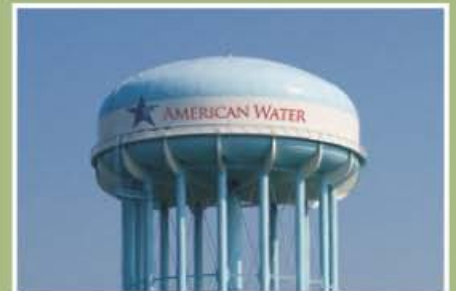




AMERICAN WATER

Corporate Responsibility

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Corporate Responsibility at American Water

Overview

- **Trends in Corporate Responsibility**
- **Corporate Responsibility and Reputation**
- **Corporate Responsibility at American Water**

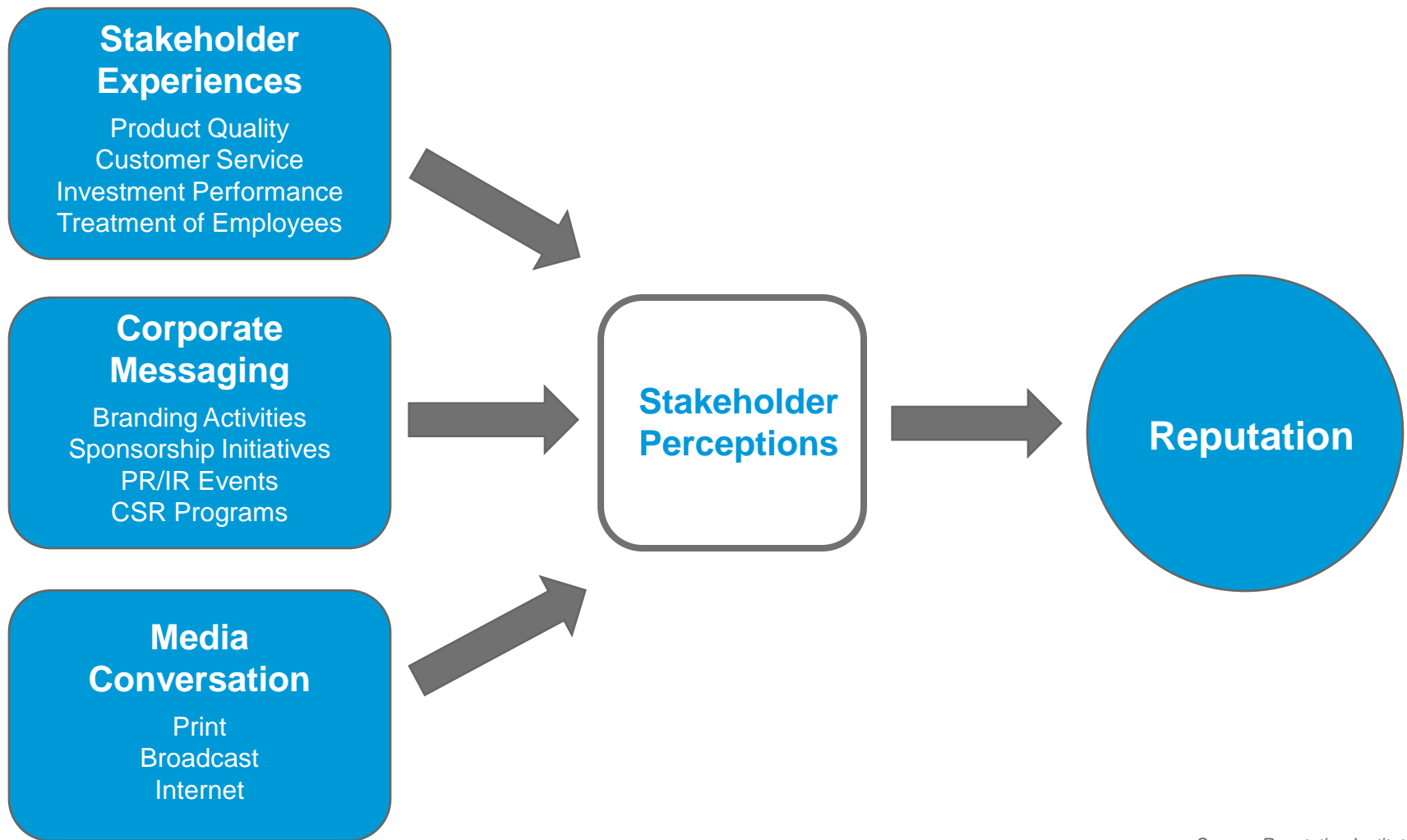
Trends in Corporate Responsibility

- **More not less – the move to demonstrate what a company is doing in the broader community will accelerate; expectations are increasing (i.e. “Risk = Hazard + Outrage”)**
- **Financial incentives for companies to increase focus on corporate responsibility (more than \$2 trillion already invested in socially responsible investment (SRI) funds in the United States)**
- **Early adopting companies that embrace corporate responsibility can create real differentiation and value**
- **Corporate responsibility practices are not sufficient; they have to be reported and informed by customers, stakeholders and the community**

