Certain matters discussed in this presentation are forward-looking statements intended to qualify for the “safe harbor” from liability established by the Private Securities Litigation Reform Act of 1995. These forward-looking statements can generally be identified as such because the context of the statement will include words such as the Company “believes,” “anticipates,” “expects” or words of similar import. Similarly, statements that describe the Company’s future plans, objectives, estimates or goals are also forward-looking statements that are subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied in the statements.
American States Water Company (AWR/Company) celebrated its 88th year in business in 2017, enjoying sustained growth over that period. This growth was realized by balancing the needs of our customers, shareholders, employees and the communities in which we serve, with the needs of the environment in which we operate. Our leadership team considers it a privilege to operate in this great country of ours and we are focused on conserving the many resources with which we have been entrusted. California is one of the leading states in the nation in setting environmentally-sensitive policies. We have proven ourselves in this environmentally-conscious state where the bulk of our business is currently done. There is much more work to do in this area and we look forward to the challenge.

Corporate social responsibility is part of our mission and this report provides information about our company and the sustainability measures and practices we continue to undertake. Details of the many areas in which we are placing our efforts for continued sustainability and stewardship are contained herein. We, as the parent company, control and direct the efforts of our two wholly-owned subsidiaries.

Golden State Water Company (GSWC) continues to be our flagship subsidiary, responsible for our water and electric utility operations in California. Since 1929, GSWC has proudly provided safe and reliable services to our California customers while remaining committed to protecting the environment. We have made progress on this commitment through the implementation of many initiatives.

We also consider ourselves fortunate to be a key supplier to the U.S. military through American States Utility Services, Inc. (ASUS), our contracted services subsidiary. ASUS currently provides water distribution and wastewater collection utility service to ten military installations (11 in 2018) throughout the country, including some of the largest Army and Air Force bases, under 50-year contracts. We are privileged to provide these services to the men and women of our nation’s military.

Through their diverse knowledge, expertise and customer service mentality, hundreds of men and women at both subsidiaries assure that the quality of the water we deliver meets all required standards and that our water, electric and wastewater systems are extremely reliable in order to continue to provide the excellent service our customers have come to expect.

Minimizing the environmental impact of our business and maintaining a sustainable operation are our ongoing commitments. I hope the information contained in this report provides insight into our contribution to the water, wastewater and electric industries, as well as our service to our utility customers and those who serve our country. You may also read more about the Company, including its accomplishments and challenges, in our SEC Form 10K and 10Q Reports found on our website at www.aswater.com.

Robert J. Sprowls
President and CEO
American States Water Company believes that its increasing emphasis on environmental, social and governance (ESG) issues is fundamental to transparency, fairness and accountability. The following are key components of these efforts. Further details can be found in the body of this report. We, as the parent company, control and direct the efforts of our two wholly-owned subsidiaries, Golden State Water Company (GSWC) and American States Utility Services (ASUS).

**Safe and Reliable Service**
- $1 out of every $3.30 collected from our customers went back into infrastructure at GSWC during the past two years
- GSWC’s capital improvement program has totalled approximately $435 million in the past five years, improving reliability and reducing water loss throughout our water systems
- Today, we test for over 230 constituents (elements/ingredients found in water), up from 16 in 1974
- Multiple water sources are used, including ~60% from our own groundwater sources
- No water shortages occurred in our service areas during one of the worst droughts in California
- GSWC continues to assess additional water supply, including participation in desalination proposals, imported supplies, as well as various recycled water opportunities
- ASUS has spent over $224 million to renew and replace all infrastructure, and installed over $521 million of utility facilities through 2017

**Conservation**
- Total water usage by GSWC customers is down ~30% since 2007 while the number of customers has increased
- GSWC meets the State of California conservation guidelines
- GSWC heavily promotes conservation through conservation/tiered rates, education, free water conservation kits, customer rebates and programs, and meter installation
- Total customer electric usage is down more than 9% since 2007 while the number of customers has increased
- Annual company water and energy audits are performed
- Water loss in the GSWC systems averages less than 7%

**Reducing Environmental Impact**
- California, home to our regulated utility, is one of the leading states in the nation in setting environmentally-sensitive policies.
- Bear Valley Electric Service (BVES) has aggressively pursued “greening up” its power sources and is on pace to meeting California’s Renewables Portfolio Standard (RPS) requirement schedule of 33% by 2020; 40% by 2024; 45% by 2027; and 50% by 2030. Contractually, BVES has firm commitments to meet the RPS requirements of 38.3% through 2023.
- BVES surpassed a key renewable energy milestone in 2017, as 5% of the energy consumed by customers is now generated by customer-owned renewable sources (solar)
• BVES invests to educate customers and offers an energy rebate program that encourages innovation and conservation. These efforts have helped to save millions of kilowatt hours of electricity.
• We offer a Net Energy Metering Program, which benefits BVES customers who install a solar-or wind-generating facility that produces renewable energy. Those customers can receive a bill credit if their annual renewable energy production exceeds their on-site use.
• Our solar initiative and efficiency programs at BVES continue to significantly reduce energy costs, reduce emissions, and increase deliverability capacity for all customers, allowing large customers and employers in the service area to be served power without interruption.

Our Broader Impact
• We respect, promote and protect human rights in a number of ways as it relates to our business.
• The Company's Board of Directors has adopted a policy of providing access to safe, clean, affordable, and accessible water adequate for human consumption, cooking, and sanitary purposes in all states in which we operate through operations, programs, and/or services authorized by applicable federal and state laws and regulations or approved by applicable regulatory bodies.
• GSWC's spend with diverse suppliers for 2017 was 29.7%, a four-fold increase since the inception of our Supplier Diversity Program in 2003. We were one of five utility companies in California that met the three category goals (women, disabled veteran and minority) established by the California Public Utilities Commission (CPUC) General Order 156 Supplier Diversity.
• We employ over 750 employees in ten states, and create hundreds more jobs, stimulating the economies in our communities, through water, wastewater and electric system improvements.

Customer and Community Service
• More than one million people are served through our water and electric regulated utility, as well as U.S. military personnel on 10 military bases.
• With award-winning customer outreach, GSWC strives for best-in-class customer service.
• GSWC’s Community Engagement Program establishes new commitments for increased service hours and philanthropic giving over the next five years to support the efforts of programs that empower and enrich the lives of our youth and ensure water resources will be available for future generations.
• GSWC tests the drinking water inside school facilities for compliance with state and federal lead standards.
• For years, GSWC and BVES have supported local schools, participating in career days, literacy activities, and sponsoring STEM and tech programs.
• ASUS is considered by the federal government and the various military installations as one of the preeminent providers of water and wastewater operations, maintenance and capital construction on military installations across the country.
• ASUS helps place U.S. flags and wreaths on the graves of servicemen and servicewomen, donates to military-related programs, and raises money for worthy causes related to military personnel and their families.

Corporate Governance
• Eight of nine board members are independent, including the Chairman.
• Four of eight (50%) independent board members are female.
• Six of twelve (50%) board members and senior officers are female.
• The roles of Chairman of the Board and CEO are separated.
• 75% of the CEO’s long-term equity awards are performance-based.
• The Company maintains a clawback policy for its performance-based executive compensation.
• The Company does not maintain a poison pill.
Employees
- Employee safety is a key focus, and encompasses training, programs, incentives, inspections and accountability
- We value our employees, offering competitive salary and benefits, health and wellness programs, training, education, employee surveys, and leadership and succession planning
- The Company has and enforces a non-discrimination policy
- Our workforce is representative of the U.S. population in terms of ethnic diversity

Sustainability Oversight
American States Water Company believes it is critical that key, informed members of its organization focus on sustainability issues and reporting. The Nominating and Governance Committee provides oversight at the Board of Director level. The sustainability oversight team consists of the President and CEO; Senior Vice President - Finance, Chief Financial Officer; Senior Vice President – Regulated Utilities/GSWC; Senior Vice President and Procurement/ASUS; and Investor Relations.

American States Water Company is a holding company that provides water and electric utility services and contracted services through two, first-tier subsidiaries. It is publicly traded on the New York Stock Exchange under the ticker “AWR”. AWR’s largest subsidiary is Golden State Water Company (GSWC), a regulated water and electric utility. GSWC provides water service to approximately 259,000 customers in approximately 70 cities throughout 10 counties in Northern, Coastal and Southern California, and electric service to approximately 24,000 customers in the Big Bear Lake recreational area of San Bernardino County, California under the name Bear Valley Electric Service (BVES). The water and electric utility business in California under GSWC represented about 77% of AWR’s total 2017 revenues. GSWC has been in business since 1929.

AWR’s other first-tier subsidiary is American States Utility Services, Inc., (ASUS) which performs contracted services. ASUS, through its wholly-owned subsidiaries, owns, operates and maintains the water and/or wastewater systems at ten military bases under 50-year, privatization contracts with the U.S. government. As of year-end 2017, those military bases were located in seven states - New Mexico, Texas, Maryland, Virginia, North Carolina, South Carolina and Florida. In 2018, a new base in Kansas will be added.

AWR is headquartered in San Dimas, California, which is approximately 35 miles east of Los Angeles, and its subsidiaries employ more than 750 people. As stewards of precious resources, daily decision-making takes into consideration the Company’s Code of Conduct and respect for people, communities, and the environment.
Mission and Values

American States Water Company is committed to maximizing shareholder value through a combination of capital appreciation and cash dividends. Our mission will be accomplished by delivering exemplary water, wastewater and electric services to our customers and superior financial performance for our shareholders through minimizing lifecycle costs, developing and empowering our workforce, conserving resources and leveraging diversity among our employees and vendors.

