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

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

(Amendment No.)

Filed by the Registrant Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

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

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Under Rule 14a-12

Aqua America, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

1) Title of each class of securities to which transaction applies:

2) Aggregate number of securities to which transaction applies:

3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

4) Proposed maximum aggregate value of transaction:

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1) Amount previously paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

Table of Contents

AQUA AMERICA, INC.

2018 ANNUAL MEETING OF SHAREHOLDERS

Table of Contents

LETTER TO OUR SHAREHOLDERS

Christopher H. Franklin

Chairman, President, and

Chief Executive Officer

Dear Fellow Shareholder,

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

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

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

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

Sincerely,

Christopher H. Franklin

Table of Contents

AQUA AMERICA, INC.

762 W. Lancaster Avenue

Bryn Mawr, Pennsylvania 19010

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

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

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

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

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

By Order of the Board of Directors,

CHRISTOPHER P. LUNING

Secretary

March 29, 2018

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

Table of Contents

TABLE OF CONTENTS

Table of Contents

FORWARD-LOOKING INFORMATION

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

Table of Contents

PROXY STATEMENT SUMMARY

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

ANNUAL MEETING INFORMATION

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

SUMMARY OF MATTERS TO BE VOTED UPON AT THE ANNUAL MEETING

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

PROPOSAL 1. ELECTION OF DIRECTORS (PAGE 2)	BOARD RECOMMENDATION
The Board of Directors of the Company (the Board) and the Corporate Governance Committee believe that the seven director nominees possess the necessary qualifications, attributes, skills, and experience to provide advice and counsel to the Company s management and effectively oversee the business and the long-term interests of our shareholders.	**FOR** each director nominee

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

The Board believes that the retention of PricewaterhouseCoopers LLP as the Company s independent registered public accounting firm for the 2018 fiscal year is in the best interests of the Company and its shareholders. As a matter of good corporate governance, shareholders are being asked to ratify the Audit Committee s selection of PricewaterhouseCoopers LLP.	**FOR** Proposal 2

Proposal 3. Approval, on an advisory basis, of the compensation paid to the Company s named executive officers for 2017 (page 22)	**Board Recommendation**
The Company seeks a non-binding advisory vote to approve the compensation of its named executive officers as described in the Compensation Discussion and Analysis (CD&A) and the compensation tables and narrative discussion. The Board values shareholders opinions, and the Compensation Committee will take into account the outcome of the advisory vote when considering future executive compensation decisions.	**FOR** Proposal 3

i

Table of Contents

CORPORATE GOVERNANCE HIGHLIGHTS

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

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

DIRECTOR NOMINEES

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

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

Daniel J. Hilferty [1] *President and Chief Executive Officer, Independence Health Group*	61	2017	YES	0		«
Wendell F. Holland *Partner, CFSD Group, LLC*	66	2011	YES	0		
Ellen T. Ruff *Partner, McGuireWoods, LLP*	69	2006	YES	0	«	

1 Lead Independent Director

« Chair Member

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

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

ii

Table of Contents

COMPENSATION HIGHLIGHTS

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

2017 FINANCIAL HIGHLIGHTS

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

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

Regulated segment revenues were $804.9 million in 2017.

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

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

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

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

Table of Contents

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

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

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

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

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

AQUA AMERICA, INC.

762 W. Lancaster Avenue, Bryn Mawr, Pennsylvania 19010

PROXY STATEMENT

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

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

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

PURPOSE OF THE MEETING

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

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

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

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

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

Table of Contents

PROPOSAL NO. 1

ELECTION OF DIRECTORS

All of the director nominees who are elected, will be elected for a one-year term expiring at the 2019 Annual Meeting of Shareholders, and until their successors are duly elected and qualified. In accordance with the Company s Corporate Governance Guidelines, the Chairperson of the Corporate Governance Committee reported to the Corporate Governance Committee that Carolyn J. Burke, Nicholas DeBenedictis, Christopher H. Franklin, William P. Hankowsky, Daniel J. Hilferty, Wendell F. Holland, and Ellen T. Ruff would be willing to serve on the Board of Directors, if elected. The Corporate Governance Committee reviewed the qualifications of the directors in relation to the criteria for candidates for nomination for election to the Board of Directors under the Company s Corporate Governance Guidelines. The Corporate Governance Committee voted to recommend to the Board of Directors, and the Board of Directors approved, the nomination of Ms. Burke, Mr. DeBenedictis, Mr. Franklin, Mr. Hankowsky, Mr. Hilferty, Mr. Holland, and Ms. Ruff for election as directors at the 2018 Annual Meeting, with each nominee abstaining from the vote with respect to his or her nomination.

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

Information Regarding Nominees

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

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

Franklin	X	X	X	X	X	X		X
Hankowsky			X		X	X		X
Hilferty		X	X		X	X		X
Holland	X	X		X	X	X		
Ruff	X	X		X	X	X	X	X

2

Table of Contents

NOMINEES FOR ELECTION AT THE 2018 ANNUAL MEETING

CAROLYN J. BURKE

EXECUTIVE VP, STRATEGY, DYNEGY, INC.

AGE: 50

DIRECTOR SINCE 2016

MEMBER, AUDIT COMMITTEE

MEMBER, EXECUTIVE COMPENSATION COMMITTEE

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

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

NICHOLAS DEBENEDICTIS

CHAIRMAN EMERITUS, AQUA AMERICA, INC.

AGE: 72

DIRECTOR SINCE 1992

MEMBER, RISK MITIGATION AND INVESTMENT POLICY COMMITTEE

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

Table of Contents

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

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

CHRISTOPHER H. FRANKLIN

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

AGE: 52

DIRECTOR SINCE 2015

CHAIR, EXECUTIVE COMMITTEE

MEMBER, RISK MITIGATION AND INVESTMENT POLICY COMMITTEE

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

Qualifications: Since joining the Company in December 1992 as manager, corporate and public affairs, Mr. Franklin headed several successful projects, including advocacy for the passage of legislation designed to provide customers of state-regulated water and wastewater utilities with improved water quality and better water and wastewater systems while allowing a fair and reasonable return for shareholders. Before joining the Company, Mr. Franklin worked at PECO Energy Company (an Exelon company) where he was regional, civic and economic development officer, responsible for the review, recommendation and promotion of economic development initiatives in the Philadelphia region. Mr. Franklin earned his B.S. from West Chester University and his M.B.A. from Villanova University. Mr. Franklin is active in the community and serves on the following nonprofit boards: University of Pennsylvania Board of Trustees, Philadelphia, PA and West Chester University s Council of Trustees, West Chester, PA, and previously served on the Board of Directors of ITC Holdings, Inc. The Board of Directors views Mr. Franklin s experience, capabilities, and his demonstrated leadership roles with the Company and in business and community activities as important qualifications, skills and experience supporting the Board of Directors conclusion that Mr. Franklin should serve as a director of the Company.

Table of Contents

WILLIAM P. HANKOWSKY

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

AGE: 67

DIRECTOR SINCE 2004

CHAIR, AUDIT COMMITTEE

MEMBER, EXECUTIVE COMMITTEE

MEMBER, CORPORATE GOVERNANCE COMMITTEE

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

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

DANIEL J. HILFERTY

LEAD INDEPENDENT DIRECTOR, AQUA AMERICA, INC.

PRESIDENT AND CEO, INDEPENDENCE HEALTH GROUP

AGE: 61

DIRECTOR SINCE 2017

CHAIR, CORPORATE GOVERNANCE COMMITTEE

MEMBER, EXECUTIVE COMMITTEE

MEMBER, EXECUTIVE COMPENSATION COMMITTEE

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

Table of Contents

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

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

WENDELL F. HOLLAND

PARTNER, CFSD GROUP, LLC

AGE: 66

DIRECTOR SINCE 2011

MEMBER, CORPORATE GOVERNANCE COMMITTEE

MEMBER, RISK MITIGATION AND INVESTMENT POLICY COMMITTEE

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

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

Table of Contents

ELLEN T. RUFF

PARTNER, MCGUIREWOODS, LLP AND FORMER PRESIDENT, DUKE ENERGY

AGE: 69

DIRECTOR SINCE 2006

CHAIR, EXECUTIVE COMPENSATION COMMITTEE

MEMBER, EXECUTIVE COMMITTEE

MEMBER, CORPORATE GOVERNANCE COMMITTEE

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

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

Table of Contents

CORPORATE GOVERNANCE

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

Director Independence

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

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

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

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

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

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

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

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

Table of Contents

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

1. The Company made contributions to charitable or civic organizations for which the following directors serve as directors, trustees or executive officers: Mr. DeBenedictis, Mr. Franklin, Mr. Hankowsky, and Mr. Hilferty. None of the Company s contributions exceeded the greater of $1 million or 2% of the recipient organization s consolidated gross revenues.

2. The Company provides water service at normal tariff rates to Liberty Property Trust or its affiliates, Independence Health Group or its affiliates (IHG), and provides water service to Dynegy or its affiliates pursuant to a contractually negotiated rate that is filed with the Pennsylvania Public Utility Commission. It provides water service pursuant to normal tariff rates to Exelon Corporation (Exelon) or its affiliates to Main Line Health Systems or its affiliates (Main Line Health), and to Bryn Mawr Bank Corp. or its affiliates (Bryn Mawr Trust). Mr. Hankowsky serves as an executive officer of Liberty Property Trust, Mr. Hilferty serves as President and Chief Financial Officer of IHG, Ms. Burke is Executive Vice President at Dynegy, Mr. DeBenedictis serves as a member of the Board of Directors of Exelon, and Mr. Holland is a Trustee of Main Line Health and serves as a member of the Board of Directors of Bryn Mawr Trust. Exelon or its affiliates provides electric service at tariff rates to the Company. The amounts paid to the Company by these other entities, and paid by the Company to Exelon are pursuant to tariff rates or a contract that is filed with the Pennsylvania Public Utility Commission, are not material to these other entities.

