2022 SUPPLIER DIVERSITY

Economic Impact Report

American Water
American Water views Supplier Diversity as an essential component of our company and the communities in which we live and serve. Supplier Diversity is a business imperative that provides a competitive advantage in all aspects of our business operations. As national members of the National Minority Supplier Development Council, Women Business Enterprise National Council, National Veteran Supplier Development Council, National Gay & Lesbian Chamber of Commerce, and many local and regional advocacy organizations, American Water takes its responsibility seriously. We partner with these organizations in our outreach strategy to ensure we are identifying certified and qualified diverse businesses across the spectrum of what we purchase. Please visit our website to see how you can partner with and be a part of our commitment to an inclusive supply chain.
American Water’s Supplier Diversity initiative aligns with the company’s overall Inclusion, Diversity & Equity strategy. It is a critical component in maintaining our standards for excellence and essential to help keep life flowing for our customers.

Supplier diversity is both an American Water business imperative and best practice. As a component of our engagement and support of the communities that we serve, it is our privilege to proactively source, select and establish relationships with diverse businesses that include Ethnic/Racially Diverse, Disabled, Women, LGBTQ+, Veteran, Service-Disabled Veteran Businesses.
We are proud of the steps we are taking to increase supplier diversity. We understand the tremendous value that comes from having many diverse perspectives and are committed to the success and growth of diverse businesses across our operating footprint.

Cheryl Norton
Chief Operating Officer
Supplier Diversity is an important aspect of our overall procurement strategy. Our supply chain professionals are committed to an inclusive category management strategy that provides for a competitive process where we select the best suppliers for the job. We work tirelessly to ensure diverse suppliers have a seat at the table and are provided the knowledge and information to submit competitive bid responses to meet stakeholder expectations. Diverse suppliers have proven if given an opportunity to compete, they can win.
Supplier diversity is an important part of our inclusion, diversity, and equity (ID&E) strategy. Like workforce ID&E efforts, a commitment to supplier diversity drives innovation, a sense of belonging and community engagement. Organizations that have identified ID&E as a business imperative will have access to a larger pool of suppliers and candidates to meet the changing needs of their customers. We are dedicated to building a culture that celebrates diversity through inclusion and equitable access. We believe that this approach includes the suppliers that we work with to provide safe, clean, affordable and reliable services to our customers.
AMERICAN WATER’S SUPPLIER DIVERSITY TEAM

Lawrence B. Wooten  
Senior Manager,  
National Supplier Diversity

Dina Cooper Williams  
Senior Program Lead,  
National Supplier Diversity

Jennifer Morrison  
Program Director,  
Supplier Diversity, and  
Community Outreach,  
Illinois American Water

Taiiko Ballard  
Specialist,  
Business Services,  
Illinois American Water
VISION:
Our vision is to be recognized as a company that values supplier diversity in all aspects of our business processes, but more importantly, remove the barriers to diverse supplier inclusion and model a customer-first approach.

MISSION:
We mirror the communities we serve, and provide diverse suppliers the opportunity to compete on a level playing field. American Water strives to engage diverse suppliers in the growth of our company which translates into building wealth in underserved communities.
Over the past five years, American Water has committed to progressively increase the percentage of spending with diverse suppliers across our national operating footprint. Over this period, we have successfully met or exceeded our expectations of spend increase on both the first and second tier suppliers. Our goal for 2023 is 32.4% across our operating company.
American Water Suppliers in Action
Women-Owned Businesses

Montana Construction is a strategic and diverse construction partner delivering support for American Water contributing to addressing the ongoing water and wastewater infrastructure needs. In addition to being a certified women-owned business, Montana Construction's field operations are proudly represented by Ethnic/Racial diversity of 30% across multiple countries. Montana Construction's mission is to utilize diverse sub-contractors for electrical work, concrete restoration, landscaping, plumbing, pipe supply, and trucking. Our teams work together to use critical thinking and shared ideas to achieve common goals. We support American Water’s purpose to Keep Life Flowing for its customers.