In pursuing our mission, the Company's Board of Directors, management and employees are guided by the following Shared Values:

- **Integrity** - Building trust through honest communication and doing what is right
- **Teamwork** - Maximizing efficiency through collaboration and individual strengths
- **Respect** - Valuing diversity and treating all stakeholders with fairness
- **Excellence in Service** - Striving for excellence and quality in everything we do
- **Accountability** - Taking ownership of one's actions

Operational Properties

**Regulated Utilities**

GSWC, the second largest investor-owned water utility in California based on number of connections, is a regulated company that recognizes the precious resource that is water. Water oftentimes travels from underground aquifers or above ground sources through filtration systems and miles of pipes to our customers. Providing "best in class" customer care and water that meets all federal and state-mandated requirements through highly skilled employees is the cornerstone of our business. Delivering water to GSWC’s customers requires over 2,700 miles of pipelines which support more than 259,000 service connections. GSWC’s assets also include over 26,000 fire hydrants, 141 tanks with the capacity to store more than 140 million gallons of water, 241 wells and 388 boosters. The Company has 74,332 acre feet of adjudicated groundwater water rights and 11,335 acre feet of surface water rights per year. It also has a significant number of unadjudicated water rights, which have not been quantified and are not subject to predetermined limitations, but are typically measured by historical usage.

GSWC also provides electric service to approximately 24,000 customers in the City of Big Bear Lake and surrounding areas in San Bernardino County, California, through BVES. BVES owns and operates 87.8 miles of overhead and 2.7 miles of underground 34.5 kV transmission lines, 488.6 miles of overhead and 89.1 miles of underground distribution lines, 13 substations, and a natural gas-fueled 8.4 MW peaking generation facility.
Contracted Services

ASUS, the contracted services subsidiary of AWR, manages water and wastewater utility systems and services on U.S. military installations through privatization contracts. Through subsidiaries, ASUS currently operates, maintains and performs construction activities on the water and/or wastewater systems at ten military bases (11 in 2018) under 50-year contracts with the U.S. government. A listing of the current 50-year contracts is presented below along with the ASUS subsidiaries that manage the contracts.

- Fort Bliss Water Services Company at Fort Bliss, Texas (which extends into New Mexico)
- Terrapin Utility Services, Inc. at Joint Base Andrews (Andrews Air Force Base), Maryland
- Old Dominion Utility Services, Inc. at Joint Base Langley-Eustis and Joint Expeditionary Base Little Creek-Fort Story, both in Virginia
- Old Dominion Utility Services, Inc. at Fort Lee, Virginia (wastewater only)
- Palmetto State Utility Services, Inc. at Fort Jackson, South Carolina
- Old North Utility Services, Inc. at Fort Bragg, Camp Mackall, and Pope Army Airfield, all in North Carolina
- Emerald Coast Utility Services, Inc. at Eglin Air Force Base, Florida
- ASUS will take over operations at Fort Riley, Kansas in 2018

Since being awarded its first 50-year contract in late 2004, ASUS continues to be a significant player in this arena, and has gained a large market share of this business. We will soon serve military bases in eight states.
AWR and its subsidiaries currently operate in eight states (nine in 2018). We continue to provide exceptional service to our customers and look forward to expanding our services to other areas of the country.

* Fort Riley was awarded in September 2017 and is expected to fully transition to ASUS operations by 2018
Maintaining strong fiscal responsibility provides funding to enable us to be good stewards of the environment. For GSWC, we must balance the need for maintaining and improving the reliability of our water and electricity infrastructure with the overall cost to our customers. Our investment in GSWC’s capital improvement program has totalled approximately $435 million in the past five years. Operating and maintaining, as well as renewing and replacing water and wastewater systems by ASUS at military bases also involves a delicate balance of reliability and cost. Experienced management, committed employees, efficient operations and prudent investment to improve service and reliability to our customers have made us a strong company. The financial highlights below demonstrate the Company’s financial strength.

### Financial Highlights (Consolidated AWR)

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<tbody>
<tr>
<td>Operating Revenues</td>
<td>$440,603</td>
<td>$436,087</td>
<td>$458,641</td>
<td>$465,791</td>
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<td>Operating Income(1)</td>
<td>$127,076</td>
<td>$114,716</td>
<td>$118,489</td>
<td>$119,045</td>
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<td>Net Income</td>
<td>$69,367</td>
<td>$59,743</td>
<td>$60,484</td>
<td>$61,058</td>
<td>$62,686</td>
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<tr>
<td>Dividends per Share(2)</td>
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<td>$0.914</td>
<td>$0.874</td>
<td>$0.831</td>
<td>$0.760</td>
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<tr>
<td>Total Assets(3)</td>
<td>$1,414,744</td>
<td>$1,470,493</td>
<td>$1,343,959</td>
<td>$1,373,316</td>
<td>$1,305,041</td>
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<td>Net Utility Plant</td>
<td>$1,204,992</td>
<td>$1,150,926</td>
<td>$1,060,794</td>
<td>$1,003,520</td>
<td>$981,477</td>
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(1) Before Income Taxes and Interest (net). In 2017, includes a pretax gain of $8.3 million from the sale of GSWC’s Ojai water system in June 2017.

(2) Split Adjusted

(3) The decrease in total assets in 2017 was due mostly to a decrease in GSWC’s regulatory assets, which are net of regulatory liabilities. During 2017, significant regulatory liabilities were recorded that were brought about by a lower federal income tax rate as a result of major tax reform enacted in December 2017. These regulatory liabilities, which are expected to be refunded to customers in the future, were mostly netted against regulatory assets.

### Financial Stability

Our regulated business is capital intensive and requires considerable capital resources. A portion of these capital resources are provided by internally generated cash flows from operations. When necessary, the Company obtains funds from external sources in the capital markets and through bank borrowings. Financial health is necessary to allow us to access the capital markets with favorable terms. Standard & Poor’s Rating Services currently provides an A+ corporate credit rating on both American States Water Company and Golden State Water Company, and Moody’s Investors Service provides an A2 credit rating for GSWC.
Governance, Compliance, Ethics, and Risk Management

Corporate Governance
Integrity is one of our core values and an integral part of who we are. We strive to do the right thing and live up to the highest standards of honesty and ethical conduct every day. Leading by example, demonstrating integrity, and maintaining an ethical, safe and productive workplace are the responsibilities of employees at all levels of our organization.

Our Board of Directors is responsible for establishing policies to ensure American States Water Company is operating and performing in a manner consistent with its mission, values and the Company’s Code of Conduct. The Board is comprised of individuals with diverse experience and perspectives and is committed to pursuing best practices from a corporate governance standpoint. The Board has adopted formal Guidelines on Significant Governance Issues. There are currently four standing committees of the Board: Audit and Finance; Compensation; Nominating and Governance; and ASUS. Some key Corporate Governance metrics include:

- Eight of nine board members are independent, including the Chairman
- Four of eight (50%) independent board members are female
- Six of twelve (50%) board members and senior officers are female
- The roles of Chairman of the Board and CEO are separated
- 75% of the CEO’s long-term equity awards are performance-based
- The Company maintains a clawback policy for its performance-based executive compensation
- The Company does not maintain a poison pill

For more information on the Board’s structure, guidelines, and committees, please visit www.aswater.com.

American States Water Company is committed to balancing the goal of providing the highest quality and reliability of water service with the overall cost of service to our customers, subject to applicable federal and state laws and regulations, and orders of regulatory bodies. The Board has adopted a policy of providing access to safe, clean, affordable, and accessible water adequate for human consumption, cooking, and sanitary purposes in all states in which we operate through operations, programs, and/or services authorized by applicable federal and state laws and regulations or approved by applicable regulatory bodies.

Compliance and Ethics
All AWR employees operate under the Code of Conduct (Code), which sets the standard for maintaining a legally compliant and ethical workplace. Every employee is responsible for knowing the Code, as well as following regulations and policies related to their specific jobs. Employees receive training on AWR’s policies, including the Code and other topics, on an ongoing basis.

In addition, we are committed to creating an environment where employees, vendors and business partners feel comfortable raising concerns about unethical business conduct if it occurs. There are several avenues an employee or business partner may use to raise a concern, including an anonymous ethics and compliance hotline operated by an independent third party that is available 24 hours per day, seven days per week. Every matter reported to the ethics and compliance hotline is reported to the Chairperson of the Audit and Finance Committee of the Board and investigated by the Company.

Our Commitment to Basic Business Principles
Our basic business principles are at the core of our corporate culture. Incorporated into our Shared Values, they are our tenets for sustaining a healthy environment and continued success.

- We expect integrity and honesty in our relationships at every level of the organization.
We believe that people are the most valued assets of a business and accountable for their actions.

We encourage our team members to be active participants in helping improve the quality of life in their communities.

We engage employees in ongoing learning and development.

We strive to employ socially responsible practices through development of our people on service standards and ethical leadership.

We are fair and equitable when choosing our business partners.

**Risk Management**

Risk is inherent in the operating environments of all our business segments. The Company takes an integrated approach to risk management in its business activities to drive consistent, effective, and accountable action in all decision-making and management practices. We maintain an Enterprise Risk Management (ERM) process to assist with the identification and prioritization of risks across the company, as well as with the development and implementation of risk mitigation strategies. We have identified the top enterprise risks through the ERM process, which is led by our CEO and Senior Vice Presidents, and the risk mitigation strategies for our key risks are reviewed with the Board on a quarterly basis. One board member serves as a Board liaison to senior management on the ERM process.

**Human Rights**

American States Water Company and its subsidiaries respect human rights. With all of our operations situated in the U.S., and working within a strong regulatory framework, human rights are constitutionally protected, and do not constitute a material risk for us.

There are several ways we strive to promote and protect human rights in our business:

- The Board has adopted a policy of providing access to safe, clean, affordable, and accessible water adequate for human consumption, cooking, and sanitary purposes in all states in which we operate through operations, programs, and/or services authorized by applicable federal and state laws and regulations or approved by applicable regulatory bodies.

- The Company has and enforces Anti-Discrimination, Harassment-Free Workplace and Violence-Free Workplace policies in its Code of Conduct.