3. The Company has banking arrangements with Citizens Financial Group or its affiliates, and Mr. Hankowsky is a member of the Board of Directors of Citizens Financial Group. The amounts paid by the Company to Citizens Financial Group or its affiliates are not material to these entities or to the Company.

4. The Company has insurance arrangements with IHG or its affiliates. The Company contracts with IHG to serve as the administrator of the Company s self-insured medical plans for the Company s employees. As a benefit of employment, the Company offers its employees medical insurance benefits through plans established by IHG. The Company is self-insured for all of these plans, and has contracted with IHG to serve as the administrator of the Company s medical plans. As compensation for these administrative services, the Company paid fees to IHG. For each of the last three fiscal years, the fees paid to IHG, IHG s gross revenues, and the fees as a percentage of IHG s gross revenues were as follows:

Fiscal Year	Fees Paid to IHG

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

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

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

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

6. Mr. DeBenedictis is a member of the Board of Directors of IHG.

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

Board of Directors Leadership Structure

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

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

The duties and powers of the lead independent director include:

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

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

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

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

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

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

Serving as a member of the Executive Committee;

Table of Contents

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

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

AGE AND TERM LIMITS

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

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

ANNUAL PEER, COMMITTEE, BOARD EVALUATION

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

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

SHAREHOLDER ENGAGEMENT

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

DIRECTOR ONBOARDING

In 2017, the Company appointed Mr. Hilferty as a Director. In addition to informal meetings with the existing Directors, and in conjunction with his appointment, Mr. Hilferty participated in an onboarding process that included day-long meetings with the named executive officers focused on items such as merger and acquisition strategy, regulatory matters, utility accounting and financing, water and wastewater operations, Board governance functions, and the Company s Articles of Incorporation, its Bylaws, and its Corporate Governance Guidelines.

OVERSIGHT OF RISK MANAGEMENT

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

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

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

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

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

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

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

Table of Contents

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

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

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

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

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

CODE OF ETHICS

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

DIRECTOR SHARE OWNERSHIP GUIDELINES

In December 2015, the Board of Directors approved share ownership guidelines for each director to own shares of Company common stock having a value equal to five times the annual base cash retainer for directors. Directors have up to three years from December 2015 or upon appointment, whichever is later, to attain this new guideline share ownership level. In 2017, the Board of Directors approved a modification to these guidelines prohibiting a director from selling Company common stock until the director has attained the required share ownership. Once the required share ownership level is attained, the director must maintain the level of share ownership for the duration of the director s service. As of March 9, 2018, each director nominee owned sufficient shares to comply with these guidelines, except Ms. Burke, who has been a director since 2016, and Mr. Hilferty, who has been a director since 2017.

Table of Contents

Anti-Hedging and Anti-Pledging Policy

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

Cybersecurity Management

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

Policies and Procedures for Approval of Related Person Transactions

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

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

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

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

- The nature of the related person s interest in the transaction;
- The material terms of the transaction, including, without limitation the amount and type of transaction;
- The importance of the transaction to the related person;

- The importance of the transaction to the Company;

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

- Any other matters the Corporate Governance Committee deems appropriate.

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

Table of Contents

BOARD AND BOARD COMMITTEES

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

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

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

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

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

EXECUTIVE COMMITTEE

Pursuant to its charter, the Executive Committee has and exercises all of the authority of the Board in the management of the business and affairs of the Company, with certain specified exceptions. The Executive Committee is intended to serve in the event that action by the Board of Directors is necessary or desirable between regular meetings of the Board, or at a time when convening a meeting of the entire Board is not practical, and to make recommendations to the entire Board with respect to various matters. The Executive Committee currently has five members, and the Chairman of the Board of Directors serves as Chairman of the Executive Committee. The Executive Committee did not meet in 2017.

AUDIT COMMITTEE

The Audit Committee is composed of three directors, whom the Board of Directors has affirmatively determined meet the standards of independence required of audit committee members by the NYSE listing requirements and applicable SEC rules. Based on a review of the background and experience of the members of the Audit Committee, the Board of Directors has determined that, currently, all members of the Committee are financially literate and two members of the Committee are financial experts within the meaning of applicable SEC rules. The Committee operates pursuant to a Board-approved charter which states its duties and responsibilities. The primary responsibilities of the Committee are to monitor the integrity of the Company s financial reporting process and systems of internal controls, including the review of the Company s annual audited financial statements, and to monitor the independence of the Company s independent registered public accounting firm. The Committee is required to meet at least four times during the year and met 9 times during 2017.

The Audit Committee has the exclusive authority to select, evaluate and, where appropriate, replace the Company s independent registered public accounting firm. The Committee has considered the extent and scope of non-audit services provided to the Company by its independent registered public accounting firm and has determined that such services are compatible with the independent registered public accounting firm maintaining its independence.

EXECUTIVE COMPENSATION COMMITTEE

The Executive Compensation Committee is composed of three directors, whom the Board of Directors has affirmatively determined are independent directors as defined by the NYSE listing requirements and applicable SEC rules. The Committee operates pursuant to a Board-approved charter which states its duties and responsibilities. The Executive Compensation Committee has the power to, among other things, administer and make awards under the Company s equity compensation plans. The Executive Compensation Committee reviews the recommendations of the Company s Chief Executive Officer as to appropriate compensation of the Company s executive officers (other than the Chief Executive Officer) and determines the compensation of such executive officers. The Executive Compensation Committee reviews and recommends to the Board of Directors the compensation for the Company s Chief Executive Officer, which is subject to final approval by the independent members of the Board of Directors. The Executive Compensation Committee has the power to delegate aspects of its work to subcommittees, with the approval of the Board of Directors. The Executive Compensation Committee met 8 times during 2017.

CORPORATE GOVERNANCE COMMITTEE

The Corporate Governance Committee is composed of four directors, whom the Board of Directors has affirmatively determined are independent directors as defined by the NYSE listing requirements. The Committee operates pursuant to a Board-approved charter which states its duties and responsibilities, which include

Table of Contents

identifying and considering qualified nominees for directors, and developing and periodically reviewing the Corporate Governance Guidelines by which the Board of Directors is organized and executes its responsibilities. The Committee advises the Board of Directors on director nominees, executive selections and succession, including ensuring that there is a succession plan for the Chief Executive Officer and such other senior executives as determined by the Committee. In 2017, the Committee initiated and oversaw the implementation of a comprehensive Board, Committee, and peer review process. It also reviews and approves, ratifies or rejects related person transactions under the Company s written policy with respect to related person transactions. The Corporate Governance Committee met 7 times during 2017.

Risk Mitigation and Investment Policy Committee

The Risk Mitigation and Investment Policy Committee is composed of four directors and the Company s Chief Financial Officer. The Committee operates pursuant to a Board approved charter, which states its duties and responsibilities. The Committee oversees the Company s risk management process, policies, and procedures for identifying, managing and monitoring critical risks, including cyber-related risks, and its compliance with legal and regulatory requirements. The Committee also oversees the Company s acquisition process in which it reviews all acquisitions valued in excess of $10 million. The Committee communicates with other Board of Directors Committees to avoid overlap and potential gaps in overseeing the Company s risks. The Committee advises the Board of Directors in its performance of its oversight of enterprise risk management. The Risk Mitigation and Investment Policy Committee met 8 times during 2017.

DIRECTOR COMPENSATION

In 2017, the Executive Compensation Committee retained Pay Governance, LLC (Pay Governance) to review and benchmark the Board of Directors compensation. Pay Governance compared the directors compensation to the Company s peers and made certain suggestions and recommendations to the Executive Compensation Committee and to the Company s Corporate Governance Committee. As a result, in December 2017, upon the recommendation of its Executive Compensation Committee and the Corporate Governance Committee, the Board of Directors approved a revised directors compensation program effective January 1, 2018, the Board of Directors approved the following directors compensation for 2018 for the non-employee directors of the Company:

DIRECTOR COMPENSATION

Role	Annual Cash Compensation	Annual Equity Compensation
Each Independent Director	$ 80,000	Stock grant equal to $80,000 in value
Chair, Audit Committee	$ 12,500	
Chair, Executive Compensation Committee	$ 12,500	
Chair, Corporate Governance Committee	$ 10,000	
Chair, Risk Mitigation Committee	$ 10,000	
Lead Independent Director	$ 25,000	

17

Table of Contents

All directors are reimbursed for reasonable expenses incurred in connection with attendance at Board or Committee meetings. The following table sets forth the compensation paid to the Board of Directors in 2017:

DIRECTOR COMPENSATION

Name	Fees Earned or Paid in Cash ($)(1)	Stock Awards ($)(1)	Option Awards ($)	Non-Equity Incentive Plan Compensation ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)	All Other Compensation ($)	Total ($)
BURKE	75,000	56,241					131,241
DEBENEDICTIS (2)	175,000	56,241				4,094	235,335
FRANKLIN (3)							
GLANTON (4)	110,000	56,241					166,241
GREENBERG (5)	87,500	56,241					143,741
HANKOWSKY	87,500	56,241					143,741
HILFERTY	18,750	18,766					37,516
HOLLAND	75,000	56,241					131,241
RUFF	85,000	56,241					141,241

(1) The grant date fair value of stock awards is based on their fair market value on the date of grant as determined under the Financial Accounting Standards Board s (FASB) accounting guidance for stock compensation. The assumptions used in calculating the fair market value are set forth in Note 14, Employee Stock and Incentive Plan contained in the Notes to the Consolidated Financial Statements in the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2017. The grant date fair value per share of the stock awards, which are paid quarterly, were; March 30, 2017 $32.145; June 30, 2017 $33.455; September 30, 2017 $33.155. The directors were paid for the fourth quarter of 2017 in January 2018.

(2) All Other Compensation for Mr. DeBenedictis consisted of the use of a Company owned vehicle.

(3) As an officer of the Company, Mr. Franklin does not receive any compensation for his service on the Board of Directors.

(4) Richard Glanton is not standing for re-election at this Annual Meeting. The Board thanks Mr. Glanton for his years of service to the Board.

