

# AMERICAN WATER WORKS COMPANY, INC.

## INSIDER TRADING POLICY

Because the common stock of American Water Works Company, Inc. (the “Company”) is publicly traded, all directors, officers and employees must be aware of and observe laws and regulations prohibiting insider trading. The Company has adopted this insider trading policy (this “Policy”) to prevent insider trading violations and to protect the Company’s reputation for integrity and ethical conduct. This Policy supersedes any previous policies and procedures.

This area of the law is complex. Thus, all directors, officers and employees should not hesitate to raise any questions they have about this Policy with the Company’s General Counsel, Chief Financial Officer or inside SEC Counsel.

### A. INSIDER TRADING POLICY

It is a violation of this Policy to trade Company securities when in possession of Material Nonpublic Information (as defined below).

#### I. Application of Insider Trading Policy

##### **To Whom Does This Policy Apply?**

This Policy applies to all current and former directors, officers and employees of the Company who are in possession of Material Nonpublic Information. In addition, this Policy applies to other persons who may have Material Nonpublic Information regarding the Company, including consultants, contractors, and certain family members of Company directors and officers. These groups of people are sometimes referred to in this Policy as “Insiders”. Additionally, because of their access to confidential information on a regular basis, this Policy subjects directors, certain employees and related parties (the “Window Group” as defined below) to additional restrictions on trading in the Company’s securities. The restrictions for the Window Group are discussed in Section B.V and VI below.

##### **Who is an “Insider”?**

Any person who possesses Material Nonpublic Information regarding the Company is an Insider for so long as the information is not publicly known. Any such person can be an Insider from time-to-time based on his/her possession of such Material Nonpublic Information, and would at those times be subject to this Policy.

##### **What Transactions Does This Policy Cover?**

This Policy applies to all transactions in Company securities, including common stock, restricted stock, and any other securities the Company may issue from time to time, such as preferred stock, equity units, warrants and convertible debentures, as well as to derivative securities relating to the Company’s stock,

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such as options to purchase or sell common stock, including exchange-traded options that are not issued by the Company.

### **Who is in the “Window Group”?**

The Company has designated those persons listed on *Exhibit A* attached hereto (“Section 16 Individuals”) as the directors and officers who are subject to the reporting provisions and trading restrictions of Section 16 of the Securities Exchange Act of 1934 (the “Exchange Act”). Except for those trades made pursuant to a validly created and Company-approved 10b5-1 Plan, Section 16 Individuals must obtain prior approval of all trades in Company securities from the Company’s General Counsel, CFO or inside SEC Counsel in accordance with the procedures set forth in Section B.V below. The Company will amend *Exhibit A* from time to time as necessary to reflect the addition, resignation or departure of Section 16 Individuals.

The Company has designated those persons listed on *Exhibit B* attached hereto as “Restricted Individuals” because of their position with the Company as officers and/or their access to Material Nonpublic Information regarding the Company. Except for those trades made pursuant to a validly created and Company-approved 10b5-1 Plan, Restricted Individuals must obtain the prior approval of all trades in Company securities from the Company’s General Counsel, CFO or inside SEC Counsel in accordance with the procedures set forth in Section B.V below. The Company will amend *Exhibit B* from time to time as necessary to reflect the addition, resignation or departure of Restricted Individuals.

The Window Group consists of (i) the persons listed on *Exhibit A* attached hereto, (ii) the persons listed on *Exhibit B* attached hereto, and (iii) other persons, such as business development employees, who may be designated from time to time and informed of their status by the Company’s CEO or CFO. The Window Group also includes all of these persons’ spouses, members of their immediate families sharing the same household and any trust, partnership or other entity the investments of which any of the foregoing have direct or indirect power to control. The term *immediate family* means any child, stepchild, grandchild, parent, stepparent, grandparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law, and includes adoptive relationships.

## **II. Definition of Material Nonpublic Information**

Material Nonpublic Information about the Company is information that has not been publicly released by the Company and which is material to the Company’s business.

