



AMERICAN WATER

**AMERICAN WATER WORKS COMPANY, INC.**  
**EXECUTIVE DEVELOPMENT AND COMPENSATION COMMITTEE**  
**OF THE BOARD OF DIRECTORS**  
**CHARTER**

**I. PURPOSE OF THE COMMITTEE**

The Executive Development and Compensation Committee (the “Committee”) of the Board of Directors of American Water Works Company, Inc. (the “Company”):

- A. assists and represents the Board of Directors in discharging its responsibilities to the shareholders with respect to the Company’s compensation programs and compensation of the Company’s directors and executives; and
- B. prepares an annual “Compensation Committee Report” for inclusion in the Company’s annual proxy statement or annual report, in accordance with the applicable rules and regulations of the New York Stock Exchange, Inc. (the “NYSE”) and the U.S. Securities and Exchange Commission (the “SEC”).

**II. STRUCTURE AND OPERATIONS**

Composition and Qualifications

The Committee consists of at least three members of the Board of Directors. Each member of the Committee shall be independent. In each case the Board of Directors shall determine “independence” in accordance with the rules of the SEC, NYSE and the Corporate Governance Guidelines.

Appointment and Removal

The members of the Committee shall be appointed by the Board of Directors from among its members, considering the recommendations of the Nominating/Corporate Governance Committee. Each member shall serve until such member’s successor is duly elected and qualified or until such member’s earlier death, resignation or removal. The actual number of members shall be determined from time to time by resolution of the Board of Directors.

### Chairman/Secretary

The Board of Directors shall designate a chairman of the Committee from among its members, considering the recommendations of the Nominating/Corporate Governance Committee. The Committee chairman will preside at, and prepare an agenda for, each Committee meeting. The Committee chairman shall appoint a secretary (who need not be a member of the Committee) to take written minutes of the meetings. In the absence of the chairman during any Committee meeting, the Committee may designate a chairman pro tempore.

### **III. MEETINGS**

The Committee shall meet at least twice annually, or more frequently as circumstances require. The Chairman of the Board or any member of the Committee may call meetings of the Committee. All meetings of the Committee may be held telephonically. At least a majority of members constitutes a quorum and a quorum is required for the transaction of all business. Notice of a meeting of the Committee may be made by any reasonable means, including via e-mail. Notice of a meeting shall be given to each member of the Committee (and to each member of the Board of Directors) at least two days in advance of such meeting unless notice is waived by all members of the Committee. The Committee shall act only on the affirmative vote of a majority of its members at a meeting at which a quorum is present or by unanimous written consent.

As part of its review and establishment of the performance criteria and compensation of the Company's executives, the Committee shall meet separately at least on an annual basis with the CEO, the Company's principal human resources executive, and any other officers, as it deems appropriate. However, the Committee should meet regularly without such officers present, and in all cases such officers shall not be present at meetings at which their compensation is being discussed and determined.

Subject to the final sentence of this paragraph, all independent directors who are not members of the Committee may attend meetings of the Committee, but may not vote. Additionally, the Committee may invite to its meetings any director, member of management and such other persons as it deems appropriate in order to carry out its responsibilities. The Committee may also exclude from its meetings any persons (other than a member of the Committee) it deems appropriate in order to carry out its responsibilities.

### **IV. RESPONSIBILITIES AND DUTIES**

The following functions are the recurring activities of the Committee in carrying out its responsibilities outlined in Section I of this Charter. These functions should serve as a guide with the understanding that the Committee may carry out additional functions and adopt additional policies and procedures as may be appropriate in light of changing business, legislative, regulatory, legal or other

conditions. The Committee shall also carry out any other responsibilities and duties delegated to it by the Board of Directors, from time to time, related to the purposes of the Committee outlined in Section I of this Charter.

The Committee shall:

1. establish and review the overall compensation philosophy of the Company;
2. survey and review executive compensation practices of comparable companies;
3. review and make recommendations to the Board of Directors with respect to all of the Company's equity-based compensation plans and, with respect to any such plans approved by the Board of Directors and, if required, approved by the stockholders of the Company, take such actions thereunder as are specifically delegated to the Committee;
4. review and approve the Company's performance-based cash compensation plans that apply to executive officers and any performance-based cash plan or arrangement of the Company that creates the opportunity for any employee who is not an executive officer to receive more than \$100,000 in total performance-based cash compensation in any calendar year;
5. for the Company's CEO, review and make recommendations to the Board of Directors with respect to (a) the corporate goals and objectives relevant to the CEO's compensation, (b) the CEO's performance in light of the goals and objectives approved by the Board of Directors, (c) the CEO's compensation (including annual base salary, annual performance-based compensation opportunity, long-term performance-based compensation opportunity (including awards of stock options, restricted stock and performance stock units), deferral opportunity, and any special supplemental benefits) and (d) the actual awards of annual performance-based compensation and long-term performance-based compensation based on its evaluation of the CEO's performance in light of the goals and objectives approved by the Board of Directors and the criteria established by such performance-based compensation plans;
6. for Section 16 officers of the Company other than the CEO, approve, after receiving the recommendations of, and consulting with, the CEO, (a) the annual base salary, annual performance-based opportunity and long-term performance-based opportunity of such Section 16 officers (including awards of stock options, restricted stock and performance stock units to the extent the authority to make such awards is granted to the Committee by the terms of the applicable plans and if not granted to the Committee, make recommendations to the Board of Directors with respect thereto),

deferral opportunities and any special supplemental benefits and (b) the actual awards of annual performance-based compensation and long-term performance-based compensation taking into consideration the CEO's recommendations and the criteria established by such compensation plans;

