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# American Water's Compelling Sustainability Story

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July 2023

# American Water Overview

**American Water is the largest and most geographically diverse publicly traded water and wastewater utility in the United States**

AMERICAN WATER NATIONAL FOOTPRINT



## Strengthening the Communities We Serve

- Provides safe, affordable and reliable drinking water and wastewater services to over 14 million people with regulated operations in 14 states and on 18 military installations
- Committed to affordability, excellent customer service, and an inclusive and diverse workforce
- Transparent governance, with oversight from a diverse board of directors and strategic focus from our executive leadership team



### Regulated Operations

- 53,500 miles of pipe
- 570 water treatment plants
- 175 wastewater treatment plants
- 1,100 wells and 73 dams



### Military Services Group

- Regulated-like earnings
- Serves 18 military installations



As of 12/31/2022

# Our Strengths



## Safety

*Safety is both a strategy & core company value.*

Safety is More Than  
“the Right Thing to Do”



## Performance

*Going beyond the minimum requirement to solidify our position as a leader in operational excellence.*

Excellence is Getting the **Fundamentals** Right



## People

*Inclusion & empowerment pave a path for employee & company success.*

Employees are the **Heart** of our Business



## Solutions Provider

*Growth enables investment in training, cyber security, infrastructure & communities.*

Providing Water and Wastewater **Solutions**



## ESG

*ESG affirms the values we have upheld for decades.*

**Leading**  
by Example



# Sustainability at American Water

## Material Topics

In 2022, we completed a detailed Materiality Assessment aligned with the GRI Global Reporting Standards, based on internal and external stakeholder input and written sources



## Sustainability Website

View key data, disclosure and operational goals on our [Sustainability Website](#)

## Stakeholders



# Operational Goals & Strategies



## Water Use & Efficiency

- By 2035, continue to meet customer needs while saving 15% in water delivered per customer compared to a 2015 baseline



## Resiliency

- By 2030, increase our water system resiliency to respond to more extreme events by increasing Utility Resilience Index (URI) weighted average by 10% from 2020 baseline



## Greenhouse Gas (GHG) Emissions

- Reduce absolute scope 1 and 2 GHG emissions by 40% by 2025 (2007 baseline)

### Paris-Agreement Aligned and science-based:

- Reduce absolute scope 1 and 2 GHG emissions by 50% by 2035 (2020 baseline)
- Achieve net zero absolute scope 1 and 2 GHG emissions by 2050



## Growth

Industry leaders in critical infrastructure investment and customer growth



## Safety

Zero incidents and injuries/live healthy



## People

Inclusive and diverse people reaching their highest potential



## Customer

Excellent customer experience/enhancing communities



## Operational Excellence

Best-in-class execution of business and operational fundamentals

# ESG Alignment with Annual Performance Plan

## Sustainability is embedded in our 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:

Drinking Water  
Compliance

Drinking Water  
Quality

Customer  
Satisfaction

Employee Safety

Inclusion,  
Diversity &  
Equity

*Code of Ethics program requires completion of a training module in order for an employee to be eligible to receive an APP payout*

# Supporting Governance Structure

## Committees of the Board of Directors

Our corporate governance structure promotes accountability and integrity across the organization. Our Board of Directors have the following standing committees which provide oversight to the below sustainability topics:

### **Safety, Environmental, Technology & Operations Committee**

*Water Quality and Emerging Contaminants, Operational Functions, Climate, Physical Security and Cybersecurity*

### **Audit, Finance, and Risk Committee**

*Oversight of Risk Assessment and Enterprise Risk Management and Related Policies, Accounting and Disclosure Controls, Internal Audit, Ethics & Compliance*

### **Executive Development and Compensation**

*ID&E Programs, Culture Engagement, Organizational and Leadership Development Plans*

### **Nominating / Corporate Governance Committee**

*Corporate Governance, Board Composition and Elections, Director Education, Annual Director and Board Evaluations, Board Succession Planning*

## Management & Supporting Roles

- Executive Leadership Team
- Chief Environmental and Safety Officer
- Chief Customer Officer
- Chief Inclusion Officer
- Chief Compliance Officer
- Chief SEC Counsel & Corporate Secretary
- Sr. Manager, Investor Relations & ESG
- ESG & IR Analyst

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## **Widely Recognized Sustainability Program Aligned with Best Practices**

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# Leading Sustainable Water Utility