- We continually invest in infrastructure improvements to ensure sustainable access to clean water for our customers. GSWC’s capital improvement program has totalled approximately $435 million in the past five years. ASUS has spent over $224 million to renew and replace all infrastructure, and installed over $521 million of utility facilities through 2017.

- At GSWC, we offer customer assistance programs to help low-income or disadvantaged households pay for water services, as well as protection for qualified military personnel during periods of full-time deployment.

**Customer Service**

We make customer service a top priority, and work hard every day to exceed the expectations of those we serve.

**GSWC**

At Golden State Water, we have been putting customers first for more than 88 years, and our approach to customer engagement has given us a competitive advantage. At GSWC, customer service is not just a department, it’s an important part of everyone’s job.
We are proud to provide best-in-class customer service; however, we are always looking to raise the bar, building upon our connection with customers and utilizing new technology to improve the way we serve.

Below are some of the services that set us apart:

- **We always answer your call.** GSWC has friendly and knowledgeable representatives available to answer calls from customers whenever they need us. We were one of the first in the industry to open a 24-hour Call Center, because our service doesn’t stop when traditional business hours’ end.

- **We work hard to resolve issues efficiently.** Serving approximately 70 cities in 10 counties, our Customer Service Center averages more than 33,000 incoming calls per month. Our representatives aim to resolve matters efficiently and effectively. We strive to answer at least 80% of all calls within 30 seconds, and our dedicated team handles the average call in a little over three minutes.

- **Language is no barrier.** Our Customer Service Center is equipped to take calls in English and Spanish, and we offer a dedicated 800 line that enables us to communicate with customers in a variety of other languages.

- **We listen.** At the end of every call, customers are invited to participate in a customer service survey to rate their satisfaction with the service they received. This data is analyzed to help GSWC measure and continually improve our customer service performance.

- **Self-Service convenience.** In 2017, GSWC launched the “MyGSWater” self-service online portal, through which customers can conduct a wide range of services from the convenience of their computers or smart devices.

- **Dynamic digital communications.** GSWC believes communication is a key factor in customer satisfaction, and our digital communications program helps us to provide important, real-time information to customers in a cost-effective way.
  - Our [gswater.com](http://gswater.com) website serves as a hub for customer information and resources, providing company-wide and local sections that utilize videos, graphics and interactive content to engage and educate customers. GSWC also offers a [gswater.com/Español](http://gswater.com/Español) website for our Spanish speaking customers.
  - The @GoldenStateH2O handle on Twitter was launched in 2015 to better communicate with customers through this social medium, and has quickly grown to represent the largest Twitter presence among California’s regulated water providers.
  - GSWC’s e-communications platform reaches customers and community leaders, providing an efficient resource to share important updates directly to inboxes. GSWC disseminates our Waterways e-newsletter and other important updates via the e-communications platform.
  - BVES continued enhancing its presence and customer service, utilizing online and social tools to provide timely updates, emergency notifications and new customer resources.

- **Award-winning customer outreach.** GSWC has pioneered an innovative way of engaging with customers through an open dialogue, utilizing digital resources and dynamic content. Focused on a conservation dialogue during the California drought, GSWC’s “Collaborative Conservation Education Campaign” was recognized with the industry’s top honor for innovation, the NAWC’s 2016 Management Innovation Award.
• **Support where it’s needed.** GSWC recognizes that some customers may have difficulty covering expenses, so we offer a monthly credit for low-income residential customers through the California Alternate Rates for Water (CARW) program. Non-profit group living facilities, agricultural employee housing facilities and migrant farm-worker housing centers may also be eligible to receive a monthly credit. Bear Valley Electric Service’s low-income customers may qualify for assistance through the Energy Saving Assistance Program to low-income customers. Additionally, GSWC’s and BVES’s Military Family Relief Program (MFRP) offers protection for qualified military personnel during periods of full-time deployment.

• **Renewable Energy Milestone.** BVES surpassed a key renewable energy milestone this year, as 5% of the energy consumed by customers is now generated by customer-owned renewable sources (solar).

Customer service is more than just what we do, it’s who we are. GSWC’s team of more than 500 service experts is wholly committed to achieving consistent standards of customer service excellence.

**ASUS**

ASUS’s dedicated, cross-functional team consists of more than 200 water, wastewater and infrastructure experts that provide a robust value stream to the military and civilian personnel we serve. ASUS is considered by the federal government and the various military installations as one of the preeminent providers of water and wastewater operations, maintenance and capital construction on military installations across the country. With ASUS managing utilities at the bases, the U.S. military can focus on their core competency of defending our nation.

Annually, each ASUS subsidiary receives a Contractor Performance Assessment Rating (CPARs) from the Federal Government that rates performance in the areas of: (i) quality of service, (ii) schedule, (iii) cost control, (iv) business relations, (v) management of key personnel and (vi) small business utilization. ASUS has consistently exceeded the customers’ expectations at all locations served. In every CPARs that ASUS subsidiaries have received, the U.S. government notes they would make another award to ASUS. ASUS’s industry-leading approach to customer service includes utilizing service request portals at each military installation to effectively and efficiently respond to emergencies, leaks and normal outage calls, as well as

• Partnering with the military on water and wastewater construction efforts as the installations expand and evolve to meet the requirements of the 21st century;

• Maximizing the experience of ASUS personnel in achieving quality and reliability standards consistently above the industry norms and the expectations of the military services;

• Recapitalizing utility systems over a 50-year period to elevate them to private industry standards and enhancing the reliability provided to end users;

• Implementing water quality improvements, thereby decreasing water quality inquiries, while also developing installation-based water conservation efforts to meet increased demand; and

• A great customer service culture, industry knowledge and community involvement.
The nation’s aging water infrastructure continues to draw much attention as failures of public water systems are commonplace on the evening news. Proactive investments in our water systems to replace and protect our water infrastructure are now more important than ever to avoid the costly and sometimes dangerous effects of deferring maintenance.

**GSWC**

GSWC understands that proactive system maintenance is critical to protecting water service now and for future generations. We continually invest to improve our water systems by upgrading both treatment and delivery systems across all of our service territories.

Our company prides itself on developing assets that create sustainable, long-term value. At GSWC, we recover capital expenditures from customers through depreciation expenses and a return on rate base. During the past five years, GSWC’s net utility plant has increased from $913 million at the end of 2012 to almost $1.2 billion at the end of 2017. We spent approximately $325 million over the last three years (2015-17) to upgrade our infrastructure, and expect to spend $110-$120 million on capital needs in 2018 alone.

In the current General Rate Case (GRC) application, we have a three-year capital expenditure budget of $375 million for the water segment. The following projects highlight the proposed investments included in the 2018-20 General Rate Case:

- **Pipeline Projects**: $130 million for pipeline installation and replacement projects throughout our service areas. To protect the integrity of our water systems, we aggressively aim to replace approximately 1% of our pipes each year.

- **Apple Valley**: $3.9 million is planned to be invested in groundwater well improvements, plant site electrical upgrades, new booster pumps, and a new reservoir to maintain adequate, dependable and high-quality water supply to customers in Apple Valley.

- **Arden-Cordova**: $4.4 million proposed construction improvements include recoating of reservoirs, water turnout upgrades, replace media in water filters, convert to onsite generation of water disinfection chemical, and installation of backup power supply to reduce our environmental risks and to improve the reliability and quality of water service to our customers within our Arden-Cordova service area.

- **Barstow**: $5 million of construction to maintain reliable and quality water service to our customers within Barstow. The improvements include installing transmission main to the proposed Irwin Reservoir, electrical upgrades to our Agate Plant and Bradshaw Well No. 1, seismic upgrades to the Lenwood Reservoir, and system-wide SCADA improvements.

- **Central Basin East**: $2.5 million is proposed to equip Studebaker Well No. 3, upgrade our CB-23 purchased water connection, and upgrade and recoat the Meyer water storage tank. These improvements will improve operational efficiencies, provide cost savings and maintain a reliable water supply within the system.

To conserve water and ensure reliability, $1 out of every $3.30 collected from our customers goes into infrastructure at GSWC in the past two years.
• **Central Basin West:** $3.9 million is proposed to drill and equip a replacement groundwater supply well at our Coolidge Plant. This project will provide cost savings and maintain a reliable water supply to our customers within the Central Basin West systems.

• **Claremont:** $5 million to drill and equip a replacement well at Mountain View plant, perform booster pump upgrades at Claraboya, and install arsenic treatment at the Del Monte plant. These investments will improve reliability of water supply, increase supply efficiency and enhance the quality of water delivered throughout our Claremont system.

• **Culver City:** $5 million proposed to construct a new purchased water connection, upgrade and recoat a water storage tank at our Baldwin Hills East plant, perform water quality improvements, and perform slope stabilization improvements to protect the Bernardo Plant. These improvements will upgrade and protect the water delivery assets serving our Culver City customers.

• **Los Alamitos:** $3.8 million investment in iron and manganese treatment facilities at our Ball and Valley View groundwater wells. These facilities will improve the quality of water served to our customers.

• **Los Osos:** $2 million to construct replacement water storage reservoirs at Alamo, Cabrillo, and Calle Cordoniz plants, and perform upgrades to groundwater supply wells at Skyline and South Bay plant sites. These upgrades will ensure the reliability of water supply to our Los Osos customers and improve the water delivery system.

• **Placentia:** $22.7 million of capital investments include drilling and equipping a replacement groundwater well at our Fairhaven Plant, new electrical equipment at the Peacock Plant, replace reservoirs at the Clearview Plant, Golden Plant, and College Plant, increase booster capacity at plant sites, and modify the hydraulic gradient zones to improve efficiency, operations, and reliability of water service to the Placentia service area.

• **San Dimas:** $7.6 million to replace the Baseline Well and Columbia Well, recoat reservoirs, and electrical upgrades at various plant sites. Replacement of essential facilities ensure the delivery of quality water to our San Dimas customers.

