

AQUA AMERICA INC
Form DEF 14A
March 29, 2018
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A
(Rule 14a-101)
INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION
Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934
(Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Under Rule 14a-12

Aqua America, Inc.

3) Filing Party:

4) Date Filed:

Table of Contents

AQUA AMERICA, INC.
2018 ANNUAL MEETING OF SHAREHOLDERS

Table of Contents

LETTER TO OUR SHAREHOLDERS

Christopher H. Franklin
Chairman, President, and
Chief Executive Officer

Dear Fellow Shareholder,

We look forward to seeing you at our 2018 Annual Meeting of Shareholders which will be held on Tuesday, May 8, 2018 at the Drexelbrook Banquet Facility & Corporate Events Center, 4700 Drexelbrook Drive, Drexel Hill, PA 19026 at 8:30 a.m. local time.

In connection with the Annual Meeting, we have prepared a Notice of Annual Meeting of Shareholders, a Proxy Statement, and our 2017 Annual Report. On or about March 29, 2018, we began mailing to our shareholders these materials or a Notice of Availability of Proxy Materials containing instructions on how to access these materials online.

Whether you plan on attending the Annual Meeting in person or not, we encourage you to read the Proxy Statement and all other materials and vote your shares. You may vote over the Internet, by telephone, or, if you received or requested to receive printed proxy materials, by signing, dating, and returning the proxy card enclosed with the proxy materials in the postage-paid envelope that is provided.

I am honored to serve as the Chairman, President, and Chief Executive Officer of what I believe is the best water and wastewater company in the nation, and I look forward to seeing you at our Annual Meeting in May.

Sincerely,

Christopher H. Franklin

Table of Contents

AQUA AMERICA, INC.

762 W. Lancaster Avenue

Bryn Mawr, Pennsylvania 19010

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

Tuesday, May 8, 2018 at 8:30 A.M. local time

The Annual Meeting of Shareholders of AQUA AMERICA, INC. (the Company) will be held at the **Drexelbrook Banquet Facility & Corporate Events Center, 4700 Drexelbrook Drive, Drexel Hill, PA 19026** on **Tuesday, May 8, 2018, at 8:30 A.M.**, local time, for the following purposes:

1. To consider and take action on the election of seven nominees for directors;
2. To consider and take action on the ratification of the appointment of PricewaterhouseCoopers LLP as the independent registered public accounting firm for the Company for the 2018 fiscal year;
3. To approve an advisory vote on the compensation paid to the Company's named executive officers for 2017, as disclosed in the Proxy Statement; and
4. To transact such other business as may properly come before the meeting or any adjournments or postponements thereof.

Only shareholders of record at the close of business on March 9, 2018 will be entitled to notice of, and to vote at, the meeting and at any adjournments or postponements thereof.

By Order of the Board of Directors,

CHRISTOPHER P. LUNING

Secretary

March 29, 2018

We urge each shareholder to promptly sign and return the enclosed proxy card or to use telephone or internet voting. See our questions and answers about the meeting and the voting section of the proxy statement for information about voting by telephone or internet, how to revoke a proxy and how to vote your shares in person.

Table of Contents

TABLE OF CONTENTS

<u>PROXY STATEMENT SUMMARY</u>	i
<u>PROXY STATEMENT</u>	1
<u>PURPOSE OF THE MEETING</u>	1
<u>PROPOSAL NO. 1</u>	2
<u>ELECTION OF DIRECTORS</u>	2
<u>CORPORATE GOVERNANCE</u>	8
<u>DIRECTOR COMPENSATION</u>	17
<u>PROPOSAL NO. 2</u>	19
<u>RATIFICATION OF THE APPOINTMENT OF PRICEWATERHOUSECOOPERS LLP AS THE INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE COMPANY FOR THE 2018 FISCAL YEAR</u>	19
<u>REPORT OF THE AUDIT COMMITTEE</u>	21
<u>PROPOSAL NO. 3</u>	22
<u>ADVISORY VOTE ON THE COMPENSATION PAID TO THE COMPANY'S NAMED EXECUTIVE OFFICERS FOR 2017 .</u>	22
<u>EXECUTIVE COMPENSATION</u>	23
<u>COMPENSATION DISCUSSION & ANALYSIS</u>	24
<u>REPORT OF THE EXECUTIVE COMPENSATION COMMITTEE</u>	45
<u>2017 EXECUTIVE COMPENSATION</u>	46
<u>OWNERSHIP OF COMMON STOCK</u>	63
<u>QUESTIONS AND ANSWERS ABOUT THE 2018 ANNUAL MEETING</u>	65
<u>INFORMATION ABOUT PROPOSALS UNDER CONSIDERATION AT THIS MEETING</u>	68
<u>PROCESS FOR SUBMITTING SHAREHOLDER PROPOSALS AT THE NEXT ANNUAL MEETING</u>	69
<u>COMMUNICATIONS WITH THE COMPANY OR INDEPENDENT DIRECTORS</u>	71
<u>ADDITIONAL INFORMATION</u>	71
<u>SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE</u>	71
<u>OTHER MATTERS</u>	72
<u>APPENDIX A</u>	A-1
<u>APPENDIX B</u>	B-1

Table of Contents

FORWARD-LOOKING INFORMATION

This document includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the Securities Act) and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act). Forward-looking statements are based on management s beliefs and assumptions. Various factors may cause actual results to be materially different than the suggested outcomes within forward-looking statements. Accordingly, there is no assurance that such results will be realized. For details on the uncertainties that may cause the Company s actual future results to be materially different than those expressed in our forward-looking statements, see our Annual Report on Form 10-K and Quarterly Reports on Form 10-Q filed with the Securities and Exchange Commission (SEC) and available on the SEC s website at www.sec.gov. In light of these risks, uncertainties, and assumptions, the events described in the forward-looking statements might not occur or might occur to a different extent or at a different time than described. Forward-looking statements speak only as of the date they are made. Aqua America, Inc. expressly disclaims an obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

Table of Contents**PROXY STATEMENT SUMMARY**

This summary highlights information contained elsewhere in this proxy statement. This summary does not contain all of the information that you should consider, and you should read the entire proxy statement before voting. For more complete information regarding the Company's 2017 performance, please review the Company's Annual Report on Form 10-K for the year ended December 31, 2017.

ANNUAL MEETING INFORMATION

DATE & TIME	LOCATION	RECORD DATE
Tuesday, May 8, 2018	Drexelbrook Banquet Facility	Record holders as of March 9,
8:30 a.m., local time	& Corporate Events Center	2018 are entitled to notice of, and
	4700 Drexelbrook Drive	to vote at, the Annual Meeting
	Drexel Hill, PA 19026	

SUMMARY OF MATTERS TO BE VOTED UPON AT THE ANNUAL MEETING

The following table summarizes the items that shareholders are being asked to vote on at the 2018 Annual Meeting:

PROPOSAL 1. ELECTION OF DIRECTORS (PAGE 2)**BOARD RECOMMENDATION**

The Board of Directors of the Company (the Board) and the Corporate Governance Committee believe that the seven director nominees possess the necessary qualifications, attributes, skills, and experience to provide advice and counsel to the Company's management and effectively oversee the business and the long-term interests of our shareholders.