## S&P Global

### S&P Global Ratings ESG Evaluation

*Highest Score Given to a U.S. Utility;  
3rd Highest Globally*



### U.S. Department of Homeland Security SAFETY Act Designation

*First U.S. Water and Wastewater Utility;  
Third Overall Utility*



### DiversityInc Top Utility



### Disability Equality Index Best Places to Work for Disability Inclusion



### Barron's 100 Most Sustainable U.S. Companies

*Highest Ranked Utility; 19<sup>th</sup> Overall*



### Bloomberg Gender Equality Index 5th Consecutive Year



### Military Friendly Employer



### Leading Disability Employer by the National Organization on Disability

## Newsweek

### Newsweek's List of America's Most Trusted Companies



### J.D. Power 2022 #1 overall ranking for Customer Satisfaction with Large Water Utilities in respective region








### EPA WaterSense Award



CENTER FOR  
POLITICAL ACCOUNTABILITY

### Center for Political Accountability's CPA-Zicklin Index Top Decile Score

# Key Ratings

Agency	Rating Type	Scale <i>(Best to Worst)</i>	Performance
	MSCI ESG Rating	AAA – CCC	AA <i><u>Upgraded in 2023</u></i>
	Sustainalytics ESG Risk Rating	0 – 100	21.9
	S&P Global ESG Evaluation	100 – 0	87 <i><u>Highest ESG Score for U.S. Water Utility</u></i>
	CDP Climate Change Questionnaire	A – D	B <i><u>Highest ESG Score for U.S. Water Utility</u></i>
	ESG Corporate Rating	A+ – D-	B <i><u>In the Top Decile Rank with Prime Status</u></i>

# Reporting & Disclosures

## Frameworks & Standards



## Reports & Disclosures

Sustainability Report & Data Summary

Inclusion, Diversity & Equity Website / Report  
*DiversityatAW.com*

American Water Charitable Foundation  
*Community Impact Reports*

Political Contributions

CDP

## Policies

Anti-Corruption & Anti-Bribery Policy

Code of Ethics

Environmental Policy

Insider Trading and Prohibited Transactions Policy

Political Contribution Policy

Regulation FD Policy

Related Person Transaction Policy

Supplier Code of Conduct

Corporate Governance Guidelines

Board Committee Charters

# Recent Disclosures

## Commitment to data transparency and sharing timely information on key sustainability and diversity metrics

### Environmental

- Two science-based GHG emissions goals aligned with the Paris Agreement
- Disclosure of specific estimated Scope 3 emissions

### Social

- Maintain two people-related goals in Annual Performance Plan meant to:
  - Increase representation of women at American Water
  - Increase ethnic and racial diversity at American Water
- Pay equity and gap audits and internal labor market analysis summary results
- Annual disclosure of EEO-1 Data starting with 2020

### Governance

- Board individual diversity and skills matrix
- Proxy statement disclosure supports disclosure in clear, easy to read format
- Board charters and external governance documents recently updated for gender neutrality

### 2022 Data Summary

View key data and disclosure in our latest [2022 Data Summary](#)



# Investor Relations Contacts



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# Appendix

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# American Water’s GHG Emissions Profile

