release of contaminants or wastewater in water bodies. Certain eligible activities such as ballast water treatment and environmental monitoring also contribute to the ICMA's aquatic biodiversity conservation category.

Eligible sub-categories under the decarbonisation theme contribute to decarbonisation of the water sector. These also contribute to the ICMA's renewable energy, energy efficiency, clean transportation and circular economy adapted products, production technologies categories.

The project evaluation and selection will be managed by the sustainability reporting and sustainable finance committee comprising senior representatives from various teams including sustainability and social impact.

Xylem will provide annual allocation and impact reporting within one year from the issuance for bonds and within one year from the first drawdown in case of loans until the proceeds have been fully allocated or in case of material updates. Xylem will base its impact indicators on the ICMA's Harmonised Framework for Impact Reporting for green bonds and the IFC Guidelines for Blue Finance, on a best-effort basis.

Source: Sustainable Fitch, Xylem blue and green finance framework (May 2026)

Entity Highlights

Xylem Inc. is a US-headquartered global water technology company, with its principal executive offices located in Washington, D.C., and operations across the Americas, EMEA and APAC. The company serves a diversified customer base that includes municipal water and wastewater utilities, industrial users, commercial customers and residential end markets, supporting a broad range of water infrastructure applications.

Sustainability is embedded in Xylem's corporate strategy and is positioned as a driver of long-term value creation and business resilience. The company's sustainability approach is structured around strategic pillars focused on advancing water security, responsible operations and positive social impact.

Xylem has established time-bound sustainability goals addressing water impact, climate performance and social outcomes. These include targets through 2030 and longer-term ambitions extending to 2050, which are used to guide strategy, investment and performance monitoring.

Xylem has articulated a defined decarbonisation pathway towards net-zero emissions by 2050, supported by science-based GHG-reduction targets. The company has set targets through 2030, including a 42% reduction in combined Scopes 1 and 2 market-based emissions compared to a 2019 baseline, and tracks progress through operational and energy-related initiatives.

To support its climate objectives, Xylem is implementing actions such as expanding renewable energy adoption, electrifying its vehicle fleet and improving energy efficiency across global operations. The company also emphasises product innovation and customer engagement as levers to address downstream emissions associated with the use of its technologies.

Xylem has an established enterprise risk management framework designed to identify, assess and manage strategic, operational, financial, compliance and reputational risks. Risk management is an ongoing process, with day-to-day oversight by management and regular review by the board of directors and its committees, integrating risk considerations into corporate strategy and decision-making.

Xylem emphasises workforce health, safety, inclusion and development as part of its sustainability agenda. Through its corporate social responsibility programme, the company also supports community initiatives aimed at expanding access to clean water, sanitation and hygiene, particularly in water-stressed and under-served regions.

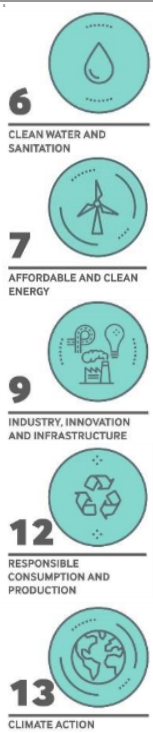
Source: Sustainable Fitch, Xylem 2025 sustainability report

