

American Water Sustainability Report

2021–2022



AMERICAN WATER

WE KEEP LIFE FLOWING®

Contents

- About This Report 3
- Greetings From Our President & CEO 4
- About American Water 5
- Corporate Governance & Business Ethics 9
- STAKEHOLDER ENGAGEMENT 15**
- Engaging Our Stakeholders 16
- Association Memberships 18
- Local Communities 19
- Public Policy 22
- EMPLOYEES 24**
- Employee Health, Safety & Well-Being 25
- Inclusion, Diversity & Equity 31
- Talent Attraction, Development & Retention 37
- CUSTOMERS 43**
- Customer Experience 44
- Water Access & Affordability 47
- Water Quality & Emerging Contaminants 50
- ENVIRONMENT & INFRASTRUCTURE 55**
- Water & Wastewater Infrastructure 56
- Water Supply Resilience 61
- Water Use & Efficiency 64
- Climate & GHG Emissions 68
- CONTENT INDICES 74**
- GRI Standards 74
- SASB Index 80
- TCFD Index 82
- EI and AGA ESG/Sustainability Template 88

About This Report

2-2, 2-3

This report, published in July 2023, constitutes our seventh biennial Sustainability Report, covering our sustainability performance for fiscal years 2021 and 2022. We will begin publishing our Sustainability Report annually in 2024 and as such, this is our final biennial report.

This report covers American Water and its operating subsidiaries' (Company) operations, and generally applies to both water and wastewater.

We prepared this report in accordance with the Global Reporting Initiative (GRI) 2021 Universal Standards. In this report, we also disclose several standards from the Sustainability Accounting Standards Board (SASB) and the Edison Electric Institute (EEI). In addition, we reference the Task Force on Climate-related Financial Disclosures (TCFD) recommendations, providing information and data related to our approach to managing climate risk across the Company, and we take into consideration the United Nations Sustainable Development Goals (UNSDGs). We also submit responses annually to the S&P Global Corporate Sustainability Assessment and the CDP Climate Change questionnaire. Please see our content indices for specific references to each framework.

Preparing this report provides a valuable opportunity to assess and improve upon our environmental, social and governance (ESG) progress and performance. We welcome your feedback on this report.

Please contact our Senior Manager of Investor Relations and ESG, Janelle McNally, at Janelle.McNally@amwater.com with questions or feedback.

For more information on our sustainability efforts prior to 2021, please see our [2019–2020 Sustainability Report](#), published in September 2021.



American Water employees take pride in sustainably serving customers and communities.

Greetings From Our President & CEO

2-22



American Water is pleased to share our 2021–2022 Sustainability Report. Our mission to provide safe, clean, reliable and affordable water and wastewater services to our communities goes hand in hand with our commitment to ESG principles.

These principles are rooted in our understanding of the impact that our operations have on the environment and society and our role as stewards of the most precious and essential natural resource: water.

Living our values means integrating sustainable practices into everything we do, from building a safety culture to reduce incidents to zero, modernizing the water and wastewater infrastructure that customers depend on to drink or bathe, to ensuring our employees represent our diverse customers and the communities we are privileged to serve.

ESG and sustainability metrics allow American Water and its stakeholders to gauge performance in a powerful way. Our ESG Business practices also benefit our shareholders, foster financial sustainability for our Company and provide stability and longevity to our share of the nation's water and wastewater infrastructure.

Our commitment to sustainable operations includes challenging ourselves to set goals and achieve improvements over time. A major milestone in our journey came in 2022, when we announced our long-term goal of achieving net zero absolute scope 1 and scope 2 greenhouse gas (GHG) emissions by 2050, and reducing absolute scope 1 and scope 2 emissions by 50% by 2035. By continuing to improve our energy and water efficiency, increasing procurement of renewable energy, enhancing pumping and operational efficiency and increasing our electric vehicle fleet, we expect to meet these challenging but necessary goals.

Our direction upward continues to be recognized at the highest levels. We were proud to be named one of Barron's 100 Most Sustainable Companies for 2022, ranked as the highest utility and nineteenth overall. Our water conservation efforts were recognized through the 2022 WaterSense® Excellence in Education and Outreach award from the United States (U.S.) Environmental Protection Agency (EPA), followed by 17 Partnership for Safe Water awards for continuously optimizing water treatment plant and distribution systems.

Additionally, as a testament to our inclusion, diversity and equity (ID&E) principles, American Water was selected for the 2022 Bloomberg Gender-Equality Index (GEI), which recognizes companies committed to transparency in gender reporting and advancing women's equality. 2022 is the fourth consecutive year that American Water was recognized by GEI.

The American Water Charitable Foundation (AWCF), which drives meaningful change across our service areas through grant programs and donations, was also able to increase its impact over the last two years as a result of a \$45 million contribution from American Water, which was approved in 2021. The work of the AWCF supporting educational programming and source water protection is directly linked to our commitment to embed ESG principles throughout our operations.

As we reflect on our progress in 2021–2022 with a focus on accelerating our efforts in the years to come, this recognition confirms that our investments in ESG practices and sustainability are yielding benefits for you: our customers, our employees, our investors, the communities we serve and other important stakeholders. Thank you for your interest in sustainability at American Water.

A handwritten signature in black ink, appearing to read 'M. Susan Hardwick'. The signature is fluid and cursive, written on a white background.

M. Susan Hardwick,
President and Chief Executive Officer

About American Water

2-1, 2-6

We know that people trust and depend on us to deliver safe and reliable water and wastewater services that are also affordable. Our customers, employees, business partners and the people and institutions who invest in us expect and deserve nothing less. Every community should be stronger because we are there. What's good for the environment, our customers and employees has also proven to be good for our shareholders and the financial sustainability of our Company. However, our ultimate measure of success is broader than just dollars and cents. Success is driven by a single, overriding purpose: to help keep life flowing for our customers. We are uniquely positioned to provide these vital services through our regulated and regulated-like businesses. We are the largest and most geographically diverse publicly traded water and wastewater utility company in the United States, headquartered in Camden, New Jersey, and listed on the New York Stock Exchange under the ticker symbol "AWK." We provide safe, clean, reliable and affordable drinking water and wastewater services to more than 14 million people with regulated operations in 14 states and on 18 military installations. American Water's 6,500 talented professionals leverage their significant expertise and the Company's national size and scale to achieve excellent outcomes for the benefit of customers, employees, investors and other stakeholders.

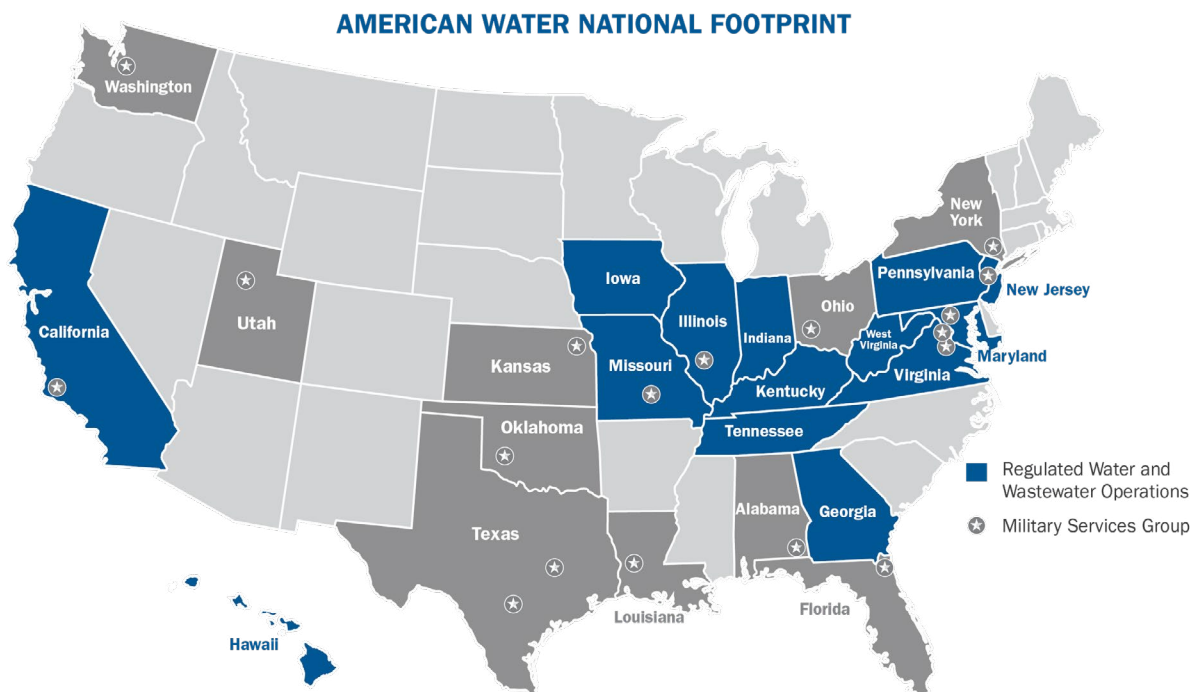
Regulated Business

Our regulated utility segment is our primary business, which represents approximately 92% of our operating revenues and involves providing water and wastewater services to residential, commercial, industrial and public authority customers.

Our national footprint consists of regulated operations in 14 states across 1,600 communities, with approximately 3.5 million customer connections.

Military Services Group

In addition to our regulated operations, we also provide water and wastewater services to various military installations across the country through our regulated-like business, Military Services Group (MSG). We currently operate 50-year contracts at 18 military installations across the nation as part of the U.S. Government's Utilities Privatization Program.





Our Values

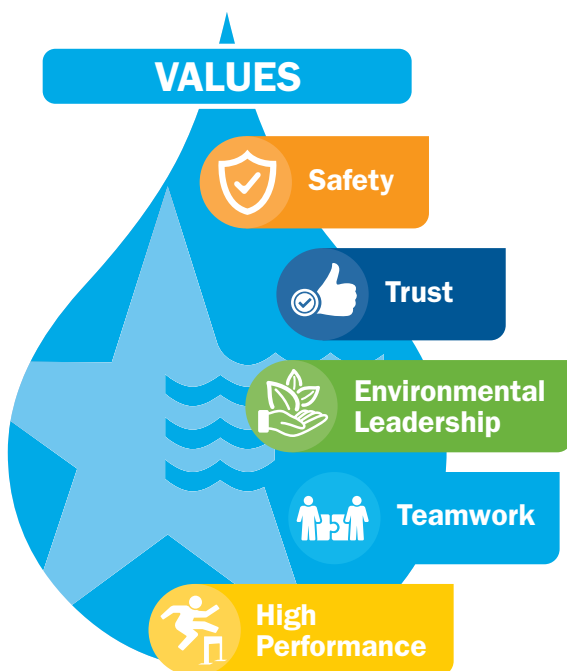
2-23

Our values of safety, trust, environmental leadership, teamwork and high performance are the foundation of our ethical culture. Our values also contribute to a high-integrity, safe and transparent workplace where employees feel safe bringing their whole selves to work. Please visit our website for a deeper look at how we apply our values at work every day.

Our Strategy

2-24

Our purpose and values underpin our overall business strategy focused on five key areas: safety, people, operational excellence, growth and customers. Each focus area ties to specific performance aspirations and goals designed to deliver continuous improvement for years to come. Please visit our website for additional insight into our strategies.



Our Long-Term Environmental Goals

In 2020, we completed a comprehensive goals-benchmarking process that led to the adoption of two new environmental goals, and refinement of a third, focused on three key topic areas: GHG Emissions, Water Supply Resilience and Water Use & Efficiency. In 2022, we reviewed these goals and added two new GHG emissions goals that are **science-based** and **aligned with the Paris Agreement**.

Water Use & Efficiency Goal

Continue to meet customer needs while saving 15% in water delivered per customer by 2035 compared to a 2014/2015 averaged baseline.

Through this target, we aim to provide customers with the water they need while increasing efficiency and reducing water loss. We will achieve this target by expanding best practices from existing conservation programs, using innovative technologies such as Advanced Metering Infrastructure (AMI) and leak detection and investing capital to improve the integrity of our buried infrastructure. These actions will reduce water loss and non-revenue water and minimize customer rate impacts.

Water Supply Resilience Goal

Increase our water system resiliency to respond to more extreme events by 2030 (measured as a 10% increase in Utility Resilience Index (URI) from the 2020 baseline weighted average).

By committing approximately 10–12% of our total capital investment to resiliency projects each year and continuing to strengthen our employees through incident management training and emergency preparedness, we will increase our ability to avert and/or respond to an incident and return to normal operations timely.

GHG Emissions Short-Term Goal

Reduce our absolute scope 1 and scope 2 GHG emissions by more than 40% by 2025 from a 2007 baseline.

GHG Emissions Medium-Term Goal

Reduce our absolute scope 1 and scope 2 emissions by 50% by 2035 from a 2020 baseline¹.

GHG Emissions Long-Term Goal

Achieve net zero absolute scope 1 and scope 2 emissions by 2050¹.

We will work to achieve these goals by continuing to improve energy and water efficiency, increasing our electric fleet, procuring renewable energy and continuing to encourage customers to install water efficient appliances and fixtures.

¹ Includes organic growth; annual adjustments to baseline will occur to incorporate growth through acquisitions. Assumes States' renewable portfolio standards will be achieved and power providers will fulfill stated carbon transition plans.

ESG Alignment With Annual Performance Plan

Our Annual Performance Plan (APP), which provides for at-risk cash compensation to be paid to Company employees upon the achievement of stated short-term annual business objectives, is aligned with our commitment to ESG principles. Performance measures and other mandatory training requirements for 2022 APP eligibility included the following:

- Environmental—Drinking Water Quality and Program Compliance;
- Social—Customer Satisfaction, Employee Safety and Employee Diversity; and
- Governance—Our Code of Ethics program requires completion of a training module in order for an employee to be eligible to receive an APP payout.
- See the APP and summary sections of our [2023 Proxy Statement](#) for general information on the APP.

United Nations Sustainable Development Goals

As the largest publicly traded water and wastewater utility in the United States, we have a great opportunity to contribute to the following UN SDGs through alignment with our business strategy and our management of material topics. Please refer to listed sections to read more about our approach and performance on these topics.



UN SDG 6 Clean Water and Sanitation

- [Local Communities](#)
- [Water Quality & Emerging Contaminants](#)
- [Water & Wastewater Infrastructure](#)
- [Water Supply Resilience](#)



UN SDG 9 Industry, Innovation and Infrastructure

- [Water & Wastewater Infrastructure](#)



UN SDG 11 Sustainable Cities and Communities

- [Water & Wastewater Infrastructure](#)
- [Emissions](#)
- [Water Supply Resilience](#)



UN SDG 13 Climate Action

- [Emissions](#)
- [Local Communities](#)
- [Water Infrastructure](#)

American Water also contributes to the following UN SDGs through our ESG strategy.



UN SDG 3 Good Health and Well-Being

- [Employee Health, Safety & Well-Being](#)
- [Water Quality & Emerging Contaminants](#)
- [Water & Wastewater Infrastructure](#)



UN SDG 4 Good Education

- [Local Communities](#)
- [Talent Attraction, Retention & Development](#)



UN SDG 5 Gender Equality

- [Inclusion, Diversity & Equity](#)
- [Local Communities](#)



UN SDG 12 Responsible Consumption and Production

- [Water Supply Resilience](#)
- [Water Use & Efficiency](#)

Corporate Governance & Business Ethics

Corporate Governance

We maintain strong governance practices that support our strategic direction, inclusive and diverse workplace and strong ethical reputation. For us, effective corporate governance includes:

- Having a high-quality, diverse Board of Directors;
- Implementing policies and procedures that promote governance quality, operating in stakeholders’ best interest and engaging stakeholders;
- Promoting the integrity of governing bodies, such as having a majority of independent directors and an independent Board Chair;
- Having the Board and its committees meet in executive session without management;
- Helping ensure clear lines of accountability for material environmental and social topics, including Board engagement on these topics; and
- Demonstrating transparency and accountability to stakeholders through public disclosures.

Governance Structure

2-9

Our corporate governance structure promotes accountability and integrity across the organization. Our Board of Directors has the following standing committees:

- Audit, Finance and Risk;
- Executive Development and Compensation;
- Nominating/Corporate Governance; and
- Safety, Environmental, Technology and Operations.

RELATED RESOURCES

Audit, Finance and Risk Committee Charter	↓
Executive Development and Compensation Committee Charter	↓
Nominating/Corporate Governance Committee Charter	↓
Safety, Environmental, Technology and Operations Committee Charter	↓
Anti-Corruption & Anti-Bribery Policy	↓
Board of Directors	↓
Corporate Governance Guidelines	↓
Code of Ethics	↓
Insider Trading and Prohibited Transactions Policy	↓
Partners and Suppliers	↓
Political Contributions and Lobbying Expenditures	↓
Related Person Transaction Policy	↓
Supplier Code of Conduct	↓
Conflict of Interest	↓

Board Diversity

The diversity of our Board of Directors reflects our objective that directors bring a variety of experiences, knowledge, abilities and backgrounds to our Company. Embedding diversity at the highest levels of our organization helps our Company better align our long-term strategy with the needs of the diverse communities we serve. Our Board of Directors includes gender, racial, disability and military/veteran status representation.

ESG Oversight

2-9, 2-12, 2-13, 2-14, 2-24

We regularly discuss our Company ESG strategy and performance with our Board of Directors. Our Nominating/Corporate Governance Committee takes a leadership role in shaping our corporate governance. Our Safety, Environmental, Technology and Operations Committee oversees and reviews our operations across areas including employee and public safety; environmental policies and practices with respect to water quality and emerging contaminants; our sustainability efforts with respect to water conservation,

climate variability and GHG emissions; technology policy, strategy and governance; and operational performance and risks. The Executive Development and Compensation Committee of the Board oversees social matters including ID&E programs, including pay equity. The Board relies on the Executive Leadership Team (ELT)¹ to manage impacts related to our material topics. Executive Leadership regularly reports progress to the Board.

In addition to our Board, we have several business roles that play a key part in shaping and overseeing one or more aspects of ESG for the Company, including our ELT, Chief Environmental and Safety Officer, Chief Inclusion Officer, Chief Compliance Officer, Chief SEC Counsel and Corporate Secretary, as well as Senior Manager of Investor Relations and ESG.

For more information, please visit each of our material topic sections.

- 1 We define the ELT as the President and Chief Executive Officer (CEO), Executive Vice President (EVP) and Chief Financial Officer (CFO), EVP and Chief Operating Officer (COO), EVP and Chief Human Resources Officer (CHRO), EVP and General Counsel, and Senior Vice President (SVP) of Communications and External Affairs.



Board of Directors Nominees Skills & Diversity Matrix¹

Board of Directors Nominees	Jeffrey N. Edwards	Martha Clark Goss	M. Susan Hardwick	Kimberly J. Harris	Laurie P. Havanec	Julia L. Johnson	Patricia L. Kampling	Karl F. Kurz (Board Chair)	Michael L. Marberry	Admiral James G. Stavridis
American Water Strategic Priorities										
Customer Experience										
Safety										
Human Capital Management										
Operational Excellence										
Customer Growth and Acquisitions										
Additional Key Skills										
Regulated Industry										
C-Suite										
Governance/Risk Management										
Financial										
Legal										
Sustainability/Climate										
Technology and Cybersecurity										
Representation										
Female										
Military/Veteran										
Ethnically/Racially Diverse										
Disability										

Technical Expertise
 Managerial Knowledge
 Working Knowledge
 Representation

¹ As of March 28, 2023.



Business Ethics

Policies

2-15, 2-23, 2-24

At American Water, how we conduct business is just as important as achieving our goals. We are deeply committed to a safe and inclusive workplace where all individuals are treated with mutual respect and dignity. We have zero tolerance for discrimination, harassment or retaliation by or toward any employee, vendor, customer or other person in our workplace. One of the pillars of our culture of high integrity is our Code of Ethics (Code), which was most recently updated in 2023.

All employees are expected to comply with the Code at all times while at work and, in certain instances, in their personal life. To ensure that the expectations outlined in the Code are clear, all employees, including our Board of Directors, must complete Code trainings annually. Employees are responsible for knowing and complying with the Code and the other Company policies, practices, and laws that apply to the work they do. Employees are also encouraged to raise concerns to the appropriate Company resource if they see behavior that does not meet our expectations and commitment to an ethical, high-integrity culture. Failure to abide by our Code may lead to disciplinary action, up to and including termination of employment.

We have adopted several policies and practices to ensure that all business practices reflect our commitment to high integrity and ethics. This includes new or updated policies related to anti-bribery/anti-corruption and conflict of interest, which helps employees understand what types of conduct could give rise to a perception of unfair advantages as well as actual and potential conflicts of interest, which helps ensure that all employees understand the need for transparency and to always make decisions that are in the best interest of the Company.

Ethics Helpline

1-16, 2-25, 2-26

To report potential violations, American Water has an independent, secure and confidential Ethics Helpline that is available to employees and external stakeholders, including suppliers and customers. The Ethics Helpline is available 24 hours a day, 7 days a week (24/7), and can be contacted via a toll-free telephone number or website.

If employees have questions about whether behavior or a situation they face is consistent with our Code, they are encouraged to seek guidance or raise concerns by contacting their manager, Human Resources (HR), the Compliance and Ethics or Legal Department, Security, and/or the Ethics Helpline.

The Compliance and Ethics Department reviews all concerns raised through the Ethics Helpline. When aware of a potential violation of our Code, the Compliance and Ethics Department investigates and management will take corrective action, as necessary, while ensuring that those who report concerns or participate in an investigation are treated fairly.

The Chief Compliance Officer is responsible for overseeing all concerns raised about conduct that might violate the Code or related policies. The Board's Audit, Finance and Risk Committee oversees the operations of the Compliance Office. The Chief Compliance Officer reports out to the head of the Board's Audit, Finance and Risk Committee to further provide independence.

Supply Chain

We hold our business partners to the same standards of integrity to which we hold ourselves. We seek to establish strong partnerships with U.S.-based companies to source products made in the United States and to further invest in our communities by working with diverse suppliers in the areas we serve. We abide by our "Buy U.S." practice, which requires U.S.-based procurement for federal or state-funded projects. In 2020, we established a separate Supplier Code of Conduct to govern these relationships, focusing on ethical business conduct, health and safety, environmental standards, human rights and fair treatment and management procedures, by which we expect all suppliers to abide.



Cybersecurity, Data Privacy & Physical Security

Maintaining cybersecurity and data privacy is vital for reliable and resilient water and wastewater systems and the protection of our employees, customers and the communities in which they live. For that reason, cybersecurity remains core to our vision of resiliency and sustainability. As we continue to implement intelligent water and wastewater systems, we are designing and integrating industry-leading cyber controls into all aspects of our technology. Governed by our Board's Safety, Environmental, Technology and Operations Committee, American Water implements these controls to protect our resources and enable the implementation of secure innovation.

American Water is the first U.S. water and wastewater company to earn the U.S. Department of Homeland Security SAFETY Act Designation.

We earned the U.S. Department of Homeland Security SAFETY Act Designation in 2022 due to our internal enterprise security program, including our risk management processes, personnel training, emergency exercises and security oversight activities. We are proud to be the first U.S. water and wastewater company to earn this designation.

Our cybersecurity program is consistent with industry best practices, including the U.S. National Institute of Standards and Technology (NIST) Cybersecurity Framework, American Water Works Association (AWWA) Process Control System Security Guidance for the Water Sector and Cybersecurity Maturity Model Certification.

We maintain a business continuity framework across the Company, bringing functional and operational teams together for the purpose of reducing risk and enhancing resiliency. As part of the framework, we adopted the National Incident Management System (NIMS), which enables unified emergency response and close, effective coordination with emergency management in the communities we serve. We also participate in the Water/Wastewater Agency Response Networks (WARN), which is a network of utilities helping other utilities to respond to and recover from emergencies.

We include cybersecurity measures within our annual goals, striving for 100% employee participation in the Cybersecurity Awareness Program. In 2022, over 117,000 hours of safety training, including physical security and cybersecurity training, were completed by Company employees.

To protect the personally identifiable information entrusted to our Company, we have a series of policies and procedures that provide notice and explanation about the data we collect, how it is used, and when and whether it is shared. We also practice data minimization so that personally identifiable information can be safely deleted when no longer needed or as required by applicable law.

Policies

American Water values the safety and security of our customers, employees, business partners and other stakeholders. In support of this, we maintain robust policies that govern our management of cybersecurity across our operations. Our Cyber and Information Security Policy provides requirements for the secure use and management of all information resources and technology systems within the Company. Our Sensitive Information Security Policy sets forth our standards and security requirements regarding sensitive information handled by the Company, including personally identifiable information of American Water employees, customers and business partners. Our Physical Security and Preparedness Policy establishes the framework and standards by which we protect Company facilities and assets and respond to incidents and emergencies. We review and update these policies annually as part of our focus on continuous improvement.

Partnerships & Leadership

Demonstrating external leadership and fostering effective partnerships is key to our success and to making improvements to security and resiliency across the water and wastewater sector. We partner with environmental organizations, public service commissions, state fusion centers, the Department of Homeland Security and Federal Bureau of Investigation to share information and promote security best practices. We take a leadership role in advancing security and resiliency of the water and wastewater sector through participation in key working groups. We currently chair the Water Sector Coordinating Council, a public-private partnership in which we collaborate with other utilities and the EPA to plan and implement sector-specific programs, policies and activities.