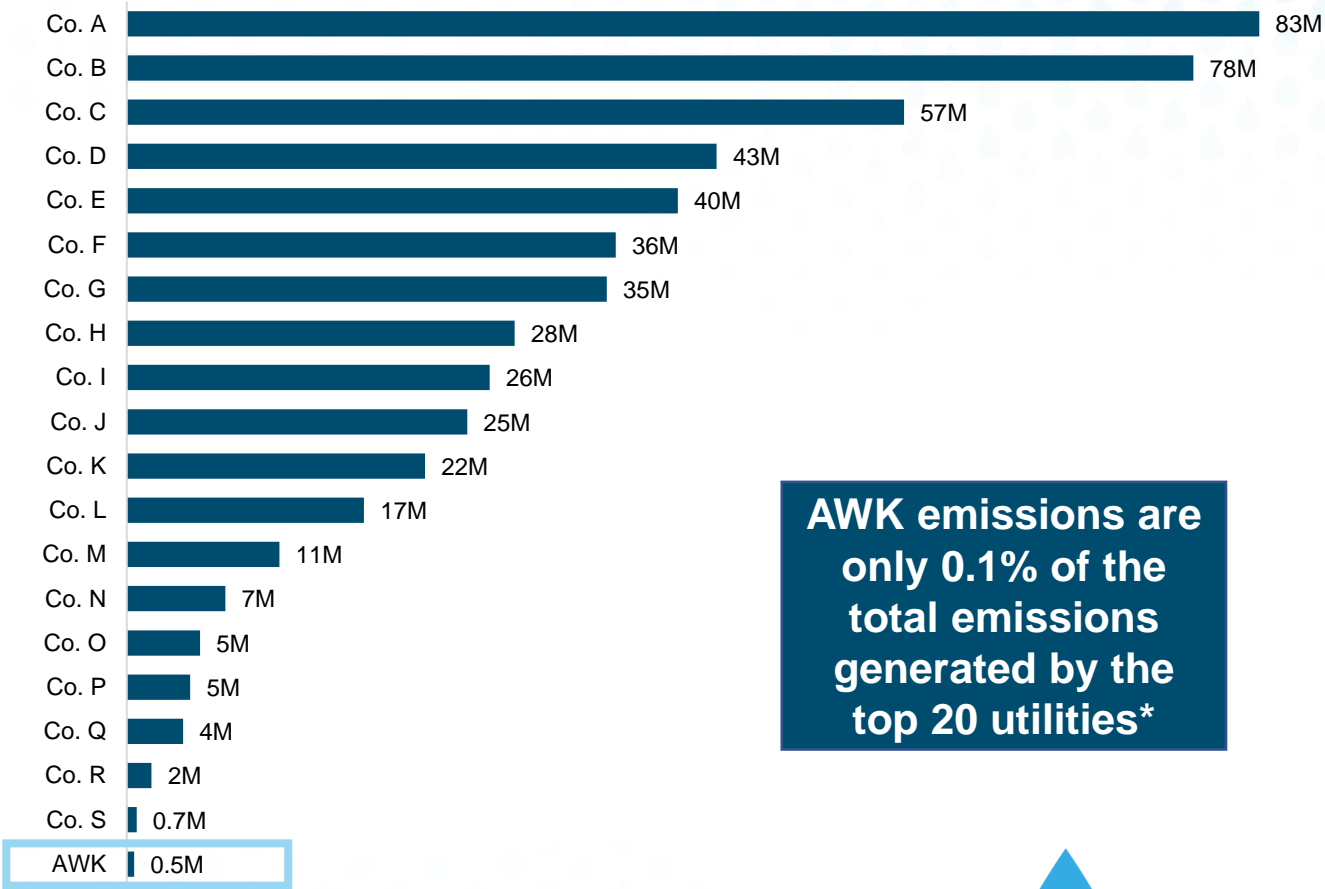
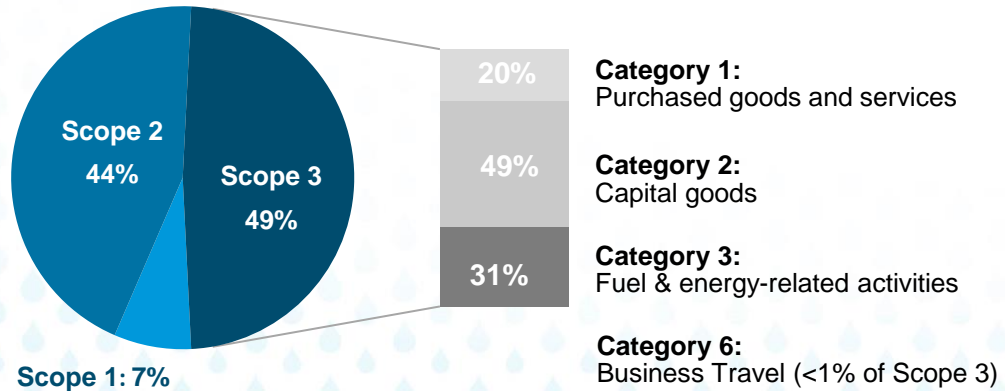
Providing Services to 14M People with a Light GHG Footprint

American Water		
Scope 1: <i>Direct Emissions</i>	<ul style="list-style-type: none"><li>Stationary</li><li>Fleet Vehicles</li><li>Refrigerants</li></ul>	73,000 MT
Scope 2: <i>Indirect Emissions</i>	<ul style="list-style-type: none"><li>Purchased Power from Electric Providers</li></ul>	461,000 MT