Information regarding the Company is material if there is a substantial likelihood that it would be considered important by a reasonable investor when making an

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investment decision about the Company. In simple terms, material information is anything that is likely to affect the price of Company stock. The Company's quarterly financial results are one example of material information. A significant business development opportunity is another example of material information. Thus, for example, if any employee in possession of any such (i) financial information material to the fiscal quarter and prior to public announcement or (ii) significant business development information that has not yet been publicly disclosed, the employee should not trade in Company securities without first contacting the Company's General Counsel, CFO or inside SEC Counsel.

While it may be difficult under this standard to determine whether particular nonpublic information is material, there are various categories of information that are particularly sensitive and, as a general rule, should always be considered potentially material. Examples of such information may include:

- Financial results;
- Projections of future earnings or losses;
- News of a pending or proposed merger, system acquisition or disposition;
- News of a pending or proposed O&M or DBO contract;
- News of the sale of a subsidiary;
- Gain or loss of a substantial customer or supplier;
- New product or service announcements of a significant nature;
- Significant product or service defects or modifications;
- Significant rate case orders;
- Planned dividends or planned changes to dividend policy;
- Stock splits;
- New equity or debt offerings;
- Significant litigation exposure due to actual or threatened litigation; and
- Changes in senior management or key management positions.

Either positive or negative information may be material. If any employee or director has questions as to whether certain information in his or her possession is material, he or she should ask the Company's General Counsel, CFO or inside SEC Counsel.

### **III. Trading on Material Nonpublic Information**

Insiders are prohibited from purchasing or selling Company securities until the close of trading on the second Trading Day (as defined below) following the date of public disclosure of the Material Nonpublic Information regarding the Company that the Insider possesses. Insiders are also prohibited from purchasing or selling Company securities if the Company issues a suspension on trading because a material event is anticipated (e.g., financial development, a merger, acquisition or any other significant corporate action). In any such case, adequate notice will be provided to Insiders to whom the suspension applies.

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### IV. Insider Trading Liability

Any Insider who purchases or sells Company securities based on Material Nonpublic Information regarding the Company may be criminally liable under provisions of the federal securities laws prohibiting insider trading. Criminal penalties may include a fine of up to \$5 million and a jail term of up to 20 years. There also may be civil penalties of up to three times the profit gained or loss avoided. Individuals also may be prohibited from serving as directors or officers of the Company or any other public company.

### V. Individual Responsibility

Each Insider is individually responsible for complying with this Policy. The guidelines set forth in this Policy with respect to the definition of Material Nonpublic Information are guidelines only, and appropriate judgment should be exercised in connection with any trade in Company securities. As noted above, if any employee or director has questions as to whether certain information in his or her possession is material, he or she should ask the Company's General Counsel, CFO or inside SEC Counsel. In addition, each officer of the Company is responsible for informing his or her direct reports with whom the officer shared any Material Nonpublic Information that the direct report in possession of that Material Nonpublic Information is prohibited from purchasing or selling Company securities until (i) the close of trading on the second Trading Day (as defined below) following the date of public disclosure of the Material Nonpublic Information at issue or (ii) the information ceases to be material.

An Insider is prohibited from purchasing or selling Company securities even if he or she planned the transaction before learning the Material Nonpublic Information and even though the Insider believes he or she may suffer an economic loss or forego an anticipated profit by waiting. The only exception to trading while in possession of Material Nonpublic Information relates to trades executed under a so-called "10b5-1 Plan". This is an agreement or plan under which an insider gives a direction to a third party to buy or sell a specified amount of securities at stated intervals in the future. Alternatively, the plan may specify a formula for determining amounts, prices and dates or the plan may give the third party discretion as to when and how much to buy or sell. Such a plan may be used if (a) the insider was not aware of Material Nonpublic Information regarding the Company at the time the insider entered into or adopted the agreement or plan, (b) the insider does not exercise any subsequent influence with respect to 10b5-1 Plan transactions, (c) if a broker or other person executing transactions for the insider has the power to exercise discretion with regard to transactions, that person may not be in possession of Material Nonpublic Information regarding the Company when the transaction occurs and (d) the agreement or plan has been approved in advance by the Company's General Counsel, CFO or inside SEC

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Counsel. In addition, if the person is a Section 16 Individual, the agreement or plan has also been approved by the Nominating/Corporate Governance Committee of the Board of Directors, as an exception to this Policy.