FOR

each director nominee

PROPOSAL 2. RATIFICATION OF THE APPOINTMENT OF PRICEWATERHOUSECOOPERS LLP AS THE INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE 2018 FISCAL YEAR (PAGE 19)**BOARD RECOMMENDATION**

The Board believes that the retention of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for the 2018 fiscal year is in the best interests of the Company and its shareholders. As a matter of good corporate governance, shareholders are being asked to ratify the Audit Committee's selection of PricewaterhouseCoopers LLP.

FOR
Proposal 2

PROPOSAL 3. APPROVAL, ON AN ADVISORY BASIS, OF THE COMPENSATION PAID TO THE COMPANY'S NAMED EXECUTIVE OFFICERS FOR 2017 (PAGE 22)

BOARD RECOMMENDATION

The Company seeks a non-binding advisory vote to approve the compensation of its named executive officers as described in the Compensation Discussion and Analysis (CD&A) and the compensation tables and narrative discussion. The Board values shareholders' opinions, and the Compensation Committee will take into account the outcome of the advisory vote when considering future executive compensation decisions.

FOR
Proposal 3

Table of Contents**CORPORATE GOVERNANCE HIGHLIGHTS**

We are committed to maintaining strong standards of corporate governance, which promote the long-term interests of our shareholders, strengthen Board and management accountability, and help build public trust in the Company. The Corporate Governance section beginning on page 8 describes our corporate governance framework, which includes the following highlights:

Annual election of directors	Lead Independent Director with clearly defined and robust responsibilities
Majority voting resignation policy in uncontested election of directors	Independent audit, compensation, and governance committees
Mandatory retirement age of 75 for directors	Robust oversight of cybersecurity measures by full Board and identified committee
Risk oversight by full Board and all committees	Anti-hedging and anti-pledging policy
Annual self-evaluations of the Board, its committees and individual directors	Robust director and management stock ownership guidelines
Commenced active shareholder engagement program in 2017	Diversity approximately 30% of the Board is gender diverse

DIRECTOR NOMINEES

The following table provides summary information about each of the Company's seven director nominees. Each director shall serve a one year term if elected.

Name & Primary Occupation	Director		Other Public Company Boards	Committee Memberships					
	Age	Since		Independent	A	C	CG	E	R
Carolyn J. Burke <i>Executive Vice President, Strategy, Dynegy, Inc.</i>	50	2016	YES	0					
Nicholas DeBenedictis <i>Chairman Emeritus and Former Chief Executive Officer, Aqua America, Inc.</i>	72	1992	NO	3					
Christopher H. Franklin <i>Chairman, President and Chief Executive Officer, Aqua America, Inc.</i>	52	2015	NO	0					«
William P. Hankowsky <i>Chairman, President and Chief Executive Officer, Liberty Property Trust</i>	67	2004	YES	2	«				

Daniel J. Hilferty¹

*President and Chief Executive Officer,
Independence Health Group*

61 2017 YES 0 «

Wendell F. Holland

Partner, CFSD Group, LLC

66 2011 YES 0

Ellen T. Ruff

Partner, McGuireWoods, LLP

69 2006 YES 0 «

¹ Lead Independent Director

« Chair Member

A = Audit Committee; **C** = Executive Compensation Committee; **CG** = Corporate Governance Committee;

E = Executive Committee; **R** = Risk Mitigation & Investment Policy Committee

Table of Contents

COMPENSATION HIGHLIGHTS

Compensation program highly correlated to total shareholder return, earnings per share, and other financial metrics	Shareholder say on pay results in excess of 93% for six years
Performance-based	Shareholding requirement ensure that executives are aligned with shareholders
Significant portion of compensation is variable and at risk	Reasonable change in control agreements in place
Modest perquisites and other personal benefits	Reasonable severance arrangements
All change-in control agreements are double-trigger	No tax gross ups
Clawback policies in place	Compensation committee conducted request for proposal process to determine its independent compensation consultant

2017 FINANCIAL HIGHLIGHTS

During 2017, our leadership team remained focused on growing our customer base through acquisitions, prudently investing capital to renew our aging infrastructure, and creating efficiencies across the organization. Our efforts help to ensure quality water and wastewater for our customers as well as shareholder value. We see great opportunities ahead and remain focused on investing in infrastructure and delivering sustainable growth for our investors. We do this while building on our core values of respect, integrity, and excellence.

We are making significant investments to build and improve our communities infrastructure. Over the past five years, we have invested more than \$1.5 billion in infrastructure improvements, including hundreds of miles of pipe replacement and plant upgrades to enhance water quality. In 2017, we invested more than \$450 million on infrastructure projects, helping to ensure safe and reliable water for all customers.

Regulated segment revenues were \$804.9 million in 2017.

Earnings per share increased to \$1.35 in 2017, an increase over the earnings per share of \$1.32 in 2016.

Operations and maintenance expenses decreased 5.8% to \$287.2 million in 2017 from \$304.9 million in 2016.

We added more than 10,000 customer connections in 2017.

We increased our total customer connection count by more than 1%, which includes additional customers from organic and acquisition growth.

Table of Contents

From January 1, 2015 to December 31, 2017, the total return to our shareholders, including share price appreciation and dividends paid, shows 58.08% growth. Below is a chart showing the return to our shareholders over the past three years:

In 2017, the Board of Directors approved a 7% increase in the quarterly dividend to an annualized rate of \$0.82 per share.

Table of Contents

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON MAY 8, 2018

The Notice of Annual Meeting, Proxy Statement and 2017 Annual Report to Shareholders

are available at: <http://ir.aquaamerica.com/>

AQUA AMERICA, INC.

762 W. Lancaster Avenue, Bryn Mawr, Pennsylvania 19010

PROXY STATEMENT

This proxy statement (the **Proxy Statement**) is furnished in connection with the solicitation of proxies by the Board of Directors (the **Board of Directors** or the **Board**) of Aqua America, Inc. (**Aqua America**, **Aqua** or the **Company**) to be used at the Annual Meeting of Shareholders to be held on Tuesday, May 8, 2018 at 8:30 a.m., local time, and at any adjournments or postponements thereof (**2018 Annual Meeting** or the **Annual Meeting**).

