



# Code of Ethics

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*This Code of Ethics supplements, but does not replace other American Water policies and procedures. Anyone who has questions about the meaning or application of this Code of Ethics or other American Water policies and requirements, should seek interpretation or clarification as set out in this Code of Ethics.*

*As used in this Code of Ethics, "you" and "we" refers to every director of every company in the American Water system and to every American Water system employee, regardless of title or position. Unless the context implies otherwise, references in this Code of Ethics to the "company" or "American Water" mean each company in the American Water group.*



# A Message from the Chairman and the Chief Executive Officer of American Water

American Water's success is based on the trust and confidence that its customers have in the quality and reliability of its services and the employees who deliver them. In order to maintain that trust, its directors and employees must act with honesty and integrity.

This means, of course, that we must act in accordance with the law in all that we do. It also means that we must make a personal commitment to act ethically and properly, with respect and integrity toward others, and to make that commitment an essential part of our working lives.

This Code of Ethics sets out basic principles of ethical conduct. It establishes minimum goals and guidelines to assist us in accomplishing those goals. It does not cover all ethical or legal situations, but provides a guide to determining a responsible course of action. Carrying on our business with integrity may sometimes require difficult choices. To ensure that proper choices are made, each of us must accept responsibility for following this Code of Ethics and expecting our co-workers to do the same.

By making a personal commitment to follow this Code of Ethics we will demonstrate to each other and to our customers that the people who make up American Water are dedicated and trustworthy.



George MacKenzie  
Chairman of the Board



Don Correll  
President and CEO

# American Water's Code of Ethics

## Avoiding Conflicts of Interest

All directors and employees have a duty to act in the best interest of American Water. If your personal interests compromise or appear to compromise that duty, you may have and must avoid a conflict of interest.

## Fair Dealing

American Water's reputation and success depends upon its employees conducting business with honesty and integrity. This means that we must act ethically and respectfully toward our customers, vendors and others.

## Handling Sensitive Information

Among our most valuable assets is information that is vital to American Water's success. Examples include: business plans; growth strategies; unpublished financial or pricing information; research and development opportunities; new product plans; personnel records; and, customer and supplier lists. You are responsible for safeguarding business information that is confidential and proprietary. Sensitive information should never be disclosed to non-authorized individuals, inside or outside American Water, without permission.

## Safeguarding Financial Records and Controls

The integrity of American Water's financial records is critical to the operation of our business and is a key factor in maintaining the confidence and trust of our employees and stakeholders. We must ensure that all transactions are recorded properly and that all records and data owned, used and managed by the company are accurate and complete.

## Government Relations

All American Water dealings with government officials should be marked by honesty and professionalism. If you are representing American Water on government matters, you should be thoroughly familiar with all applicable laws and regulations for dealing with government agencies and officials.

## Conduct in the Workplace

All employees are expected to adhere to the highest standards of personal conduct. To meet this expectation, employees must comply with all company policies as well as all federal, state, and local laws. Examples include: ensuring that all applicants and employees receive equal employment opportunity that is free from all forms of unlawful employment discrimination; conducting business in a safe and environmentally sound manner; and, respecting the privacy of American Water's customers and protecting personal information collected from them.

# American Water Standards

Every director and full- and part-time employee is required to conduct American Water's business with uncompromising integrity and to observe all applicable laws, regulations and American Water's policies and procedures. Each of us is required to be familiar with and to follow the Code of Ethics as well as American Water's policies and procedures.

## Ethics in Action

*Do I need to read this document? There are topics that don't appear to apply to me.*

Yes. Every director and employee is responsible for reading and carrying out his or her daily activities in accordance with this Code of Ethics.

In addition, while there may appear to be topics covered in this Code of Ethics that don't apply to you, understanding these standards will help you identify potential violations within your area of responsibility and the proper course of action should potential violations arise.

## Accepting Personal Responsibility

We are all responsible for observing and enforcing this Code of Ethics. Questions about possible violations of this Code of Ethics should be raised before rather than after the fact. You should not hesitate to raise good faith ethical concerns regardless of your level within the organization. If you are aware of any violations or suspected violations, it is your responsibility to report the incident without delay to the Confidential Ethics Hotline at (877) 207-4888.