### **VI. Applicability of Policy to Material Nonpublic Information Regarding Other Companies**

This Policy and the guidelines described herein also apply to Material Nonpublic Information relating to other companies, including the Company's customers, vendors or suppliers. All employees should treat Material Nonpublic Information about the Company's customers, vendors or suppliers with the same care as is required with respect to information related directly to the Company and should not use this Material Nonpublic Information to trade in the securities of the Company's business partners.

### **VII. Tipping**

Insiders must not disclose, or provide "tips" (either explicitly or by way of generally advising others to buy or sell Company or other companies' securities) regarding material nonpublic information concerning the Company or any of its customers, vendors or suppliers to any other person (including family members). Intent is generally not relevant. A casual comment made to another person could be a "tip," even without knowledge or intent that the other person will trade in the securities. In essence, being in possession of Material Nonpublic Information imposes an obligation not to disclose that information to an unauthorized person. Liabilities for violations of insider trading laws are applicable to an insider who "tips" another person.

### **VIII. Confidentiality**

Unauthorized disclosure of internal information about the Company can cause serious problems for the Company, whether or not it is disclosed for the purpose of facilitating improper trading in Company securities. Insiders should not discuss internal Company matters or developments with anyone outside of the Company except as required in the performance of regular corporate duties. A violation of this prohibition may also violate the Company's Code of Ethics.

This prohibition applies specifically, but not exclusively, to inquiries about the Company that may be made by the financial press, investment analysts or others in the financial community. It is important that all such communications on behalf of the Company be referred to the Company's Investor Relations Officer.

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### IX. Limited Exceptions

#### *401(k) Plan*

This limited exception applies if the Company's 401(k) plan permits purchases of Company stock. This Insider Trading Policy does not apply to purchases by the 401(k) plan trustee of Company securities in the Company's 401(k) plan resulting from periodic contributions of money to the plan pursuant to an employee's payroll deduction election, provided the election was not made at a time when the employee was aware of Material Nonpublic Information regarding the Company. However, this Policy applies to certain elections an employee may make under the 401(k) plan, including (a) an election to increase or decrease the amount or percentage of employee periodic contributions that will be allocated to the Company stock fund, (b) an election to make an intra-plan transfer of an existing account balance into or out of the Company stock fund, (c) an election to borrow money against a 401(k) plan account if the loan will result in a liquidation of some or all of an employee's Company stock fund balance, and (d) an election to prepay a plan loan if the prepayment will result in a change in an employee's Company stock fund balance.

#### *Stock Option Exercises*

This Policy does not apply to the exercise of an employee or director stock option. However, this Policy applies to any sale of securities acquired upon the exercise of an option, including as part of a broker-assisted cashless exercise of an option or any other market sale for the purpose of generating the cash needed to pay the exercise price of an option.

#### *Employee Stock Purchase Plan Participation*

This Policy does not apply to the election to participate in or the purchase of shares under the Company's Employee Stock Purchase Plan. However, this Policy does apply to the sale of any shares purchased under the plan.

