



AMERICAN WATER

AMERICAN WATER WORKS COMPANY, INC.

FINANCE COMMITTEE

OF THE BOARD OF DIRECTORS

CHARTER

**I. PURPOSE OF THE COMMITTEE**

The purpose and objectives of the Finance Committee (the “Committee”) of the Board of Directors (the “Board”) of American Water Works Company, Inc. (the “Company”) are to assist the Board in the oversight of the use and development of the Company’s financial resources and financial strategies (with emphasis on the longer term), to monitor, review, evaluate and make recommendations to the Board regarding corporate financial policies and processes and significant financial decisions, all in the context of the Company’s overall strategic business plan, and to carry out such other functions as the Board may from time to time authorize. While the Committee has the responsibilities and duties set forth in this Charter, the Committee is not responsible for planning and conducting financial transactions and does not have any oversight responsibility with respect to the Company’s financial reporting.

**II. STRUCTURE AND OPERATIONS**

Composition and Qualifications

The Committee consists of at least three members of the Board and each member of the Committee shall be a non-management director.

Appointment and Removal

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

Chairman/Secretary

The Board shall designate a chairman of the Committee from among its members. The Committee chairman will regularly convene meetings, preside at, and prepare an agenda for each Committee meeting. The Committee chairman shall appoint a secretary (who need not be a member of the Committee) to take written minutes of the

meetings. In the absence of the chairman during any Committee meeting, the Committee may designate a chairman pro tempore.

### **III. MEETINGS**

The Committee will meet as often as it deems necessary or appropriate to carry out its duties and responsibilities. The Chairman of the Board or any member of the Committee may call meetings of the Committee. All meetings of the Committee may be held telephonically. At least a majority of members constitute a quorum and a quorum is required for the transaction of all business. Notice of a meeting of the Committee may be made by any reasonable means, including via e-mail. Notice of a meeting shall be given to each member of the Committee (and to each member of the Board) at least two days in advance of such meeting unless notice is waived by all members of the Committee. The Committee shall act only on the affirmative vote of a majority of its members at a meeting or by unanimous written consent.

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

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

The following functions are the recurring activities of the Committee in carrying out its responsibilities outlined in Section I of this Charter. In addition to the functions enumerated in this Section IV, the Committee shall monitor and assess changes to business, legislative, regulatory, legal, competitive or other conditions that impact the Company's financial strategies, financial resources, policies and processes and, as appropriate, make recommendations to the Board. The Committee shall also carry out any other responsibilities and duties delegated to it by the Board that are related to the purposes of the Committee outlined in Section I of this Charter.

- A. The Committee shall, as it deems necessary or appropriate, monitor, review, evaluate and make recommendations to the Board regarding:
  - 1. the Company's financial forecasts, financial condition and its anticipated financing requirements;
  - 2. the Company's capital structure and proposed short- and long-term changes thereto, including fluctuations in interest rates, new issuances, purchases or redemptions of the Company's debt and equity securities and the impact of these on the Company's credit ratings;
  - 3. the Company's capital expenditure plan and strategies;

4. the Company's dividend payment policy and any proposed changes thereto;
  5. the investment performance of the assets held pursuant to the Company's various employee benefits plans, and reviewing with the Retirement Plan Committee its investment guidelines; and
  6. the Company's cash management plans and strategies.
- B. The Committee shall have the authority to act on behalf of the Board with respect to the following areas or actions, and such other matters as are specifically delegated to the Committee by the Board from time to time and report to the Board on the actions taken pursuant to this authority and future delegated authorities:
1. oversee the Company's enterprise risk management process, including understanding priority risks and approving risk management policies for critical risks and report to the Audit Committee, at least annually, concerning its activities in the area of enterprise risk management;
  2. oversee the Company's insurance risk management policies and programs and make recommendations to the Board concerning director's and officer's insurance matters; and
  3. approve debt issuances by the Company and its subsidiaries, and any guarantee, support obligation or security related to such issuance and appoint a pricing committee (which may include members of management) for each financing, provided the aggregate amount approved in any calendar year is not more than the amount contemplated by the Company's Board-approved business plan for such year.
- C. The Committee shall monitor, review and evaluate the Company's growth opportunities, including acquisitions and business development proposals.

## **V. REPORTING RESPONSIBILITIES**

The Committee shall report regularly to the Board (i) the matters discussed at regular or special meetings of the Committee, (ii) with respect to such other matters as are relevant to the Committee's discharge of its responsibilities and (iii) with respect to such recommendations as the Committee may deem appropriate, such reports to the Board may take the form of an oral report by the Committee chairman or any other member of the Committee designated by the Committee to make such a report.

## **VI. ANNUAL PERFORMANCE EVALUATION**

The Committee shall perform a review and evaluation, at least annually, of the performance of the Committee and its members, including a review of the compliance of the Committee with this Charter. In addition, the Committee shall review and reassess, at least annually, the adequacy of this Charter and recommend to the Board

any improvements to this Charter that the Committee considers necessary or valuable. The Committee shall conduct such evaluations and reviews in such manner as it deems appropriate.

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

In discharging its oversight role, the Committee is empowered to investigate any matter brought to its attention with full access to all books, records, facilities, and personnel of the Company. The Committee also has the authority to (i) retain outside advisors, including legal counsel, as it deems appropriate in its sole discretion, (ii) approve the fees and expenses of such advisors and (iii) incur such other ordinary administrative expenses as are necessary or appropriate in carrying out its duties.

## **VIII. DISCLOSURE OF CHARTER**

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

## **IX. DATE OF ADOPTION**

This Charter was adopted by the Board effective July 31, 2009, and amended on February 25, 2011.