The cost of soliciting proxies will be paid by the Company, which has arranged for reimbursement at the rate suggested by the New York Stock Exchange (the **NYSE**) of brokerage houses, nominees, custodians and fiduciaries for the forwarding of proxy materials to the beneficial owners of shares held of record. In addition, the Company has retained Alliance Advisors LLC to assist in the solicitation of proxies from (i) brokers, bank nominees and other institutional holders, and (ii) individual holders of record. The fee paid to Alliance Advisors LLC for normal proxy solicitation does not exceed \$7,500 plus expenses, which will be paid by the Company. Directors, officers and regular employees of the Company may solicit proxies, although no compensation will be paid by the Company for such efforts.

Under rules adopted by the SEC, the Company is now furnishing proxy materials to many of its shareholders on the Internet, rather than mailing printed copies of those materials to each shareholder. If you received a notice of availability over the Internet of the proxy materials (**Notice**) by mail, you will not receive a printed copy of the proxy materials unless you request one. Instead, the Notice will instruct you as to how you may access and review the proxy materials on the Internet. If you received a Notice by mail and would like to receive a printed copy of our proxy materials, please follow the instructions included in the Notice. The Notice is being sent to shareholders of record as of March 9, 2018 on or about March 29, 2018. Proxy materials, which include the Notice of Annual Meeting of Shareholders, this Proxy Statement and the Annual Report to Shareholders for the year ended December 31, 2017, including financial statements and other information with respect to the Company and its subsidiaries (the **Annual Report**), are first being made available to shareholders of record as of March 9, 2018, on or about March 29, 2018. Additional copies of the Annual Report may be obtained by writing to the Company at the address and in the manner set forth under **Additional Information** on page 71.

PURPOSE OF THE MEETING

As the meeting is the Annual Meeting of Shareholders, the shareholders of the Company will be requested to:

Consider and take action on the election of seven nominees for directors;

Consider and take action on the ratification of the appointment of PricewaterhouseCoopers LLP as the independent registered public accounting firm for the Company for the 2018 fiscal year;

Approve a non-binding advisory vote on the compensation paid to the Company's named executive officers for 2017 as disclosed in this Proxy Statement; and

Transact such other business as may properly come before the meeting or any adjournments or postponements thereof.

Table of Contents**PROPOSAL NO. 1****ELECTION OF DIRECTORS**

All of the director nominees who are elected, will be elected for a one-year term expiring at the 2019 Annual Meeting of Shareholders, and until their successors are duly elected and qualified. In accordance with the Company's Corporate Governance Guidelines, the Chairperson of the Corporate Governance Committee reported to the Corporate Governance Committee that Carolyn J. Burke, Nicholas DeBenedictis, Christopher H. Franklin, William P. Hankowsky, Daniel J. Hilferty, Wendell F. Holland, and Ellen T. Ruff would be willing to serve on the Board of Directors, if elected. The Corporate Governance Committee reviewed the qualifications of the directors in relation to the criteria for candidates for nomination for election to the Board of Directors under the Company's Corporate Governance Guidelines. The Corporate Governance Committee voted to recommend to the Board of Directors, and the Board of Directors approved, the nomination of Ms. Burke, Mr. DeBenedictis, Mr. Franklin, Mr. Hankowsky, Mr. Hilferty, Mr. Holland, and Ms. Ruff for election as directors at the 2018 Annual Meeting, with each nominee abstaining from the vote with respect to his or her nomination.

Therefore, seven directors will stand for election by a plurality of the votes cast at the 2018 Annual Meeting. At the 2018 Annual Meeting, proxies in the accompanying form, properly executed, will be voted for the election of the nominees listed below, unless authority to do so has been withheld in the manner specified in the instructions on the proxy card or the record holder does not have discretionary voting power under the NYSE rules (see "What is the proxy?" on page 65 and "Information About Proposals Under Consideration at This Meeting" on page 68). Discretionary authority is reserved to cast votes for the election of a substitute should any nominee be unable or become unwilling to serve as a director. Each nominee has stated his or her willingness to serve and the Company believes that the nominees will be available to serve.

INFORMATION REGARDING NOMINEES

For each of the seven nominees for election as directors at the 2018 Annual Meeting, set forth below is information as to the positions and offices with the Company held by each, the principal occupation of each during at least the past five years, the directorships of public companies and other organizations held by each and the experience, qualifications, attributes or skills that, in the opinion of the Corporate Governance Committee and the Board of Directors, make the individual qualified to serve as a director of the Company. The chart below summarizes the experience, qualifications, attributes, and skills of each of the nominees:

Experience, Qualifications, Attributes and Skills	Utility Industry	Regulatory	Financial	Legal/ Government	Leadership	Mergers & Acquisitions	Geographic Diversity	C-Suite
								Experience
BURKE	X	X	X		X	X	X	X
DEBENEDICTIS	X	X	X	X	X	X		X

Edgar Filing: AQUA AMERICA INC - Form DEF 14A

FRANKLIN	X	X	X	X	X	X		X
LANKOWSKY			X		X	X		X
LILFERTY		X	X		X	X		X
HOLLAND	X	X		X	X	X		
RUFF	X	X		X	X	X	X	X

Table of Contents

NOMINEES FOR ELECTION AT THE 2018 ANNUAL MEETING

CAROLYN J. BURKE

EXECUTIVE VP, STRATEGY, DYNEGY, INC.

AGE: 50

DIRECTOR SINCE 2016

MEMBER, AUDIT COMMITTEE

MEMBER, EXECUTIVE COMPENSATION COMMITTEE

Biography: Ms. Burke has served as Executive Vice President, Strategy at Dynegy, Inc. (Dynegy) since October 2016. In this role, she leads Dynegy s strategic planning activities and is responsible for its clean technology strategy. Since October 2014, she has also served as Chief Integration Officer with overall responsibility for integration management, most recently integrating Dynegy s acquisition of ENGIE s US fossil portfolio. From July 2015 through October 2016, Ms. Burke served as Executive Vice President, Business Operations and Systems at Dynegy with overall responsibility for Procurement, Safety, Environmental, Information Technology, Construction & Engineering, Outage Services and PRIDE-Dynegy s signature continuous margin and process improvement program. From August 2011 to October 2014, Ms. Burke served as Dynegy s Chief Administrative Officer over corporate functions including Communications, Human Resources, Information Technology, Investor Relations and Regulatory Affairs. Prior to joining Dynegy, Ms. Burke served as Global Controller for JP Morgan s Global Commodities business. She was also NRG Energy, Inc. s Vice President & Corporate Controller from 2006 to 2008 and Executive Director of Planning and Analysis from 2004 to 2006. Early in her career, she held various key financial roles at Yale University, the University of Pennsylvania and at Atlantic Richfield Company. Ms. Burke graduated from Wellesley College with a BA in Economics and Political Science and earned her MBA at The University Chicago Booth School of Business.

Qualifications: Ms. Burke has over 20 years of experience in various roles within the energy and infrastructure industry with responsibilities ranging from accounting and finance, to information technology and human resources to operations and environmental compliance. The Board of Directors views Ms. Burke s independence, her broad experience in finance and operations, and her leadership roles within the industry as important qualifications, skills and experience that support the Board of Directors conclusion that Ms. Burke should serve as a director of the Company.