2021 Scope 1 and 2 Subtotal 534,000 MT

First Time Disclosure		
Scope 3 (2021): <i>Up and Down Value Chain</i>	<ul style="list-style-type: none"><li>Purchased Goods and Services</li><li>Capital Goods</li><li>Fuel &amp; Energy-Related Activities</li><li>Business Travel</li></ul>	506,000 MT <sup>1</sup>

<sup>1</sup> Represents initial estimate based upon work with third party consultant, including identification of significant scope 3 categories



AWK emissions are only 0.1% of the total emissions generated by the top 20 utilities\*

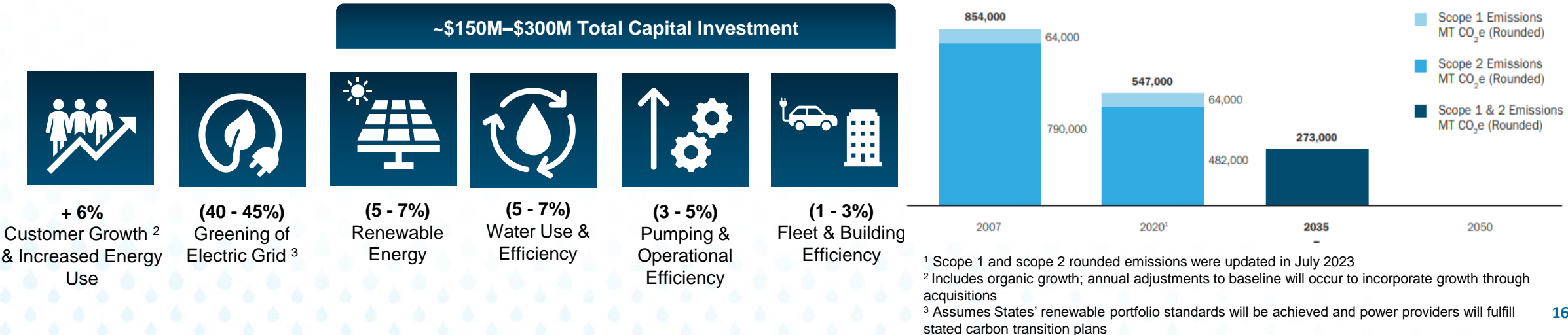
■ 2021 Scope 1 and Scope 2 MT CO2e (Rounded)  
\* Chart represents emissions for the top 20 U.S. utilities by market cap, sorted by emissions

# New, Science-Based Goals for Scope 1 and 2 GHG Emissions Reductions - *Aligned with Paris Agreement*

Medium-term: By 2035, reduce absolute Scope 1 and 2 emissions by 50% (2020 baseline<sup>1, 2</sup>)  
Long-term: Achieve Net Zero Scope 1 and 2 emissions by 2050

- Medium- and long-term goals are science-based and aligned with the Paris Agreement
- Complements existing short-term target of reducing absolute Scope 1 and 2 emissions by 40% by 2025 (2007 baseline)
- **Our focus: invest to improve sustainability while prioritizing customer affordability, resiliency & environmental justice**