(5) Lon Greenberg resigned from the Board of Directors effective December 31, 2017.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT THE SHAREHOLDERS VOTE FOR THE ELECTION OF MS. BURKE, MR. DEBENEDICTIS, MR. FRANKLIN, MR. HANKOWSKY, MR. HILFERTY, MR. HOLLAND, AND MS. RUFF AS DIRECTORS.

Table of Contents

PROPOSAL NO. 2

RATIFICATION OF THE APPOINTMENT OF PRICEWATERHOUSECOOPERS LLP AS THE INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE COMPANY FOR THE 2018 FISCAL YEAR

The Audit Committee of the Board of Directors appointed PricewaterhouseCoopers LLP (PwC) as the independent registered public accounting firm for the Company for the 2018 fiscal year. PwC has been the Company s independent registered public accountants since 2000. The Board of Directors recommends that the shareholders ratify the appointment.

Although shareholder ratification of the appointment of PwC is not required by law or the Company s Bylaws, the Board of Directors believes that it is desirable to give our shareholders the opportunity to ratify the appointment. If the shareholders do not ratify the appointment of PwC, the Audit Committee will take this into consideration and may or may not consider the appointment of another independent registered public accounting firm for the Company for future years. Even if the appointment of PwC is ratified, the Audit Committee may, in its discretion, direct the appointment of a different independent registered public accounting firm during the year if the Audit Committee determines such a change would be in the best interests of the Company. Representatives of PwC are expected to be present at the 2018 Annual Meeting, will have the opportunity to make a statement at the meeting if they desire to do so, and will be available to respond to appropriate questions.

PwC has informed us that they are not aware of any independence-related relationships between their firm and the Company other than the professional services discussed in Services and Fees below. Under the Sarbanes-Oxley Act of 2002 (Sarbanes-Oxley), the Audit Committee is responsible for the appointment, compensation and oversight of the work of the independent registered public accounting firm. As a result, the Audit Committee is required to pre-approve the audit and non-audit services performed by the independent registered public accounting firm in order to assure that such services do not impair the auditor s independence from the Company. The Audit Committee has established a procedure to pre-approve all auditing and non- auditing fees proposed to be provided by the Company s independent registered public accounting firm prior to engaging the accountants for that purpose. Consideration and approval of such services occurs at the Audit Committee s regularly scheduled meetings, or by unanimous consent of all the Audit Committee members between meetings. All fees and services were pre-approved by the Audit Committee for the 2017 fiscal year.

Services and Fees

The following table presents the fees paid to PwC for professional services rendered with respect to the 2017 fiscal year and 2016 fiscal year:

	Fiscal Year	
	2017	2016

Audit Fees [1]	$ 1,543,000	$ 1,434,340
Audit-Related Fees		
Tax Fees [2]	$ 33,694	$ 32,500
All Other Fees [3]	$ 128,384	$ 5,411
Total	$ 1,705,078	$ 1,472,251

(1) Represents fees for any professional services provided in connection with the audit of the Company s annual financial statements (including the audit of internal control over financial reporting), reviews of the Company s interim financial statements included in Form 10-Qs, audits of the Company s subsidiaries and services in connection with the issuance of securities.

Table of Contents

(2) Represents fees for any professional services in connection with the review of the Company s federal and state tax returns and advisory services for other tax compliance, tax planning, and tax advice.
(3) Represents fees for software licensing for accounting research, disclosure checklist, and for a utility and technical accounting seminar, and an accretion/dilution analysis.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE FOR THE RATIFICATION OF THE APPOINTMENT OF PRICEWATERHOUSECOOPERS LLP AS THE COMPANY S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE 2018 FISCAL YEAR.

Table of Contents

REPORT OF THE AUDIT COMMITTEE

The Audit Committee oversees the Company s financial reporting process on behalf of the Board of Directors. Management has the primary responsibility for the financial statements and the reporting process, including the system of internal control. In fulfilling its oversight responsibilities, the Audit Committee reviewed and discussed with management the audited financial statements in the Annual Report, including: the quality of the accounting principles, practices and judgments; the reasonableness of significant judgments; the clarity of disclosures in the financial statements; and the integrity of the Company s financial reporting processes and controls. The Committee also discussed the selection and evaluation of the independent registered public accounting firm, including the review of all relationships between the independent registered public accounting firm and the Company.

The Audit Committee reviewed with the independent registered public accounting firm, which is responsible for expressing an opinion on the conformity of those audited financial statements with generally accepted accounting principles in the United States of America, their judgments as to the quality of the Company s accounting principles and such other matters as required to be discussed by the Auditing Standard No. 1301, Communications with Audit Committees as adopted by the Public Company Accounting Oversight Board. In addition, the Audit Committee has discussed with the independent registered public accounting firm, the firm s independence from management and the Company, including the matters in the written disclosures required by the applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountant s communications with the Audit Committee concerning independence, and considered the compatibility of non-audit services with the accountants independence.

The Audit Committee discussed with the Company s internal auditors and independent registered public accounting firm, the overall scope and plans for their respective audits. The Audit Committee meets with the internal auditors and independent registered public accounting firm, with and without management present, to discuss the results of their examinations, their evaluations of the Company s internal controls, and the overall quality of the Company s financial reporting.

In reliance on the reviews and discussions referred to above, the Audit Committee recommended to the Board of Directors, and the Board of Directors approved, the inclusion of the Company s audited financial statements in the Company s Annual Report on Form 10-K for the year ended December 31, 2017 for filing with the SEC.

Respectfully submitted,

William P. Hankowsky, Chairman

Carolyn J. Burke

Richard Glanton

February 26, 2018

The foregoing Audit Committee report shall not be deemed incorporated by reference by any general statement incorporating by reference this Proxy Statement into any filing under the Securities Act or the Exchange Act, except to the extent that the Company specifically incorporates this information by reference, and shall not otherwise be deemed filed under such Acts.

21

Table of Contents

PROPOSAL NO. 3

ADVISORY VOTE ON THE COMPENSATION PAID

TO THE COMPANY S NAMED EXECUTIVE OFFICERS FOR 2017

Under Section 14A of the Exchange Act, shareholders are entitled to an advisory (non-binding) vote on the executive compensation as described in this Proxy Statement for our named executive officers (sometimes referred to as Say on Pay). Currently, this vote is conducted every year. Accordingly, the following resolution is being presented by the Board of Directors at the 2018 Annual Meeting:

RESOLVED, that the compensation paid to the Company s named executive officers for 2017, as

disclosed pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, compensation tables and narrative discussion, is hereby APPROVED.

This vote is non-binding. The Board of Directors and the Executive Compensation Committee, which is comprised of independent directors, expect to take into account the outcome of the vote when considering future executive compensation decisions to the extent they can determine the cause or causes of any significant negative voting results.

As described in detail under our Compensation Discussion and Analysis on pages 24 through 45 of this Proxy Statement, our executive compensation program is designed to motivate our executives to achieve our primary goals of providing our customers with quality, cost-effective and reliable water and wastewater services and providing our shareholders with a long-term, positive return on their investment. We believe that our executive compensation program, with its balance of short-term incentives and long-term incentives and share ownership guidelines, reward sustained performance that is aligned with the interests of our customers, employees and long-term shareholders. Shareholders are encouraged to read the Compensation Discussion and Analysis, the accompanying compensation tables and the related narrative disclosure.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE FOR THE APPROVAL, ON AN ADVISORY BASIS, OF THE COMPENSATION PAID TO OUR NAMED EXECUTIVE OFFICERS FOR 2017 AS DISCLOSED IN THE COMPENSATION DISCUSSION AND ANALYSIS, THE ACCOMPANYING COMPENSATION TABLES AND THE RELATED NARRATIVE DISCLOSURE IN THIS PROXY STATEMENT.

Table of Contents

EXECUTIVE COMPENSATION

TABLE OF CONTENTS

Table of Contents

COMPENSATION DISCUSSION AND ANALYSIS

INTRODUCTION

In this Compensation Discussion and Analysis (CD&A), we address our compensation philosophy and program, and compensation paid to or earned by the following executive officers:

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

David P. Smeltzer, Executive Vice President and Chief Financial Officer;

Richard S. Fox, Executive Vice President and Chief Operating Officer;

Daniel J. Schuller, Executive Vice President and Chief Strategy & Corporate Development Officer; and

Christopher P. Luning, Senior Vice President, General Counsel, and Secretary.

We refer to these executive officers as our named executive officers or NEOs . As used in this CD&A, the total of base salary and annual cash incentive compensation is referred to as total cash compensation, and the total of base salary, annual cash incentive compensation and equity incentive compensation is referred to as total direct compensation. The purpose of the CD&A is to explain: the elements of compensation; why our Executive Compensation Committee (the Compensation Committee) selects these elements; and how the Compensation Committee determines the relative size of each element of compensation.

Compensation decisions for Messrs. Smeltzer, Schuller, Fox, and Luning were made by the Compensation Committee. Compensation decisions for Mr. Franklin were made by the independent members of our Board of Directors after receiving the approval and recommendation of the Compensation Committee.

Based on input from Pay Governance LLC (Pay Governance or the consultant), the independent compensation consultant retained by the Compensation Committee, we believe that the types of compensation vehicles we use and the relative proportion of the named executive officers total direct compensation represented by these vehicles is consistent with current competitive compensation practices in our industry. We believe our program s performance measures align the interests of our stakeholders and our named executive officers by correlating pay to our short-term and long-term performance.

We measure the competitiveness of our program for our named executive officers against the median compensation for comparable positions at other companies in our benchmark group composed of other investor-owned utilities. Since compensation levels often vary based on the Company s revenues, we adjust the Company s revenues in the manner described below to align with the companies in the benchmark group. We then size adjust the market data using revenue-based regression analysis to determine the market rates for our named executive officer positions. Our goal is to provide total direct compensation that is competitive with the market rates for each named executive officer. Based on the information supplied by the consultant, the total target direct compensation for each of our named executive officers was within the competitive range of the benchmark market data for each of their positions during

2017.

