

Form 5500 Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Annual Return/Report of Employee Benefit Plan This form is required to be filed for employee benefit plans under sections 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and sections 6057(b) and 6058(a) of the Internal Revenue Code (the Code). ▶ Complete all entries in accordance with the instructions to the Form 5500.	OMB Nos. 1210-0110 1210-0089 2016 This Form is Open to Public Inspection
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Part I	Annual Report Identification Information		
For calendar plan year 2016 or fiscal plan year beginning <u>01/01/2016</u> and ending <u>12/31/2016</u>			
A	This return/report is for:	☐ a multiemployer plan ☐ a multiple-employer plan (Filers checking this box must attach a list of participating employer information in accordance with the form instructions.) ☒ a single-employer plan ☐ a DFE (specify) _____	
B	This return/report is:	☐ the first return/report ☐ the final return/report ☐ an amended return/report ☐ a short plan year return/report (less than 12 months)	
C	If the plan is a collectively-bargained plan, check here. ☒		
D	Check box if filing under:	☒ Form 5558 ☐ automatic extension ☐ the DFVC program ☐ special extension (enter description)	

Part II	Basic Plan Information —enter all requested information		
1a	Name of plan <u>XYLEM STANDARD XCHANGE SAVINGS PLAN FOR HOURLY EMPLOYEES</u>	1b	Three-digit plan number (PN) ▶ <u>226</u>
		1c	Effective date of plan <u>04/01/1997</u>
2a	Plan sponsor's name (employer, if for a single-employer plan) Mailing address (include room, apt., suite no. and street, or P.O. Box) City or town, state or province, country, and ZIP or foreign postal code (if foreign, see instructions) <u>XYLEM INC.</u> <u>1 INTERNATIONAL DRIVE</u> <u>RYE BROOK, NY 10573</u>	2b	Employer Identification Number (EIN) <u>45-2080495</u>
		2c	Plan Sponsor's telephone number <u>914-323-5700</u>
		2d	Business code (see instructions) <u>333900</u>

Caution: A penalty for the late or incomplete filing of this return/report will be assessed unless reasonable cause is established.

Under penalties of perjury and other penalties set forth in the instructions, I declare that I have examined this return/report, including accompanying schedules, statements and attachments, as well as the electronic version of this return/report, and to the best of my knowledge and belief, it is true, correct, and complete.

SIGN HERE	Filed with authorized/valid electronic signature.	10/12/2017	CHRISTOPHER LOGAN
	Signature of plan administrator	Date	Enter name of individual signing as plan administrator
SIGN HERE			
	Signature of employer/plan sponsor	Date	Enter name of individual signing as employer or plan sponsor
SIGN HERE			
	Signature of DFE	Date	Enter name of individual signing as DFE
Preparer's name (including firm name, if applicable) and address (include room or suite number)			Preparer's telephone number

3a Plan administrator's name and address ☐ Same as Plan Sponsor ADMINISTRATION COMMITTEE FOR XYLEM STANDARD RETIREMENT PLANS 1 INTERNATIONAL DRIVE RYE BROOK, NY 10573	3b Administrator's EIN 47-4483668 3c Administrator's telephone number 914-323-5700
4 If the name and/or EIN of the plan sponsor has changed since the last return/report filed for this plan, enter the name, EIN and the plan number from the last return/report: a Sponsor's name	4b EIN 4c PN
5 Total number of participants at the beginning of the plan year	5 123
6 Number of participants as of the end of the plan year unless otherwise stated (welfare plans complete only lines 6a(1) , 6a(2) , 6b , 6c , and 6d). a(1) Total number of active participants at the beginning of the plan year..... a(2) Total number of active participants at the end of the plan year b Retired or separated participants receiving benefits..... c Other retired or separated participants entitled to future benefits d Subtotal. Add lines 6a(2) , 6b , and 6c e Deceased participants whose beneficiaries are receiving or are entitled to receive benefits. f Total. Add lines 6d and 6e g Number of participants with account balances as of the end of the plan year (only defined contribution plans complete this item) h Number of participants that terminated employment during the plan year with accrued benefits that were less than 100% vested	6a(1) 104 6a(2) 144 6b 0 6c 20 6d 164 6e 0 6f 164 6g 114 6h 0
7 Enter the total number of employers obligated to contribute to the plan (only multiemployer plans complete this item).....	7
8a If the plan provides pension benefits, enter the applicable pension feature codes from the List of Plan Characteristics Codes in the instructions: 2E 2F 2G 2J 2K 2T 3H b If the plan provides welfare benefits, enter the applicable welfare feature codes from the List of Plan Characteristics Codes in the instructions:	

9a Plan funding arrangement (check all that apply) (1) ☐ Insurance (2) ☐ Code section 412(e)(3) insurance contracts (3) ☒ Trust (4) ☐ General assets of the sponsor	9b Plan benefit arrangement (check all that apply) (1) ☐ Insurance (2) ☐ Code section 412(e)(3) insurance contracts (3) ☒ Trust (4) ☐ General assets of the sponsor
10 Check all applicable boxes in 10a and 10b to indicate which schedules are attached, and, where indicated, enter the number attached. (See instructions)	
a Pension Schedules (1) ☒ R (Retirement Plan Information) (2) ☐ MB (Multiemployer Defined Benefit Plan and Certain Money Purchase Plan Actuarial Information) - signed by the plan actuary (3) ☐ SB (Single-Employer Defined Benefit Plan Actuarial Information) - signed by the plan actuary	b General Schedules (1) ☒ H (Financial Information) (2) ☐ I (Financial Information – Small Plan) (3) ☐ A (Insurance Information) (4) ☐ C (Service Provider Information) (5) ☒ D (DFE/Participating Plan Information) (6) ☐ G (Financial Transaction Schedules)

Part III Form M-1 Compliance Information (to be completed by welfare benefit plans)

11a If the plan provides welfare benefits, was the plan subject to the Form M-1 filing requirements during the plan year? (See instructions and 29 CFR 2520.101-2.) ☐ Yes ☐ No

If "Yes" is checked, complete lines 11b and 11c.

11b Is the plan currently in compliance with the Form M-1 filing requirements? (See instructions and 29 CFR 2520.101-2.) ☐ Yes ☐ No

11c Enter the Receipt Confirmation Code for the 2016 Form M-1 annual report. If the plan was not required to file the 2016 Form M-1 annual report, enter the Receipt Confirmation Code for the most recent Form M-1 that was required to be filed under the Form M-1 filing requirements. (Failure to enter a valid Receipt Confirmation Code will subject the Form 5500 filing to rejection as incomplete.)