Employee engagement plays a central role in cybersecurity preparedness efforts.

STAKEHOLDER ENGAGEMENT

[Engaging Our Stakeholders →](#)

[Association Memberships →](#)

[Local Communities →](#)

[Public Policy →](#)



American Water supports solutions to water and wastewater challenges for our industry, customers and communities.

Engaging Our Stakeholders

2-25, 2-29; 3-3

American Water recognizes GRI's definition of a stakeholder as an individual or group that has an interest that is affected or could be affected by the organization's activities. American Water also considers parties that could affect the Company as stakeholders. We regularly engage with our stakeholders to better understand their concerns, needs and expectations for American Water. Our stakeholders are vital to our business, and their feedback informs policies, practices and programs across our organization.

We refreshed our Materiality Assessment in 2022, which serves as an important engagement activity to help determine which issues are most important to our stakeholders.

MATERIALITY ASSESSMENT

3-1

In 2022, we completed a detailed Materiality Assessment aligned with the GRI Global Reporting Standards. In partnership with a third-party consultancy, we identified relevant ESG topics and assessed and prioritized them with input based on internal and external stakeholder interviews and written sources. We evaluated the significance of American Water's economic, environmental and social impacts. Our executive leaders validated the results of the assessment. The assessment gave us valuable feedback and helped us to better understand the ESG topics most important to our business and stakeholders. We focused this report on the ESG topics most significant to our business and our wide range of stakeholders.

Our Material Topics

3-2



Stakeholder Engagement by Group

3-1

This table summarizes the type and frequency of our stakeholder engagement, as well as the topics most important to each group.

Stakeholder Group	Engagement Mechanism	Engagement Frequency	Priority Topics
Communities	Community surveys, volunteering, open houses / plant tours / community events, townhalls	Monthly	Water Access & Affordability; Water & Wastewater Infrastructure; Customer Experience
Customers	Customer service orders, bills, emails / texts / social media / calls, website / portal, surveys	Daily	Customer Experience; Climate & GHG Emissions; ID&E; Cybersecurity, Data Privacy & Physical Security; Water Use & Efficiency
Employees	Employee engagement / culture survey, town hall meetings, podcasts, intranet, labor management conference, job fairs	Daily	Talent Attraction, Development & Retention; Employee Experience; Employee Health, Safety & Well-Being; Water Quality & Emerging Contaminants
ESG Rating Agencies	Conferences, meetings	Annually	All Material Topics
Industry Associations	Conferences, memberships, meetings	Quarterly	Water & Wastewater Infrastructure; Water Quality & Emerging Contaminants; Local Communities
Investors	Conferences, regular meetings, earnings calls, investor presentations	Weekly	Water & Wastewater Infrastructure; Water Supply Resilience; Corporate Governance Emissions
Non-Governmental Organizations (NGOs)	Meetings, conferences	Monthly	Water & Wastewater Infrastructure; Water Access & Affordability; Climate & GHG Emissions
Regulators	Conferences, meetings, regulatory associations	Monthly	Cybersecurity, Data Privacy & Physical Security; Climate & GHG Emissions; Water Infrastructure
Suppliers	Select supplier audits, supplier conferences	Biannual	Talent Attraction, Engagement & Retention; Corporate Governance; Employee Health, Safety & Well-Being
Unions	Labor management meetings, National Labor Management Council, Joint Health Care Committee, labor management conference	Monthly	Employee Health, Safety & Well-Being; Talent Attraction, Engagement & Retention

Please see the [Local Communities](#); [Public Policy](#); [Customer Experience](#); [Talent Attraction](#), [Development & Retention](#), and [ID&E](#) sections in this report for further detail about how we engage with specific stakeholder groups.

Association Memberships

2-28

Industry memberships allow American Water to share best practices, support beneficial legislation and collaborate to provide high-quality services to customers. We belong to and engage with many organizations at the local, state and national level, including the following national organizations:

- African American Mayors Association
- American Chemical Society
- American Society of Civil Engineers (ASCE)
- American Water Works Association (AWWA)
- BlueGreen Alliance
- Board of Certified Safety Professionals
- Community Leaders of America
- Edison Electric Institute (EEI)
- Financial Research Institute (FRI)
- National Association of Regulatory Utility Commissioners (NARUC)
- National Utilities Diversity Council
- The National Association of Water Companies (NAWC)
- U.S. Conference of Mayors Water Council
- U.S. Water Alliance (including the Value of Water Campaign)
- Water Research Foundation
- Water Sector Coordinating Council

We are also active members and partners of organizations local to the communities and states we serve. When needed, we work with these organizations to develop formal engagement and communications plans for external groups, including customers, regulators, NGOs and state environmental commissions.



American Water employees recognized the twenty-year anniversary of September 11 through a memorial flag display.

Local Communities

WHY IT MATTERS

As a national water and wastewater utility company with a local presence, we believe helping our communities thrive is a business imperative. We are proud to support the communities we serve by providing water and wastewater services that create local economic benefits. Our investments and services help communities attract new businesses and residents, which results in increased employment opportunities for community members.

American Water has also long considered the impacts and implications of decisions on overburdened communities, adopting environmental justice practices and operating in a way that strengthens the communities we serve.

American Water regularly engages with our customers to better understand how we can meet their needs through strong partnerships, communications and collaborations. We remain true to our values by providing opportunities for local employment, financial support and volunteerism. Through community contributions, we hope to create positive local impacts and demonstrate our values.

OUR APPROACH

Policies

Our Communications and External Affairs policy guides how employees and business partners communicate with customers and communities. We recognize that our communities all have different needs and expectations for our business and their interactions with us, so we leverage local practices and procedures to guide local engagements across our business.

Governance

Our SVP of Communications and External Affairs leads our community engagement practices and procedures. Across American Water's national footprint, our External Affairs Directors and External Affairs Managers supervise local interactions and work directly with the communities we serve.



Our H₂O On the Go mobile water trucks can be found offering hydration at community events.

RELATED RESOURCES

- [American Water Charitable Foundation Overview](#) ↓
- [Keep Communities Flowing 2021 Community Impact Report](#) ↓
- [American Water Charitable Foundation 2022 Community Impact Report](#) ↓
- [Martin Luther King, Jr. Remembrance 2021 Community Impact Report](#) ↓
- [Building Better Communities 2021 Community Impact Report](#) ↓
- [AWCF Rewards Inclusion, Diversity & Equity 2022 Community Impact Report](#) ↓



American Water Charitable Foundation grants have funded water-based play and recreation areas across our footprint.

Community Engagement

We want every community we serve to be better and more viable because we are there. Focusing on open and consistent communication about our services allows us to build trust and support in the communities we serve.

Community members and customers can reach us through multiple channels, including our customer portal, MyWater, social media, webinars, town hall meetings, community meetings and surveys, to voice concerns, ask questions or provide feedback. We encourage our local community members to better understand who we are and what we do through plant tours, open houses and other events. We also engage with our local communities through educational campaigns and volunteerism at local schools to help build our talent pipeline and encourage careers in water. For more information, please refer to the [Customer Experience](#) section.

This engagement also flows through our approach to abiding by fair and equitable development, implementation, and enforcement of all environmental laws, regulations and policies for those we serve regardless of race, color, national origin, or income.

American Water Charitable Foundation

American Water believes in the power of giving to support and uplift the communities we serve. The primary focus of the AWCF is to support employees in their own charitable endeavors, provide stronger support for disaster relief efforts and provide funding for higher level initiatives related to safe drinking water, conservation, education and community sustainability. Since inception, AWCF has invested \$12 million in funding through grants and matching gifts that are important to our employees and our communities. Our charitable focus to Keep Communities Flowing empowers our employees to get involved and our communities to learn how every drop counts.

In 2022, the AWCF awarded over 100 grants and over \$2 million in communities served by American Water through the Keep Communities Flowing Grant Program. These efforts were in addition to the \$900,000 donated by Company employees and the AWCF, totaling more than \$3 million combined.

The AWCF focuses on three pillars of giving: Water, People and Communities. In 2022, the AWCF awarded over 100 grants and over \$2 million in communities served by American Water through the Keep Communities Flowing Grant Program. These efforts were in addition to the \$900,000 donated by Company employees and the AWCF, totaling more than \$3 million combined.

- **Water:** The Water and Environment grant program supports clean water, conservation, environmental education, climate variability and water-based recreation.
- **People:** The Workforce Readiness grant program is focused on providing general career readiness, financial and business literacy, positive youth development, mentoring and life skills to help prepare future leaders of tomorrow. The Science, Technology, Engineering and Math (STEM) Education grant program aims to provide underserved students access to curricular and extracurricular programs that promote high-quality learning.
- **Communities:** The Community pillar focuses on three invitation-only strategic grant opportunities (State, Corporate and One Water Street) that enrich local relationships and strengthen communities served by American Water.

Through its Employee Volunteer and Matching Gift Program, Employee Crisis Fund, Disaster Relief Program and Keep Communities Flowing Grant Program, the AWCF is making a difference every day in diverse communities throughout the country. Giving back is part of who we are.

Employee Giving

The AWCF encourages American Water employees to give back to the communities and causes they care about by matching eligible volunteer time (\$20 per hour match) and monetary donations on a 1:1 basis for up to \$1,000 per employee each calendar year. Since 2012, AWCF has matched more than \$2.6 million to public charities, including more than 54,000 hours of volunteer time.

In addition, American Water hosts its annual AmeriCANS in Action! Month of Service every September. In 2022, over 800 American Water employees participated in more than 80 community volunteer projects to provide more than 2,600 hours of service.

OUR CONTRIBUTION

In 2021, American Water contributed \$45 million to the AWCF to support its charitable giving for years to come. The donation will be used to support the AWCF's ongoing commitment to being a good neighbor and contributor to local communities.



In 2022, water and environment grantees received a total of \$1.5 million for projects that supported conservation and environmental education.

Public Policy

WHY IT MATTERS

Our primary goal as a regulated utility is to support laws and policies that enhance our ability to provide our customers with safe, reliable and affordable high-quality water and wastewater services. We engage with every level of government to voice our support for effective policy that aligns with our business values. We also participate in several non-partisan partnerships to advocate for effective environmental, health and safety and water quality standards and regulations at the local, state and federal levels.

We see ourselves as a key stakeholder for policy decisions that affect the water and wastewater utility industry. Our thought leadership can help inform the decisions of regulators or politicians and prevent ineffective or costly regulation that has little benefit to our customers and communities. We will continue working with regulators and other stakeholders to support responsible policies that enhance our ability to provide our customers with cost-effective water and wastewater solutions and align with our business.

OUR APPROACH

Policies

Our Code and related policies govern our interactions with government officials and regulators, including lobbying, political contributions and meals, gifts and business entertainment. Our Code is updated bi-annually and is reviewed and approved by our Board of Directors. Our Political Contribution Policy requires that our Board of Directors has direct oversight of the structure, processes and disclosures related to our political contributions, and that we publicly disclose our contributions annually. Additionally, our Anti-Corruption & Anti-Bribery Policy underscores our commitment to engaging with government officials in compliance with applicable anti-corruption laws and regulations in the areas where we operate.

RELATED RESOURCES

- [Political Contribution Policy](#) ↓

 - [Political Contributions](#) ↓

 - [Anti-Corruption & Anti-Bribery Policy](#) ↓
-

Governance

Our Board of Directors oversees the public policy activities and political contributions of American Water with the assistance of our Nominating/Corporate Governance Committee. Consistent with its purpose to take a leadership role in shaping American Water's corporate governance, our Nominating/Corporate Governance Committee assists the Board of Directors in establishing and maintaining a Political Contribution Policy, reviewing and making recommendations to the Board concerning proposed disclosures regarding political contributions, third-party payments and lobbying expenditures, and responding to changing legislative and regulatory conditions.

Our SVP of Communications and External Affairs supervises our governmental relationships and engagements across our entire business and works with the Vice President of National Government and Regulatory Affairs and Presidents of our state utilities to oversee policies and external affairs.

Collaboration & Engagement

As a thought-leader in water research, we work closely with the EPA, Centers for Disease Control and Prevention (CDC), state Departments of Environmental Protection, regulatory agencies and other organizations to collaborate on research that informs effective standards and regulations for our industry. We focus primarily on policies relevant to water quality, infrastructure, health and safety and environmental stewardship. We work to support solutions to water and wastewater challenges for our industry, customers and communities, such as water affordability and infrastructure safety and resilience. We tailor our engagement strategy depending on the geographic location, operational challenges and regulatory landscape of each state where we operate.

American Water engages directly with policymakers in a variety of ways, including legislative sessions, educational meetings, conferences and political action committee events. We continuously engage on water and wastewater policies that will benefit our business, our customers and our communities.

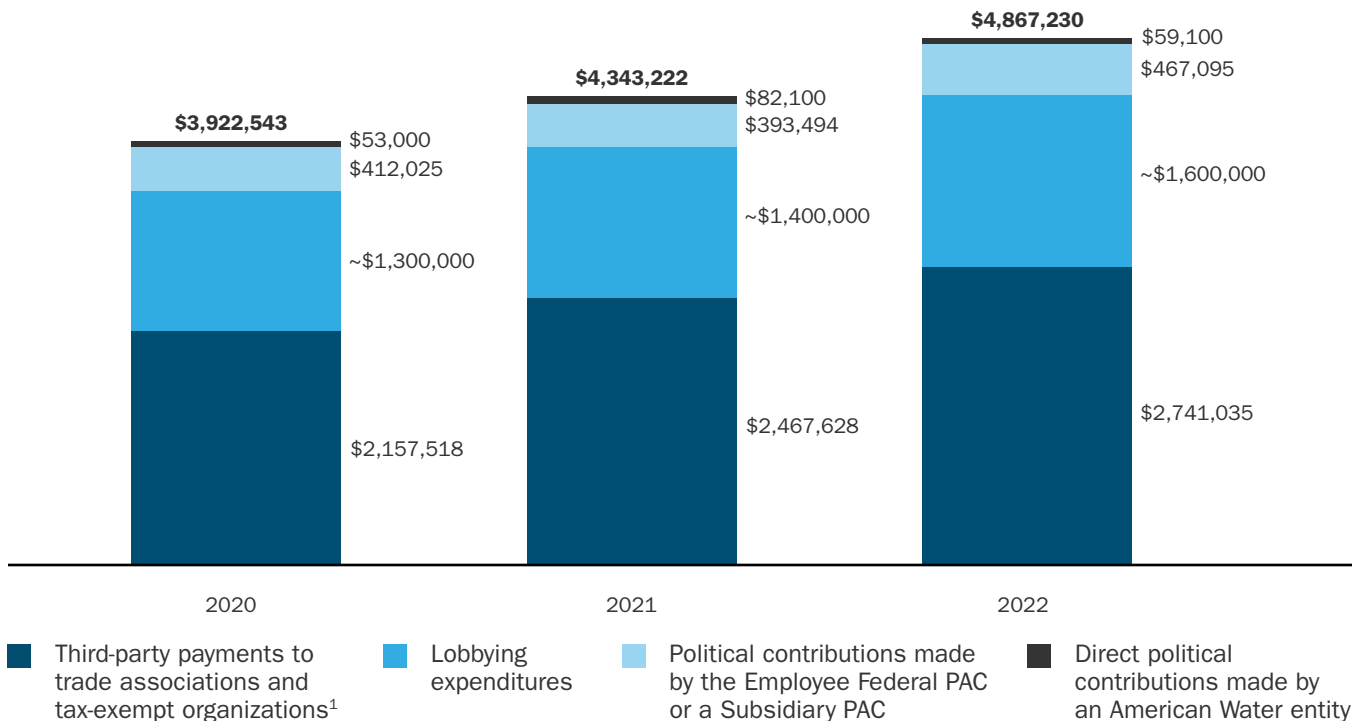
Political Contributions

American Water is firmly committed to participating responsibly in the political process. Guided by our Political Contribution Policy, we make all political contributions through a non-partisan process that is consistent with all applicable laws and reporting requirements.

While our employees can make political contributions on an individual basis, all political contributions (as defined under the Political Contribution Policy) from our organization may only be made by the American Water Works Company, Inc. Employee Federal Political Action Committees (PAC) (the “Employee Federal PAC”) or through a subsidiary or line-of-business PAC (a “Subsidiary PAC”). The political contributions of our employees, including those made to PACs, are not subject to this policy.

Our Political Contribution Policy requires that we publicly disclose political contributions and certain other payments made to tax-exempt organizations and trade associations exceeding \$50,000 within 180 days of the end of our fiscal year. We published our annual disclosures on our [website](#).

Our Contributions



¹ Third-party payments to a tax-exempt organization or trade association during a fiscal year where the aggregate amount of all payments made by the company or any subsidiary exceeds \$50,000 in that fiscal year, and the third party informs the company in writing that a portion of any such payment was used for lobbying expenditures or political contributions that are considered non-deductible under the Internal Revenue Code of 1986.

EMPLOYEES

Employee Health, Safety & Well-Being →

Inclusion, Diversity & Equity →

Talent Attraction, Development & Retention →

At American Water, people are the foundation of our success. Without the talented individuals who comprise our team, we would not be able to deliver industry-leading water and wastewater services. We are committed to making American Water an engaging, diverse and safe place to work, while promoting employee growth and development and fostering employee wellness. We aim to attract and retain top talent to do meaningful work and find innovative solutions to water and wastewater challenges.



American Water employees focus on physical and emotional aspects of keeping one another safe.

Employee Health, Safety & Well-Being

3-3

WHY IT MATTERS

We believe that a safe workplace empowers American Water to achieve superior quality, productivity and customer satisfaction and increase employee morale. Our goal is zero injuries. American Water prioritizes physical, mental and emotional health so that our employees return home in the same or better condition than when they came to work.

OUR APPROACH

Our safety strategy is how we work to achieve zero incidents and zero injuries. It starts with commitment and accountability from leadership, which we demonstrate through daily actions. We recognize that the first line of prevention starts with employee responsibility. Fostering an environment of collaboration and caring for one another is essential to health and safety performance excellence. We provide our employees with training and processes to help them stay safe and help keep each other safe.

Our holistic approach to health and safety includes mental health and emotional well-being. In addition, we engage in open exchanges to explore new ways to further enhance physical and emotional safety on the job.

We expect our suppliers to comply with American Water's health and safety requirements while meeting applicable laws and regulations. In addition, we expect suppliers to perform operations safely under healthy working conditions to prevent incidents, injuries or illness. See our [Supplier Code of Conduct](#) for more on supplier safety.

All business partners working for American Water are evaluated through a comprehensive grading system during orientation. We require that business partners maintain a minimum grade to continue working with us. Employees also conduct job site evaluations each year to monitor the safety and security of operations. In the event of an incident during our contractual relationship or a drop in a contractor's safety grade, a committee conducts a holistic review to determine whether we will permit them to continue working for us.

Our goal is zero injuries.

Policies

Our Health and Safety Policy underpins our efforts to ensure safe working conditions for our employees by outlining the responsibilities for implementing and managing effective programs. With the evolving nature of environmental and occupational risks and regulatory changes, our continuous improvement strategy allows agility in adopting new best practices and safety concepts.



A West Virginia American Water employee contributes to our culture of safety through highly visible protective equipment.

Governance

2-13

To reach zero injuries, we embed health and safety initiatives and practices into everything we do at American Water. Safety starts with the responsibility of each employee, contractor, and community partner to be accountable for their own safety.

The Safety, Environmental, Technology and Operations Committee of the Board oversees our health and safety policies, practices and performance. Every quarter, the committee reviews and monitors the performance of our health and safety operations and related risk exposure and mitigation strategies. The committee examines leading and lagging performance indicators such as significant injuries, near misses and compliance with protocols and regulations to ascertain the state of our safety culture. The Executive Development and Compensation Committee, at least annually, reviews and assesses our ID&E and culture engagement programs. We believe these programs are vital to a culture that promotes our employees' overall well-being.



Safety governance at American Water extends to people, processes, and operations.

Our COO and Chief Environmental and Safety Officer manage Occupational Health and Safety (OHS) leadership and oversight. We conduct quarterly focus reviews to examine our performance and compliance on various health and safety topics. Our State Subsidiary and Business Unit Presidents and Vice Presidents of Operations implement and manage our OHS in each state and business where we operate.

Our Operational Compliance team manages compliance with health and safety policies, procedures, laws, and regulations. The team focuses on the results of risk assessments and topics identified by the business. Through an extensive process, they review safety findings and concerns with the ELT and the Board of Directors.

Our Enterprise Crisis Response Team (ECRT) assists with events that have the potential for significant injury, death or impact on our operations, reputation, brand or stakeholders. The ECRT is a cross-functional unit that is comprised of employees representing our Communications, Health and Safety, Legal, Operations, Risk Management, Security, Supply Chain, Engineering and Environmental and Water Quality teams. In addition, the group provides guidance and support in adhering to our Incident and Event Management Practice, which defines our proper incident management actions in compliance with NIMS.

National Safety Council

403-4

Our employees actively participate in the strategic direction of safety measures through our National Safety Council. The Safety Council comprises employees and union representatives across the business. The Safety Council is responsible for evaluating safety-related events and providing recommendations for improvement. We address and resolve the majority of safety concerns at the local level, and we have local safety committees across our footprint. These committees support the National Safety Council, raise concerns that require further evaluation and complete proactive safety actions to improve the local safety culture and work environment.

Occupational Health & Safety Management System

403-1, 403-9

The journey to zero injuries begins with strong leadership, programs and practices, employee engagement and a robust culture of safety. In 2021, we transitioned to an integrated data management system that standardizes safety reporting. This system provides a framework for safe operations across our employee and operational footprint and helps us record safety incidents, assign corrective actions and take preventative measures, including site-specific checklists and safety briefings. Detailed analytics allow American Water to operate safely and efficiently through data-driven decision-making.

We expect the entire workforce—from executives to business partners and frontline workers—to actively drive OHS progress by reporting safety incidents and participating in safety training. American Water achieves ongoing health and safety improvement by conducting regular reviews and updates to our management system. We record OHS data aligned with Occupational Safety and Health Administration (OSHA) methodology, including OSHA Recordable Incident Rate (ORIR) and Days Away, Restricted or Transferred (DART) Rate.

Hazard Identification

403-2, 403-7, 403-9

American Water strives to identify potential hazards and assess risks before work gets underway. Our employees participate in safety toolbox talks and pre-job safety briefings each day. These mechanisms allow time to reflect and plan work with safety in mind. We engage our employees to strategize ways to enhance safety and eliminate, mitigate or minimize hazards at the outset of their work. Supervisors and employees conduct job site inspections to identify safety hazards and discuss safe and unsafe behaviors.

Every employee at American Water is empowered to use their Stop Work Authority, without reprimand or criticism, on the grounds of potentially unsafe conditions. This mechanism enables our employees to evaluate a situation and identify ways to enhance job safety, regardless of its impact on the time for completion. Stop Work Authority is prominently displayed on all employee ID badges as a reminder that we encourage stopping working if a task poses a safety risk and report any behavior that is unsafe, unlawful, unethical or disrespectful. We encourage employees and business partners stop work, discuss safety enhancements and address the hazard or issue with management.

Incident Investigation

We encourage near-miss reporting by all employees and business partners via phone to our Security Hotline or online through our proprietary Safety Application. Local teams conduct site investigations and implement corrective actions to prevent future incidents. Our integrated OHS data management system monitors the number of reported near misses and corrective actions taken and allows us to track the time it takes to put corrective measures in place. We compile these metrics and report them quarterly to the Board's Safety, Environmental, Technology and Operations Committee.

In 2022, we began engaging our employees with webcasts and webinars focused on why it is essential to report all near misses. In 2021 and 2022, we achieved our goal to complete 90% of corrective actions within 30 days of the reported near-miss incident. During 2022, over 14,000 near misses were reported, which is a 20% increase over the previous year.

.....

In 2021 and 2022, we achieved our goal to complete 90% of corrective actions within 30 days of the reported near-miss incident.

.....

Occupational Health Services

403-3, 403-6

To perform at our best, we also need to feel our best. We support our employees by providing them with the proper resources and support to conduct their work. To promote employee well-being, we conduct industrial hygiene testing, ergonomic training, evaluations and more as part of our occupational health services portfolio.

We also provide telemedicine through WorkCare, allowing employees to seek medical attention beyond first aid. We strive to provide adequate resources and proper treatment as soon as possible.

Occupational Health & Safety Training

403-5

We provide every American Water employee, regardless of job category or classification, with the training and tools they need to perform their jobs safely. Our safety strategy draws on a four-point plan of accountability, training, utilization of record systems and leading indicators/employee engagement. We continue to increase our safety training completion rates, reaching 90% in 2022; our goal in 2023 is for 100% of employees to complete safety training.

We offer instructor-led and online trainings through our Leadership, Education and Resource Network (LEARN) system. LEARN provides each employee with a safety training dashboard, available online or via smartphone app, that allows them to monitor their training status. Managers and leaders can access a detailed LEARN dashboard to track training completion at an individual or group level. In 2022, we accumulated over 117,000 hours of completed safety, security and cyber security training.

American Water promotes employee-led safety programs; this includes our union employee-led training program, Systems of Safety, in partnership with Power for America and the Utility Workers Union of America.

We communicate with union leadership and have a dedicated Labor Relations strategy. The training is a unique union-developed, employee-focused program that encourages communication and collaboration between management and employees on safety-related events.

