

ESSENTIAL UTILITIES, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements (continued)
(In thousands of dollars, except per share amounts)

Restricted Stock Units – A restricted stock unit (“RSU”) represents the right to receive a share of the Company’s common stock and is valued based on the fair market value of the Company’s stock on the date of grant. RSUs are eligible to be earned at the end of a specified restricted period, generally three years, beginning on the date of grant. In some cases, the right to receive the shares is subject to specific performance goals established at the time the grant is made. The Company assumes that forfeitures will be minimal, and recognizes forfeitures as they occur, which results in a reduction in compensation expense. As the payout of the RSUs includes dividend equivalents, no separate dividend yield assumption is required in calculating the fair value of the RSUs. The following table provides the compensation expense and income tax benefit for RSUs:

	Years ended December 31,		
	2024	2023	2022
Stock-based compensation within operations and maintenance expense	\$ 2,802	\$ 2,877	\$ 2,927
Income tax benefit	\$ 702	\$ 722	\$ 736

The following table summarizes nonvested RSU transactions for the year ended December 31, 2024:

	Number of Stock Units	Weighted Average Fair Value
Nonvested stock units at beginning of period	192,217	\$ 45.06
Granted	104,661	36.61
Stock units vested	(66,040)	44.40
Forfeited	(20,589)	41.37
Nonvested stock units at end of period	210,249	\$ 41.40

The following table summarizes the value of RSUs:

	Years ended December 31,		
	2024	2023	2022
Weighted average fair value of RSUs granted	\$ 36.61	\$ 45.53	\$ 44.74
Intrinsic value of vested RSUs	\$ 2,348	\$ 2,427	\$ 3,090
Fair value of vested RSUs	\$ 2,930	\$ 2,665	\$ 2,483

As of December 31, 2024, \$3,596 of unrecognized compensation costs related to RSUs is expected to be recognized over a weighted average period of approximately 1.5 years. The aggregate intrinsic value of RSUs as of December 31, 2024 was \$7,636. The aggregate intrinsic value of RSUs is based on the number of nonvested stock units and the market value of the Company’s common stock as of the period end date.

Stock Options – A stock option represents the option to purchase a number of shares of common stock of the Company as specified in the stock option grant agreement at the exercise price per share as determined by the closing market price of our common stock on the grant date. Stock options are exercisable in installments of 33% annually, starting one year from the grant date and expire ten years from the grant date. The vesting of stock options granted in 2024, 2023 and 2022 are subject to the achievement of the following performance goal: the Company achieves 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 adjusted return on equity equals 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, divided by equity which excludes equity applicable to acquisitions which are not yet incorporated in a rate application during the award period.

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The fair value of each stock option is amortized into compensation expense using the graded vesting method, which results in the recognition of compensation costs over the requisite service period for each separately vesting tranche of the stock options as though the stock options were, in substance, multiple stock option grants. The following table provides compensation expense and income tax benefit for stock options:

	Years ended December 31,		
	2024	2023	2022
Stock-based compensation within operations and maintenance expenses	\$ 304	\$ 650	\$ 451
Income tax benefit	\$ 76	\$ 162	\$ 140

Options under the plans were issued at the closing market price of the stock on the day of the grant. The fair value of options was estimated at the grant date using the Black-Scholes option-pricing model, which relies on assumptions that require management's judgment. The following table provides the assumptions used in the pricing model for grants and the resulting grant date fair value of stock options granted in the period reported:

	2024	2023	2022
Expected term (years)	5.5	5.5	5.5
Risk-free interest rate	4.00%	4.03%	1.92%
Expected volatility	28.30%	27.80%	26.50%
Dividend yield	3.43%	2.53%	2.37%
Grant date fair value per option	\$ 8.12	\$ 11.37	\$ 9.34

Historical information was the principal basis for the selection of the expected term and dividend yield. The expected volatility is based on a weighted-average combination of historical and implied volatilities over a period that approximates the expected term of the option. The risk-free interest rate was selected based upon the U.S. Treasury yield curve in effect at the time of grant for the expected term of the option. The Company assumes that forfeitures will be minimal, and recognizes forfeitures as they occur, which results in a reduction in compensation expense.

The following table summarizes stock option transactions for the year ended December 31, 2024:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Life (years)	Aggregate Intrinsic Value
Outstanding, beginning of year	882,442	\$ 37.03		
Granted	119,548	35.78		
Forfeited	(17,917)	39.27		
Expired / Cancelled	(7,851)	43.74		
Exercised	(69,320)	35.65		
Outstanding at end of year	906,902	\$ 36.87	5.1	\$ 713
Exercisable at end of year	732,590	\$ 36.27	4.2	\$ 655

The intrinsic value of stock options is the amount by which the market price of the stock on a given date, such as at the end of the period or on the day of exercise, exceeded the closing market price of stock on the date of grant. The following table summarizes the intrinsic value of stock options exercised and the fair value of stock options which vested:

	Years ended December 31,		
	2024	2023	2022
Intrinsic value of options exercised	\$ 172	\$ 64	\$ 960
Fair value of options vested	\$ 502	\$ 236	\$ 1,203

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The following table summarizes information about the options outstanding and options exercisable as of December 31, 2024:

	Options Outstanding			Options Exercisable	
	Shares	Weighted Average Remaining Life (years)	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Range of prices:					
\$30.00 - 33.99	50,975	2.1	\$ 30.47	50,975	\$ 30.47
\$34.00 - 34.99	86,714	3.2	34.51	86,714	34.51
\$35.00 - 35.99	633,620	5.0	35.94	525,433	35.94
\$36.00 and above	135,593	7.6	45.24	69,468	45.18
	<u>906,902</u>	<u>5.1</u>	<u>\$ 36.87</u>	<u>732,590</u>	<u>\$ 36.27</u>

As of December 31, 2024, there was \$122 of total unrecognized compensation costs related to nonvested stock options granted under the plans. The cost is expected to be recognized over a weighted average period of approximately 0.7 years.

Restricted Stock – Restricted stock awards provide the grantee with the rights of a shareholder, including the right to receive dividends and to vote such shares, but not the right to sell or otherwise transfer the shares during the restriction period. Restricted stock awards result in compensation expense that is equal to the fair market value of the stock on the date of the grant and is amortized ratably over the restriction period. The Company expects forfeitures of restricted stock to be de minimis.

The following table provides the compensation cost and income tax benefit for stock-based compensation related to restricted stock:

	Years ended December 31,		
	2024	2023	2022
Stock-based compensation within operations and maintenance expense	\$ 53	\$ 43	\$ 50
Income tax benefit	\$ 15	\$ 12	\$ 15

The following table summarizes restricted stock transactions for the year ended December 31, 2024:

	Number of Shares	Weighted Average Fair Value
Nonvested shares at beginning of period	1,412	\$ 35.42
Granted	1,268	39.43
Vested	(1,412)	35.42
Nonvested shares at end of period	<u>1,268</u>	<u>\$ 39.43</u>

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Stock Awards – Stock awards represent the issuance of the Company’s common stock, without restriction. Stock awards are granted to the Company’s non-employee directors. The issuance of stock awards results in compensation expense which is equal to the fair market value of the stock on the grant date, and is expensed immediately upon grant. The following table provides compensation cost and income tax benefit for stock-based compensation related to stock awards:

	Years ended December 31,		
	2024	2023	2022
Stock-based compensation within operations and maintenance expense	\$ 840	\$ 810	\$ 715
Income tax benefit	\$ 233	\$ 228	\$ 207

The following table summarizes the value of stock awards:

	Years ended December 31,		
	2024	2023	2022
Intrinsic and fair value of stock awards vested	\$ 840	\$ 810	\$ 715
Weighted average fair value of stock awards granted	\$ 36.82	\$ 41.58	\$ 46.44

The following table summarizes stock award transactions for year ended December 31, 2024:

	Number of Stock Awards	Weighted Average Fair Value
Nonvested stock awards at beginning of period	-	\$ -
Granted	22,813	36.82
Vested	(22,813)	36.82
Nonvested stock awards at end of period	-	\$ -

Note 16 – Pension Plans and Other Post-retirement Benefits

The Company maintains a qualified, defined benefit pension plan that covers its full-time employees who were hired prior to the date their respective pension plan was closed to new participants. Retirement benefits under the plan are generally based on the employee's total years of service and compensation during the last five years of employment. The Company's policy is to fund the plan annually at a level which is deductible for income tax purposes and which provides assets sufficient to meet its pension obligations over time. To offset some limitations imposed by the Internal Revenue Code with respect to payments under qualified plans, the Company has a non-qualified Supplemental Pension Benefit Plan for Salaried Employees in order to prevent some employees from being penalized by these limitations, and to provide certain retirement benefits based on employee's years of service and compensation. The net pension costs and obligations of the qualified and non-qualified plans are included in the tables which follow. Employees hired after their respective pension plan was closed, may participate in a defined contribution plan that provides a Company matching contribution on amounts contributed by participants and an annual profit-sharing contribution based upon a percentage of the eligible participants' compensation.