Receipt Confirmation Code _____

SCHEDULE D (Form 5500) <small>Department of the Treasury Internal Revenue Service</small> <small>Department of Labor Employee Benefits Security Administration</small>	DFE/Participating Plan Information This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA). ► File as an attachment to Form 5500.	OMB No. 1210-0110 <div style="text-align: center; font-size: 1.2em; font-weight: bold;">2016</div> This Form is Open to Public Inspection.
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For calendar plan year 2016 or fiscal plan year beginning 01/01/2016 and ending 12/31/2016

A Name of plan <u>XYLEM STANDARD XCHANGE SAVINGS PLAN FOR HOURLY EMPLOYEES</u>	B Three-digit plan number (PN) ► <u>226</u>
C Plan or DFE sponsor's name as shown on line 2a of Form 5500 <u>XYLEM INC.</u>	D Employer Identification Number (EIN) <u>45-2080495</u>

Part I	Information on interests in MTIAs, CCTs, PSAs, and 103-12 IEs (to be completed by plans and DFEs) (Complete as many entries as needed to report all interests in DFEs)
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a Name of MTIA, CCT, PSA, or 103-12 IE: XYLEM INC. RET. SAV. MASTER TRUST

b Name of sponsor of entity listed in (a): XYLEM INC.

c EIN-PN <u>45-3304527-301</u>	d Entity code <u>M</u>	e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions) <u>6183025</u>
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a Name of MTIA, CCT, PSA, or 103-12 IE:

b Name of sponsor of entity listed in (a):

c EIN-PN	d Entity code	e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)
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a Name of MTIA, CCT, PSA, or 103-12 IE:

b Name of sponsor of entity listed in (a):

c EIN-PN	d Entity code	e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)
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a Name of MTIA, CCT, PSA, or 103-12 IE:

b Name of sponsor of entity listed in (a):

c EIN-PN	d Entity code	e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)
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a Name of MTIA, CCT, PSA, or 103-12 IE:

b Name of sponsor of entity listed in (a):

c EIN-PN	d Entity code	e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)
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a Name of MTIA, CCT, PSA, or 103-12 IE:

b Name of sponsor of entity listed in (a):

c EIN-PN	d Entity code	e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)
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a Name of MTIA, CCT, PSA, or 103-12 IE:

b Name of sponsor of entity listed in (a):

c EIN-PN	d Entity code	e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)
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For Paperwork Reduction Act Notice, see the Instructions for Form 5500.

a Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity
code**e** Dollar value of interest in MTIA, CCT, PSA, or
103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity
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103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity
code**e** Dollar value of interest in MTIA, CCT, PSA, or
103-12 IE at end of year (see instructions)

Part II Information on Participating Plans (to be completed by DFEs)

(Complete as many entries as needed to report all participating plans)

a Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
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plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN

SCHEDULE H (Form 5500) <small>Internal Revenue Service</small> <small>Department of Labor</small> <small>Employee Benefits Security Administration</small> <small>Pension Benefit Guaranty Corporation</small>	Financial Information This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA), and section 6058(a) of the Internal Revenue Code (the Code). ► File as an attachment to Form 5500.	<small>OMB No. 1210-0110</small> 2016 This Form is Open to Public Inspection
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For calendar plan year 2016 or fiscal plan year beginning <u>01/01/2016</u> and ending <u>12/31/2016</u>		
A Name of plan <u>XYLEM STANDARD XCHANGE SAVINGS PLAN FOR HOURLY EMPLOYEES</u>	B Three-digit plan number (PN) ►	<u>226</u>
C Plan sponsor's name as shown on line 2a of Form 5500 <u>XYLEM INC.</u>	D Employer Identification Number (EIN) <u>45-2080495</u>	

Part I	Asset and Liability Statement
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1 Current value of plan assets and liabilities at the beginning and end of the plan year. Combine the value of plan assets held in more than one trust. Report the value of the plan's interest in a commingled fund containing the assets of more than one plan on a line-by-line basis unless the value is reportable on lines 1c(9) through 1c(14). Do not enter the value of that portion of an insurance contract which guarantees, during this plan year, to pay a specific dollar benefit at a future date. **Round off amounts to the nearest dollar.** MTIAs, CCTs, PSAs, and 103-12 IEs do not complete lines 1b(1), 1b(2), 1c(8), 1g, 1h, and 1i. CCTs, PSAs, and 103-12 IEs also do not complete lines 1d and 1e. See instructions.

Assets		(a) Beginning of Year	(b) End of Year
a Total noninterest-bearing cash	1a	0	0
b Receivables (less allowance for doubtful accounts):			
(1) Employer contributions.....	1b(1)	4266	4839
(2) Participant contributions	1b(2)	15679	15866
(3) Other.....	1b(3)	0	0
c General investments:			
(1) Interest-bearing cash (include money market accounts & certificates of deposit).....	1c(1)	0	0
(2) U.S. Government securities	1c(2)	0	0
(3) Corporate debt instruments (other than employer securities):			
(A) Preferred	1c(3)(A)	0	0
(B) All other.....	1c(3)(B)	0	0
(4) Corporate stocks (other than employer securities):			
(A) Preferred	1c(4)(A)	0	0
(B) Common.....	1c(4)(B)	0	0
(5) Partnership/joint venture interests	1c(5)	0	0
(6) Real estate (other than employer real property).....	1c(6)	0	0
(7) Loans (other than to participants)	1c(7)	0	0
(8) Participant loans.....	1c(8)	248563	265359
(9) Value of interest in common/collective trusts	1c(9)	0	0
(10) Value of interest in pooled separate accounts	1c(10)	0	0
(11) Value of interest in master trust investment accounts	1c(11)	5869587	6183025
(12) Value of interest in 103-12 investment entities.....	1c(12)	0	0
(13) Value of interest in registered investment companies (e.g., mutual funds).....	1c(13)	0	0
(14) Value of funds held in insurance company general account (unallocated contracts).....	1c(14)		
(15) Other	1c(15)	0	0

1d Employer-related investments:

		(a) Beginning of Year	(b) End of Year
(1) Employer securities	1d(1)	0	0
(2) Employer real property	1d(2)	0	0
e Buildings and other property used in plan operation	1e	0	0
f Total assets (add all amounts in lines 1a through 1e)	1f	6138095	6469089

Liabilities

g Benefit claims payable	1g	0	0
h Operating payables	1h	0	0
i Acquisition indebtedness	1i	0	0
j Other liabilities	1j	0	10592
k Total liabilities (add all amounts in lines 1g through 1j)	1k	0	10592

Net Assets

l Net assets (subtract line 1k from line 1f)	1l	6138095	6458497
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Part II Income and Expense Statement

2 Plan income, expenses, and changes in net assets for the year. Include all income and expenses of the plan, including any trust(s) or separately maintained fund(s) and any payments/receipts to/from insurance carriers. Round off amounts to the nearest dollar. MTIAs, CCTs, PSAs, and 103-12 IEs do not complete lines 2a, 2b(1)(E), 2e, 2f, and 2g.

Income

		(a) Amount	(b) Total
a Contributions:			
(1) Received or receivable in cash from: (A) Employers	2a(1)(A)	113807	
(B) Participants	2a(1)(B)	394675	
(C) Others (including rollovers)	2a(1)(C)	32356	
(2) Noncash contributions	2a(2)	0	540838
(3) Total contributions. Add lines 2a(1)(A) , (B) , (C) , and line 2a(2)	2a(3)		
b Earnings on investments:			
(1) Interest:			
(A) Interest-bearing cash (including money market accounts and certificates of deposit)	2b(1)(A)	0	17423
(B) U.S. Government securities	2b(1)(B)	0	
(C) Corporate debt instruments	2b(1)(C)	0	
(D) Loans (other than to participants)	2b(1)(D)	0	
(E) Participant loans	2b(1)(E)	17423	
(F) Other	2b(1)(F)	0	
(G) Total interest. Add lines 2b(1)(A) through (F)	2b(1)(G)		17423
(2) Dividends: (A) Preferred stock	2b(2)(A)	0	
(B) Common stock	2b(2)(B)	0	
(C) Registered investment company shares (e.g. mutual funds)	2b(2)(C)	0	
(D) Total dividends. Add lines 2b(2)(A) , (B) , and (C)	2b(2)(D)		0
(3) Rents	2b(3)		0
(4) Net gain (loss) on sale of assets: (A) Aggregate proceeds	2b(4)(A)	0	
(B) Aggregate carrying amount (see instructions)	2b(4)(B)	0	
(C) Subtract line 2b(4)(B) from line 2b(4)(A) and enter result	2b(4)(C)		0
(5) Unrealized appreciation (depreciation) of assets: (A) Real estate	2b(5)(A)	0	
(B) Other	2b(5)(B)	0	
(C) Total unrealized appreciation of assets. Add lines 2b(5)(A) and (B)	2b(5)(C)		0