Each year, our National Safety Council holds an annual Safety Week. The theme of our 2022 Safety Week, “Safety Starts with Me,” focused on accountability and the idea that a safe workplace is everyone’s responsibility. During Safety Week, we send Company-wide emails and host webinars, and each business unit conducts their own Safety Week activities. In addition, some business units conduct a comprehensive inventory of their equipment and vehicle fleets to inspect their condition.

Employees can earn a safety designation through American Water’s Certified Safe Worker program. Through this program, employees certify they have completed or demonstrated safety actions in areas such as completing all OSHA-required training, health screenings, CPR / First Aid training, pre-job stretching, stopping an unsafe job or submitting safety improvement suggestions.

We encourage our safety professionals to receive accreditation through our partnership with the Board of Certified Safety Professionals. We created a Safety Academy training program to help prepare interested safety professionals for professional safety accreditations, a lengthy process that may require at least four years in a safety role, a bachelor’s degree in a related field and passing a comprehensive 200-question exam.

One of the most common hazards our employees face daily is driving to and from home and a job site. Therefore, in 2023 and 2024 we are investing more in our driver safety and vehicle compliance programs, including by expanding our defensive driving training.



American Water offers a range of in-house and external resources that prioritize employee well-being.

Employee Well-Being

403-6

At American Water, we encourage a healthy lifestyle at work and home. We provide access to the MyWellness platform to all our employees and their families. MyWellness offers an interactive online wellness program to help everyone achieve their unique health goals. The program focuses on safety, physical and emotional health and financial and community health. Employees and their families can take confidential health assessments for a holistic view of their overall health and well-being. We incentivize participation through a quarterly cash contribution to reward consistent user activity. At our corporate headquarters, our fitness center partnership offers employees 24/7 access to the fitness center for a nominal fee.

We offer programs designed to enhance workplace dialogue on physical and emotional health and safety. Our emotional safety podcast brings in internal and external experts to discuss topics, including emotional safety and intelligence. We also provide training, workshops and other educational resources to our employees as part of this effort. We continually work to evolve our employee benefits program to offer needed resources and benefits. Read more about our employee benefits in the [Compensation & Benefits](#) section.

American Water offers an Employee Assistance Program (EAP) through CareBridge for employees and their eligible dependents. CareBridge provides financial, legal, family and emotional support to individuals facing challenges.

Please see the [Compensation & Benefits](#) section for more information on health benefits.

Pandemic Response

The COVID-19 pandemic brought with it necessary changes to our safety protocols at work, implemented to keep employees and their families, as well as customers, safe. Given the fast-moving nature of the virus at its inception, American Water's response was led by the ECRT and included enhancing temporary health and wellness benefits and changing the way we worked to help reduce the spread of the virus. Throughout the course of the pandemic, our guidance to employees was centered entirely around their safety and well-being.

Based on the fluctuating number of COVID -19 cases, as well as federal, state, county and local mandates, American Water made changes as needed to staffing and scheduling without impacting water and wastewater services. At times, this included creating alternating work schedules, limiting the number of employees in vehicles and pausing customer in-home work.

The COVID-19 pandemic accelerated innovation in how we do our work and drive personal growth. It highlighted the essential work American Water employees do on behalf of customers and communities, day in and day out, and the respect we have for providing life-sustaining access to water and wastewater services. It also evolved how we get our work done, allowing for a hybrid work option for the majority of employees who report to an office and a fully remote option for customer-facing contact center employees.

Communication

403-4

Our Health and Safety team meets weekly to review safety performance and concerns from across the Company. In addition, the Corporate Safety team and American Water leadership meet monthly to review safety incidents and near misses. These meetings serve as an important communication channel to discuss pertinent safety information between the respective levels of the organization.

Beyond regular training, we use several tools to communicate safety awareness across the organization. We send a Daily Safety Talk via email featuring safety discussion topics and best practices. Daily Safety Talks cover topics such as incident safety alerts, weather safety, mental health and safety tips for conducting fieldwork and working from home. We also use weekly newsletters, Company-wide webcasts, safety videos and LEARN trainings. Most of our operating centers use Splash TV, where we promote safety through a series of rotating slides and videos throughout the day.

OUR PERFORMANCE

403-7

We remain focused on improving our health, safety and well-being performance each year. We analyze our OHS data to look for trends and commonalities, perform root

cause analysis and implement improvements following the Plan, Do, Check, Act principle. We can achieve our goal of zero incidents through strong safety leadership, our commitment to care for one another and learning from incidents.

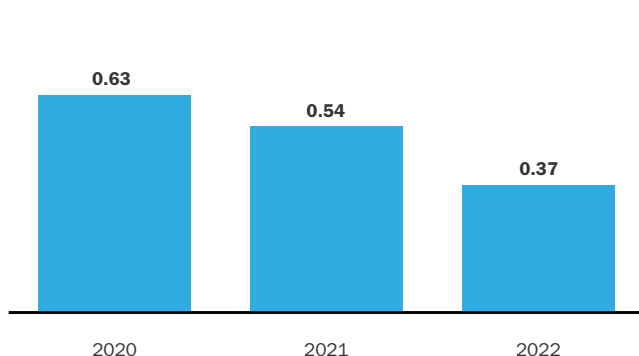
We commit to the following:

- Reduce our OSHA Recordable Incident Rate and Days Away, Restricted & Transfer Rate annually;
- Identify, report and mitigate 99% of near misses within 30 days of their occurrence;
- Adhere to our Contractor Safety Qualification Practice;
- Complete all specific Serious Injury or Fatality (SIF) incident corrective actions within 30 days in accordance with our practices; and
- Review 100% of all American Water and Contractor serious injuries and fatalities, communicate events and initial findings across the business within seven days and implement appropriate corrective actions within 30 days.

We consistently raise the bar, achieving the lowest injury rate in the history of American Water. At the close of 2022, we further reduced our recordable injury rate to 0.85, approximately two times better than the water industry average and the lowest in the Company's recorded history.

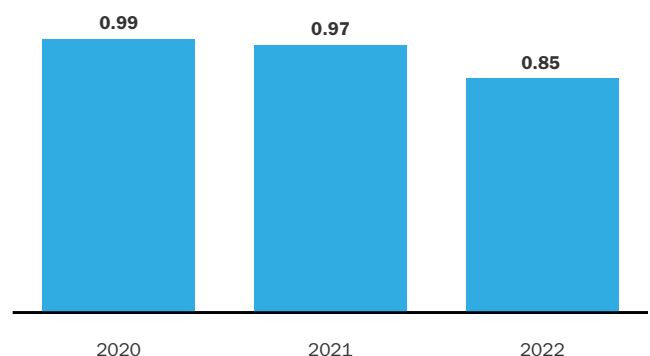
Days Away, Restricted & Transfer (DART) Rate¹

EMPLOYEES



OSHA Recordable Incident Rate (ORIR)¹

EMPLOYEES



1 We restated our data in DART and ORIR data in 2022.

Inclusion, Diversity & Equity

3-3

WHY IT MATTERS

American Water thrives because of the diverse individuals who work together to make us a great company. We are more successful when our workforce reflects the diverse communities we serve. Embracing individuals of different genders, ethnicities, races, viewpoints, experiences and backgrounds cultivates a culture of inclusion. Creating an environment where everyone is valued and included contributes to our employees' safety and well-being and brings new ideas that drive American Water forward.

Embracing and promoting an inclusive, diverse and equitable culture allows everyone to voice different perspectives, drive innovation, bring creativity and constructively challenge ideas and raise concerns. Through our continued evolution in this area, the next natural step is the shift to genuinely embedding equity into everything we do. By doing so, we will continue to attract and retain highly qualified talent. As we expand our business and compete for top talent, we also focus on providing strong benefits, equitable pay and an inclusive work culture to encourage retention.

OUR APPROACH

Policies

We expect our leaders and employees to embody our core values by maintaining a work environment that respects the dignity and worth of each individual, as outlined in American Water's [Code](#) and Respect and Dignity in the Workplace Policy. We have zero tolerance for discrimination, harassment or retaliation by or toward any employee, business partner, customer or other person in our workplace. Inappropriate workplace behavior and unlawful harassment are wholly inconsistent with this commitment, negatively impacts employees and creates the potential to damage the Company's reputation. We believe our stance on harassment and discrimination allows for a work environment that encourages inclusivity and reduces discrimination or harassment.

We regularly review our policies to ensure they are up to date and inclusive as employee expectations continue to evolve. In addition, we provide employees with the necessary training to develop their knowledge in this area.

RELATED RESOURCES

2022 Inclusion, Diversity & Equity Report	↓
.....	
Equal Employment Opportunity (EEO) Statement	↓
.....	
EEO-1 Data	↓
.....	
Inclusion, Diversity & Equity Website	↓
.....	
Pay Equity and Internal Labor Market Analysis	↓



A New Jersey American Water employee aims to make all aspects of field service a positive experience for customers.

Governance

2-13

In early 2023, American Water redesigned the Chief Inclusion Officer role to build on our progress in establishing a culture focused on ID&E. Our Chief Inclusion Officer, who now has a dual reporting line to our CEO and CHRO, oversees our ID&E department and is responsible for developing and managing the implementation of our ID&E strategic plan.

Our ID&E Executive Council, established in 2017, supports, advises and advocates for ID&E throughout the Company. The council consists of the CHRO, who serves as the executive team sponsor, the Chief Inclusion Officer, a state President who serves as the business executive sponsor and employees representing different geographies, positions and backgrounds. The council makes recommendations based on the needs of the organization and best practices to the ELT. The council works with the ELT, ID&E department and functional leaders to implement strategic priorities.

Hiring & Promoting Diverse Candidates

Our ID&E recruitment strategy supports our annual goals to improve diversity across the Company. Our strategy for inclusive and diverse talent acquisition focuses on three key areas: recruitment, selection and conversion. We set goals in 2021 to increase representation of females and racial minorities across our workforce and in leadership roles. In 2022, 24% of our employees self-identified as female and 20% were ethnically/racially diverse. In total, 44% of our employees self-identified as diverse (gender; disability; military/veteran/spouse; lesbian, gay, bisexual, transgender, queer, plus [LGBTQ+]). By providing an opportunity for both employees and candidates to voluntarily self-disclose, we can gather important information that can inform, improve and help us refine our ID&E strategy. We will continue to challenge ourselves to increase female and racial/ethnic diversity employee representation and drive greater diversity across Company management levels.

In 2022, we implemented our ID&E dashboard, available to the ELT, state Presidents, VPs and the ID&E Executive Council. The interactive dashboard allows leaders to view their state, function, or the Company's ID&E performance. The dashboard serves as a tool for measuring performance and supporting talent strategy, including talent acquisition.

Recruitment

American Water's recruitment team aims to identify and attract diverse talent in the labor market. We leverage our ID&E Executive Council, a robust employee referral program and our Culture Champion network to identify diverse talent during the recruitment process. Please see the [Engaging Employees](#) section for more information on Culture Champions. We also engage with Historically Black Colleges and Universities and Hispanic-Serving Institutions to increase our diverse candidate pool. Within our states, we engage with various organizations to build even better relationships with our communities as well as expanding our reach to attract a diverse pool of candidates.

Selection

Our candidate selection process focuses on overcoming unconscious biases and prioritizing inclusive hiring. Our HR Business partners provide support during the hiring process, including toolkits and resources, to reduce potential biases in sourcing, screening and shortlisting candidates. We also require all employees at American Water to complete Unconscious Bias and Mutual Respect training to increase awareness.

Conversion

Conversion seeks to grow our appeal to diverse candidates by building our credibility as an inclusive, equitable and diverse workplace. To track the progress and success of attracting diverse candidates, we provide our state Presidents and functional leaders with a monthly dashboard of key metrics and indicators. This includes a snapshot of open positions, number of positions filled, internal versus external hires, employee referral rates, candidate diversity, diversity in promotions and diversity of hires.

Engaging Employees

We conduct employee engagement surveys periodically to give employees a voice and gather feedback. As a result of feedback from the engagement survey we conducted in October 2021, we created a new role: Culture Champion. The Culture Champions oversee local and functional culture teams and support ID&E strategic priorities, workplace culture, employee wellness and talent retention efforts.

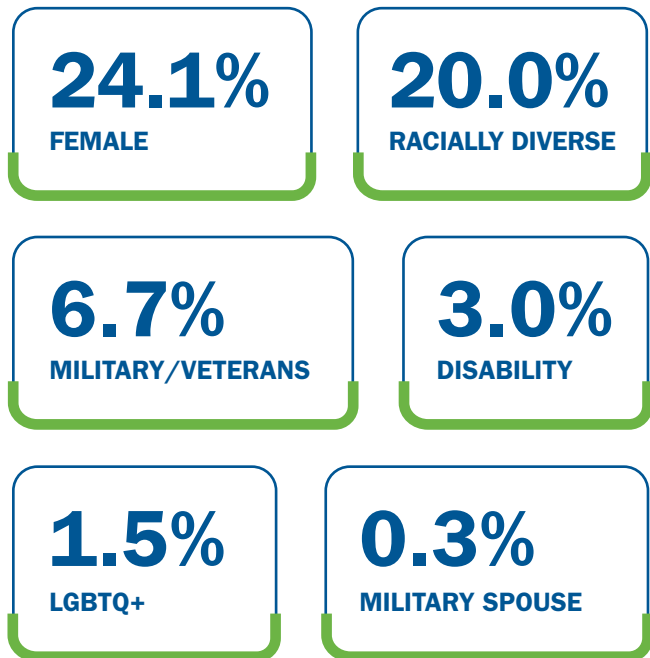
To further engage our employees, we launched four Employee Business Resource Groups (EBRGs) in 2021 and are implementing a fifth EBRG in 2023. We welcome all employees to participate regardless of their personal affiliation with any particular group. Allies are encouraged and those interested in expanding their knowledge are encouraged to join:

- 1. WE CAN** is the Women Empowered Champion and Ally Network. It fosters an inclusive culture where female employees' personal and professional growth contributes to the success of our Company and the communities we serve;
- 2. Together We Stand** promotes a diverse and inclusive work environment for Black/African American employees and their allies at all levels within the Company;
- 3. American Water Proud** creates awareness and fosters candid discussions that proudly support the LGBTQ+ community and their allies;
- 4. American Water Abled** advocates to create equity for employees with all types of disabilities (visible and invisible), caregivers and their allies to lead and excel both personally and professionally; and
- 5. American Water Military**, launching in 2023, is aimed at creating a community for military, veteran and military spouse employees and their allies.

Our EBRGs are representative of our employee populations and serve as a forum for employees to feel included and heard. Through EBRGs, we conduct smaller and more frequent engagement surveys to better understand and communicate with various employee groups. Each EBRG meets every other month and frequently engages with communities through events and partnerships. Our EBRGs provide a space for members to participate and focus on business impacts to careers, culture and communities.

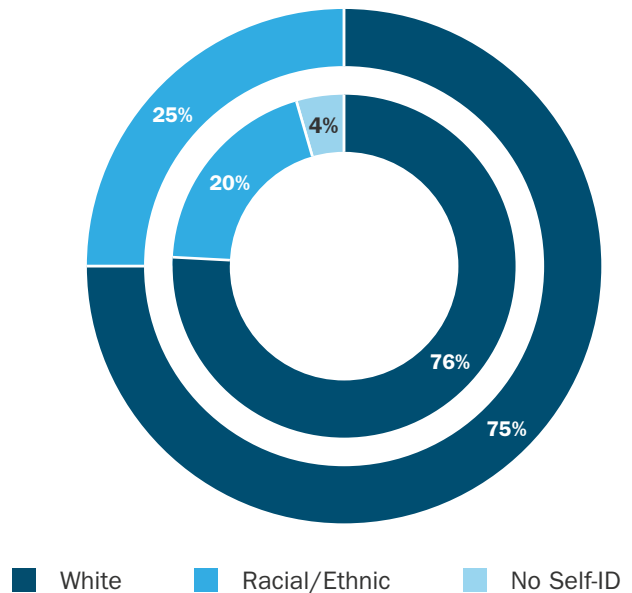
2022 Diversity Metrics

AT A GLANCE



On a Journey To Represent the Communities We Serve

OUTER RING—CUSTOMER RACIAL/ETHNIC DIVERSITY¹
INNER RING—EMPLOYEE RACIAL/ETHNIC DIVERSITY²



- 2022 Estimated American Water Residential Customer Racial/Ethnic Diversity based on zip code matching of United States 2022 American Community Survey.
- 2022 American Water Employee Racial/Ethnic Diversity. All diversity metrics (female gender, race, ethnicity, disabled, military/veteran, military spouse, and LGBTQ+) are based on voluntary self-identification data.



Diversity of backgrounds, thoughts and experiences makes American Water a place where employees can thrive.

Developing an Inclusive Workforce

Over the past few years, we have taken the necessary steps to build a foundation where we celebrate inclusion and diversity and have expanded our focus to include equity in our efforts. Through our continued evolution in this area, the next natural step is the shift to genuinely embedding equity into everything we do. By eliminating barriers that may prevent full access to opportunities, we create deeper employee connections that promote personal growth, which allows our employees to reach their full potential. The result of this shift will positively impact the communities we serve. At American Water, we say “Include Yourself” because employee engagement is essential in creating a workplace where everyone feels safe, included and treated with respect and dignity. It is about empowering employees to contribute and participate in the culture we aim to create and maintain—one that is beautifully different.

American Water encourages self-identification during new hire onboarding and People Leaders regularly encourage their teams to keep their employee profile up to date. Employees voluntarily self-identify personal attributes from various diversity categories including gender, race/ethnicity, veteran status, military spouse and LGBTQ+. The data generated helps to better define the needs of employees that support our goal of being an inclusive and equitable workplace where everyone feels accepted and valued.

As a result, American Water enhanced several employee benefits, including:

- Introduced therapy (e.g., speech therapy) treatment for autism within our medical plans;
- Added gender confirmation/reassignment services to our medical plans;
- Added health care coverage for hearing aids for employees and dependents;
- Partnered with WinFertility, offering compassionate support to families facing fertility challenges; and
- Expanded paid family leave in 2023 that can be used to bond with a new child following birth, adoption or foster placement; take care of a sick family member; or make arrangements for a family member deploying for military duty.

To read more about employee benefits, see the [Compensation & Benefits](#) section.

We host ID&E conversations and events regularly throughout the year aimed at continuing to foster a strong diverse, inclusive and equitable culture for all employees. For example, at the beginning of meetings, we share a weCARE message, which is a message focused on safety, ID&E or well-being. These messages ensure safety and ID&E are a part of our daily conversations. Additionally, in 2022 we held our third annual American Water Inclusion Day. As part of this Company-wide event, all employees had the opportunity to participate in ID&E events across the Company, including leadership talks, presentations and panel discussions.

Pay Equity

American Water is committed to providing all employees with fair and equitable pay and employment practices. We review pay equity annually to ensure that our pay decisions are based on the talents and skills of our employees and do not reflect factors such as gender, race or ethnicity.

Our most recent pay equity analysis was conducted in 2022 by a third-party consultant. The results of the analysis illustrated that men and women in our non-unionized workforce are currently paid within 1% of each other. When comparing the pay of our racially or ethnically diverse employee populations, we have reached pay parity for Hispanic and Asian employees compared to their white counterparts. The analysis also revealed that the disparity between Black employees and their White counterparts is slightly above 1%, indicating that we must continue to improve and eliminate such gaps when identified.

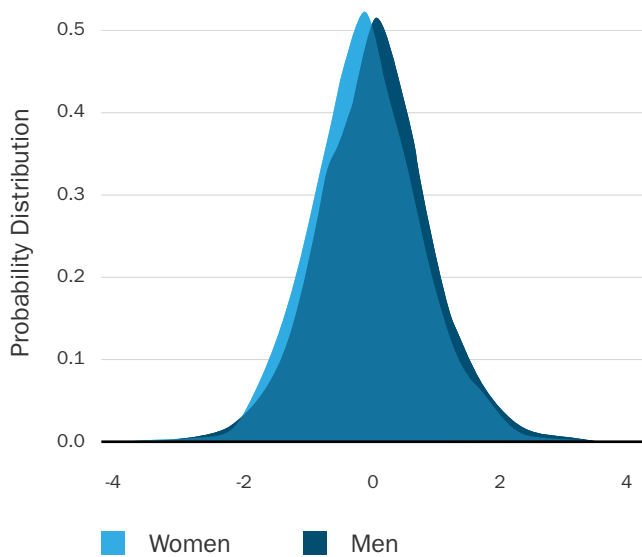
Over the past year, we used these results to improve our employment practices and educate our leadership to make fair pay decisions companywide. We continue to strive toward our goal of 100% pay equity across all employee groups. We will be conducting another pay equity analysis in 2023 to measure our progress and identify remaining gaps.



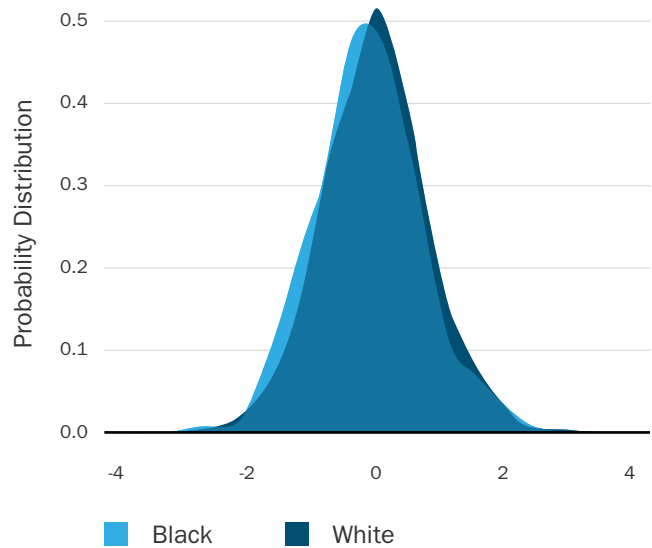
Frequent pay equity analyses focus on fair and equitable pay based on employee skills and talents.

Pay parity for Hispanic and Asian employees compared to White employees has been reached.

Pay Parity by Gender



Pay Parity by Race¹



¹ Pay parity for Hispanic and Asian employees compared to White employees has been reached.



Visitors get a look at investments in Pennsylvania American Water's Coatesville facility.

OUR PERFORMANCE

At American Water, we evaluate our management of ID&E to ensure we are consistently progressing. We use internal and external feedback to identify our strengths and areas for improvement. We also measure and track key metrics to define the roadmap ahead. The implementation of our ID&E dashboard enables us to better track these metrics and measure our progress.

In 2021, American Water published our inaugural ID&E Annual Report. This report details how far our Company has come in recognizing that all backgrounds and experiences make our Company better. We plan to continue publishing an executive summary detailing our ID&E progress each year, as well as quarterly metric updates. Please visit our [ID&E website](#) for additional information.

Throughout 2021 and 2022, we earned various awards and recognitions that demonstrate our progress and commitment to ID&E:

- Recognized as a 2022 Corporate Change Maker by the African American Chamber of Commerce;
- Nominated by Women's Business Enterprise Center East for 2022 Advocate of the Year;
- Included in the Bloomberg Gender Equality Index for the fourth consecutive year in 2022;
- 2022 VETS Indexes 3 Star Employer for the second consecutive year;
- Awarded 2022 top-scoring company, for the fourth consecutive year, as Best Places to Work for Disability Inclusion by the Disability Equality Index;

- Recognized by Military Friendly as a Top 10 Gold Employer, Supplier Diversity Program designation, and Brand designation;
- Included in the 2022 Top 10 Utilities by Diversity Inc.;
- Recognized by U.S. Veterans Magazine as 2022 Best of the Best;
- Awarded 2022 Best for Vets Employers by Military Times;
- American Water EVP and CHRO, Melanie Kennedy, earned 2022 Diversity in Business Award;
- Recognized as a 2022 Leading Disability Employer by the National Organization on Disability; and
- Earned Environmental Business Journal 2021 Diversity and Inclusion Business Achievement Award.

More recently, the Company received the following recognition for its ID&E efforts:

- Named in 2023 to Impact Shares NAACP¹ Minority Empowerment ETF (NACP);
- Recognized by 50/50 Women on Boards™ (50/50WOB) for its Gender-Balanced Board of Directors;
- Named 2023 Best of the Decade honoree provided by Minority Business News USA (MBN USA) and Women's Enterprise USA (WE USA); and
- Earned the 2023 VETS Indexes 3-Star Employer designation provided by VETS Indexes for the third consecutive year.

1 National Association for the Advancement of Colored People.



Investing in our talent pipeline ensures a skilled workforce across our footprint.

Talent Attraction, Development & Retention

3-3

WHY IT MATTERS

We strive to attract, engage, develop and retain high-quality talent with specialized knowledge and skills to thrive at American Water. As many of our employees become eligible for retirement, it is more important than ever to share our institutional knowledge, while simultaneously attracting the best talent to our Company. To make American Water an attractive place to work for younger generations, we are focused on integrating sustainability into every part of our business.

We attract and retain top talent by providing employees with competitive market-based total compensation and benefits, opportunities for growth and a welcoming and engaging environment. We prioritize ID&E throughout the recruitment process and cultivate a culture in which every employee feels valued. We aim to hire residents where we operate to create positive impacts within those communities and local economies. Through the numerous development opportunities we offer, our people can develop skills and gain knowledge that will help them advance their careers and create lasting impacts on their lives.