## Making Proper Decisions

All directors and employees are expected to adhere to high standards of personal conduct. This means that no individuals subject to this Code of Ethics may:

- violate any federal, state or local laws or regulations,
- steal or misappropriate company property or the property of another,
- commit fraud or otherwise purposely mislead another,
- offer, give or accept bribes,
- lie, cheat or steal, or
- conduct themselves in any manner, whether on or off the job, that might adversely affect the company's reputation.

However, it is impossible to incorporate every scenario into this Code of Ethics. Accordingly, you may be confronted by a situation not specifically covered in this document.

## Questions and Reporting Violations

*Whom do I ask if I have questions? How do I report violations?*

Questions can be addressed to your Regional President, your Human Resources representative or a member of the Law Department.

If you know, or have a reasonable belief that a violation of this Code of Ethics has occurred, you must report it as promptly as possible to the Confidential Ethics Hotline at (877) 207-4888.

See "Seeking Advice" and "Reporting Violations" under the heading "Administration" on page 16 for additional information.

If this happens, please take the following measures to help ensure that proper decisions are made:

1. Gather all the facts so that you can properly clarify the situation and determine the fundamental issues.
2. Take into account those who will be affected by your decision and make note of competing interests that might be at variance with the company's interests.
3. Ask yourself the following questions:
  - Is the intended action lawful?
  - Is it consistent with this Code of Ethics and the company's policies and procedures?
  - Am I being honest?
  - Am I reasonably certain that the action will not endanger anyone's life, health, safety or financial stability?
  - Would the action appear to be appropriate to others?
  - Would I be comfortable if this event was covered on the front page of the local newspaper?
  - Could I justify it to my family and friends?Unless you can answer "yes" to all of these questions, the action you or the other person

is about to take may not be ethical. Please contact your supervisor or a member of the company's Law Department for further guidance.

4. Always question the following reactions:
  - "This is the way we do business here."
  - "No one will ever know."
  - "Everyone does it."
  - "We can hide it."
  - "We didn't have this conversation."
  - "It doesn't matter how it gets done, as long as it gets done."
5. If it is still unclear whether your proposed action would be consistent with this Code of Ethics or policies and procedures, seek additional guidance and advice from your Regional President, Human Resources representative or a member of the company's Law Department. See "Seeking Advice" and "Reporting Violations" under the heading "Administration" on page 16.

It is important to remember that questions about possible violations of this Code of Ethics should be raised before, not after, a course of action is taken.

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## Avoiding Conflicts of Interest

### Acting Properly

All directors and employees have a duty to act in the best interests of American Water. If your personal interests compromise – or even appear to compromise – that duty, you could have a conflict of interest. Always keep in mind that:

- You may not allow any personal relationship you may have with anyone doing business with American Water to affect your decisions in any way other than what is in American Water's best interests.

Decisions you make when carrying out American Water's business with customers, suppliers, contractors and other business partners must not be influenced by what you or someone with whom you have a "significant relationship" may gain personally. A "significant relationship" includes a spouse, life partner, child, stepchild, sibling, parent, grandparent, niece, nephew, aunt, uncle, in-law, any person sharing your household, close friend, and anyone on whom you depend or who depends on you for financial support.

## Ethics in Action

*My supervisor directed me to complete a task that may conflict with this Code of Ethics.*

*What should I do?*

Never feel pressured into taking actions that would be in violation of this Code of Ethics, or any other company policies and procedures. If you are directed to carry out activities that you think may be in violation of these principles, please contact your Regional President, Human Resources representative or a member of your Law Department or call the Confidential Ethics Hotline immediately at (877) 207-4888.

- You may not conduct American Water business with a company in which you or a person with whom you have a “significant relationship” has a direct or indirect material financial interest. If such an opportunity presents itself, you must disclose the relationship in writing to your Regional President or a member of the American Water Ethics Committee (see page 16) and allow them to pursue the opportunity for the company through another employee who does not report to you.
- You should not use company information or your position for personal gain. Keep in mind that the perception of wrongdoing can be as harmful as actually doing wrong.
- Activities outside your employment should not conflict with, or appear to conflict with, your ability to perform your work for American Water.
- Never provide to any person, firm or organization services that interfere with your ability to carry out your duties or responsibilities to American Water.

### Corporate Opportunities

Every director and employee owes a duty to American

Water to advance its legitimate business interests when the opportunity to do so arises. You may not, without the consent of the company’s Board of Directors:

- take for yourself personally an opportunity that is discovered while on the job or through your use of corporate property or information or your position,
- use company property or information, or your position for personal gain,
- compete with American Water directly or indirectly, or
- acquire a direct or indirect financial interest in property that the company is acquiring or is likely to acquire.