		(a) Amount	(b) Total
(6) Net investment gain (loss) from common/collective trusts	2b(6)		0
(7) Net investment gain (loss) from pooled separate accounts	2b(7)		0
(8) Net investment gain (loss) from master trust investment accounts	2b(8)		449981
(9) Net investment gain (loss) from 103-12 investment entities	2b(9)		0
(10) Net investment gain (loss) from registered investment companies (e.g., mutual funds).....	2b(10)		0
c Other income.....	2c		2039
d Total income. Add all income amounts in column (b) and enter total.....	2d		1010281

Expenses**e** Benefit payment and payments to provide benefits:

(1) Directly to participants or beneficiaries, including direct rollovers	2e(1)	689660	
(2) To insurance carriers for the provision of benefits	2e(2)	0	
(3) Other	2e(3)	0	
(4) Total benefit payments. Add lines 2e(1) through (3).....	2e(4)		689660
f Corrective distributions (see instructions)	2f		0
g Certain deemed distributions of participant loans (see instructions)	2g		0
h Interest expense.....	2h		0
i Administrative expenses: (1) Professional fees.....	2i(1)	0	
(2) Contract administrator fees.....	2i(2)	0	
(3) Investment advisory and management fees.....	2i(3)	152	
(4) Other	2i(4)	13411	
(5) Total administrative expenses. Add lines 2i(1) through (4).....	2i(5)		13563
j Total expenses. Add all expense amounts in column (b) and enter total	2j		703223

Net Income and Reconciliation

k Net income (loss). Subtract line 2j from line 2d	2k		307058
l Transfers of assets:			
(1) To this plan.....	2l(1)		22289
(2) From this plan.....	2l(2)		8945

Part III Accountant's Opinion

3 Complete lines 3a through 3c if the opinion of an independent qualified public accountant is attached to this Form 5500. Complete line 3d if an opinion is not attached.

a The attached opinion of an independent qualified public accountant for this plan is (see instructions):

(1) ☐ Unqualified (2) ☐ Qualified (3) ☒ Disclaimer (4) ☐ Adverse

b Did the accountant perform a limited scope audit pursuant to 29 CFR 2520.103-8 and/or 103-12(d)? ☒ Yes ☐ No

c Enter the name and EIN of the accountant (or accounting firm) below:

(1) Name: CROWE HORWATH LLP

(2) EIN: 35-0921680

d The opinion of an independent qualified public accountant is **not attached** because:

(1) ☐ This form is filed for a CCT, PSA, or MTIA. (2) ☐ It will be attached to the next Form 5500 pursuant to 29 CFR 2520.104-50.

Part IV Compliance Questions

4 CCTs and PSAs do not complete Part IV. MTIAs, 103-12 IEs, and GIAs do not complete lines 4a, 4e, 4f, 4g, 4h, 4k, 4m, 4n, or 5. 103-12 IEs also do not complete lines 4j and 4l. MTIAs also do not complete line 4l.

During the plan year:

a Was there a failure to transmit to the plan any participant contributions within the time period described in 29 CFR 2510.3-102? Continue to answer "Yes" for any prior year failures until fully corrected. (See instructions and DOL's Voluntary Fiduciary Correction Program.).....

b Were any loans by the plan or fixed income obligations due the plan in default as of the close of the plan year or classified during the year as uncollectible? Disregard participant loans secured by participant's account balance. (Attach Schedule G (Form 5500) Part I if "Yes" is checked.)

	Yes	No	Amount
4a		X	
4b		X	

		Yes	No	Amount
c Were any leases to which the plan was a party in default or classified during the year as uncollectible? (Attach Schedule G (Form 5500) Part II if "Yes" is checked.)	4c		X	
d Were there any nonexempt transactions with any party-in-interest? (Do not include transactions reported on line 4a. Attach Schedule G (Form 5500) Part III if "Yes" is checked.)	4d		X	
e Was this plan covered by a fidelity bond?	4e	X		15000000
f Did the plan have a loss, whether or not reimbursed by the plan's fidelity bond, that was caused by fraud or dishonesty?	4f		X	
g Did the plan hold any assets whose current value was neither readily determinable on an established market nor set by an independent third party appraiser?	4g		X	
h Did the plan receive any noncash contributions whose value was neither readily determinable on an established market nor set by an independent third party appraiser?	4h		X	
i Did the plan have assets held for investment? (Attach schedule(s) of assets if "Yes" is checked, and see instructions for format requirements.)	4i	X		
j Were any plan transactions or series of transactions in excess of 5% of the current value of plan assets? (Attach schedule of transactions if "Yes" is checked, and see instructions for format requirements.)	4j		X	
k Were all the plan assets either distributed to participants or beneficiaries, transferred to another plan, or brought under the control of the PBGC?	4k		X	
l Has the plan failed to provide any benefit when due under the plan?	4l		X	
m If this is an individual account plan, was there a blackout period? (See instructions and 29 CFR 2520.101-3.)	4m	X		
n If 4m was answered "Yes," check the "Yes" box if you either provided the required notice or one of the exceptions to providing the notice applied under 29 CFR 2520.101-3.	4n	X		
o Defined Benefit Plan or Money Purchase Pension Plan Only: Were any distributions made during the plan year to an employee who attained age 62 and had not separated from service?	4o			

5a Has a resolution to terminate the plan been adopted during the plan year or any prior plan year?
If "Yes," enter the amount of any plan assets that reverted to the employer this year. ☐ Yes ☒ No **Amount:**

5b If, during this plan year, any assets or liabilities were transferred from this plan to another plan(s), identify the plan(s) to which assets or liabilities were transferred. (See instructions.)

5b(1) Name of plan(s)	5b(2) EIN(s)	5b(3) PN(s)
XYLEM RETIREMENT SAVINGS PLAN	45-2080495	001

5c If the plan is a defined benefit plan, is it covered under the PBGC insurance program (See ERISA section 4021.)? ☐ Yes ☐ No ☐ Not determined
If "Yes" is checked, enter the My PAA confirmation number from the PBGC premium filing for this plan year (See instructions.)

Part V Trust Information

6a Name of trust	6b Trust's EIN
6c Name of trustee or custodian	6d Trustee's or custodian's telephone number

SCHEDULE R (Form 5500) Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Retirement Plan Information This schedule is required to be filed under sections 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and section 6058(a) of the Internal Revenue Code (the Code). ▶ File as an attachment to Form 5500.	OMB No. 1210-0110 2016 This Form is Open to Public Inspection.
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For calendar plan year 2016 or fiscal plan year beginning 01/01/2016 and ending 12/31/2016

A Name of plan <u>XYLEM STANDARD XCHANGE SAVINGS PLAN FOR HOURLY EMPLOYEES</u>	B Three-digit plan number (PN) ▶ <u>226</u>
C Plan sponsor's name as shown on line 2a of Form 5500 <u>XYLEM INC.</u>	D Employer Identification Number (EIN) <u>45-2080495</u>

Part I	Distributions
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All references to distributions relate only to payments of benefits during the plan year.

