



## Audit Committee Charter

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### I. Purpose

The Audit Committee (the "Committee") of the Board of Directors (the "Board") of Xylem Inc. (the "Company") has been appointed to:

- A. Assist with Board oversight of: (i) the integrity of the Company's financial statements; (ii) the Company's compliance with legal and regulatory requirements; (iii) the qualifications, performance and independence of the independent auditor; and (iv) the performance of the Company's internal audit function.
- B. Prepare the Audit Committee report required by the Securities and Exchange Commission (the "SEC") to be included in the Company's annual proxy statement.

While the Committee has the responsibilities and powers set forth in this Charter, the Company's management, including internal audit, and the independent auditor have fundamental responsibility for the Company's financial statements and related disclosures.

### II. Responsibilities

#### Financial Statements, Internal Controls & Disclosure Matters

- A. Review and discuss with management and the independent auditor the Company's annual audited financial statements, including the specific disclosures under Management's Discussion and Analysis of Financial Condition and Results of Operations, and recommend to the Board whether the audited financial statements should be included in the Company's Annual Report on Form 10-K.
- B. Review and discuss with management and the independent auditor the Company's quarterly financial statements prior to the filing of its Form 10-Q, including the specific disclosures under Management's Discussion and Analysis of Financial Condition and Results of Operations and the results of the independent auditor's review of the quarterly financial statements.
- C. Review and discuss with management and the independent auditor significant financial reporting issues and judgments made in connection with the

preparation of the Company's financial statements, including any significant changes to the Company's selection or application of accounting principles.

- D. Review and discuss with management, the internal auditor and the independent auditor the adequacy, quality and effectiveness of the Company's internal controls, including any special audit steps adopted in light of material control deficiencies and the adequacy of disclosures about changes in internal control over financial reporting.
- E. Receive reports from the Chief Executive Officer, Chief Financial Officer and the Company's Disclosure Committee Representative on the status of the Company's disclosure controls and their effectiveness and related certifications, including disclosure of any significant deficiencies in the design or operation of internal controls or material weaknesses therein and any fraud that involves management or other employees with a significant role in the Company's internal controls.
- F. Review and discuss regular reports from the independent auditor on: (i) all critical accounting policies and practices to be used; (ii) all alternative treatments of financial information within U.S. GAAP that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditor; and (iii) other material written communications between the independent auditor and management, such as any management letter or schedule of unadjusted differences.
- G. Review analysis prepared by management and/or the independent auditor regarding significant financial reporting issues and judgments made in preparing the financial statements, including the analyses of the effects of non-GAAP methods on the financial statements.
- H. Review and discuss with management the Company's earnings press releases (paying particular attention to the use of any "pro forma" or "adjusted" non-GAAP information), as well as financial information and earnings guidance provided to analysts and rating agencies. The Committee's discussion in this regard may be general in nature (i.e., discussion of the types of information to be disclosed and the type of presentation to be made) and need not take place in advance of each earnings release or each instance in which the Company may provide earnings guidance.
- I. Review and discuss with management and the independent auditor the effect of regulatory and accounting initiatives, as well as of off-balance sheet structures on the Company's financial statements.
- J. Review and discuss with the independent auditor the matters required to be discussed by Statement on Auditing Standards No. 114 relating to the conduct of the audit, including any difficulties encountered in the course of the audit work; any restrictions on the scope of activities or access to requested information; and any significant disagreements with management.

#### Oversight of the Independent Auditor

- A. The Committee has sole authority to appoint (which appointment may be presented to shareholders for ratification), compensate, retain, oversee, evaluate, and when appropriate, replace the independent auditor engaged for the purpose of preparing or issuing an audit report or performing other audit, review and attest services. The independent auditor will report directly to the Committee.
- B. Pre-approve all audit, review, attest and permissible non-audit services to be provided to the Company by the independent auditor. The Committee may establish pre-approval policies and procedures in compliance with applicable SEC rules.
- C. Obtain and review a report from the independent auditor at least annually regarding: (i) the independent auditor's internal quality control procedures; (ii) any material issues raised by the auditor's most recent quality control review or peer review or by any inquiry or investigation by governmental or professional authorities within the preceding five years regarding the firm's independent audits of other clients; and (iii) any steps taken to deal with such issues. The Committee will review and evaluate the qualifications, performance and independence of the independent auditor and the lead audit partner. As part of this review, the Committee will consider whether the independent auditor's quality controls are adequate and the provision of permitted non-audit services is compatible with maintaining the auditor's independence, taking into account the opinions of management and internal audit.
- D. At least annually, review and discuss with the independent auditor the independent auditor's written communications to the Committee regarding the relationships between the auditor and the Company that, in the auditor's professional judgment, may reasonably be thought to bear on its independence. Discuss with the independent auditor any disclosed relationships or services that may impact their objectivity and independence, and take any other appropriate action to oversee their independence.
- E. Ensure the rotation of the independent auditor's audit partners as required by law, and periodically consider the rotation of the independent auditor.
- F. Establish policies for the Company's hiring of employees or former employees of the independent auditor.