The Company's qualified defined benefit pension plan has a permanent lump sum option on the form of benefit payments offered to participants upon retirement or termination. The plan paid \$4,003 and \$30,347 to participants who elected this option during 2024 and 2023, respectively. During 2023, we made lump-sum pension benefit distributions exceeding the cumulative amount of service and interest cost components of the net periodic pension cost for the year, which is the settlement accounting threshold. A settlement loss of \$5,173 was recorded as a regulatory asset, as it is probable of recovery in future rates, and will be amortized into pension benefit costs. A settlement loss is the recognition of unrecognized pension benefit costs that would have been incurred in subsequent periods.

In addition to providing pension benefits, the Company offers post-retirement benefits other than pensions to employees retiring with a minimum level of service and hired before their respective plan closed to new participants. These benefits include continuation of medical and prescription drug benefits, or a cash contribution toward such benefits, for eligible retirees and life insurance benefits for eligible retirees. The Company funds these benefits through various trust accounts. The benefits of retired officers and other eligible retirees are paid by the Company and not from plan assets due to limitations imposed by the Internal Revenue Code.

In December 2024, the Company transferred a portion of its existing liability for a group of participants with retiree life insurance benefits under the pension and post-retirement benefit plan to an insurance carrier. Total consideration paid to the insurance carrier amounted to \$7,292. This transaction triggered settlement accounting in our other post-retirement benefit plan and a settlement gain of \$3,214 was recorded as a regulatory liability which will be amortized into post-retirement benefit costs.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid in the years indicated:

Years:	Pension Benefits	Other Post-retirement Benefits
2025	\$ 26,780	\$ 5,357
2026	26,492	5,503
2027	28,235	5,870
2028	26,920	6,147
2029	26,560	6,488
2030-2034	117,508	32,521

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The changes in the benefit obligation and fair value of plan assets, the funded status of the plans and the assumptions used in the measurement of the company's benefit obligation are as follows:

	Pension Benefits		Other Post-retirement Benefits	
	2024	2023	2024	2023
Change in benefit obligation:				
Benefit obligation at January 1,	\$ 313,698	\$ 324,690	\$ 91,502	\$ 83,501
Service cost	1,429	1,507	1,453	1,347
Interest cost	15,632	16,007	4,450	4,476
Actuarial loss/(gain)	(12,579)	20,418	(1,071)	5,008
Plan participants' contributions	-	-	121	106
Benefits paid	(23,144)	(18,577)	(7,439)	(2,936)
Settlements	-	(30,347)	(6,052)	-
Benefit obligation at December 31,	295,036	313,698	82,964	91,502
Change in plan assets:				
Fair value of plan assets at January 1,	312,303	333,176	95,005	85,994
Actual return on plan assets	(4,959)	7,648	11,781	12,060
Employer contributions	9,393	20,343	-	-
Participants' contributions	-	-	121	106
Benefits paid	(23,085)	(18,517)	(6,605)	(3,155)
Settlements	-	(30,347)	(6,052)	-
Fair value of plan assets at December 31,	293,652	312,303	94,250	95,005
Funded status of plan:				
Net asset / (liability) recognized at December 31,	\$ (1,384)	\$ (1,395)	\$ 11,286	\$ 3,503

The following table provides the net liability recognized on the consolidated balance sheets at December 31:

	Pension Benefits		Other Post-retirement Benefits	
	2024	2023	2024	2023
Non-current asset	\$ 16,475	\$ 16,325	\$ 29,508	\$ 26,700
Current liability	(1,844)	(1,334)	(557)	(733)
Noncurrent liability	(16,015)	(16,386)	(17,665)	(22,464)
Net asset / (liability) recognized	\$ (1,384)	\$ (1,395)	\$ 11,286	\$ 3,503

The following table provides selected information about plans with accumulated benefit obligation and projected benefit obligation in excess of plan assets:

	December 31, 2024		December 31, 2023	
	Pension Benefits	Other Post-retirement Benefits	Pension Benefits	Other Post-retirement Benefits
<i>Selected information for plans with projected benefit obligation in excess of plan assets:</i>				
Projected benefit obligation	\$ 17,858	\$ N/A	\$ 17,720	\$ N/A
Fair value of plan assets	\$ -	\$ N/A	\$ -	\$ N/A
<i>Selected information for plans with accumulated benefit obligation in excess of plan assets:</i>				
Accumulated benefit obligation	\$ 15,352	\$ 30,072	\$ 14,843	\$ 35,154
Fair value of plan assets	\$ -	\$ 13,507	\$ -	\$ 11,957

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The following table provides the components of net periodic benefit costs for the years ended December 31:

	Pension Benefits			Other Post-retirement Benefits		
	2024	2023	2022	2024	2023	2022
Service cost	\$ 1,429	\$ 1,507	\$ 2,587	\$ 1,453	\$ 1,347	\$ 1,911
Interest cost	15,632	16,007	13,806	4,450	4,476	3,369
Expected return on plan assets	(18,782)	(22,223)	(22,004)	(4,420)	(4,372)	(4,502)
Amortization of prior service cost (credit)	325	684	536	-	-	-
Amortization of actuarial loss (gain)	3,003	2,962	2,043	(1,068)	(1,317)	(1,336)
Net periodic benefit cost/(credit)	\$ 1,607	\$ (1,063)	\$ (3,032)	\$ 415	\$ 134	\$ (558)

The Company records the underfunded/overfunded status of its pension and other post-retirement benefit plans on its consolidated balance sheets and records a regulatory asset/liability for these costs that would otherwise be charged to stockholders' equity, as the Company anticipates recoverability of the costs through customer rates to be probable. Changes in the plans' funded status will affect the assets and liabilities recorded on the balance sheet. Due to the Company's regulatory treatment, the recognition of the funded status is recorded as a regulatory asset pursuant to the FASB's accounting guidance for regulated operations.

The following table provides the amounts recognized in regulatory assets and regulatory liabilities that have not been recognized as components of net periodic benefit cost as of December 31:

	Pension Benefits		Other Post-retirement Benefits	
	2024	2023	2024	2023
Net actuarial loss (gain)	\$ 92,190	\$ 84,030	\$ (24,504)	\$ (21,257)
Prior service cost (credit)	1,540	1,866	-	-
Total recognized in regulatory assets	\$ 93,730	\$ 85,896	\$ (24,504)	\$ (21,257)

Accounting for pensions and other post-retirement benefits requires an extensive use of assumptions about the discount rate, expected return on plan assets, the rate of future compensation increases received by the Company's employees, mortality, turnover and medical costs. Each assumption is reviewed annually with assistance from the Company's actuarial consultant who provides guidance in establishing the assumptions. The assumptions are selected to represent the average expected experience over time and may differ in any one year from actual experience due to changes in capital markets and the overall economy. These differences will impact the amount of pension and other post-retirement benefit expense that the Company recognizes.

The significant assumptions related to the Company's benefit obligations are as follows:

	Pension Benefits		Other Post-retirement Benefits	
	2024	2023	2024	2023
Weighted Average Assumptions Used to Determine Benefit Obligations as of December 31,				
Discount rate	5.64%	5.17%	5.65%	5.09%
Rate of compensation increase	3.0-4.0%	3.0-4.0%	n/a	n/a
Assumed Health Care Cost Trend Rates Used to Determine Benefit Obligations as of December 31,				
Health care cost trend rate	n/a	n/a	6.50%	6.25%
Rate to which the cost trend is assumed to decline (the ultimate trend rate)	n/a	n/a	5.0%	5.0%
Year that the rate reaches the ultimate trend rate	n/a	n/a	2032	2029

n/a – Assumption is not applicable.

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The significant assumptions related to the Company's net periodic benefit costs are as follows:

	Pension Benefits			Other Post-retirement Benefits		
	2024	2023	2022	2024	2023	2022
Weighted Average Assumptions Used to Determine Net Periodic Benefit Costs for Years Ended December 31,						
Discount rate *	5.17%	5.51%	2.91%	5.09%	5.45%	2.96%
Expected return on plan assets	6.20%	6.80%	5.40%	3.91%-6.2%	4.28%-6.8%	3.4%-5.4%
Rate of compensation increase	3.0-4.0%	3.0-4.0%	3.0-4.0%	n/a	n/a	n/a
Assumed Health Care Cost Trend Rates Used to Determine Net Periodic Benefit Costs for Years Ended December 31,						
Health care cost trend rate	n/a	n/a	n/a	6.25%	6.50%	6.3%
Rate to which the cost trend is assumed to decline (the ultimate trend rate)	n/a	n/a	n/a	5.0%	5.0%	5.0%
Year that the rate reaches the ultimate trend rate	n/a	n/a	n/a	2029	2029	2027

n/a – Assumption is not applicable.

* In 2023 and 2022, the Company remeasured its qualified pension plan assets and liabilities in accordance with settlement accounting rules. The discount rate used for the remeasurement and for the calculation of the net periodic benefit cost for the remainder of the year in 2023 and 2022 was 5.20% and 5.58%, respectively.

The Company's discount rate assumption, which is utilized to calculate the present value of the projected benefit payments of our post-retirement benefits, was determined by selecting a hypothetical portfolio of high-quality corporate bonds appropriate to match the projected benefit payments of the plans. The selected bond portfolio was derived from a universe of Aa-graded corporate bonds. The discount rate was then developed as the rate that equates the market value of the bonds purchased to the discounted value of the plan's benefit payments. The Company's pension expense and liability (benefit obligations) increases as the discount rate is reduced.