1 Total value of distributions paid in property other than in cash or the forms of property specified in the instructions	1	
2 Enter the EIN(s) of payor(s) who paid benefits on behalf of the plan to participants or beneficiaries during the year (if more than two, enter EINs of the two payors who paid the greatest dollar amounts of benefits): EIN(s): <u>43-1796706</u> <u>04-6568107</u>		
Profit-sharing plans, ESOPs, and stock bonus plans, skip line 3.		
3 Number of participants (living or deceased) whose benefits were distributed in a single sum, during the plan year	3	

Part II	Funding Information (If the plan is not subject to the minimum funding requirements of section 412 of the Internal Revenue Code or ERISA section 302, skip this Part.)
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4 Is the plan administrator making an election under Code section 412(d)(2) or ERISA section 302(d)(2)?	☐ Yes	☐ No	☐ N/A
If the plan is a defined benefit plan, go to line 8.			
5 If a waiver of the minimum funding standard for a prior year is being amortized in this plan year, see instructions and enter the date of the ruling letter granting the waiver. Date: Month _____ Day _____ Year _____ If you completed line 5, complete lines 3, 9, and 10 of Schedule MB and do not complete the remainder of this schedule.			
6 a Enter the minimum required contribution for this plan year (include any prior year accumulated funding deficiency not waived)	6a		
b Enter the amount contributed by the employer to the plan for this plan year	6b		
c Subtract the amount in line 6b from the amount in line 6a. Enter the result (enter a minus sign to the left of a negative amount)	6c		
If you completed line 6c, skip lines 8 and 9.			
7 Will the minimum funding amount reported on line 6c be met by the funding deadline?	☐ Yes	☐ No	☐ N/A
8 If a change in actuarial cost method was made for this plan year pursuant to a revenue procedure or other authority providing automatic approval for the change or a class ruling letter, does the plan sponsor or plan administrator agree with the change?	☐ Yes	☐ No	☐ N/A

Part III	Amendments
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9 If this is a defined benefit pension plan, were any amendments adopted during this plan year that increased or decreased the value of benefits? If yes, check the appropriate box. If no, check the "No" box.....	☐ Increase	☐ Decrease	☐ Both	☐ No
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Part IV	ESOPs (see instructions). If this is not a plan described under Section 409(a) or 4975(e)(7) of the Internal Revenue Code, skip this Part.
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10 Were unallocated employer securities or proceeds from the sale of unallocated securities used to repay any exempt loan?	☐ Yes	☐ No
11 a Does the ESOP hold any preferred stock?	☐ Yes	☐ No
b If the ESOP has an outstanding exempt loan with the employer as lender, is such loan part of a "back-to-back" loan? (See instructions for definition of "back-to-back" loan.)	☐ Yes	☐ No
12 Does the ESOP hold any stock that is not readily tradable on an established securities market?	☐ Yes	☐ No

For Paperwork Reduction Act Notice, see the Instructions for Form 5500.

Schedule R (Form 5500) 2016
v. 160205

Part V Additional Information for Multiemployer Defined Benefit Pension Plans

13 Enter the following information for each employer that contributed more than 5% of total contributions to the plan during the plan year (measured in dollars). See instructions. *Complete as many entries as needed to report all applicable employers.*

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

14	Enter the number of participants on whose behalf no contributions were made by an employer as an employer of the participant for:		
	a The current year	14a	
	b The plan year immediately preceding the current plan year	14b	
	c The second preceding plan year	14c	
15	Enter the ratio of the number of participants under the plan on whose behalf no employer had an obligation to make an employer contribution during the current plan year to:		
	a The corresponding number for the plan year immediately preceding the current plan year	15a	
	b The corresponding number for the second preceding plan year	15b	
16	Information with respect to any employers who withdrew from the plan during the preceding plan year:		
	a Enter the number of employers who withdrew during the preceding plan year	16a	
	b If line 16a is greater than 0, enter the aggregate amount of withdrawal liability assessed or estimated to be assessed against such withdrawn employers	16b	
17	If assets and liabilities from another plan have been transferred to or merged with this plan during the plan year, check box and see instructions regarding supplemental information to be included as an attachment. ☐		

Part VI	Additional Information for Single-Employer and Multiemployer Defined Benefit Pension Plans
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18	If any liabilities to participants or their beneficiaries under the plan as of the end of the plan year consist (in whole or in part) of liabilities to such participants and beneficiaries under two or more pension plans as of immediately before such plan year, check box and see instructions regarding supplemental information to be included as an attachment
19	If the total number of participants is 1,000 or more, complete lines (a) through (c) a Enter the percentage of plan assets held as: Stock: _____% Investment-Grade Debt: _____% High-Yield Debt: _____% Real Estate: _____% Other: _____% b Provide the average duration of the combined investment-grade and high-yield debt: ☐ 0-3 years ☐ 3-6 years ☐ 6-9 years ☐ 9-12 years ☐ 12-15 years ☐ 15-18 years ☐ 18-21 years ☐ 21 years or more c What duration measure was used to calculate line 19(b)? ☐ Effective duration ☐ Macaulay duration ☐ Modified duration ☐ Other (specify): _____

Part VII	IRS Compliance Questions
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20a Is the plan a 401(k) plan? If "No," skip b	☐ Yes ☐ No
20b How did the plan satisfy the nondiscrimination requirements for employee deferrals under section 401(k)(3) for the plan year? Check all that apply:	☐ Design-based safe harbor ☐ "Prior year" ADP test ☐ "Current year" ADP test ☐ N/A
21a What testing method was used to satisfy the coverage requirements under section 410(b) for the plan year? Check all that apply:	☐ Ratio percentage test ☐ Average benefit test ☐ N/A
21b Did the plan satisfy the coverage and nondiscrimination requirements of sections 410(b) and 401(a)(4) for the plan year by combining this plan with any other plan under the permissive aggregation rules?	☐ Yes ☐ No
22a If the plan is a master and prototype plan (M&P) or volume submitter plan that received a favorable IRS opinion letter or advisory letter, enter the date of the letter / / and the serial number .	
22b If the plan is an individually-designed plan that received a favorable determination letter from the IRS, enter the date of the most recent determination letter / / .	