Use of Proceeds – Eligible Projects	Alignment: Good
Company Material	**Sustainable Fitch's View**
Water stewardship and access to WASH	
• Water and wastewater treatment: wastewater treatment and collection technologies, systems, equipment and services within municipal, industrial, agri-business, commercial and/or residential systems; wastewater reuse projects demonstrating a reduction in water use/abstraction or prevent contamination of water bodies, such as: – wastewater pumps and mixers; – filtration, purification, and clarification systems and technologies; – disinfection systems; and – monitoring systems. • Water efficiency: water efficiency technologies, systems, equipment or services that reduce water footprint, optimise and improve water management and leakage control, and enable the recycling and reuse of water, such as: – smart metering; – digital platforms and sensors; – closed-loop filtration; – water leakage detection systems; and – water recycling solutions, etc. • Water supply: water supply technologies, systems, equipment or services for: – sustainable water extraction and supply; and – sustainable desalination plants that do not create carbon lock-in and that protect groundwater depletion and promote the reduction of water abstraction, such as technologies for efficient drinking water supply infrastructure, desalination technologies and services. • Pollution prevention and control: water supply technologies, systems, equipment or services for: – decontamination or remediation of polluted soils, groundwater, surface water and its shores following accidental pollution, or contaminated industrial plants or sites; – material abatement of hazardous substances, mixtures or products; – other specialised pollution-control activities; and – containment operations intended to limit or prevent migration of pollutants, such as removal of forever chemicals and contaminants. • Transport and shipping: maritime environmental technologies and systems for ballast water treatment, pollution prevention, recovery and treatment at ports and terminals to prevent the improper discharge in marine ecosystems and the introduction of invasive species and/or marine growth. Examples of applications include ballast water treatment, bilge water pumping and dry dock drainage. • Environmental monitoring: information systems, technology and instruments deployed for monitoring, measuring, tracking and reporting physical and chemical indicators of a water body to achieve, among others, water-related ecosystem restoration and disaster resilience or sustainable fishery and aquaculture management. Examples of applications include: – systems with drones; – autonomous sailing vessels; – autonomous underwater vehicles; and	• This UoP is in line with the ICMA GBP categories of sustainable water and wastewater management, pollution prevention and control, climate adaptation, terrestrial and aquatic biodiversity conservation, and environmentally sustainable management of living natural resources and land use. • It is also aligned with the IFC's Guidelines for Blue Finance, including categories related to sustainable water and wastewater management, transport and shipping, habitat restoration and protection of coastal, marine and watershed environments, and fisheries and aquaculture. • We view this UoP as having a positive environmental impact as it supports climate change mitigation, natural resource conservation and pollution prevention, and climate adaptation through water and wastewater treatment, water efficiency, water supply, environmental monitoring and maritime pollution prevention technologies. • Investment in these activities is relevant given the resource intensity and growing stress facing the water sector. Water and wastewater systems account for around 4% of global electricity consumption, according to the International Energy Agency. Water utilities in the US can lose up to 30% of treated water due to leaks, and energy costs can represent up to 40% of a municipality's utility expenses. • The global demand for freshwater is projected to exceed supply by 40% by 2030, underscoring the urgency of investing in water infrastructure, efficiency and reuse technologies. • The framework's water efficiency criteria are supported by a measurable threshold: eligible technologies are intended to demonstrate an improvement of at least 10% per unit of service from a documented baseline, where feasible. • We view this threshold positively, as it provides a measurable benchmark for assessing efficiency gains and is also consistent with the IFC Guidelines for Blue Finance. • Technologies such as smart meters and digital monitoring platforms enable utilities to detect and prevent leaks, optimise pressure, reduce water loss and improve operational efficiency, contributing to both environmental protection and climate resilience. • The IFC Guidelines for Blue Finance identify water efficiency technologies and equipment, including sensors and smart water metering, as eligible blue activities where they reduce water footprint. • Xylem contributes to improved water infrastructure through the design and manufacture of high-efficiency pumps, filtration and disinfection systems. These technologies can help utilities and industrial users reduce water loss, improve energy efficiency and enhance system resilience. This is particularly important in the context of ageing infrastructure and climate-related water stress. • Access to safe drinking water remains a global challenge, and sustainable supply infrastructure is important for reducing over-extraction of freshwater sources and supporting long-term water security. While desalination can be energy intensive and may generate concentrated brine discharge if not properly managed, Xylem supplies technologies and systems that support the sustainable management of water and waste in desalination plants. • The IFC Guidelines for Blue Finance include sustainable water supply infrastructure and sustainable desalination