The Company's expected return on plan assets is determined by evaluating the asset class return expectations with its advisors as well as actual, long-term, historical results of our asset returns. The Company's market related value of plan assets is equal to the fair value of the plan's assets as of the last day of its fiscal year, and is a determinant for the expected return on plan assets which is a component of post-retirement benefits expense. The Company's pension expense increases as the expected return on plan assets decreases. The Company believes its actual long-term asset allocation on average will approximate the targeted allocation. The Company's investment strategy is to earn a reasonable rate of return while maintaining risk at acceptable levels. Risk is managed through fixed income investments to manage interest rate exposures that impact the valuation of liabilities and through the diversification of investments across and within various asset categories. Over time, as the plan's funded status increases, the target allocation of return-seeking assets (e.g., equities and other instruments with a similar risk profile) may decline and the target allocation of liability-hedging assets (e.g., fixed income and other instruments with a similar risk profile) may increase. Investment returns are compared to a total plan benchmark constructed by applying the plan's asset allocation target weightings to passive index returns representative of the respective asset classes in which the plan invests. The Retirement and Employee Benefits Committee meets quarterly to review plan investments and management monitors investment performance quarterly through a performance report prepared by an external consulting firm.

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The target allocation by asset class as of December 31, 2024, along with the actual allocation of the Company's pension plan assets, are as follows:

	Target Allocation	Percentage of Plan Assets at December 31,	
		2024	2023
Return seeking assets	20-40%	39%	38%
Liability hedging assets	60-80%	61%	62%
Total	100%	100%	100%

The fair value of the Company's pension plans' assets at December 31, 2024 by asset class are as follows:

	Level 1	Level 2	Level 3	Assets measured at NAV	Total
				(a)	
Common stock	\$ 13,726	\$ -	\$ -	\$ -	\$ 13,726
Return seeking assets:					
Global equities	-	-	-	8,677	8,677
Hedge / diversifying strategies	-	-	-	54,807	54,807
Credit	-	-	-	37,813	37,813
Liability hedging assets	-	-	-	172,654	172,654
Cash and cash equivalents	5,975	-	-	-	5,975
Total pension assets	\$ 19,701	\$ -	\$ -	\$ 273,951	\$ 293,652

(a) Assets that are measured at fair value using the NAV per share practical expedient have not been classified in the fair value hierarchy.

The fair value of the Company's pension plans' assets at December 31, 2023 by asset class are as follows:

	Level 1	Level 2	Level 3	Assets measured at NAV	Total
				(a)	
Common stock	\$ 14,115	\$ -	\$ -	\$ -	\$ 14,115
Return seeking assets:					
Global equities	-	-	-	9,226	9,226
Hedge / diversifying strategies	-	-	-	57,608	57,608
Credit	-	-	-	37,798	37,798
Liability hedging assets	-	-	-	186,317	186,317
Cash and cash equivalents	7,239	-	-	-	7,239
Total pension assets	\$ 21,354	\$ -	\$ -	\$ 290,949	\$ 312,303

Equity securities include our common stock in the amounts of \$13,726 or 4.7% and \$14,115 or 4.5% of total pension plans' assets as of December 31, 2024 and 2023, respectively.

The target allocation by asset class as of December 31, 2024, and actual asset allocation of the Company's other post-retirement benefit plans, are as follows:

	Target Allocation	Percentage of Plan Assets at December 31,	
		2024	2023
Return seeking assets	50-70%	65%	68%
Liability hedging assets	30-50%	35%	32%
Total	100%	100%	100%

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The fair value of the Company's other post-retirement benefit plans' assets at December 31, 2024 by asset class are as follows:

	Level 1	Level 2	Level 3	Assets measured at NAV (a)	Total
Return seeking assets:					
Global equities	\$ 30,978	\$ -	\$ -	\$ 20,020	\$ 50,998
Real estate securities	6,750	-	-	3,713	10,463
Liability hedging assets	15,325	-	-	11,237	26,562
Cash and cash equivalents	6,227	-	-	-	6,227
Total other post-retirement assets	\$ 59,280	\$ -	\$ -	\$ 34,970	\$ 94,250

(a) Assets that are measured at fair value using the NAV per share practical expedient have not been classified in the fair value hierarchy.

The fair value of the Company's other post-retirement benefit plans' assets at December 31, 2023 by asset class are as follows:

	Level 1	Level 2	Level 3	Assets measured at NAV (a)	Total
Return seeking assets:					
Global equities	\$ 34,209	\$ -	\$ -	\$ 19,890	\$ 54,099
Real estate securities	7,041	-	-	3,653	10,694
Liability hedging assets	16,949	-	-	9,473	26,422
Cash and cash equivalents	3,790	-	-	-	3,790
Total other post-retirement assets	\$ 61,989	\$ -	\$ -	\$ 33,016	\$ 95,005

Valuation Techniques Used to Determine Fair Value

Common Stocks - Investments in common stocks are valued using unadjusted quoted prices obtained from active markets.

Return Seeking Assets – Investments in return seeking assets consists of the following:

- Global equities, which consist of common and preferred shares of stock, traded on U.S. or foreign exchanges that are valued using unadjusted quoted prices obtained from active markets, or commingled fund vehicles, consisting of such securities valued using NAV, which are not classified within the fair value hierarchy.
- Real estate securities, which consist of securities, traded on U.S. or foreign exchanges that are valued using unadjusted quoted prices obtained from active markets, or for real estate commingle fund vehicles that are not publicly quoted, the fund administrators value the funds using the NAV per fund share, derived from the quoted prices in active markets of the underlying securities and are not classified within the fair value hierarchy.
- Hedge / diversifying strategies, which consist of a multi-manager fund vehicle having underlying exposures that collectively seek to provide low correlation of return to equity and fixed income markets, thereby offering diversification. As a multi-manager fund investment, NAV is derived from underlying manager NAVs, which are derived from the quoted prices in active markets of the underlying securities and are not classified within the fair value hierarchy.
- Credit, which consist of certain opportunistic, return-oriented credits which primarily include below investment grade bonds (i.e. high yield bonds), bank loans, and securitized debt. Credits are valued using the NAV per fund share, derived from either quoted prices in active markets of the underlying securities, or less active markets, or quotes of similar assets, and are not classified within the fair value hierarchy.

Liability Hedging Assets – Investments in liability hedging assets consist of funds investing in high-quality fixed income securities (i.e. U.S. Treasury securities and government bonds), and for funds for which market quotations are readily available, are valued at the last reported closing price on the primary market or exchange on which they are traded. Funds for which market quotations are not readily available, are valued using the NAV per fund share, derived from the quoted prices in active markets of the underlying securities and are not classified within the fair value hierarchy.

Cash and Cash Equivalents – Investments in cash and cash equivalents are comprised of both uninvested cash and money market funds. The uninvested cash is valued based on its carrying value, and the money market funds are valued utilizing the net asset value per unit obtained from published market prices.

Funding requirements for qualified defined benefit pension plans are determined by government regulations and not by accounting pronouncements. In accordance with funding rules and the Company's funding policy, during 2025 our pension contribution is expected to be \$3,945.

The Company has a 401(k) savings plan, which is a defined contribution plan and covers substantially all employees. The Company makes matching contributions that are based on a percentage of an employee's contribution, subject to specific limitations, as well as, non-discretionary contributions based on eligible hourly wages for certain union employees, discretionary year-end contributions based on an employee's eligible compensation, and employer profit sharing contributions. Participants may diversify their Company matching account balances into other investments offered under the 401(k) savings plan. The Company's contributions, which are recorded as compensation expense, were \$24,921, \$23,519, and \$21,758, for the years ended December 31, 2024, 2023, and 2022, respectively.

Note 17 – Rate Activity

On February 7, 2025, the Pennsylvania Public Utility Commission ("PAPUC") issued an order approving, with certain minor modifications, the joint petition for non-unanimous partial settlement filed by Aqua Pennsylvania, Office of Consumer Advocate and other groups, that allowed a base rate increase designed to increase total annual operating revenues by \$73,000. New rates went into effect on February 22, 2025. At the time the rate order was received, the rates in effect also included \$37,940 in Distribution System Improvement Charges ("DSIC"), which was 6.73% above prior base rates. Consequently, the aggregate annual base rates increased by \$110,940 since the last base rate increase and DSIC was reset to zero.

On November 25, 2024, the Company's natural gas operating division in Kentucky filed an application with the Kentucky Public Service Commission a rate case designed to increase rates by \$10,910 or 19.0% on an annual basis. The Company anticipates a final order to be issued by June 2025.

On November 21, 2024, Aqua Illinois received an order from the Illinois Commerce Commission designed to provide an increase in revenues of \$11,632 or 11.4% on an annual basis. New rates went into effect on December 5, 2024.

On October 9, 2024, Aqua New Jersey received an order from the New Jersey Board of Public Utilities that was designed to provide an increase in water rates of \$2,250 on an annual basis. The order also approved the recovery of customer-side lead service line replacement costs of \$11,535, that have been deferred from April 2021 through June 2024, through the use of a customer surcharge over a three-year period. New rates went into effect on October 15, 2024.