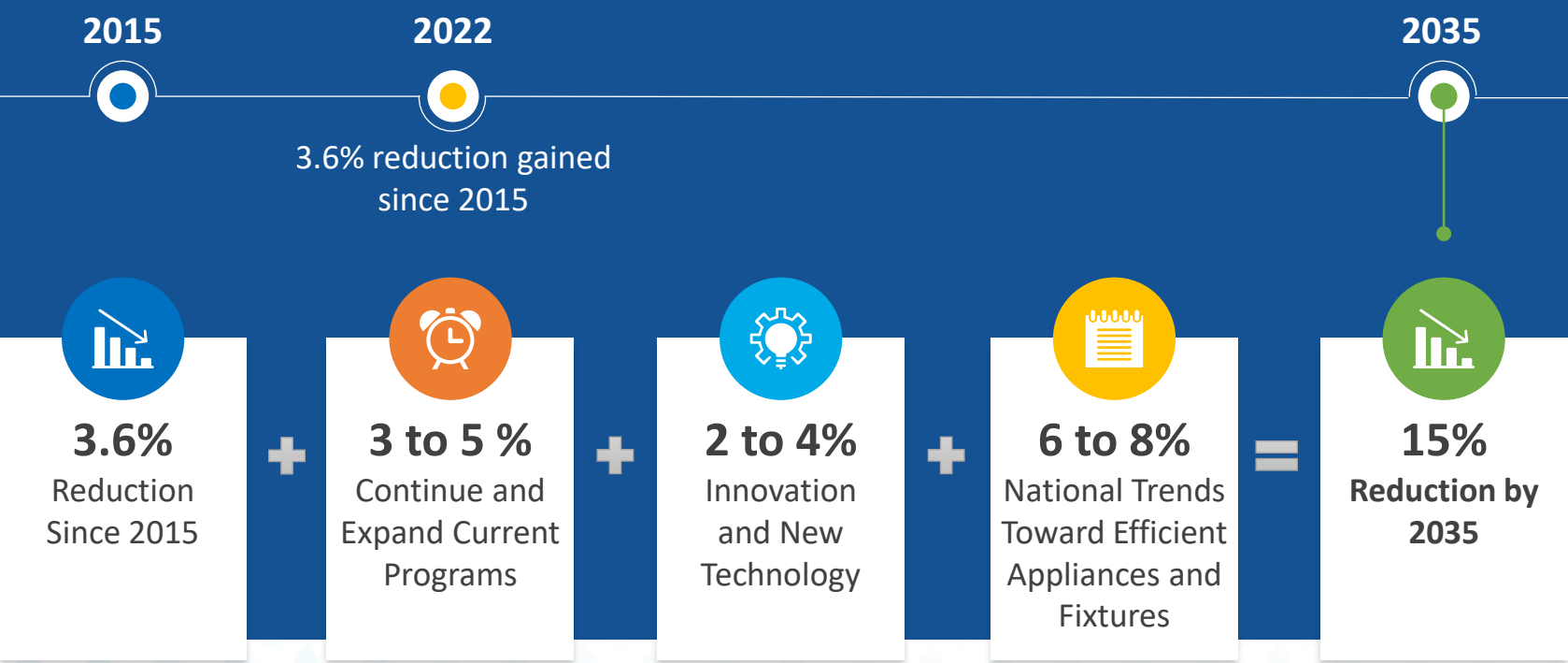
## American Water's Path to GHG Emissions Reduction in 2035





# Water Use & Efficiency Goal

*By 2035, American Water commits to meet customer needs while saving 15% in water delivered per customer compared to a 2015 baseline*



## BENEFITS

- Environment
- Energy Savings
- Avoided Capital
- Reduce Non-Revenue Water
- Lower Cost to Customers

# Water Supply Resilience Goal

By 2030, increase our water system resiliency to respond to more extreme events by increasing URI\* weighted average by 10% from 2020 baseline

2022 Performance:

**68.8%**



## BENEFITS

- Availability and reliability of service
- Robust, comprehensive emergency planning
- Response to extreme events
- Customer, employee and public safety
- Physical, cyber and fiscal security
- Workforce resiliency

*\*Utility Resilience Index*

## Supportive of 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.





# American Water Earns U.S. Department of Homeland Security (DHS) SAFETY Act Designation



- **American Water is the first U.S. water and wastewater company** and third utility to earn the Support Anti-Terrorism by Fostering Effective Technologies (SAFETY) Act designation
- Serves as one of the highest levels of accreditation offered by the DHS
- Promotes the development and deployment of effective anti-terrorism products, systems and services

## Our continued commitment to the safety and security of our employees, customers and operations

### Program Attributes

- Internal and external physical and cyber security exercises
- Information sharing and strong collaboration with our State and Federal partners
- Leveraging technology solutions to mitigate security risk

### Program Governance

- Board oversight through Safety, Environmental, Technology, & Operations Committee
- Alignment to industry standards
- Independent audits on security controls
- Required security training for all employees



# New Jersey American Water Partnering on the Largest U.S. Floating Solar Array

## ESG at AWK Impact Story

New Jersey American Water is partnering with NJR Clean Energy Ventures to construct this solar array, which will help offset power costs at the Canoe Brook Water Treatment Plant

- 8.9 megawatt solar installation – construction underway
- Largest floating solar array in the U.S.
- Limited capital expense; will reduce plant's power costs
- Will provide 95% of the treatment plant's annual power needs
- GHG equivalent reduction of ~7,800 metric tons of CO<sub>2</sub>



*Note: Image depicts rendering of the to-be-completed project*

# MSG Constructs Net Zero Operations Center

## AWK Impact

Our Military Services Group constructed a net zero operations center at Hill Air Force Base to enhance energy efficiency and reduce emissions that contribute to climate variability.