NICHOLAS DEBENEDICTIS

CHAIRMAN EMERITUS, AQUA AMERICA, INC.

AGE: 72

DIRECTOR SINCE 1992

MEMBER, RISK MITIGATION AND INVESTMENT POLICY COMMITTEE

Biography: Mr. DeBenedictis is Chairman Emeritus, of the Board, having retired as Chief Executive Officer of the Company in 2015 and as non-executive Chairman of the Board in 2017. Mr. DeBenedictis was Chief Executive Officer from 1992 until 2015 and Chairman of the Board from 1993 until 2017. Between April 1989 and June 1992, he served as Senior Vice President for Corporate Affairs of PECO Energy Company (an Exelon

Table of Contents

Corporation). From December 1986 to April 1989, he served as President of the Greater Philadelphia Chamber of Commerce and from 1983 to 1986 he served as the Secretary of the Pennsylvania Department of Environmental Resources. Mr. DeBenedictis is a director of Exelon Corporation, P.H. Glatfelter Company and Mistras Group. He also serves on the Boards of Pennsylvania area non-profit, civic, and business organizations, including Independence Health Group.

Qualifications: In addition to his knowledge and experience as the Company's previous Chairman of the Board from 1993 to 2017 and Chief Executive Officer from 1992 to 2015, and his prior experience as a senior executive of a major electric utility, Mr. DeBenedictis has experience as the head of Pennsylvania's environmental regulatory agency. He serves as a director of three other public companies, including, from time to time, as a member of the corporate governance, audit, finance and compensation committees of those companies. Mr. DeBenedictis has also held leadership positions with various, educational, business, civic and charitable institutions. The Board of Directors views Mr. DeBenedictis' experience with various aspects of the utility industry and his demonstrated leadership roles in business and community activities as important qualifications, skills and experience supporting the Board of Directors' conclusion that Mr. DeBenedictis should serve as a director of the Company.

CHRISTOPHER H. FRANKLIN

CHAIRMAN, PRESIDENT, AND CHIEF EXECUTIVE OFFICER, AQUA AMERICA, INC.

AGE: 52

DIRECTOR SINCE 2015

CHAIR, EXECUTIVE COMMITTEE

MEMBER, RISK MITIGATION AND INVESTMENT POLICY COMMITTEE

Biography: Christopher H. Franklin is Chairman, President, and Chief Executive Officer of the Company. Previously, Mr. Franklin served as President and Chief Executive Officer from July 2015 to December 2017; as Executive Vice President, and President and Chief Operating Officer, Regulated Operations (January 2012 to July 2015); Regional President - Midwest and Southern Operations and Senior Vice President, Public Affairs (January 2010 to January 2012); Regional President - Southern Operations and Senior Vice President, Public Affairs and Customer Relations (February 2007 to January 2010); Vice President, Public Affairs and Customer Operations (May 2005 to February 2007); Vice President, Corporate and Public Affairs (February 1997 to May 2005); and Manager Corporate & Public Affairs (December 1992 to February 1997).

Qualifications: Since joining the Company in December 1992 as manager, corporate and public affairs, Mr. Franklin headed several successful projects, including advocacy for the passage of legislation designed to provide customers of state-regulated water and wastewater utilities with improved water quality and better water and wastewater systems while allowing a fair and reasonable return for shareholders. Before joining the Company, Mr. Franklin worked at PECO Energy Company (an Exelon company) where he was regional, civic and economic development officer, responsible for the review, recommendation and promotion of economic development initiatives in the Philadelphia

region. Mr. Franklin earned his B.S. from West Chester University and his M.B.A. from Villanova University. Mr. Franklin is active in the community and serves on the following nonprofit boards: University of Pennsylvania Board of Trustees, Philadelphia, PA and West Chester University's Council of Trustees, West Chester, PA, and previously served on the Board of Directors of ITC Holdings, Inc. The Board of Directors views Mr. Franklin's experience, capabilities, and his demonstrated leadership roles with the Company and in business and community activities as important qualifications, skills and experience supporting the Board of Directors' conclusion that Mr. Franklin should serve as a director of the Company.

Table of Contents

WILLIAM P. HANKOWSKY

PRESIDENT, CHIEF EXECUTIVE OFFICER, AND CHAIRMAN, LIBERTY PROPERTY TRUST

AGE: 67

DIRECTOR SINCE 2004

CHAIR, AUDIT COMMITTEE

MEMBER, EXECUTIVE COMMITTEE

MEMBER, CORPORATE GOVERNANCE COMMITTEE

Biography: Mr. Hankowsky has been President, Chief Executive Officer, and Chairman of Liberty Property Trust, a fully integrated real estate firm, since 2003. Mr. Hankowsky joined Liberty in 2001 as Executive Vice President and Chief Investment Officer. Prior to joining Liberty, he served for 11 years as President of the Philadelphia Industrial Development Corporation. Prior to that, he was Commerce Director for the City of Philadelphia. Mr. Hankowsky serves on the Board of Directors of Citizens Financial Group and on various charitable and civic boards, including the Greater Philadelphia Chamber of Commerce and the Pennsylvania Academy of Fine Arts.

Qualifications: Mr. Hankowsky has over 35 years of experience managing public, private and non-profit organizations, including eleven years as Chairman and Chief Executive Officer of Liberty Property Trust, a publicly traded Real Estate Investment Trust which owns 100 million square feet of office and industrial space in over 24 markets throughout the United States and the United Kingdom. He has experience in financing, acquisitions and real estate matters across the United States. Mr. Hankowsky has also held leadership positions with various cultural and civic institutions in the greater Philadelphia region. Mr. Hankowsky has served as Chairman of the Company's Executive Compensation Committee from 2005 through 2015, and presently serves as Chairman of the Company's Audit Committee. The Board of Directors has determined that Mr. Hankowsky is an independent director, financially literate and an audit committee financial expert within the meaning of applicable SEC rules. The Board of Directors views Mr. Hankowsky's independence, his experience with real estate, financing and acquisitions and his demonstrated leadership roles in business and community activities as important qualifications, skills and experience supporting the Board of Directors' conclusion that Mr. Hankowsky should serve as a director of the Company.

DANIEL J. HILFERTY

LEAD INDEPENDENT DIRECTOR, AQUA AMERICA, INC.