On September 12, 2024, the PAPUC issued an order approving the settlement agreement to the general rate case filed by the Company's regulated natural gas operating subsidiary, Peoples Natural Gas, that allowed base rate increases designed to increase total annual operating revenues by \$93,000 or 11.1%. At the time the rate order was received, the rates in effect included various surcharges and credits, such as the Distribution System Improvement Charges ("DSIC") and Tax Cuts and Jobs Act ("TCJA") amortization credits totaling approximately \$21,000 on an annual basis. The order also provided an annualized change in gathering and other operating revenues of approximately \$3,000. Consequently, the aggregate annual base rates increased approximately \$111,000, as the DSIC was reset to zero, and the TCJA amortization

ESSENTIAL UTILITIES, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements (continued)
(In thousands of dollars, except per share amounts)

credit, other surcharges and other operating revenues were adjusted. New rates went into effect on September 27, 2024. The order also approved the implementation of a weather normalization adjustment mechanism (WNA), which is applied to customer bills during the heating season of October through May each year. The weather normalization adjustment mechanism is designed to stabilize our residential and commercial customers' distribution charges by adjusting billings based on temperature variances from average weather, which effectively decreases rates when the weather is colder than average, and increases rates when the weather is warmer than average. The Company expects the weather normalization adjustment mechanism to result in reduced earnings volatility during the heating season. On October 11, 2024, the Pennsylvania Office of the Consumer Advocate (OCA) appealed this rate case to the Commonwealth Court. On February 12, 2025, the Office of Consumer Advocate discontinued its appeal on all but one non-revenue matter which can potentially be resolved through settlement.

On September 12, 2024, the Company's regulated water and wastewater operating subsidiary in Virginia, Aqua Virginia, received an order from the State Corporation Commission approving an increase in revenues by \$5,490 or 23.8% on an annual basis. The Company implemented interim rates in February 2024 and has refunded to customers the difference between interim and final approved rates in December 2024.

On December 13, 2023, the Company's regulated water and wastewater utility operating divisions in Ohio received an order from the Public Utilities Commission of Ohio designed to increase operating revenues by \$4,850 annually. New rates for water and sewer service went into effect on December 13, 2023.

On September 28, 2023, the Company's regulated water and wastewater operating subsidiary in Texas, Aqua Texas, received a final order from the Public Utility Commission of Texas approving infrastructure rehabilitation surcharges designed to increase revenues by \$8,388 annually. The rates authorized on March 28, 2023 and implemented on an interim basis effective April 1, 2023 did not change with the final order.

On June 5, 2023, the Company's regulated water and wastewater operating subsidiary in North Carolina, Aqua North Carolina, received an order from the North Carolina Utilities Commission designed to increase rates by \$14,001 in the first year of new rates being implemented, then by an additional \$3,743 and \$4,130 in the second and third years, respectively. In February 2023, the Company had implemented interim rates, based on an estimate of the final outcome of the order, and no refunds or additional billings were required for the difference between interim and final approved rates.

On January 3, 2022, the Company's natural gas operating division in Kentucky received an order from the Kentucky Public Service Commission resulting in an increase of \$5,238 in annual revenues, and new rates went into effect on January 4, 2022. On June 7, 2022, an additional \$260 was approved and made effective by the Commission, resulting from a rehearing requested by the operating division.

In addition to the Illinois, New Jersey, Virginia, North Carolina, Ohio, Pennsylvania, and Kentucky base rate awards noted above, the Company's operating subsidiaries were allowed annualized rate increases of \$2,127 in 2024, \$1,703 in 2023, and \$1,378 in 2022, represented by four, three, and two rate decisions, respectively. Revenues recognized in aggregate from all of the base rate increases realized in the year of grant were approximately \$34,832, \$10,109, and \$51,163, in 2024, 2023, and 2022, respectively.

Eight states in which the Company operates permit water and wastewater utilities to add a surcharge to their water or wastewater bills to offset the additional depreciation and capital costs related to infrastructure system replacement and rehabilitation projects completed and placed into service between base rate filings. Additionally, Pennsylvania and Kentucky allow for the use of an infrastructure rehabilitation surcharge for natural gas utility systems. The surcharge for infrastructure system replacements and rehabilitations is typically adjusted periodically based on additional qualified capital expenditures completed or anticipated in a future period, is capped as a percentage of base rates, generally at 5% to 12.75%, and is reset to zero when new base rates that reflect the costs of those additions become effective or when a utility's earnings exceed a regulatory benchmark. During 2024, the Company received approval to bill infrastructure rehabilitation surcharges designed to increase total operating revenues on an annual basis by \$28,660 in its water and wastewater utility operating divisions in Pennsylvania and Illinois, and \$1,170 in its gas utility operating division in

Kentucky. The surcharge for infrastructure system replacements and rehabilitations provided revenues in 2024, 2023, and 2022 of \$45,750, \$20,261, and \$26,902, respectively.

Note 18 – Segment Information

The Company identifies a business as an operating segment if: i) it engages in business activities from which it may earn revenues and incur expenses; ii) its operating results are regularly reviewed by the chief operating decision maker (“CODM”), who is the Company’s Chief Executive Officer, to make decisions about resources to be allocated to the segment and assess its performance; and iii) it has available discrete financial information. The CODM reviews financial information, such as budget-to-actual variances and comparisons against prior period, at the operating segment level, and uses that information when making decisions about the allocation of operating and capital resources to each segment. The CODM evaluates the performance of the Company’s reportable segments based on a number of factors, the primary measure being the net income (loss) of each segment.

The Company has eleven operating segments and has two reportable segments, the Regulated Water segment and the Regulated Natural Gas segment. The Regulated Water segment is comprised of eight operating segments representing its water and wastewater regulated utility companies, which are organized by the states where the Company provides water and wastewater services. The eight water and wastewater utility operating segments are aggregated into one reportable segment, because each of these operating segments has the following similarities: economic characteristics, nature of services, production processes, customers, water distribution or wastewater collection methods, and the nature of the regulatory environment. The Regulated Natural Gas segment is comprised of one operating segment representing natural gas utility companies for which the Company provides natural gas distribution services. Each reportable segment has a segment manager, the Aqua President for the Regulated Water segment and the Peoples President for the Regulated Natural Gas segment, that reports directly to the CODM.

In addition to the Company’s two reportable segments, it includes two operating segments within the Other category below. These segments are not quantitatively significant and are comprised of its non-regulated natural gas operations and Aqua Resources. Non-regulated natural gas operations consist of utility service line protection solutions and repair services to households and the operation of gas marketing and production entities. Aqua Resources offers, through a third party, water and sewer service line protection solutions and repair services to households. In addition to these segments, Other is comprised of business activities not included in the reportable segments, corporate costs that have not been allocated to the Regulated Water and Regulated Natural Gas segments, and intersegment eliminations. Corporate costs include general and administrative expenses, and interest expense. The Company reports these corporate costs within Other as they relate to corporate-focused responsibilities and decisions and are not included in internal measures of segment operating performance used by the Company to measure the underlying performance of the operating segments.

The accounting policies of the segments are the same as those applied in the Company’s consolidated financial statements and described in Note 1 – *Summary of Significant Policies*. Intersegment revenues represent natural gas sales by the Regulated Natural Gas segment to the non-regulated natural gas operations, at cost, which has a corresponding offsetting amount in purchased gas. The reportable segments’ financial results includes intercompany costs that are allocated by corporate and intercompany interest on push-down debt from corporate. All revenues of the Company are generated in the U.S., and all assets of the Company are located in the U.S.

ESSENTIAL UTILITIES, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements (continued)
(In thousands of dollars, except per share amounts)

The following table presents information about the Company's reportable segments and reconciliations to consolidated amounts. Asset information by segment is not utilized for purposes of assessing performance or allocating resources and, as a result, such information is not presented:

2024	Regulated Water	Regulated Natural Gas	Total Reportable Segments	Other and Eliminations	Consolidated
Revenues from external customers	\$ 1,221,880	\$ 840,453	\$ 2,062,333	\$ 23,780	\$ 2,086,113
Intersegment revenues	-	2,538	2,538	(2,538)	-
Total operating revenues	\$ 1,221,880	\$ 842,991	\$ 2,064,871	\$ 21,242	\$ 2,086,113
Operations and maintenance expense	\$ 381,088	\$ 207,176	\$ 588,264	\$ (1,014)	\$ 587,250
Purchased gas	\$ -	\$ 267,226	\$ 267,226	\$ 9,783	\$ 277,009
Depreciation and amortization	\$ 232,338	\$ 135,814	\$ 368,152	\$ 1,400	\$ 369,552
Taxes other than income taxes	\$ 68,006	\$ 22,985	\$ 90,991	\$ 3,643	\$ 94,634
Interest expense, net	\$ 140,086	\$ 92,988	\$ 233,074	\$ 66,075	\$ 299,149
Allowance for funds used during construction	\$ (16,713)	\$ (4,597)	\$ (21,310)	\$ -	\$ (21,310)
Loss (gain) on sale of assets ^(a)	\$ (636)	\$ (91,581)	\$ (92,217)	\$ (7)	\$ (92,224)
Other segment items ^(b)	\$ (1,445)	\$ (644)	\$ (2,089)	\$ 664	\$ (1,425)
Provision for income taxes (benefit)	\$ 68,851	\$ (79,993)	\$ (11,142)	\$ (10,694)	\$ (21,836)
Net income (loss)	\$ 350,305	\$ 293,617	\$ 643,922	\$ (48,608)	\$ 595,314
Capital expenditures	\$ 726,698	\$ 603,049	\$ 1,329,747	\$ -	\$ 1,329,747