• **Santa Maria:** $5.8 million to acquire land for a new storage reservoir, recoat the Orcutt Hill Reservoir No. 2, well improvements at six groundwater well sites, construct a storage reservoir, and nitrate treatment improvements.

• **Southwest:** $13.2 million to upgrade two purchase water connections, recoat and upgrade a water storage reservoir, construct advanced oxidation improvements at eight groundwater wells, and perform nitrification control improvements at water storage reservoirs throughout the Southwest system. Enhancing water quality is the primary focus for our Southwest customers.

• **Wrightwood:** $2.8 million investment to replace pumps and electrical equipment at the Cardinal Plant, Bobolink Plant, and Orchard Plant. Replace a chemical building at Buford Plant and install SCADA throughout the Wrightwood system to improve reliability, operational efficiency, and enhance water quality to the customers of Wrightwood.

Our capital investment program assures we can continue delivering reliable, high-quality water service without interruption. Additionally, each capital improvement project creates jobs and helps to stimulate the economies in the communities we serve.

At Golden State Water, our commitment to ongoing preventive maintenance ensures we can protect nature’s most precious resource from its source to customer taps.

At GSWC’s Bear Valley Electric division, we have sought to ensure safety and reliability of electric service delivered by upgrading distribution facilities through capital improvement projects.
• Our 2012 GRC authorized us to invest $12 million in capital improvement projects from 2013-2016 focused on safety and reliability projects. We also invested another $3 million in 2017 to continue with these efforts.

• $7 million project to convert the overhead distribution system to underground along approximately three miles of the main tourist thoroughfare in Big Bear Lake to improve safety, reliability and aesthetics. The project was completed in June 2017.

• $1.5 million project to upgrade a major substation to strengthen reliability of power delivery to residents, improve safety, and double capacity. This project, completed in November 2015, converted the substation from an overhead-type to an underground, and pad-mounted design and all substation equipment was replaced with the latest technology, including advanced metering and remote monitoring and controls.

• $6.4 million CPUC-directed Mobile Home Park Upgrade Pilot Program project to provide direct metering to each home in a 250-unit mobile home park, Whispering Pines Estates. This project is expected to be completed by early 2018.

Our Electric Division’s 2018 GRC includes a request to execute $40 million in capital project improvements including:

• **Grid Automation Project.** This $3.8 million project spread over four years (2018-2021) will allow BVES to detect, localize and isolate system faults rapidly and remotely. Service crews will come to the exact fault location rather than spend significant time patrolling and looking for the fault. As a result, a 40-minute outage event will be reduced to 2-5-minutes for 80-90% of affected customers.

• **Pole Loading Assessment and Remediation Program.** This $11.9 million project spread over four years (2018-2021) is designed to significantly accelerate the assessment of poles under the heavy load of conductors, television cables and telephone lines. There are over 8,000 poles that need to be assessed and remediated.

• **Safety and Technical Upgrades of Pineknot Substation.** This $2.9 million project is for the existing Pineknot substation is to be converted from an overhead to an underground and pad-mounted design in 2019. This will improve the reliability of the substation. We will replace all equipment with more efficient and enclosed pad mount transformers, voltage regulators, re-closers, and bus work. In addition, the capacity of the substation will be increased from 7.5 MVA to 10 MVA. The equipment will be remotely monitored.

**ASUS**

At ASUS, a key element of our 50-year contracts involves the renewal and replacement of aging infrastructure at the military bases served by subsidiaries of ASUS, which includes over 1,500 miles of water and wastewater pipes. Since the first contract was entered into in 2004, ASUS has spent over $224 million to renew and replace all infrastructure, and installed over $521 million of utility facilities through 2017 to (i) provide service to new areas of the military bases it serves, (ii) provide for accelerated refurbishment of facilities beyond their useful life; and (iii) improve the quality of facilities used to provide water and wastewater service to military personnel, their families and civilian government employees.

ASUS’s efforts toward capital improvements of the aging infrastructure, combined with more efficient operation and maintenance of these facilities, have resulted in over $4 million in annual savings of water commodity and wastewater effluent costs, representing between 21% and 47% in savings since ASUS undertook operations of the systems for the bases served.
Economic Impact and Supplier Diversity

AWR makes a positive economic impact in various ways in the geographical areas in which we do business. We employ over 750 employees in ten states, paying federal, state and local taxes.

**GSWC**

GSWC formed a Centralized Procurement Services Department, supporting GSWC’s objective to deliver reliable water and electric services to its communities in the most cost effective manner. The Department is focused on building and actively managing strategic relationships with internal and external stakeholders, key suppliers, and service providers in an effort to maximize the value of goods and services procured by GSWC.

Supplier diversity is a business initiative that encourages the utilization of qualified and certified women, minority, disabled veteran and LGBT business enterprises (WMDVLGBTBE) when purchasing goods/services. GSWC has been committed to providing opportunities and forming partnerships within the communities we serve. Our supplier diversity programs have evolved over the years as we find ways to broaden our supplier base, stimulate competition, and ensure that we receive the highest quality materials and services at the best available prices.

We continue to follow the requirements of the California Public Utilities Commission General Order 156 to increase the inclusion of diverse business enterprises in procurement opportunities. Our percentage of spend has increased with diverse vendors from 7.5% in 2004, when we started our Supplier Diversity Program, to 29.7% in 2017. We were one of five utility companies in California that met the three category goals (women, disabled veteran and minority) established by the California Public Utilities Commission (CPUC) General Order 156 Supplier Diversity. This significant progress is a direct result of our commitment to supplier diversity at all levels of GSWC.

As discussed previously, GSWC received the Black Business Association’s Utility Company of the Year Award, given to those that have been most supportive of the growth and development of the Black Business Association and providing equal opportunities for diverse suppliers.

**ASUS**

On a wider geographical scale, much of the work performed at the ASUS military subsidiaries is done by firms based in proximity to the installations we serve. For 2017, ASUS subcontracted a total of $38.1 million to qualified suppliers across all subsidiaries. Of this amount, $32.5 million (85.5%) was awarded to small business designated firms (including Veteran-Owned, Woman-Owned, Small Disadvantaged, Historically Underutilized Business (HUB) Zone, Small Disadvantaged Veteran-Owned and Alaska Native Corporation entities), as defined by the Small Business Administration.

ASUS views small business utilization as a core corporate responsibility and fundamentally necessary to deliver best value to the military. By focusing on the local, small businesses near the bases we serve, we help secure jobs for local families. As a result of this focus, our support to veteran-owned small businesses is more than five times our contractual goal; women-owned small businesses is almost double the goal; and small-disadvantaged small businesses is more than double the goal. Currently, seventeen of the top twenty subcontractors doing work for ASUS are small business designated firms.
Never have water and energy, both vital to our human existence, played such a pivotal role in our communities than it does today. A wide range of business and environmental leaders, policy makers, and ordinary citizens are becoming more engaged in issues surrounding water, water supply and energy. We view the world as one community in which every person, every organization and all undertakings can have an impact on the environmental, social and economic well-being of the local and world community. American States Water Company is steadfast in demonstrating excellent corporate citizenship by integrating social, environmental, and economic concerns into our business operations and interactions with stakeholders to maintain trust and confidence of customers, shareholders, employees, suppliers, government at all levels and non-government organizations, as well as the communities we serve.

Golden State Water’s potable water we provide to our customers meets or exceeds the increasing federal- and state-mandated water quality guidelines required by the United States Environmental Protection Agency (USEPA), the California State Water Resources Control Board’s Division of Drinking Water (DDW), and the California Public Utilities Commission (CPUC).

GSWC’s team of more than 500 water professionals is committed to ensuring that our customers have reliable, high-quality water service available whenever they need it. We test for more than 230 elements in our water to ensure high quality. It is important for our customers to be informed about the quality of the water that we serve. To keep them informed, every year an Annual Water Quality/Consumer Confidence Report is prepared and posted online for our customers that details information about the quality of their water at http://www.gswater.com/water-quality/

GSWC’s team of experts strives to provide consistent water service and prevent water quality issues by regularly investing to maintain and improve our water systems. This helps ensure our ability to provide our customers with high-quality drinking water – 24 hours a day, seven days a week.

In January 2017, the State of California announced a new program encouraging schools to test their drinking water for the presence of lead. GSWC is proudly collaborating with schools in our service areas to test and ensure drinking water quality is not being compromised by plumbing issues within the school facilities. Through June 30, 2017, we tested 49 schools. For more information, including test results, visit http://www.gswater.com/schools/. Supplying drinking water that complies with state and federal requirements to families is of paramount importance, and we appreciate the opportunity to work closely with our local school administrators on this key initiative.

Golden State Water has an environmental quality department staffed with dedicated professionals with expertise in environmental compliance, water resources, water quality and conservation. Our programs are designed to provide quality assurance and responsible use of environmental resources. Our comprehensive program strives to eliminate or mitigate environmental impacts to air, water and land in both our day-to-day operations and our capital improvement projects. GSWC also has a training program for new employees that not only covers regulations and procedures, but also covers environmental awareness and water conservation principles, ensuring that every employee understands our role as a steward of the environment.

Bear Valley Electric Service (BVES) has aggressively pursued “greening up” its power sources and is on pace to meeting California’s Renewables Portfolio Standard (RPS) requirement schedule of 33% by 2020; 40% by 2024; 45% by 2027; and 50% by 2030. Contractually, BVES has firm commitments to meet the RPS requirements of
38.3% through 2023. In addition to pursuing more environmentally friendly resources, BVES has implemented programs to help all customer classes utilize electricity more efficiently. Our employees have been proactive in the community, promoting resource options in schools, government agencies, small businesses and individual households. Additionally, due to recent drought conditions, BVES has increased its efforts to collaborate and work closely with local water agencies in order to provide customers with water-energy conservation measures.