Lisa Ballerini
President
Montana Construction
TCGI has cultivated a strong partnership with American Water over the past three years. Our relationship continues to flourish, marked by significant growth and ongoing collaboration. Together, we have worked to identify and implement cutting-edge technologies that enable American Water to solve complex challenges. We take pride in our shared values and commitment to a culture of excellence and will continue to strive, both individually and as partners, to strengthen our businesses and communities.
Women-Minority-Owned Small Businesses

We are very grateful to be a diverse supplier for American Water. We admire their commitment to supplier diversity and because of our partnership, we have seen tremendous growth with American Water, in terms of our relationship and service offerings. It has also opened the door for us to work with other companies within the region and across the U.S. Our partnership has allowed us to hire local talent and have a real impact on their lives. American Water's Supplier Diversity program truly sets the precedent on how a program should operate. We are proud of the work we have done with American Water over these last 4 years and look forward to our mutually beneficial relationship.
Supplier Diversity Partnerships
OUR PARTNERSHIPS

American Water partners with organizations that have similar values. We understand that economic growth is felt when we invite diverse suppliers into our supply chain.
ORGANIZATIONAL PARTNERSHIP/SUPPORT:
REGIONAL SPONSORSHIP AND ENGAGEMENT

African American
CHAMBER OF COMMERCE OF
NEW JERSEY

WBENC
WOMEN’S BUSINESS ENTERPRISE CENTER

Eastern
Minority Supplier
Development Council

STATEWIDE HISPANIC CHAMBER
OF COMMERCE OF NEW JERSEY

CHAMBER OF COMMERCE
SOUTHERN NEW JERSEY
Connecting the region since 1873
ABOUT THE REPORT

This report measures the economic benefits of American Water's 2022 purchases from small and diverse businesses. Diverse businesses are critical contributors to delivery of the best products carrying the greatest value in a diverse marketplace.

By utilizing an Input-Output analysis model our engagement with Small, Ethnic/Racially Diverse, Women, Veteran, Service-Disabled Veteran, Disabled and LGBTQ+-Owned Businesses led to over $846.7 million in contributions to the U.S. economy and sustained more than 4,342 jobs.

The impact is the sum of three effects: (i) direct purchases by American Water from its Small, Ethnic/Racially Diverse, Women and Veteran suppliers, (ii) indirect activities within these companies’ supply chains, and (iii) the induced effects that result as employees of these companies, and those of companies within their supply chains, spend their wages in the wider consumer economy.
| PRODUCTION       | Measures the cumulative revenues of all businesses impacted through the program: Direct, Indirect and Induced. |
| JOBS             | Created within American Water’s supply chain and in the supplier’s communities.                  |
| WAGES            | Measures the cumulative earnings of the employees in the jobs supported through supplier diversity purchases. |
| TAXES            | Measures the federal, state and local tax revenues that are generated through economic activity.    |
ECONOMIC IMPACT CHANNELS

American Water’s purchasing decisions have a ripple effect on the supply chain. The total economic impact is comprised of three components: Direct, Indirect and Induced.

DIRECT IMPACT
Impact at American Water’s immediate small and diverse suppliers.

INDIRECT IMPACT
American Water’s small and diverse suppliers purchase goods and services from other suppliers, which creates a ripple effect through the economy.

INDUCED IMPACT
The employees in the jobs created in the supply chain to satisfy American Water’s purchases support additional jobs in their communities.
AMERICAN WATER’S
SUPPLIER DIVERSITY ECONOMIC IMPACT

$846.7M
TOTAL PRODUCTION
Total economic impact from American Water’s small and diverse vendor relationships

$458.4M
DIVERSE SPEND

4,342
JOBS SUPPORTED

$335M
WAGES SUPPORTED

$106.7M
TAXES GENERATED

Note: These numbers should not add up to the $846.7 number. Total production ($846.7) is based on direct, indirect, and induced which is the breakdown on page 23. Page 22 gives the total output numbers. Taxes and wages are separate from the total production number ($846.7).
American Water purchased $458.4M from diverse and small businesses. This spending resulted in the total impact of $846.7M, which is broken down into $458.4M Direct impact, $179.5M Indirect impact and $208.8M Induced impact.

American Water’s Supplier Diversity spending with diverse and small suppliers supported an estimated 4,342 jobs. 2,418 of these were supported in the Direct channel, 801 jobs in the Indirect channel, and 1,123 jobs from the Induced channel.

