

## Related Person Transaction Policy

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**Policy Number:** POL-LEG02

**Effective Date:** 01/01/18

**Applicability:** American Water Works Company, Inc., and its subsidiaries (collectively, “American Water” or the “Company”)

**ELT Sponsor:** Executive Vice President, General Counsel and Secretary

**Document Author:** Chief SEC & Corporate Governance Counsel

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### I. PURPOSE

This Policy governs the identification, review and approval of related person transactions, as defined in this Policy. By their nature, related person transactions may:

- present a conflict of interest or the perception of a conflict of interest;
- be prohibited by the Company’s Code of Ethics;
- require disclosure in the Company’s filings with the Securities and Exchange Commission; or
- unless properly approved, be challenged by a stockholder of the Company under Section 144 of the General Corporate Law of the State of Delaware.

The policy applies equally to the Company’s regulated and market-based businesses.

### II. POLICY STATEMENT

Related person transactions are prohibited unless prior written approval is granted in accordance with this Policy. Because of the nature of related person transactions, they will be approved only in extraordinary circumstances when a compelling Company interest requires it and where appropriate safeguards and limitations are in place to ensure that a conflict of interest does not exist. For the purposes of this Policy, a *related person transaction* is any transaction, arrangement or relationship, or any series of similar transactions, arrangements or relationships in which the Company was or is to be a participant and a related person had or will have a direct or indirect material interest.

A *related person* is:

- a person who is, or was at any time during the Company’s current or last completed fiscal year:
  - a director or executive officer, including directors and executive of subsidiaries of the Company; or
  - a director nominee
- a person who, at the time in which a related person transaction occurred or existed
  - is an employee (other than an executive officer) of the Company or any subsidiary; or
  - beneficially owns (as defined under the Securities Exchange Act of 1934, as amended, and related rules) more than 5% of any class of any of the Company’s voting securities (a “5% Shareholder”)
- an immediate family member of any of the foregoing

An immediate family member of a person is any child, stepchild, parent, stepparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law or sister-in-law of such person, or any other person sharing the household of such person, other than a tenant or employee.

The following do not create a material direct or indirect interest on behalf of the related person, and are, therefore, not related person transactions for purposes of this Policy:

- interests arising only from the related person's position as a director of another corporation or organization that is a party to the transaction, so long as the outside directorship has been properly approved pursuant to the Code of Ethics;
- reimbursement or advancement of proper business expenses in the ordinary course of business;
- interests arising solely from the ownership of a class of the Company's equity securities if all holders of that class of equity securities receive the same benefit on a pro rata basis;
- ordinary course compensation to an employee, officer or director so long as such compensation was properly approved, including, with respect to executive officers, by the Executive Development and Compensation Committee;
- a transaction that is specifically contemplated by provisions of the governing documents of the Company or any subsidiary;
- a transaction that involves services as a bank depository of funds, transfer agent, registrar, trustee under a trust indenture or similar services;
- interests arising solely from indebtedness involving a 5% Shareholder or an immediate family member of a 5% Shareholder; or
- employment by the Company or any subsidiary of an immediate family member of a Company employee (which employee is not a corporate officer), so long as the employment of the immediate family member is consistent with the Company's hiring policies.

Before any related person transaction is approved, the following factors should be considered:

- the related person's interest in the related person transaction;
- the dollar value of the amount involved in the related person transaction;
- the dollar value of the amount of the related person's interest in the transaction without regard to the amount of any profit or loss;
- whether the transaction is to be undertaken in the ordinary course of business of the Company;
- whether the transaction with the related person is proposed to be entered into on terms more favorable to the Company than terms that could have been reached with an unrelated third party;
- the purpose of, and the potential benefits to the Company of, the transaction; and
- any other information regarding the related person transaction or the related person that are material in light of the circumstances of the particular transaction.

Approval of a related person transaction should be granted only if the approver determines that, under all of the circumstances, the related person transaction is in the best interests of the Company and only so long as those interests outweigh any negative effects that may arise from allowing the transaction to occur. The approver may, in its sole discretion, impose such conditions as it deems appropriate on the Company or the related person in connection with approval of the related person transaction.