2023	Regulated Water	Regulated Natural Gas	Total Reportable Segments	Other and Eliminations	Consolidated
Revenues from external customers	\$ 1,153,376	\$ 860,586	\$ 2,013,962	\$ 39,862	\$ 2,053,824
Intersegment revenues	-	3,173	3,173	(3,173)	-
Total operating revenues	\$ 1,153,376	\$ 863,759	\$ 2,017,135	\$ 36,689	\$ 2,053,824
Operations and maintenance expense	\$ 368,843	\$ 209,073	\$ 577,916	\$ (2,398)	\$ 575,518
Purchased gas	\$ -	\$ 327,548	\$ 327,548	\$ 24,758	\$ 352,306
Depreciation and amortization	\$ 217,593	\$ 125,263	\$ 342,856	\$ 839	\$ 343,695
Taxes other than income taxes	\$ 62,759	\$ 23,846	\$ 86,605	\$ 3,603	\$ 90,208
Interest expense, net	\$ 124,680	\$ 92,320	\$ 217,000	\$ 62,961	\$ 279,961
Allowance for funds used during construction	\$ (14,786)	\$ (2,181)	\$ (16,967)	\$ -	\$ (16,967)
Loss (gain) on sale of assets	\$ (624)	\$ 559	\$ (65)	\$ -	\$ (65)
Other segment items ^(b)	\$ (3,596)	\$ 121	\$ (3,475)	\$ 862	\$ (2,613)
Provision for income taxes (benefit)	\$ 57,546	\$ (113,353)	\$ (55,807)	\$ (10,638)	\$ (66,445)
Net income (loss)	\$ 340,961	\$ 200,563	\$ 541,524	\$ (43,298)	\$ 498,226
Capital expenditures	\$ 668,720	\$ 527,538	\$ 1,196,258	\$ 2,845	\$ 1,199,103

ESSENTIAL UTILITIES, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements (continued)
(In thousands of dollars, except per share amounts)

2022	Regulated Water	Regulated Natural Gas	Total Reportable Segments	Other and Eliminations	Consolidated
Revenues from external customers	\$ 1,082,972	\$ 1,139,570	\$ 2,222,542	\$ 65,490	\$ 2,288,032
Intersegment revenues	-	3,792	3,792	(3,792)	-
Total operating revenues	\$ 1,082,972	\$ 1,143,362	\$ 2,226,334	\$ 61,698	\$ 2,288,032
Operations and maintenance expense	\$ 370,850	\$ 239,506	\$ 610,356	\$ 3,293	\$ 613,649
Purchased gas	\$ -	\$ 551,009	\$ 551,009	\$ 50,986	\$ 601,995
Depreciation and amortization	\$ 201,392	\$ 118,955	\$ 320,347	\$ 830	\$ 321,177
Taxes other than income taxes	\$ 64,472	\$ 22,642	\$ 87,114	\$ 2,910	\$ 90,024
Interest expense, net	\$ 111,938	\$ 87,186	\$ 199,124	\$ 35,317	\$ 234,441
Allowance for funds used during construction	\$ (20,950)	\$ (2,715)	\$ (23,665)	\$ -	\$ (23,665)
Loss (gain) on sale of assets	\$ (991)	\$ -	\$ (991)	\$ -	\$ (991)
Other segment items ^(b)	\$ (5,601)	\$ 3,445	\$ (2,156)	\$ 2,650	\$ 494
Provision for income taxes (benefit)	\$ 47,510	\$ (61,942)	\$ (14,432)	\$ 103	\$ (14,329)
Net income (loss)	\$ 314,352	\$ 185,276	\$ 499,628	\$ (34,391)	\$ 465,237
Capital expenditures	\$ 576,314	\$ 479,335	\$ 1,055,649	\$ 7,114	\$ 1,062,763

(a) Refer to Note 3 – *Dispositions* for additional information.

(b) Other segment items mainly consists of the non-service cost component of pension and other postretirement benefits for our regulated segments.

Item 9. *Changes in and Disagreements with Accountants on Accounting and Financial Disclosure*

None.

Item 9A. *Controls and Procedures*

Evaluation of Disclosure Controls and Procedures – Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Annual Report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures as of the end of the period covered by this Annual Report are effective to provide reasonable assurance that the information required to be disclosed by us in reports filed under the Securities Exchange Act of 1934 is (i) recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms and (ii) accumulated and communicated to our management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding disclosure. A controls system cannot provide absolute assurance, however, that the objectives of the controls system are met, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected.

Management’s Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) under the Securities Exchange Act of 1934. The Company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America. The Company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In assessing the effectiveness of internal control over financial reporting, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”) in *Internal Control-Integrated Framework* (2013). As a result of management’s assessment and based on the criteria in the framework, management has concluded that, as of December 31, 2024, the Company’s internal control over financial reporting was effective.

Attestation Report of the Registered Public Accounting Firm – The effectiveness of our internal control over financial reporting as of December 31, 2024 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which is included herein.

Changes in Internal Control Over Financial Reporting – No change in our internal control over financial reporting occurred during our last fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. *Other Information*

During the quarter ended December 31, 2024, none of the Company's directors or executive officers adopted, modified or terminated any contract, instruction or written plan for the purchase or sale of Company securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) or any "non-Rule 10b5-1 trading arrangement".

Item 9C. *Disclosure Regarding Foreign Jurisdictions that Prevent Inspections*

Not applicable.

PART III

Item 10. *Directors, Executive Officers and Corporate Governance*

The information appearing in the sections captioned *Information Regarding Nominees, Corporate Governance – Code of Ethics, – Board and Board Committees*, and *Section 16(a) Beneficial Ownership Reporting Compliance* of the definitive Proxy Statement relating to our 2025 annual meeting of shareholders, to be filed within 120 days after the end of the fiscal year covered by this Annual Report is incorporated by reference herein.

The Company has adopted an Insider Trading Policy that governs the purchase, sale and/or other dispositions of our securities by directors, officers and employees that is reasonably designed to promote compliance with insider trading laws, rules and regulations and New York Stock Exchange listing standards. A copy of our Insider Trading Policy is filed as Exhibit 19.1 to this report.

We make available free of charge within the Corporate Governance portion of the investor relations section of our web site, at www.essential.co, our Corporate Governance Guidelines, the Charters of each Committee of our Board of Directors, and our Code of Ethical Business Conduct (the Code of Ethics). Amendments to the Code of Ethics, and any grant of a waiver from a provision of the Code requiring disclosure under applicable rules of the SEC, will be disclosed on our web site. The reference to our web site is intended to be an inactive textual reference only, and the contents of such web site are not incorporated by reference herein and should not be considered part of this or any other report that we file with or furnish to the SEC.

Information About Our Executive Officers

The following table and the notes thereto set forth information with respect to our executive officers, including their names, ages, positions with Essential Utilities and business experience during the last five years:

<u>Name</u>	<u>Age</u>	<u>Position with Essential Utilities (1)</u>
Christopher H. Franklin	59	Chairman (January 2018 to present); President and Chief Executive Officer (July 2015 to present); 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, Corporate and Public Affairs (January 2010 to January 2012); Regional President – Southern Operations and Senior Vice President, Public Affairs and Customer Operations (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); Manager Corporate and Public Affairs (December 1992 to February 1997)
Daniel J. Schuller	55	Executive Vice President and Chief Financial Officer (October 2018 to present); Executive Vice President, Strategy and Corporate Development (July 2015 to October 2018); Investment Principal – J.P. Morgan Asset Management – Infrastructure Investments Group (2007 to 2015)
Colleen M. Arnold	54	President, Aqua Water (March 2020 to present); Deputy Chief Operating Officer, Aqua (September 2015 to March 2020)
Michael A. Huwar	61	President, Peoples Natural Gas (August 2020 to present); President Columbia Gas of Pennsylvania & Columbia Gas of Maryland (February 2017 to August 2020)
Christopher P. Luning	57	Executive Vice President and General Counsel (August 2022 to present); Executive Vice President, General Counsel, and Secretary (February 2019 to July 2022); Senior Vice President, General Counsel, and Secretary (April 2012 to February 2019); Vice President Corporate Development and Corporate Counsel (June 2008 to April 2012); Vice President and Deputy General Counsel (May 2005 to June 2008); Assistant General Counsel (March 2003 to May 2005)
Robert A. Rubin	62	Senior Vice President, Controller and Chief Accounting Officer (January 2012 to present); Vice President, Controller and Chief Accounting Officer (May 2005 to January 2012); Controller and Chief Accounting Officer (March 2004 to May 2005); Controller (March 1999 to March 2004); Assistant Controller (June 1994 to March 1999); Accounting Manager (June 1989 to June 1994)

(1) In addition to the capacities indicated, the individuals named in the above table hold other offices or directorships with subsidiaries of the Company. Officers serve at the discretion of the Board of Directors.