XYLEM STANDARD XCHANGE SAVINGS PLAN FOR HOURLY EMPLOYEES
FORM 5500, SCHEDULE H, LINE 4i - SCHEDULE OF ASSETS (Held at End of Year)
EIN#: 45-2080495 PN: 226
DECEMBER 31, 2016

(b) Identity of Issuer, Borrower, Lesser or Similar		(c) Description of Asset	(d) Cost**	(e) Current Value
(a) Party in interest	Party including Maturity Date, Rate of Interest, Collateral, and Par or Maturity Value			
*	Xylem Inc.	Xylem Inc. Common Stock	**	322,943.29
*	Fidelity	Retirement Government Money Market Fund	**	22,574.16
	New York Life	Anchor Account Stable Value (Collective Trust)	**	751,358.05
	Vanguard	Vanguard Total Intl Total Stock Index Fund	**	59,750.59
	JP Morgan	JP Morgan Core Plus Bond Fund	**	216,938.51
	Vanguard	Vanguard 500 Index Fund	**	101,775.18
	Vanguard	Vanguard Extended Market Index Fund	**	7,598.08
	Vanguard	Vanguard Total Bond Market Index Fund	**	109,456.98
	MFS Investment Management	MFS Mid Cap Value Fund	**	22,323.43
	JP Morgan	JP Morgan Disciplined Equity Fund	**	1,891,377.53
	American Funds	American Funds EuroPacific Growth Fund	**	53,611.20
	American Funds	American Funds New Perspective Fund	**	54,144.14
	Vanguard	Vanguard Inst Target Retirement Income Fund	**	11,632.43
	Vanguard	Vanguard Inst Target Retirement 2015 Fund	**	299,310.60
	Vanguard	Vanguard Inst Target Retirement 2020 Fund	**	302,300.19
	Vanguard	Vanguard Inst Target Retirement 2025 Fund	**	1,429,042.26
	Vanguard	Vanguard Inst Target Retirement 2030 Fund	**	29,428.11
	Vanguard	Vanguard Inst Target Retirement 2035 Fund	**	82,550.92
	Vanguard	Vanguard Inst Target Retirement 2040 Fund	**	9,360.21
	Vanguard	Vanguard Inst Target Retirement 2045 Fund	**	142,001.64
	Vanguard	Vanguard Inst Target Retirement 2050 Fund	**	55,031.63
	Vanguard	Vanguard Inst Target Retirement 2055 Fund	**	12,283.28
	Prudential	Prudential QMA Small Cap Value Fund	**	28,677.70
	John Hancock	John Hancock Disciplined Value Fund	**	69,010.99
	Principal Funds	Principal MidCap Fund	**	74,951.93
	JP Morgan	JP Morgan Large Cap Growth Fund	**	3,223.61
	Eagle Funds	Eagle Small Cap Growth Fund	**	20,368.05
*	Various	Participant Loans 3.25% to 10.50%	**	265,358.91
Total				6,448,383.60

* Represents Party-in-interest

** Cost information is not required for participant directed investments

Xylem Standard Xchange Savings Plan for Hourly Employees

Financial Statements as of December 31, 2016 and 2015,
and for the Year Ended December 31, 2016,
and Supplemental Schedule as of December 31, 2016, and
Independent Auditor's Report

XYLEM STANDARD XCHANGE SAVINGS PLAN FOR HOURLY EMPLOYEES
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Note: All other schedules required by Section 2520.103-10 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 have been omitted because they are not applicable.

INDEPENDENT AUDITOR'S REPORT

Benefits Administration Committee of Xylem Inc.
Xylem Standard Xchange Savings Plan for Hourly Employees
Rye Brook, New York

Report on the Financial Statements

We were engaged to audit the accompanying financial statements of the Xylem Standard Xchange Savings Plan for Hourly Employees (the "Plan"), which comprise the statements of net assets available for benefits as of December 31, 2016 and 2015, and the related statement of changes in net assets available for benefits for the year ended December 31, 2016, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on conducting the audits in accordance with auditing standards generally accepted in the United States of America. Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

As permitted by 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974, the plan administrator instructed us not to perform, and we did not perform, any auditing procedures with respect to the information summarized in Note 5, which was certified by Great-West Trust Company, LLC and Fidelity Management Trust Company, the trustees of the Plan, except for comparing such information with the related information included in the financial statements. We have been informed by the plan administrator that Fidelity Management Trust Company held the Plan's investment assets and executed investment transactions from July 1, 2016 to December 31, 2016, and that Great-West Trust Company, LLC held the Plan's investment assets and executed investment transactions as of December 31, 2015 and for the period January 1, 2016 to June 30, 2016. The plan administrator has obtained certifications from the trustees as of December 31, 2016 and 2015 and for the year ended December 31, 2016 that the information provided to the plan administrator by the trustees is complete and accurate.

Disclaimer of Opinion

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on these financial statements.

Other Matter

The supplemental Form 5500, Schedule H, Line 4i – Schedule of Assets (Held at End of Year) as of December 31, 2016 is required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 and is presented for purposes of additional analysis and is not a required part of the financial statements. Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we do not express an opinion on the supplemental schedule.

Report on Form and Content in Compliance with DOL Rules and Regulations

The form and content of the information included in the financial statements and supplemental schedule, other than that derived from the information certified by the trustees, have been audited by us in accordance with auditing standards generally accepted in the United States of America and, in our opinion, are presented in compliance with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974.

A handwritten signature in black ink that reads "Crowe Horwath LLP". The script is cursive and fluid, with the letters "C", "H", and "L" being particularly prominent.

Crowe Horwath LLP

New York, New York
September 21, 2017

XYLEM STANDARD XCHANGE SAVINGS PLAN FOR HOURLY EMPLOYEES
STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS

December 31,	2016	2015
ASSETS		
Plan's interest in The Xylem Inc. Retirement Savings Master Trust		
Participant-directed investments at fair value	\$ 5,431,667	\$ 4,910,826
Participant-directed investments at contract value	751,358	958,761
Receivables:		
Participant contributions	15,866	15,679
Employer contributions	4,839	4,266
Notes receivable from participants	278,949	265,975
Total receivables	299,654	285,920
Total assets	6,482,679	6,155,507
LIABILITIES		
Accrued expenses	10,592	—
Total liabilities	10,592	—
NET ASSETS AVAILABLE FOR BENEFITS	\$ 6,472,087	\$ 6,155,507

See accompanying notes to financial statements.

XYLEM STANDARD XCHANGE SAVINGS PLAN FOR HOURLY EMPLOYEES
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

Year Ended December 31,

2016

INVESTMENT GAIN

Plan's interest in The Xylem Inc. Retirement Savings Master Trust investment gain \$ 449,981

OTHER INCOME

2,039

CONTRIBUTIONS

Participant 394,675

Rollover Contributions 32,356

Employer 113,807

Total contributions 540,838

INTEREST INCOME ON NOTES RECEIVABLE FROM PARTICIPANTS

17,423

DEDUCTIONS

Distributions to participants 693,482

Administrative expenses 13,563

Total deductions 707,045

NET INCREASE IN NET ASSETS AVAILABLE FOR BENEFITS BEFORE TRANSFER

303,236

NET TRANSFERS TO/FROM PLAN

Transfer to other plan (see Note 1) (8,945)

Transfer from other plan (see Note 1) 22,289

Total Net Transfers 13,344

NET INCREASE IN NET ASSETS AVAILABLE FOR BENEFITS

316,580

NET ASSETS AVAILABLE FOR BENEFITS

Beginning of period 6,155,507

End of period \$ 6,472,087

See accompanying notes to financial statements.

XYLEM STANDARD XCHANGE SAVINGS PLAN FOR HOURLY EMPLOYEES

NOTES TO FINANCIAL STATEMENTS

Note 1. Description of the Plan

The following description of the Xylem Standard Xchange Savings Plan for Hourly Employees (the "Plan") is provided for general information purposes only. Participants should refer to the Plan document for more complete information.

General — The Plan is a defined contribution plan sponsored by Xylem Inc. (the "Company" and "Plan Sponsor") covering the hourly employees of Fluid Handling, LLC ("Employer") who are members of the bargaining unit represented by Local 897 of the United Steelworkers as described by the Plan. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 ("ERISA").