### III. RESPONSIBILITIES

Approval for a related person transaction may only be granted in writing in advance by the following:

- related person transactions involving corporate officers and directors of the Company, or any employee in salary grade levels 60 through 100 may be approved only by the disinterested members of the Audit Committee (the "Audit Committee") of the Board of Directors of American Water Works Company, Inc. (the "Board"), or the disinterested members of the Board
- related person transactions involving all other employees or directors of a subsidiary or affiliate of American Water may be approved only by the Ethics Committee. The Ethics Committee may, at its discretion, refer such matters to the Audit Committee for its decision, but will in any case report all such approvals to the Audit Committee.
- The Ethics Committee may, in its discretion, delegate review and approval of related person transactions to the Company's Chief Compliance Officer if (i) the transaction is otherwise subject to its review and approval of the Ethics Committee and (ii) the dollar value of the amount involved in the related person transaction is less than \$5,000. Such delegation will be in writing and will be communicated to the Audit Committee.

Any decision approved by the Board must be communicated promptly to the Audit Committee and the Ethics Committee.

In all cases involving a transaction that requires requiring Audit Committee or Board review and approval:

- The material facts as to a director's or officer's relationship or interest and as to the contract or transaction must be disclosed to the Audit Committee or the Board, if not already known.
- The majority of the disinterested members of the Audit Committee or Board must approve the contract or transaction, even if less than a quorum.
- The Audit Committee or Board must determine that the contract or transaction is fair and in the best interests of the Company as of the time it is authorized or approved.

Transactions involving compensation of executive officers shall be reviewed and, if appropriate, approved by the Executive Development and Compensation Committee of the Board (or a group of independent directors of the Company performing a similar function) in the manner specified in that committee's charter.

All approvals granted under this Policy must be reported to the General Counsel, or his or her designee, and to the Chief SEC & Corporate Governance Counsel, for determination whether the approved transaction must be disclosed pursuant to applicable securities laws and regulations. The review, approval or ratification of a transaction, arrangement or relationship pursuant to this Policy does not necessarily imply that such transaction, arrangement or relationship is required to be disclosed.

#### **IV. STRATEGIC OBJECTIVE**

This policy addresses the strategic objectives of (1) preventing the risk or perception of related person transactions that could present a conflict of interest and (2) assisting in the Company's compliance with applicable rules and regulations governing the approval and disclosure of related person transactions.

#### **V. MONITORING**

Any approved related person transaction that is ongoing shall be reviewed periodically by the approver (or its designee) to ensure that the related person transaction continues to be conducted in accordance with the approval granted and that all required disclosures regarding the related person transaction are properly made.

#### **VI. WAIVERS**

Compliance with this Policy cannot be waived.

#### **VII. NON-COMPLIANCE**

Any employee who violates or circumvents the Policy may be subject to disciplinary action, up to and including termination.

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**Next Review By:** 11/30/2020

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**Approval Date:** 12/08/2017

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**Last Reviewed:** 10/31/2017

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Appendix – Summary of Policies & Practices Related to Related Person Transaction Policy

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Policy	Related Practices
Code of Ethics	

Reviewed By	Version Reviewed	Key Comments/Changes
<b>Jeffrey M. Taylor, Chief SEC &amp; Corporate Governance Counsel</b>	Version 1	First attempt at policy revision for discussion purposes.
<b>Michael A. Sgro, Executive Vice President, General Counsel and Secretary</b>	Version 2	Basic feedback.
Linda G. Sullivan, Executive Vice President and Chief Financial Officer	Version 3	Stakeholder feedback.
Walter J. Lynch, Executive Vice President and Chief Operating Officer	Version 3	Stakeholder feedback.
<b>Jeffrey M. Taylor, Chief SEC &amp; Corporate Governance Counsel</b>	Version 4	Incorporated feedback and cleanup; prepared for submission.

Names in **bold** have reviewed multiple versions of the document.