American Water’s purchases from diverse and small suppliers supported jobs throughout the supply chain that paid employees a total of $335M in incomes. Incomes earned in the Direct, Indirect and Induced channels are estimated at $197.2M, $64.7M and $73.1M respectively.
### SPEND WITH DIVERSE BUSINESSES

**$458.4M**
Total purchases of products and services from American Water’s small and diverse businesses

<table>
<thead>
<tr>
<th>Category</th>
<th>Total Spend</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>WOMEN-OWNED BUSINESS SPEND</strong></td>
<td><strong>$254.3M</strong></td>
</tr>
<tr>
<td>Total American Water purchases from Women-owned businesses</td>
<td></td>
</tr>
<tr>
<td><strong>ETHNIC/RACIALLY DIVERSE-OWNED BUSINESS SPEND</strong></td>
<td><strong>$99.7M</strong></td>
</tr>
<tr>
<td>Total American Water purchases from Ethnic/Racially Diverse-owned businesses</td>
<td></td>
</tr>
<tr>
<td><strong>SMALL BUSINESS SPEND</strong></td>
<td><strong>$66M</strong></td>
</tr>
<tr>
<td>Total American Water purchases from small businesses</td>
<td></td>
</tr>
<tr>
<td><strong>VETERAN-OWNED BUSINESS SPEND</strong></td>
<td><strong>$37.1M</strong></td>
</tr>
<tr>
<td>Total American Water purchases from Veteran-owned businesses</td>
<td></td>
</tr>
<tr>
<td><strong>LGBTQ+-OWNED BUSINESS SPEND</strong></td>
<td><strong>$1.2M</strong></td>
</tr>
<tr>
<td>Total American Water purchases from LGBTQ+-owned businesses</td>
<td></td>
</tr>
</tbody>
</table>
jobs at diverse and small businesses

<table>
<thead>
<tr>
<th>Category</th>
<th>Jobs</th>
<th>Wages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Women-owned business spend</td>
<td>1,383</td>
<td>$108.7M</td>
</tr>
<tr>
<td>Ethnic/racially diverse-owned</td>
<td>529</td>
<td>$45M</td>
</tr>
<tr>
<td>Veteran-owned business spend</td>
<td>149</td>
<td>$12.9M</td>
</tr>
<tr>
<td>LGBTQ+-owned business spend</td>
<td>8</td>
<td>$681K</td>
</tr>
<tr>
<td>Small business spend</td>
<td>348</td>
<td>$29.9M</td>
</tr>
</tbody>
</table>
Supplier Diversity Economic Impact by State

The state impact report is aligned to the state that the business is located in. We believe this is a true measure of impact as opposed to the American Water location the business services.
## IMPACT BY STATE

### DIVERSE IMPACT FROM Direct, Indirect and Induced

<table>
<thead>
<tr>
<th>State</th>
<th>Diverse &amp; Small Business Spend</th>
<th>Total Production</th>
<th>Total Jobs</th>
<th>Total Wages</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Jersey</td>
<td>$152.2M</td>
<td>$272.3M</td>
<td>1,477</td>
<td>$119.7M</td>
</tr>
<tr>
<td>Pennsylvania</td>
<td>$92.3M</td>
<td>$169.5M</td>
<td>770</td>
<td>$58.7M</td>
</tr>
<tr>
<td>Missouri</td>
<td>$61.4M</td>
<td>$116.9M</td>
<td>671</td>
<td>$46.4M</td>
</tr>
<tr>
<td>California</td>
<td>$53.7M</td>
<td>$104.8M</td>
<td>520</td>
<td>$45.3M</td>
</tr>
<tr>
<td>Illinois</td>
<td>$52.4M</td>
<td>$102.4M</td>
<td>457</td>
<td>$36.6M</td>
</tr>
<tr>
<td>Indiana</td>
<td>$18.3M</td>
<td>$32.6M</td>
<td>205</td>
<td>$13M</td>
</tr>
<tr>
<td>West Virginia</td>
<td>$10.6M</td>
<td>$17M</td>
<td>61</td>
<td>$4M</td>
</tr>
<tr>
<td>Kentucky</td>
<td>$6.3M</td>
<td>$10.8M</td>
<td>73</td>
<td>$4.3M</td>
</tr>
<tr>
<td>Virginia</td>
<td>$2.1M</td>
<td>$3.6M</td>
<td>19</td>
<td>$1.2M</td>
</tr>
<tr>
<td>Kansas</td>
<td>$2.1M</td>
<td>$3.8M</td>
<td>21</td>
<td>$1.3M</td>
</tr>
<tr>
<td>Arizona</td>
<td>$1.5M</td>
<td>$3M</td>
<td>19</td>
<td>$1.2M</td>
</tr>
</tbody>
</table>

