

**American Water Works
Annual General Meeting
May 10, 2019**

Prepared Statement by Boston Common Asset Management

Fellow shareholders and members of the board, my name is Kate Monahan from Friends Fiduciary Corporation. On behalf of Boston Common Asset Management and co-sponsor Maryknoll Sisters of St. Dominic, I hereby move Item 5, the shareholder proposal asking our company to provide a report on its federal and state lobbying, including indirect funding of lobbying through trade associations and support for the American Legislative Exchange Council.

Lobbying transparency is in the best interests of American Water and its shareholders. Our shareholder proposal received over 40 percent support in 2018 out of votes cast for and against. We re-filed this proposal given the company has not changed its disclosure practices in line with the proposal nor was willing to engage in dialogue.

Since 2011, American Water has spent at least \$1.7 million on federal lobbying. And there is incomplete disclosure about spending at the state level, where our company has operations in 46 states and spends millions on lobbying. For example, American Water spent \$1.7 million lobbying in California for 2017 and 2018 under the name California-American Water, and has spent over \$1.3 million lobbying in New Jersey since 2010 under the name NJ-American Water.

- American Water states that fully complies with disclosure obligations required by state laws. But obtaining state lobbying information has been described by an expert as “nearly impossible” because of “the wide disparity of disclosure laws and how that information is provided to the public it is nearly impossible to find this information out on your own.”¹ **This is especially difficult for our company, which lobbies under different subsidiary names in different states.**
- Our company is required to report all of its federal and state lobbying and has this information, so putting this into a report could be done at little to no expense.

Corporations contribute millions to trade associations that lobby indirectly on their behalf without specific disclosure or accountability. Here we note that last month, the board approved a new political contributions disclosure policy to now disclose any trade association payments used for political contributions as defined as non-deductible under Section 162(e)(1)(B).

- **However, the problem here is that 162(e)(1)(B) applies to political contributions BUT NOT payments used for lobbying, which is 162(e)(1)(A). This leaves a serious disclosure gap, as trade associations generally spend far more on lobbying than on political contributions.**
- **And under the new policy, our company still fails to comprehensively disclose its trade association memberships.**

American Water is a member of the American Legislative Exchange Council, known as ALEC. ALEC is controversial for promoting bills that undermine regulations to address issues like climate change, workplace safety and workers' rights, and American Water's involvement has attracted negative media scrutiny.¹

- American Water's trade association National Association of Water Works which has spent more than \$4.3 million on lobbying since 2010 also belongs to ALEC, reportedly working with ALEC on issues relating to privatization.ⁱⁱ
- Highlighting the reputational risks of third-party involvement, more than 100 companies have publicly announced leaving ALEC, including **3M, Alliant Energy, Ameren, Deere & Co., Dow Chemical, Entergy, Exxon, International Paper, Medtronic, PG&E Corp and Xcel Energy.**

Knowing American Water's lobbying spending will be disclosed will ensure our board and management are both overseeing our company's lobbying to make sure it's being done in shareholder and the company's best interests.

Proxy advisor ISS supports this proposal, noting that American Water "has not committed to disclose its direct lobbying expenses on its website, its state lobbying expenses, or smaller indirect lobbying expenses."ⁱⁱⁱ

Our request for disclosure is a call for transparency and accountability in the spending of shareholder resources, and we urge shareholders to vote FOR this proposal.

ⁱ Nathan Layne, "Wal-Mart improves lobbying disclosure after shareholder push," [Reuters](#), May 13, 2015.

ⁱⁱ https://www.huffingtonpost.com/2012/05/03/nawc-alec-membership_n_1472752.html

ⁱⁱⁱ ISS 2019 American Water Works Proxy Analysis, p. 25.

¹ "Private Water Industry Defends ALEC Membership," [American Independent](#), May 3, 2012, https://www.huffpost.com/entry/nawc-alec-membership_n_1472752.