RELATED RESOURCES

[Employee & Community Engagement](#) ↓

[American Water Benefits](#) ↓

OUR APPROACH

Governance

2-13

American Water manages talent through two functions: employee experience and talent development. Our employee experience function enables us to look at everything through an employee lens and make decisions with employee perspectives in mind, while our talent development function focuses on providing employees with learning and development opportunities.

The CHRO oversees the employee experience and talent development functions and is supported by the Deputy CHRO. Our Vice President of Human Resources and Talent Acquisition oversees recruitment and talent acquisition, and our Vice President of Human Resources Operations manages talent retention. Our Vice President of Employee Experience and Talent Development manages all aspects of learning and development including succession planning, performance management, and training and development. Our Employee Experience Business Partner is responsible for ensuring the employee experience lens is considered in decision-making.

Recruitment

American Water recruits individuals who live in the communities we serve and embody our core values. We foster an environment where diverse backgrounds are valued and where all employees have equal opportunity and voice. We strive to maintain inclusion and diversity from the highest levels of our Company, beginning with the Board of Directors, Executive Leadership and Senior Leadership Teams, to our entry-level employees, and have set diversity goals tied to our APP.

Investing in Our Talent Pipeline

Throughout our operational footprint, we pursue partnerships to promote STEM careers to students at all grade levels. Our External Affairs team regularly engages with students of all ages to inspire interest in the sciences. Our Talent Acquisition team partners with local colleges and universities to develop internship and co-op programs in areas where we operate.

Our Engineering team hosts an engaging co-op program that encourages local students to gain work experience, as well as an opportunity to explore career interests, earn academic credit and learn about full-time employment opportunities. The program provides us with a chance to expand our talent pipeline, increase the diversity and perspectives within our teams and enhance our Company's visibility with colleges and universities where we operate.

American Water is also focused on employee development and providing career opportunities to individuals living in underserved communities within the areas where we operate. In 2021, New Jersey American Water launched our Water UP! Program, an 11-week program designed to create a career path for qualified individuals.

In 2021 and 2022, eight and thirteen participants respectively from the City of Camden and Plainfield joined the program and learned about various utility career opportunities. Throughout Water UP!, participants learned essential business training covering water systems, safety in the field, customer service, resume writing and interview preparation. The program equips participants with the skills needed to successfully enter the utility industry upon graduation. After graduating from the program, participants were eligible for career placement at American Water and were successfully prepared for career opportunities beyond American Water.

The Water UP! Program allows us to enhance our talent pipeline, create career opportunities in local communities and build an inclusive culture for individuals from underserved communities. Several participants from the 2021 and 2022 programs accepted full-time positions after completing their internships.





Development of our employees extends to safety training programs to support well-being on and off the job.

Engagement

Our 2021 Culture Survey provides us with valuable feedback to make our great Company even better. The survey focuses on topics such as meaningful work, supportive managers, positive work environment and trust in leadership. Through the survey results, we recognize the need to respond with action. Focus areas for 2022 addressed the introduction of a flexible/hybrid work model, creating the Culture Champion development opportunity, identifying people goals for improvement in key areas, and the introduction of our new Employee Value Proposition, weCARE.

Our EBRGs also conduct periodic surveys to foster engagement and gather feedback from our employees. For more information on EBRGs, please visit the [Inclusion, Diversity & Equity](#) section of this report.

Development

404-2

We provide a wide range of development opportunities to enable employees to reach their fullest potential and conduct their work safely and effectively. In 2021, we increased the minimum number of required annual training hours from 20 to 25 per employee, including our union-represented employees. We provide training during work hours on a variety of topics throughout the year, including leadership, inclusion, diversity and other topics.

Additionally, we ask every employee to create a development plan. We also work closely with labor unions to learn how we can collaborate and improve our training effectiveness, especially around safety. Please see our [Employee Health, Safety & Well-Being](#) section for more information on Company- and union-led safety training. In addition, we have a partnership with Power4America, where retired employees can participate in supporting training programs to educate our employees. Please see our [Employee Health, Safety & Well-Being](#) section for more information on Company- and union-led safety training.

We offer transition assistance through an outplacement service organization for certain involuntary terminations. This support includes coaching programs that help separated employees secure their next position faster.

Performance Reviews

404-3

American Water's performance review process enables our employees to collaborate with their managers to define goals that tie to the Company's short- and long-term priorities and track performance progress throughout the year. We focus equally on the goals themselves and how the employee accomplishes them. We evaluate non-union employees on both factors as part of the annual year-end performance review process.

.....

In 2022, 100% of eligible non-represented employees received a formal year-end annual performance review.

.....

Maintaining a meaningful ongoing dialogue between employees and their managers is vital to career development and performance management. All non-union American Water employees participate in the year-end performance review process. However, it is expected that all employees (union-represented and non-union) will work with their managers to create and discuss development goals. In 2021, we began conducting performance checkpoint discussions with non-union employees quarterly. The increased frequency provides our employees with regular touchpoints with their direct managers to set development goals and discuss their progress toward these goals throughout the course of the year. These more frequent conversations support more fair and equitable decisions on compensation. In 2022, 100% of eligible non-union employees (representing 53% of our total employees) received a formal year-end annual performance review.

Additionally, all employees are included in the Company's APP to maintain alignment between Company and individual employee goals. Our APP incentivizes our employees to pursue development goals that support the overall growth and success of American Water.

Tuition Reimbursement

American Water provides up to \$10,000 reimbursement per employee per year for education costs approved by the Company. Employees may use these funds toward a degree program. Tuition reimbursement facilitates employee professional development and increases their skills and knowledge related to American Water's business. We have partnerships with University of Maryland Global Campus, Rutgers-Camden and Drexel University Online to provide our employees with tuition discounts and waived application fees. In 2021 and 2022, we provided nearly \$2 million tuition reimbursement to employees.

Leadership Development

We call our managers People Leaders, and we invest in these individuals to help them perform effectively and take care of our people. We have four main development programs for our People Leaders: Self and Emerging Leader Program; Future Focused Leadership; Learning through Experience, Accountability and Dedicated mentors (LEAD) Mentoring Program; and QuickStart. The programs bring together employees from across our organization to learn, share experiences and forge relationships that support their success in current and future leadership roles.

Self and Emerging Leader Program: The Self and Emerging Leader Program is self-paced and exposes employees with leadership aspirations to essential skills required to reach their goals and make a greater impact in their current role.

Future Focused Leadership: Future Focused Leadership is a blended, comprehensive learning experience for current and aspiring People Leaders. The program focuses on the competencies of great leaders in the current and future digital age. Participants belong to learning cohorts and participate in a series of group-based, self-directed and social learning experiences over approximately six months.

LEAD Mentoring Program: In 2021, we initiated a new mentoring program. LEAD is designed to accelerate an emerging leader's ability to drive business strategies and objectives while enhancing and demonstrating their leadership capabilities, with support and guidance from an experienced executive.

QuickStart: In 2022, we launched QuickStart, a development program for newly hired or promoted frontline leaders. Leaders in the program receive a comprehensive customized checklist, a 12-week learning series and 1-hour overviews of the different functions within the Company. The program is designed to provide direction and support for a newly hired or promoted supervisor during their first 90 days including regular touchpoints with key internal contacts and weekly Frontline Supervisor Learning Series workshops.

Workforce & Succession Planning

Workforce Planning

Through workforce planning, we analyze our current employees across indicators related to age, retirements, turnover and other metrics. We also examine trends such as increased competition for talent and the deployment of technology. American Water identifies roles that could be affected by automation.

We design our reskilling and hiring strategy to fill talent gaps by investing in our people and leveraging technology where possible. When we identify roles affected by technology, we work to reskill, redeploy or repurpose affected employees to new opportunities within the Company. Additionally, the Company invests in analytic tools for predictive job and skills analysis to monitor trends and adjust plans as needed through forecasting emerging roles and skills needed.

Succession Planning

We maintain robust succession plans for critical leadership positions. We hold regular checkpoints with our executive leaders to review succession plans and to develop a pipeline of candidates to fill critical roles within the Company. Our Board of Directors is responsible for succession planning for our CEO and works with the CEO on other executive development and succession planning to provide for continuity in executive management. CEO and other executive succession planning occurs at Board meetings throughout the year and involves regular interaction between and among Board members, the CEO, the CHRO and other members of management, as appropriate.

Diversity is a key focus during succession planning; our leaders review diversity and turnover metrics and assess the Company's progress on cultivating and maintaining an inclusive culture. Senior leaders contribute to development plans for all candidates within the succession pipeline to develop and equip our future leaders with the skills and experience they need to succeed. We also work with our recruiting teams to fill talent gaps identified during this process.



Workforce and succession planning involves a review of critical roles and the skills needed to fulfill them.

Compensation & Benefits

401-2

We strive to be an employer of choice by offering competitive and equitable benefits. We provide a market-based total compensation program designed to recognize the vital roles our people play in our success; all employees, including union-represented, participate in the APP. All employees who average 30 hours or more per week receive benefits, and full-time employees pay only 16% of the total cost of medical, prescription, dental and vision. We offer our non-union employees, averaging 20 to 30 hours per week, medical, dental and vision coverage at 50% of the total cost. American Water offers the following benefits to eligible employees:¹

- Medical plans with prescription drug coverage, dental and vision plans;
- Health savings account (connected to the Consumer-Directed Health Plan);
- Health care and dependent care flexible spending accounts;
- Voluntary benefits including critical illness, hospital indemnity, accident insurance and pet insurance;
- Disability (short-term and long-term);
- EAP (Carebridge);
- Wellness program (Virgin Pulse);
- WIN Fertility Discount program;
- Commuter benefits;
- Basic life insurance², supplemental life insurance and dependent life insurance for spouse and children;
- Tuition reimbursement program;³
- 401(k) savings plan with Roth option;
- Defined contribution account (5.25%);
- Employee stock purchase plan (15% discount);

1 Benefits are for full-time employees; contract employees do not qualify for corporate benefits.

2 Full-time employees only.

3 Employees working 15 or more hours per week only.

- Retiree medical reimbursement account/voluntary employees' beneficiary association (VEBA);⁴ and
- APP compensation.

Additional employment benefits include holiday, vacation and sick time that is at or near industry best practice. We provide all American Water employees with:

- 14 holidays (including floating holidays and the ability to swap according to personal beliefs and practices);
- A minimum of 10 to a maximum of 30 vacation days based on years of service;
- 10 sick days; and
- Six weeks of paid family leave that can be used to bond with a new child following birth, adoption or foster placement, take care of a sick family member or make arrangements for a family member deploying for military duty.

We regularly assess our benefit offerings to remain competitive in the market.

OUR PERFORMANCE

We measure key employment metrics such as employee turnover to gauge our management performance over time. In 2020, even with our aging employees, we experienced a 0.07 overall turnover rate across our employees. In 2021, employee turnover rate increased to 0.13, in line with overall labor trends.

Employee feedback is another way we measure our performance. The various surveys we conduct enable us to understand the employee experience and perspective. We use our weCARE Employee Experience survey to measure our employee Net Promoter Score (eNPS). The eNPS gauges employees' likelihood to recommend American Water as a place to work through scores ranging from -100 to 100. In 2021, our employee survey yielded an eNPS score of 29. Through the input we collect from employees, we identify our strengths and opportunities for improvement, which we use to implement new programs and initiatives. Another eNPS measurement is occurring in 2023.

4 Union employees only who are not eligible for retiree medical.

CUSTOMERS

Customer Experience →

Water Access & Affordability →

Water Quality & Emerging Contaminants →

Our customers are at the forefront of everything we do, and it is our goal for American Water services to enhance their lives. We continually work to deliver safe, clean, reliable and affordable water and wastewater service to our customers. We believe in the human right to water and strive to provide services that are affordable and accessible for all.



Face-to-face interactions with customers contribute to a positive experience with American Water.

Customer Experience

WHY IT MATTERS

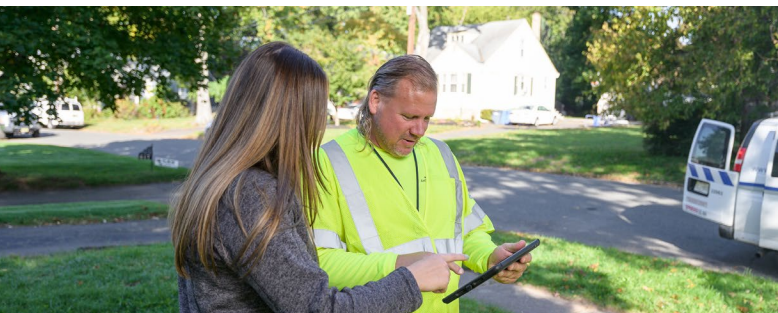
As a water and wastewater service provider, we know that our service plays a key role in the daily lives of our customers and is essential to a safe, healthy and sustainable life. Our customers are at the center of our business, and we focus on providing an exceptional customer experience.

OUR APPROACH

We leverage technology and innovation that allow us to quickly receive, respond to and implement ongoing feedback. Our customer needs continue to evolve, and we look for opportunities to exceed their expectations. We offer customers multiple communication channels, including direct mail, online, phone and in-person, so that they may communicate, engage and transact with us in a manner that is most convenient for them.

Policies

To provide the experience that our customers expect and deserve, we regularly update our policies, procedures and programs to recognize and meet our customers' changing needs. We provide our customer service employees with a training manual that includes policies and procedures to set up accounts, handle calls, address billing options and more. We also provide annual training and thorough guidance, including 2 full training days focusing on inclusion and diversity and empathy, to all customer service employees and third-party representatives. We expect all customer service representatives to follow our policies and best-practice guidance to meet a wide-range of customer requests and needs.



Governance

The Safety, Environmental, Technology and Operations Committee of the Board of Directors is responsible for oversight of customer experience. Our customer experience and customer service organizations report to our Chief Customer Officer, who reports to our COO. In coordination, our Chief Customer Officer and COO report on progress, new customer initiatives and fostering a customer-focused culture with the Board of Directors at Board and Committee meetings. Additionally, seven of our Board members have technical or managerial experience in customer experience and contribute their skills and perspectives to shape our strategy.

Dedicated Customer & Community Support

Throughout our national footprint, we have dedicated Major Account Managers who provide personalized service and a single point of contact to our largest customers and those with different needs than our residential customers. Our Major Accounts program includes vital community partners like hospitals, school systems and universities. By growing the success of this program and engaging regularly with our customers, we continue to build trusting relationships and strengthen the communities we serve.

In certain states, our Customer Advocacy groups work with customers to increase engagement and solicit feedback that improves the customer experience. The feedback that we receive through our Customer Advocacy groups allows us to tailor programs and services to meet customer needs at the local level.

Our Field Service Representatives and other frontline employees provide the opportunity for daily, face-to-face interactions with customers. To enhance these interactions, we created an application called Customer One-View. This application provides Field Service Representatives with real-time insight into billing and usage data, allowing them to better assist our customers.

We also leverage our team of data scientists to explore how we can best use data to continue improving and developing a more personalized customer experience.



Sustainable business practices extend to how American Water provides exceptional and essential customer service.

Innovation & Accessibility

It is our responsibility to make customer interactions, such as paying a bill or move-ins and move-outs, as seamless and accessible as possible while supporting our diverse customer base. Our Information Technology teams work diligently to provide technology solutions that improve customer experience, including self-service tools based on our customers' needs and preferences. We also use a third-party language line to provide translations for different languages, allowing us to better serve the diverse needs of our communities.

MyWater Customer Portal

The MyWater customer portal offers customers a personalized way to communicate with American Water and manage their water and wastewater services. In 2022, we expanded the self-service options available in MyWater. Customers can turn service on and off, apply for customer assistance programs, manage their billing preference and report and stay informed about water-related emergencies.

Customers can also enroll in paperless billing through their MyWater portal. Paperless billing offers customers a more sustainable billing option by providing electronic access to all the data provided on a hard copy bill.

We encourage existing customers to enroll via social media, email campaigns and display pop ups in the portal, while new customers are automatically enrolled. As of December 2022, we have more than 1 million customers (approximately 30% of our total customers) enrolled in paperless billing, and we continue to see increasing enrollments in paperless billing and auto pay.

Interactive Voice Response System

Our Interactive Voice Response (IVR) system is another communication tool available to our customers. By meeting customers' common requests without waiting to connect with one of our live customer service representatives, we can provide customer service more efficiently. In the same way that they could with a live customer service representative, customers can use the IVR system to check their balance, pay bills, turn off service and coordinate move-ins or move-outs, within two minutes or less.

Enhanced Payment Options

In 2022, we implemented enhanced payment options to make paying bills more convenient. Customers with more than one account can now combine invoices into one bill to streamline the bill paying process. Customers also have access to additional methods to pay their bills and direct links to all customer assistance programs, including budget billing and payment plan options.

Customer Education

We frequently host campaigns to educate our customers on a variety of water and wastewater topics, including water quality, the effects of aging infrastructure, climate variability's impact on water supply and the need to invest in local water resources and systems. Our educational campaigns and water efficiency programs also encourage our customers to learn more about the ways they use their water and how they can proactively manage their water use. For example, we provide additional communication to customers about preventing and mitigating frozen pipes in the winter and enhancing water conservation and efficiency measures in the summer. For more information on water conservation, please visit our [Water Use & Efficiency](#) section.

Customer Feedback

To improve our customer initiatives and experience, we actively seek feedback from our customers based on their experiences. After any interaction with a Field Service Representative or a customer service representative, either online or through the IVR system, our customers have the option to share real-time feedback through Pulse Surveys. We share survey responses with Field Service Representatives, managers and employees so that we can reach out to customers and respond to their feedback as necessary, demonstrate and reinforce positive interactions and celebrate successes. Based on customer feedback, we updated MyWater self-service options, improved payment options and implemented the H2O Care Virtual Assistant.

We also regularly engage our American Water Online Neighborhood for feedback regarding education materials and other customer initiatives. This online community is a voluntary panel of American Water customers who agree to participate in regular surveys. The program began in 2017, and we periodically refresh the membership to maintain a highly engaged group.

OUR PERFORMANCE

To guide our strong customer experience strategy, we set and evaluate customer satisfaction goals each year and disclose our performance in our Annual Report, Proxy Statement and other reporting. We also tie 15% of our incentive compensation to our performance in customer experience.

Our current target includes achieving second quartile in overall satisfaction for each utility subsidiary within its geographic region, as measured by the J.D. Power U.S. Water Utility Residential Customer Satisfaction Study. The study measures the satisfaction of residential water customers of the 90 largest water utilities in the United States and considers six factors to score companies on a 1,000-point scale: quality and reliability, price, conservation, billing and payment, communications and customer service. In the 2022 study, several American Water subsidiaries claimed top spots in their respective categories:

- 1st Place in Midwest Large for the 3rd consecutive year – Illinois American Water (Score: 773)
- 2nd Place in Midwest Large – Indiana American Water (Score: 746)
- 2nd Place in Northeast Large – New Jersey American Water (Score: 752)
- 3rd Place in Midwest Large – Missouri American Water (Score: 742)
- 3rd Place in Northeast Large – Pennsylvania American Water (Score: 744)
- 5th Place in West Large – California American Water (Score: 728)

Water Access & Affordability

3-3

WHY IT MATTERS

We support the United Nations' declaration of access to clean water and sanitation as a human right, regardless of economic status. As a national water utility, we know that our water supply must be safe, efficient, reliable, accessible and affordable. Through increased efficiency, conservation and low-income support programs, we consistently achieve affordable water costs that are significantly below the EPA's suggested guidance of 2% of household income. Succeeding in water affordability positively affects the health and safety of our customers and contributes to the economic prosperity of the communities in which we operate.

OUR APPROACH

Our approach to water access and affordability consists of two key strategies. The first is to provide water supply that is safe, reliable and meets the needs of our customers. The second is to provide affordable water services to customers while protecting our customers' right to clean water, regardless of economic status or geographic location. We also focus on addressing water affordability by maximizing both supply-side and demand-side efficiency. Please see our [Water & Wastewater Infrastructure](#) and [Water Use & Efficiency](#) sections for more information.

Geographic variability can cause significant differences in the cost of water services. For example, terrain challenges and low population density combined with lower median incomes can increase water costs as a proportion of household income. Other factors, such as the rising cost of capital and production costs due to inflation, can also

impact the cost of services for customers. Recognizing these challenges, we work to balance infrastructure investment needs with water affordability to limit the wallet share of water costs of our residential customers to 1% or less of median household income. Average residential water bills for our customers are \$50 to \$60 per month, which is very affordable for most customers compared to their other utility bills. The expected average annual rate increases across our footprint over the next five years is 5–6%, which equates to average monthly increases of \$3–5. We can also maintain affordability by promoting Operations & Maintenance efficiency. For every Operations & Maintenance dollar we save, we can increase our infrastructure investment by \$8 without increasing the price of our services.

.....

We aim to keep residential customer bills at or below 1% of median household income.

.....

Governance

2-13

Water is inherently local, and therefore our state Presidents and the Vice Presidents of Operations, supported by our Rates and Regulatory Affairs leadership, are ultimately responsible for assuring the accessibility and affordability of our water services.



Programs

We offer a variety of customer assistance programs to help our financially challenged or disadvantaged customers pay for their water services. For example, one of our payment plans allows customers to make smaller payments on their past due balances without penalties. Where approved by state legislatures or regulatory authorities, programs may include one-time emergency grants or ongoing service charge discounts, rebates for water-efficient appliances or tiered rate structures. We also provide our customers with educational booklets that encourage water efficiency improvements in their homes to reduce service costs.

Low-Income Tariffs & Grant Programs

Low-income tariffs and grant programs provide eligible customers with a discount on their monthly water and wastewater charges, which varies depending on the state.

In most states, other customers subsidize these low-income tariffs. Through year-end 2022, 66,000 active customers were receiving direct discounts on their water bill each month through our tariff program.¹

¹ In 2022, the program included New Jersey American Water, Pennsylvania American Water, Missouri American Water, Illinois American Water, Indiana American Water, West Virginia American Water and California American Water.

American Water has low-income tariff and grant programs in 12 states: California, Illinois, Indiana, Iowa, Kentucky, Maryland, Missouri, New Jersey, Pennsylvania, Tennessee, Virginia and West Virginia. In Pennsylvania, for example, qualifying households can work with community action agencies to receive up to an 85% discount on their fixed monthly water and/or wastewater charges.

Federal Low-Income Household Water Assistance Program

Congress created the Low-Income Household Water Assistance Program during the COVID-19 pandemic to assist customers struggling to pay their bills. As the first federal program to exclusively assist low-income families with their water and wastewater bills, American Water customers have been able to take advantage of these funds to pay their monthly water bills.

This temporary federal program is administered at the state level. American Water is advocating for permanent customer affordability support. American Water state subsidiaries promoted the program to potentially eligible customers using a variety of communication methods, including targeted direct mail, email and social media campaigns, as well as through local community organizations that have existing relationships with customers in need.

Most notably, during the first six months of eligibility in Pennsylvania, Pennsylvania American Water customers received more than 8,000 grants totaling over \$5.1 million toward past-due water and wastewater bills. Customer advocacy teams were able to further benefit grant applicants by cross-referencing these customers with Pennsylvania American Water's own discount program enrollees, allowing for 4,000 customers to benefit from the aforementioned low-income grant programs already in place.

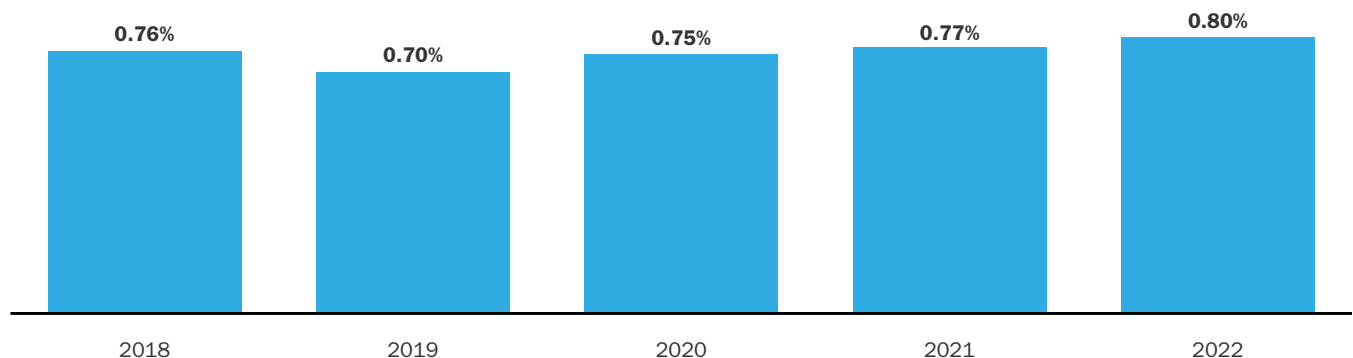
OUR PERFORMANCE

The average monthly water bill for residential customers has increased from approximately \$54 per month to \$57 per month from 2020 to 2022. This increase can be attributed to a combination of increased infrastructure investment to replace aging pipes and assets which are needed to provide water and wastewater service, as well as higher operating costs as a result of inflation. We continue to advocate for federal and state customer affordability support and monitor the number of customers enrolled in our assistance programs to make sure we are effectively responding to customer needs.