PRESIDENT AND CEO, INDEPENDENCE HEALTH GROUP

AGE: 61

DIRECTOR SINCE 2017

CHAIR, CORPORATE GOVERNANCE COMMITTEE

MEMBER, EXECUTIVE COMMITTEE

MEMBER, EXECUTIVE COMPENSATION COMMITTEE

Biography: Mr. Hilferty has served as the President and Chief Executive Officer of Independence Health Group (IHG), one of the nation's leading health insurers serving 9 million customers in 25 states and Washington D.C., since 2010. Mr. Hilferty is past Chairman of the Board of Directors for the Blue Cross and Blue Shield Association, serves on the Executive Committee of the Board of Directors of America's Health Insurance Plans, and on the Board of Directors of BCS Financial, where he serves as Chairman of the BCS Audit Committee. In 2015, he served as co-chair on the Executive Leadership Cabinet of the World Meeting of Families. Prior to 2010, Mr. Hilferty was President and Chief Executive Officer of the AmeriHealth Mercy Family of Companies, Executive Director of PennPORTS in the administration of Pennsylvania Governor Robert P. Casey, and

Table of Contents

Assistant Vice President overseeing community and media relations for Saint Joseph's University. Mr. Hilferty also serves on the Board of Directors for Fund III of Franklin Square Investments.

Qualifications: Mr. Hilferty has extensive knowledge and experience in the areas of mergers and acquisitions, the health care field, and government relations and regulation. Based on Mr. Hilferty's experience, qualifications, and knowledge, in 2017, the Board of Directors determined that Mr. Hilferty should serve as its Lead Independent Director. Prior to doing so, the Board reviewed, as part of its independence determination, information that IHG serves as the administrator for the Company's self-insured health plans for the employees of the Company and its subsidiaries. The Board then determined that Mr. Hilferty is independent in accordance with the Company's corporate governance guidelines and applicable NYSE and SEC requirements. The Board of Directors views Mr. Hilferty's independence, his experience with regulation, his reputation in the healthcare industry, and his leadership roles in business and community activities as important qualifications, skills and experience supporting the Board of Directors conclusion that Mr. Hilferty should serve as a director of the Company.

WENDELL F. HOLLAND

PARTNER, CFSD GROUP, LLC

AGE: 66

DIRECTOR SINCE 2011

MEMBER, CORPORATE GOVERNANCE COMMITTEE

MEMBER, RISK MITIGATION AND INVESTMENT POLICY COMMITTEE

Biography: Mr. Holland has been a partner in CFSD Group, LLC, advisors for local and regional utility financing, since July 2009. Mr. Holland was partner in the law firm of Saul Ewing, LLP from October 2008 to September 2013. Mr. Holland served as Chairman of the Pennsylvania Public Utility Commission from 2004 to 2008 and as a Commissioner from 1990 to 1993, and 2003 to 2004. Mr. Holland was Of Counsel to the law firm of Obermayer Rebman from 1999 to 2003, Vice President of American Water Works Company from 1996 to 1999 and a partner at the law firm of LeBoeuf Lamb Greene and McRae from 1993 to 1995. He has served as Treasurer of the National Association of Utility Regulatory Commissioners (NARUC) and also served on NARUC's Executive Committee, Board of Directors, and as Chairman of its Audit and Investment Committees. He is a director of Bryn Mawr Trust Bank, Main Line Health, and was a member of the Allegheny Energy Board of Directors from 1994 to 2003.

Qualifications: Mr. Holland has extensive knowledge and experience in the regulation of public utilities, especially water utilities. His experience as chairman of the Public Utility Commission in Pennsylvania for four years and a Commissioner for an additional four years enables him to provide valuable insight into the regulatory process. His prior service as a member of the Board of Directors of a large, publicly traded energy company also enables him to play a meaningful role on the Company's Board of Directors. As outside counsel to, and an executive at other public utility companies, he has a valuable perspective on the various issues facing public utility companies. The Board of Directors has determined that Mr. Holland is an independent director. The Board of Directors views Mr. Holland's

independence, his experience with utility regulation and utility operations, his reputation in the utility industry and his leadership roles in business and community activities as important qualifications, skills and experience supporting the Board of Directors conclusion that Mr. Holland should serve as a director of the Company.

Table of Contents

ELLEN T. RUFF

PARTNER, MCGUIREWOODS, LLP AND FORMER PRESIDENT, DUKE ENERGY

AGE: 69

DIRECTOR SINCE 2006

CHAIR, EXECUTIVE COMPENSATION COMMITTEE

MEMBER, EXECUTIVE COMMITTEE

MEMBER, CORPORATE GOVERNANCE COMMITTEE

Biography: Ms. Ruff is a partner in the law firm of McGuireWoods, LLP. She was President, Office of Nuclear Development, for Duke Energy Corporation, from December 2008 until her retirement in January 2011. From April 2006 through December 2008, Ms. Ruff was President of Duke Energy Carolinas, an electric utility that provides electricity and other services to customers in North Carolina and South Carolina. Ms. Ruff joined Duke Energy in 1978 and during her career held a number of key positions, including: Vice President and General Counsel of Corporate, Gas and Electric Operations; Senior Vice President and General Counsel for Duke Energy; Senior Vice President of Asset Management for Duke Power; Senior Vice President of Power Policy and Planning; and Group Vice President of Planning and External Affairs.

Qualifications: Ms. Ruff has over 30 years of experience with a major utility company in various management, operations, legal planning and public affairs positions. Ms. Ruff has lived and worked in North Carolina, an important area of the Company's operations, for many years. Ms. Ruff has served as a member of the Company's Executive Compensation Committee since 2006. The Board of Directors has determined that Ms. Ruff is an independent director. The Board of Directors views Ms. Ruff's independence, her experience with various aspects of the utility industry, her knowledge of North Carolina and her demonstrated leadership roles in business and community activities as important qualifications, skills and experience supporting the Board of Directors' conclusion that Ms. Ruff should serve as a director of the Company.

Table of Contents

CORPORATE GOVERNANCE

The Board of Directors operates pursuant to a set of written Corporate Governance Guidelines. Copies of these Guidelines can be obtained free of charge from the Corporate Governance portion of the Investor Relations section of the Company's website: www.aquaamerica.com. Our website is not part of this Proxy Statement. References to our website address in this Proxy Statement are intended to be inactive textual references only.

DIRECTOR INDEPENDENCE

The Board of Directors is, among other things, responsible for determining whether each of the directors is independent in light of any relationship such director may have with the Company. The Board has adopted Corporate Governance Guidelines that contain categorical standards of director independence that are consistent with the listing standards of the NYSE. Under the Company's Corporate Governance Guidelines, a director will not be deemed independent if:

The director is, or has been within the last three years, an employee of the Company, or an immediate family member is, or has been within the last three years, an executive officer of the Company;

(A) the director or an immediate family member is a current partner of a firm that is the Company's internal or external auditor, (B) the director is a current employee of such a firm, (C) the director has an immediate family member who is a current employee of such a firm and personally works on the Company's audit, or (D) the director or an immediate family member was within the last three years (but is no longer) a partner or employee of such firm and personally worked on the Company's audit within that time;

The director or an immediate family member is, or has been within the last three years, employed as an executive officer of another company where any of the Company's present executive officers at the same time serves or served on that company's compensation committee;

The director has received, or has an immediate family member who has received, during any twelve-month period within the last three years, more than \$120,000 in direct compensation from the Company, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service) and, in the case of an immediate family member who is not an executive officer, other than compensation for service as an employee of the Company;

The director is an executive officer or employee, or someone in her/his immediate family is an executive officer, of another company that, during any of the other company's past three fiscal years made payments to, or received payments from, the Company for property or services in an amount which, in any single fiscal year of the other company, exceeded the greater of \$1 million or 2% of the other company's consolidated gross revenues; or

The director serves as an executive officer of a charitable organization and, during any of the charitable organization's past three fiscal years, the Company made charitable contributions to the charitable organization in any single fiscal year of the charitable organization that exceeded the greater of \$1 million or two percent of the charitable organization's consolidated gross revenues.