### B. ADDITIONAL PROHIBITED TRANSACTIONS

The Company believes it is improper and inappropriate for an Insider of the Company to engage in short-term or speculative transactions involving Company securities. **No Section 16 Individual, Restricted Individual, or other employees (except as noted in B.I below) shall engage in any of the following activities with respect to Company securities:**

#### I. Trading in Securities on a Short-Term Basis

Any Company securities purchased by Section 16 Individuals and Restricted Individuals in the open market must be held for a minimum of six months and ideally longer. The "short-swing profit" provisions of Section 16 of the Exchange Act already impose liabilities on directors and officers (that is, those listed on

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*Exhibit A*) for any profit realized from selling any securities of the Company within six months of purchase or purchasing securities within six months of a sale. Under this Policy, the six month prohibition applies to Restricted Individuals and Section 16 Individuals. (However, this limitation does not apply to employees who are not Section 16 Individuals or Restricted Individuals.) In extraordinary circumstances, such as cases of financial hardship, a Restricted Individual can apply to the Company's General Counsel, CFO or inside SEC Counsel for an exception to this Policy.

### **II. Purchases of Company Securities on Margin**

Any Company securities purchased in the open market must be paid for fully at the time of purchase. Section 16 Individual, Restricted Individual and other employees may not purchase Company securities on margin (borrowing money from a stockbroker to fund the stock purchase). This limitation does not apply to broker-assisted "cashless exercises" that fund the payment of a stock option exercise price.

### **III. Short Sales**

Any Company securities purchased in the open market can be sold by the purchaser at any time in accordance with the guidelines of this Policy; however, selling Company securities "short" is prohibited. Selling short is the practice of selling more shares than one owns or is willing to deliver on the trade settlement date; this technique is used by persons who believe the Company stock price will decline, and is viewed by some institutional investors as a "bet against the Company."

### **IV. Buying or Selling Option and Derivatives**

The only equity securities of the Company that may be purchased or sold is the Company's common stock. Other than in the case of Company-issued employee stock options, the purchase or sale of options of any kind, whether "puts" or "calls," or similar cash-settled derivative securities is not permitted. A "put" is a right to sell at a specified price a specific number of shares by a certain date and is utilized in anticipation of a decline in the stock price. A "call" is a right to buy at a specified price a specified number of shares by a certain date and is utilized in anticipation of a rise in the stock price. A derivative is a security whose value is based on the performance of an underlying financial asset, index or other investment (mutual funds are not included in this definition).

### **V. Pre-clearance of Trades**

The Company has determined that all members of the Window Group shall refrain from trading in Company securities, even during the Trading Window (as

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defined below), without first complying with the Company's "pre-clearance" process.

Each member of the Window Group shall contact the Company's General Counsel, CFO or inside SEC Counsel at a reasonable time before placing an order to buy or sell Company securities and submit a completed Pre-clearance Form (attached hereto as *Exhibit C*). The General Counsel, CFO and inside SEC Counsel are prohibited from pre-clearing their own transactions. The Company may find it necessary, from time to time, to require compliance with the pre-clearance process from certain employees, consultants and contractors other than and in addition to members of the Window Group.

#### **VI. Black-Out Period and Trading Window for Window Group Members**

*Members of the Window Group may purchase or sell Company securities only during a Trading Window.* Transactions effected pursuant to a previously established contract, plan or instruction that satisfies the requirements of Securities and Exchange Commission ("SEC") Rule 10b5-1 is an exception to this Policy, provided that the contract, plan or instruction complies with all policies and procedures established and approved by the Company.

The Trading Window is the period in any fiscal quarter commencing at the close of trading on the second Trading Day following the date of public disclosure of the financial results for a particular fiscal quarter or year (the "Opening Time") and continuing until the close of the tenth Trading Day after the Opening Time. A "Trading Day" is defined as a full trading day on which the Company's common stock trades through the facilities of the New York Stock Exchange.

For example, if public disclosure occurs on a Monday, then, assuming the following Tuesday is a Trading Day, the Trading Window shall "open" at the close of trading on Wednesday, which also is assumed to be a Trading Day. The safest period for trading in Company securities, assuming the absence of Material Nonpublic Information, is probably the first five days of the Trading Window.

It should be noted, however, that even during the Trading Window, any person possessing Material Nonpublic Information regarding the Company may not engage in any transactions in Company securities until that information has been known publicly for at least two full Trading Days, whether or not the Company has recommended a suspension of trading to that person. Trading in Company securities during the Trading Window is **not** a "safe harbor" from insider trading liability, and all directors, officers, employees and other persons should use good judgment at all times if they believe they may be aware of Material Nonpublic Information.