BVES hosts an annual Earth Day Expo that includes fellow utilities as well as local community agencies and other interested groups. The Expo is filled with educational opportunities for customers and local school children via various displays and activities aimed at saving energy and improving the environment. The Earth Day Expo has been very successful and well received over the years.

Golden State Water Company is a member of the Alliance for Water Efficiency (AWE), which is an organization that aims to promote efficient and sustainable water consumption and to inform customers about easy-to-use water conservation tools. GSWC continues to be a partner with WaterSense, a United States Environmental Protection Agency (EPA) program established to bring water efficient products to market, labeling new homes, and spreading the word about the need for smart water use. GSWC continues its partnership with Save Our Water, a statewide program aimed at helping Californians reduce their everyday water use. Created in 2009 as a partnership between the Association of California Water Agencies and the California Department of Water Resources, the program offers ideas and inspiration for permanently reducing water use – regardless of whether California is in a drought. We also partner with bewaterwise.com®, a collaborative effort between The Metropolitan Water District of Southern California, its 26-member agencies and large water-using customers to improve water use efficiency. Other collaboration regional partners include: the Regional Water Authority in the Sacramento region, Contra Costa Water District, and the Mojave Water Agency.

The Company supports the need for research in the water industry. GSWC has been an active member of the Water Research Foundation for decades, helps fund the organization and has served in significant leadership positions. The Foundation is an internationally recognized leader in water research that is dedicated to advancing the science of water by sponsoring cutting-edge research and promoting collaboration. Their research provides industry insights and practical solutions to the most complex challenges facing the water community today and into the future. GSWC has specifically funded work in the utility Enterprise Risk Management (ERM) space, and our employees have participated in research projects.

We believe in treating our earth’s resources with respect and are committed to protecting the environment, ensuring the health and safety of our employees, our customers, and the diverse communities where we operate. We do so by adhering to the following principles:

- Our operations strive to comply with all applicable regulations and requirements;
- We employ management systems and procedures specifically designed to minimize the use of hazardous materials, energy and other natural resources, to minimize the generation of waste and to enable recycling and reuse of materials;
- We minimize energy and water usage in our buildings, vehicles and processes to conserve supplies and minimize our consumption of non-renewable natural resources; and
- We purchase products and services that are environmentally friendly.

ASUS is also fully aware of its impact to the environment and will continue to actively pursue conservation opportunities through Department of Defense programs such as Net Zero and Utility Energy Service Provider initiatives as well as through establishment of contracts with other conservation-focused entities.
AWR’s commitment to conserve and protect our environment is a priority. We continue to encourage the conservation of water and energy by reviewing and assessing our organizations, making internal changes and updating policies to comply with our environmental strategies.

We live in a fragile environment with limited natural resources. Our world is full of water and yet only 3% is fresh water and less than 1% is available for our use. As stewards of this precious resource, we are dedicated to promoting water conservation. At AWR, we understand the delicate balance with nature and have a longstanding commitment to protecting our environment and ensuring resources are managed responsibly. In fact, water loss in the GSWC systems averages less than 7%.

**GSWC**

We strongly encourage the conservation of water and energy with all of our customers. In fact, water usage by GSWC customers is down ~30% since 2007, exceeding the State of California conservation guidelines. At the same time our number of customers increased.

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**Total Water Usage (mg)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Usage (mg)</th>
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<tbody>
<tr>
<td>2007</td>
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</tr>
<tr>
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<tr>
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<tr>
<td>2016</td>
<td>41,614</td>
</tr>
<tr>
<td>2017</td>
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</table>

**Number of Customers**

<table>
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<tr>
<th>Year</th>
<th>Number of Customers</th>
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</thead>
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<td>2013</td>
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<tr>
<td>2015</td>
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</tr>
<tr>
<td>2016</td>
<td>261,002</td>
</tr>
<tr>
<td>2017</td>
<td>258,949</td>
</tr>
</tbody>
</table>

mg = millions of gallons

*The sale of the Ojai water system resulted in a reduction of 2,900 customer connections*
Customer electric usage is down more than 9% since 2007 while the number of customers has increased.

![Graph showing total electric usage (mWh) from 2007 to 2017 and number of customers from 2007 to 2017.](image)

- GSWC continues to assess additional water supply, including participation in desalination proposals with Poseidon Resources, imported supplies via Cadiz Inc., as well as various recycled water opportunities.

During one of the worst droughts in California, the Company experienced no water shortages in our service areas. Multiple water sources are used, including:

- ~60% from our own groundwater sources. GSWC has a significant portfolio of adjudicated water rights.
- ~35% purchased principally from the Metropolitan Water District (MWD) and its member agencies, imported from the California State Water Project and the Colorado River.
- ~5% from surface water under contracts with the United States Bureau of Reclamation and the Sacramento Municipal Utility District.

Given California’s drought and water supply conditions, conservation is more important than ever. On April 7, 2017, the Governor of California ended the drought State of Emergency in most of California, and State agencies released a long-term plan to better prepare the State for future droughts, referred to as “Making Conservation a California Way of Life.” Building on the successes and lessons learned from California’s most recent five-year drought, the plan establishes a framework for long-term water use that reflects the state’s diverse climate, landscape and demographic conditions. Achieving the plan’s goals will help all of California better prepare for future droughts.
For many years, we have been working with our customers to reduce their water usage. We anticipate spending more than $3 million for the period 2016-2018 on conservation programs. Some of the highlights that demonstrate our commitment include:

- Our conservation education program engages customers at community events and schools to stress the importance of water-use efficiency and teach the value of water. Our full-time Water-Use Efficiency staff is dedicated to education and helping our customers make informed decisions about efficient water use and conservation.

- We educate our customers and provide them with tools so they can make adjustments to improve their water-use efficiency. We have distributed more than 19,400 complimentary water conservation kits, which include high efficiency showerheads and faucet aerators, drip irrigation kits and positive shut-off hose nozzles. The 19,400 kits distributed could save a combined 141 million gallons each year, and we expect to increase our ongoing conservation efforts.

- We work with our wholesale providers and other partners to offer an impressive array of conservation rebates and programs designed to help our customers save water. We foster and maintain solid partnerships and offer rebates, audit services, commercial and industrial programs, and landscape irrigation programs to customers. As an example, we partner with certified landscape auditors who identify leaks and savings opportunities for residences, large landscape customers and commercial customers.

- We have distributed or installed more than 4,795 Ultra-High Efficiency Toilets (UHET) to income qualified, California Alternate Rates for Water (CARW) customers through our CARW UHET conservation program. The UHETs use only 0.8 gallons per flush, and could save a combined 115.7 million gallons per year.

- We are nearly complete in converting flat rate customers to meters. It's estimated that the current meter installation program will result in roughly 127.8 million gallons saved each year.

- We proactively maintain our water systems and have enhanced our leak detection program to minimize the amount of water lost during operation.

- GSWC utilizes a tiered conservation rate* structure in many of our service areas to encourage conservation and reward customers who use water responsibly. With our tiered-rate structure, those who use less water have lower water bills. That incentive has helped to save billions of gallons of water since the structure was first implemented.

- Our electric division, BVES, also utilizes a tiered-rate system to encourage conservation. The tiered rates incentivize customers to reduce electricity usage.

- The Experimental Mohawk Project is a photovoltaic system and solar-operated well pumping site in Apple Valley that utilizes special equipment to maximize power efficiency and extend the useful life of the equipment. The project is projected to save approximately $2 million for customers over the course of 25 years.

- We perform annual system water and energy audits to identify areas for improvement, and are assessing the feasibility of using hydro-turbines in water operations.

- We are working with the CPUC on an experimental program to replace Pressure Reducing Valves (PRVs) with advanced hydroelectric generators at two locations. These generators, which will generate
approximately 500,000 KWH annually, allow us the opportunity to recover energy that is lost, and sell the energy back to the electric utilities.

- BVES invests to educate customers and offers an energy rebate program that encourages innovation and conservation. These efforts have helped to save millions of kilowatt hours of electricity.

- We offer a Net Energy Metering Program, which benefits customers of our electric division who install a solar- or wind-generating facility that produces renewable energy. Those customers can receive a bill credit if their annual renewable energy production exceeds their on-site use.

- BVES collaborates with local water agencies, including the City of Big Bear Lake’s Department of Water and the Big Bear Community Services District, to encourage the efficient use of water and electricity.

- Our solar initiative and efficiency programs at BVES continue to significantly reduce energy costs, reduce emissions, and increase deliverability capacity for all customers, allowing large customers and employers in the service area to be served power without interruption.

- In our offices, we utilize energy-efficient computers and monitors and are in the process of replacing HVAC units with energy-saving models. Motion-sensor lighting minimizes electricity usage when no one is present. Additionally, we recycle our electronic waste.

**ASUS**

Facing a number of environmental concerns, the government has set many conservation goals for its military establishments. As a Utility Privatization (UP) partner for these installations, ASUS has been offered the unique opportunity to create innovative ways for the military to meet these goals, and we are proud to play a major role in this extremely important endeavor for sustainability.

When working with such a precious resource as water, it is our responsibility to continue developing these initiatives - not only for efficiency’s sake, but for the well-being of our entire country’s future. We have targeted a number of methods for usage conservation, including storm-water management, overflow reduction, and minimizing potable water consumption.

The statistical results of these tactics have been astounding. ASUS’s capital improvement and operations/management programs have, based on 2017 data, reduced water commodity usage and wastewater effluent discharge ranging from 20% to 62% at bases served. This equates to an approximate $8.7 million annual savings to the Government. This is even more remarkable when considering the population density growth at these bases average 15%. Our UP contracts provide all of those savings directly to the installation served. We take pride in our commitment to improving each and every installation, as these improvements in efficiency permeate beyond the base to assist conservation on a national scale. Conservation and environmental compliance are priorities for AWR. We take pride in our efforts and the measures we take to set the bar for the utility industry.

**Communities**

When our connection to the communities we serve is strong, our business thrives. That is understood throughout the AWR family, which reaches beyond GSWC to include the communities served by our BVES and ASUS subsidiaries.