For purposes of the categorical standards set forth above, (a) a person's immediate family includes a person's spouse, parents, children, siblings, mothers- and fathers-in-law, sons- and daughters-in-law, and brothers- and sisters-in-law and anyone (other than domestic employees) who shares such person's home, (b) the term executive officer has the same meaning specified for the term officer in Rule 16a-1(f) under the Exchange Act, and (c) the Company includes Aqua and its consolidated subsidiaries. In addition to these categorical standards, no director will be considered independent unless the Board of Directors affirmatively

Table of Contents

determines that the director has no material relationship with the Company (either directly, or as a partner, shareholder, director or officer, of an organization that has a relationship with the Company). When making independence determinations, the Board of Directors broadly considers all relevant facts and circumstances surrounding any relationship between a director or nominee and the Company. Transactions, relationships and arrangements between directors or members of their immediate family and the Company that are not addressed by the categorical standards may be material depending on the relevant facts and circumstances of such transactions, relationships and arrangements. The Board of Directors considered the following transactions, relationships and arrangements in connection with making the independence determinations for the current Board of Directors:

1. The Company made contributions to charitable or civic organizations for which the following directors serve as directors, trustees or executive officers: Mr. DeBenedictis, Mr. Franklin, Mr. Hankowsky, and Mr. Hilferty. None of the Company's contributions exceeded the greater of \$1 million or 2% of the recipient organization's consolidated gross revenues.
2. The Company provides water service at normal tariff rates to Liberty Property Trust or its affiliates, Independence Health Group or its affiliates (IHG), and provides water service to Dynegy or its affiliates pursuant to a contractually negotiated rate that is filed with the Pennsylvania Public Utility Commission. It provides water service pursuant to normal tariff rates to Exelon Corporation (Exelon) or its affiliates to Main Line Health Systems or its affiliates (Main Line Health), and to Bryn Mawr Bank Corp. or its affiliates (Bryn Mawr Trust). Mr. Hankowsky serves as an executive officer of Liberty Property Trust, Mr. Hilferty serves as President and Chief Financial Officer of IHG, Ms. Burke is Executive Vice President at Dynegy, Mr. DeBenedictis serves as a member of the Board of Directors of Exelon, and Mr. Holland is a Trustee of Main Line Health and serves as a member of the Board of Directors of Bryn Mawr Trust. Exelon or its affiliates provides electric service at tariff rates to the Company. The amounts paid to the Company by these other entities, and paid by the Company to Exelon are pursuant to tariff rates or a contract that is filed with the Pennsylvania Public Utility Commission, are not material to these other entities.
3. The Company has banking arrangements with Citizens Financial Group or its affiliates, and Mr. Hankowsky is a member of the Board of Directors of Citizens Financial Group. The amounts paid by the Company to Citizens Financial Group or its affiliates are not material to these entities or to the Company.
4. The Company has insurance arrangements with IHG or its affiliates. The Company contracts with IHG to serve as the administrator of the Company's self-insured medical plans for the Company's employees. As a benefit of employment, the Company offers its employees medical insurance benefits through plans established by IHG. The Company is self-insured for all of these plans, and has contracted with IHG to serve as the administrator of the Company's medical plans. As compensation for these administrative services, the Company paid fees to IHG. For each of the last three fiscal years, the fees paid to IHG, IHG's gross revenues, and the fees as a percentage of IHG's gross revenues were as follows:

Fiscal Year	Fees Paid to IHG
-------------	------------------

		IHG Gross Revenues	Fees Paid as a Percentage of IHG Gross Revenues
2015	\$ 1,445,505	\$ 13,800,000,000	0.010%
2016	\$ 1,455,046	\$ 16,700,000,000	0.009%
2017	\$ 2,313,302	\$ 16,500,000,000	0.014%

Table of Contents

5. Under the self-insured nature of the medical plans, the Company also submitted payments to IHG to maintain the necessary insurance reserves and to pay medical claims made for such years. As administrator, these payments were pass through payments and do not represent compensation to, or revenue of, IHG. The following pass through payments were made to IHG in the last three fiscal years:

Fiscal Year	Pass Through Payments
2015	\$13,853,922
2016	\$14,985,194
2017	\$12,763,289

The amounts paid by the Company to IHG are not material to IHG or to the Company.

6. Mr. DeBenedictis is a member of the Board of Directors of IHG. Based on a review applying the standards set forth in the Company's Corporate Governance Guidelines, including a review of the applicable NYSE, SEC, and Company standards, and considering the relevant facts and circumstances of the transactions, relationships, and arrangements between the Directors and the Company described above, the Board of Directors has affirmatively determined that each nominee for director, other than Mr. Franklin, the Company's Chairman, President, and Chief Executive Officer, and Mr. DeBenedictis, the Company's Chairman Emeritus and former Chief Executive Officer, is independent.

BOARD OF DIRECTORS LEADERSHIP STRUCTURE

In 2017, the Board of Directors determined to recombine the roles of Chairman and Chief Executive Officer. As such, Mr. Franklin serves as Chairman of the Board and Chief Executive Officer. The Board of Directors believes this structure provides continuity and efficiency for the Company, while providing clear accountability to the execution of the Company's strategy and its results.

Under this present structure, the Board of Directors annually elects a lead independent director to coordinate the activities of the other independent directors and enhance the role of the independent directors in the overall corporate governance of the Company. At the same time that Mr. Franklin was appointed Chairman, Mr. Hilferty was elected the Lead Independent Director.

The duties and powers of the lead independent director include:

Presiding at all meetings of the Board at which the Chairman of the Board is not present, including executive sessions of the independent directors;

Serving as liaison between the independent directors and the Chairman of the Board;

Consulting with the Chairman of the Board, reviewing and approving meeting agendas and information provided to the Board for meetings, including the authority to add items to the agendas for any such meeting;

Reviewing and approving meeting schedules to assure that there is sufficient time for discussion of all agenda items;

Having the authority to call executive sessions of the independent directors and to prepare the agendas for such executive sessions;

If requested by major shareholders, ensuring that he is available for consultation and direct communications;

Serving as a member of the Executive Committee;

Table of Contents

In the event of the death or incapacity of the Chairman, becoming the acting Chairman of the Board until a new Chairman is selected; and

Having the authority (with the approval of at least the majority of the directors) to engage such legal, financial or other advisors as the independent directors shall deem appropriate at the expense of the Company and without consultation or the need to obtain approval of any officer of the Company.