– ocean buoys, among other technologies. • Disaster preparation and response: technologies and systems that strengthen disaster preparation and remediation such as water availability monitoring, strengthening critical water infrastructure, safeguarding water security for communities in water-stressed regions, early warning systems and flood control management such as: – reservoir and groundwater monitoring; – decision intelligence platforms for flood modelling; and – stormwater pumps, portable pumps, etc.	plants as eligible activities, provided they do not create carbon lock-in, apply efficient and low-impact technologies, help protect groundwater depletion and wetlands, promote reduction of abstraction from non-sustainable water sources and avoid hypersaline pollution. • Contamination of water sources poses significant risks to public health and ecosystem integrity. Technologies that enable the removal of persistent pollutants such as per- and polyfluoroalkyl substances support environmental protection and regulatory compliance. Improving water management and reducing pollution in water systems are important for protecting public health and ecosystems. • The project category of transport and shipping has a positive environmental impact as it contributes to pollution prevention and control and to the protection of marine and coastal ecosystems by preventing the release of invasive organisms and harmful substances. • The shipping sector affects the marine environment in multiple ways, including through the transfer of invasive species via ballast water, underwater noise pollution and GHG emissions, among other impacts. Xylem offers various solutions including water treatment, wastewater management, pumping, monitoring, optimisation and digital analytics solutions to manage the environmental impacts of shipping. • Ballast water can be harmful to the environment because it may carry a wide range of marine species from one location to another, including bacteria, microbes, small invertebrates, eggs, cysts and larvae, potentially resulting in serious ecological, economic and public health impacts. • Xylem provides design expertise and product support to ballast water treatment system manufacturers, including ultraviolet (UV) reactor systems and ozone generation equipment. The most common ballast water treatment technologies include UV radiation and electro-chlorination, with Xylem offering both these technologies. • To align with the transport and shipping sub-category of the IFC guidelines, the ballast water treatment must comply with the International Maritime Organization (IMO) International Convention for the control and management of ship's ballast water and sediments (D-2 standards). • If not properly managed and treated, bilge water poses a risk of marine pollution through the discharge of oily residues, fuel and chemicals, causing harm to marine ecosystems. Accumulated or unpumped bilge water can also compromise vessel safety and stability, increasing the risk of sinking and associated pollution incidents. • Xylem manufactures bilge water pumping solutions that enable the safe and efficient collection and transfer of bilge water within vessels, supporting its routing to approved oily water separation systems or shore reception facilities. This activity is aligned with the IFC guidelines as the guidelines do not require alignment with the International Convention for the Prevention of Pollution from Ships requirements for bilge water processing and discharge. • Xylem's dry dock drainage pumps contribute to pollution prevention and control by enabling controlled dewatering and preventing the uncontrolled discharge of contaminated water, which may contain oil residues, sediments and maintenance-related pollutants, into marine and coastal ecosystems, by routing to appropriate treatment systems or shore reception facilities. • The category lists ballast water treatment aligned with the IMO's requirements, bilge water treatment systems and equipment, and solid waste and other receiver facilities at

	port for collection and treatment of garbage and waste as eligible activities. • The sub-category of environmental monitoring has a positive environmental impact as systems and technologies for monitoring water-body-related parameters enable data-driven actions that support climate change mitigation and sustainable management of fisheries and aquaculture. • Climate change has a major impact on the ocean and coastal regions through warming, acidification and sea-level rise resulting in coastal erosion, ocean acidification harming marine life, marine ecosystem damage and saltwater intrusion, among other negative impacts. Marine monitoring systems provide critical information on water quality, flow and level, which help in taking action to manage the negative impacts of climate change on oceans. • Through its measurement and control solutions segment, Xylem produces metering and monitoring devices such as environmental monitoring buoys, which are integrated remote underwater observation systems that measure water temperature, velocity, flow, acidity and turbidity. These devices offer real-time data to support ecosystem management, climate change mitigation, pollution control and biodiversity protection. • Data collected from these devices helps stakeholders make informed decisions, improve risk management and enhance coastal water quality monitoring, modelling and prediction systems, thereby contributing to climate change mitigation. • Monitoring devices contribute marginally to biofouling; however, the products offered by Xylem are equipped with anti-fouling paints and wipers. These systems enable continuous ocean and climate monitoring, early detection of invasive species, and data collection that supports ecosystem protection and climate research. • These devices also measure parameters such as water temperature, dissolved oxygen, pH, salinity, nutrients and algal activity, which are critical for determining fish health. The systems provide continuous monitoring and early warnings for low oxygen, algal blooms and nutrient overloads, helping reduce stock losses, optimise feeding and aeration, and limit pollution and disease in fisheries and aquaculture operations. • This UoP also supports climate change adaptation through technologies and systems that strengthen disaster preparation, critical water infrastructure resilience and flood control management. • The increasing frequency and severity of climate-related extreme weather events, including floods and droughts, heighten the importance of early warning systems, monitoring infrastructure and emergency response capabilities, particularly in water-stressed regions. • Mobile water treatment and bypass pumping during extreme weather events can help reduce untreated discharges and enable water reuse. • The category is also aligned with the IFC's Guidelines for Blue Finance Version 2.0, which include drainage systems, flood management systems and other adaptation and resilience infrastructure that prevent plastics, chemicals or pollutants from reaching water runoff in areas close to a water body. • Proceeds allocated to R&D for developing products and solutions aligned with this category are expected to have a positive environmental impact as long as it strictly leads to the development of products that meet the eligibility criteria. • We deem equity investments for the acquisition of a controlling stake in pure-play entities that derive at least