## Ethics in Action

*I am planning a company dinner and my daughter owns a catering company in town. May I pick her company if the prices are comparable to other catering companies?*

No. This may seem unfair, but our policy on avoiding conflicts of interest obligates each of us to avoid even the appearance of a conflict of interest. No matter how comparable the prices of your daughter’s company, others might see your decision as favoritism and this clearly violates our policy.

### Loans to Directors and Executive Officers

American Water is prohibited by law from directly or indirectly extending or maintaining credit, arranging for the extension of credit, or renewing an extension of credit, in the form of a personal loan to or for any director or executive officer of American Water. Certain other transactional activities in the normal course of business, such as travel advances or relocation assistance, may be granted when approved by the Board of Directors of American Water.

## Ethics in Action

*My son was offered a job with one of our suppliers.*

*Is this a problem?*

A problem exists if your son's position with a supplier creates an obligation, or even the appearance of an obligation, to favor that supplier, particularly if you are in a position to make decisions that affect that supplier.

Ask your Regional President, Human Resources representative or a member of the Law Department.

### Outside Directorships

Employees of American Water may not serve as directors of any outside for profit business organization unless that service is specifically approved by American Water's Chief Executive Officer. There are a number of factors and criteria that American Water will consider in determining whether to approve an employee's request for an outside business directorship. Directorships in outside companies should satisfy a number of business considerations, including furthering the interests of American Water and not detracting in any material way from the employee's ability to fulfill his or her commitments to American Water. American Water will also take into consideration the time commitment and potential personal liabilities and responsibilities associated with the outside directorship in evaluating requests.

### Accepting and Giving Business Gifts

At times, cultivating and building legitimate business relationships involves giving and receiving business courtesies including gifts, meals, services, entertainment, travel and other items and services that provide value. Generally, exchanging these

courtesies is acceptable if they are deemed reasonable in value, appropriate, in good taste and consistent with accepted business practices.

You should never give or accept gifts or services of more than a modest value. There is no hard and fast rule as to what constitutes "modest value." Generally, a gift value of \$100 or less may be used as a guideline as to what falls within that category. For amounts greater than that, you should consult your supervisor. If a gift of more than modest value is offered, the gift should be refused with a polite explanation of American Water policy.

No gift should be accepted from, or entertainment shared with, a supplier who is competing within the company's strategic sourcing process. A list of suppliers currently competing within the company's strategic sourcing process can be found in the Supply Chain section of the company's intranet on the "Suppliers" page.

Business courtesies that are offered with the intent to influence purchasing decisions or to persuade you to do anything illegal or against American Water policy should be refused immediately and reported promptly to your supervisor.

Regardless of value, gifts of currency must be refused. If you are offered an honorarium for a speaking engagement or for serving on a committee or board, you must obtain your supervisor's approval before accepting it.

It is also important that you are aware of any restrictions that your customers or business contacts are subject to regarding accepting gifts. For example, in most cases, you may not give a U.S. government employee any business courtesy – including gifts, meals, entertainment or travel – unless the government employee pays its fair market value, or unless you have consulted with a member of the company's Law Department in advance and determined that, due to an exception, it would be allowed.

## Ethics in Action

*I have just joined American Water as a new employee. My prior employer is one of American Water's competitors. May I share some important marketing information that I developed while at my former employer?*

No. It is not ethical or good business practice to share confidential information with your new employer. You are obligated to protect your past employer's confidential information just as American Water employees are obligated to protect our company's confidential information should they leave our employ.

**If you are unsure whether or not to accept or give a gift, ask yourself the following questions before making your final decision:**

- Would accepting or giving the gift appear to be inappropriate by other employees, regulators

and members of the media? Trust your instincts. Seek guidance if you feel any level of discomfort.

- In accepting or giving the gift, am I truly keeping American Water's best interests in mind or is the intent to influence a decision or to gain personally? If there are strings attached or an underlying purpose other than to build a legitimate business relationship, seek additional guidance.

Strict adherence to these principles is essential to maintaining unquestionable integrity in business relationships and avoiding the appearance of impropriety.

### Accepting Entertainment

Generally, you may accept an invitation to attend a social occasion, such as a sporting or cultural event, if it is in good taste, consistent with acceptable business practices, reasonable in value and your host is present with you at the event. If the person offering you a ticket to an event cannot attend, then it constitutes a business gift, which is discussed above.