EXECUTIVE SUMMARY

Our 2017 performance demonstrates continued execution of our strategic goals and plans. During 2017, by effectively managing costs, strategically growing when it was prudent, maintaining strong regulatory relationships, and focusing on our customers, employees and shareholders as we continue to create value for all of our stakeholders, we had the following results:

We are making significant investments to build and improve our communities infrastructure. Over the past five years, we have invested more than $1.5 billion in infrastructure improvements, including

24

Table of Contents

hundreds of miles of pipe replacement and plant upgrades to enhance water quality. In 2017, we invested more than $450 million on infrastructure projects, helping to ensure safe and reliable water for all customers.

Regulated segment revenues were $804.9 million in 2017.

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

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

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

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

From January 1, 2015 to December 31, 2017, the total return to our shareholders, including share price appreciation and dividends paid, shows 58.08% growth.

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

Objectives of our Compensation Program

Our compensation program for named executive officers is designed to:

Provide a competitive level of total compensation;

Motivate and encourage our named executive officers to contribute to our financial success;

Retain talented and experienced named executive officers; and

Reward our named executive officers for leadership excellence and performance that implements our strategic goals and promotes sustainable growth in shareholder value.

Align Interests of Named Executive Officers and Shareholders

We supplement our pay-for-performance program with a number of compensation policies intended to align the interests of management and our shareholders. The following are several key features of our executive compensation program:

At Aqua America, we do:	**At Aqua America, we do not:**
Tie a high ratio of our executives pay to corporate and individual performance	× Provide golden parachute tax gross ups
Require significant stock ownership	× Permit pledging or hedging of Company securities
Tie incentive compensation to a clawback policy	× Provide a single trigger severance upon a change of control
Require a significant amount of NEO pay to be based on performance	× Provide employment agreements to a broad group
Use an independent compensation consultant	× Encourage excessive or inappropriate risk taking through our compensation programs

Table of Contents

The table below shows the portion of each named executive officer s 2017 total direct compensation that is considered performance-based (i.e., annual cash incentives and performance-based equity incentives).

Name	2017 Salary	2017 Cash Incentive Paid in 2018	2017 Performance Share Units	2017 Restricted Stock Units	2017 Non Qualified Options	Total Percentage Performance-based Compensation
FRANKLIN	26%	27%	27%	16%	4%	74%
SMELTZER	39%	26%	20%	12%	3%	49%
FOX	38%	28%	19%	12%	3%	50%
SCHULLER	39%	27%	20%	11%	3%	50%
LUNING	43%	23%	20%	11%	3%	46%

With respect to the named executive officer s total direct compensation, at least 74% of the Chief Executive Officer s compensation is performance and/or stock-based and at least 60% of the average of the other named executive officer s compensation is performance and/or stock-based:

PAY FOR PERFORMANCE AND RESULTS OF THE 2017 ADVISORY VOTE TO APPROVE EXECUTIVE COMPENSATION

Our goal is to instill a pay for performance culture throughout the Company, and we target the 50th percentile of the Company s peer group as the appropriate level of pay for our named executive officers.

At our 2017 Annual Meeting, we submitted a proposal to our shareholders for a non-binding advisory vote on our 2016 compensation awarded to our named executive officers. Our shareholders approved the proposal with over 94% of the votes cast in favor of the Company s compensation programs for our named executive officers.

Table of Contents

Components of 2017 Compensation Program

Our executive compensation program is composed of the following seven elements, which we believe are important components of a well-designed, balanced and competitive compensation program:

- Base Salary;
- Annual Cash Incentive Awards (referred to as Non-Equity Incentive Plan Compensation in the Summary Compensation Table on page 46 and the Grants of Plan-Based Awards Table on page 48);
- Long-Term Equity Incentive Awards;
- Retirement Benefits;
- Non-Qualified Deferred Compensation Plans;
- Change-in-Control Agreements; and
- Stock Ownership Guidelines.

We utilize these elements to achieve the objectives of our compensation program as follows:

Element of Compensation	Objectives
Competitively benchmarked base salaries	Designed to attract and retain named executive officers consistent with their talent and experience; market-based salary increases are designed to recognize the executives performance of their duties and responsibilities; and promotions and related salary increases are designed to encourage executives to assume increased job duties and responsibilities.
Short-term incentives or annual cash incentive awards	Intended to reward executives for (1) improving the quality of service to our customers, (2) controlling the cost of service to our customers by managing expenses and improving performance, (3) achieving economies of scale by the acquisition of additional water and wastewater systems that can benefit from our resources and expertise, (4) disposing of under-performing systems where appropriate, and (5) enhancing our financial viability and performance by the achievement of annual objectives.
Equity incentives	

	Designed to reward named executive officers for (1) enhancing our financial health, which also benefits our customers, (2) improving our long-term performance through both revenue increases and cost control, and (3) achieving increases in the Company s equity and in absolute shareholder value and shareholder value relative to peer companies, as well as helping to retain executives due to the longer term nature of these incentives.
Retirement benefits	Intended to assist named executive officers to provide income for their retirement.
Non-qualified deferred compensation plan	Designed to allow eligible executives to manage their financial and tax planning and defer current income until a later date, including following retirement or other separation from employment without an additional contribution from the Company.
Change-in-control agreements	Designed to promote stability and dedication to shareholder value in the event of a fundamental transaction affecting the ownership of the Company and to enable the named executive officers to evaluate such a transaction impartially.
Stock ownership guidelines	Designed to focus named executive officers on the long-term performance of the Company and align the interests of our executives with our shareholders by encouraging named executive officers to maintain a significant ownership interest in the Company.

Table of Contents

The following chart provides a brief summary of the principal elements of our executive compensation program for 2017. We describe these elements, as well as retirement, severance and other benefits, in more detail in this CD&A.

COMPONENTS OF COMPENSATION PAID TO NAMED EXECUTIVE OFFICERS IN 2017

Compensation Element	Form	Compensation Objective	Relation to Objective
Base Salary	Fixed annual cash paid bi-weekly	Compensate executives for their level of responsibility and sustained individual performance based on market data.	Merit salary increases are based on subjective performance evaluations.
Annual Cash Incentive Awards	Variable cash paid on an annual basis based on achievement of pre-established goals	Motivate executives to focus on achievement of our annual business objectives.	The amount of the annual incentive award, if any, is entirely dependent on achievement of pre- established Company and individual goals.
Long-Term Equity Incentive Awards	Restricted Stock Units	Align executive interests with shareholder interests; retain key executives.	Provide equity that will have same value as shares owned by shareholders; subject to stock ownership guidelines.
	Performance Share Units	Align executive interests with shareholder interests; create a strong financial incentive for achieving or exceeding long-term performance goals.	The named executive officers receive equity only if the pre-established performance goals are achieved.
	Options	Aligns executive interests with shareholder interests; through performance based nature, provides strong incentives to achieve core company goals.	The named executive officers receive options only if the pre-established performance goals are achieved.

Table of Contents

Link Between Operating Performance and Executive Compensation

Our stock performance in 2017 reflected our success and contributed significantly to our total shareholder return for the year. The chart below summarizes our stock performance over the past five years compared to the S&P 500 Index and the S&P Mid-Cap 400 Utilities Index.

Table of Contents

We have been steadfast in delivering sustainable dividend growth. We increased our dividend 7% in 2017 and as a result, our annualized dividend rate is $0.82 per share. Our dividend policy is premised on continuing to grow our dividend in a prudent manner. We anticipate this growth will allow our dividend to continue to be a meaningful element of our overall shareholder return proposition. The chart below summarizes our dividend growth over recent years:

Benchmarking Competitive Compensation and the Role of the Compensation Committee s Consultant

The Compensation Committee has retained Pay Governance, a nationally-recognized compensation consulting firm, as the Compensation Committee s consultant to assist it in designing and assessing the competitiveness of our executive compensation program. The Compensation Committee has concluded that Pay Governance is an independent consultant after considering the factors relevant to Pay Governance s independence from management, including the factors set forth in the NYSE and SEC rules regarding compensation consultant independence.

Annually, the Compensation Committee has the consultant develop a market rate for base salary, total cash compensation, and total direct compensation for each of the named executive officer positions, including the allocation between cash compensation and equity incentives. Each market rate represents the median compensation level that would be paid to a hypothetical, seasoned performer in a position having similar responsibilities and scope, in an organization of similar size and type as the Company.

In developing the market rates for the named executive officers, the Compensation Committee s consultant, Pay Governance, used compensation data from all 55 investor-owned utilities in the utility industry database used by the consultant and approved by the Compensation Committee to determine the market rates for similarly situated executives of utility companies. The Compensation Committee believes that utilizing the data from only utility companies and adjusting the Company s revenues as described below, to better align the Company s data with the data in the utility industry compensation database, provides an appropriate comparison for determining the market rates for the Company s named executive officers given that we are primarily a utility company. Also, due to the relatively limited number of investor-owned water utility companies of the Company s size, the Compensation Committee believes that using the broader utility market data provides reasonable and reliable data for determining competitive compensation levels. All 55 companies in the utility industry compensation database used by the consultant are listed in Appendix A to this Proxy Statement. The Company has no involvement in the selection of the companies that are included in the database used by the consultant. Each company in Appendix A was used in the development of the market rates, as described in this paragraph.