- Reduced energy usage through decentralized heating and cooling
- Offset energy usage with solar panels
- Met all power supply needs during first three years of operation
- Provided 585 kilowatt-hours of clean energy back to the grid
- 15–20 year anticipated payback



American Water solar installation at Hill Air Force Base in Ogden, Utah



# Our Acquisition Pipeline: Continued Growth and Community Impact for Decades to Come



Ribbon cutting ceremony in Sheridan, IN  
after \$9M capital investment

## Sheridan, IN

### ***Prior to Acquisition***

- Environmental compliance challenges with the U.S. EPA
- Consistent sewer overflow events during wet weather
- Community growth restrictions stemming from non-compliance

### ***Post Acquisition Accomplishments***

- Partnered with state environmental agency to develop compliance plan
- Invested \$9M in capital improvements
- Zero compliance violations since capital improvements
- Significant community growth following plant improvements
- New revenue stream for city from property taxes
- Long-term rate stability for customers

# Value of American Water's Resiliency Investments Demonstrated During Hurricane Ida

- The river outside our Raritan-Millstone Plant in New Jersey crested at record height of 44.87', three feet below the top of the recently heightened flood wall
- Flood doors at our Norristown Water Treatment Plant in Pennsylvania withstood 5' of floodwater
- Recently reinforced Scranton, PA dam withstood heavy rains
- Maryland received 8" of rain, raising the turbidity of the typical water supply; our operations switched to alternate water source
- In New York, emergency sump pumps & post-Hurricane Sandy upgrades handled floodwaters



*Raritan-Millstone Water Treatment Plant*



# Scranton Wastewater: An American Water Success Story

## Prior to Acquisition

- Consent Order and Long-Term Control Plan with the U.S. EPA
- \$140M in required upgrades
- Significant financial penalties
- ~700M gallons of sewer overflow discharge annually

## Post-Acquisition Accomplishments

- Maintained reasonable rates for customers
- Zero EPA violations and fines
- 70% reduction in sewer overflow thus far
- More than 12,000 feet of sewer main replaced



Aerial view of the former Scranton Sewer Authority and proximity to Lackawanna River

	Under SSA 2001 - 2016	Under Pennsylvania American Water 2017 - Present
EPA Violations	15+	0
Fines	\$375,619	\$0



# ESG at American Water | Annual Compensation Alignment

## Annual Performance Plan (APP) Measures and Required Training

Environmental	Drinking Water Program Compliance	<ul style="list-style-type: none"> <li>We are committed to protecting the environment and maintaining our history of materially complying with, and in many cases, surpassing, minimum standards required by applicable laws and regulations.</li> </ul>
	Drinking Water Quality	<ul style="list-style-type: none"> <li>We are committed to excellent water quality and maintaining our history of materially complying with, and in many cases, surpassing, minimum standards required by applicable laws</li> </ul>
Social	Customer Satisfaction	<ul style="list-style-type: none"> <li>Our service quality and ability to satisfy our customers are areas of focus of state public utility commissions in evaluating rate cases.</li> </ul>
	ORIR	<ul style="list-style-type: none"> <li>ORIR allows us to continue our momentum toward becoming an industry leader with respect to the safety and well-being of our workforce.</li> </ul>
	DART Injury Rate	<ul style="list-style-type: none"> <li>DART reflects serious incidents that result in the employee being placed in restricted duty or time away from work. This aligns with both our safety and people strategies as we believe that our employees should return home in the same or better condition than when they arrived to work.</li> </ul>
	Female Representation	<ul style="list-style-type: none"> <li>We are committed to closing the gender gap and maintaining a culture of inclusion. We recognize the benefits of increasing the percentage of women in our workforce to better reflect the customers and communities in which we serve.</li> </ul>
	Racial/Ethnic Diversity Representation	<ul style="list-style-type: none"> <li>We are committed to hiring diverse talent and believe that diversity creates stronger teams, better ideas, innovative ways of working, long-term sustainability and, ultimately, an organization that reflects the customers and communities in which we serve.</li> </ul>
Gov.	Code of Ethics Training	<ul style="list-style-type: none"> <li>Code of Ethics program requires completion of a training module in order for an employee to be eligible to receive an APP payout.</li> </ul>