Item 11. *Executive Compensation*

The information responsive to this item will be included in the definitive Proxy Statement relating to our 2025 annual meeting of shareholders, to be filed within 120 days after the end of the fiscal year covered by this Annual Report, is incorporated by reference herein.

Item 12. *Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters*

Ownership of Common Stock - The information responsive to this item will be included in the definitive Proxy Statement relating to our 2025 annual meeting of shareholders, to be filed within 120 days after the end of the fiscal year covered by this Annual Report, and is incorporated by reference herein.

Securities Authorized for Issuance under Equity Compensation Plans - The following table provides information for our equity compensation plans as of December 31, 2024:

Equity Compensation Plan Information

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	1,680,807 (1)	\$ 36.87 (2)	1,197,122
Equity compensation plans not approved by security holders	-	-	-
Total	1,680,807	\$ 36.87	1,197,122

(1) Consists of 906,902 shares issuable upon exercise of outstanding options, 563,656 shares issuable upon conversion of outstanding performance share units, and 210,249 shares issuable upon conversion of outstanding restricted share units.

(2) Calculated based upon outstanding options of 906,902 shares to acquire our common stock.

Item 13. *Certain Relationships and Related Transactions, and Director Independence*

The information responsive to this item will be included in the definitive Proxy Statement relating to our 2025 annual meeting of shareholders, to be filed within 120 days after the end of the fiscal year covered by this Annual Report, and is incorporated by reference herein.

Item 14. *Principal Accountant Fees and Services*

The information responsive to this item will be included in the definitive Proxy Statement relating to our 2025 annual meeting of shareholders, to be filed within 120 days after the end of the fiscal year covered by this Annual Report, and is incorporated by reference herein.

PART IV

Item 15. *Exhibits and Financial Statement Schedules*

Financial Statements. The consolidated financial statements and supplementary data included in Part II, Item 8 are hereby incorporated by reference herein.

Financial Statement Schedules.

Schedule 1. – Condensed Parent Company Financial Statements. All other schedules are omitted because they are not applicable or not required, or because the required information is included in the consolidated financial statements or notes thereto.

Exhibits, Including Those Incorporated by Reference. A list of exhibits filed as part of this Annual Report is set forth in the Exhibit Index hereto which is incorporated by reference herein. Where so indicated, exhibits which were previously filed are incorporated by reference. For exhibits incorporated by reference, the location of the exhibit in the previous filing is indicated in the exhibit index.

Item 16. *Form 10-K Summary*

Registrants may voluntarily include a summary of information required by Form 10-K under this Item 16. The Company has elected not to include such summary information in this Annual Report.

EXHIBIT INDEX

Exhibit Number	Exhibit Description	Incorporated by Reference to			
		Form	File No.	Exhibit(s)	Filing Date
3.1	Essential Utilities, Inc. Amended and Restated Articles of Incorporation as of May 12, 2020	8-K	001-06659	3.1	May 18, 2020
3.2	Amended and Restated Bylaws of Essential Utilities, Inc. dated October 25, 2023	8-K	001-06659	3.2	October 25, 2023
4.1	Description of Securities of Essential Utilities, Inc.	^	^	^	^
4.2	Indenture of Mortgage dated as of January 1, 1941 between Aqua Pennsylvania, Inc. (f/k/a Philadelphia Suburban Water Company) and The Bank of New York Mellon Trust Company, as successor trustee to First Pennsylvania Bank, N.A. (f/k/a The Pennsylvania Company for Insurance on Lives and Granting Annuities)	10-K	001-06659	4.1.1	February 26, 2016
4.2.1	Twenty-sixth Supplemental Indenture dated as of November 1, 1991	10-K	001-06659	4.1.3	February 26, 2016
4.2.2	Twenty-ninth Supplemental Indenture dated as of March 30, 1995	10-Q	001-06659	4.17	May 10, 1995
4.2.3	Thirty-third Supplemental Indenture, dated as of November 15, 1999	10-K	001-06659	4.27	March 29, 2000
4.2.4	Thirty-fifth Supplemental Indenture, dated as of January 1, 2002	10-K	001-06659	4.22	March 20, 2002
4.2.5	Forty-seventh Supplemental Indenture, dated as of October 15, 2012	10-K	001-06659	4.24	February 28, 2013
4.2.6	Forty-eighth Supplemental Indenture, dated as of October 1, 2013	10-K	001-06659	4.1.17	March 3, 2014
4.2.7	Form of Supplemental Indenture during and after 2014	10-K	001-06659	4.1.15	February 26, 2016
4.2.7.1	Schedule of Outstanding Supplemental Indentures during and after 2014	^	^	^	^
4.3	Bond Purchase Agreement, dated November 8, 2012, by and among Aqua Pennsylvania, Inc., Teachers Insurance and Annuity Association, John Hancock Life Insurance Company, John Hancock Life Insurance Company of New York, John Hancock Life & Health Insurance Company, The Lincoln National Life Insurance Company, Lincoln Life & Annuity Company of New York, New York Life Insurance Company, New York Life Insurance and Annuity Corporation, Minnesota Life Insurance Company, United Health Care Insurance Company, American Republic Insurance Company, Western Fraternal Life Association	10-K	001-06659	10.54	February 28, 2013
4.4	Bond Purchase Agreement, dated October 24, 2013, by and among Aqua Pennsylvania, Inc., John Hancock Life Insurance Company (U.S.A.), John Hancock Life Insurance Company of New York, John Hancock Life & Health Insurance Company, The Lincoln National Life Insurance Company, Thrivent Financial for Lutherans, United Insurance Company of America, Equitable Life & Casualty Insurance Company, Catholic United Financial, and Great Western Insurance Company	10-K	001-06659	10.45	March 3, 2014

4.5	Bond Purchase Agreement, dated December 29, 2014, by and among Aqua Pennsylvania, Inc., Thrivent Financial for Lutherans, State Farm Life Insurance Company, John Hancock Life Insurance Company (U.S.A.), Phoenix Life Insurance Company, PHL Variable Insurance Company, United of Omaha Life Insurance Company, Mutual of Omaha Insurance Company, and Companion Life Insurance Company.	10-K	001-06659	10.58	February 27, 2015
4.6	Bond Purchase Agreement, dated December 3, 2015 by and among Aqua Pennsylvania, Inc., Thrivent Financial for Lutherans, State Farm Life Insurance Company, John Hancock Life Insurance Company (U.S.A.), The Lincoln National Life Insurance Company, Teachers Insurance And Annuity Association Of America, CMFG Life Insurance Company, Genworth Life Insurance Company, Phoenix Life Insurance Company, PHL Variable Insurance Company, United Of Omaha Life Insurance Company, The State Life Insurance Company, Pioneer Mutual Life Insurance Company, MONY Life Insurance Company.	10-K	001-06659	4.12	February 26, 2016
4.7	Note Purchase Agreement, dated November 3, 2016, by and among the Registrant and the note purchasers thereto	10-K	001-06659	4.13	February 24, 2017
4.8	Bond Purchase Agreement, dated December 15, 2016 by and among Aqua Pennsylvania, Inc., Teachers Insurance and Annuity Association of America, New York Life Insurance Company, New York Life Insurance and Annuity Corporation, John Hancock Life Insurance Company, American Equity Investment Life Insurance Company, Genworth Life and Annuity Insurance Company, Phoenix Life Insurance Company, PHL Variable Insurance Company, American United Life Insurance Company, The State Life Insurance Company, and Pioneer Mutual Life Insurance Company.	10-K	001-06659	4.14	February 24, 2017
4.9	Bond Purchase Agreement, dated July 10, 2017 by and among Aqua Illinois, Inc., Teachers Insurance and Annuity Association of America	10-Q	001-06659	4.1	November 2, 2017
4.10	Bond Purchase Agreement, dated July 20, 2017 by and among Aqua Pennsylvania, Inc., New York Life Insurance Company, New York Life Insurance and Annuity Corporation, New York Life Insurance and Annuity Corporation Institutionally Owned Life Insurance Separate Account (BOLI 3), New York Life Insurance and Annuity Corporation Institutionally Owned Life Insurance Separate Account (BOLI 3-2)	10-Q	001-06659	4.2	November 2, 2017
4.11	Bond Purchase Agreement, dated June 29, 2018, by and among Aqua Pennsylvania, Inc., CMFG Life Insurance Company, Manufactures Life Reinsurance Limited, The Lincoln National Life Insurance Company, New York Life Insurance Company, The State Life Insurance Company, and Phoenix Life Insurance Company.	10-Q	001-06659	4.1	August 3, 2018