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## Fair Dealing

American Water's reputation and success depend upon our conducting our business with honesty and integrity. This means that we must act ethically and with respect and integrity toward our customers, vendors and others.

### Dealing with Customers

The interests of our customers are fundamental to everything we do, because our reputation depends on the service we deliver.

Your duty as an American Water employee is to deal fairly and truthfully with our customers and to maximize customer satisfaction at every opportunity

through quality service, value and efficiency while still meeting the requirements of all laws, regulations and American Water policies. This means providing the best possible solutions when meeting customers' needs and the challenges of constantly changing expectations.

### Dealing with Vendors

American Water is committed to building ethically sound business partnerships with suppliers. In doing so, it is critical that transactions be conducted with the highest standards of fair dealing and integrity and in accordance with applicable laws, regulations

and American Water policies and procedures.

To obtain the best overall result for the company, American Water negotiates professionally and fairly. Working properly with our suppliers is critical to our business success.

The suppliers with whom American Water conducts business are selected by category sourcing teams facilitated by the Supply Chain Department. All agreements must be reviewed by the appropriate Supply Chain Department and Law Department members and then signed by an officer of the company or someone to whom that authority has been delegated. Once an agreement has been signed by all parties, it is up to you to make sure the supplier carries out its obligations and service commitments.

Part of your business activities may involve entering into commitments with suppliers, consultants, independent contractors, business partners or other external parties. It is important that you understand basic principles of business transactions and that you abide by American Water's contracting policies and guidelines. For example:

- We will not enter into any contracts or agreements that violate applicable laws or regulations or compromise the company's ability to comply with laws and regulations.
- Only employees with proper authorization by the company may commit American Water to a contract, service, payment agreement or other obligation.
- Before they are signed, all contracts, agreements, letters of intent and memoranda of understanding must be reviewed by the appropriate Supply Chain and Law Department members. Undocumented or unauthorized agreements are not permitted.

During the selection process, you should make sure – to the best of your ability – that the outside parties are reputable and qualified. You are encouraged to make this Code of Ethics available to them. When managing contracts, it is important

that you properly document all business activities to ensure that our records reflect actual transactions and payments.

### **Dealing with Competitors**

American Water competes in its markets professionally and fairly and complies with all applicable antitrust and competition laws. All antitrust laws must be adhered to when dealing with competitors.

American Water directors and employees are responsible for conducting company business in a professional, legal and ethical manner. This includes how we go about obtaining competitive information about industry markets and developments. You may review any information that has been released to the general public by a competitor. It is not acceptable to obtain non-public, confidential competitor information through illegal means, by misrepresenting yourself or by requesting it from a competitor's employees, consultants, suppliers or customers.

American Water's business development practices should reflect the company's commitment to integrity and fair dealing. As such, all comments about American Water competitors must be factual and fair.

### **Promoting American Water Products and Services**

American Water's advertisements, printed materials and promotional efforts must be fact-based and honest, and should not be susceptible to misinterpretation or be misleading to the public.

In addition, consistency in how we portray our brand, how we tell our story and the visual style we use in our communications are all critical elements to building and protecting a successful brand. You should follow the established company guidelines regarding the American Water brand for published materials. These guidelines can be found on the company's intranet site or by contacting a member of the External Affairs Department.

### Adhering to Antitrust Laws

American Water is committed to fair dealing and open competition, and to complying with antitrust laws. These laws are complex, and serious civil and criminal penalties can be imposed for violations.

As a general rule, antitrust laws prohibit business conduct that weakens or destroys competition or that unreasonably restrains trade or commerce.

This includes boycotting specific suppliers, illegally fixing prices and sharing markets.

When dealing with competitors, never agree with them on what jobs to bid, which suppliers to buy from or sell to, what markets to serve or how much

they and American Water charge for products and services. Particular care should be exercised by employees who participate in industry or trade organization activities. At these events, never engage in discussions with competitors that would violate, or appear to violate, antitrust laws. If in doubt, ask a member of the company's Law Department for guidance.

When dealing with customers or third parties, never incorporate a condition of sale that would force them to buy a product or service from American Water.

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## Handling Sensitive Information

### Safeguarding Sensitive Information

Among American Water's most valuable assets is information that is vital to business success. Examples include: business plans; growth strategies; unpublished financial or pricing information; research and development opportunities; new product plans; personnel records; and, customer and supplier lists.