Corporate Responsibility and Reputation

- **Reputation is an “intangible” asset**
 - Accounts for 4 to 10 percent of market value of corporations
- **Corporate Reputation Watch 2004:**
 - 80 percent of CEOs say CR is a driver of corporate reputation “to some extent”
- **Boston College Center’s State of Corporate Citizenship 2007:**
 - 66 percent of CEOs say CR is a *significant* driver of reputation and image

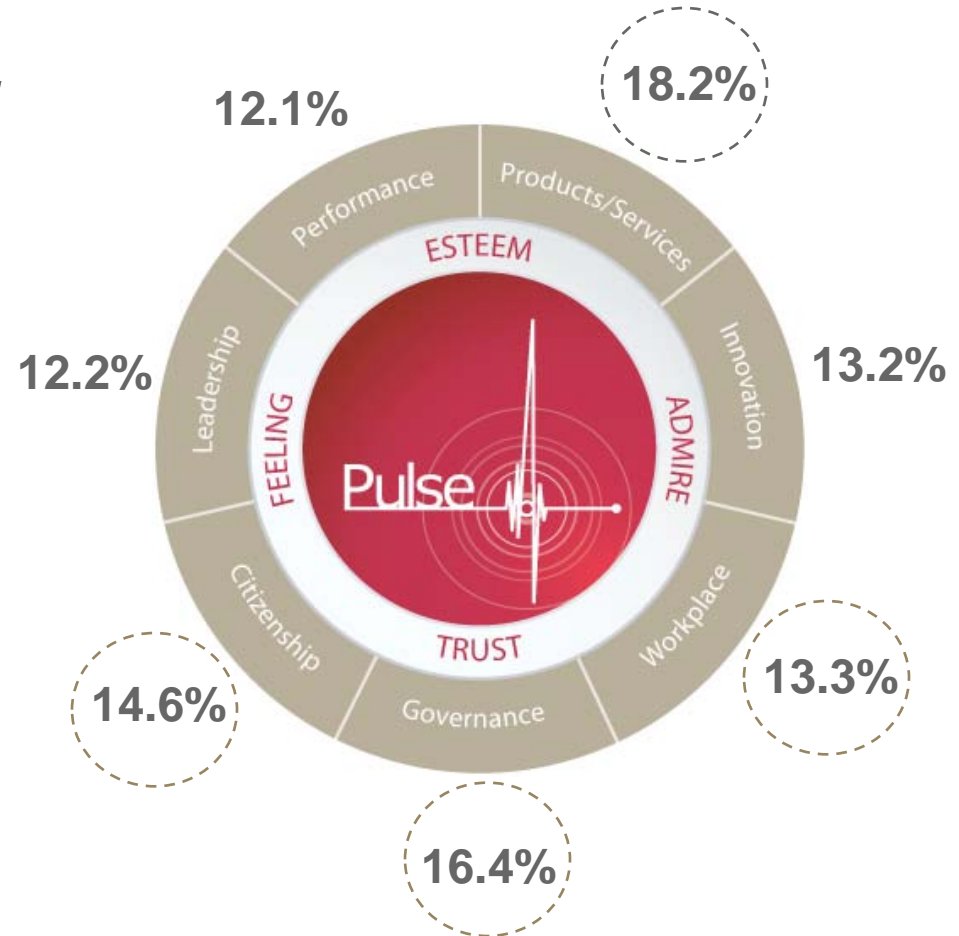
Where Do Reputations Come From?



Source: Reputation Institute

Perception of corporate responsibility, governance and workplace drive reputation

- *Combined perception of CR, governance and workplace account for more than 40 percent of a company's reputation.*
- This makes it critical for companies to communicate how they support good causes, protect the environment, treat their employees, behave ethically and are fair in the way they do business.



Source: Reputation Institute Global Pulse Study, 2008

Reputation Capital

- Offers leverage with partners and suppliers; strong working relationships with stakeholders
- Attracts the best and most loyal people as employees; increases morale
- Decreases the risk of crises
- Improves our engagement with regulators
- Provides access to socially responsible investors





In the Beginning

- **Corporate responsibility policies, processes and programs undeveloped**
- **CR had low company profile; existing practices focused on regulatory compliance, community relations and charitable giving**
- **Little integration into the business; few cross-departmental links, no system to measure progress or impact of programs**
- **Increased external stakeholder scrutiny of corporate responsibility issues make business case for development of formal CR program**



Today

- **Inventoried corporate responsibility-related activities throughout the business**
- **Performed external benchmarking to see what other companies are doing, particularly in the utility sector**
- **Aligned corporate responsibility priorities with our business strategy to determine which areas were most important or carried the most risk**
- **Developed a corporate responsibility definition and program objectives**
- **Created a CR governance and management structure**



Moving Forward

- **Implementing data management system to track and measure progress against CR program goals in preparation for first CR report**
- **Revising corporate giving guidelines in alignment with core business and in partnership with business units**
- **Developing opportunities for employee involvement in corporate responsibility activities**
- **Reaching out to state, business and functional leadership to see how CR can collaborate with and support their work**
- **Partnering with outside organizations and stakeholders to benchmark progress and inform ongoing program development**

American Water's Corporate Responsibility Program Goal

Strategy and management system that integrates corporate responsibility activities throughout the business so that employees, customers, shareholders, community leaders, regulators and other audiences see American Water as a highly-responsible corporate citizen.