7. in fulfilling its responsibility, consider all factors deemed relevant, including the Company's performance and relative shareholder return, the value of similar awards to those with similar responsibilities at comparable companies and the awards given by the Company in prior years;
8. review, on a periodic basis, the operations of the Company's executive compensation programs to determine whether they are properly coordinated and implemented and achieving their intended purpose(s);
9. with respect to the Company's CEO, CFO, or COO, review and make recommendations to the Board of Directors concerning, and with respect to any other current or former "Section 16" officers of the Company, approve any contracts or other transactions, including consulting arrangements, employment contracts, severance or termination arrangements;
10. monitor and receive reports from the Company's CEO with respect to all consulting agreements, severance agreements and other employment arrangements entered into by the CEO on behalf of the Company pursuant to the CEO's authority under the Company's Authorization and Limitation of Corporate Authority as it may be amended from time to time.
11. review and make recommendations to the Board of Directors concerning the Company's policies on compliance by Section 16 officers with the rules and guidelines of the Company's equity-based plans;
12. review and monitor employee retirement, and other benefit plans, including plan design, features and funding;
13. oversee the activities of the Company's Retirement and Benefit Plans Investment Committee, which is responsible for administration and investment performance oversight of the Company's benefit plans, and the members of the Retirement and Benefit Plans Investment Committee shall be selected by the Co-Chairs thereof consistent with a previous designation by the Committee of such membership by position, role or title (including a designation of one at-large member);
14. at least annually, review and make recommendations to the Board of Directors regarding the Compensation related risk assessment of the Company's compensation policies and practices;

15. in consultation with management, oversee regulatory compliance with respect to compensation matters;
16. as a part of its review and approval of non-CEO executive compensation, with input from the Board of Directors, oversee the process of planning for the succession of senior executives of the Company (other than the CEO), including receiving from the CEO (i) development plans and other information regarding potential successors to such senior executives, and (ii) a list of qualified successor candidates for the Committee's review;
17. from time to time, but no less frequently than every two years, review and recommend to the Board of Directors the form and amount of director compensation (including perquisites and other benefits), and any additional compensation to be paid for service on Board committees or for service as a chairman of a committee;
18. from time to time, but no less frequently than every two years, review and recommend to the Board of Directors the form and amount of the compensation of the Chairman of the Board (including perquisites and other benefits);
19. if and for so long as the Chairman of the Board is a member of the Committee, the responsibilities set forth in item 17 above shall be discharged by a subcommittee of the Committee consisting of all members of the Committee other than the Chairman;
20. review and discuss the Compensation Discussion and Analysis disclosure with management, prior to the filing of the Company's proxy statement for the annual meeting of stockholders (or annual report on Form 10-K), and based on such review and discussions, the Committee shall recommend to the Board of Directors whether the Compensation Discussion and Analysis should be included (or incorporated by reference, as applicable) into the Company's annual report on Form 10-K and/or proxy statement;
21. review and discuss any compensation-related resolutions (e.g., "say on pay", golden parachute compensation, etc.) to be included in a Company proxy statement prior to the filing of any such policy statement, and based on such review and discussions, the Committee shall recommend to the Board of Directors whether any compensation-related resolutions should be included in the Company's proxy statements; and
22. report regularly to the Board of Directors (i) the matters discussed at regular or special meetings of the Committee, (ii) with respect to such other matters as are relevant to the Committee's discharge of its responsibilities and (iii) with respect to such recommendations as the Committee may deem appropriate, such reports to the Board of Directors

may take the form of an oral report by the Chairman or any other member of the Committee designated by the Committee to make such report.

For purposes hereof, the term “executive officers” shall mean the Chief Executive Officer of the Company and all executives who report directly to the Chief Executive Officer of the Company; and the term “Section 16 officers” shall mean officers of the Company that the Board determines are subject to Section 16 of the Securities Exchange Act of 1934, as amended.

## **V. RESOURCES AND AUTHORITY OF THE COMMITTEE**

The Committee, in discharging its oversight role, is empowered to study or investigate any matter of interest or concern that the Committee deems appropriate. The Committee has authority to select, retain and/or replace, as needed, compensation and benefits consultants and other outside consultants to provide independent advice to the Committee. In that connection, in the event the Committee retains a compensation consultant, the Committee shall have the sole authority to approve such consultant’s fees and other retention terms. The Committee also has the authority to (i) retain other outside advisors, including legal counsel, as it deems appropriate in its sole discretion, (ii) approve the fees and expenses of such advisors and (iii) incur such other ordinary administrative expenses as are necessary or appropriate in carrying out its duties. The Committee will select, retain and/or replace its consultants in compliance with applicable SEC rules, including those related to independence.

## **VI. ANNUAL PERFORMANCE EVALUATION**

The Committee shall perform a review and evaluation, at least annually, of the performance of the Committee and its members, including a review of the compliance of the Committee with this Charter. At least annually, the Committee shall perform a review and evaluation of its outside advisors. In addition, the Committee shall review and reassess, at least annually, the adequacy of this Charter and recommend to the Board of Directors any improvements to this Charter that the Committee considers necessary or valuable. The Committee shall conduct such evaluations and reviews in such manner as it deems appropriate.

## **VII. DISCLOSURE OF CHARTER**

This Charter shall be made available on the Company’s website.

## **VIII. DATE OF ADOPTION**

This Charter was adopted by the Board of Directors effective September 14, 2007, and amended on September 4, 2009, December 10, 2010, December 9, 2011, April 30, 2013, April 29, 2014, July 24, 2015 and July 29, 2016.

## **IX. COMPLIANCE**

The Committee, as a whole, and each of the individual members of the Committee shall be in compliance with the provisions of this Charter, to the extent practical, upon their adoption and, in any case, within 30 days of the date upon which the Company's securities are registered under the Securities Exchange Act of 1934, as amended.