

AMERICAN WATER WORKS COMPANY, INC.

AUDIT, FINANCE AND RISK COMMITTEE

OF THE BOARD OF DIRECTORS

CHARTER

I. PURPOSE OF THE COMMITTEE

- A. The Audit, Finance and Risk Committee (the “Committee”) of the Board of Directors (the “Board”) of American Water Works Company, Inc. (the “Company”) represents and assists the Board in fulfilling its responsibility to oversee:
- (i) the adequacy and effectiveness of the Company’s system of internal controls;
 - (ii) the quality and integrity of the Company’s financial statements;
 - (iii) the Company’s compliance with legal and regulatory requirements;
 - (iv) the Company’s independent auditor’s qualifications and independence;
 - (v) the Company’s risk assessment and risk management strategy;
 - (vi) the Company’s financial policies and significant financial decisions; and
 - (vii) the performance of the Company’s internal audit function and the independent auditor.
- B. The Committee has sole authority and responsibility to appoint, compensate, retain, terminate and oversee the Company’s independent auditor. The Company’s independent auditor shall report directly to the Committee. As used herein, the term “independent auditor” refers to any registered public accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company.
- C. The Committee promulgates and oversees the enforcement of the Company’s Code of Ethics.
- D. The Committee is also responsible for its report that the rules of the U.S. Securities and Exchange Commission (the “SEC”) require be included in the Company’s annual proxy statement or annual report.

II. ROLES OF THE COMMITTEE AND OTHERS

The Committee recognizes the separate roles of management, the independent auditor and the Committee. The Committee represents and assists the Board in fulfilling its oversight responsibility regarding the Company's internal controls, financial reporting and independent auditing processes as set forth in this charter. The Committee, in carrying out these oversight responsibilities, does not provide any expert or special assurance as to the Company's financial statements, or any professional certification as to the independent auditor's work, or with respect to auditor independence. Management is responsible for the Company's internal controls, financial statements and the financial reporting process. The independent auditor is responsible for performing an independent audit of the Company's consolidated financial statements and for issuing a report on these financial statements and on management's assessment of internal controls. The independent auditor is also responsible for determining its independence.

The Committee is not responsible for planning or conducting financial transactions. The Committee shall have authority and responsibility for oversight and review of the Company's risk assessments and risk management strategies and programs. The Company's management has overall responsibility for risk assessments and risk management strategies and programs. In connection with its responsibility, the Committee may consider and rely upon reports and work from persons and organizations inside and outside of the Company when the Committee reasonably believes that the reports and work merit confidence, including representations by management and the independent auditor regarding its non-audit services.

III. STRUCTURE AND OPERATIONS

Composition and Qualifications

The Committee shall consist of at least three members of the Board. Each member of the Committee shall be independent as determined in accordance with the rules of the New York Stock Exchange and the Board's Corporate Governance Guidelines.

Appointment and Removal

The members of the Committee shall be appointed by the Board from among its members, after considering the recommendation of the Nominating/Corporate Governance Committee of the Board. Because of the Committee's demanding responsibilities, and the time commitment attendant to membership on the Committee, each prospective Committee member, prior to nomination, is encouraged to evaluate carefully the existing demands on his or her time as well as his or her financial literacy before accepting any nomination.

Each member of the Committee 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, but shall be no fewer than three.

Each member of the Committee shall be financially literate, as defined by the listing standards of the New York Stock Exchange (or any other exchange on which the Company's securities are then traded or listed), or become financially literate within a reasonable period of time after appointment to the Committee. No member of the Committee may serve on more than two other public company audit committees unless the Board determines (after consultation with the Nominating/Corporate Governance Committee of the Board) that such simultaneous service would not impair the ability of the member to serve effectively on the Committee and such determination is disclosed in the Company's annual proxy statement. In addition, at least one member of the Committee shall be an "audit committee financial expert" as defined by the SEC and as disclosed in the Company's annual proxy statement.

Chairman/Secretary

The Board shall designate a chairman of the Committee from among its members, after considering the recommendation of the Nominating/Corporate Governance Committee of the Board. The Committee Chairman will preside at and oversee the preparation of 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. The Committee may designate another member to serve as chairman if the Committee chair is absent.