Table of Contents

Management, the Compensation Committee, and Pay Governance are mindful that compensation levels for executives of companies are often correlated with a company s size as defined by revenues. In other words, executives in companies with higher revenues are generally paid more than executives with comparable positions in companies with lower revenues. The Compensation Committee and Pay Governance have concluded that the Company s revenues under-represent the complexity and scope of the Company s business given the Company s low cost of goods sold relative to energy-based utilities. The cost of goods sold as a percentage of revenues is significant for energy-based utilities due to their fuel, gas and other power costs. These commodity costs are subsequently recovered through the revenues of the energy-based utilities as they are ultimately passed through to the customer. The Company, like other water utilities, does not have comparable commodity costs. The purpose of the adjusted revenue analysis is to create a consistent comparison to the compensation data in the utility compensation database used by Pay Governance by estimating the revenue that the Company would earn if its cost of goods sold was in similar proportion to that of the energy-based utilities that constitute the majority of the companies in the database. In order to determine a factor by which to adjust the Company s annual revenues, the Compensation Committee recommended that the consultant analyze the income statements of a sample of delivery-focused (i.e., non-power generating) utilities, chosen by the consultant with no input from the Compensation Committee or management, to develop a typical cost of goods sold factor attributable to commodity costs.

Pay Governance s analysis for 2017 determined that the commodity portion of the cost of goods sold averaged 45% of revenues for these companies and calculated what the Company s adjusted revenues would be using this factor. Since there are certain complexities associated with procuring these commodities at the energy- based utilities, the consultant recommended, and the Compensation Committee agreed, that it would be appropriate to discount the market rates generated by the adjusted revenue methodology. Thus, it was agreed that the Company would use an average of the market data produced using the Company s adjusted revenue scope with market data generated using the Company s actual revenue scope in determining the market rates for the Company s named executive officers.

Because the companies listed in Appendix A vary widely in terms of revenues, Pay Governance used regression analysis to size-adjust the benchmark data for each named executive officer s revenue responsibility using the Company s actual and adjusted revenues, where possible, and then averaging the results to determine market rates for base salary, total cash compensation and total direct compensation for each named executive officer. Tabular data was used where regression data was unavailable due to insufficient correlation between officer positions in the Company and the companies in the database and/or limited sample size to ensure the accuracy of the regression analysis. Regression analysis is an objective calculation that identifies a relationship between one variable (in this case, compensation) and another variable that is correlated to it (in this case, total company revenues). Therefore, in developing the market rates for base salary, total cash compensation, and total direct compensation, Pay Governance used regression analysis to determine what the companies in Appendix A would pay at the median for positions comparable to those of the Company s named executive officers. The combination of salary, short-term incentives, and long-term incentives is intended to compensate executives at approximately the 50^{th} percentile of the market when the Company performs at a target level.

Pay Governance reviews the Company s executive compensation program for the Compensation Committee and annually provides the data and analysis described above. The compensation consultant discusses the proposed actual compensation awards for the named executive officers and provides research and input to the Compensation Committee on changes to the compensation program.

In 2017, Pay Governance also analyzed the Company s executive compensation program to ensure that it remained competitive in the market place to show the market rate for base salary, total cash compensation and total direct compensation, including the allocation between cash compensation and equity incentives. Pay Governance provides no other services to the Company other than serving as the Compensation Committee s compensation consultant for executive and director compensation decisions.

Table of Contents

Other Considerations

The Compensation Committee also takes into consideration the results of the advisory votes on the Company s executive compensation program for the few years prior to the year for which the executive compensation decisions are being made. For the years 2014 through 2017, the shareholders approved the advisory vote on the compensation of our named executive officers by 93% to 94% of the votes cast.

Determination of Actual Compensation

We emphasize pay for performance, especially for our higher-level executives. Therefore, the named executive officers tend to receive a substantial portion of their total direct compensation from annual cash incentives and long-term equity incentives. In addition, the percentages of total direct compensation represented by base salary, annual cash incentive opportunities, and equity incentives, respectively, for the named executive officers are generally in line with the percentages represented by these elements of total direct compensation for the competitive market rate benchmarks.

The Compensation Committee determines the actual amount of each element of annual compensation to award to the Company s named executive officers with the goal of having the target total direct compensation opportunity for each named executive officer generally within a range of 15% above or below the market median rate for his position over time.

Base Salary

A competitive base salary is necessary to attract and retain a talented and experienced workforce. Actual salaries for the named executive officers, other than the Chief Executive Officer whose salary is determined by the Board of Directors using the same criteria, are determined by the Compensation Committee by considering both the market median rate for the position and internal equity with both the other named executive officers and other employees of the Company. The Compensation Committee s goal is to maintain base salaries generally within a range of 15% above or below the market median rate over time for each of the named executive officers, although deviations from this goal may occur due to promotions, and the time the executive has been in a particular salary grade. Base salaries are considered for adjustment annually and adjustments are based on general movement in external salary levels, changes in the market rate for the named executive officers positions, individual performance, internal equity and changes in individual duties and responsibilities. For 2017, the annual increases to the salaries for the named executive officers reflected these assessments and averaged 4.9%. The base salaries approved by the Compensation Committee for 2017, effective April 1, 2017, were as follows: Mr. Franklin, $720,090; Mr. Smeltzer, $402,318; Mr. Fox, $360,099; Mr. Schuller, $372,030; and Mr. Luning, $330,084.

Short-Term Incentive Awards

The 2017 Annual Cash Incentive Awards

Annual cash incentive awards under the Annual Cash Incentive Compensation Plan (the Annual Plan) are intended to motivate management to focus on the achievement of annual corporate and individual objectives that would, among other things, improve the level of service to our customers, control the cost of service, and enhance our financial performance.

During 2017, the Compensation Committee, Pay Governance, and management determined that it was appropriate to revise the design of the annual cash incentive portion of the total direct compensation paid to the named executive officers to place more emphasis on financial, safety, and compliance performance metrics and to reduce the weight allocated to individual goals. The Compensation Committee believes that these changes will focus the named executive officers efforts on business metrics that are core to the Company s mission and reward the named executive officers performance in achieving these metrics.

Table of Contents

The Annual Plan aligns the Company s goals with payouts dependent upon achievement of certain performance objectives over a one year period. The tables and the narrative below detail the 2017 Annual Cash Incentive Award Metrics.

2017 ANNUAL CASH INCENTIVE AWARD METRICS

Metric Weight	Metric	Metric Components & Weights	Target Achievement		
			50%	100%	150%
60%	Financial	Earnings Per Share	$ 1.31	$ 1.36	$ 1.41
15%	Safety	36% - Lost Time Incidents 36% - Responsible Vehicle Accident Rate 14% - Safety Training Hours 14% - Incident Reporting	8 Points	14 Points	21 Points
15%	Compliance	50% - Drinking Water	99.00%	99.50%	99.80%
		50% - Wastewater	90.00%	93.00%	95.00%
10%	Individual Goals		50%	100%	150%

Financial 60%

The financial metric was based on the Company s earnings per share (EPS). The target achievement of the EPS goal was as follows:

TARGET	
EPS	Payout
$1.41	150%
$1.40	140%
$1.39	130%
$1.38	120%
$1.37	110%
$1.36	100%
$1.35	90%
$1.34	80%
$1.33	70%
$1.32	60%
$1.31	50%

Safety 15%

The safety metric was achieved through the accumulation of points focused on specific safety components including Lost Time Incidents, Safety Training Hours, Incident Reporting, and Responsible Vehicle Accident Rate. The table below illustrates the weighting and performance range of each safety goal and a corresponding point score.

Safety Component	**Individual Weight**	**Threshold (50%)**	**Target (100%)**	**Stretch (150%)**
Lost Time Incidents	36%	£ 25 Cases (3 Points)	£ 22 Cases (5 Points)	£ 19 Cases (7 Points)
Responsible Vehicle Accident Rates	36%	4.5 (3 Points)	4.1 (5 Points)	3.7 (7 Points)
Safety Training Hours	14%	87% (1 Point)	93% (2 Points)	97% (3 Points)
Incident Reporting	14%	70% (1 Point)	80% (2 Points)	90% (4 Points)
Safety Metric Goal Target	**100%**	**8 Points**	**14 Points**	**21 Points**

Compliance 15%

The compliance metric had two components drinking water and waste water. Similar to the safety metric, the compliance metric had a performance range of 50% to 150%. The tables below detail the components of the compliance metric.

Drinking Water Compliance Component		
Compliance Percentage	**Number of Compliance Days / System / Year**	**Performance Range**
99.00%	3.7	50
99.10%	3.3	60
99.20%	2.9	70
99.30%	2.6	80
99.40%	2.2	90
Target - 99.50%	1.8	100
99.58%	1.6	113
99.65%	1.3	125
99.73%	1.0	138
99.80%	0.7	150

Table of Contents

Compliance continued...

Wastewater Compliance Component		
Compliance Percentage	**Number of Compliance Days / System / Year**	**Performance Range**
90.00%	36.5	50
91.00%	32.9	60
91.50%	31.0	70
92.00%	29.2	80
92.50%	27.4	90
Target - 93.00%	25.6	100
93.50%	23.7	113
94.00%	21.9	125
94.50%	20.1	138
95.0%	18.3	150

Individual Goals 10%

At the beginning of 2017, two individual goals were identified for each named executive officer that aligned with the broader Company goals. Individual goals focus on the named executive officer s role with the Company. Each named executive officer was rated on the achievement of each goal and received a rating between 50%-150%.

Based on the above-described factors, the following table shows the 2017 performance of the Company compared to the targets set in the Annual Plan:

Metric	**Metric Component**	**Report Date**	**Target - 50%**	**Target - 100%**	**Target - 150%**	**Adjusted Actual**	**Actual Attainment**	**Weight**	**Final Achievement**
Financial	Aqua Earnings Per share	12/31/2017	$ 1.31	$ 1.36	$ 1.41	$ 1.37[1]	110.00%	60%	66%
Safety	Lost Time Incidents	12/31/2017	25 3	22 5	19 7	14 7	146.43%	15.00%	21.96%
	Responsible Vehicle Accident Rate	12/31/2017	4.5 3	4.1 5	3.7 7	3.8 6.5			
	Training Hours	12/31/2017	87% 1	93% 2	97% 3	137.79% 3			
	Incident Reporting	12/31/2017	70% 1	80% 2	90% 4	95.89% 4			
	Total Safety Points		8	14	21	20.5			
Compliance	Water	12/31/2017	90.00%	99.50%	99.80%	99.64%	123.33%	7.50%	9.25%
	Wastewater	12/31/2017	90.00%	93.00%	95.00%	94.99%	149.75%	7.50%	11.23%
							10.00%		

Individual
Goals

[1] This is a non-GAAP financial metric. See Appendix B for a reconciliation of this metric to the GAAP financial metric.