We continue to advocate for permanent federal and state customer affordability support and monitor the number of customers enrolled in our assistance programs to make sure we are effectively responding to customer needs.

Average Monthly Residential Water Bill (American Water Customers)

AS % OF MEDIAN HOUSEHOLD INCOME



Water Quality & Emerging Contaminants

3-3

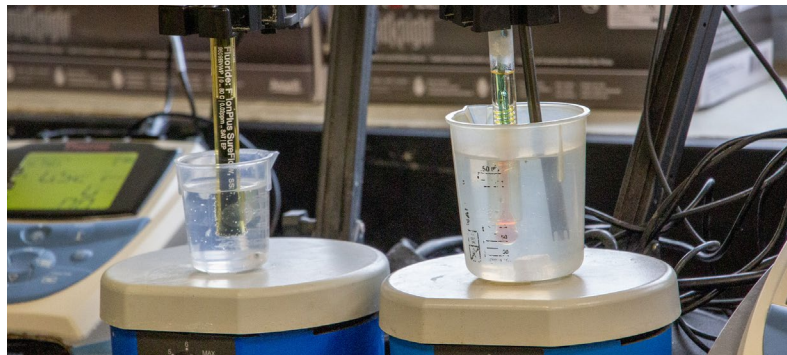
WHY IT MATTERS

Maintaining exceptional water quality is necessary for the safety of our customers and communities and is the foundation of our business. As the only ingestible utility, maintaining safe and reliable water quality is essential to protecting our customers' and public health.

American Water is proud to be a trusted leader in providing superior water quality and researching emerging contaminants. Contaminants of emerging concern include numerous chemicals such as per- and polyfluoroalkyl substances (PFAS), pharmaceuticals, personal care products, pesticides, herbicides, antibiotic resistant bacteria, antibiotic resistant genes, endocrine disrupting compounds, microplastics and industrial chemicals, as well as certain naturally occurring microbes such as bacteria, viruses and parasites that have been detected in drinking water supplies and for which the risk to the public's health is not fully understood and/or has not been assessed.

The ability to detect contaminants, even at trace levels, has invited discussion about these contaminants among regulators and government agencies, which in turn shapes the public's perception of drinking water quality. To help protect our customers and the public, we research the effects of contaminants on water supplies, increase public awareness of emerging contaminants and leverage innovative technology to effectively manage water quality. Technological advances have only recently made it possible to detect many of these contaminants at trace levels.

American Water also recognizes the nationwide disparities in water quality that disproportionately affect low-income and minority communities. At American Water, we are committed to providing safe drinking water service to all communities in which we operate, including low-income and under-served communities. We aim to create positive impacts by continuing to provide high quality drinking water to all our customers and improve the water quality of the systems we acquire.



Water sample testing at American Water's Central Laboratory in Belleville, IL.

RELATED RESOURCES

PFAS	↓
Lead	↓
Legionella	↓
Cyanotoxins	↓
Providing Quality in Every Drop	↓
10-K (page 15)	↓

OUR APPROACH

IF-WU-140b.2, IF-WU-250a.2, IF-WU-440a.3

Although the U.S. government, state governments and environmental and public health regulators set and enforce industry standards for water utilities, we often achieve results beyond minimum requirements to earn our customers' trust and provide high-quality water. Each year, we perform millions of water quality tests to monitor and control microbial, chemical and radiological contaminants. Our teams conduct extensive research to enhance our understanding of emerging contaminants and their impact on water supplies. Our performance demonstrates our expertise; the drinking water that we deliver to our customers routinely meets or exceeds established standards.

Policies

American Water is subject to federal and state regulations for our water and wastewater systems under the Safe Drinking Water Act, the Clean Water Act, the Clean Air Act and other policies. The Company maintains an environmental program that includes responsible business practices focused on compliance with environmental laws and regulations and the effective use of natural resources. We work with the EPA and other research organizations to review and make recommendations on the policies that can help manage water quality issues or challenges.

We have a comprehensive [Environmental Policy](#), which describes how American Water will conduct business in a safe and responsible manner that drives regulatory compliance, protects public health and promotes environmental stewardship.

Governance

2-13

Our Chief Environmental and Safety Officer reports to the COO and is responsible for oversight of water quality and emerging contaminants. At the Board level, the Safety, Environmental, Technology and Operations Committee assists the Board's oversight and review of environmental policies and practices. Through our internal audit program, employees audit our operations for water quality and emerging contaminants and report findings at least quarterly to the Safety, Environmental, Technology and Operations Committee.

Our industry-leading research and development (R&D) team focuses on identifying new contaminants and developing plans to mitigate and treat any potential threats to water quality. Our corporate Environmental Leadership, Research & Development, Operational Excellence and Engineering teams work together to establish a coordinated strategy and deploy best practices and technologies to address these risks.

Our state utility subsidiaries are responsible for managing water quality and emerging contaminants at the local level. The Vice President of Operations in each state confirms and reports on the collection of drinking water samples each month to their respective state President and the Director of Environmental Compliance and Stewardship.

Finally, we include specific water quality and compliance training to complement the localized training offered to water treatment operating personnel. Based on local regulations, our employees help our state utilities make informed decisions concerning water quality. We link employee APP assessments to water quality through the compliance performance for our subsidiaries.

Lead Service Line Replacement

We work diligently with local communities, customers and organizations to reduce the potential health risks of lead exposure. Our current estimates show that less than 5% of the utility-side service lines within our regulated service territories are, or contain, lead portions. Several water industry organizations advise replacing the entire service line rather than just the affected portion, and we align our approach with this recommendation, regardless of whether lead is found on the Company or customer portion of the service line. This strategy is consistent with the revised 2021 version of the EPA's Lead and Copper Rule. Additionally, we collaborate with 27 national public health, water utility, environmental, labor, consumer, housing and governmental organizations through the Lead Service Line (LSL) Replacement Collaborative to accelerate the full removal of lead pipes that deliver drinking water to American homes.

Our goal is to work with the communities we serve to replace presently known LSLs in the majority of our service areas by the end of 2030.

For future acquisitions, we will work with local communities as part of the acquisition process to set appropriate LSL removal goals for those systems.



All employees are empowered to impact water quality through our Environmental Near Miss program.

Per- and Polyfluoroalkyl Substances

As additional information is published on PFAS and their impact on the environment, there is growing interest and concern from customers and the general public about PFAS in their water. Utilities' clear and open communications with the public on this health risk and their efforts to manage the risks are vitally important to building and maintaining trust with the communities they serve. American Water led the recent project "PFAS One Water Risk Communication Messaging for Water Sector Professionals" (published in 2022 with the Water Research Foundation) in which we developed publicly available communication materials for water systems to use. We developed two toolkits, one specifically to be used by systems to communicate results from their efforts under the EPA's Unregulated Contaminant Monitoring Rule 5 (UCMR5) to their customers and stakeholders and one on the broader One Water view of PFAS.

Additional information on the project approach and the team may be found [here](#).

Engagements for Safe Drinking Water

We are actively involved in shaping regulations for the drinking water industry. In the states where we operate, we meet with regulators to assist in policy drafting and guidance. We continually communicate with policymakers concerning drinking water regulation and policy. For more information, please visit the [Public Policy](#) section.

American Water representatives are members of multiple AWWA technical advisory working groups, including the Safe Drinking Water Act Processes and New Contaminants group. This working group contributes to PFAS detection and regulatory strategies, one of the most rapidly changing landscapes in the drinking water industry. We also work with several organizations, including the CDC and the Water Research Foundation, to better understand issues related to public health.

Environmental Near Miss Program

Environmental Near Misses (ENMs) are issues related to water quality, environmental compliance or stewardship that had the potential to affect public health or result in an environmental concern and were identified and corrected prior to violating any regulatory requirements. Areas for potential ENM events include chemical delivery and storage, drinking water source and treatment issues, sample collection, analysis and reporting, distribution systems and general environmental risks.

Through our ENM program, we empower and encourage all employees to report ENMs. Reporting and investigating ENMs allows us to identify problems and correct them before negative consequences occur. We share our findings across the organization so that we can avoid potential problems elsewhere. Since the inception of the program, approximately 2,000 ENMs were submitted. The ENM program advances accountability for environmental leadership.

Research & Development

Since its inception over 3 decades ago, our industry-leading R&D team has leveraged state-of-the-art technologies at our Central Laboratory to quickly identify threats to our water supplies, act on emerging regulations or new health advisories and evaluate the benefits of new and advanced treatment technologies. Our R&D team includes several scientists with doctorates in chemistry, engineering or microbiology.

American Water's R&D program differentiates us from our peers, with in-house scientific and engineering experts who routinely interact with and maintain relationships with external governmental, industry and environmental groups, including the EPA, CDC, AWWA, the American Public Health Association and the Water Environment Federation. We have dedicated R&D laboratories equipped with advanced analytical instrumentation for chemical and microbial contaminants that our research scientists use for technical research in drinking water, reuse, and desalination. We also participate in a number of Water Research Foundation projects related to contaminants of emerging concern, water scarcity challenges, operational optimization and cost-effective treatment or mitigation strategies.

Compliance

In March 2023, U.S. EPA announced a proposed drinking water regulation to set limits for six PFAS. American Water submitted comments on the proposed drinking water regulation based on our extensive experience in designing and installing treatment for groundwater and surface water, including treatment for PFAS that allows us to meet state standards, and implementing drinking water regulations across our footprint.

Additionally, U.S. EPA has established guidance in the form of health advisories for PFOA, PFOS, PFBS, and HFPO-DA. As the U.S. EPA sets new water quality regulations, we will make necessary improvements or treatment adjustments to comply with the new standards.

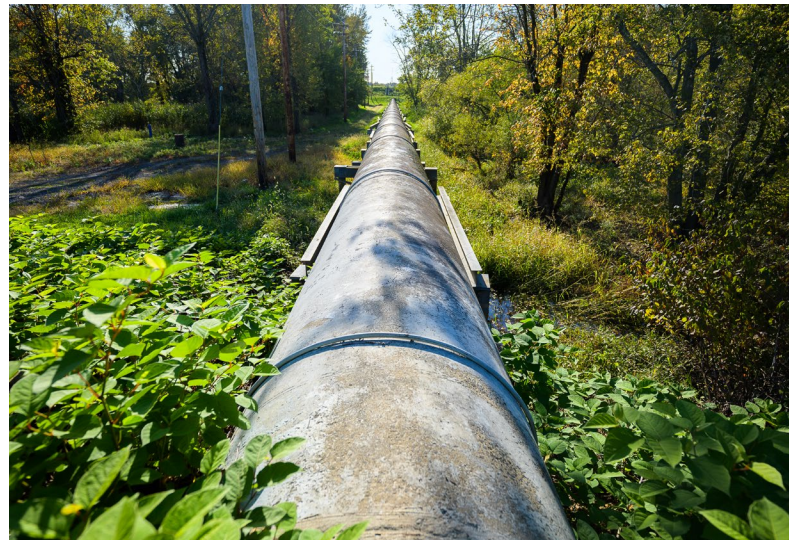
As part of our review of the proposed rule, American Water evaluated the projected costs associated with PFAS treatment at the proposed limits and the impact it could have on customers' bills. Based on initial estimates, American Water alone will likely have more than 100 of our existing drinking water treatment facilities that will need to be upgraded to provide PFAS removal capability, a 3 to 4-fold increase in the number of treatment plants than if the most stringent previously established state standards had been adopted nationwide. We estimate an investment in excess of \$1 billion of capital to install additional treatment facilities over a 3 to 5-year period. Additionally, we estimate annual operating expenses related to testing and treatment could be near \$50 million in today's dollars. These are preliminary estimates based on the proposed rule; our actual expenses may differ from these preliminary estimates and will be dependent upon multiple factors, including the final rule and effective date, as well as the completion of our system-by-system engineering analyses.

American Water supports the EPA's efforts to protect public health by proposing national drinking water standards for PFAS. These contaminants are among the multiple challenges the water industry faces regarding water quality, quantity, and reliability. That is why American Water remains committed to being a leader in the U.S. water and wastewater industry and a provider of solutions to these challenges.

We post federally required annual Water Quality Reports, also called Consumer Confidence Reports (CCRs), to provide our customers and other stakeholders with information regarding our compliance with regulations and water quality. CCRs include details about our customers' water, such as where it comes from and information about the importance of protecting drinking water sources. To view our Water Quality Reports, please visit our [website](#).

Source Water Management

Despite our strong risk prevention and management practices and programs, upstream pollution sources such as industrial discharges, chemical spills, urban storm water runoff and algal blooms can increase the risk of contamination, which can affect public health and the environment. We regularly test water samples across the country and use sensors to monitor our source waters for indicators of harmful contaminants. Please visit the [Water Supply Resilience](#) section for additional information on our source water management efforts.



OUR PERFORMANCE

We focus on various leading and lagging indicators to drive and evaluate our environmental performance, including:

- Leading indicators, which are internal audits, peer-to-peer reviews, training, adherence to scheduled maintenance, advanced data analytics; and
- Lagging indicators, which are Maximum Contaminant Level (MCL) exceedances and meeting monitoring and reporting requirements.

Water sources and sampling results are communicated to customers by way of Consumer Confidence Reports.

We are committed to excellent water quality and maintaining our history of complying with, in many cases, achieving results beyond minimum standards required by applicable laws and regulations. As part of our APP, we have annual targets and measures for drinking water program compliance.

Annual Performance Plan Water Quality Measures

		Target Performance	Actual Performance
2021	Environmental Leadership: Drinking Water Program Compliance ¹	20X	42X
	Environmental Leadership: Drinking Water Quality ²	10X	Zero NOVs
2022	Environmental Leadership: Drinking Water Program Compliance ³	6	11
	Environmental Leadership: Drinking Water Quality ⁴	2	2

- 1 This environmental leadership metric is determined by comparing our overall number of drinking water NOVs as reported in an EPA database to the national drinking water industry average and assessing how many times better we perform.
- 2 This environmental leadership metric is determined by comparing our overall number of drinking water NOVs for MCL exceedances as reported in an EPA database to the national drinking water industry average and assessing how many times better we perform.
- 3 This metric is determined by counting the overall number of drinking water NOVs received by the Company in accordance with internally established procedures, which may exclude NOVs for newly acquired systems and third-party violations, among others.
- 4 This metric is determined by counting the overall number of drinking water NOVs for MCL exceedances received by the Company in accordance with internally established procedures, which may exclude NOVs related to newly acquired systems and associated with third-party violations, among others.

ENVIRONMENT & INFRASTRUCTURE

[Water & Wastewater Infrastructure →](#)

[Water Supply Resilience →](#)

[Water Use & Efficiency →](#)

[Climate & GHG Emissions →](#)

American Water operations are dependent on a safe and reliable supply of water. We are committed to doing our part to protect the environment and safeguard water and wastewater infrastructure so we can continue delivering high-quality services.



Water & Wastewater Infrastructure

3-3

WHY IT MATTERS

As an industry-leader in providing reliable water and wastewater services, we must maintain adequate infrastructure. The ASCE U.S. water infrastructure report card is published every 4 years and provides insight into the current state of the country's water and wastewater infrastructure. The ASCE's 2021 report card gave the U.S. drinking water infrastructure a C- grade and wastewater infrastructure a D+ grade. These scores demonstrate the ongoing need for infrastructure investments that promote efficiency improvements and increase reliability.

Safe and reliable water is foundational to quality of life in the communities we serve. By making prudent investment that supports water and wastewater infrastructure reliability and resiliency, American Water contributes to the economic security and viability of the communities in which we operate. Looking ahead, we recognize that climate variability has significant impacts on water infrastructure across the United States, underscoring the importance of upgrading infrastructure to maximize resiliency and mitigate intensifying climate variability impacts. Please visit the [Climate & GHG Emissions](#) section for more information.

In the United States, the condition of water and wastewater infrastructure varies significantly based on geography. There are a disproportionate number of low-income and underserved communities nationwide that do not have adequate water and wastewater infrastructure, resulting in greater health risks and other negative impacts to these communities. American Water acknowledges these disparities and aims to provide solutions. We consider the condition of existing infrastructure when making investments, with the goal of investing in areas that need it most. We seek to provide all customers across our footprint with safe and reliable water and wastewater infrastructure.

OUR APPROACH

IF-WU-450a.4

American Water strives to balance infrastructure needs with water and wastewater affordability by consistently making infrastructure investments that will minimize significant risks and maximize benefits to our customers. Our comprehensive planning process is a long-term, risk-based approach that evaluates the capacity, condition and performance of our water and wastewater systems. We conduct numerous comprehensive planning studies (CPS) and asset management plans annually, and we evaluate systems on a rotating basis by priority, resulting in a targeted capital improvement plan for each system.

We invested \$1.9 billion to upgrade and expand our asset base as part of our capital investments in 2021, and another \$2.6 billion in 2022. Our investments increase annually as we work to fix leaks, improve water quality, safeguard consistent water supply and maintain regulatory compliance across our water and wastewater systems. We expect the need for significant infrastructure investment to grow; over the next 10 years, we expect to invest approximately \$30–34 billion in our regulated footprint, with approximately \$27–30 billion dedicated to regulated system investments including infrastructure renewal, resiliency and water quality.

Our strong record of operating and maintaining distribution and treatment infrastructure fosters greater community resiliency for residents and businesses and boosts economic development. Our reputation also allows us to grow our business through acquisitions of both municipal and private water and wastewater systems. Capital investments we make in the infrastructure of our acquisitions helps acquired systems increase compliance with regulatory standards and meet our internal best practices for adequate and resilient infrastructure.

Over the next 10 years, we expect to invest approximately \$30–34 billion in our regulated footprint, with approximately \$27–30 billion dedicated to regulated system investments including infrastructure renewal, resiliency and water quality.

Policies

American Water's Capital Program Management (updated in 2022) and Asset Management Policies guide our approach to infrastructure investment. The Vice President of Engineering is responsible for activities related to these policies, with executive oversight from our Chief Operational Excellence Officer and COO. The policies include several supporting practices that work together to better inform our risk and asset management decisions, improve access to complete and accurate data and minimize life-cycle costs across the enterprise.

Governance

2-13

State utilities develop annual capital business plans based on the needs we identified through CPS and asset management planning work. The state utilities' Board of Directors must approve the annual plan for the relevant state utility before American Water's Board of Directors approves the consolidated capital plan each fall. After the consolidated capital plan is approved, state utilities and the American Water Capital Program Management Committees (CPMCs) oversee implementation by our state engineering teams. Each state's CPMC includes the state President and program managers for engineering, operations and finance. The enterprise-wide American Water CPMC includes our COO, Deputy COO, Chief Financial Officer (CFO), Deputy CFO, Chief Environmental and Safety Officer, Vice President of Engineering and Senior Director Engineering-Enterprise Capital Program. Each of these cross-functional committees meet monthly.

Assessing Infrastructure Risks

We consider several factors to determine the priority of our infrastructure investment decisions, including regulatory requirements, employee and public health and safety, likelihood of asset failure, maintenance and operations costs. We use standardized risk-based prioritization models to categorize infrastructure investments across our systems. Although our aboveground and buried infrastructure require different approaches to risk assessment, we routinely evaluate

our infrastructure based on capacity, condition, performance and the impacts of failure. For water pipelines, we consider additional factors, such as the age and material of pipe, distribution system pressure, soil conditions and water quality.

America's Water Infrastructure Act (AWIA) of 2018 requires us to complete detailed risk and resiliency assessments (RRAs) and mitigation plans across all our public water systems serving populations over 3,300. We use the guidance provided by the AWWA J100 standard to take an "all hazards" approach to identifying and mapping the key risks across our business. This approach incorporates risk scenarios into our assessments, such as extreme weather and climate variability, source water contamination and malevolent threats.

In 2021 and 2022, we completed RRAs for 146 of our water systems, covering 98% of our service areas, plus 16 assessments for our MSG and Contract Services Group locations. In accordance with the AWIA, we will update our risk assessments every five years.

We use risk mapping tools to assign an overall risk rating to our facilities and critical infrastructure, helping us better understand the risk to our overall operations. These risk ratings help inform our future infrastructure investment decisions and secure the proper level of maintenance for our assets. As a company that provides water and wastewater services, the protection of our facilities, technology systems and customer and employee information is a top priority and focus. Our security team conducts regular internal security reviews and collaborates with the Department of Homeland Security on external security assessments. We use the results to develop improvement initiatives and further enhance security controls of Company assets and systems. Central to our protection model is our advanced 24/7 Integrated Operations Center. The Integrated Operations Center monitors American Water's security and technology systems; continuously tracks weather alerts, security threats and intelligence; and serves as a key collaboration point for operations, leadership and functional teams. For additional information on how we maintain enterprise security, please visit the [Cybersecurity, Data Privacy & Physical Security](#) section.



American Water field employees continuously inspect critical pipeline crossings that are vulnerable to weather events.

Infrastructure Investments To Reduce Climate Risk

American Water must increase infrastructure investments to address aging infrastructure and increased risks from climate volatility. We leverage advanced climate models and forecasts to evaluate our risks and opportunities for increasing the resilience of our assets.

Extreme weather also has the potential to damage other critical infrastructure such as pipes and pumps, which can lead to water or wastewater leaks and spills. To help address this risk, American Water has a program to evaluate and inspect critical pipeline crossings of railroads, highways, rivers and streams, which are often vulnerable to extreme weather events. Through these evaluations, we can identify ways to improve our asset management, reduce potential future outages and minimize operational impacts.

In 2018, we completed a project to raise the floodwall height at our Raritan-Millstone water treatment plant to provide protection against a 500-year flood event to account for increased climate volatility and flooding risk. This effort was completed in time to prevent facility flooding as a result of Hurricane Ida in September 2021. Had this project not been completed in time for the Ida-related flooding, it is estimated that the facility, which serves more than 1 million people in New Jersey, would have sustained tens of millions of dollars in damage and likely been offline for several weeks, causing significant hardship and negative economic impacts to the region. For more information, please see the [Climate & GHG Emissions](#) section.

Emergency Response Plans

Each water and wastewater system maintains an Emergency Response Plan (ERP) to respond to a wide variety of potential emergencies, such as power outages or natural disasters. Our ERPs also address the potential impacts of extreme weather. In accordance with bioterrorism laws and for the safety and security of our water systems nationwide, these plans remain highly confidential.

We use a high-speed mass notification system, CodeRED, to keep our customers informed about any water-related emergencies, risks or threats that might occur. We notify our customers through automated phone calls, text messages and emails, and we provide alerts on our website with a map of the affected area. For more efficient and effective communication, we encourage customers to confirm or update their contact information through our web self-service portal.

In 2019 and 2020, operations across the enterprise began updating their ERPs to use a more standardized approach based on EPA and Federal Emergency Management Agency guidance. The Physical Security and Preparedness team worked with our Operations teams across the business to conduct emergency response exercises, test and enhance ERPs and conduct on-site staff training to support proper execution of the ERPs, if needed.

In 2021 and 2022, we conducted 27 drills each year at facilities across our service areas. In 2023, we aim to conduct more than 40 exercises. As we identify new risks, we will incorporate new risk mitigation exercises into our emergency drills.

Infrastructure Digitalization

We use technology throughout our business to assess the overall condition of infrastructure and monitor system performance. We deploy a variety of sensor technologies to help evaluate and monitor the integrity and performance of our infrastructure. We remain focused on the digitalization of our processes and equipment throughout our asset base and within our operations.

By implementing digital tools, we efficiently gather and leverage information to better understand our infrastructure and make proactive and effective investments. For example, acoustic monitoring equipment helps our teams identify and locate leaks in water distribution pipelines before they become potentially catastrophic breaks. We use hydraulic models of our pipeline networks in scenario planning to identify and address potential problems in our systems, such as inadequate pressures and reduced water flows. We use thousands of sensors and instruments to monitor the condition and performance of equipment at our treatment plants. We also use three-dimensional (3-D) photography of critical facilities to manage our assets and support ERPs. These instruments alert facility personnel of necessary operational adjustments, maintenance, rehabilitation or replacement needs.

AMI, also known as smart metering, is another tool helping us achieve digital transformation. AMI provides American Water with automated, near-real-time data on water usage and system conditions. Where deployed, our customers can access AMI data to better understand their water use and make behavioral changes to improve their water efficiency. We also use this information to help us proactively identify leaks, which can reduce water loss and potential system interruptions. AMI data provides our teams with live alerts such as issues of high, low or no flow and other valuable insights into the condition and overall health of our infrastructure. As we increase our deployment of the technology, we will be able to use historical data collected through AMI to refine our hydraulic models and improve system efficiency and water quality.

As part of our continuing digital transformation, we are in the process of transitioning to an integrated data management system, which will serve as our single source of key operations data going forward. This system will collect both historical and live data from AMI and other sources and will be accessible from a single platform. Consolidating data will provide standardized reporting across our operations, featuring customizable data dashboards populated with live data. Going forward, the platform will facilitate the use of data analytics to make robust data-driven decisions.



Digital infrastructure monitoring improves operational efficiency and is a key tool in managing system assets.

Economic Impact

Our capital infrastructure investments can generate significant economic benefits to local and regional economies. These benefits happen directly through our initial spend on a capital project and indirectly through the broader economic effects of our infrastructure investments. Our ongoing operational and capital expenditures help generate these economic impacts on an annual basis.