IV. MEETINGS

The Committee shall meet at least once in each fiscal quarter, or more frequently as circumstances require. To perform its oversight functions effectively, the Committee shall periodically (and in any event not less than quarterly) meet separately with management and with each of Vice President-Internal Audit, the General Counsel, the Chief Compliance Officer and the independent auditor to discuss any matters that the Committee or each of these persons believe would be appropriate to discuss privately. The Committee may also meet separately with such other persons as it deems appropriate in the circumstances.

The Chairman of the Board, Chairman of the Committee or any member of the Committee may call meetings of the Committee. Each meeting of the Committee may be held telephonically. At least two members constitute a quorum and a quorum is required for the transaction of all business. Notice of a meeting of the Committee shall be made by means consistent with the provisions of the Amended and Restated Bylaws of the Company with respect to the meetings of the Board. The Committee shall act only on the affirmative vote of a majority of the members at a meeting or by unanimous written consent.

Subject to the last sentence of this paragraph, all directors who are not members of the Committee may attend meetings of the Committee but not vote. Additionally, the Committee may invite to its meetings any director, management, employees of the Company, 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.

V. RESPONSIBILITIES AND DUTIES

The following are the recurring functions of the Committee in carrying out its responsibilities outlined in Section I of this Charter. These functions 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:

Matters Concerning Independent Auditor

1. appoint the independent auditor to audit the consolidated financial statements of the Company and its subsidiaries for the next following year, approve their engagement fees and terms, and recommend ratification of their appointment by the Company's shareholders;
2. have the authority to terminate the engagement of the independent auditor and appoint a new independent auditor at any time, even after ratification by shareholders;
3. approve in advance all audit and permissible non-audit services to be provided by the independent auditor to the Company in accordance with the Committee's policies and procedures, and regularly review (a) the adequacy of those policies and procedures for pre-approving the use of the independent auditor for audit and non-audit services with a view to maintaining auditor independence and (b) the fees paid to the independent auditor for pre-approved audit and non-audit services;
4. regularly review with the independent auditor (a) the arrangements for and the scope of the independent auditor's audit of the Company's consolidated financial statements; (b) the results of the audit by the Company's independent auditor of the Company's consolidated financial statements; (c) any audit problems or difficulties encountered by the independent auditor and management's response (including any restrictions on access, any accounting adjustments noted or proposed but disregarded as immaterial or for other reasons, any communications with the independent auditor's national office and any management or internal control letters issued or proposed to be issued by the independent auditor to the Company); (d) adjustments or estimates discussed or proposed by the independent auditor at their close-out meeting with management; (e) any significant deficiency or material weakness in the adequacy, design or operation of the Company's internal accounting controls identified by the independent auditor and any resulting recommendations or special audit steps; (f) all critical accounting policies and practices used by the Company; (g) all alternative accounting treatments of financial information within generally accepted accounting principles that have been discussed with management, including the ramifications of the use of such alternative treatments

- and disclosures, and the treatment preferred by the independent auditor; and (h) other material written communications between the independent auditor and members of management;
5. review and have ultimate authority to resolve any disagreement between management and the independent auditor regarding financial reporting or otherwise;
 6. review, at least annually, a report by the independent auditor describing (a) its internal quality-control procedures; (b) any material issues raised by the most recent internal quality-control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues; (c) whether all relationships between the independent auditor and the Company are consistent with the Company's Corporate Governance Guidelines; and (d) any review of the independent auditor performed by the Public Company Accounting Oversight Board (the "PCAOB"); the Committee shall also discuss this report with the independent auditor to assess issues concerning the independent auditor's qualifications, performance, or independence;
 7. evaluate the qualifications, performance, and independence of the independent auditor and the performance of the lead audit partner, taking into account the opinions of the Company's management and the Vice President-Internal Audit, and present its conclusions to the Board;
 8. monitor regular rotation of audit partners by the independent auditor as required by law and consider regular rotation of the independent audit firm itself;
 9. review and consider with the independent auditor prior to the Company's filing of the related annual or quarterly financial statements with the SEC, the matters required to be communicated by the independent auditor to the audit committee by all relevant Auditing Standards of the PCAOB, including deficiencies in internal controls, fraud, illegal acts, management judgments and estimates, audit adjustments, audit difficulties, and the independent auditor's judgments about the quality of the Company's accounting practices;
 10. set and maintain clear hiring policies for employees and former employees of the independent auditor (including a prohibition, as required by Section 10A(l) of the Exchange Act, against the Company's chief executive officer, controller, chief financial officer, chief accounting officer (or any person serving in an equivalent position) having worked on the Company's audit as an employee of the Company's independent auditor during the one year period preceding the date of the initiation of the audit);