Table of Contents

Applying this performance, the below table shows the target annual cash incentive awards and the actual annual cash incentive awards approved by the Compensation Committee for 2017 for the named executive officers.

Name	2017 Target Bonus %	2017 Target Cash Incentive	2017 Actual Cash Incentive
FRANKLIN	80%	$ 576,072	$ 711,103
SMELTZER	55%	$ 221,275	$ 270,929
FOX	60%	$ 216,059	$ 258,061
SCHULLER	55%	$ 204,617	$ 252,579
LUNING	45%	$ 148,538	$ 177,414

LONG-TERM EQUITY INCENTIVE AWARDS

Our use of equity incentive awards are intended to reward our named executive officers for: (1) enhancing the Company s financial health, which also benefits our customers; (2) improving our long-term performance through both revenue increases and cost control; and (3) achieving increases in the Company s equity and shareholder value, as well as helping to retain such executives due to the longer-term nature of these awards. We make these equity incentive awards under our 2009 Omnibus Equity Compensation Plan, as amended (the Plan). Under the Plan, the Compensation Committee and the Board of Directors may grant stock options, dividend equivalents, performance-based or service-based stock units and stock awards, stock appreciation rights and other stock-based awards to officers, directors, key employees and key consultants of the Company and its subsidiaries who are in a position to contribute materially to the successful operation of our business. As part of its review of the total compensation package for our named executive officers, the Compensation Committee annually reviews our equity incentive compensation program. Starting in 2011, the Compensation Committee began using a combination of performance share units and restricted stock units to better link the named executive officer s long-term incentive compensation to performance results that led to increased shareholder value and enhanced our long-term financial stability, which also benefits our customers. In 2017, the Compensation Committee added performance-based stock options to the long-term incentive compensation program for the same reasons.

We aim to strike a balance between the incentive and retention goals of our equity grants:

- All of the equity grants to our Chief Executive Officer are subject to performance goals.

- For our other named executive officers, two-thirds of the equity grant value as of the grant date is in the form of performance share units, with the performance metrics described below, and one-third is in the form of service-based restricted stock units.

Using the market rates developed by Pay Governance, the Compensation Committee bases the annual equity incentive awards made to the named executive officers as part of the total compensation package designed to be competitive with the benchmarked group and our industry. The Compensation Committee does not consider any increase or decrease in the value of past equity incentive awards in making these annual decisions. In considering the number of equity incentive awards to be granted in total to all employees each year, the Compensation Committee considers the number of equity incentive awards outstanding and the number of equity incentive awards to be awarded as a percentage of Aqua America s total shares outstanding. The number of equity incentive awards granted annually to all employees has been less than 1% of Aqua America s total shares outstanding per year for the past several years.

Equity incentive awards are generally all made on the same grant date. It is our policy to make the grant date of equity compensation grants the date that the Compensation Committee approves the grants, which is

36

Table of Contents

either the date of the Compensation Committee s meeting or the date of the Board meeting following the Compensation Committee s meeting. The dates for all Board and Compensation Committee meetings, including the dates for the Compensation Committee to approve the equity grants, are set in advance, subject to changes for scheduling conflicts, and are independent of the timing of our disclosure of any material non-public information other than our normal annual earnings release.

PERFORMANCE SHARE AWARDS

Performance share or performance share unit grants (PSU) (together referred to as performance shares) provide the named executive officer with the opportunity to earn awards of shares based on Company performance against designated pre-determined, objective metrics. Participants are granted a target number of shares or units that, for the 2015 and 2016 grants, can increase to 200% of the target, and for the 2017 grants, can increase to 200% of the target or decrease to zero based on the Company s actual performance compared to the designated metrics. Dividends or dividend equivalents, as applicable, on the performance shares accrue and will be paid when the performance shares are earned and paid based on the number of shares actually earned, if any.

The performance goals to be achieved under the PSU awards have been based on the following performance goals, with the weighting of each goal assessed each year:

- The Company s total shareholder return (TSR) at the end of the performance period as compared to the TSR of the other large investor-owned water companies (American Water Works Company, American States Water Company, Connecticut Water Service, Inc., California Water Service Group, Middlesex Water Company and SJW Corporation);

- The Company s TSR compared to the TSR for the companies in the S&P Midcap Utility Index (Appendix A);

- The achievement of maintaining Operating and Maintenance (O&M) expenses within the Company s regulated operations over the performance period; and,

- The achievement of the three-year cumulative total earnings before taxes in non-Aqua Pennsylvania subsidiaries.

2015 PSU Awards Achievement

The three-year performance period for the PSU awards made by the Compensation Committee in 2015 ended on December 31, 2017. In February 2018, the Compensation Committee determined the achievement of performance goals for the 2015 PSUs, as follows:

Metric 1. The Company s TSR was ranked 7th among the other water companies:

Ordinal Rankings (Including Aqua) Versus Peers	Payout as a % of Target (7 companies)
1st	200%
2nd	170%
3rd	130%
4th	100%
5th	50%
6th	0%
7th	0%

Table of Contents

Metric 2. The Company s TSR was ranked 7th among the companies in the S&P Midcap 400 Utilities Index:

Ordinal Ranking of the Company (including the Company) Versus Peer Group Rank	Payout as a % of Target Award (18 Peer Co s) Payout	Payout as a % of Target Award (17 Peer Co s) Payout	Payout as a % of Target Award (16 Peer Co s) Payout	Payout as a % of Target Award (15 Peer Co s) Payout	Payout as a % of Target Award (14 Peer Co s) Payout
1	200.00%	200.00%	200.00%	200.00%	200.00%
2	197.22%	195.59%	193.75%	191.67%	189.29%
3	183.33%	180.88%	178.13%	175.00%	171.43%
4	169.44%	166.18%	162.50%	158.33%	153.57%
5	155.56%	151.47%	146.88%	141.67%	135.71%
6	141.67%	136.76%	131.25%	125.00%	117.86%
7	127.78%	122.06%	115.63%	108.33%	100.00%
8	113.89%	107.35%	100.00%	91.67%	82.14%
9	100.00%	92.65%	84.38%	75.00%	64.29%
10	86.11%	77.94%	68.75%	58.33%	0.00%
11	72.22%	63.24%	53.13%	0.00%	0.00%
12	58.33%	0.00%	0.00%	0.00%	0.00%
13	0.00%	0.00%	0.00%	0.00%	0.00%
14	0.00%	0.00%	0.00%	0.00%	0.00%
15	0.00%	0.00%	0.00%	0.00%	0.00%
16	0.00%	0.00%	0.00%	0.00%	0.00%
17	0.00%	0.00%	0.00%	0.00%	0.00%
18	0.00%	0.00%	0.00%	0.00%	0.00%

Table of Contents

Metric 3. The O&M expense to revenue ratio for Aqua Pennsylvania was 29.99%:

Aqua PA O&M Revenue		**Linear Interpolation**
2015 A	30.02%	
2016A	31.00%	
2017A	28.95%	
3 Year Average	29.99%	167.00%

O&M Ratio Metric

Aqua PA O&M Ratio 3 Year Annual Average Attainment	**Rating (% of 20%) PSUs Earned**
32.33	50
32.13	60
31.93	70
31.73	80
31.53	90
31.33	100
31.13	110
30.93	120
30.73	130
30.53	140
30.33	150
30.13	160
29.93	170
29.73	180
29.53	190
29.33	200

Table of Contents

Metric 4. The three-year cumulative total earnings before taxes in non-Aqua Pennsylvania subsidiaries was $2.8 million:

Non-Aqua PA 3 year EBT (in thousands)		**Linear Interpolation**
2015 A	$85,759	
2016A	$95,823	
2017A	$100,444	
3 Year Average	$282,026	187.30%

Non-PA Earnings Before Taxes

Non-PA EBT 3 year Combined Attainment (in thousands)	**Rating (% of 20%) PSUs Earned**
$235,200	50
$240,200	60
$245,200	70
$250,200	80
$255,200	90
$260,200	100
$262,700	110
$265,200	120
$267,700	130
$270,200	140
$272,700	150
$275,200	160
$277,700	170
$280,200	180
$282,700	190
$285,200	200

As a result, the Compensation Committee certified that a 109.19% payout of the 2015 PSU awards was earned in accordance with the following results and weightings:

2015 PSU Metrics

	Payout	**Weight**	**Extrapolated**
Metric 1	0.00%	30%	0.00%
Metric 2	127.78%	30%	38.33%
Metric 3	167.00%	20%	33.40%
Metric 4	187.30%	20%	37.46%
			109.19%

Applying this performance, the below table shows the Target PSU award and the Actual PSU award approved by the Compensation Committee for the NEOs.

Name	2015 Target PSU	2015 Actual PSU
FRANKLIN	18,292	19,972
SMELTZER	10,000	10,919
FOX	4,950	5,404
SCHULLER	5,870	6,408
LUNING	7,000	7,643

Table of Contents

Outstanding 2016 PSU Awards

The PSU awards granted in 2016 have similar performance goals to the 2015 PSU awards, with different percentile rankings and scales, and a performance period that began on January 1, 2016 and will end on December 31, 2018. Please see the disclosure under the heading Outstanding Equity Awards at Fiscal Year- End for a description of the status of such 2016 PSU awards.

Outstanding 2017 PSU Awards

The 2017 PSU awards have similar performance goals to the 2015 and 2016 PSU awards, and a performance period that began on January 1, 2017 and will end on December 31, 2019. Please see the disclosure under the heading Outstanding Equity Awards at Fiscal Year- End for a description of the status of such 2017 PSU awards.