	90% of revenue from activities eligible under this category to have a positive environmental impact, as the environmental performance of the acquired entity is substantially equivalent to the activities described herein, in our view. • Xylem has clarified that the remaining 10% of revenue would not be directly derived from oil, gas, coal, tobacco or controversial-weapons-related activities, and that any indirect exposure would be immaterial and excluded under the framework following a pro-rata approach. • We view this positively, as it provides additional clarity on the treatment of residual revenue and strengthens assurance that proceeds will not be allocated to excluded activities or sectors associated with significant environmental or social harm.
Decarbonisation of the water sector	
• Renewable energy: installation, maintenance and/or repair of renewable energy technologies and related equipment; procurement of renewable energy, such as solar, wind or hydropower that is either small scale, run of river and/or not exceeding 100gCO_2/kWh. • Energy efficiency: equipment and technology that increases energy efficiency, reduces energy consumption or reduces GHG emissions, or projects that help manage and store energy, such as: – application of LED lighting fixtures; – heating, ventilation and air conditioning (HVAC) optimisation; – building upgrades; – heat recovery systems; and – vacuum distillation. • Clean transportation: procurement, operation and maintenance of dedicated low-carbon transport assets, such as zero-emission vehicles, hybrid-electric vehicles with emissions below the threshold of 50gCO_2/passenger-km and supporting clean transportation infrastructure such as electric charging stations. • Circular economy adapted products, production technologies and processes: projects which reduce and recycle waste recovered from manufacturing or processing to promote the circular economy, such as wood crushing sourcing and diversion of waste from landfills.	• The UoP theme is aligned with the ICMA GBP under the renewable energy; energy efficiency; clean transportation; and circular economy adapted products, production technologies and processes project categories. • Renewable energy supports climate change mitigation by displacing fossil fuel-based power and lowering emissions associated with water and wastewater operations. • Solar and wind are widely recognised in science-based taxonomies as credible mitigation activities and are typically aligned without needing to meet additional technical screening criteria. • The framework's approach to hydropower is more stringent, limiting eligibility to small-scale or run-of-river projects and/or those with life-cycle emissions not exceeding 100gCO_2/kWh, reflecting a best-in-class approach to maintaining low life-cycle emissions. • Energy efficiency is one of the most effective means to support climate change mitigation across the global economy, as it reduces energy demand at the point of use and lowers associated GHG emissions across all sectors. • The International Energy Agency estimates that accelerating energy-efficiency improvements could deliver more than 33% of global CO_2 emissions reductions by 2030 in a pathway aligned with net-zero emissions by 2050. • Eligible projects under Xylem's framework include LED lighting, HVAC optimisation, building upgrades, heat recovery systems and vacuum distillation. These investments target energy-intensive processes and can improve operational efficiency, contributing to reduced energy consumption and associated emissions. • Clean transportation projects support climate change mitigation by reducing reliance on fossil fuel-powered vehicles, lowering tailpipe GHG emissions and improving overall energy efficiency across transport systems. • The International Energy Agency estimates that the transport sector is responsible for around 23% of global energy-related CO_2 emissions, with road transport contributing the majority. • Financing zero-emission vehicles and rolling out charging infrastructure accelerates the shift from internal combustion engine fleets, cutting emissions and reducing oil dependence. • Hybrid-electric vehicles are more fuel-efficient than conventional combustion engine vehicles and, while they still produce tailpipe emissions, Xylem applies a 50gCO_2/passenger-km threshold that is consistent with threshold-based market approaches for low-carbon transport. • The circular economy sub-category supports waste reduction and recycling of materials recovered from manufacturing or