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The Company has the right to impose special black-out periods during which members of the Window Group will be prohibited from buying, selling or otherwise effecting transactions in any securities of the Company, even though the Trading Window would otherwise be open. No member of the Window Group may disclose to any third party that a special black-out period has been designated.

In addition, a special Trading Window may be opened while the Company's securities are being sold in a public offering (including a "shelf takedown") registered with the SEC. The decision whether or not to open a Trading Window during this period and, if so, for how long, will be made collectively by the Company's Chief Executive Officer, General Counsel, CFO and inside SEC Counsel based on, among other things, the public dissemination of information relating to the Company at the time.

Any questions should be directed to the Company's General Counsel, CFO or inside SEC Counsel.

### **VII. Reporting of Transactions on Forms 3, 4 and 5**

Section 16 Individuals and 10% stockholders (collectively, "Reporting Persons") must file the following reports with the SEC and New York Stock Exchange disclosing their beneficial holdings of Company securities and any changes in those holdings. For this purpose, beneficial ownership means a pecuniary interest in Company equity securities, including stock owned directly, stock owned through the Company's 401(k) Plan, Company stock options, restricted stock, convertible debt, phantom stock or performance shares, stock owned by a Reporting Person's spouse or a Reporting Person's relatives living in the same home. A Reporting Person also may be deemed to be a beneficial owner of stock held by a trust, estate or other entity in which that Reporting Person or a relative has an interest.

#### *Form 3: Initial Statement of Beneficial Ownership of Securities*

Form 3 must be filed within 10 days of election as a director or officer or becoming a 10% stockholder. Form 3 must be filed even if the director or officer has no beneficial holding of Company securities at the time of election.

#### *Form 4: Statement of Changes of Beneficial Ownership of Securities*

Form 4 must be filed by a Reporting Person within 2 business days of the date on which a transaction involving Company equity securities occurs (except certain exempted transactions). Transactions requiring filing of a Form 4 include quarterly grants of director stock compensation, open-market purchases or sales of Company securities, stock option grants and the exercise of stock options.

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Exempt transactions include gifts of Company securities. Note that directors and officers may be required to file Form 4's for transactions occurring within six months after leaving the Board or ceasing to be an officer.

### *Form 5: Annual Statement of Beneficial Ownership of Securities*

A Form 5 must be filed by February 14 of each year to report transactions involving Company securities in the prior year that were exempt from prior reporting (for example, gifts of stock) or that should have been reported but were not.

The Company will be required to identify in its proxy statement any director, officer or 10% stockholder known to have failed during the past year to report a transaction or holding of Company securities within the time periods required by the SEC regulations. The purpose of this requirement (as well as the threat of SEC enforcement action against delinquent filers) is to compel directors, officers and 10% stockholders to comply with the reporting requirements in a timely manner.

### **VIII. Rule 144**

A Section 16 Individual who sells Company stock in the public trading markets must also comply with SEC Rule 144. Among other things, that rule requires Section 16 Individuals to file a Form 144 in connection with most open-market sales of Company securities. The Section 16 Individual should inform the broker handling the sale of Company securities that a Rule 144 sale is being made and that a Form 144 should be filed with the SEC and New York Stock Exchange when the order is placed.

### **C. Responsibility**

The Company expects strict compliance with this Policy by all persons to whom it applies. Failure to observe this Policy may result in serious legal difficulties for the person involved as well as for the Company. Failure to follow the letter and spirit of this Policy will be considered a matter of extreme seriousness, may be the basis for termination of employment, and may expose the violator to serious civil and criminal penalties. A violation of this prohibition may also violate the Company's Code of Ethics. The American Water Confidential Ethics Hotline is **(877) 207- 4888**.

### **D. Maintenance and Review**

The Policy will be reviewed annually and revised as needed.