STOCK OPTIONS

In 2017, the Compensation Committee added performance-based stock options to the grants to the named executive officers. The Compensation Committee believes that the award of stock options, when paired with the performance and service-based stock awards, completely aligns the interests of the named executive officers with those of the shareholders. Fifteen percent of the named executive officer s performance-based awards will vest ratably over a three-year period of time based upon the Company s achievement of at least an adjusted return on equity equal to 150 basis points below the return on equity granted by the Pennsylvania Public Utility Commission during the Company s Pennsylvania subsidiary s last rate proceeding. The Company s adjusted return on equity is calculated annually in accordance with the below descriptive formula and if the adjusted return on equity meets or exceeds 150 basis points below the return of equity of the most current Pennsylvania Public Utility Commission rate award, the awards will vest:

Return on Equity = net income (excluding net income or loss from acquisitions which have not yet been incorporated into a rate application as of the last year end) / equity (excluding equity applicable to acquisitions which are not yet incorporated in a rate application during the award period).

The Compensation Committee believes that by providing the named executive officers with the ability to earn stock options, the named executive officers interests are aligned with the shareholders interests as the value of the stock option is a function of the price of the Company s stock. In addition, stock options provide the use of an additional performance metric for the earning of long-term equity compensation.

RESTRICTED SHARE AWARDS

Annual restricted share or restricted stock unit grants (together referred to as restricted shares) entitle the named executive officer to receive the number of shares granted at the end of a given period of time, or in increments over a period of years on the anniversaries of the grant date, provided the named executive officer remains an employee of the Company, unless separation is due to death, disability, retirement or termination following a Change in Control, in which cases acceleration of the lapse of forfeiture restrictions occurs as set forth in the Plan. Dividends or dividend equivalents, as applicable, are accumulated and paid when the restricted shares are paid. The restricted shares to the other named executive officers (other than the Chief Executive Officer) vest 100% after three years, with vesting subject solely to continued service with the Company.

The restricted shares to the Chief Executive Officer vest 100% after three years, with vesting subject to continued service with the Company and the Company s achievement of at least an adjusted return on equity equal to 150 basis points below return on equity granted by the Pennsylvania Public Utility Commission during the Company s Pennsylvania subsidiary s last rate proceeding. The return on equity shall be calculated in the same manner as it is calculated for the purposes of determining the return on equity required for the vesting of stock options.

Retirement Plans

Our retirement plans are intended to provide competitive retirement benefits to help attract and retain employees. Some of our named executive officers are participants in our qualified pension plan (benefits frozen as of December 31, 2014) (the Retirement Plan), and in our non-qualified pension benefit plan (the Non-Qualified Pension Benefit Plan). Our non-qualified retirement plan is intended to provide executive officers with a retirement benefit that is comparable on a percentage of salary basis to that of our other employees participating in the Retirement Plan by providing the benefits that are limited under current Internal Revenue Service regulations. Benefits continue to accrue for some of our named executive officers in the Non-Qualified Pension Benefit Plan. Starting in 2009, the Company began to fund the trust for the benefits under the Non-Qualified Pension Benefit Plan using trust-owned life insurance. A named executive officer s retirement benefits under our qualified and non-qualified retirement plan are not taken into account in determining the executive s current compensation. Effective December 31, 2014, the named executive officers ceased accruing a benefit under the Retirement Plan. Specifically, their plan compensation and credited service for purposes of determining their benefits was frozen in the Retirement Plan as of December 31, 2014. Vesting service will continue to accrue in the Retirement Plan as long as the named executive officer remains employed by the Company.

Non-qualified Deferred Compensation Plan

We maintain a non-qualified Executive Deferred Compensation Plan (the Executive Deferral Plan) that allows eligible members of management to defer all or a portion of their salary and annual cash incentives, which enables participants to save for retirement and other life events in a tax-effective manner. Deferred amounts are deemed invested in one or more mutual funds selected by the participant under trust-owned life insurance policies on the lives of eligible executives. In addition, in order to provide named executive officers with the full Company matching contribution available to other employees under our qualified plans, executives who choose to defer up to six percent of their salary under one of Aqua America s 401(k) plans, but do not receive the full Company matching contribution under such qualified plans due to the Internal Revenue Service regulations limiting the total dollar amount that can be deferred under a 401(k) plan ($18,000 for 2015, 2016, and $18,500 for 2017), receive the portion of the Company matching contribution that would otherwise be forfeited by the executive as an Aqua America contribution into the Executive Deferral Plan. Effective January 1, 2009, the Company began to fund the trust holding amounts deferred by the participants in the Executive Deferral Plan using trust-owned life insurance. A named executive officer s deferrals and any earnings on deferrals under our non-qualified deferred compensation plan are not taken into account in determining the named executive officer s compensation.

Severance Plans

All of the named executive officers are covered by a severance policy. The policy provides the named executive officers with a severance benefit of one full year salary and one full year projected bonus and a minimum of one month of continued medical benefits and a maximum of six months of continued medical benefits following termination, provided that the named executive officer is terminated for any reason other than for cause.

Additionally, Mr. Franklin and the Company entered into an Employment Agreement when he became Chief Executive Officer (Mr. Franklin s Employment Agreement). Pursuant to Mr. Franklin s Employment Agreement, if the Company terminates Mr. Franklin s employment without cause or does not renew the term of

the Employment Agreement, or Mr. Franklin terminates his employment for good reason (as defined in the agreement), Mr. Franklin will receive any accrued but unpaid salary and accrued vacation as well as a lump sum equal to (i) 24 months of base salary and (ii) two times the target annual bonus. If the Company terminates Mr. Franklin s employment for cause or if he terminates his employment without good reason, or for death or disability, Mr. Franklin (or his estate) will receive any accrued but unpaid salary and accrued vacation. Mr. Franklin s Employment Agreement expires June 30, 2018, and may be extended for successive one-year terms upon mutual agreement of the Company and Mr. Franklin. Mr. Franklin s Employment Agreement is filed with our SEC filings.

Change-in-control Agreements

We maintain change-in-control agreements with the named executive officers. These change-in-control agreements are intended to minimize the distraction and uncertainty that could affect key management in the event we become involved in a transaction that could result in a change in control of Aqua America, enable the executives to impartially evaluate such a transaction, provide a retention incentive to our named executive officers and encourage their attention and dedication to their duties and responsibilities in the event of a possible change-in-control. Under the terms of these agreements, the covered named executive officer is entitled to certain severance payments and a payment in lieu of the continuation of benefits if he experiences a termination of employment other than for cause, or in the event the executive resigns for good reason, as defined in the agreements, within two years following a change-in-control of Aqua America. (See the description of Potential Payments Upon Termination or Change-in-Control on pages 60 through 62.)

These change-in-control agreements are referred to as double trigger agreements because they only provide a benefit to executives whose employment is terminated, or who have good reason to resign, following a change-in-control. These change-in-control agreements do not provide any payments or benefits to the covered executives merely as a result of a change-in-control. The normal annual restricted share, stock option and performance share grants to the named executive officers also contain double trigger provisions. Each of the change-in- control agreements limits the amount of the payments under the agreements to the Internal Revenue Service s limitation on the deductibility of these payments under Section 280G of the Internal Revenue Code (the Code).

The Company has determined that there will be no tax gross-ups in any change-in-control agreements with executives and that all such agreements will be subject to the limitations under Section 280G of the Code. We believe that the multiples of compensation and other benefits provided under the change-in-control agreements, as described on pages 60 through 62, are consistent with the multiples in the market. Named executive officers who receive payments under their change-in-control agreements in connection with their separation from employment following a change-in-control will not be entitled to any payments under our normal severance policy.

Perquisites

We offer a limited number of perquisites for our named executive officers. The Board has authorized executive benefits consisting of executive financial planning and annual executive physical exams. The Board regularly reviews the benefits provided to our executives and makes appropriate modifications based on the value of these benefits.

The Role of Management in the Executive Compensation Process

Our Senior Vice President, General Counsel, and Secretary and our Interim Vice President, Human Resources assist the Compensation Committee by preparing schedules showing the present compensation of executives and compiling the recommended salary grade midpoints, market rates, target annual cash incentives

and target range of equity compensation awards from the information provided by the Compensation Committee s consultant. Our Chief Executive Officer compiles and presents the supporting information for the individual executives performance against their objectives and his recommendations for any discretionary points for the evaluation of the extent of achievement of individual goals (the Individual Factor) under the Annual Plan. He also provides the Compensation Committee with his recommendations for annual salary increases, any changes in target annual cash incentive percentages and equity incentive awards for the other executive officers. Our Chief Financial Officer provides the Compensation Committee with certifications as to our financial performance for purposes of the Compensation Committee s determination of the achievement of the Company-specific goals (the Company Factor) for the Annual Plan, our performance against the criteria established by the Compensation Committee for the vesting of restricted share grants and the earning of performance shares. These financial measures are also certified by our Director of Internal Audit. Our Chief Executive Officer makes recommendations to the Compensation Committee with respect to the compensation awards for the named executive officers other than himself, but the ultimate decisions regarding compensation for these officers are made by the Compensation Committee.

STOCK OWNERSHIP GUIDELINES

In 2005, the Board of Directors established stock ownership guidelines for the named executive officers to encourage these executives to maintain a significant ownership interest in the Company and to help align the interests of these executive officers with the long-term performance of the Company. In 2017, these guidelines were modified to recognize the different levels of executives who may be among the named executive officers and to state the guidelines in terms of the number of shares to be held rather than a dollar value, in order to avoid fluctuations in the number of shares to be held based on variations in the Company s stock price. In establishing the number of shares to be held, the Compensation Committee uses a round number of shares, the value of which approximates the following multiples of the midpoint of the base salary grade for the executives:

Position	Approximate Multiple of Salary	Shares, PSUs, and RSUs To Be Held
CHIEF EXECUTIVE OFFICER	5	108,000
EXECUTIVE VICE PRESIDENT	3	33,000
SENIOR VICE PRESIDENT	2	19,000

Each named executive officer is expected to have shareholdings consistent with these guidelines within five years after becoming a named executive officer or after receiving a significant promotion. Messrs. Franklin and Fox each received a significant promotion in 2015 and Mr. Schuller was initially hired in 2015, starting a new five-year period for each.