	processing, including wood crushing sourcing and diversion of waste from landfills. • Waste management and disposal contribute to GHG emissions through methane generation in landfills and energy-intensive production of virgin materials. Diverting waste from landfills and promoting the reuse of secondary raw materials reduces these emissions and supports resource conservation.
Source: Xylem blue and green finance framework (May 2026)	Source: Sustainable Fitch

Use of Proceeds – Other Information	Alignment: Good
Company Material	**Sustainable Fitch's View**
• Xylem's projects can be new or existing projects that have been funded, acquired or developed within three years prior to issuance. • Xylem commits to allocate all net proceeds of any blue and/or green financing instruments within 24 months of issuance, on a best-efforts basis. • Expenditures or investments related to fossil fuel production and refining, power generation from fossil fuels, controversial weapons and tobacco are excluded from the scope of this framework. • Eligible types of investments include capex, opex, R&D and equity investments for the acquisition of a controlling stake.	• Xylem's framework indicates that the proceeds can be used to finance or refinance new or existing projects. The framework also commits to disclose the share of financing and refinancing in its allocation reporting, but does not set a pre-defined minimum share of new financing. • We generally view financing directed towards new projects more positively because it can offer greater environmental additionality. • The framework sets a three-year lookback period, which aligns with standard practice. We consider a shorter lookback period to be generally more favourable, as it limits refinancing and enhances additionality. • We view it positively that the framework includes an exclusion list that explicitly defines fossil fuel activities that are ineligible from funding. This is further supported by issuer clarification that direct exposure to tobacco and controversial weapons is absent, and that any indirect exposure would be immaterial and excluded under the framework. These elements provide an additional layer of certainty on the alignment of eligible projects with environmental sustainability objectives. • Allocation of proceeds to capex directly contributes to the manufacture of products that contribute to activities described in this category, and the positive environmental impact associated with them offsets the impact of the manufacturing process. Allocation of proceeds to opex supports the ongoing implementation and operation of activities meeting the eligibility criteria, which may help sustain the associated environmental benefits over time. • The inclusion of R&D is also positive, as the framework allows for the development of new products and solutions that fall within the eligible project categories, which can support future environmental benefits. • We also view equity investments positively, as these are limited to controlling stakes in pure players deriving at least 90% of revenue, or where not applicable, 90% of the balance sheet, from eligible projects; the remaining 10% must be consistent with the framework's exclusion criteria or otherwise excluded on a pro-rata basis.
Source: Xylem blue and green finance framework (May 2026)	Source: Sustainable Fitch

Evaluation and Selection	Alignment: Excellent
Company Material	**Sustainable Fitch's View**
• The sustainability reporting and sustainable finance committee ("the committee") oversees the governance of the blue and green finance framework and the evaluation, selection and monitoring of Xylem's portfolio of eligible projects. The committee is chaired by Xylem's senior director of sustainability and social impact, and comprises senior representatives from treasury, accounting, legal, sustainability and communications. Other representatives of the company may attend as required. • The committee will report to, and be overseen by, Xylem's disclosure committee. The committee will seek to: – identify eligible projects in line with the criteria of this framework; – review and monitor the continuous compliance of eligible projects; – exclude eligible projects that no longer comply with the eligibility criteria or have been postponed, cancelled or divested, and replace them as soon as reasonably practicable, on a best-efforts basis; – monitor the internal processes to identify known material, social and environmental risks and impacts associated with the eligible projects, and appropriate mitigation measures where required; – monitor and approve the annual blue and green financing report processes, external verification and publication; and – review and approve the blue and green finance framework and any changes proposed or made to the framework.	• The project selection and evaluation process is aligned with the ICMA GBP and the LMA, LSTA and APLMA GLP. • Xylem's project selection and evaluation process is clearly defined. The committee has clearly defined responsibilities and the eligibility criteria are robust and well defined in the framework. • The framework identifies cross-functional representation on the committee, which we view positively as it helps ensure that diverse perspectives are incorporated into the decision-making process and that internal debate regarding project eligibility is strengthened. • Including representatives from the sustainability team in the project evaluation process is particularly valuable to help ensure selected projects will align with the company's overall sustainability strategy. • The project evaluation and selection process follows a one-tier structure, as the committee is responsible for evaluation, selection, monitoring and approval-related functions. • This structure aligns with standard market practice. Best practice is to separate the responsibility for the eligibility assessment from the final approval of eligible projects, as this provides additional checks and balances in the process.
Source: Xylem blue and green finance framework (May 2026)	Source: Sustainable Fitch