AGE AND TERM LIMITS

The Board believes that term limits are an important element of good governance. However, it also believes that it must strike the appropriate balance between the contribution of directors who have developed, over a period of time, meaningful insight into the Company and its operations, and therefore can provide an increasing contribution to the Board as a whole. Accordingly, in 2015 the Board established that upon the fifteenth anniversary of a director accepting an initial appointment or election to the Board of Directors, the director shall tender his or her resignation to the Board (the Term Limit Policy). The Term Limit Policy does not apply to directors who were elected on or before December 1, 2015.

In 2017, the Board also re-evaluated its position on mandatory retirement based upon the age of a director. Following extensive research, including conducting an outreach program to the Company's largest shareholders in which the Company sought the opinion of those shareholders, the Board determined that increasing the age for a director to submit his or her resignation from the Board of Directors to 75 was appropriate. As such, all directors are required to submit their resignation from the Board effective as of their 75th birthday.

ANNUAL PEER, COMMITTEE, BOARD EVALUATION

Each year, Directors complete a targeted questionnaire to assess the performance of the Board, each of the standing Committees, and each of the Directors individually. The questionnaire elicits quantitative and qualitative ratings in key areas of Board operation and function. Each Committee member completes questions to evaluate how well the Committees on which he or she serves are functioning and to provide suggestions for improvement.

In 2017, the Board conducted a peer review process by which each Director was asked to provide feedback on a number of characteristics of each of the other Directors, including leadership, preparation, focus on shareholder interests, and participation. The peer review process was administered by an independent consulting group, The Center for Board Excellence. The results of these reviews were then provided to each Director and, in 2018, the Chairman and the Lead Independent Director will meet with each Director to review the results of the evaluations.

SHAREHOLDER ENGAGEMENT

In 2017, the Company conducted an outreach campaign to our top 15 shareholders and met with the holders of approximately 27% of the Company's outstanding shares. We engaged with every shareholder who accepted our offer to meet. We engaged with shareholders on numerous topics during the year, including executive compensation matters, merger and acquisition strategy, the impact of Pennsylvania's anti-takeover laws on such strategy, sustainability, and social and governance issues. We also discussed the combination of our Chairman and Chief Executive Officer roles, the strong role our Lead Independent Director plays in our Board structure, and increasing the mandatory age upon which a Director must submit his resignation.

DIRECTOR ONBOARDING

In 2017, the Company appointed Mr. Hilferty as a Director. In addition to informal meetings with the existing Directors, and in conjunction with his appointment, Mr. Hilferty participated in an onboarding process

Table of Contents

that included day-long meetings with the named executive officers focused on items such as merger and acquisition strategy, regulatory matters, utility accounting and financing, water and wastewater operations, Board governance functions, and the Company's Articles of Incorporation, its Bylaws, and its Corporate Governance Guidelines.

OVERSIGHT OF RISK MANAGEMENT

The Board oversees management's risk management activities through a combination of processes:

Pursuant to its charter, the Risk Mitigation and Investment Policy Committee's primary purpose is to assist the Board of Directors in fulfilling its oversight responsibilities with respect to the Company's risk management practices, the Company's compliance with legal and regulatory requirements, the Company's potential investments in acquisitions and growth vehicles, and to review and approve the Company's risk management framework.

At least quarterly, the Risk Mitigation and Investment Policy Committee reviews the results of the Company's enterprise risk management process, and management presents to the Board a report on the status of the risks and the metrics used to monitor those risks. Each risk that is tracked as part of the enterprise risk management process has a member of the Company's management who serves as the owner and monitor for that risk. The risk owners and monitors report on the status of their respective risks at the quarterly meeting of management's Compliance Committee. The information discussed at the Compliance Committee meeting is then reviewed by the Disclosure Committee composed of the Company's Chief Executive Officer, Chief Financial Officer, General Counsel, Chief Accounting Officer and Director of Internal Audit. The results of the Disclosure Committee's meetings are presented to the Risk Mitigation and Investment Policy Committee or the Audit Committee each quarter, as appropriate.

The Audit Committee, in consultation with management, the independent registered public accountants and the internal auditors, discusses the Company's policies and guidelines regarding risk assessment and risk management as well as the Company's significant financial risk exposures and the steps management has taken to monitor, control and report such exposures. The Audit Committee meets in executive session with the Director of Internal Audit and with the independent registered public accountants at the end of each Audit Committee meeting. The Company's General Counsel reports to the Audit Committee quarterly regarding any significant litigation involving the Company and his opinion of the adequacy of the Company's reserves for such litigation. At least annually, the Executive Compensation Committee considers the risks that may be presented by the structure of the Company's compensation programs and the metrics used to determine individual compensation under that program.

The Company's Internal Audit department reports directly to the Chair of the Audit Committee.

The Corporate Governance Committee leads an annual discussion by the Board of Directors regarding the Company's strategic plans and management's performance with respect to such plans.

In administering the executive compensation program, the Executive Compensation Committee desires to strike an appropriate balance among the elements of our compensation program to achieve the program's objectives. Each of the elements of the program is discussed in greater detail in this Proxy Statement. As a result of its review of the Company's overall compensation program in the context of the risks identified in the Company's enterprise risk management processes, the Executive Compensation Committee does not believe that the risks the Company faces are materially increased by the Company's compensation programs and, therefore, the Executive Compensation Committee believes that the compensation program does not create the reasonable likelihood of a material adverse effect on the Company.

Table of Contents

In 2017, the Board of Directors implemented an oversight process of the Company's cybersecurity risk assessment and security measures. By receiving at least quarterly reports, the Board of Directors and the Risk Mitigation and Investment Policy Committee ensure that the Company is devoting the appropriate amount of resources to ensure that the risk of a cybersecurity breach is mitigated and that there is a clear response plan in the event of a breach.

In 2017, management developed a Company-wide Enterprise Risk Management process intended to identify, prioritize and monitor key risks that may affect the Company. Management reports the progress and the results of the Enterprise Risk Management program to the Risk Mitigation and Investment Policy Committee at least quarterly.

Management receives approval from the Risk Management and Investment Policy Committee on all potential acquisitions valued in excess of \$10 million, briefs the Board of Directors on acquisitions valued in excess of \$10 million, and the Board approves every acquisition valued in excess of \$25 million or which involves the issuance of the Company's common stock as part of the consideration.