The Plan was established April 1, 1997 by ITT Corporation as the ITT Heat Transfer Savings Plan for Hourly Employees. Effective October 31, 2011, The Xylem Inc. Retirement Savings Master Trust (the "Master Trust") was created by the Company to serve this and other Company savings plans.

The Company entered into a trust agreement with Fidelity Management Trust Company ("Fidelity"), effective July 1, 2016, to act as the Plan trustee, custodian and record keeper ("Trustee"). Certain participant account balances in the Plan belonged to participants of other plans sponsored by the Company. During the transition to Fidelity, those participants' balances of \$8,945 were transferred out of the Plan on July 1, 2016 to the Xylem Retirement Savings Plan. There were also participants of the Plan that had additional account balances with other plans sponsored by the Company. During the transition to Fidelity, those participants' balances of \$22,289 were transferred into the Plan on July 1, 2016 from the Xylem Bell & Gossett Savings Plan for Hourly Employees. There were no notes receivable included in these transfers.

Investments in the Master Trust at December 31, 2016, are shown on the Master Trust Schedule of Assets (Held at End of Year) as filed with the U.S. Department of Labor, Washington, D.C., under identification number 45-3304527. The Plan's share of the assets as of December 31, 2016 is also presented in that filing.

Effective March 1, 2015, the Plan's trust agreement was amended to reflect a change in Trustee from JP Morgan Chase Bank, N.A. ("JP Morgan") to Great-West Trust Company ("GWTC"). GWTC served as the custodian for the Plan's assets with the exception of the Xylem Stock Fund until the change to Fidelity in July 2016.

Effective July 1, 2016, the Plan was restated in preparation for the transition to Fidelity as the new Trustee. Amendments to the Plan included the addition of an option for the participants to elect to contribute to Roth savings.

In January 2016, the Plan was restated to incorporate previous amendments in preparation for the Internal Revenue Service ("IRS") Cycle E filing for an updated determination letter that the Plan and related trust are designed in accordance with applicable sections of the Internal Revenue Code ("IRC"). The Plan filed the request on January 29, 2016 within the normal Cycle E filing period.

Various plan amendments were executed during 2015 in order to perform administrative updates which had no material impact to the Plan.

Eligibility - Any regular full-time hourly person employed by the Employer who is a union member becomes eligible to participate in the Plan on the first day of the month immediately following one month of service with the Employer. Union members who are temporary or part-time employees are eligible upon completion of at least 1,000 hours of service in a 12 month period.

Contributions - Under the provisions of the Plan document, allowable contributions are outlined as follows:

Participant Contributions - A participant may generally elect to save 2% to 25% of base salary, as defined by the Plan document. A participant may designate savings as before-tax savings, after-tax savings, Roth savings or any combination of the three. A participant who is a highly compensated employee may be limited to less than 25% due to the operation of certain tests required under the Internal Revenue Code (the "Code").

Employer Contributions - The matching employer contribution for the Plan is 50% of the first 6% contributed by a participant. Participants have the option of investing the matching employer contributions in any available investment option.

Participant Accounts - Each participant's account is credited with the participant's contribution, the matching employer contribution, and an allocation of the Plan's investment earnings, forfeitures of matching employer contributions, and charged with the participant's withdrawals, loans, and an allocation of the Plan's investment losses. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

Investments - Participants designate the Plan funds in which their contributions and the matching employer contributions are to be invested. All investments are participant-directed. Participant contributions can be invested in any or all of the various investment funds available in the Plan. In addition, participants can elect to have all or a portion of their matching employer contributions invested in the Xylem Stock Fund held in the Master Trust (participant contributions may not be invested in the Xylem Stock Fund). Participants may elect to allocate contributions among these funds in multiples of one percent (1%).

Vesting - The participant's interest in their contributions is fully vested at all times. The Company contribution portion of the participant's account is vested based on their number of years of service. A year of service is any year in which the participant works 1,000 hours during a consecutive 12 month period starting from their date of hire or the anniversary of that date. With less than one year of service, the employee is 0% vested. With one year of service, the employee is 20% vested. With two years of service, the employee is 40% vested. With three years of service, the employee is 60% vested. With four years of service, the employee is 80% vested. With five or more years of service, the employee is 100% vested.

Benefits to Participants - Participants, or their surviving beneficiary, are entitled to the full vested value of their accounts following employment termination (including death, disability, or retirement) in a lump sum amount paid in cash or as a rollover to another qualified plan. In lieu of a lump sum payment, the participant can elect monthly, quarterly, semi-annual or annual installments, or partial distributions, as defined by the Plan document.

Participants are allowed to withdraw, at any time, any portion of after-tax participant contributions, and vested matching employer contributions, subject to Plan provisions.

Direct Rollover of Certain Distributions – With respect to an eligible rollover distribution, the participant may elect, at the time and in a manner as defined by the Plan document for such purpose, to have the Plan make a direct rollover of all or part of such withdrawal or distribution to an eligible retirement plan which accepts such rollover.

If a participant's account balance is greater than \$1,000 but does not exceed \$5,000 and the participant fails to make an affirmative election to either receive the lump sum payment or have it directly rolled over to another qualified plan within the election period, the account balance will be automatically rolled over to an Individual Retirement Account ("IRA") established in the participant's name.

If a participant's account balance is \$1,000 or less and the participant fails to make an affirmative election to either receive the lump sum payment or have it directly rolled over to another qualified plan or an IRA within the election period, the account balance will be automatically paid out to the participant.

Forfeitures - Forfeitures result from termination of employment before full vesting has occurred. Forfeitures of matching employer contributions are used to offset future matching employer contributions or administrative expenses of the Plan. Total forfeited non-vested accounts at December 31, 2016 and 2015 were \$20,996 and \$0, respectively. During the year ended December 31, 2016 forfeited amounts totaling \$1,740 were used to reduce matching employer contributions.

Notes Receivable from Participants - Participants may borrow from their account balance (a "loan") in any whole dollar amount, which must be at a minimum of \$1,000 up to a maximum of the lesser of \$50,000 or 50% of the participant's vested interest in their account, reduced by the highest outstanding loan balance, if any, during the prior 12-month period. General purpose loan terms range from one to 4.5 years. If the loan is used in the purchase of a primary residence, the loan term can be for a period of up to 14.5 years. Participants may have up to two loans outstanding at the same time. The loans are secured by the balance in the participant's account and bear interest. The interest rate charged by the Plan is a reasonable rate of interest for loans commensurate with the interest rates charged by persons in the business of lending money for loans which would be made under similar circumstances, as determined by the Plan document, and generally remains the same throughout the term of the loan. Principal and interest are paid ratably through payroll deductions. The interest rate is determined at the time the loan is processed, and shall remain in effect for the term of the loan.

Administrative and Investment Management Expenses - Expenses reasonably expected to be incurred to administer the Plan, including the Plan's recordkeeping and trustee fees and loan origination fees associated with notes receivable from participants, are paid by the Employer.

The Plan Sponsor provides accounting and other administrative services to the Plan at no charge. Certain administrative functions are performed by employees of the Company. No such employee receives compensation from the Plan.

Investment management fees are charged to the Plan by the majority of the investment funds. These investment management fees are included in the net asset value ("NAV") of the fund calculated by the investment manager of the respective fund and are reflected by the Plan as a reduction of investment return for such investments.