Accounting Standards

11. review major issues regarding accounting principles and financial statement presentations, including any changes to the Company's selection or application of auditing and accounting principles and practices based on advice of the independent auditor or members of management;

12. review analyses prepared by management and/or the independent auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative methods of generally accepted accounting principles on the financial statements;
13. review the effect of regulatory or accounting initiatives, as well as off-balance sheet transactions, on the financial statements of the Company;

Disclosure

14. review and discuss with management and the independent auditor the Company's audited financial statements and quarterly financial statements, including the Company's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations";
15. review and discuss with management the Company's annual, quarterly and periodic filings with the SEC and, to the extent that such filings contain financial information, with the Company's independent auditor, such review and discussion to occur before any such filing, but, in the case of filings on Form 8-K, only to the extent practical in the circumstances before the filing is made;
16. review and discuss routinely the Company's earnings press releases, including the type of information to be included and its presentation therein and the use therein of any pro forma, adjusted or other financial information not presented or prepared in accordance with generally accepted accounting principles, as well as financial information and earnings guidance, if any, provided to analysts and rating agencies;
17. be responsible for any report or other disclosure by the Committee required to be included in any proxy statement for the election of the Company's directors under the rules of the SEC;

Code of Ethics and Related Matters

18. establish, maintain and periodically review the Committee's policies and procedures for the receipt, retention, and treatment of complaints regarding accounting, internal accounting and other controls, auditing matters and suspected infractions of the Code of Ethics, including procedures for the confidential, anonymous submission by employees of the Company, of concerns regarding questionable accounting, auditing matters or infractions of the Code of Ethics;
19. annually consider the adequacy of the Code of Ethics of the Company, and recommend to the Board, as conditions require, that it make amendments to the Code of Ethics;
20. review quarterly with the Chairman of management's Ethics Committee, the General Counsel and the Chief Compliance Officer matters reported to management's Ethics Committee, and annually review the organization, structure and function of management's Ethics Committee;
21. consider matters arising under the Company's policy on Related Person Transactions as required by the policy and any reports thereon by management;

22. provide information required under applicable Auditing Standards of the PCAOB regarding the Company's relationships and transactions with related parties that are significant to the Company, and review and discuss with the Company's independent auditor the auditor's evaluation of the Company's identification of, accounting for, and disclosure of its relationships and transactions with related parties, including any significant matters arising from the audit regarding the Company's relationships and transactions with related parties;

Internal Audit

23. review with members of management, the independent auditor and the internal auditors, at least annually, the activities, budget, staffing, qualifications, and structure of the internal auditing function of the Company and its subsidiaries, including their evaluations of the performance of that function and any recommendations with respect to improving the performance of or strengthening of that function;
24. Periodically, but no less frequently than two years, review and approve the Internal Audit Charter, approve the annual internal audit plan, and approve any changes to the Internal Audit Charter or plan;
25. review the reports of any internal auditor with respect to any financial safeguard problem that has not resulted in corrective action or has not otherwise been resolved to the internal auditor's satisfaction;

Financial Matters

The Committee shall, as it deems necessary or appropriate, monitor, review, evaluate and make recommendations to the Board regarding:

26. changes to business, legislative, regulatory, legal, competitive or other conditions that significantly impact the Company's financial strategies and financial resources;
27. the Company's financial forecasts, financial condition and its anticipated financing requirements;
28. the Company's capital structure and proposed short- and long-term changes thereto, including fluctuations in interest rates, new issuances, purchases or redemptions of the Company's debt and equity securities and the impact of these on the Company's credit ratings;
29. the Company's capital expenditure plan and strategies;
30. the Company's dividend payment policy and any proposed changes thereto;
31. the investment performance of the assets held pursuant to the Company's various employee benefits plans, and review the Retirement Plan Committee's investment guidelines;
32. the Company's cash management plans and strategies;