Our community focus has always been a top priority for GSWC, and the launch of our new Community Engagement Program in 2017 establishes new commitments for increased service hours and philanthropic giving over the next five years to support the efforts of programs that empower and enrich the lives of our youth and ensure water resources will be available for future generations.
GSWC is proud to be a trusted partner in the 70 communities we serve throughout California. We are more than just the local water provider – we live, work and play in the neighborhoods we serve, and we honor our commitment to strengthen our local communities through engagement, support and philanthropy. We also serve approximately 24,000 electric customers in the City of Big Bear Lake and surrounding areas in San Bernardino County, California. ASUS’s operations at the ten military bases are located in seven states, and will grow to 11 military bases and eight states in 2018. In addition to providing excellent service to the U.S. government under our 50-year contracts, our ASUS subsidiaries also provide community outreach initiatives.

Golden State Water Company currently does not have service territories in areas designated as Indigenous regions or lands.

Below are just a few examples of our contributions in our communities:

**GSWC**

- **Community Giving**: GSWC expects to contribute approximately $2 million over the next five years to support programs that empower and enrich the lives of our youth and ensure water resources will be available for future generations. We recognize that our financial contributions to programs like the H.Y.D.E Out Teen Center in Rancho Cordova and Gardena Chamber of Commerce’s Operation Backpack event make a big impact on our youth.

- **Service Hours**: GSWC encourages employees to remain active in our communities, and implemented service hour guidelines for all salaried members of our team. This initiative is designed to increase our levels of support and engagement and maximize our reach through service organizations and community activities.

- **Operation Gobble**: Each year, GSWC works in partnership with elected officials and community leaders to distribute Thanksgiving turkeys to charitable organizations that serve families and individuals with limited resources through the Operation Gobble program. Since 1990, GSWC has donated more than 224,000 turkeys to community-based organizations like the Salvation Army, the Boys and Girls Clubs of America, local churches and other non-profits. BVES has also partnered with Elks Lodge 1787 to provide holiday dinners to families with limited resources in the communities it serves.

- **Utilities Challenge Food Drive**: BVES lead and organized the second annual Big Bear “Utilities Challenge Food Drive,” raising over $4,000 in food items – $1,000 more than the previous year.

- **School Programs**: For years, GSWC and BVES have supported our local schools, participating in career days, literacy activities, and sponsoring STEM and tech programs. Our Community Engagement Program aims to impact even more children in the coming years through education and the promotion of healthy, active lifestyles. BVES led Junior Achievement day, where volunteer staff taught 5th graders a one-day entrepreneurial curriculum and donated $3,000 to Junior Achievement USA program.

When our connection to the communities we serve is strong, our business thrives.
• School Drinking Water Testing: In 2017, GSWC launched a new collaboration with the schools in our communities to test the drinking water inside school facilities for compliance with state and federal lead standards. This program is aligned with a state-sponsored initiative encouraging California schools to check for the presence of lead in the drinking water that is served to students and staff. Through June 30, 2017, we tested 49 schools. For more information, including test results, visit http://www.gswater.com/schools/.

• Service Organizations and Community Leadership: GSWC makes it a priority to remain active in organizations like Chambers of Commerce and Rotary Clubs that lead and serve our communities, and recently reached the 50-year milestone as a member of the Cypress and Rosemead chambers. Our employees also serve as board members and volunteers for educational foundations, food banks and other critical community programs.

• Protecting Local Water Resources: We always encourage customers to use water responsibly and make conservation a way of life to protect our communities’ water resources. GSWC has made significant investments to educate customers regarding water-use efficiency and help them reduce water usage through various programs and resources. Whether providing rebates to replace turf with drought-tolerant landscapes or water-efficient toilets and fixtures, we take pride in being our customers’ conservation partner.

• Customer Assistance: We recognize that some customers may have difficulty covering expenses, so we proudly offer a monthly credit for low-income residential customers served by our water and electric utilities. Additionally, GSWC’s Military Family Relief Program (MFRP) offers payment deferral protection for qualified military personnel during a time of declared national or state emergency, or war.

• Job Creation: We put our customer’s money to work improving the water system so they never have to worry about water, and while capital improvement projects are important to strengthen our water infrastructure, they also create jobs in the communities we serve. We spent approximately $325 million over the last three years (2015-17) to upgrade our water and electric infrastructure, and expect to spend $110-$120 million on capital expenditures in 2018. Those investments create hundreds of jobs and help to stimulate the economies in our communities.

• Supplier Diversity: GSWC is committed to providing opportunities and forming partnerships within the diverse communities we serve through our Supplier Diversity Program. Our commitment to supplier diversity allows us to maximize growth, competitiveness and customer satisfaction—all while promoting economic development within our communities. Contracts to diverse business enterprises account for 29.7% of our supplier business, a four-fold increase since the inception of our Supplier Diversity Program in 2003.

• Water for People (WFP): WFP helps people in developing countries improve their quality of life by supporting the development of locally sustainable drinking water resources, sanitation facilities and health and hygiene education programs. Many of our employees make personal contributions and are involved with WFP, including several who have traveled overseas to provide hands-on support. A Workplace Giving Program allows employees to donate a portion of each paycheck to support the WFP, and the Company matches the contribution.

ASUS
• Flag for Every Hero: To help honor those who have served our country, ASUS assists with the placement of U.S. flags on the graves of servicemen and servicewomen interred at the National Cemetery in Riverside, CA for the Memorial Day and Veterans Day weekends.
• **Wreaths Across America**: A nationwide coordinated effort to place Christmas wreaths on the graves of servicemen and servicewomen at national cemeteries.

• **Scholarship Program**: In 2015, ASUS launched a program to provide up to five scholarships to qualifying dependent children of active, full-time U.S. military members stationed at bases served by ASUS. In 2018, scholarships will also be made available to dependent children of veterans. Awards may be renewed for up to three additional years or until graduation, whichever occurs first.

• **Special Operations Warrior Foundation**: A program that provides financial assistance for post-secondary degrees from accredited two- or four-year colleges, universities, technical or trade schools as well as offering family and educational counseling to children of special operations personnel killed in the line of duty, to which ASUS makes donations.

• **Adopt-A-Family and Holiday Hearts**: The holidays can be difficult for families separated for military service; Adopt-A-Family, supported by a number of ASUS’s subsidiaries, and Holiday Hearts provide food and/or gifts to deserving military families.

• **Fisher House**: One of ASUS’s subsidiaries raises money for the Fort Bragg Fisher House facility, which provides housing and dining at no cost for families of military members receiving medical treatment. Through an annual golf tournament, all net proceeds are contributed to Fisher House.

• **JBA Chief’s Group Annual Half Marathon**: Andrews AFB sponsors this event annually, with ASUS’s subsidiary providing support to raise funds for Fisher House, Parents with Children Fighting Cancer, the Air Force Assistance Fund and Home for Troops.

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**Employee Safety**

We place tremendous attention and focus on employee safety. AWR’s safety policy is to establish and maintain a safe work environment for all employees. To accomplish this, a comprehensive Health and Safety Program (HASP) has been developed to educate employees about workplace hazards and protect them from workplace injuries and illnesses. The programs are required by the Occupational Safety and Health Administration (OSHA) for each respective state. We are committed to reducing the number of OSHA recordable incidents, accidents and injuries in the workplace.

**GSWC**

Safety responsibilities involve managers and employees alike. Management personnel ensure that the safety and health programs are administered in their areas of responsibility and support employees in following safety policies, rules and regulations. Employees are encouraged to correct and report unsafe work conditions.

Company-wide safety inspections are conducted with supervisors. Safety concerns identified during the inspection tours are immediately corrected whenever possible. The inspection reports are forwarded to management for review, allocation of resources (if needed), and correction. In 2017, 155 site locations were toured and inspected. Employees attend training in various mandated safety programs that are applicable to their operations. This training includes class room style.
online, field safety meetings, and on the job training. Safety training attendance records are maintained by GSWC’s Training & Compliance team.

The Safety Specialist also performs ergonomic assessments and provides written recommendations to employees and management to prevent or mitigate repetitive motion injuries that can lead to cumulative trauma disorders. Recommendations can include educating employees on specific postures, utilizing ergonomically-designed equipment from dedicated ergonomic companies, and making adjustments to existing equipment to achieve ergonomic standards. In 2017, more than 110 assessments were conducted at various employees’ work locations throughout the Company.

Our safety training program exceeds regulatory standards, and focuses on accident prevention. GSWC has employed a behavioral based safety training program, called SafeStart, since 2011. This program is in addition to required OSHA safety training and addresses the behavioral states that lead to approximately 95% of all accidents. The four states are: Rushing, Frustration, Fatigue, and Complacency. These states are identified and then critical errors are identified that commonly occur during these states, such as mind not on task, eyes not on task, being in the line of fire, and loss of balance, traction or grip. SafeStart has also been incorporated into the Post Accident Training Program rolled out in 2015, which requires any employee who has been involved in an OSHA accident to complete behavioral-based safety training.

In 2015, an additional phase of the Safety Recognition Program, which includes a raffle to win a nominal award for accident-free employees, was introduced, and has helped to further encourage safe working behavior. Through these safety programs and initiatives, accidents have been steadily declining at GSWC. OSHA Recordable accidents decreased by 26% in 2017 as compared to 2016.

As a result of GSWC’s safety programs and improvements, GSWC was awarded the American Water Works Association’s "Larry Larson Safety Award" in 2016. This award recognizes utilities that have a strong commitment to employee’s health and safety, demonstrate high morale and a proficient and productive workforce through training and education, and who receive cost savings by reducing or eliminating the potential for lost time accidents.

In addition to ensuring employee safety, positive measures are taken to protect the general public. GSWC requires employees to complete Traffic Control classes to protect themselves and the public. Employees must provide visible “barriers” such as cones and/or safety warning tape to identify open trenches and underground vaults to protect the public from accidentally falling into the temporary work openings.