In addition to updates at each Board meeting by operating management regarding any significant operational, acquisition, or environmental matters, management provides the Board with an annual update on environmental matters by the Company's Chief Environmental Officer in connection with presentation by the Company's Senior Vice President of Engineering on the Company's proposed capital spending plans and by its Senior Vice President, General Counsel, and Secretary in connection with the Company's Enterprise Risk Management program.

The Board believes that the present leadership structure, along with the important risk oversight functions performed by management, the Audit Committee, the Risk Mitigation and Investment Policy Committee, the Executive Compensation Committee, and the full Board, permits the Board to effectively perform its role in the risk oversight of the Company.

CODE OF ETHICS

The Company maintains a Code of Ethical Business Conduct for its directors, officers and employees, including the Company's Chief Executive Officer, Chief Financial Officer and Chief Accounting Officer, as defined by the rules adopted by the SEC pursuant to Section 406(a) of the Sarbanes-Oxley Act of 2002. The Code of Ethical Business Conduct covers a number of important subjects, including: conflicts of interest; corporate opportunities; fair dealing; confidentiality; protection and proper use of Company assets; compliance with laws, rules and regulations (including insider trading laws); and encouraging the reporting of illegal or unethical behavior. Copies of the Company's Code of Ethical Business Conduct can be obtained free of charge from the Corporate Governance portion of the Investor Relations section of the Company's website: www.aquaamerica.com. The Company intends to post amendments to or waivers from the Code of Ethical Business Conduct (to the extent applicable to the Company's executive officers, senior financial officers or directors) on its website.

DIRECTOR SHARE OWNERSHIP GUIDELINES

In December 2015, the Board of Directors approved share ownership guidelines for each director to own shares of Company common stock having a value equal to five times the annual base cash retainer for directors. Directors have up to three years from December 2015 or upon appointment, whichever is later, to attain this new guideline share

ownership level. In 2017, the Board of Directors approved a modification to these guidelines prohibiting a director from selling Company common stock until the director has attained the required share ownership. Once the required share ownership level is attained, the director must maintain the level of share ownership for the duration of the director's service. As of March 9, 2018, each director nominee owned sufficient shares to comply with these guidelines, except Ms. Burke, who has been a director since 2016, and Mr. Hilferty, who has been a director since 2017.

Table of Contents

ANTI-HEDGING AND ANTI-PLEDGING POLICY

We believe that issuance of incentive and compensatory equity awards to our directors and named executive officers along with our stock ownership guidelines help to align the interests of such officers with our shareholders. As part of our insider trading policy, we prohibit all directors and officers from engaging in hedging or pledging activities with respect to any owned shares or outstanding equity awards. None of our named executive officers pledged any shares of Company stock during 2017. None of our directors nor any of our named executive officers engaged in any hedging or pledging activities with respect to the Company stock during 2017.

CYBERSECURITY MANAGEMENT

In 2017, the Board of Directors implemented an oversight process of the Company's cybersecurity risk assessment and security measures. By receiving at least quarterly reports, the Board of Directors and the Risk Mitigation and Investment Policy Committee ensure that the Company is devoting the appropriate amount of resources to ensure that the risk of a cybersecurity breach is mitigated and that there is a clear response plan in the event of a breach.

POLICIES AND PROCEDURES FOR APPROVAL OF RELATED PERSON TRANSACTIONS

The Board has a written policy with respect to related person transactions to document procedures pursuant to which such transactions are reviewed, approved or ratified. The policy applies to any transaction in which:

(1) the Company is a participant, (2) any related person has a direct or indirect material interest, and the annual amount involved exceeds \$120,000, but excludes certain types of transactions in which the related person is deemed not to have a material interest.

Under this policy, a related person means: (a) any person who is, or at any time since the beginning of the Company's last fiscal year was, a director, an executive officer or a director nominee; (b) any person known to be the beneficial owner of more than 5% of any class of the Company's voting securities; (c) any immediate family member of a person identified in items (a) or (b) above, meaning such person's spouse, parent, stepparent, child, stepchild, sibling, mother- or father-in-law, son- or daughter-in-law, brother- or sister-in-law or any other individual (other than a tenant or employee) who shares the person's household; or (d) any entity that employs any person identified in (a), (b) or (c) or in which any person identified in (a), (b) or (c) directly or indirectly owns or otherwise has a material interest.

The Corporate Governance Committee, with assistance from the Company's General Counsel, is responsible for reviewing and approving any related person transaction. In its review and approval of related person transactions (including its determination as to whether the related person has a material interest in a transaction), the Corporate Governance Committee will consider, among other factors:

The nature of the related person's interest in the transaction;

The material terms of the transaction, including, without limitation the amount and type of transaction;

The importance of the transaction to the related person;

The importance of the transaction to the Company;

Whether the transaction would impair the judgment of a director or executive officer to act in the best interests of the Company; and

Any other matters the Corporate Governance Committee deems appropriate.

The Corporate Governance Committee intends to approve only those related person transactions that are in, or are not inconsistent with, the best interests of the Company and its shareholders.

Table of Contents**BOARD AND BOARD COMMITTEES**

The Company's Bylaws provide that the Board of Directors, by resolution adopted by a majority of the whole Board, may designate an Executive Committee and one or more other committees, with each such committee to consist of two or more directors except for the Audit Committee and Executive Compensation Committee, which must have at least three members. The Board of Directors annually elects from its members the Executive, Audit, Executive Compensation, Risk Mitigation and Investment Policy, and Corporate Governance Committees. The Board may also from time to time appoint ad hoc committees such as an Executive Search Committee to oversee the Company's succession planning activities. The Retirement and Employee Benefits Committee, which is comprised of senior management of the Company, reports periodically to the Board of Directors.

The Board of Directors held six (6) meetings in 2017. Each director attended at least 75% of the aggregate of all meetings of the Board and the Committees on which each such director served in 2017. The Board of Directors encourages all directors to attend the Company's Annual Meeting of Shareholders. All the directors were in attendance at the 2017 Annual Meeting of Shareholders.

Each of the standing Committees of the Board of Directors operates pursuant to a written Committee Charter. Copies of these Charters can be obtained free of charge from the Corporate Governance portion of the Investor Relations section of the Company's website: www.aquaamerica.com. The members of the standing Committees of the Board of Directors, as of the close of business on December 31, 2017, were as follows:

NAME	RISK				
	EXECUTIVE COMMITTEE	EXECUTIVE COMPENSATION COMMITTEE	AUDIT COMMITTEE	INVESTMENT POLICY COMMITTEE	CORPORATE GOVERNANCE COMMITTEE
BURKE		X	X		
DEBENEDICTIS	X			X	
FRANKLIN	CHAIR			X	
GLANTON ⁽¹⁾			X	CHAIR	
HANKOWSKY	X		CHAIR		X
HILFERTY	X	X			CHAIR
HOLLAND				X	X
RUFF	X	CHAIR			X

(1) Richard Glanton is not standing for re-election at this Annual Meeting.

Table of Contents

EXECUT