We closely monitor the number of jobs created as a result of our capital expenditures. According to a 2019 U.S. Water Alliance article, approximately \$1 million of infrastructure investment can create 15 high-paying local jobs.¹ With our current 10-year capital plan of approximately \$27-30 billion, we have the potential to create over 427,000 indirect jobs in the communities we serve.

¹ Based on a [study](#) conducted by the Value of Water Campaign: The Economic Benefits of Investing in Water Infrastructure.

Connecting With Customers

We recognize that while infrastructure investments are critical to long-term system reliability and quality service, projects can be disruptive to the communities in which we work. For example, projects involving buried infrastructure can impact road conditions and traffic patterns. Whenever possible, we try to coordinate with municipalities and other utilities to align our projects with the timing of other projects and programs. We also evaluate and grade every portion of pipe within our distribution network so that we can package pipeline replacement into other projects and minimize disruption. As necessary, we conduct proactive stakeholder engagements, such as meetings or other communications, to provide local communities and residents with additional information about a project.

As part of our ongoing infrastructure investments, we continue to work with our customers to replace LSLs throughout our service areas. For more details on our LSL replacements, read the [Water Quality and Emerging Contaminants](#) section of this report.

OUR PERFORMANCE

IF-WU-140a.1, IF-WU-450a.3

We measure our water infrastructure performance by measuring our water main replacement rate and the number of unplanned service disruptions. These indicators help inform decisions about future pipe replacement needs.

In 2021, we replaced 0.63% of our water mains, equating to a replacement rate of 159 years. In 2022, we replaced 0.71% of our water mains, equating to a replacement rate of 136 years.

We continue to focus on replacement of our oldest and highest risk pipelines in our distribution systems as a key element to make our systems more resilient and reliable and are significantly better than the industry average replacement rate of nearly 200 years.

The number of main breaks per mile has steadily decreased since 2014. In 2014, we experienced 0.33 breaks per mile. In 2022, our main break rate was 0.23 break per mile, a 30% decrease since 2014.

HIGHLIGHT STORY

American Water Participates in White House LSL-Focused Events

In January 2023, American Water, represented by our Chief Environmental and Safety Officer, Lynda DiMenna, participated in two events in Washington, D.C., hosted by the EPA and the White House. The events were focused on the White House's Action Plan to eliminate LSLs. The Plan encourages states to replace LSLs, particularly in underfunded areas, which aligns with American Water's commitment to eliminate lead piping from service lines across our footprint. We are pleased to have participated in the events and to be a leader in the national effort to remove all LSLs from service.

Water Supply Resilience

3-3

WHY IT MATTERS

Water is a finite resource and we all must manage water supplies in a sustainable manner that safeguards the long-term needs of customers. Climate variability could have significant and negative impacts on our business and our customers by affecting the availability and quality of water supply. As concern for climate variability impacts grows, we want to inform and educate our stakeholders about our actions to protect water supplies and maintain access to safe and reliable water—now and in the future.

OUR APPROACH

303-1, IF-WU-440a.3

Our ability to deliver water to our customers in a safe and reliable manner depends, in part, on efforts to protect drinking water at the source. When planning and managing our water supplies, we consider the source's ability to meet the anticipated long-term needs of our customers. We identify and mitigate the impacts of potential future threats to our existing sources of supply through RRAs that inform our operational approach and potential need for capital investment. Our goal is effective mitigation of potential risks and maintenance of sufficient, high-quality water supplies for our customers.

Policies

Our Environmental Policy serves as a guide to responsible management of natural resources. The policy addresses sustainable water management, watershed protection and water conservation. Additionally, American Water's Dam Management practice helps American Water operate and maintain dams that support the water supply. The practice sets the standard for routine monitoring and maintenance, periodic improvements and frequent inspection. We review and update our policies and practices regularly.

RELATED RESOURCES

[Environmental Policy](#)



[Utility Resilience Index One-Pager](#)



American Water engages and educates stakeholders on our ability to maintain adequate water supply.

Governance

2-13

Our Chief Environmental and Safety Officer, Chief Operational Excellence Officer, and COO, supported by our Deputy COO, have responsibility for water supply resilience. Because water supply resilience is an inherently local issue, our state Presidents, engineering and operations leaders are responsible for managing water supply resilience within the states.

The Safety, Environmental, Technology and Operations Committee of the Board of Directors receives quarterly reports concerning the risks that natural hazards pose on our business, including supply disruptions from droughts, hurricanes, earthquakes or storms.

Water Availability

Population growth and greater demand for water supplies has led to increased strains on water supplies. To safeguard our long-term water supply, we leverage technology to analyze our impacts on source water supply and identify future water supply needs.

In water-stressed areas,¹ securing and maintaining an adequate water supply is one of our greatest challenges. It is our responsibility as the largest water and wastewater services provider in the United States to deliver safe and reliable service to all our customers, regardless of geographic location.

We leverage technology, innovation and consumer education to address the challenges of maintaining limited water supplies. For example, we encourage customers to use our Water Use Calculator, the MyWater customer portal and water usage alerts to make decisions about how to reduce water use.

Water efficiency is a key focus across American Water's service footprint. California American Water's leading conservation program includes dedicated conservation staff members in every service area, who are trained in leak detection, efficient water irrigation, high bill resolution, meter data logs and water-efficient and climate-appropriate landscaping. For more information about how we promote water use efficiency and conservation, please see [Water Use & Efficiency](#).

Another example of long-term planning to help maintain adequate water supply is California American Water's Monterey Peninsula Water Supply Project. The Monterey Peninsula Water Supply Project is a decades-long project that intends to fulfill the requirement to significantly decrease yearly diversions of water from the Carmel River as required under orders of the California State Water Resources Control Board. By increasing the water supply to the Monterey Peninsula without affecting marine and other wildlife, we can indirectly boost economic development opportunities and strengthen the resiliency of the area.

1 We define water-stressed areas as systems or specific supply points of entry that have been affected by water rights reductions or water availability due to saltwater intrusion threat and/or drought limitations, such that alternative supplies have been or will need to be developed in the short-term.

The project includes construction of a desalination plant and the construction of slant wells that will supply water to the desalination plant. In November 2022, the Coastal Commission approved our desalination coastal development permit application. With this approval, we are one critical step closer to improving the region's ongoing water supply challenges. The other components of the project are aquifer storage and recovery and a groundwater replenishment and recycled water project that will work to bring drought-proof and environmentally sustainable water supplies to the Monterey Peninsula.

Source Water Protection

To conserve our water supply and ensure the quality of our drinking water, it is crucial that we protect water at the source. Development activities can amplify the impacts of climate variability in our communities, leading to upstream pollution. When land is developed, water-resistant surfaces like sidewalks or parking lots generate more runoff, leading to increased risk of flooding and potential contaminants in water supplies. We advocate for responsible state and local planning and zoning policies that prioritize the protection of water supplies. For more information about the policies that we support, please see [Public Policy](#).

Partnerships to Protect Watersheds

Throughout the communities we serve, we partner with local entities, including river basin commissions and community groups, to help protect watersheds. AWCF's environmental grant program provides funding for innovative, community based-environmental projects that improve, restore or protect the watersheds, surface water and groundwater supplies in our local communities. In 2022, we funded 49 projects totaling \$188,000.

Our partnerships and other engagements with local stakeholders can help provide early warnings of impacts to water supplies, including contamination. At the national level, we collaborate with several organizations that work to promote water supply resilience through legislation, industry collaborations and research.

OUR PERFORMANCE

We measure the effectiveness of our water supply resilience by tracking indicators for water withdrawals, usage trends, water losses and allocation compliance. This data helps us to better understand our water usage, consumption and best practices to strengthen resiliency.

In 2021, we announced a new goal under which we will increase our water system resiliency to respond to more extreme events, measured as a 10% increase in the URI by 2030 (from a 2020 weighted average baseline). The URI is part of the AWWA J100 standard and assesses a community’s ability to absorb and cope with an incident and return to normal operations as quickly as possible. The URI grades on a numeric scale from 0–100, with 60–70 identified as relatively resilient. In 2020, we completed a baseline URI assessment of our facilities; the average grade across all our facilities was approximately 66. We update this assessment annually and are on track to meet our goal to raise our combined URI score by 10% by 2030. To learn more about our environmental goals, please visit [our website](#).

To achieve our water supply resilience goal, we implemented additional training and education for our employees and updated and enhanced emergency plans.

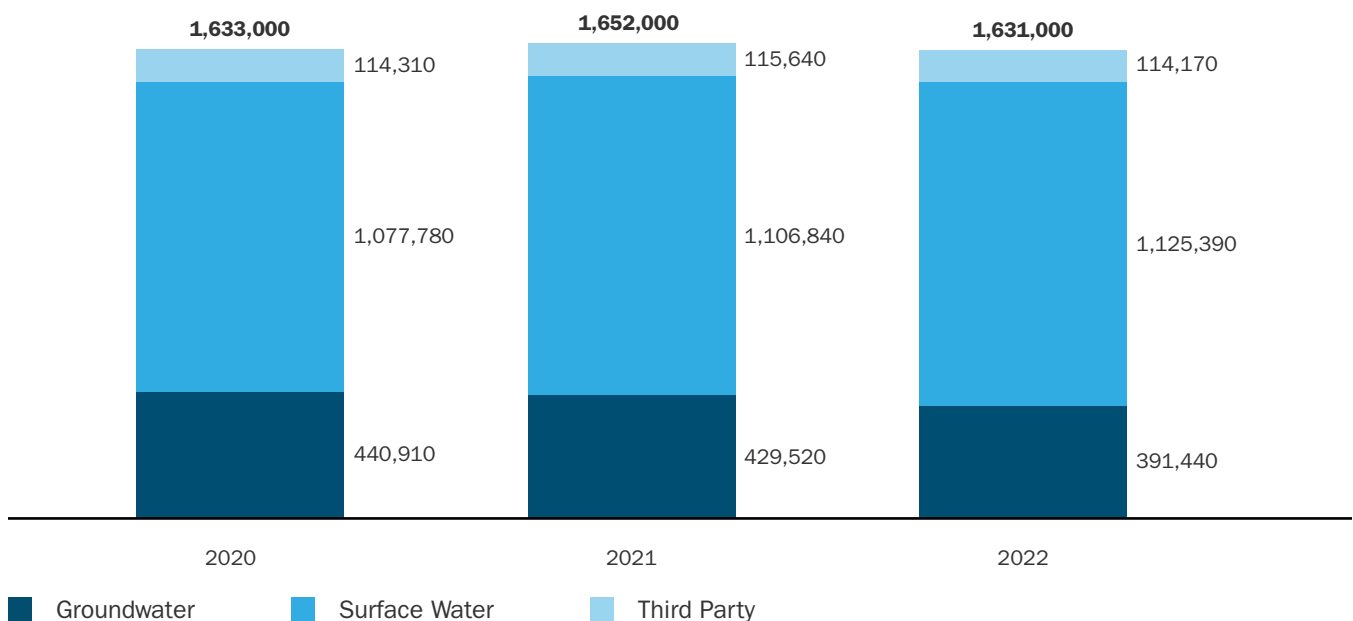
We are also maintaining an inventory of critical parts and increasing emergency power capacity and available water storage. We continue to expand current programs, including emergency response exercises and participation in utility community cooperatives such as WARN.

To supplement our new goal, we identified alternative ways to measure water supply resilience performance. For example, we track water stress in all our water systems. We shifted reporting to MapCall, which works with our Geographic Information System (GIS) tool to help manage our assets.

In 2021, we announced a new goal that we will increase our water system resiliency to respond to more extreme events, measured as a 10% increase in the URI by 2030 (from a 2020 weighted average baseline).

Water Withdrawal

MEGALITERS, ESTIMATED



Water Use & Efficiency

3-3

WHY IT MATTERS

Delivering water efficiently benefits our business, our customers, the environment and the communities we serve. By increasing water efficiency, we can realize benefits such as reduced operating cost and energy consumption. Our customers benefit from water efficiency through cost savings, and we can protect the environment by preserving freshwater supplies and reducing our GHG emissions.

In our operations, the greatest opportunities to increase efficiency include minimizing water loss through prevention of leaks and breaks and maintaining infrastructure. We also work with our customers through education, tools and technology to empower individuals to make their water use more efficient and sustainable.

OUR APPROACH

303-1

Policies

American Water's Environmental Policy guides our commitment to complying with relevant environmental laws, regulations and standards, sustaining the environment through responsible business practices and using natural resources, including energy, effectively and efficiently. We regularly review and update our Environmental Policy and most recently updated it in 2021.

RELATED RESOURCES

[Environmental Policy](#)



.....
[Utility Resilience Index One-Pager](#)



Our Non-Revenue Water and Water Loss Reporting Practice helps us standardize the quality and consistency of our non-revenue water reporting. Non-revenue water loss can be the result of leaks, theft or unbilled authorized consumption, which includes water main flushing and firefighter use during emergencies or preparation. Using a standardized and efficient methodology to report non-revenue water is not only important for identifying and minimizing water loss, but is also critical for budgeting, managing the needs of our customers, tracking our business growth and planning our future capacity. The Practice also recommends annual water audits for our state subsidiaries, the results of which we can use to identify and prioritize investments that prevent and mitigate water loss.

Governance

2-13

Our Chief Environmental and Safety Officer is responsible for American Water's environmental performance. Our Chief Operational Excellence Officer oversees water use and efficiency performance through the Engineering and Operations group. At least quarterly, the COO, Deputy COO and Safety, Environmental, Technology and Operations Committee receive a performance update on water use and efficiency. The Safety, Environmental, Technology and Operations Committee also monitors and reviews environmental policies, practices and strategies, including environmental stewardship, water conservation and regulatory compliance.

We recognize that, as a core value of our business, we must practice environmental stewardship at all levels of the organization. Our Water Efficiency Committee meets quarterly and works across our business to collaborate on water efficiency efforts and best management practices. Improving water efficiency helps us to reduce our operating expenses and allocate more resources toward capital investments that benefit our customers.

Technology & Efficiency

Technology is an important tool that helps us improve water efficiency. For example, advanced metering systems and remotely operated sensors allow us to monitor vulnerable infrastructure for water breaks and/or leaks and assess the condition of our pipeline to prioritize replacements for pipes at highest risk of failure.

Additional technologies improve our ability to monitor our distribution system, prevent and mitigate water loss and provide industry-leading service for our customers.

- **Continuous Acoustic Monitoring of Water Mains:** We place leak detection sensors throughout our distribution system to record the sound patterns in our infrastructure to detect smaller leaks before they are visible above ground as larger leaks.
- **Sensor Technologies:** Drones and other sensors can leverage infrared and spectral technology to detect leaks. We also use electronic sensors, such as in-pipe drones or probes, to identify cracks, deterioration or other weaknesses in a pipe.
- **Improved Pressure Control:** Pressure fluctuations within pipelines can lead to increased stress, and potentially leaks or breaks when not properly managed. By improving our pressure control systems, we can optimize pumping efficiency and prevent unnecessary stress on our infrastructure.
- **Smart Distribution Systems:** We can minimize water loss and improve water quality throughout our distribution system by installing automated flushing devices that optimize the frequency and duration of flushing.
- **Advanced Metering Infrastructure (AMI):** This smart metering provides our teams and our customers with real-time water usage data to proactively identify leaks or understand opportunities for water efficiency.
- **Zero-Discharge:** Most of our large surface water plants and all newer surface water plants recycle water used for filter backwashing and other plant operations.



Advancements in technology allow for data-driven decisions when it comes to infrastructure investments.

Customer Conservation & Efficiency

We provide information to our customers to help them learn more about their water use and implement practices that promote conservation and efficiency. When customers adopt these practices, they often lower their usage thereby reducing service costs while recognizing the environmental benefits of water conservation and efficiency. We engage with our customers online, over the phone, by mail and in person to provide the tools and resources they need to manage their water usage more efficiently.

We participate in the EPA's Fix a Leak Week each year to advance water conservation and raise awareness about leaks and other issues that may contribute to wasted water within homes. We share information with customers online and through mailings educating them on how to detect leaks in their home water systems. We also serve as a promotional partner of the EPA's WaterSense Program to increase awareness about water conservation and efficiency. We offer giveaways and rebates for WaterSense-labeled products, which are products that meet the EPA's specifications for water efficiency and performance, such as certain low flow showerheads, faucets and spray sprinkler bodies. We also provide rebates for a wide variety of other conservation tools such as rain barrels, leak detection kits and smart home monitoring to promote sustainable customer behavior. In 2021 and 2022, we distributed over 100,000 conservation product giveaways and rebates to help our customers use water more efficiently.

To further promote customer conservation and efficiency we have implemented tiered rate structures in several states we serve. We also share water-saving tips, offer incentives for efficiency upgrades and conduct conservation surveys.

AMI Implementation

AMI is an automated and efficient meter reading technology that allows us to gather data wirelessly, eliminating the need for manual meter reading. The AMI network is a combination of Radio Frequency (RF)-based or cellular-based devices attached directly to the meter. AMI data is transmitted to a vendor-specific cloud platform, where it can be sent to American Water for billing and service-related tasks.

AMI provides our teams and our customers with greater visibility into water usage, allowing us to better serve customers in real time. Currently, AMI is installed in approximately 33% of our footprint and we are working to increase AMI implementation to realize greater water savings and reduced costs for our customers.

Meter reads are transmitted at least hourly and available in 15-minute increments, allowing for quicker identification of inconsistent usage and follow-up of meter alerts. All collected data is secure and integrated into applications that track customer-metering data, billing and customers' MyWater accounts. As we continue to increase the number of customers with AMI metering, we can best leverage this technology across our business to:

- Proactively notify customers of potential leaks;
- Turn water services on and off from our offices (and reduce vehicle mileage);
- Assist customers with high bill inquiries from our offices;
- Respond with more detail to customer usage requests;
- Improve customer experience and usage;
- Improve accuracy of meter reading;
- Encourage water conservation; and
- Increase employee safety.

Rate Structures to Incentivize Conservation

As environmental stewards, promoting customer water conservation is important for reducing environmental impacts and maintaining low costs of service. We advocate for rate structures that promote water conservation and efficiency as part of our environmental stewardship practices.

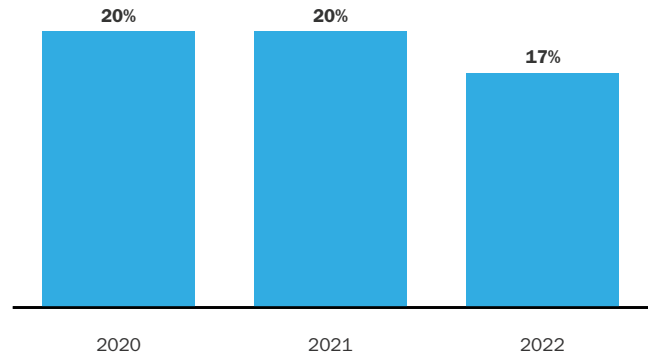
In some areas we have implemented tiered rate structures. In a tiered rate structure, the lowest water consumption tier costs the least and, as customers use more water, the price increases. The tiered structure is used to encourage water conservation and, in areas with greater water scarcity, such as Monterey, California, there are additional tiers to further incentivize conservation.

Revenue Stabilization Mechanisms (RSMs) permit us to collect our authorized amount of revenue for a given period, independent of the volume of water sold during that period. We recognize the benefits of reduced water usage for our customers and our role in promoting conservation. It is also important that we have a meaningful opportunity to earn the revenues authorized by the state commissions in order to continue to invest in capital improvements and deliver safe and reliable water and wastewater services to our customers. Implementing RSMs allows us to continue investing in providing the highest quality water, while encouraging water conservation. Across our business footprint, we support and advocate for RSMs that separate water sales from revenues. In California and Illinois, we have adopted RSMs that allow us to continue promoting water efficiency and lowering operational costs. This is particularly helpful for states facing water scarcity such as California.



Percentage of Revenues From Rate Structures Promoting Conservation¹

IF-WU-420a.1



¹ We restated our percentage of revenues from rate structures data to account for fixed meter charges from regulated states. We updated our calculation to align with the SASB standards.

OUR PERFORMANCE

303-1

In early 2021, we announced our goal to continue to meet customer needs while saving 15% in water delivered per customer by 2035, compared to a 2014/2015 averaged baseline. Since setting this goal, we have realized a 3.6% reduction in water delivered per customer. As we continue making progress toward with goal, we will not only demonstrate our commitment to environmental stewardship, but we will also capture energy savings, reductions in non-revenue water losses and lower costs to customers.

Water Use & Efficiency Goal

15% by 2035

BY 2035, AMERICAN WATER COMMITS TO MEET CUSTOMER NEEDS WHILE SAVING 15% IN WATER DELIVERED PER CUSTOMER COMPARED TO A 2014/2015 AVERAGED BASELINE.

Climate & GHG Emissions

3-3

WHY IT MATTERS

Our ability to provide safe and reliable water and wastewater services is linked to weather and climate variability, energy use and GHG emissions. Extreme weather events, including hurricanes, wildfires and droughts, as well as rising sea level and saltwater intrusion, can have direct and significant impacts on the communities we serve and test the resilience of our infrastructure.

Water and wastewater infrastructure is more susceptible to the effects of climate variability if aged beyond its useful life, is in poor condition, or if engineered to meet historical environmental conditions that have since changed. Vulnerable infrastructure may negatively impact our water supply or lead to service disruptions to our customers. To avoid these negative impacts, American Water must leverage effective risk management and strategic planning to increase the resilience of infrastructure. Investing in the resiliency of our systems is essential to meeting our customers' needs and providing safe and reliable water and wastewater services. For more information on our water and wastewater infrastructure, please visit [Water & Wastewater Infrastructure](#).

Our operations require energy to deliver water and wastewater services to our customers. Approximately 90% of American Water's electricity consumption and about 80% of our scope 1 and scope 2 GHG emissions relate to pumping water and wastewater. By increasing pumping efficiency, we can reduce the impact of water delivery through reduced energy usage, resulting in fewer GHG emissions.

RELATED RESOURCES

Environmental Policy	↓
Environmental Grant Program	↓
Greenhouse Gas Emissions Profile and Goals	↓
Utility Resilience Index One-Pager	↓

>40%

REDUCTION IN ABSOLUTE SCOPE 1 AND SCOPE 2 GHG EMISSIONS BY 2025 FROM A 2007 BASELINE.

50%

REDUCTION IN ABSOLUTE SCOPE 1 AND 2 EMISSIONS BY 2035 FROM A 2020 BASELINE.¹

Paris Agreement aligned and science-based goal.

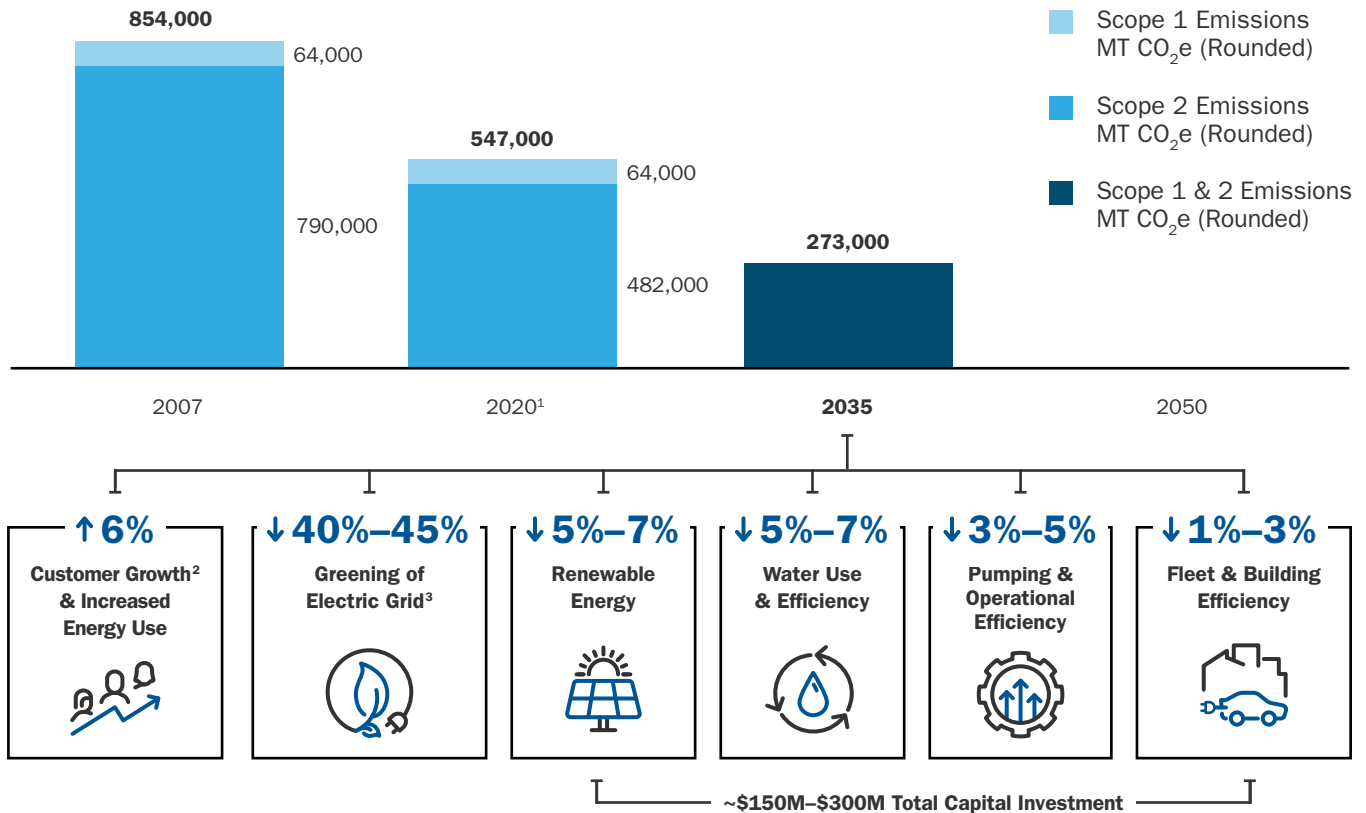
2050

GOAL YEAR FOR ACHIEVING NET ZERO ABSOLUTE SCOPE 1 AND SCOPE 2 EMISSIONS.¹

Paris Agreement aligned and science-based goal.