4.12	Bond Purchase Agreement, dated November 15, 2018, by and among Aqua Pennsylvania, Inc., Teachers Insurance and Annuity Associated of America, American United Life Insurance Company, Pioneer Mutual Life Insurance Company, The State Life Insurance Company, The Lincoln National Life Insurance Company, Lincoln Life & Annuity Company of New York, and United of Omaha Life Insurance Company.	10-K	001-06659	4.15	February 26, 2019
4.13	Indenture, dated as of April 23, 2019, between the Registrant and U.S. Bank N.A., as trustee	8-K	001-06659	4.4	April 23, 2019
4.13.1	First Supplemental Indenture, dated as of April 23, 2019, between the Registrant and U.S. Bank N.A., as trustee	8-K	001-06659	4.5	April 23, 2019
4.13.2	Second Supplemental Indenture, dated as of April 23, 2019, between the Registrant and U.S. Bank N.A., as trustee	8-K	001-06659	4.6	April 23, 2019
4.13.3	Third Supplemental Indenture, dated as of April 26, 2019, between the Registrant and U.S. Bank N.A., as trustee	8-K	001-06659	4.3	April 26, 2019
4.13.4	Form of Global Note for the 2029 Notes (included in Exhibit 4.13.3 above)	8-K	001-06659	4.4	April 26, 2019
4.13.5	Form of Global Note for the 2049 Notes (included in Exhibit 4.13.3 above)	8-K	001-06659	4.5	April 26, 2019
4.13.6	Fourth Supplemental Indenture, dated April 13, 2020, by and between Essential Utilities, Inc. and U.S. Bank N.A.	8-K	001-06659	4.3	April 15, 2020
4.13.7	Fifth Supplemental Indenture, dated April 19, 2021, between Essential Utilities, Inc. and U.S. Bank N.A., as trustee	8-K	001-06659	4.3	April 19, 2021
4.13.8	Sixth Supplemental Indenture, dated May 20, 2022, between Essential Utilities, Inc. and U.S. Bank Trust Company N.A., as trustee	8-K	001-06659	4.3	May 20, 2022
4.13.9	Seventh Supplemental Indenture, dated January 8, 2024, between Essential Utilities, Inc. and U.S. Bank Trust Company N.A., as trustee	8-K	001-06659	4.3	January 8, 2024
4.13.10	Eighth Supplemental Indenture, dated August 15, 2024, between Essential Utilities, Inc. and U.S. Bank Trust Company N.A., as trustee	8-K	001-06659	4.3	August 15, 2024
4.13.11	Form of Global Note for the 2027 Notes (included in Exhibit 4.13.10 above)	8-K	001-06659	4.3	August 15, 2024
4.14	Bond Purchase Agreement, dated May 31, 2019, by and among Aqua Pennsylvania, Inc., Athene Annuity and Life Company, Athene Annuity & Life Assurance Company, Genworth Life and Annuity Insurance Company, Genworth Life Insurance Company, John Hancock Life Insurance Company (U.S.A.), John Hancock Life Insurance Company of New York, John Hancock Life & Health Insurance Company, Metropolitan Life Insurance Company, Metropolitan Tower Life Insurance Company, MetLife Insurance K.K., Brighthouse Life Insurance Company, United of Omaha Life Insurance Company, New York Life Insurance Company, New York Life Insurance and Annuity Corporation, New York Life Insurance and Annuity Corporation Institutionally Owned Life Insurance Separate Accounts (BOLI 30C, 30E, 3-2), The Northwestern Mutual Life Insurance Company, The Northwestern Mutual Life Insurance Company, and Life Insurance Company of the Southwest	10-Q	001-06659	4.11	August 8, 2019

4.15	Bond Purchase Agreement, dated December 20, 2019, by and among Aqua Pennsylvania, Inc., MetLife Insurance K.K., Metropolitan Life Insurance Company, The Ohio National Life Insurance Company, Ohio National Life Assurance Corporation, National Guardian Life Insurance Company, Country Life Insurance Company, Horizon Blue Cross Blue Shield of New Jersey, and Farm Bureau Life Insurance Company.	10-K	001-06659	4.18	February 28, 2020
4.16	Bond Purchase Agreement, dated May 1, 2020, by and among Aqua Pennsylvania, Inc. and bond purchasers thereto	10-Q	001-06659	4.4	May 8, 2020
4.17	Bond Purchase Agreement, dated October 13, 2020, by and among Aqua Pennsylvania, Inc., American General Life Insurance Company, The Variable Life Insurance Company, The United States Life Insurance Company in the City of New York, MetLife Insurance K.K., Pacific Life Insurance Company, Equitable Financial Life Insurance Company, Transamerica Life Insurance Company, Transamerica Life (Bermuda) LTD, Principal Life Insurance Company, Ameritas Life Insurance Company, Ameritas Life Insurance Corp. of New York, The State Life Insurance Company, Nassau Life Insurance Company, Life Insurance Company of the Southwest, United Farm Family Life Insurance Company, and Farm Bureau Life Insurance Company.	10-K	001-06659	4.18	March 1, 2021
4.18	Bond Purchase Agreement, dated April 15, 2021, by and among Aqua Ohio, Inc., Teachers Insurance and Annuity Association of America, State Farm Life Insurance Company, State Farm Life and Accident Assurance Company, and State Farm Insurance Companies Employee Retirement Trust	10-K	001-06659	4.19	March 1, 2022
4.19	Bond Purchase Agreement, dated September 19, 2022, by and among Aqua Pennsylvania, Inc. and the Purchasers	10-Q	001-06659	4.1	November 9, 2022
4.20	Bond Purchase Agreement, dated December 15, 2022, by and among Aqua Pennsylvania, Inc. and State Farm Life Insurance Company, State Farm Life and Accident Assurance Company, State Farm Insurance Companies Employee Retirement Trust	10-K	001-06659	4.21	March 1, 2023
10.1	Credit Agreement, dated December 14, 2022, between Essential Utilities, Inc., PNC Bank, National Association, CoBank, ACB, Bank of America, N.A., Royal Bank of Canada, The Huntington National Bank, Barclays Bank PLC, Citizens Bank, N.A., The Toronto-Dominion Bank, and Wells Fargo Bank, N.A.	10-K	001-06659	10.1	March 1, 2023
10.2	Amended and Restated Revolving Credit Agreement, dated as of November 17, 2016 between Aqua Pennsylvania and PNC Bank, National Association, TD Bank, N.A., Citizens Bank of Pennsylvania, and Huntington National Bank	10-K	001-06659	10.2.4	February 24, 2017
10.2.1	First Amendment to Revolving Credit Agreement, dated as of November 16, 2017, between Aqua Pennsylvania and PNC Bank, National Association, Citizens Bank of Pennsylvania, TD Bank, N.A., and Huntington National Bank	10-K	001-06659	10.1.5	February 28, 2018
10.2.2	Second Amendment to Revolving Credit Agreement, dated as of November 9, 2018, between Aqua Pennsylvania and PNC Bank, National Association, Citizens Bank of Pennsylvania, TD Bank, N.A., and Huntington National Bank	10-K	001-06659	10.2.2	February 26, 2019

10.2.3	Third Amendment to Credit Agreement, dated as of November 8, 2019, between Aqua Pennsylvania and PNC Bank, National Association, Citizens Bank of Pennsylvania, TD Bank, N.A., and Huntington National Bank	10-Q	001-06659	10.1	May 8, 2020
10.2.4	Fourth Amendment to Credit Agreement, dated as of November 6, 2020, between Aqua Pennsylvania and PNC Bank, National Association, Citizens Bank, N.A., TD Bank, N.A., and Huntington National Bank	10-K	001-06659	10.2.4	March 1, 2022
10.2.5	Fifth Amendment to Credit Agreement, dated as of November 5, 2021, between Aqua Pennsylvania and PNC Bank, National Association, Citizens Bank, N.A., TD Bank, N.A., and Huntington National Bank	10-K	001-06659	10.2.5	March 1, 2022
10.2.6	Sixth Amendment to Credit Agreement, dated as of June 30, 2022, between Aqua Pennsylvania and PNC Bank, National Association, Citizens Bank, N.A., TD Bank, N.A., and The Huntington National Bank	10-Q	001-06659	10.2	August 9, 2022
10.2.7	Seventh Amendment to Credit Agreement, dated as of June 29, 2023, between Aqua Pennsylvania and PNC Bank, National Association, Citizens Bank, N.A., TD Bank, N.A., and The Huntington National Bank	10-Q	001-06659	10.2	August 8, 2023
10.2.8	Eighth Amendment to Credit Agreement, dated June 12, 2024, by and between Aqua Pennsylvania, Inc. PNC National Bank Association, Citizens Bank N.A., and The Huntington National Bank	10-Q	001-06659	10.1	August 6, 2024
10.3	The Registrant's Deferred Compensation Plan Master Trust Agreement with PNC Bank, National Association, dated as of December 31, 1996*	10-K	001-06659	10.24	March 25, 1997
10.3.1	Amendment 2008-1 to the Registrant's Deferred Compensation Plan Master Trust Agreement, dated as of December 15, 2008*	10-K	001-06659	10.50	February 27, 2009
10.4	The Registrant's 2009 Executive Deferral Plan (as amended and restated effective January 1, 2009)*	S-8	333-156047	4.1	December 10, 2008
10.5	The Registrant's Supplemental Pension Benefit Plan for Salaried Employees (as amended and restated effective January 1, 2011)*	10-K	001-06659	10.58	February 27, 2012
10.6	The Registrant's Dividend Reinvestment and Direct Stock Purchase Plan	S-3ASR	333-271878	N/A	May 12, 2023
10.7.1	Performance-Based Share Unit Grant Terms and Conditions*	^	^	^	^
10.7.2	Restricted Stock Unit Grant Terms and Conditions*	^	^	^	^
10.7.3	Stock Option Grant Terms and Conditions*	^	^	^	^
10.8	The Registrant's 2012 Employee Stock Purchase Plan*	10-K	001-06659	10.10	February 26, 2016
10.9	The Registrant's Annual Cash Incentive Compensation Plan (adopted February 26, 2013)*	10-K	001-06659	10.56	February 28, 2013
10.10	Form of Amended and Restated of Change-in-Control Agreement of Essential Utilities, Inc.*	8-K	001-06659	10.2	May 3, 2024
10.10.1	Schedule of Change in Control Agreement between the Company and executive officers*	^	^	^	^
10.11	Non-Employee Directors' Compensation, effective January 1, 2025*	8-K	001-06659	10.1	December 13, 2024
10.12	Employment Agreement dated July 1, 2024, between the Registrant and Christopher Franklin*	8-K	001-06659	10.1	May 3, 2024