While we encourage open and honest communication by management, there are times when it is necessary to protect information, whether it is in print or electronic format. This may be because it:

- is commercially sensitive,
- could jeopardize the security of American Water facilities or supplies,
- is non-public information that might be useful to competitors,
- is confidential personal information,
- would be harmful to the company or its customers or suppliers if disclosed, or
- could cause distress or confusion if published out of context or in an unmanaged way.

You are responsible for safeguarding business information that is confidential or proprietary in nature. In addition, acceptance of sensitive information from others must also be handled appropriately and in the same manner as you would handle confidential American Water information.

Sensitive information should never be disclosed to non-authorized individuals, inside or outside American Water, without permission. To this end, you should use extreme caution when discussing company business in public places. It is also important to properly store and dispose of

### Ethics in Action

*At lunch, co-workers were discussing sensitive company business. Should I have said something?*

Yes. Politely let them know that you can hear their conversation. It is critical that we all use extreme caution when discussing business in public places.

confidential documents, for example, by keeping them in a locked filing cabinet.

Keep in mind that you are legally obligated to apply these rules and maintain confidentiality of information even if you retire or leave the company. Please consult a member of the company's Law Department if you are unsure whether data is considered confidential before releasing any information, or if you become aware of confidential information that has been inadvertently or purposefully released.

### **Cooperating with Legal Proceedings and Investigations**

American Water's policy is to cooperate fully and promptly in the course of a lawsuit, legal proceeding or government investigation. If you receive a work-related subpoena, are threatened with a lawsuit or are made aware of a government investigation, you should immediately contact your supervisor and/or a member of the company's Law Department before any action is taken.

In any event, you should never, under any circumstance:

- destroy, alter or hide company documents, records, e-mails or electronically stored data in anticipation of a request for information from a government agency, court of law or adverse party in relation to an investigation or litigation,
- lie or withhold information or make misleading or false statements to government investigators,
- pressure others into lying, hiding information or making false or misleading statements to government or internal investigators, or
- retaliate against any employee for cooperating in an investigation.

If you are involved in a lawsuit or legal proceeding involving the company, avoid discussing it with anyone inside or outside the company without prior approval of the company's Law Department.

### **Inside Information**

It is the policy and practice of American Water to comply strictly with laws governing the use of material, non-public information, sometimes referred to as "inside information." Because the unlawful use of material, non-public information could have severe negative consequences for the individuals and the company involved, you must never directly or indirectly use such information for your own personal gain, or provide such information for the use of others.

As used here, "material, non-public information" is any information (whether fact, development or intended action) that has not been disclosed to the public and that could reasonably be expected to affect the market price of securities or an investor's decision to buy, sell or hold securities. Material, non-public information includes information originating within American Water with respect to earnings, acquisition or divestiture plans; significant increases or decreases in dividend payments; changes in key management; legal reorganizations; plans to issue new securities; and other major business developments that are not publicly known.

This rule applies to the securities of any company in the American Water group of companies (including RWE AG at the time this Code of Ethics is issued) whose securities are publicly traded. While American Water complies with all disclosure requirements that apply to it, there will be times when important information is known to some inside the company but is not required to be publicly released at the moment. In such cases, the information must be held in strict confidence until it is disclosed in accordance with American Water policy and statutory and regulatory requirements. Examples may include information relating to acquisitions, mergers, construction programs,

regulatory proceedings and other important corporate developments. In that case, you may not purchase or sell securities of any company in the American Water group until such important information has been publicly released.

This is a sensitive and complex area, and you should raise any questions you have about these rules governing inside information with the office of the General Counsel of American Water Works Company, Inc.

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## Safeguarding Financial Records and Controls

The integrity of American Water's financial records is critical to the operation of our business and is a key factor in maintaining the confidence and trust of our employees and stakeholders.

We must ensure that all transactions are recorded properly and that all records and data owned, used and managed by the company are accurate and complete. In addition, our financial statements must be prepared in accordance with generally accepted accounting principles and applicable laws, and shall fairly present the financial condition of the company.

In any event, you must never, under any circumstances:

- falsify internal or external documents, or in any other way cause our books and records to be inaccurate or misleading,
- misrepresent our financial performance or knowingly compromise the integrity of American Water's financial statements,
- hide or fail to record any funds, assets or transactions, or
- knowingly accept and treat as accurate any false or misleading document prepared by an outside person.