¹ Assumes state renewable portfolio standards will be achieved and power providers will fulfill stated carbon transition plans.

American Water's Path to GHG Emissions Reduction



- 1 Scope 1 and scope 2 rounded emissions were updated in July 2023.
- 2 Includes organic growth; annual adjustments to baseline will occur to incorporate growth through acquisitions.
- 3 Assumes States' renewable portfolio standards will be achieved and power providers will fulfill stated carbon transition plans.

OUR APPROACH

201-1

Our state utilities operate across different regions in the United States, requiring us to account for variations in climate variability impacts based on geography. For example, California American Water has undertaken significant risk mitigation approaches in response to increased wildfire intensity and frequency, whereas coastal communities are working to mitigate the impacts of sea level rise. When such issues arise, we implement emergency management plans to effectively address climate-related issues, which often includes coordinating with local municipalities and emergency managers.

We integrate climate variability considerations into our Asset Investment Strategy to better prepare and protect our water and wastewater utility infrastructure for the future. We use historical data, available climate modeling tools, and forward-looking design standards to predict and manage our expected climate variability risks and impacts.

We pay particular attention to groundwater supply depletion from climate-related impacts and work to identify any aquifer impacts as early as possible. Our groundwater models assist monitoring efforts so that our withdrawals are less than aquifer recharge rates. We also focus on community resilience to extreme weather events while sharing our findings and best practices with the industry.

To do our part to mitigate climate variability, we aim to reduce energy use and GHG emissions, and encourage our suppliers to do the same. Pumping water is energy intensive, so we focus our energy reduction initiatives on promoting water efficiency across our business to reduce the amount of water that needs to be pumped. We also consider renewable energy sources either through negotiating power purchase agreements or installing renewable energy such as solar arrays, recognizing that doing so can help to reduce our own costs and contribute to lower global carbon emissions. We also participate in and support energy efficiency and rebate programs, such as the EPA's WaterSense program.

Our operational efficiency strategy includes five key components: plan, design, construct, operate and maintain.

- **Plan for Efficiency:** We consider opportunities to improve energy and water efficiency in our Engineering Master Planning process.
- **Design for Efficiency:** We employ enhanced pump, pressure management, lighting and process design standards.
- **Construct for Efficiency:** We follow sustainable construction standards and methods.
- **Operate for Efficiency:** We use enhanced best operating practices, leak detection and repair procedures.
- **Maintain for Efficiency:** We leverage computerized maintenance management systems and advanced preventative maintenance strategies to optimize performance and reliability of our equipment.

Adapting our systems to be more efficient and resilient in the face of increased weather volatility enables us to protect the viability, integrity and resiliency of water supplies and infrastructure around the country. As the risks associated with our changing climate increase, we continue to evolve our approach to identifying and adopting solutions that improve our management of related risks for the communities we serve.

Policies

Our Capital Program Management Policy guides our infrastructure investments. The practices under this policy require us to assess specific risks from climate variability and implement appropriate mitigation and adaptation strategies within the engineering asset planning process. In 2022, we updated our Capital Program Management Policy and supporting practices, which went into effect in early 2023. As part of our Capital Program Management Policy update, we integrated our Project Management Information system, a software system to track and manage our capital investment projects. This software will help standardize and improve our capital management programs and reporting across the entire business.

Our Environmental Policy, updated in 2021, outlines the ways in which our Company promotes environmental stewardship across our business, including reporting and responsibilities. This policy governs American Water's environmental stewardship and covers topics such as efficient use of natural resources, including energy.



Flushing hydrants contributes to maintenance efficiencies in our service territories.

Governance

2-13

Our Chief Operational Excellence Officer, along with our Chief Environmental and Safety Officer, who both report to our COO, have ultimate accountability for American Water's approach to adaptation and mitigation strategies associated with climate variability. Climate variability is a global issue with local implications; therefore, our state Presidents also hold responsibility for our performance. Our Chief Environmental and Safety Officer also oversees our energy and emissions activities and is responsible for tracking and reporting environmental compliance and performance while mitigating emerging areas of environmental risk. Our COO reports such data and performance to the Board on a regular basis.

Our Board of Directors' Safety, Environmental, Technology and Operations Committee receives, reviews and discusses with executive management quarterly briefings on risks from natural hazards, such as drought and loss of supply due to extreme weather events and natural disasters. The Safety, Environmental, Technology and Operations Committee monitors and reviews operational risk exposure, mitigation strategies and processes for assessing business continuity risks, including asset hardening, resiliency and contingency plans. Our management team and its Enterprise Risk Management Committee raise risks to the Audit, Finance and Risk Committee and the Board.

Our employee Sustainability Collaborative includes staff from across the organization to advance our sustainability initiatives and ESG goals, including reducing energy and emissions. All employees are responsible for taking the necessary actions to comply with environmental laws, regulations and standards. We also expect our employees to promote environmental stewardship and help reduce our impact on climate variability. Suppliers are encouraged to align with our Environmental Policy and reduce their own environmental impact, including through emissions reductions.

For more information on American Water's climate variability governance and mitigation efforts, please refer to [American Water's TCFD index](#) and [CDP responses](#).

Planning for Climate Impacts

IF-WU-450a.4

American Water reviews current climate science and global models related to temperature, precipitation and sea level rise on an ongoing basis. Where actionable forecasts are available, American Water uses the information in our engineering CPS and Master Plans, which assess the climate risk and resiliency of our water and wastewater systems over short-, medium- and long-term time horizons (0–25+ years). Our engineering planning process enables us to evaluate and predict how water supplies, water quality and water demands may change over time. We also consider how increasing intensity and frequency of extreme weather events may affect our infrastructure and assets, which helps determine updates or changes to our design standards. Our engineering planning program includes RRAs, which are updated on a 5-year cycle.

We also assess our resilience and preparedness through the URI, which is a measure of a utility's ability to respond to and recover from the impacts of extreme weather, environmental incidents, supply chain disruptions and other extreme events that would disrupt our services. As part of our facility RRAs, we evaluate the amount of self-generating power capacity at our facilities and increase that capacity where needed. We use emergency generators, both stationary and mobile, throughout our operations. These power redundancy measures help our most critical facilities operate on self-generated power for an extended period, if needed.

When we build new facilities and upgrade existing ones, we consider how climate variability may affect the surrounding area, including rising sea levels and changing floodplains, among other factors. We design critical equipment to be placed well above expected flood levels to mitigate the risk of interruptions amidst more frequent and intense weather events. Our design criteria often go beyond existing regulations and guidance in our service areas, with input from our insurance carrier's technical recommendations.

Maintaining a state of readiness throughout our systems is critical to addressing the challenges associated with climate variability impacts on our services. Climate variability remains a key input in our water usage models and mitigation strategies that we use to reliably serve communities. Going forward we plan to invest more than \$2.5 billion per year into our regulated systems, with approximately 10–12% of that capital investment dedicated to increasing the resiliency of our assets. This may include upgrades and renewals of treatment plants, distribution and transmission pipes, pumping stations and other essential facilities.

Energy Efficiency

American Water implements a variety of initiatives at our facilities to promote efficiency across our business, including operational audits. We work to maintain or lower our energy intensity while expanding our business and improving the facilities in acquired systems that may be less efficient.

Pump Replacement

Aging pumps and motors can require more energy to move the same amount of water due to decreased efficiency over time, thereby increasing our production costs. In 2022, pumping water contributed approximately 80% of our GHG emissions, so we work to make our pumps as efficient as possible to minimize electricity consumption and emissions.

Pressure Management

Pressure management is another way we can increase energy and operational efficiency. By reducing water pressure to match customer demand and minimizing rapid fluctuations in pressure, we can reduce energy consumption and stress on buried and aging infrastructure that could otherwise lead to leakage. We constantly develop and test new tools, strategies and technologies that can help mitigate rapid fluctuations and optimize system pressure without compromising our ability to meet peak demands. For more information about our efforts to reduce leakage and increase efficiency through technology, please see [Water Use & Efficiency](#).

Renewables

Purchasing renewable energy and partnering with clean energy providers will continue to be a key part of our sustainability strategy. As of December 2022, we have solar installations across our service areas totaling approximately 8.8 megawatts of capacity.

- New Jersey American Water leverages over 3 megawatts of solar development, yielding approximately 3,000,000 megawatt-hours annually in its current portfolio, including new floating arrays.
- Indiana American Water uses 0.7 megawatt of solar installation across the state, including two large rooftop arrays, one large ground mounted array and other small solar installations that provide power to remote facilities.
- Illinois American Water recently developed two new solar arrays on Illinois American Water property, both of which are the largest solar installations across our footprint. Both systems are rated at approximately 2.4 megawatts and are projected save over \$200,000 in annual energy costs.

In 2022, we generated 8,732 megawatt-hours of solar output. We plan to evaluate and expand our renewable energy portfolio to promote environmental stewardship.



OUR PERFORMANCE

302-3, 305-1, 305-2

We regularly assess climate variability impacts on our most critical assets as part of our long-term capital planning, including the risks of equipment or facility damage. Our recent investments in infrastructure and climate resiliency planning have been successful in reducing infrastructure damage from extreme weather events thus far. To maintain resilience against climate-related disasters, we continue to assess risks and make prudent investments.

Additionally, to do our part in combating climate variability, we engage in energy and emissions reductions initiatives and set goals to reduce our emissions. In the short-term, American Water aims reduce its absolute scope 1 and scope 2 GHG emissions by 40% by 2025 from a 2007 baseline. As of December 2022, we have achieved approximately a 34.7% reduction from our base year.

In 2022, American Water added new medium- and long-term goals in addition to our existing short-term goal. In the medium-term we aim to reduce absolute

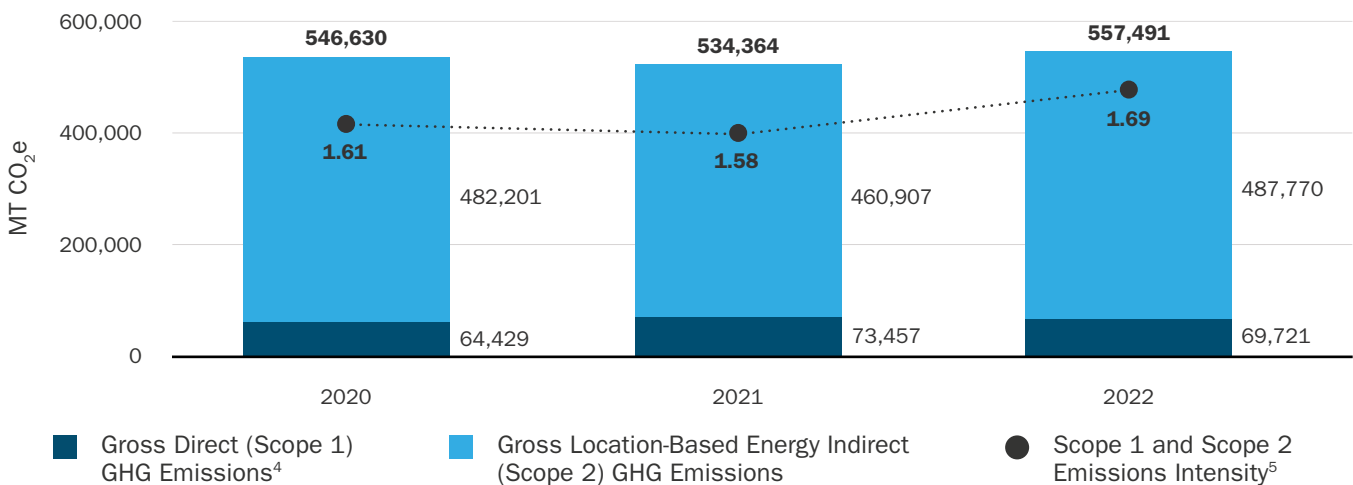
scope 1 and scope 2 emissions by 50% by 2035 from a 2020 baseline and in the long-term we aim to achieve net zero absolute scope 1 and scope 2 emissions by 2050. Our short- and medium-term goals are science-based and aligned to a 2 degrees Celsius (°C) scenario under the Paris Agreement and our long-term target is aligned to a 1.5 °C scenario.

In 2022, we also worked with an independent third party to assist the Company in evaluating and calculating an estimate of our scope 3 emissions, resulting in first-time disclosure for Categories 1, 2, 3, and 6, which represent our most material value chain categories. Our total estimated scope 3 emissions in 2021 were 506,000 MT CO₂e.

We respond to the CDP Climate Change questionnaire annually and disclose the material financial implications, risks and opportunities of climate variability on our business. We also discuss our efforts to minimize our energy use and emissions in more detail in our annual CDP Climate Change report. In 2022, we received a B score for the fourth consecutive year.

GHG Emissions & Intensity^{1, 2, 3}

SCOPE 1 & 2



- Our 2020, 2021, and 2022 Scope 1 and Scope 2 greenhouse gas emissions have been independently assured by ERM CVS in accordance with the International Standard for Assurance Engagements ISAE 3000 (Revised). Please see [assurance statement](#).
- The change in Scope 2 greenhouse gas emissions is primarily due to increased United States Environmental Protection Agency (EPA) Emissions & Generation Resource Integrated Database (eGRID) emission rates. The most recently published National Average eGRID emission rate increased by 4.2% versus the prior year.
- American Water has completed 93 acquisitions and two divestitures since 2020 and tracks emissions data for this M&A activity. Medium-term baseline will be re-adjusted once a 5% materiality threshold is reached, in alignment with guidance from the Science-Based Target Initiative.
- Beginning in 2020, we started excluding refrigerant losses related to conditioned floor area from the calculation of scope 1 GHG emissions as these emissions accounted for less than 0.1% of total scope 1 & 2 emissions in 2019.
- Scope 1 and Scope 2 Emissions Intensity Ratio is calculated based on MT CO₂e/Total Billed Water Sale (Mgal). The ratio includes Scope 1 and Scope 2 emissions within American Water's regulated operations.

CONTENT INDICES

GRI Standards

GRI Standard	Disclosure	Location or Direct Response
General Disclosures		
GRI 2: General Disclosures 2021	2-1 Organizational Details	American Water Works Company, Inc.; About American Water ; 1 Water Street, Camden New Jersey; Regulated Footprint ; 2022 Annual Report, Item 1. Business
	2-2 Entities included in the organization's sustainability reporting	About This Report
	2-3 Reporting period, frequency and contact point	About This Report
	2-4 Restatements of information	All restatements of information are included in footnotes throughout the report.
	2-5 External assurance	2020, 2021, and 2022 Scope 1 and Scope 2 greenhouse gas emissions reflect independent assurance in accordance with the International Standard for Assurance Engagements ISAE 3000 (Revised). Please see full assurance report for more details. We did not seek external assurance for the balance of this report. We have no policy regarding external assurance for this report.
	2-6 Activities, value chain and other business relationships	About American Water ; 2022 Annual Report, Item 1. Business ; ESG Data Summary ; Primary suppliers provide the engineering services, construction and paving materials for pipelines, sewer lines, linings, road repair, plants and facilities and corporate buildings; chemicals used for water treatment; energy; and technology.
	2-7 Employees	ESG Data Summary ; There were no significant fluctuations in data during or between reporting periods.
	2-8 Workers who are not employees	American Water does not disclose this information at this time.
	2-9 Governance structure and composition	Corporate Governance & Business Ethics, Governance Structure ; Corporate Governance & Business Ethics, ESG Oversight ; 2023 Proxy Statement, Board Committees ; 2023 Proxy Statement, Director Nominees

GRI Standard	Disclosure	Location or Direct Response
GRI 2: General Disclosures 2021	2-10 Nomination and selection of the highest governance body	Nominating/Corporate Governance Committee Charter, Board Selection, Composition, Evaluation and Continued Service
	2-11 Chair of the highest governance body	The chair of our Board of Directors is Karl F. Kurz, who is independent.
	2-12 Role of the highest governance body	Corporate Governance & Business Ethics, ESG Oversight; 2023 Proxy Statement, Corporate Governance Highlights
	2-13 Delegation of responsibility for managing impacts	Corporate Governance & Business Ethics, ESG Oversight; Inclusion, Diversity & Equity, Governance; Employee Health, Safety & Well-Being, Governance; Talent Attraction, Development & Retention, Governance; Water Access & Affordability, Governance; Water Quality & Emerging Contaminants, Governance; Climate & GHG Emissions, Governance; Water & Wastewater Infrastructure, Governance; Water Supply Resilience, Governance; Water Use & Efficiency, Governance
	2-14 Role of the highest governance body in sustainability reporting	Corporate Governance & Business Ethics, ESG Oversight
	2-15 Conflicts of interest	2023 Proxy Statement, Limitations on Additional Board Service; 2023 Proxy Statement, Director Nominees
	2-16 Communication of critical concerns	Corporate Governance & Business Ethics, Ethics Helpline
	2-17 Collective knowledge of the highest governance body	American Water Corporate Governance Guidelines: Continuing Education
	2-18 Evaluation of the performance of the highest governance body	ESG Data Summary; 2023 Proxy Statement, Director Evaluations and Assessments; American Water considers the evaluations when making decisions about Board composition and organizational practices.
	2-19 Remuneration policies	Executive Development and Compensation Committee Charter, Responsibilities and Duties; 2023 Proxy Statement, American Water Executive Compensation Highlights; 2023 Proxy Statement, Compensation Discussion and Analysis

GRI Standard	Disclosure	Location or Direct Response
GRI 2: General Disclosures 2021	2-20 Process to determine remuneration	Executive Development and Compensation Committee Charter, Responsibilities and Duties; 2023 Proxy Statement, American Water Executive Compensation Highlights; 2023 Proxy Statement, Compensation Discussion and Analysis
	2-21 Annual total compensation ratio	2023 Proxy Statement p. 68
	2-22 Statement on sustainable development	Greeting From Our President and CEO
	2-23 Policy commitments	About American Water, Our Values; Corporate Governance & Business Ethics, Business Ethics; American Water does not follow the precautionary approach as outlined by GRI and the United Nations but has a comprehensive risk management program in place. American Water does not have a formal Human Right policy at this time. American Water respects and protects the human rights of all workers throughout our value chain, including those in particularly vulnerable groups.
	2-24 Embedding policy commitments	About American Water, Our Strategy; Corporate Governance & Business Ethics, ESG Oversight and Business Ethics
	2-25 Processes to remediate negative impacts	Engaging our Stakeholders; Corporate Governance and Business Ethics, Ethics Helpline
	2-26 Mechanisms for seeking advice and raising concerns	Corporate Governance and Business Ethics, Ethics Helpline
	2-27 Compliance with laws and regulations	American Water does not disclose this information due to confidentiality constraints.
	2-28 Membership associations	Association Memberships
	2-29 Approach to stakeholder engagement	Engaging our Stakeholders
2-30 Collective bargaining agreements	2022 Annual Report, Employee Data; For employees not covered by collective bargaining agreements, American Water does not determine their working conditions and terms of employment based on other collective bargaining agreements.	
GRI 3: Material Topics 2021	3-1 Process to determine material topics	Engaging our Stakeholders, Materiality Assessment; Engaging our Stakeholders, Stakeholder Engagement by Group
	3-2 List of material topics	Engaging our Stakeholders, Our Material Topics

GRI Standard	Disclosure	Location or Direct Response
Topic-Specific Disclosures		
Inclusion, Diversity & Equity		
GRI 3: Material Topics 2021	3-3 Management of material topics	Inclusion, Diversity & Equity
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	ESG Data Summary ; 2023 Proxy Statement, Director Nominees
	405-2 Ratio of basic salary and remuneration of women to men	Inclusion, Diversity & Equity, Pay Equity ; 2022 Inclusion, Diversity & Equity Report, Our Approach to Equity in the Workplace ; We do not disclose the ratio of basic salary and remuneration by employee category due to confidentiality constraints. We disclose pay parity by gender and race in the Inclusion, Diversity & Equity section of this report and in our 2022 Inclusion, Diversity & Equity report.
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	American Water does not disclose this information due to confidentiality constraints. All Ethics Helpline complaints are investigated and addressed according to American Water policies.
Employee Health, Safety & Well-Being		
GRI 3: Material Topics 2021	3-3 Management of material topics	Employee Health, Safety & Well-Being
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	Employee Health, Safety & Well-Being, Occupational Health & Safety Management System
	403-2 Hazard identification, risk assessment, and incident investigation	Employee Health, Safety & Well-Being, Hazard Identification
	403-3 Occupational health services	Employee Health, Safety & Well-Being, Occupational Health Services
	403-4 Worker participation, consultation, and communication on occupational health and safety	Employee Health, Safety & Well-Being, Communication ; Employee Health, Safety & Well-Being, National Safety Council
	403-5 Worker training on occupational health and safety	Employee Health, Safety & Well-Being, Occupational Health & Safety Training
	403-6 Promotion of worker health	Employee Health, Safety & Well-Being, Occupational Health Services ; Employee Health, Safety & Well-Being, Employee Well-Being
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Employee Health, Safety & Well-Being, Hazard Identification ; Employee Health, Safety & Well-Being, Our Performance

GRI Standard	Disclosure	Location or Direct Response
GRI 403: Occupational Health and Safety 2018	403-8 Workers covered by an occupational health and safety management system	ESG Data Summary
	403-9 Work-related injuries	ESG Data Summary
	403-10 Work-related ill health	ESG Data Summary
Talent Attraction, Development & Retention		
GRI 3: Material Topics 2021	3-3 Management of material topics	Talent Attraction, Development & Retention
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	ESG Data Summary
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	Talent Attraction, Development & Retention, Compensation & Benefits
	401-3 Parental leave	We do not currently disclose parental leave data.
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	ESG Data Summary
	404-2 Programs for upgrading employee skills and transition assistance programs	Talent Attraction, Development & Retention, Development
	404-3 Percentage of employees receiving regular performance and career development reviews	Talent Attraction, Development & Retention, Performance Reviews
Water Access & Affordability		
GRI 3: Material Topics 2021	3-3 Management of material topics	Water Access & Affordability
Water Quality & Emerging Contaminants		
GRI 3: Material Topics 2021	3-3 Management of material topics	Water Quality & Emerging Contaminants
Climate & GHG Emissions		
GRI 3: Material Topics 2021	3-3 Management of material topics	Climate & GHG Emissions
GRI 201: Economic Performance	201-1 Financial implications and other risks and opportunities due to climate variability	2022 CDP Climate Change, question C2.3a; 2021 CDP Climate Change, question C2.3a; Climate & GHG Emissions, Our Approach
GRI 302: Energy	302-1 Energy consumption within the organization	ESG Data Summary; 2022 CDP Climate Change, C8.2a
	302-2 Energy consumption outside of the organization	American Water does not disclose energy consumption outside of the organization. We do not have plans to track this information, but we regularly reassess to determine if we will begin tracking this.