Management of Proceeds	Alignment: Good
Company Material	**Sustainable Fitch's View**
• Xylem intends to allocate an amount at least equal to the net proceeds from any blue and/or green financing instruments to a portfolio of eligible projects, selected in accordance with the criteria outlined in the framework. The portfolio of eligible projects is tracked via an internal register. • Xylem will strive to allocate an amount at least equal to the net proceeds to eligible projects within 24 months of issuance. Xylem will substitute any projects that are no longer eligible as soon as practical once an appropriate substitution option has been identified, on a best-efforts basis. New eligible projects will be added to the company's portfolio to the extent required. • Pending the full allocation of the net proceeds from any blue and/or green financing instruments, Xylem will hold and/or invest the balance of net proceeds in its treasury liquidity portfolio, or in cash or other short-term and liquid instruments.	• The fund management process is aligned with the ICMA GBP and the LMA, LSTA and APLMA GLP. • Xylem commits to use an internal register to track proceeds raised from its instruments. We consider this process to be in line with standard market practice. • However, having a separate account or vehicle for bond proceeds; using one would be market best practice, as it improves the accountability over the allocation of proceeds and prevents commingling of funds with noneligible projects. • The framework indicates that pending allocation, proceeds may be held and/or invested in Xylem's treasury liquidity portfolio, or in cash or other short-term and liquid instruments. • We view this as standard market practice, although investing proceeds in short-term labelled instruments is best practice for managing unallocated proceeds. This can help maximise the positive environmental impact throughout the instrument's term. • Positively, the committee will exclude projects that no longer meet the eligibility criteria, which meets market best practice and provides additional assurance to investors that proceeds will continue to deliver a positive environmental impact.
Source: Xylem blue and green finance framework (May 2026)	Source: Sustainable Fitch

Reporting and Transparency	Alignment: Excellent
Company Material	**Sustainable Fitch's View**
• Xylem will report the allocation of the net proceeds and the impact of the portfolio of eligible projects within one year from the issuance date in the case of bonds and within one year from first drawdown in the case of loans; in both cases annually until the proceeds have been fully allocated, and as necessary in the event of material developments. • Xylem intends to report the allocation of the eligible projects at least at the category level, and to provide information on: – the total amount of investments and expenditures in the eligible project portfolio, including a split by type of investments; – the aggregated amount allocated to the eligible projects at category level; – the regional distribution of eligible projects, if applicable; – the balance of any unallocated proceeds; and – the share of financing and refinancing. • Xylem intends to report on relevant environmental impact indicators, and will include information on the methodology and assumptions used to evaluate such environmental impacts. Xylem intends to follow the recommendations outlined in the ICMA Handbook – Harmonised Framework for Impact Reporting Green Bonds (June 2024) and the IFC Guidelines for Blue Finance, on a best-efforts basis.	• The reporting process is aligned with the ICMA GBP and the LMA, LSTA and APLMA GLP. • Xylem committed to report the allocation and impact of net proceeds annually until the full allocation of proceeds. We view positively the company's commitment to continue reporting in the event of material developments, as this provides an additional level of transparency and is aligned with market best practice. • The framework includes a commitment to reporting the allocation and impact of net proceeds, based on an aggregated approach for each of the UoP categories and not on a project-by-project basis. • Providing detailed allocation reporting at the project level would provide comprehensive transparency regarding the UoP and the effect of projects on environmental matters. This level of disclosure would provide investors with critical insights into the tangible impacts of eligible projects, enabling them to make more informed decisions based on the specific sustainability outcomes achieved. • We positively view Xylem's selected impact indicators. Example metrics are specifically measurable and aligned with recognised international market standards, namely the recommendations of the ICMA Handbook – Harmonised Framework for Impact Reporting from June 2024 and the IFC Guidelines for Blue Finance, which we view as consistent with market best practice. • Xylem will obtain external verification of its allocation reporting. We positively view this commitment, as it provides an additional layer of assurance on its post-issuance reporting. However, an external verification scope that includes impact reporting would provide further credibility on the disclosed information.
Source: Xylem blue and green finance framework (May 2026)	Source: Sustainable Fitch