In addition, all invoices should be paid in accordance with agreed payment terms.

Information needed to verify the accuracy of the company's books and records by American Water's internal auditors or independent accountants should be provided. Influencing, coercing, manipulating or misleading these auditors is against company policy.

All directors and employees have the responsibility to raise any concerns about the accuracy of our business records immediately.

If you become aware of or suspect any financial misrepresentation or impropriety, please report it promptly to your Regional President, Human Resources representative or a member of the company's Law Department or call the Confidential Ethics Hotline at (877) 207-4888.

# Governmental Relations

All American Water dealings with government officials should be marked by honesty and professionalism.

## Ethics in Action

*I want to invite one of our government customers to my house for a barbecue, but her regulations say that I can't purchase a meal for her. Does that regulation only apply to meals in restaurants?*

No. A rule that prohibits us from buying a meal for a government employee in a restaurant also prohibits us from inviting him or her for a meal in our homes.

If you are representing or lobbying on behalf of American Water on government matters, you should be thoroughly familiar with all applicable laws and regulations for dealing with governmental agencies and officials. At a minimum, you must not:

- influence or attempt to influence public officials by offering gifts, gratuities or other promises of reward or benefit,
- offer or accept bribes, kickbacks or payments in any form, to directly or indirectly obtain preferential treatment, or
- intentionally submit incorrect, misleading or fraudulent information to public officials or government agencies.

You should conduct American Water business in accordance with these standards and even avoid the appearance of any impropriety when dealing with government officials.

With regard to political contributions, federal law and many state laws prohibit the use of corporate funds to contribute to those seeking or holding

federal offices. At the state level, American Water employees may make personal contributions to political action committees and candidates running for or holding state office.

Outside of work, you are encouraged to vote and participate in the political process. You may be actively involved in activities, such as contributing to candidates, volunteering for a political campaign or contacting officials on an issue of personal importance. In these cases, it is important to make clear that you are expressing your own views and not the views of American Water.

You may not use the influence of your position with American Water to persuade another employee to work for or make a personal contribution to a party, candidate or political action committee.

You must never seek reimbursement from the company for expenses related to personal political contributions or costs related to political functions or fundraisers. Use of company time for work on a political campaign is considered the equivalent of a contribution by American Water; therefore, you cannot be paid for time spent working on political campaigns.

## Ethics in Action

*Do all government agencies have the same regulations concerning the acceptance of meals and entertainment?*

No. Regulations differ among federal, state, local, and foreign government agencies. Before offering any gifts, meals or entertainment, make sure you know the applicable regulations. Contact the Law or Regulatory Departments for guidance in this area.

Bribes, kickbacks and similar unlawful payments to obtain business or preferential treatment, whether or not disguised as payments to third parties, are strictly forbidden. All agreements with lobbyists, political consultants and similar parties must be reviewed by, and contain terms specified by, the Law Department.

If you plan to seek public office, it is important that you notify your immediate supervisor to discuss how the role could impact your job.

Laws and regulations regarding federal and state political activities are complex. If you have any questions, please seek guidance from a member of the company's Law Department.

## Ethics in Action

*Can I work on a campaign for a candidate during working hours?*

No. Using company time to work on a campaign for a candidate or political party is not allowed, because that would be the equivalent of American Water making a contribution to that candidate or political party.

# Conduct in the Workplace

## Equal Opportunity, Affirmative Action and Prohibition Against Harassment

American Water is committed to complying with all federal, state and local equal employment opportunity laws and ensuring that all applicants and employees receive equal employment opportunity that is free from all forms of unlawful employment discrimination. American Water employees must comply with all company policies.

To this end, the company will not, and no employee is permitted to, take any of the following actions based on gender, marital status, race, color, national origin, religion, age, disability, veteran status, sexual orientation or any other characteristic protected by law:

- hire or promote a person or fail to hire or promote a person,
- treat a person differently with regard to any other employment matters, including transfer, recruitment, selection for training, discipline,

- layoff, or rates of pay and other compensation,
- harass any person or permit any harassment, including verbal, nonverbal or physical attacks,
- segregate or sponsor any function that segregates, except where respect for privacy based on gender is concerned, or
- retaliate against anyone who makes a complaint about discrimination or harassment.

