

## **Boston Common Asset Management**

### **American Water Works AGM Speech May 11, 2018**

Fellow shareholders and members of the board, my name is Kate Monahan from Friends Fiduciary Corporation On behalf of Boston Common Asset Management, 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.

Since 2011, American Water has spent at least \$1.3 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 \$1.1 million lobbying in California for 2017 under the name California-American Water, and has spent approximately \$1.2 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.”<sup>i</sup> 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.

- American Water fails to disclose its trade association memberships, and does not disclose its trade association payments, nor the amounts used for lobbying.

Our company serves on the board of the National Association of Water Companies and has spent more than \$3.8 million on lobbying since 2010. Yet shareholders currently have no way to know how much of American Water's trade association payments are being used to lobby on its behalf.

American Water is also 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 much like a Russian doll, American Water's trade association National Association of Water Works also belongs to ALEC, reportedly working with ALEC on issues relating to privatization.<sup>ii</sup>
- Highlighting the reputational risks of third party involvement, more than 100 companies, including peers **Alliant Energy, Ameren and Atmos Energy, have all publicly announced leaving ALEC.**

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 “does not disclose its memberships in and payments to trade associations and other organizations nor its related policies and oversight mechanisms” and that its support for trade associations “exposes the company to the risk that it could be indirectly supporting positions opposed to its corporate position.”<sup>iii</sup>

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.

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<sup>i</sup> Nathan Layne, “Wal-Mart improves lobbying disclosure after shareholder push,” Reuters, May 13, 2015.

<sup>ii</sup> [https://www.huffingtonpost.com/2012/05/03/nawc-alec-membership\\_n\\_1472752.html](https://www.huffingtonpost.com/2012/05/03/nawc-alec-membership_n_1472752.html)

<sup>iii</sup> ISS 2018 American water Works Proxy Analysis, p. 23.