Relevant UN Sustainable Development Goals

- **6.1:** By 2030, achieve universal and equitable access to safe and affordable drinking water for all.
- **6.3:** By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally.
- **6.4:** By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity.

- **7.2:** By 2030, increase substantially the share of renewable energy in the global energy mix.
- **7.3:** By 2030, double the global rate of improvement in energy efficiency.

- **9.4:** By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities.

- **11.5:** By 2030, significantly reduce the number of deaths and the number of people affected and substantially decrease the direct economic losses relative to global gross domestic product caused by disasters, including water-related disasters, with a focus on protecting the poor and people in vulnerable situations.

- **12.5:** By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.

- **13.1:** Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries.
- **13.2:** Integrate climate change measures into national policies, strategies and planning.

- **14.1:** By 2025, prevent and significantly reduce marine pollution of all kinds, in particular from land-based activities, including marine debris and nutrient pollution.

- **15.1:** By 2020, ensure the conservation, restoration and sustainable use of terrestrial and inland freshwater ecosystems and their services, in particular forests, wetlands, mountains and drylands, in line with obligations under international agreements.
- **15.8:** By 2020, introduce measures to prevent the introduction and significantly reduce the impact of invasive alien species on land and water ecosystems and control or eradicate the priority species.

Source: Sustainable Fitch, UN

Appendix A: Principles and Guidelines

Type of Instrument: Blue and Green

Four Pillars	
1) Use of Proceeds (UoP)	Yes
2) Project Evaluation & Selection	Yes
3) Management of Proceeds	Yes
4) Reporting	Yes

Independent External Review Provider	
Second-party opinion	Yes
Verification	Yes
Certification	No
Scoring/Rating	No
Other	n.a.

1) Use of Proceeds (UoP)	
Renewable energy	Yes
Energy efficiency	Yes
Pollution prevention and control	Yes
Environmentally sustainable management of living natural resources and land use	Yes
Terrestrial and aquatic biodiversity conservation	Yes
Clean transportation	Yes
Sustainable water and wastewater management	Yes
Climate change adaptation	Yes
Certified eco-efficient and/or circular economy adapted products, production technologies and processes	Yes
Green buildings	No
Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBP	No
Other	n.a.

2) Project Evaluation and Selection	
Evaluation and Selection	
Credentials on the issuer's social and green objectives	Yes
Documented process to determine that projects fit within defined categories	Yes
Defined and transparent criteria for projects eligible for sustainability instrument proceeds	Yes
Documented process to identify and manage potential ESG risks associated with the project	Yes
Summary criteria for project evaluation and selection publicly available	Yes
Other	n.a.

Evaluation and Selection, Responsibility and Accountability	
Evaluation and selection criteria subject to external advice or verification	No
In-house assessment	Yes
Other	n.a.

3) Management of Proceeds	
Tracking of Proceeds	
Sustainability instrument proceeds segregated or tracked by the issuer in an appropriate manner	Yes
Disclosure of intended types of temporary investment instruments for unallocated proceeds	Yes
Other	n.a.

Type of Instrument: Blue and Green

Additional Disclosure	
Allocations to future investments only	No
Allocations to both existing and future investments	Yes
Allocation to individual disbursements	No
Allocation to a portfolio of disbursements	Yes
Disclosure of portfolio balance of unallocated proceeds	Yes
Other	n.a.