American Water is committed to ensuring an environment that respects the dignity and worth of each applicant and employee, and is free from all forms of unlawful employment discrimination and harassment. The American Water group of companies will not tolerate any such discrimination or harassment. This policy applies to all harassment arising out of the work environment whether in the office, at work assignments outside the office, at office-sponsored social functions, or elsewhere.

Employees at each level of the company are responsible for helping to ensure that harassment

and discrimination do not occur by conducting themselves in accordance with American Water policy and by promptly reporting any observed harassment or discrimination. Adherence to these policies is a condition of employment at the company, and employees who violate them will be subject to appropriate disciplinary action, up to and including discharge.

### **Environment: Health and Safety**

American Water considers the health and safety of all employees as matters of highest priority. American Water is committed to conducting its business in a safe and environmentally sound manner and to adhering strictly to all environmental and safety laws that apply to its operations. Violation of environmental and safety laws can subject a company to significant fines, and can subject employees to fines and imprisonment.

All employees have a duty to perform their jobs consistent with any environmental and safety training they have received. Each manager and supervisor must ensure that operations comply with Occupational Safety and Health Administration laws and regulations, the Safe Drinking Water Act, the Resource Conservation and Recovery Act, the Clean Water Act, the Clean Air Act, the Toxic Substance Control Act and similar laws and regulations. Written reports required to be filed with governmental agencies within specified time periods and/or upon the occurrence of certain events must be accurately and timely filed.

In keeping with American Water's commitment to provide a safe workplace for employees, violent behavior and threats of violence will not be tolerated. They will be treated as willful misconduct of the most serious magnitude, and any employee who engages in such conduct may be subject to immediate dismissal. The police or other law enforcement agencies may be notified if there

is a suspicion that an employee is engaging in, or threatening to engage in, violent activities on company premises or while conducting company business. For the protection of all, if you witness an employee engaging in violent behavior or making threats of violence, or if you suspect that an employee has possession of firearms, weapons or explosives on company property or while on company business, you should immediately contact your supervisor, manager or Human Resources representative, or call the Confidential Ethics Hotline at (877) 207-4888.

### **Ethics in Action**

*If I'm in a minor accident at work, should I report it?*

Yes, you should report it. Although the incident may seem minor, a report can help bring to light potential safety hazards and possibly prevent more serious accidents from occurring.

### **Illegal Substances and Alcohol**

The ability to perform one's work is compromised by the use of illegal drugs and/or alcohol. To succeed in maintaining a high level of productivity and a safe work environment, all employees are expected to report for work in a condition to fulfill properly their assigned responsibilities.

Employees may not, under any circumstances, use, sell, buy, distribute or possess illegal drugs, or consume alcohol during working hours or on company property, including company vehicles and job sites. The company may also inform the police or drug enforcement agencies if there is suspicion that illegal drugs are being sold, bought, possessed, used or distributed on company premises or while conducting company business.

### Using American Water Resources

It is essential that all American Water employees make efficient use of the company's assets and avoid waste and carelessness. The tools that we use to do our jobs, including office equipment, supplies and inventory, are entrusted to us by American Water. We should use them only for company business, unless we get approval otherwise from a supervisor. Misappropriation of these materials can constitute theft.

Electronic communications systems, including computers, telephones, cell phones, pagers, e-mail, voicemail and Internet access, are also the property of American Water, and any communications transmitted over company systems may be accessed, inspected and monitored at any time and without notice.

Occasional use of these communications tools for personal reasons is acceptable as long as it is kept to a minimum, is appropriate and does not interfere with job performance. Inappropriate use of these resources includes:

- pirating software,
- soliciting for commercial ventures or other non-job-related organizations (other than occasional company-approved charitable endeavors),

- sending inappropriate e-mail or accessing inappropriate Web sites, such as those advocating violence or containing sexually explicit material, or
- using the company's communications tools in a way that is disruptive, offensive or harmful to others.

More information on proper use of communications can be found in American Water's Electronic Communications policy.

### Respecting the Privacy of Customers

American Water respects the privacy of its customers and is committed to protecting the personal information that we collect from them, are required to collect by law or that is necessary for legitimate business purposes. In that regard, we will follow data protection practices in accordance with local law when collecting, storing and using personal information and will not share or sell our customers' personal information to outside parties.

As an employee, you must ensure that our customers' personal information, including billing and payment history, remains properly safeguarded.