Note 2. Summary of Significant Accounting Policies

Basis of Accounting - The financial statements of the Plan are prepared under the accrual basis of accounting.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and changes therein and disclosure of contingent assets and liabilities. Actual results could differ from these estimates.

Risks and Uncertainties - The Plan holds an interest in various investments held within the Master Trust including common stock, collective trusts, guaranteed investment contracts and mutual funds (registered investment companies). Investment securities, in general, are exposed to various risks, such as interest rate risk, credit risk, liquidity risk, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the values of participants' account balances and the amounts reported in the financial statements.

Investment Valuation and Income Recognition - The Plan's investments are measured at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e., an exit price). A more detailed

description of the individual types of investments held in the Master Trust and their valuation methods can be found in Note 3.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on an accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation (depreciation) includes the Plan's gains and losses on investments bought and sold as well as held during the year.

Contributions Receivable - The Plan accrues contributions receivable based upon payroll deferrals during the Plan year but not yet deposited.

Benefits Paid to Participants - Benefit payments to participants are recorded upon distribution. There were no amounts allocated to accounts of participants who have elected to withdraw from the Plan but have not yet been paid as of December 31, 2016 and 2015. Additionally, for loans declared in default the principal and accrued interest are recorded as a distribution.

Notes Receivable from Participants - Notes receivable from participants are recorded at their unpaid principal balance, plus any accrued, but unpaid interest with no allowance for credit losses as repayments of principal and interest are received through payroll deductions and the notes are collateralized by the participants' accounts.

In the event that a participant fails to make repayment for three consecutive months, the loan is considered to be in default. In the event default is declared, the outstanding loan balance and any accrued interest may be treated as a withdrawal prior to termination of employment subject to the withdrawal provisions outlined in the Plan document and may be determined to be a fully taxable distribution from the Plan.

Note 3. Fair Value Measurement

We determine fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. We use a hierarchical structure to prioritize the inputs to valuation techniques used to measure fair value into three broad levels defined as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 inputs are other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices (in non-active markets or in active markets for similar assets or liabilities), inputs other than quoted prices that are observable, and inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 inputs are unobservable inputs for the assets or liabilities.

The fair value hierarchy is based on maximizing the use of observable inputs and minimizing the use of unobservable inputs when measuring fair value. Classification within the fair value hierarchy is based on the lowest level input that is significant to the fair value measurement.

NAV Practical Expedient is the measurement of fair value using the NAV per share (or its equivalent) as an alternative to the fair value hierarchy as discussed above.

The Plan's policy is to recognize significant transfers between levels at the beginning of the reporting period. There were no significant transfers between levels during 2016 and 2015.

The following are descriptions of the valuation methodologies and inputs used to measure fair value for major categories of investments.

- **Employer Common Stock** - Common stock is valued at the closing price reported on the major market on which the individual securities are traded at the measurement date. Xylem Inc. stock is traded on the New York Stock Exchange ("NYSE") under the ticker symbol XYL and is valued at the Plan's year-end date. These securities are classified in Level 1 of the fair value hierarchy.
- **Member-Directed Brokerage Accounts** - Securities held in BrokerageLink are valued at the closing price reported on the major market on which the individual securities are traded at the measurement date. These securities are classified in Level 1 of the fair value hierarchy.
- **Mutual Funds** - Mutual funds of registered investment companies are publicly traded in active markets and valued at the closing price reported on those major markets on the measurement date. Mutual funds are classified within Level 1 of the fair value hierarchy.
- **Collective Trusts ("CTs")** - CTs are valued at fair value at the Plan's year-end date using the NAV provided by the administrators of the CTs as a practical expedient. There are no unfunded commitments related to the CTs and investments in CTs can be redeemed on a daily basis. CTs are not classified in the fair value hierarchy but are included in the table below to assist in reconciling to the amount on the statement of net assets available for benefits.

While the Plan administrator believes that the valuation methods are appropriate and consistent with how other participants in the market value these types of investments, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. There have been no changes in the methodologies used at December 31, 2016 and 2015.

The following table sets forth by level within the fair value hierarchy a summary of the Master Trust investments measured at fair value at December 31, 2016.

	Active Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	NAV Practical Expedient	Total
Employer Common Stock	\$ 19,346,372	\$ —	\$ —	\$ —	\$ 19,346,372
Member-Directed Brokerage Accounts	1,296,532	—	—	—	1,296,532
Mutual Funds	298,834,586	—	—	—	298,834,586
Totals	<u>\$ 319,477,490</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 319,477,490</u>

The following table sets forth by level within the fair value hierarchy a summary of the Master Trust investments measured at fair value at December 31, 2015.

	Active Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	NAV Practical Expedient	Total
Employer Common Stock	\$ 1,445,185	\$ —	\$ —	\$ —	\$ 1,445,185
Mutual funds	19,140,105	—	—	—	19,140,105
Collective trusts	—	—	—	18,151,682	18,151,682
Totals	<u>\$ 20,585,290</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 18,151,682</u>	<u>\$ 38,736,972</u>

Note 4. Guaranteed Investment Contract

The Master Trust holds fully benefit-responsive investment contracts (guaranteed investment contract or "GIC") with New York Life Insurance Company ("NY Life"), also referred to as the Stable Value Accounts that are reported at contract value. NY Life manages these investments and maintains the contributions in its pooled separate account (branded as the "Anchor Account"). The assets of the Anchor Account are owned by NY Life. The Anchor Account is credited with earnings on the underlying investments and is charged for participant withdrawals and administrative expenses. Participants ordinarily may direct the withdrawal or transfer of all or a portion of their investments at contract value. The contract has no maturity date, but contract years begin on January 1 of each year.

Under the terms of the contracts, interest will accrue daily, be credited monthly and the rate cannot be less than zero percent. The daily rate fluctuates based on the underlying investments. Realized gains and losses are amortized over the target duration.

Restrictions - Participant-initiated transactions are those transactions allowed by the Plan, including withdrawals for benefits, loans, or transfers to noncompeting funds within a plan, but excluding withdrawals that are deemed to be caused by the actions of the Plan Sponsor. No direct transfers to competing investment options are permitted under the GIC. Any transfers out of the GIC must first go through a non-competing investment option and reside there for at least 90 days before transfer to a competing option, directed-brokerage account, or a mutual fund window. However, the GIC shall not be subject to a market value adjustment if the Plan provides at least 12 months advance written notice to NY Life. The following employer-initiated events may limit the ability of the Plan to transact at contract value:

- A failure of the Plan or its trust to qualify for exemption from federal income taxes or any required prohibited transaction exemption under ERISA;
- Any communication given to Plan participants designed to influence a participant not to invest in the GIC or to transfer assets out of the GIC;
- The establishment of a defined contribution plan that competes with the Plan for employee contributions; and
- Complete or partial termination of the Plan or its merger with another plan.

Plan management believes that the occurrence of an event that would cause the Plan to transact contract distributions at less than contract value is not probable.

Note 5. Information Certified by the Trustee

Substantially all information pertaining to the Plan's investments and notes receivable from participants included in the financial statements as of December 31, 2016 and 2015, and for the year ended December 31, 2016, including the associated investment income and interest earned on notes receivable from participants, was obtained or derived from information supplied to the Plan administrator (as defined by the Plan document) and certified as complete and accurate by GWTC for the period from January 1, 2015 to June 30, 2016 and Fidelity for the period from July 1, 2016 to December 31, 2016. This information has not been audited by independent accountants.