### State

<table>
<thead>
<tr>
<th>State</th>
<th>Diverse &amp; Small Business Spend</th>
<th>Total Production</th>
<th>Total Jobs</th>
<th>Total Wages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maryland</td>
<td>$1.2M</td>
<td>$1.8M</td>
<td>6</td>
<td>$378K</td>
</tr>
<tr>
<td>Alabama</td>
<td>$1M</td>
<td>$1.8M</td>
<td>11</td>
<td>$857K</td>
</tr>
<tr>
<td>Nebraska</td>
<td>$933K</td>
<td>$1.6M</td>
<td>8</td>
<td>$495K</td>
</tr>
<tr>
<td>New York</td>
<td>$837K</td>
<td>$1.3M</td>
<td>5</td>
<td>$416K</td>
</tr>
<tr>
<td>Ohio</td>
<td>$554K</td>
<td>$1.1M</td>
<td>6</td>
<td>$407K</td>
</tr>
<tr>
<td>Tennessee</td>
<td>$480K</td>
<td>$895K</td>
<td>5</td>
<td>$322K</td>
</tr>
<tr>
<td>Texas</td>
<td>$339K</td>
<td>$735K</td>
<td>4</td>
<td>$339K</td>
</tr>
<tr>
<td>Georgia</td>
<td>$100K</td>
<td>$190K</td>
<td>1</td>
<td>$60K</td>
</tr>
<tr>
<td>North Carolina</td>
<td>$97K</td>
<td>$217K</td>
<td>1</td>
<td>$60K</td>
</tr>
<tr>
<td>Iowa</td>
<td>$16.6K</td>
<td>$27.8K</td>
<td>0</td>
<td>$11.2K</td>
</tr>
<tr>
<td>Hawaii</td>
<td>$52</td>
<td>$78</td>
<td>0</td>
<td>$16</td>
</tr>
</tbody>
</table>

Note: State production, jobs and wages may not add up to the total due to rounding.
Note: This report is based on an analysis of regulated drinking water and wastewater operations data.
APPENDIX:
ECONOMIC IMPACT MODELING

Economic impact modeling is a standard tool used to quantify the economic contribution of an investment or company. This modeling uses an “Input-Output” economic model to estimate the number of times each dollar of “input,” or direct spend, cycles through the economy in terms of “indirect and induced output,” or additional spend, personal income, and employment.

There are several Input-Output models used by economists to estimate multiplier effects. supplier.io employed the IMPLAN input-output model in developing estimates of spend, income and employment impacts. This model, initially developed by the U.S. Department of Agriculture, examines inter-industry relationships in local, regional, and national economies.

The Input-Output multipliers are derived from a comprehensive and complex set of inputs based on the collection of business and employment data. Indirect impacts of economic activity in a targeted geographic area are calculated by applying multiplier coefficients to the direct impact spending. Since most of the businesses in the study are considered as local businesses, each supplier was assumed to have operations primarily in one state. These multipliers consider an amount of “leakage” from the state economy because some incomes and expenditures will be spent outside of the state. The economic activity is calculated by state and these state-level results are aggregated to determine the national totals.

Analysis performed by supplier.io

Assumptions
This analysis relies on the following assumptions:
For suppliers that have multiple locations, all impact is evaluated at the headquarters location. This may overestimate the impact in the headquarters state and underestimate the impact in other states.
For suppliers that provide services in multiple NAICS code, unless otherwise indicated, all impact is calculated using the supplier’s primary NAICS code.
A supplier impact is assumed to be localized within a state.
The model predicts impact results based on industry averages and is an aggregate across all companies. The calculations cannot be applied to individual companies and may differ from actual jobs and incomes at specific companies.

References
This report is based on an analysis of data provided by the customer and information from the following sources:
United States GDP: http://www.tradingeconomics.com/united-states/gdp
What is NAICS: https://www.naics.com/
IMPLAN (https://implan.com)
Multiplication Changing Over Time – IMPLAN - Support
Generation and Interpretation of IMPLAN’s Tax Impact Report
Taxes: How the Pandemic Ruined My Tax Results – IMPLAN - Support
Pandemic: Analyzing the Economic Impacts of the Coronavirus – IMPLAN - Support