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# Administration

## Seeking Advice

It is to be expected that employees will have questions about the interpretation of this Code of Ethics. In order to make ethical conduct an essential part of the daily fabric of our business life, it is important that each of us seeks guidance when questions arise or doubt occurs. In case of any uncertainty, you should seek advice from:

- your Regional President, or
- your Human Resources representative, or
- any lawyer in the company's Law Department.

## Reporting Violations

**Every director and employee who knows, or has a reasonable belief, that a violation of this Code of Ethics has occurred or may occur *must* report it as promptly as possible to the Confidential Ethics Hotline at (877) 207-4888.** American Water will maintain confidentiality to the extent possible during a compliance investigation, and will not tolerate retribution or retaliation of any kind against a person for reporting noncompliance by another American Water employee. The person reporting the violation or potential violation may also report the matter to, or consult with, his or her Regional President, Human Resources representative or a member of the company's Law Department, but in any case, the Confidential Ethics Hotline must be called as well.

If you would like to report a violation anonymously, you may do so using the Confidential Ethics Hotline, which is manned by trained professionals and is not equipped with caller ID. Your calls cannot be traced.

When calling the Confidential Ethics Hotline, it is essential that you give as much detail as possible, so that the issue can be properly investigated. At the least, you should advise the Confidential Ethics Hotline of the location of the suspected violation, the behavior that is being questioned and the persons you believe are or may be involved.

If you do not wish to leave your name or contact information, please provide an identifying number, such as "Caller 1004." This will become the case number and can be used anonymously by you to check the status of the report.

All calls to the Confidential Ethics Hotline will be reviewed by members of the company's Ethics Committee. The Ethics Committee consists of the Chief Financial Officer, the Chief Operating Officer, the Senior Vice President of Human Resources, the Vice President of Internal Audit and the General Counsel, or their respective designees. The Ethics Committee may require a reported matter to be investigated by the Law Department or Internal Audit. The Ethics Committee reports to the Audit Committee of the Board of Directors of American Water.

## Guarding Against Retaliation and False Allegations

American Water has a "no retaliation" policy. Allegations of retaliation will be investigated, and those who are found to retaliate against a person who reports an ethical or legal concern in good faith will be subject to disciplinary measures, which may include termination.

Conversely, American Water will not tolerate anyone who intentionally falsely accuses a person of violating this Code of Ethics.

### Ensuring Compliance

Ensuring compliance with this Code of Ethics is everyone's responsibility. All company officers and managers are responsible for insuring that employees under their supervision are adequately informed about this Code of Ethics.

- Regional Presidents and officers are responsible for maintaining a favorable environment for adhering to this Code of Ethics and for developing a system of controls for its enforcement within their spheres of responsibility. This includes periodically distributing this Code of Ethics to all employees and maintaining an open door policy to encourage questions and discussion regarding these standards.
- Regional Presidents will be asked to report annually to the Board of Directors of each subsidiary within their regions on compliance with this Code of Ethics and to provide the company's Ethics Committee with any recommendations they may have for changes to this Code of Ethics.
- All management-level employees are expected to lead by example and provide their team members with opportunities to learn and discuss the practical application of these standards. Managers are also responsible for reviewing this Code of Ethics with their teams.
- Each year, all directors and designated employees will be asked to certify that they have read and complied with this Code of Ethics and that they do not have personal knowledge of violations by others. If they do have knowledge of a violation, they will be asked to describe the steps taken to report the incident.

- Each year the Ethics Committee will receive a report regarding all certifications to the Code of Ethics. The Ethics Committee will also report its findings to the Audit Committee of the Board of Directors of American Water and propose any recommended changes to the Code of Ethics for adoption.
- Disciplinary action may be taken against any employee who violates or participates in any violation of the Code of Ethics. Discipline resulting from such violations will be consistent with applicable collective bargaining agreements.
- The Ethics Committee has the responsibility and authority to define and interpret the principles contained in the Code of Ethics and to review significant ethics questions or issues that arise. Management has day-to-day responsibility to ensure compliance with the Code of Ethics, but the Ethics Committee is responsible for ensuring consistent application and overall compliance. Members of American Water's Ethics Committee are the Chief Financial Officer, the Chief Operating Officer, the Senior Vice President of Human Resources, the Vice President of Internal Audit and the General Counsel.

### Oversight and Waivers

Ultimate oversight is the responsibility of the Board of Directors of American Water.

Waivers of this Code of Ethics may only be granted for exceptional circumstances by American Water's Board of Directors or a designated committee of the board. Such waivers for directors and executive officers must be publicly disclosed.



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