Employees follow safe protocols for valve operation, including operating and exercising valves safely to avoid “water hammer” which can damage system components. Employees also ensure that valves are operable in the event of a large water main break so the break can be isolated quickly to prevent or reduce property damage, traffic issues and accidents. Fire hydrants are also operated and exercised on a routine basis to ensure they can be relied upon when needed to help protect lives and prevent property damage.

GSWC monitors water pressures throughout various pressure zones and maintains zones within safe working levels, as designated by the California Public Utilities Commission. GSWC also helps to educate customers concerning their compliance requirements pertaining to the Uniform Plumbing Code for their health and safety.

GSWC also ensures the Underground Service Alert (USA) program is followed prior to our contractors beginning any excavation. The USA program notifies all utilities to mark the location of all underground facilities prior to contractors initiating any excavation. The intent of the USA program is to protect the safety of the contractor, GSWC employees, our customers and the general public who live and/or work within the vicinity of our construction areas. Prior to construction, GSWC notifies customers of upcoming work, and contractors are required to post work/warning signs near the work area.

Additionally, at GSWC, the Emergency Management & Security (EM&S) Program is designed to protect the safety and welfare of its employees, while keeping its strong commitment to providing the communities it serves with safe drinking water and reliable customer service during emergencies. The EM&S program continually improves processes and procedures, while training, emergency exercises and strategic security initiatives strengthen company and community resiliency.
The Emergency Preparedness & Response Plan (EPRP) is updated annually and continually throughout the year. Varying levels of training are provided to employees throughout the year, to include training in fire hazards, Emergency Action Plans, Hazardous Material Emergency Response and Communication procedures, Personal Protective Equipment, and Incident Command Systems (ICS) operations. The latter is critical in understanding the standards and principles on how to respond to emergencies, and how our staff engages internally and with local emergency first responders. ICS training was offered to every operating district beginning in 2017, with 30% of employees completing the training. ICS training will continue throughout 2018.

Exercises play a vital role for testing capabilities, fostering meaningful interaction and communication across the organization, and identifying best practices and areas for improvement. Since 2000, GSWC has conducted emergency training exercises in each of its districts and these efforts continue in 2018. GSWC maintains a leadership role in regional and statewide mutual assistance associations, both within the water industry and with other utility partners in gas, electric and telecommunications.

Community partnerships are vital during an emergency, and through the EM&S program, our staff continue to conduct outreach with their local emergency response partners to strengthen emergency preparedness within the communities we serve.

**ASUS**

ASUS helps its employees perform their tasks safely through training, equipment, inspections, and delivery of clear expectations at safety meetings held on each of the military installations we serve. ASUS has instituted a companywide atmosphere that encourages and rewards employees for performing their tasks safely. ASUS conducts in-house training (including OSHA training), and employees are encouraged to attend supplemental national and local authorized OSHA training programs as needed.

Safety inspections are routinely conducted by OSHA-authorized Site Safety and Health Officers (SSHOs) at each of our military installations. All concerns are addressed and corrected by the SSHO, and reports are forwarded to superv iso rs and management for review. In 2014, a large number of sites were inspected by internal quality assurance professionals, SSHOs, and outside inspectors to ensure that ASUS's employees understand the importance of performing their tasks safely. Performance objectives, coupled with a mix of random or scheduled inspections, have demonstrated effectiveness in meeting our safety targets year after year.

In 2014, ASUS rolled out a safety incentive award program that recognizes employees for safe behavior and an accident free workplace. In addition to incentives, the Company is investing in hiring additional safety coordinators, continually updating training programs, and instituting new risk management and safety policies where risks and needs are identified.

**Human Capital Management**

Our employees are the foundation of our success. Our business requires a myriad of complex infrastructure, regulation and customer service, and we rely on our skilled and certified staff to continue to provide safe, reliable service to our customers. Our employees embody the AWR Shared Values to better our company, our community, our environment and each other. We are committed to helping our employees thrive.

We challenge ourselves to attract, develop and retain the talent we need; and adapt to the scale and pace of change that is occurring if we are to remain at the forefront of our industry.

Our company’s Human Capital Management (HCM) programs seek to sustain and strengthen efforts in the areas of employee engagement, performance, development, recruitment and retention.
Employee Engagement
A strong and healthy culture fosters engaged employees and creates the foundation for long-term success. We continually work to foster a culture that will support the adaptability and focus needed to succeed in an ever-changing work environment. This includes building on our commitment to customers, safety and operational excellence.

As we look to the future, employee surveys help us understand and track how well we are meeting the expectations of our people. These surveys provide timely and critical employee feedback, and results are reviewed to help raise awareness, encourage dialogue and develop solutions for the most common issues. Our 2015 employee survey results showed 70% of employees ranked their workplace as “great”, earning us a spot on the “Great Place to Work®” Review. In 2016 and 2017, ASUS was again voted a Great Place to Work® by 84% and 92%, respectively, by its employees. While we were pleased with these, we look forward to continued improvement in meeting the needs of our teams.

Health and Wellness
American States Water Company promotes safety and healthy lifestyles through our Enhanced Wellness Program. Through this program, employees are provided gym discounts, financial incentives for participating in online wellness activities, and a wellness management toolkit with information on nutrition, fitness, stress management, disease prevention, safety tips and employees-assistance programs.

Diversity, Non-Discrimination and Talent Management
One of American States Water Company’s Values is “Valuing diversity and treating all stakeholders with fairness.” As a company, we seek to promote the benefits of diversity in all of our business activities and oppose discrimination of any kind with a formal non-discrimination policy published in our Code of Conduct and Employee Handbook. Our HCM team routinely works with our managers to pursue fair and transparent hiring processes to ensure the right talent is in place with the right skills at the right time to meet the Company’s business needs. Our company’s management team is grounded in the principles and practices of accelerating an integrated talent and diversity management strategy to maximize efforts for engagement, development and retention and to sustain reasonable accommodations. We believe that diverse perspectives and open lines of communication help to create employee motivation, customer satisfaction, greater return on investment for shareholders and better communities in which to work and live.

We are an equal opportunity employer and value diversity. Our goal is to have a diverse workforce that is representative, at all job levels, of the communities we serve. This begins with the recruitment process. All aspects of employment, including the decision to hire, promote, discipline, or discharge, will be based on merit, competence, performance, and business needs. We do not discriminate on the basis of race, color, religion, marital status, age, national origin, ancestry, physical or mental disability, medical condition, pregnancy, genetic information, gender, sexual orientation, gender identity or expression, veteran status, or any other status protected under federal, state, or local law.
Below is a chart showing the Equal Employment Opportunity (EEO) demographic make-up of our company. Our workforce is representative of the U.S. workforce population in terms of ethnic diversity.

<table>
<thead>
<tr>
<th>ETHNICITY</th>
<th>ALL AWR EEO DEMOGRAPHICS*</th>
<th>2015 EEO-1 AGGREGATE NATIONAL REPORT</th>
</tr>
</thead>
<tbody>
<tr>
<td>White</td>
<td>48.8%</td>
<td>62.3%</td>
</tr>
<tr>
<td>Black</td>
<td>8.4%</td>
<td>14.8%</td>
</tr>
<tr>
<td>Hispanic</td>
<td>29.8%</td>
<td>14.1%</td>
</tr>
<tr>
<td>Asian</td>
<td>10.0%</td>
<td>6.2%</td>
</tr>
<tr>
<td>Native Hawaiian/Pac Islander</td>
<td>1.0%</td>
<td>0.4%</td>
</tr>
<tr>
<td>American Indian</td>
<td>1.0%</td>
<td>0.5%</td>
</tr>
<tr>
<td>2+ Races</td>
<td>1.0%</td>
<td>1.7%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

*As of December 2017

Learning and Development
At American States Water, we work to ensure that employees have adequate training and education to perform their jobs. Working in close partnership with our frontline operations supervisors and managers, our training & compliance teams have created a nexus for learning within the Company. A key function includes building a talented and robust workforce by developing employees’ knowledge, skills and abilities throughout the Company. Certain compliance training is required each year, while others are offered on an optional basis. Examples of optional programs include ongoing water operations competencies and education, supervisor development, knowledge capture and management, feedback and measurements to show the value of learning solutions, and administrative oversight for various business competencies relative to mandated training and compliance requirements. Approved external business-related seminars and workshops are paid for by the Company, and employees are encouraged to maintain all of their job-specific certifications, licenses and continuing education credits. We are proud to say that we have over 200 employees certified in water operations and over 25 employees certified in wastewater operations. Additionally, our Corporate Partners in Education program supports those who are pursuing undergraduate degree completion with tuition reimbursement assistance.

Leadership and Succession Planning
On an annual basis, our company’s senior management team completes a roadmap for improving human capital management by developing succession plans to ensure the most efficient alignment of resources and talent to meet business needs. This includes identifying key succession positions and potential successors for top level positions, such as Vice Presidents, for the next 10 years.

Additionally, ongoing development of our talent across the organization to meet critical business needs is a continual focus. Some of these practices that we executed during the past year include (i) building a culture such that high-potential talent is identified and further developed, (ii) creating career paths that move not just up a specialized ladder, but across the organization, and (iii) offering opportunities for employees to accept new challenges through stretch assignments.
Our focus is to provide the necessary expertise and experience in the management and conveyance of potable water, wastewater and electricity with the highest of integrity, responsiveness and service. Along the way, we have been recognized for our contributions and accomplishments:

**AWR**
- **Top 25 Company for Female Leadership**, named by the UC Davis *Study of California Women Business Leaders: A Census of Women Directors and Highest-Paid Executives* (2015). AWR ranked 4th of the 400 largest publicly held companies headquartered in California in terms of number of women in director or executive roles. Since 2009, our company has annually made the top 25 companies of highest percentage of women leaders.
- **“Winning Company” Award**, for seven consecutive years, the “2020 Women on Boards” organization, a national campaign targeting gender diversity at the corporate leadership level, has recognized American States Water for its commitment to diversity.