#### Oversight of the Company's Internal Audit Function

- A. Review the performance and approve the appointment, reassignment or dismissal of the Company's head internal auditor.
- B. Review, and discuss with management, as appropriate, the performance and adequacy of the Company's internal audit function.
- C. Discuss with the independent auditor and management the internal audit

department's responsibilities, budget and staffing.

- D. Review the scope of audits to be performed by the internal audit function and monitor progress. Review and discuss with internal audit the results of audits and other control matters determined by the head internal auditor to warrant the Committee's attention.

#### Finance Responsibilities

- A. Review and recommend to the Board, as appropriate, capital expenditures >\$25M, and annually review performance, as appropriate.
- B. Annually review the Company's capital structure, liquidity, ratings, debt covenant compliance and leverage targets.

#### Risk Oversight Responsibilities

- A. Review the Business Ethics and Anticorruption Program and the implementation and effectiveness of the Company's Code of Conduct, including, in alignment with the Audit Committee Complaint Escalation Procedure, timely review of any actual or alleged violations or waivers of such Code, the Foreign Corrupt Practices Act and other governmental, regulatory or legal obligations, or non-compliance with financial reporting and accounting policies and procedures.
- B. Establish procedures for (i) the receipt, retention, treatment and appropriate escalation to the Audit Committee of complaints received by the Company regarding accounting, financial reporting, internal accounting controls or auditing matters and (ii) the confidential, anonymous submission by Company employees of concerns regarding questionable accounting and auditing matters.
- C. Discuss and provide oversight with respect to the Company's risk assessment and risk management processes and policies. Discuss with management the Company's major financial risk exposures and the steps management has taken to assess, monitor, mitigate and control such exposures, to the extent not otherwise performed or delegated by the Board.
- D. Discuss and provide oversight with respect to risks assigned from time to time by the Board to the Committee regarding cybersecurity, including with respect to controls and reporting, product safety and such other matters at the direction of the Board.
- E. Discuss with management any pending legal matters which may have a material impact on the Company's financial statements or the Company's compliance policies and internal controls.
- F. Review material related party transactions.
- G. Review expenses of Section 16 Officers and Directors.

- G. Review and approve the Company's decision to enter into swaps and other derivatives transactions that are exempt from exchange-execution and clearing under "end-user exception" regulations established by the Commodity Futures Trading Commission; and approve and annually review the Company's policies governing the use of swaps and other derivatives transactions subject to the end-user exception.
- H. Review the Company's overall tax strategy.

#### Reports, Performance Evaluation & Charter

- A. Report regularly to the Board on its activities, including matters coming to its attention which may have a significant impact on the financial condition or affairs of the Company, including the quality and integrity of the Company's financial statements, the Company's compliance with legal or regulatory requirements, the performance and independence of the Company's independent auditor and performance of the internal audit function.
- B. Prepare the report of the Audit Committee required by the SEC to be included in the Company's annual proxy statement.
- C. Review and assess the Committee's performance on an annual basis.
- D. Review its Charter at least annually and make recommendations to the Board for approval and adoption of the Charter, including any additions, deletions or modifications, as may be deemed appropriate.

### III. Membership and Organization

- A. The Committee shall be composed of no fewer than three members, each of whom must be determined by the Board of Directors to be independent directors under the rules of the New York Stock Exchange and Rule 10A-3(b)(1) of the Securities Exchange Act of 1934, as amended.
- B. Each member of the Committee shall have a working familiarity with basic finance and accounting practices (be financially literate), or acquire such familiarity within a reasonable period of time after appointment to the Committee. At least one member of the Committee shall be an "audit committee financial expert" as defined by Section 407 of the Sarbanes-Oxley Act of 2002, as amended.
- C. The members of the Committee shall be designated by the Board annually and shall serve until such member's successor is duly designated or until such member's earlier resignation or removal. Any member of the Committee may be removed from the Committee, with or without cause, by a majority vote of the Board.
- D. No member of the Committee will simultaneously serve on the audit committee of more than two other public companies, unless the Board determines, and

discloses in the Company's annual proxy statement, that such simultaneous service would not impair the ability of the director to serve effectively on the Committee.

- E. The Chairperson of the Committee shall be designated by the Board. The Board will consider the rotation of the Chairperson on a periodic basis.
- F. The Chairperson of the Committee shall be responsible for scheduling all meetings of the Committee and providing the Committee with a written agenda for each meeting. The Chairperson shall preside at meetings of the Committee.
- G. The Secretary or Assistant Secretary of the Company shall be the Secretary of the Committee unless the Committee designates otherwise.
- H. The Committee shall meet as often as may be deemed necessary or appropriate, but no fewer than four times annually. The Committee shall periodically meet separately with each of management, the independent auditor and the internal auditor, and have such other direct and independent interaction with such persons from time to time as the members deem appropriate. The Committee shall periodically meet in executive session absent management.
- I. The Committee may delegate authority to act on specific matters within determined parameters to a subcommittee consistent with the delegation of such powers to the Committee by the Board.
- J. In discharging its oversight role, the Committee may investigate any matter brought to its attention with full access to all books, records, facilities and personnel of the Company. The Committee has the authority to retain independent legal, accounting or other advisors as it deems necessary to carry out its duties. The Company shall provide, as determined by the Committee, for payment of compensation to any advisors employed by the Committee.