Note 6. Master Trust - Unaudited

All of the Plan investments consist of an interest in an investment account of the Master Trust established by the Company and administered by JP Morgan up to February 28, 2015, then administered by GWTC for the ten months ended and as of December 31, 2015 and the six months ended June 30, 2016. The Master Trust was administered by Fidelity for the six months ended and as of December 31, 2016. Use of the Master Trust permits the commingling of trust assets with the assets of certain other Company savings plans for investment and administrative purposes. Although assets of participating plans are commingled in the Master

Trust, supporting records for the purpose of allocating the net gain or loss of the investment account to the participating plans are maintained. The net assets of the Master Trust are allocated based on individual participant account balances in the respective plans. The daily net investment income of the investment assets is allocated by the Trustees to each participating plan based on the relationship of the interest of each plan to the total of the interests of the participating plans. There were no investment assets held outside the Master Trust at December 31, 2016 and 2015.

The following table presents the fair value of investments in the Master Trust at December 31, 2016 and 2015:

	2016	2015
Master Trust:		
Employer securities	\$ 19,346,372	\$ 1,445,185
Mutual funds	298,834,586	19,140,105
Member-directed brokerage account	1,296,532	—
Collective trusts	—	18,151,682
Total investments at fair value	319,477,490	38,736,972
Stable value account	49,015,242	—
Total investments	<u>\$ 368,492,732</u>	<u>\$ 38,736,972</u>
Plan's interest in the Master Trust	<u>\$ 6,183,025</u>	<u>\$ 5,869,587</u>
Plan's interest in the Master Trust as percentage of total (Note a)	1.68%	15.15%

For the year ended December 31, 2016 the Master Trust's investments (including gains and losses on investments bought and sold, as well as held during the year) appreciated (depreciated) in value as follows:

	2016
Master Trust	
Employer securities	\$ 2,200,032
Mutual funds	8,587,002
Collective trusts	227,096
Net appreciation in fair value of investments	<u>11,014,130</u>
Interest and Dividend income	7,308,051
Total investment gain of the Master Trust	<u>\$ 18,322,181</u>
Plan's interest in Master Trust investment gain (Note a)	<u>\$ 449,981</u>

Note a: The Xylem Retirement Savings Plan was added to the Master Trust on July 1, 2016. Therefore, the Plan's portion of the master trust was reduced significantly as of December 31, 2016.

Note 7. Exempt Party-In-Interest Transactions

ERISA section 406(a) prohibits various types of transactions between a plan and parties in interest. Parties in interest are defined by the Department of Labor regulation as any fiduciary of the Plan, any party rendering service to the Plan, the employer, and certain others. ERISA section 408(a) contains specific exemptions whereby plans may engage in certain transactions with parties in interest that are otherwise prohibited by law.

Effective July 1, 2016, Fidelity was the Trustee and custodian for all of the Master Trust's investments. Fidelity or one of its affiliates manages the Fidelity Government Money Market Fund.

There were administrative services fees paid to Fidelity or one of its affiliates during 2016.

JP Morgan was the Trustee for part of 2015 and remains custodian for certain investments as defined by the Plan document until July 2016. Certain Plan investments were funds issued by JP Morgan or one of its affiliates.

Record keepers, Empower Retirement ("Empower") for 2015 and up to July 2016, then Fidelity since July 2016, received revenue from mutual fund and collective trust fund service providers for services provided to the funds. This revenue was used to offset certain amounts owed to the record keepers for their administrative services to the Plan.

At December 31, 2016, the Master Trust held 390,617 shares of common stock of the Company with a cost basis of \$8.5 million. For the year ended December 31, 2016, the Master Trust recorded related net appreciation of \$2.2 million and dividends of \$0.1 million on Company stock.

Notes receivable from participants also qualify as exempt party-in-interest transactions and amounted to \$278,949 and \$265,975 at December 31, 2016 and 2015, respectively.

Note 8. Plan Termination

Although it has not expressed any intent to do so, the Company has the right to terminate the Plan subject to the provisions set forth in ERISA. If the Plan is terminated for any reason, all accounts shall become fully vested and non-forfeitable.

Note 9. Federal Income Tax Status

The IRS has determined and informed the Plan administrator by a letter dated August 11, 2011, that the Plan is qualified and the Master Trust established under the Plan is tax-exempt, under the appropriate sections of the IRC. The Plan has been amended since receiving the determination letter. However, the Company believes that the Plan and Master Trust continue to qualify under the applicable provisions of the IRC and, as a result, the Plan's net investment income is exempt from taxation. Therefore, no provision for income taxes has been included in the Plan's financial statements.

GAAP requires the Company to evaluate tax positions taken by the Plan and recognize a tax liability (or asset) if the Plan has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. The Company has analyzed the tax positions taken by the Plan, and has concluded that as of December 31, 2016 and 2015, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Plan administrator believes it is no longer subject to income tax examinations for years prior to 2013.

Note 10. Subsequent Events

The Company has evaluated subsequent events for recognition and disclosure through September 21, 2017, which is the date the financial statements were available to be issued. No significant events were noted except for the matters disclosed below.

A determination letter was received from the IRS dated June 14, 2017 indicating that the Plan and related trust are designed in accordance with applicable sections of the IRC.

On July 21, 2017 the Master Trust closed the Vanguard Target Retirement 2010 Fund and transferred the assets into the Vanguard Target Retirement Income Fund. On July 24, 2017 the Master Trust added the Vanguard Target Retirement 2065 Fund as an investment option.

Note 11. Reconciliation of Financial Statements to Form 5500

The following is a reconciliation of net assets available for benefits per the financial statements to net assets available for benefits per the Form 5500 as of December 31, 2016 and 2015:

	2016	2015
Net assets available for benefits per the financial statements	\$ 6,472,087	\$ 6,155,507
Less: amounts deemed distributed for tax purposes	(13,590)	(17,412)
Net assets available for benefits per the Form 5500	<u>\$ 6,458,497</u>	<u>\$ 6,138,095</u>

The following is a reconciliation of the increase in net assets available for benefits per the financial statements to net gain per Form 5500 for the year ended December 31, 2016:

	2016
Increase in net assets available for benefits per the financial statements	\$ 316,580
Less: Transfers in from other plans at December 31, 2016	(13,344)
Less: amounts deemed distributed for tax purposes - December 31, 2016	(13,590)
Add: amounts deemed distributed for tax purposes - December 31, 2015	17,412
Net gain per Form 5500	<u>\$ 307,058</u>

SUPPLEMENTAL SCHEDULE

**XYLEM STANDARD XCHANGE SAVINGS PLAN FOR HOURLY EMPLOYEES
FORM 5500, SCHEDULE H, LINE 4i - SCHEDULE OF ASSETS
(HELD AT END OF YEAR) AS OF DECEMBER 31, 2016**

EIN#: 45-2080495

PN: 226

(a) (party- in- interest)	(b) Identity of Issuer, Borrower, Lesser or Similar Party	(c) Description of Investment, including Maturity Date, Rate of Interest, Collateral, and Par or Maturity Value	(d) Cost	(e) Current Value
*	Notes receivable participants	Notes receivable from participants at interest rates from 4.25% to 4.5% maturing at various dates through June 2030, net of deemed distributions of \$13,590	**	\$ 265,359

* Represents a party-in-interest

** Cost information is not required for participant-directed investments and, therefore, is not included.

See accompanying Independent Auditor's Report