**GSWC**
- **Management Innovation Award**, presented by the National Association of Water Companies (NAWC) for pioneering a new way of engaging customers on water conservation through the “Collaborative Conservation Education Campaign.” (2016)
- **Larry C. Larson Safety Award**, presented by the California-Nevada Section (CA-NV Section) of the American Water Works Association for GSWC’s commitment to making employees’ health and safety a main priority and maintaining a high morale among employees to provide a more proficient and productive workforce. (2016)
- **Utility Company of the Year Award**, a prestigious honor presented by the Black Business Association to recognize GSWC for providing equal opportunities for diverse suppliers, including women, minority and disabled-veteran business enterprises. (2014)
- **Dedicated Service to Community**, honor presented by the County of Los Angeles
- **Heritage Award**, presented by the City of San Dimas
- **Outstanding Industry Service Award**, presented by the CA-NV Section, American Water Works Association for providing outstanding service and dedication to the organization through volunteer activities.
- **Excellence in Communication**, an honor bestowed by Utilities Communicators International
- **MarCon Award**, recognizing the Company for its customer-friendly website
- **Sustainability Award**, recognizing GSWC as the designer of and contractor for the Conservation Demonstration Garden and Retrofit Project

**ASUS**
- Federal government recognition as one of the preeminent providers of water and wastewater ownership, operation and maintenance services
• ONUS, an ASUS subsidiary, was one of 65 North Carolina employers nominated for the 2015 Secretary of Defense Employer Support Freedom Award awarded in recognition of its’ exemplary support provided to National Guard and Reserve employees
• In 2015, 2016 and 2017, voted as a “Great Place to Work®” by employees
• Received a Special Achievement in Geographic Information Systems (GIS) award from ESRI in May 2017

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If you have questions about the Corporate Social Responsibility Report, please contact:

Investor Relations
American States Water Company
630 East Foothill Boulevard
San Dimas, California 91773
United States of America
(909) 394-3600
investorinfo@aswater.com
Respect of Human Rights and the Law

We are committed to respecting all human rights as required by all laws of the United States and each of its states where we operate. Moreover, we are committed to respecting all human rights as outlined by the Universal Declaration of Human Rights, and its two corresponding covenants, the International Covenant on Civil and Political Rights and the International Covenant on Economic, Social, and Cultural Rights.

American States Water Company and its subsidiaries are committed to meeting or exceeding all laws and regulations wherever we conduct our business activities. The Company expects every employee to know the laws and policies that apply to their activities, and to conduct them with uncompromising honesty and integrity. In fact, all employees are expected and directed to comply with all laws and regulations as well as all business conduct policies relating to the Company’s activities. These same expectations and directives apply to any of our business partners, such as suppliers and contractors, that transact with the Company.

Code of Conduct

American States Water Company and its subsidiaries are committed to and believe in adhering to the highest standards of business conduct. Our Code of Conduct (Code) provides the guidelines for maintaining a legally compliant and ethical workforce. At its core, the Code requires all employees to ensure compliance with all applicable state and federal regulations and laws.

The Code covers, among other topics, political activities and political contributions, anti-corruption and bribery, securities trading, environmental protections, health and safety, conflicts of interests, personal and professional conduct, government investigations, records management, prohibitions of discrimination and harassment, confidentiality, and privacy. The Company has a zero tolerance policy for any form of discrimination or harassment. Specifically, we prohibit any unlawful discrimination or harassment on the basis of race, color, religion, national origin, ancestry, ethnicity, physical disability, mental disability, legally protected medical condition (i.e., cancer-related or genetic characteristic or information; pregnancy, childbirth or related medical conditions), marital status, sex, gender identity or expression, sexual orientation, age, veteran status, or any other basis protected by federal, state, or local law.

We recognize our Code and related policies are more effective when employees, suppliers, and contractors trust they can report a potentially unsafe, unethical or compliance related concern without fear of retaliation. To encourage sharing of these concerns, we provide a wide range of reporting channels.

Employees are expected to report a concern to their supervisor, any other member of management or Human Capital Management, or the Fraud, Waste, and Ethics Hotline. The Hotline is operated by an independent third party and it is available by telephone or webpage 24 hours a day, seven days a week, and provides the option to report anonymously. Every report to the Hotline is investigated, and all Hotline reports and investigations are overseen by the Audit Committee Chair of the Board of Directors. Suppliers and contractors may also report potentially unsafe or unethical conduct or other compliance related concerns via the Hotline.
To emphasize the importance of ethics and compliance, we require all new employees to complete training on the topics covered by the Code and other policies. They are required to review and sign the Code during orientation, and all employees are required to review and sign the Code every other year. In addition, posters are prominently displayed at every facility operated by a company entity to remind employees of the Fraud, Waste, and Ethics Hotline and the importance of reporting any potential compliance concern. Any employee who does not comply with applicable laws and corporate policies is subject to disciplinary action, including termination.

**Vendor Selection and Expectations**

The letter and the spirit of the Code of Conduct discussed above also requires any of our business partners—suppliers and contractors—to comply with all applicable state and federal regulations and laws. Our parent company and its subsidiaries work to select dependable and reputable suppliers and contractors and monitor their performance. This plays an important role in limiting risk, and ensuring that our business partners meet our standards and expectations.

When a subsidiary identifies a need that would be best met by a third party, its procurement personnel identify qualified vendors. Procurement policies specify the insurance certificate and legal review requirements as well as the contract management procedures that must be followed. It is important to note that all vendors are rigorously vetted to ensure, among other things, that they are properly licensed, certified, insured, reputable, and not in violation of safety or other laws before they are qualified to do business with any of our entities. Once qualified and selected, the performance of all contractors is monitored to ensure all work is satisfactory and in compliance with legal and regulatory, including health and safety, requirements. We have zero tolerance for and will immediately terminate a business partnership if any vendor fails to act with integrity; fails to maintain a strong health and safety performance; fails to respect employee rights, such as freedom of association and collective bargaining; fails to minimize the impact on the environment consistent with our standards; and/or fails to comply with applicable laws and regulations, which includes compliance with all wage and hour mandates, child or forced labor, involuntary servitude, or other human rights violations.

**Anti-Corruption and Bribery**

American States Water Company and its subsidiaries are committed to succeeding based on the quality of our people and our services. We comply with all anti-corruption and bribery laws wherever we conduct business. Such laws make it illegal to bribe a governmental official to obtain or retain business or an improper advantage. Anti-corruption laws prohibit giving anything of value, such as a payment, gift, or bribe, to obtain the influence of officials, candidates, or political parties.

**Wage and Hour Practices**

The Company pays employees a competitive and fair wage, as benchmarked with other leading companies and the market. Consistent with our principle of valuing personal mastery, we reward employees for improving their skills and capabilities. At a minimum, we comply with all applicable wage and hour laws, rules, and regulations, including minimum wage, overtime, and maximum hours.
Safety Performance

We are not satisfied unless each employee and contractor returns home safely after every workday. We work to create a safety-focused culture in which each individual feels personally responsible for their own safety as well as the safety of their co-workers. In addition, safety performance is included as a metric in the officer and manager compensation programs.

In the last several years, our employee safety performance continued to improve with each year. Also during this period, we saw decreases in both the rate of recordable injuries and illnesses and the rate of injuries that resulted in time away from work at our subsidiaries.

In February and March 2018, the Company posted their OSHA 300A Forms at all of their facilities to report all work-related injuries and illnesses for the period of January 1, 2017 through December 31, 2017. The average number of employees during this period was 742. The results were as follows:

<table>
<thead>
<tr>
<th>Total number of deaths</th>
<th>Total number of cases with days away from work</th>
<th>Total number of cases with job transfer or restriction</th>
<th>Total number of other recordable cases</th>
<th>Total number of days away from work</th>
<th>Total number of days of job transfer or restriction</th>
<th>Injuries</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>10</td>
<td>6</td>
<td>3</td>
<td>395</td>
<td>76</td>
<td>25</td>
</tr>
</tbody>
</table>

Labor Relations

3.93% of our employees are represented by labor unions. We respect our partnerships with unions and work with them to achieve business results that benefit our employees, our businesses, and the communities we serve. We also seek opportunities to collaborate with our unions. The Company respects employees’ rights to freedom of association and collective bargaining. In addition, we expect our suppliers and contractors with whom we do business to uphold the same standards. Should a violation of these principles become known by the Company and not corrected, we will discontinue the business relationship.

Sustainability

The CSR report and the issues and disclosures contained within, is reviewed by the Nominating and Governance Committee of the Board of Directors every two years.

The Company’s Sustainability Oversight team oversees the policies and operational controls of environmental, health and safety and social risks.

Stakeholder Engagement

American States Water Company and its subsidiaries engage with a variety of stakeholders, as we collaborate, listen and respond to views or concerns. This helps identify risks and opportunities as it relates to our business and helps us better set business and sustainability strategies. Our stakeholders fall into the following categories:

- Customers – 24/7 call center, customer service offices, customer satisfaction and service quality surveys, social media, focus groups, open houses, plant tours
• **Communities** – Community members, leaders and public officials, public meetings and open houses, local events, volunteering, speaker opportunities

• **Employees** – Staff meetings, employee survey, focus groups, internal communications, face-to-face meetings with leadership teams

• **Media** – Open houses, facility tours, editorial meetings, press releases and conferences

• **Suppliers** – Strategic sourcing program and prequalification questionnaires

• **Regulators** – Meetings, associate conferences, plant and facility tours

• **Socially responsible investors** – Quarterly earnings calls, investor meetings, presentations, surveys, annual report

• **Governmental authorities** – Facility tours, meetings, office visits

• **Environmental organizations** – Comprehensive Planning Study program, issue engagement, partnerships