Shareholdings, as defined for ownership requirement purposes, include shares held directly or beneficially, including shares acquired under our Employee Stock Purchase Plan or 401(k) plans and restricted shares units and performance share units. An executive who has not achieved the guideline within this five-year period is expected to retain one-half of any equity awards, after any required tax withholding, in Company stock and to use 10% of any annual cash incentive awards after tax to purchase shares of Company stock until the guideline is met. The below chart shows the shareholdings of the named executive officers as of March 9, 2018:

OFFICER SHAREHOLDINGS		
Name	**Position**	**Shareholdings**
FRANKLIN	Chief Executive Officer	196,626
SMELTZER	Executive Vice President	74,188
FOX	Executive Vice President	38,600
SCHULLER	Executive Vice President	36,796
LUNING	Senior Vice President	61,001

44

Table of Contents

Anti-Hedging and Anti-Pledging Policy

It is the Company s policy not to permit hedging or pledging or short-selling of the Company s stock by its named executive officers. None of our named executive officers pledged any shares of Company stock during 2017. None of our named executive officers engaged in any hedging activities with respect to the Company stock during 2017.

Clawback of Incentive Compensation

In the event of a significant restatement of our financial results caused by executive fraud or willful misconduct, the Compensation Committee reserves the right to review the cash incentive compensation received by the named executive officers with respect to the period to which the restatement relates, recalculate Aqua America s results for the period to which the restatement relates and seek reimbursement of that portion of the cash incentive compensation that was based on the misstated financial results from the executive or executives whose fraud or willful misconduct was the cause of the restatement. In addition, starting with the performance share unit grants and restricted stock unit grants in 2014, all shares issued pursuant to those grants are subject to any applicable recoupment or clawback policies and other policies implemented by the Board, as in effect from time to time.

REPORT OF THE EXECUTIVE COMPENSATION COMMITTEE

The purpose of the Compensation Committee is to assist the Board of Directors in its general oversight of the Company s compensation programs and the compensation of the Company s executives. The Compensation Committee Charter describes in greater detail the full responsibilities of the committee and is available on our website: *www.aquaamerica.com*.

The Executive Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis on pages 24 through 45 with management. Based on this review and discussion, the Executive Compensation Committee recommended to the Company s Board of Directors, and the Board of Directors approved, the inclusion of the Compensation Discussion and Analysis in the Company s Proxy Statement for the 2017 Annual Meeting of Shareholders.

Respectfully submitted,

Ellen T. Ruff, Chairman

Carolyn J. Burke

Daniel J. Hilferty

The foregoing Executive Compensation Committee report shall not be deemed incorporated by reference by any general statement incorporating by reference this Proxy Statement into any filing under the Securities Act or the Exchange Act, except to the extent that the Company specifically incorporates this information by reference, and shall not otherwise be deemed filed under such Acts.

Table of Contents

2017 EXECUTIVE COMPENSATION

SUMMARY COMPENSATION TABLE

The following Summary Compensation Table shows compensation paid to or earned by the named executive officers.

SUMMARY COMPENSATION TABLE

Principal Position	Year	Salary ($)(1)	Bonus ($)	Grant Date Fair Value of PSU and RSUs ($)(2)	Grant Date Fair Value of Option Awards ($)(2)	Non-Equity Incentive Plan Compensation ($)(1)(3)	Change in Pension Value and Non-qualified Deferred Compensation Earnings ($)(4)	All Other Compensation ($)(5)	Total ($)(6)
Christopher H. Franklin	2017	705,730		1,139,644	110,106	711,103	1,632,770	14,150	4,313,503
	2016	658,324		1,271,034		862,858	1,017,238	14,645	3,824,099
President and Chief Executive Officer	2015	483,801		710,830		524,511	405,995	15,043	2,140,180
David P. Smeltzer	2017	399,163		327,477	31,640	270,929	604,934	19,471	1,653,614
	2016	385,663		388,786		275,197	565,493	18,778	1,633,917
EVP, Chief Financial Officer and Principal Financial Officer	2015	369,037		396,700		265,980	393,970	11,755	1,437,442
Richard S. Fox	2017	354,871		293,136	28,319	258,061	372,738	20,312	1,327,437
EVP and Chief Operating Officer	2016	338,907		334,954		245,928	237,445	16,863	1,174,097
	2015	255,714		191,295		145,246	93,579	11,003	696,837
Daniel J. Schuller	2017	367,984		285,998	27,631	252,579		22,399	956,591
EVP, Strategy & Corporate	2016	355,143		515,590		268,018		24,544	1,163,295
Development	2015	141,346		160,440		104,271		41,697	447,754
Christopher P. Luning	2017	326,831		238,853	23,077	177,414	276,991	10,680	1,053,846
	2016	313,224		305,048		180,306	205,336	14,934	1,018,848

SVP, General Counsel and Secretary	2015	293,558	277,690	175,500	111,083	14,048	871,879

(1) Salary and Non-Equity Incentive Plan Compensation amounts include amounts deferred by the named executive officer pursuant to the Executive Deferral Plan described on page 55.

(2) The grant date fair value of stock-based compensation is based on the fair market value on the date of grant as determined in accordance with the Financial Accounting Standards Board s (FASB) accounting guidance for stock compensation. The assumptions used in calculating the fair market value are set forth in Note 14, Employee Stock and Incentive Plan contained in the Notes to the Consolidated Financial Statements in the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2017. For the RSUs and Options, the Grant Date Fair Value shown is based on the actual number of shares underlying the award. For the PSUs, the Grant Date Fair Value shown is based on the target number of shares underlying the award. For all NEOs, the Grant Date Fair Value if the maximum payout occurred would be $2,705,979 for the PSU awards; $841,796 for the RSU awards; and, $220,773 for the Option awards.

Table of Contents

(3) Non-Equity Incentive Plan Compensation is shown for the year in which the compensation is earned, and is generally paid in the following calendar year. See the description of these annual cash incentive awards above under the CD&A section of this Proxy Statement.

(4) The change in pension value is based on the aggregate change in the actuarial present value of the named executive officer s accumulated benefit under all defined benefit pension plans (including non-qualified pension plans) from the pension plan measurement date used for financial statement reporting purposes in the Company s audited statements for the prior completed fiscal year to the pension plan measurement date used for financial statement reporting purposes in the Company s audited financial statements for the covered fiscal year. All amounts deferred by participants in the Executive Deferral Plan and all prior deferrals under the Executive Deferral Plan are invested in a variety of mutual funds selected by each participant under trust-owned life insurance used by the Company to fund the Executive Deferral Plan; there are no preferential or above-market earnings on this deferred compensation. Mr. Schuller is not eligible to participate in the Retirement Plan since he was hired by the Company after the Retirement Plan was closed to new entrants.

(5) All Other Compensation includes the following components:

OTHER COMPENSATION

		Group Life ($)(a)	401(k) Company Match and Company Contribution ($)(b)	Relocation ($)(c)	Car Allowance ($)(d)	Other ($)	Total ($)
FRANKLIN	2017	3,450	8,100		2,600		14,150
	2016	3,450	7,950		3,245		14,645
	2015	3,367	7,950		3,726		15,043
SMELTZER	2017	3,896	7,938		7,637		19,471
	2016	3,777	7,950		7,051		18,778
	2015	3,581	7,950		224		11,755
FOX	2016	3,462	8,100		8,750		20,312
	2016	3,261	7,950		5,652		16,863
	2015	1,706	5,514		3,783		11,003
SCHULLER	2017	270	15,888		6,241		22,399
	2016	248	16,249		8,047		24,544
	2015		4,106	35,883	1,708		41,697
LUNING	2017	1,100	7,620		1,960		10,680
	2016	1,055	7,929		5,950		14,934
	2015	990	7,768		5,290		14,048

(a) Represents the taxable value of group life insurance benefit for the named executive officer.
(b) Includes Company match and year end contributions to the 401(K) and Nonqualified Plan.
(c) Represents reimbursement provided under the Company s policy.
(d) The Company provides the use of Company owned or leased vehicles for all named executive officers.

(6) Total compensation is calculated in accordance with the SEC requirements under Item 402(c) of Regulation S-K, but does not reflect the compensation paid for the year. Specifically, the Total compensation includes the change

in pension value in the qualified and non-qualified defined benefit pension plans in which the named executive officers participate. Such pension benefits will not be paid to the named executive officers until they retire from service to the Company. The total direct compensation, without such change in pension value for 2017 was as follows: Mr. Franklin, $2,680,733; Mr. Smeltzer, $1,048,680; Mr. Fox, $954,699; and Mr. Luning, $776,855. Mr. Schuller does not participate in the pension plan.

Table of Contents

Grants of Plan-based Awards

The following table sets forth information regarding equity and non-equity awards granted to the named executive officers in 2017:

GRANTS OF PLAN-BASED AWARDS

		Estimated Future Payouts Under Non-Equity Incentive Plan Awards(1)			Estimated Future Payouts Under Equity Incentive Plan Awards (5)			All Other Stock Awards: Number of Shares of Stock or Units	All Other Option Awards: Number of Securities Underlying Options	Exercise or Base Price of Option Awards	Grant Date Fair Value of Stock and Option Awards
Name	Grant	Threshold ($)(2)	Target ($)(3)	Maximum ($)(4)	Threshold (#)	Target (#)	Maximum (#)	(#)(6)	(#)	($/Sh)	($)(7)
Franklin	2/22/17	288,036	576,072	864,108	11,689	37,202	46,756		27,053	$ 30.47	1,249,749
Smeltzer	2/22/17	110,637	221,275	331,912	3,359	6,718	13,436	3,972	7,774	$ 30.47	359,117
Fox	2/22/17	108,030	216,059								