4) Reporting

UoP Reporting	
Project-by-project	No
On a project portfolio basis	Yes
Linkage to individual instrument(s)	Yes
Other	n.a.

UoP Reporting/Information Reported	
Allocated amounts	Yes
Sustainability instrument-financed share of total investment	No
Other	n.a.

UoP Reporting/Frequency	
Annual	Yes
Semi-annual	No
Other	n.a.

Impact Reporting	
Project-by-project	No
On a project portfolio basis	Yes
Linkage to individual instrument(s)	No
Other	n.a.

Impact Reporting/Information Reported (exp. ex-post)	
GHG emissions/savings	Yes
Energy savings	Yes
Decrease in water use	Yes
Other ESG indicators	Wastewater treated (m^3); sustainable or certified products produced (#); number of beneficiaries; stormwater treated (m^3); area with monitoring systems (km); number of low-carbon vehicles procured (#); materials that can be recycled at end-of-life (%); water recycled or reused (%); waste collected, reused, recycled and/or diverted from landfills (tons or pounds); vessels with systems that include

Type of Instrument: Blue and Green

	biodiversity-protection technology (#).
Impact Reporting/Frequency	
Annual	Yes
Semi-annual	No
Other	n.a.
Means of Disclosure	
Information published in financial report	No
Information published in ad hoc documents	Yes
Information published in sustainability report	No
Reporting reviewed	Yes
Other	n.a.

Note: n.a. – not applicable.
Source: Sustainable Fitch, ICMA, LMA, LSTA and APLMA

Appendix B: Definitions

Term	Definition
Debt types	
Green	Proceeds will be used for green projects and/or environmental-related activities as identified in the instrument documents. The instrument may be aligned with ICMA Green Bond Principles or other principles, guidelines or taxonomies.
Social	Proceeds will be used for social projects and/or social-related activities as identified in the instrument documents. The instrument may be aligned with ICMA Social Bond Principles or other principles, guidelines or taxonomies.
Sustainability	Proceeds will be used for a mix of green and social projects and/or environmental and social-related activities as identified in the instrument documents. The instrument may be aligned with ICMA Sustainability Bond Guidelines or other principles, guidelines, taxonomies.
Sustainability-linked	Financial and/or structural features are linked to the achievement of pre-defined sustainability objectives. Such features may be aligned with ICMA Sustainability-linked Bond Principles or other principles, guidelines or taxonomies. The instrument is often referred to as an SLB (sustainability-linked bond) or SLL (sustainability-linked loan).
Blue	Proceeds will be used for blue projects as identified in the instrument documents. The instrument may be aligned with the IFC Guidelines for Blue Finance, the ICMA Bonds to Finance the Sustainable Blue Economy: A Practitioner's Guide, or other relevant principles, guidelines or taxonomies.
Conventional	Proceeds are not destined for any green, social or sustainability project or activity, and the financial or structural features are not linked to any sustainability objective.
Other	Any other type of financing instrument or a combination of the above instruments.
Standards	
ICMA	International Capital Market Association. In the Second-Party Opinion we refer to alignment with ICMA's Bond Principles: a series of principles and guidelines for green, social, sustainability and sustainability-linked bonds, as well as relevant guidance for blue finance.
LMA, LSTA and APLMA	Loan Market Association (LMA), Loan Syndications and Trading Association (LSTA) and Asia Pacific Loan Market Association (APLMA). In the Second-Party Opinion we refer to alignment with Sustainable Finance Loan Principles: a series of principles and guidelines for green, social and sustainability-linked loans.
IFC	International Finance Corporation. In the Second-Party Opinion we refer to alignment with the IFC's Guidelines for Blue Finance: a set of guidelines for financing activities that support sustainable water management, marine and coastal resources, and related blue economy activities.
EU Green Bond Standard	A set of voluntary standards created by the EU to "enhance the effectiveness, transparency, accountability, comparability and credibility of the green bond market".

Source: Sustainable Fitch, ICMA, UN, EC Platform on Sustainable Finance

SOLICITATION STATUS

The Second-Party Opinion was solicited and assigned or maintained by Sustainable Fitch at the request of the entity.