GRI Standard	Disclosure	Location or Direct Response
GRI 302: Energy	302-3 Energy intensity	Climate & GHG Emissions, Our Performance ; ESG Data Summary
	302-4 Reduction of energy consumption	ESG Data Summary CDP Climate Change 2022 C4.3a and C4.3b
	302-5 Reductions in energy requirements of products and services	CDP Climate Change 2022 C6.5 , Use of Sold Products
GRI 305: Emissions	305-1 Direct (Scope 1) GHG emissions	ESG Data Summary ; Climate & GHG Emissions, Our Performance
	305-2 Energy indirect (Scope 2) GHG emissions	ESG Data Summary ; Climate & GHG Emissions, Our Performance
	305-3 Other indirect (Scope 3) GHG emissions	ESG Data Summary
	305-4 GHG emissions intensity	ESG Data Summary ; CDP Climate Change, question C6.1
	305-5 Reduction of GHG emissions	ESG Data Summary ; CDP Climate Change, question C7.1a
	305-6 Emissions of ozone-depleting substances (ODS)	American Water does not disclose ozone-depleting substances. We do not have plans to track this information in the future.
	305-7 Nitrogen oxides (NO _x), Sulfur oxides (SO _x), and other significant air emissions	ESG Data Summary American Water does not disclose other significant air emissions.
Water & Wastewater Infrastructure		
GRI 3: Material Topics 2021	3-3 Management of material topics	Water & Wastewater Infrastructure
Water Supply Resilience		
GRI 3: Material Topics 2021	3-3 Management of material topics	Water Supply Resilience
GRI 303: Water and Effluents	303-1 Interactions with water as a shared resource	Water Supply Resilience, Our Approach ; Water Use & Efficiency, Our Approach ; Water Use & Efficiency, Our Performance
Water Use & Efficiency		
GRI 3: Material Topics 2021	3-3 Management of material topics	Water Use & Efficiency

SASB Index

SASB Code	Metric	Location or Direct Response
Energy Management		
IF-WU-130a.1	(1) Total energy consumed	ESG Data Summary
	(2) percentage grid electricity	ESG Data Summary
	(3) percentage renewable	ESG Data Summary
Distribution Network Efficiency		
IF-WU-140a.1	Water main replacement rate	Water & Wastewater Infrastructure, Our Performance; ESG Data Summary
IF-WU-140a.2	Volume of non-revenue real water losses	ESG Data Summary
Effluent Quality Management		
IF-WU-140b.1	Number of incidents of non-compliance associated with water effluent quality permits, standards, and regulations	ESG Data Summary
IF-WU-140b.2	Discussion of strategies to manage effluents of emerging concern	Water Quality & Emerging Contaminants, Our Approach
Water Affordability & Access		
IF-WU-240a.1	Average retail water rate for residential customers	ESG Data Summary
	Average retail water rate for commercial customers	ESG Data Summary
	Average retail water rate for industrial customers	ESG Data Summary
IF-WU-240a.2	Typical monthly water bill for residential customers for 10 Ccf of water delivered per month	ESG Data Summary
IF-WU-240a.3	Number of residential customer water disconnections for non-payment, percentage reconnected within 30 days	ESG Data Summary
IF-WU-240a.4	Discussion of impact of external factors on customer affordability of water, including the economic conditions of the service territory	Water Access & Affordability
Drinking Water Quality		
IF-WU-250a.1	Number of acute health-based violations	ESG Data Summary
	Number of non-acute health-based violations	ESG Data Summary
	Number of non-health-based drinking water violations	ESG Data Summary
IF-WU-250a.2	Discussion of strategies to manage drinking water contaminants of emerging concern	Water Quality & Emerging Contaminants, Our Approach

SASB Code	Metric	Location or Direct Response
End-Use Efficiency		
IF-WU-420a.1	Percentage of water utility revenues from rate structures that are designed to promote conservation and revenue resilience	ESG Data Summary
Water Supply Resilience		
IF-WU-440a.1	Total water sourced from regions with High or Extremely High Baseline Water Stress, percentage purchased from a third party	ESG Data Summary
IF-WU-440a.2	Volume of recycled water delivered to customers	ESG Data Summary
IF-WU-440a.3	Discussion of strategies to manage risks associated with the quality and availability of water resources	Water Quality & Emerging Contaminants, Our Approach; Water Supply Resilience, Our Approach
Network Resiliency & Impacts of Climate Change		
IF-WU-450a.1	Wastewater treatment capacity located in 100-year flood zones	ESG Data Summary
IF-WU-450a.2	Number of sanitary sewer overflows	American Water does not disclose sanitary sewer overflows. We have plans to report this information in the future.
	Volume of sanitary sewer overflows	American Water does not disclose the volume of sanitary sewer overflows. We have plans to report this information in the future.
	Percentage of sanitary sewer overflow volume recovered	American Water does not disclose Percentage of sanitary sewer overflow volume recovered. We have plans to report this information in the future.
IF-WU-450a.3	Number of unplanned service disruptions by disruption category	ESG Data Summary
	Number customers affected by unplanned service disruptions by disruption category	ESG Data Summary
IF-WU-450a.4	Description of efforts to identify and manage risks and opportunities related to the impact of climate variability on distribution and wastewater infrastructure	Water Infrastructure, Our Approach; Climate & GHG Emissions, Planning for Climate Impacts
Activity Metrics		
IF-WU-000.A	Number of: (1) residential, (2) commercial, and (3) industrial customers served, by service provided	ESG Data Summary
IF-WU-000.B	Total water sourced in Cubic meters and percentage by source type	ESG Data Summary
IF-WU-000.C	Total water delivered in Cubic meters to: (1) residential, (2) commercial, (3) industrial, and (4) all other customers	ESG Data Summary
IF-WU-000.D	Average volume in Cubic meters of wastewater treated per day, by (1) sanitary sewer, (2) stormwater, and (3) combined sewer	ESG Data Summary
IF-WU-000.E	Length in Kilometers of (1) water mains and (2) sewer pipe	ESG Data Summary

Recommended Disclosure

Governance

a. Describe the board's oversight of climate-related risks and opportunities.

[Climate & GHG Emissions, Governance](#); [2021 CDP Climate Change, question C1.1](#); [2022 CDP Climate Change, question C1.1](#)

The Safety, Environmental, Technology and Operations (SETO) Board Committee, which meets quarterly, oversees programs and policies with respect to protecting the environment, including the Company's sustainable efforts concerning water conservation, climate variability, contaminants of emerging concern, and greenhouse gas emissions.

The SETO Committee also monitors and reviews operational risk exposure, risk mitigation strategies and processes for assessing business continuity risks, including asset hardening, resiliency, and related contingency plans. This includes climate-related risks, such as more frequent and severe extreme weather events and natural disasters and resulting resiliency investments and efforts.

The Safety, Environmental, Technology & Operations Committee reviews and monitors significant environmental strategies as well as policy and planning issues related to operations—including matters before environmental regulatory agencies, compliance with environmental laws and regulations, and environmental performance. Additional committee responsibilities include overseeing programs and policies regarding the protection of the environment, water conservation and GHG emissions.

b. Describe management's role in assessing and managing climate-related risks and opportunities.

[Climate & GHG Emissions, Governance](#); [2021 CDP Climate Change, question C1.2](#); [2022 CDP Climate Change, question C1.2](#)

Our Chief Executive Officer (CEO), Chief Financial Officer (CFO), Chief Operating Officer (COO), Chief Environmental & Safety Officer and Capital Planning Management Committee all have responsibility for both assessing and managing climate-related risks and opportunities, on a more frequently than quarterly basis.

CEO has overall responsibility for creating, planning, implementing, and integrating the strategic direction of the Company. Integration of climate-related issues, and strategy to mitigate such risks into overarching Company plans is integral to the success of the business. Climate-related responsibilities are assigned to this position because the CEO is accountable for the long-term sustainability of the Company.

CFO leads the Finance and Operational Services teams, including responsibility for all aspects of financial management and strategy, including directing finance and regulatory strategy, investor relations, ESG, treasury, financial planning, accounting, the controller's function, internal audit, risk management, business development and regulatory compliance. The CFO is responsible for the financial sustainability of the Company and integration of climate-related risk and resiliency are imperative to long-term sustainability and financial management. The CFO reports directly to the CEO.

COO has overall responsibility for creating, planning, and integrating the strategic direction of the business including oversight of advancement of technology within operations to improve effectiveness. Climate-related responsibilities are assigned to this position because the COO is responsible for our operations meeting current/future capacity requirements and having the resiliency to withstand climate-related impacts. The COO reports directly to the CEO.

Chief Environmental & Safety Officer is responsible for Environmental Leadership and oversight of activities directly related to the management of climate-related risks. This includes the advancement of research and development, water quality, and technology to improve effectiveness; compliance with requirements in multiple media (including drinking water, wastewater, air, and waste), environmental stewardship, and oversight of the enterprise lab that analyses over 80,000 drinking water samples per year; and helping to make certain that our operations meet current/future capacity, water quality requirements, and have the resiliency to withstand climate-related impacts. The Chief Environmental & Safety Officer creates policies and procedures that minimize risk and helps ensure the safety of a Company's employees. This includes enforcing regulations, overseeing all safety protocols, developing improved safety training, and performing root cause analysis of environmental and safety incidents. The Chief Environmental & Safety Officer shapes the organizational Safety and Environmental Leadership mission, vision, and goals for American Water's employees. This position reports to the COO.

b. Describe management's role in assessing and managing climate-related risks and opportunities (continued).

Climate variability is a global issue with local implications; therefore, our state Presidents also hold responsibility for our performance. Each Regulated Business develops an annual, bottom-up capital business plan based on the infrastructure needs within its footprint. These plans are reviewed by the Capital Program Management Committee (CPMC) of the Regulated Businesses, rolled up and reviewed at the enterprise level for ultimate approval by the Board annually. After approval, these plans are administered by the individual engineering teams and governed by the associated regulated utilities and CPMCs, which meet monthly. Our Regulated Businesses' CPMCs include state Presidents, engineering, operations, and finance leads, while the enterprise CPMC is comprised, in part, of the CFO, COO and VP Engineering. We implement a long-term planning process as part of our Capital Program Management process to evaluate our water and wastewater systems for capacity, condition and performance today and into the future. Our Comprehensive Planning Study (CPS) process evaluates a 15-year+ horizon to develop a system road map. The CPS process includes an evaluation of supply availability against projected customer usage growth; water treatment performance vs. projected changes to water quality standards and research information on contaminants of emerging concern; asset condition and performance vs. efficiency, safety, and obsolescence; and system reliability, resiliency and climate variability impact assessments. We conduct numerous CPS studies each year, with systems evaluated on a rotating basis based on priority. The recommended CPS studies are integrated into the capital program management. Over the next 10 years, we expect to invest approximately \$30–34 billion in our regulated footprint, with approximately \$27–30 billion dedicated to regulated system investments including infrastructure renewal, resiliency and water quality.

Strategy**a. Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.**

[Climate & GHG Emissions, Why It Matters](#); [Climate & GHG Emissions, Our Approach](#); [2021 CDP Climate Change, question C2.1a](#); [2022 CDP Climate Change, question C2.1a](#)

Short-Term (0–1yr): American Water tracks, monitors, and studies extreme weather events on an on-going basis and routinely takes action in this area to provide safe, reliable and consistent water and wastewater services to our customers. We are also active in conservation activities with our customers, with an eye on the potential impact related changes in water supply and usage will have on our operations. We commit approximately \$2.5 billion to \$3 billion annually to capital investment, and approximately 10-12% of our total capital investment to increasing the resiliency of our systems.

Medium-Term (1–5yrs): American Water updates System Master Plans, through Comprehensive Planning Studies, for our water and wastewater systems at approximately 5 to 7 year intervals and implements many of the projects identified in these plans. Various other specific engineering studies and inspections may also be undertaken. American Water plans to invest between \$14 billion and \$15 billion over the next 5 years on capital improvements and growth from acquisitions in the Regulated Businesses. This includes approximately \$12.5 billion to \$13 billion for infrastructure improvements. Capital investment in part goes to projects that improve energy efficiency, enhance resiliency of our assets and facilities and enhance water treatment processes to maintain compliance with applicable environmental regulations.

Long-Term: As part of the Comprehensive Planning work, American Water examines longer term climate-related impacts such as drought and flooding recurrence intervals, increasing storm intensity and related grid power outages and the impact of heat/cold weather patterns on critical assets and water use. Where significant impact from climate-related droughts, flooding, sea level rise or natural disasters drive major capital improvement upgrade projects, the risks will be evaluated over a longer time period such as 25-50 years. The Company plans to invest between \$30 billion and \$34 billion over the next 10 years for capital improvements and growth from acquisitions. This includes 10% to 12% dedicated to resiliency within the Regulated Business. For more information about our long-term risks and opportunities, please see our CDP response to questions C2.3a and C2.4a.

b. Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.

[Climate & GHG Emissions, Why It Matters](#); [Climate & GHG Emissions, Our Approach](#); [2021 CDP Climate Change, question C3.4](#); [2022 CDP Climate Change, question C3.4](#)

Capital Expenditures: Acute physical climate risks such as extreme weather events pose increasing risks to American Water. American Water is tasked with addressing potential risks posed by aging infrastructure and the increasing impacts of climate variability to continue providing safe and reliable water and wastewater services to customers. American Water plans to invest between \$30 billion and \$34 billion over the next 10 years for capital improvements and growth from acquisitions. This includes 10% to 12% dedicated to resiliency within the Regulated Business. The capital investments made by American Water improve asset resiliency and the reliability of water service to customers during an emergency. We anticipate our investment budget will continue to rise as infrastructure ages, climate-related risks are realized, new regulations are promulgated, and growth continues.

Direct Costs: Climate variability has impacted certain treatment facilities located in flood prone areas. As the need for standby generators is crucial during power loss events, we have entered into agreements to facilitate fuel delivery for emergency use. Additionally, to prepare for such events American Water maintains Emergency Response Plans.

Indirect Costs: The increased cost of treatment and pumping due to changes in input pricing and loading from other external factors presents financial and strategic risk. The cost of electric energy for water treatment, wastewater treatment and pumping operations (about 1 million MWh/year) represents a significant portion of our annual operations budget. Increased fuel and power costs may cause changes to the operational efficiency profile by limiting financial resources available.

Capital Allocation: The increased cost of treatment and pumping due to changes in input pricing and loading from other external factors presents financial and strategic risk. The cost of electric energy for water treatment, wastewater treatment, and pumping operations (about 1 million MWh/yr) represents a significant portion of our annual operations budget. Increased fuel and power costs may cause changes to the operational efficiency profile by limiting financial resources available. Capital Allocation: Asset replacement to improve efficiency, meet regulations, provide supplies, and reduce the loss of "High Risk Assets" are core drivers for capital allocation and investment. Each of these core drivers can be impacted by climate variability such as water supply quantity, impacts to water quality or the need to harden assets due to increased storm activity and severity. Examples of capital allocated for improved resiliency include flood wall protection, reservoir projects in Maryland and Missouri, installation of standby power systems and interconnections with adjacent water purveyors.

Acquisitions and Divestments: A component of evaluating potential acquisitions is the ability to integrate adjacent systems and assets into our current infrastructure. Many acquired systems are under distress and have been poorly maintained. We identify inefficiencies through our due diligence review. Many inefficiencies have a direct impact on GHG emissions, such as aged, leaking water mains and inefficient assets (e.g., pumps). We factor these inefficiencies into our acquisition strategy. These approaches not only allow for a reduction in the existing carbon footprint through more efficient operations, but also improve customer service and satisfaction. With increasingly stringent environmental, water quality and health and safety laws and regulations, including with respect to contaminants of emerging concern and the need for increased infrastructure investment, many community water and wastewater systems may be strained to meet the increasing standards of operation. American Water considers the impacts of climate-related risks during system upgrade and project designs, and business development opportunities. American Water has a robust process to enhance resiliency for its operations and for business development. American Water plans to invest between \$30 billion and \$34 billion over the next 10 years for capital improvements and growth from acquisitions. We commit approximately \$2.5 to \$3 billion annually to capital investment, and approximately 10% to 12% of our total capital investment over the next ten years will be allocated to increasing the resiliency of our assets.

Access to Capital: Climate-related risks and opportunities do not currently affect traditional means of access to capital. American Water has sufficient access to capital for the anticipated risk mitigation activities and capital improvement plan.

Liabilities: Our capital program planning process examines and includes projects such as flood walls that mitigate liabilities due to climate-related risk. The planning process integrates several scoring factors including identification of high-risk assets that can be impacted by several circumstances, including climate-related risk. Reduction of risk and hardening of high-risk assets reduces liabilities.

Recommended Disclosure

c. Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.

[Water & Wastewater Infrastructure, Assessing Infrastructure Risks](#); [2021 CDP Climate Change, question C3.2a](#); [2022 CDP Climate Change, question C3.2a](#)

American Water reviews current climate science and global models related to temperature, precipitation and sea level rise on an ongoing basis. Where actionable forecasts are available, American Water uses the information in our comprehensive planning studies (CPS) and Master Plans, which assess the climate risk and resiliency of our water and wastewater systems over short, medium and long-term time horizons (0–25+ years). Our CPS process enables us to evaluate and predict how water supplies, water quality and water demands may change over time. We also consider how increasing intensity and frequency of extreme weather events may affect our infrastructure and assets, which helps determine updates or changes to our design standards. Our CPS includes Risk and Resiliency Assessments, which are updated on a five-year cycle.

American Water performs Comprehensive Planning Studies with Risk and Resiliency Assessments which incorporate climate-related scenario analysis and uses information from climate model scenarios where applicable to identify and select facility upgrade projects. American Water performed a sea-level rise (SLR) impact study in New Jersey using available Light Detecting and Ranging (LiDAR) topographic data, created a GIS base map of the facility and superimposed the Federal Emergency Management Agency (FEMA) flood mapping data. This coastal facility was selected for the assessment due to its critical operation and vulnerability to flooding. We compared the FEMA mapping with other inundation mapping layers available from National Oceanic and Atmospheric Administration (NOAA). This information was used to identify the extent of flooding under different scenarios (category 1 and 2 hurricanes plus SLR) and time horizons (2030 and 2070). Precipitation and temperature scenarios were based on the regional information gathered from the National Climate Assessment and other climate variability planning studies that have been conducted on a state-wide scale in New Jersey. The National Weather Service Sea, Lake, and Overland Surges from Hurricanes model was also used to model storm surge. We examined temperature increases projected under RCP 2.5, RCP 6, and RCP 8.5. In each component of the analysis, we bracketed the impact to low- and high- impact scenarios. The SLR study in New Jersey was used to develop a long-term plan for the facility assessed. Immediate/short-term improvements were identified, and a long-term strategy was developed. The long-term strategy includes expanding facilities outside of the area of concern to reduce the critical dependence on this facility. The Comprehensive Planning work identifies needed system improvements, which drive financial planning and business strategy.

The Comprehensive Planning work identifies needed system improvements, which drive financial planning and business strategy. To date, we have examined the risk of sea level rise for one facility in NJ and use this methodology as an approach for future studies. The risk of flooding is routinely assessed for all facilities in FEMA flood zones during the Master Plan process. We continue to follow climate science modeling to develop better ways to model the impacts from increasing storm intensity. These studies will continue to influence where we build new facilities and how the facilities are designed.

Risk Management

a. Describe the organization's processes for identifying and assessing climate-related risks.

[Climate & GHG Emissions, Why It Matters](#); [Climate & GHG Emissions, Our Approach](#); [2021 CDP Climate Change, question C2.2](#); [2022 CDP Climate Change, question C2.2](#)

Climate-related risks and opportunities are manifested throughout American Water. Potential risks and opportunities to water supplies and water wastewater system assets, including climate-related risks, are identified and assessed through a disciplined process that includes the Company's Asset Management and Comprehensive Planning process.

The planning process incorporates various tools including system master plan studies, AWWA J100 standard risk and resiliency assessments, the use of computerized hydraulic models, pipeline condition assessment studies and wastewater system evaluation programs. Potential risks to direct operations, service delivery, environmental compliance, safety and financial performance are assessed, logged and tracked on risk registers. Climate risks evaluated may include increased storm severity and frequency; duration of power outages; changes in precipitation trends impacting stream flows, aquifer recharge, flood and drought occurrences; water quality impacts due to shifting temperature patterns; increased rainfall runoff intensity; and other natural hazards. Opportunities, such as flood resiliency, changes in treatment technology and improved energy efficiency are also identified through the planning process.

Climate-related policy risks are also identified through our government affairs and environmental compliance oversight process.

b. Describe the organization's processes for managing climate-related risks.

[Climate & GHG Emissions, Why It Matters](#); [Climate & GHG Emissions, Our Approach](#); [2021 CDP Climate Change, question C2.2](#); [2022 CDP Climate Change, question C2.2](#)

Understanding, tracking and responding to the enterprise and local impacts of climate-related risks and opportunities are critical to implementing targeted adaptation and mitigation plans that will bolster climate resiliency, efficient operations and GHG emissions reductions.

The company has an Enterprise Risk Management process which includes an Asset Risk Assessment and Management process focused on the company's assessment and tracking of the highest potential risks. The asset risk register is compiled at an individual state level and rolled up into a corporate view. State asset risk registers are used to manage actions to mitigate potential risks to service and environmental compliance. Mitigation of potential asset risks is through the Capital Improvement Program and refinements to emergency response and business continuity plans.

Our Board of Directors' Safety, Environmental, Technology and Operations Committee receives, reviews and discusses with executive management quarterly briefings on risks from natural hazards, such as drought and loss of supply due to extreme weather events and natural disasters. The Safety, Environmental, Technology and Operations Committee monitors and reviews operational risk exposure, mitigation strategies and processes for assessing business continuity risks, including asset hardening, resiliency and contingency plans. Our management team and its Enterprise Risk Management Committee raise risks to the Audit, Finance and Risk Committee and the Board. Substantive financial risk is defined as anything \$50 million or more. Such risk is elevated to the Enterprise Risk Management Committee and managed using a heat map that defines risk by financial consequence and event likelihood. Three categories of substantive financial consequence are (1- Manageable) 0<\$100m, (2-Major) \$50 - \$100m, and (3-Critical) >\$100m. Climate-related risks are evaluated as stand-alone risks, such as drought impacts on water supplies, and as cross cutting risks where non-climate-related risks, such as aging infrastructure, in combination with climate-related risks, such as flooding or increase threat of power outages, may amplify overall risk likelihood. Cross cutting risks may drive capital project investment decisions especially for facilities that have an expected service life of 25 or more years.

c. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.

[Climate & GHG Emissions, Why It Matters](#); [Climate & GHG Emissions, Our Approach](#); [2021 CDP Climate Change, question C2.2](#); [2022 CDP Climate Change, question C2.2](#)

In our direct operations, our processes for identifying, assessing, and responding to climate-related risks are integrated into our multi-disciplinary company-wide risk management process. The process includes an Asset Risk Assessment and Management process focused on the company's assessment and tracking of the highest potential risks. Individual states compile asset risk registers and then aggregated into a corporate view. We use state asset risk registers to manage actions to mitigate potential risks to service and environmental compliance. We mitigate potential asset risks through our Capital Improvement plan. We also leverage our emergency response and business continuity plans to mitigate risks.

Metrics and Targets

a. Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management processes.

[Climate & GHG Emissions, Our Performance](#); [ESG Data Summary, Emissions](#); [ESG Data Summary, Energy](#); [2021 CDP Climate Change, questions C7 and C8](#); [2022 CDP Climate Change, questions C7 and C8](#)

b. Disclose Scope 1, Scope 2, and if appropriate, Scope 3 GHG emissions, and related risks.

[Climate & GHG Emissions, Our Performance](#); [ESG Data Summary, Scope 1 GHG Emissions](#); [ESG Data Summary, Scope 2 GHG Emissions](#); [ESG Data Summary, Scope 3 GHG Emissions](#); [2021 CDP Climate Change, questions C6.1 and C6.2](#); [2022 CDP Climate Change, questions C6.1 and C6.2](#)

c. Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.

[About American Water, Our Long-Term Environmental Goals](#); [Climate & GHG Emissions, Our Performance](#); [2021 CDP Climate Change, question C4](#); [2022 CDP Climate Change, question C4](#)

Emissions Short Term: We have committed to reducing our absolute scope 1 and scope 2 GHG emissions by more than 40% by 2025 from a 2007 baseline. Our GHG emissions as of 2022 were 557,490 Metric Tons CO₂e, meaning we achieved approximately a 34.7% reduction from our base year.

Emissions Medium and Long Term: In 2022, we committed to a new medium-term target to reduce absolute scope 1 and scope 2 emissions by 50% by 2035 from a 2020 baseline. We also committed to a new long-term target to achieve net zero absolute scope 1 and scope 2 emissions by 2050.

Water Supply Resilience: By 2030, increase our water system resiliency to respond to more extreme events (measured as a 10% increase in Utility Resilience Index (URI) from the 2020 baseline weighted average). By committing 10-12% of our total capital investment on resiliency projects over the next ten years and continuing to strengthen our Employee through incident management training and emergency preparedness, we will be able to increase our ability to absorb and/or cope with an incident and return to normal operations.

Water Use & Efficiency: By 2035, continue to meet customer needs while saving 15% in water delivered per customer compared to a 2015 baseline. We will achieve this target by expanding best practices from existing conservation programs, utilizing innovative technologies, investing capital to improve system performance to reduce water loss and non-revenue water while minimizing customer rate impacts and continuing to benefit from the ongoing national trends of declining residential water use related to fixtures and appliances.

EEI and AGA ESG/Sustainability Template

Disclosure	Location or Direct Response
ESG/Sustainability Governance	Corporate Governance & Business Ethics, ESG Oversight
ESG/Sustainability Strategy	About American Water, Our Long-Term Environmental Goals; Climate & GHG Emissions; Inclusion, Diversity & Equity; TCFD Index
Climate Goals and Related Analysis	About American Water, Our Long-Term Environmental Goals; Climate & GHG Emissions
Inclusion, Diversity and Equity	Inclusion, Diversity & Equity
Human Capital Management	Talent Attraction, Development & Retention
Research and Development	Water Quality & Emerging Contaminants
7 Human Resources	
7.1 Total Number of Employees	ESG Data Summary
7.2 Percentage of Women in Total Employee	ESG Data Summary
7.3 Percentage of Minorities in Total Employee	ESG Data Summary
7.4 Total Number on Board of Directors/Trustees	ESG Data Summary
7.5 Percentage of Women on Board of Directors/Trustees	ESG Data Summary
7.6 Percentage of Minorities on Board of Directors/Trustees	ESG Data Summary
7.7.1 Recordable Incident Rate	ESG Data Summary
7.7.2 Lost-time Case Rate	American Water does not currently disclose Lost-time Case Rate.
7.7.3 Days Away, Restricted, and Transfer (DART) Rate	ESG Data Summary
7.7.4 Work-related Fatalities	ESG Data Summary



AMERICAN WATER

© American Water. "American Water" and the star logo are the registered trademark of American Water Works Company, Inc. All rights reserved.