The Committee shall have the authority to act on behalf of the Board with respect to the following areas or actions, and such other matters as are specifically delegated to the Committee by the Board from time to time and report to the Board on the actions taken pursuant to this authority and future delegated authorities:

33. approve long-term debt issuances by the Company and its subsidiaries, and any guarantee, support obligation or security related to such issuance and appoint a pricing committee (which may include members of management) for each financing, provided the aggregate principal amount of long-term debt approved in any calendar year does not exceed the amount stated in the Board-approved financing plan for such year;
34. monitor, review and evaluate the Company's growth opportunities, including acquisitions and business development proposals;

Risk and Control Environment

35. make recommendations to the Board concerning director's and officer's liability insurance matters;
36. discuss with management, at least annually, the Company's policies with respect to risk assessment and risk management, the Company's major financial risk exposures and the steps management has taken to monitor and control these exposures;
37. review and discuss reports regarding the major risk exposures of the Company, including credit, market and funding risks;
38. coordinate its oversight of operational risk management with the Safety, Environmental, Technology and Operations Committee, and review with management, as appropriate, the significant categories of risk the Company faces, including any risk concentrations and risk interrelationships, as well as the likelihood of occurrence, the potential impact of those risks and mitigating measures;
39. review internal controls with respect to information and technology systems, security management systems and cybersecurity that could have a significant impact on the Company's financial statements;
40. review annually the legal compliance function generally, which could include compliance with governmental regulations governing military O&M contracts or accounting impacts relating to pension contributions and investment performance;

Other Matters

41. review quarterly with the Company's General Counsel any legal matter that reasonably could have a significant impact on the Company's financial statements;
42. review management's succession planning for financial and accounting personnel; and

Reports

43. report regularly to the Board (a) the matters discussed at regular or special meetings of the Committee; (b) with respect to such other matters as are relevant to the Committee's discharge of its responsibilities; and (c) with respect to such recommendations as the Committee may deem appropriate, such reports to the Board may take the form of an oral report by the Committee Chairman or any

other member of the Committee designated by the Committee to make such a report.

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. In addition, the Committee shall review and reassess, at least annually, the adequacy of this Charter and recommend to the Board 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. RESOURCES AND AUTHORITY OF THE COMMITTEE

The Committee shall be given full access to the Company's internal audit department, Board, members of management, employees and independent auditor as necessary to carry out these responsibilities, without having to seek Board approval.

The Committee shall have the authority to request any employee of the Company, the Company's outside counsel and the independent auditor attend a meeting of the Committee or to meet with any members of, or consultants to, the Committee, without having to seek Board approval.

The Committee has exclusive authority with respect to the retention of the independent auditor described in Section V of this charter. In discharging its oversight role, the Committee is empowered to investigate any matter brought to its attention with full access to all books, records, facilities, and personnel of the Company. The Committee also has the authority to (a) retain outside advisors, including legal counsel, auditors, or other experts, as it deems appropriate in its sole discretion; (b) approve the fees and expenses of such advisors; and (c) incur such other ordinary administrative expenses as are necessary or appropriate in carrying out its duties. The Committee shall receive appropriate funding from the Company for the payment of the fees and expenses set forth in the foregoing clauses (b) and (c).

VIII. INTERNAL AUDIT FUNCTION

The Committee shall ensure the Company maintains an internal audit function. The Vice President-Internal Audit (in his or her role as such) shall report directly to the Chairman of the Audit Committee and administratively to the Company's Chief Financial Officer. The approval of the Audit Committee Chairman is required for the hiring, compensation, removal or replacement of the Vice President-Internal Audit.

IX. COMPENSATION

No member of the Committee may receive, directly or indirectly, any compensation from the Company other than (a) fees paid to directors for service on the Board (including

customary perquisites and other benefits that all directors receive); (b) additional fees paid to directors for service on a Committee of the Board or as the Chairman of any committee (including the Committee); and (c) a pension or other deferred compensation for prior service that is not contingent on future service on the Board.

X. DISCLOSURE OF CHARTER

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

XI. DATE OF ADOPTION

This Charter was adopted by the Board effective April 19, 2018.

XII. LEGAL STANDARD

Nothing contained in this Charter is intended to create, or should be construed as creating, any responsibility or liability of the members of the Committee, except to the extent otherwise provided under the applicable laws of Delaware which shall set the legal standard for the conduct of the members of the Committee.