10.13	Form of Sales Agreement, dated August 13, 2024, among Essential Utilities, Inc., a Sales Agent and, if applicable, a Forward Purchaser	8-K	001-06659	1.1	August 13, 2024
10.13.1	Form of Forward Sale Agreement, by and between Essential Utilities, Inc. and a Forward Purchaser	8-K	001-06659	99.1	August 13, 2024
10.14	The Registrant Amended and Restated Omnibus Equity Compensation Plan	8-K	001-06659	10.1	May 3, 2019
10.15	Essential Utilities, Inc. Stock Award Grant Instrument dated as of March 16, 2020*	10-Q	001-06659	10.4	May 8, 2020
10.16	Incremental Facility Amendment Agreement, dated March 13, 2020, by and among Essential Utilities, Inc., Incremental Lender, and the PNC Bank, National Association	8-K	001-06659	10.1	March 16, 2020
10.17	Note Purchase Agreement, dated February 26, 2010, by and between PNG Companies, LLC and the note purchasers thereto	8-K/A	001-06659	10.1	April 13, 2020
10.17.1	Third Amendment to Note Purchase Agreement, dated November 9, 2017, by and between PNG Companies, LLC and the noteholders	8-K/A	001-06659	10.1.3	April 13, 2020
10.17.2	First Supplement to Note Purchase Agreement, dated December 12, 2013, by and between PNG Companies, LLC and the note purchasers thereto	8-K/A	001-06659	10.1.4	April 13, 2020
10.17.3	Second Supplement to Note Purchase Agreement, dated July 14, 2017, by and between PNG Companies, LLC and the note purchasers thereto	8-K/A	001-06659	10.1.5	April 13, 2020
10.17.4	Third Supplement to Note Purchase Agreement, dated September 20, 2017, by and between PNG Companies, LLC and the note purchasers thereto	8-K/A	001-06659	10.1.6	April 13, 2020
10.17.5	Fourth Supplement to Note Purchase Agreement, dated November 9, 2017, by and between PNG Companies, LLC and the note purchasers thereto	8-K/A	001-06659	10.1.7	April 13, 2020
10.17.6	Sixth Amendment to Credit Agreement, dated June 30, 2022, between Aqua Pennsylvania and PNC Bank, National Association, Citizens Bank, N.A., TD Bank, N.A., and The Huntington National Bank	10-Q	002-06659	10.2	August 9, 2022
10.17.7	Credit Agreement, dated November 25, 2020, by and between PNG Companies, LLC and PNC Bank, National Association and TD Bank, N.A.	10-K	001-06659	10.21.9	March 1, 2022
10.17.8	First Amendment to Credit Agreement, dated November 5, 2021, by and between PNG Companies, LLC and PNC Bank, National Association and TD Bank, N.A.	10-K	001-06659	10.21.10	March 1, 2022
10.17.9	Second Amendment to Credit Agreement, dated June 30, 2022, by and between PNG Companies, LLC and PNC Bank National Association, TD Bank, N.A. and Citizens Bank N.A.	10-Q	001-06659	10.1	August 9, 2022
19.1	The Registrant's Insider Trading Policy	^	^	^	^
21.1	Subsidiaries of Essential Utilities, Inc.	^	^	^	^
23.1	Consent of Independent Registered Public Accounting Firm – PricewaterhouseCoopers LLP	^	^	^	^
31.1	Certification of Chief Executive Officer, pursuant to Rule 13a-14(a) under the Securities and Exchange Act of 1934	^	^	^	^
31.2	Certification of Chief Financial Officer, pursuant to Rule 13a-14(a) under the Securities and Exchange Act of 1934	^	^	^	^

32.1	Certification of Chief Executive Officer, pursuant to 18 U.S.C. Section 1350	^^	^^	^^	^^
32.2	Certification of Chief Financial Officer, pursuant to 18 U.S.C. Section 1350	^^	^^	^^	^^
97.1	The Registrant's Compensation Recoupment Policy	10-K	001-06659	10.16	March 1, 2023
101.INS	Inline XBRL Instance Document	^	^	^	^
101.SCH	Inline XBRL Taxonomy Extension Schema Document	^	^	^	^
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document	^	^	^	^
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document	^	^	^	^
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document	^	^	^	^
101.PRES	Inline XBRL Taxonomy Extension Presentation Linkbase Document	^	^	^	^
104	The cover page from the Company's Annual Report on Form 10-K for the year ended December 31, 2023 formatted in Inline XBRL (included in Exhibit 101)	^	^	^	^

In accordance with Item 601(b)(4)(iii)(A) of Regulation S-K, copies of specific instruments defining the rights of holders of long-term debt of the Company or its subsidiaries are not filed herewith. Pursuant to this regulation, we hereby agree to furnish a copy of any such instrument to the SEC upon request.

*Indicates management contract or compensatory plan or arrangement

^ Filed herewith

^^Furnished herewith

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ESSENTIAL UTILITIES, INC.

/s/ Christopher H. Franklin

Christopher H. Franklin

Chairman, President and Chief Executive Officer

Date: February 27, 2025

Pursuant to the requirements of the Securities and Exchange Act of 1934, this report on Form 10-K has been signed below by the following persons on behalf of the Registrant on February 27, 2025 in the capacities indicated below.

<u>Signature</u>	<u>Title</u>
<u>/s/ Christopher H. Franklin</u> Christopher H. Franklin	Chairman, President and Chief Executive Officer, Director (Principal Executive Officer)
<u>/s/ Daniel J. Schuller</u> Daniel J. Schuller	Executive Vice President and Chief Financial Officer (Principal Financial Officer)
<u>/s/ Robert A. Rubin</u> Robert A. Rubin	Senior Vice President, Controller and Chief Accounting Officer (Principal Accounting Officer)
<u>/s/ Elizabeth B. Amato</u> Elizabeth B. Amato	Director
<u>/s/ Christopher L. Bruner</u> Christopher L. Bruner	Director
<u>/s/ David A. Ciesinski</u> David A. Ciesinski	Director
<u>/s/ Daniel J. Hilferty</u> Daniel J. Hilferty	Director
<u>/s/ W. Bryan Lewis</u> W. Bryan Lewis	Director
<u>/s/ Tamara Linde</u> Tamara Linde	Director

Essential Utilities, Inc.
Schedule 1 – Condensed Parent Company Financial Statements
Condensed Balance Sheets
(In thousands of dollars)

		December 31,	
		2024	2023
Assets			
Current assets:			
Accounts receivable, net	\$	2,515	\$ 284
Accounts receivable - affiliates		244,758	907,302
Prepayments and other current assets		17,107	15,383
Total current assets		264,380	922,969
Deferred charges and other assets, net		68,141	66,826
Notes receivable - affiliates		3,033,702	2,765,670
Deferred income tax asset		135,026	183,179
Investment in subsidiaries		7,575,145	6,517,312
Total assets	\$	11,076,394	\$ 10,455,956
Liabilities and Equity			
Stockholders' equity	\$	6,198,809	\$ 5,896,183
Long-term debt, excluding current portion, net of debt issuance costs		4,430,657	3,740,427
Current liabilities:			
Accrued interest		41,444	21,635
Accounts payable - affiliates		166,872	562,101
Dividends payable		89,441	83,929
Other accrued liabilities		24,394	24,462
Total current liabilities		322,151	692,127
Other liabilities		124,777	127,219
Total liabilities and equity	\$	11,076,394	\$ 10,455,956

The accompanying condensed notes are an integral part of these condensed financial statements.

Essential Utilities, Inc.
Schedule 1 – Condensed Parent Company Financial Statements
Condensed Statements of Income and Comprehensive Income
(In thousands, except per share amounts)

	Years ended December 31,		
	2024	2023	2022
Other income	\$ 1,303	\$ 2,985	\$ 5,368
Operating expense and other expenses	4,259	6,479	10,724
Operating income (loss)	(2,956)	(3,494)	(5,356)
Interest expense	61,900	64,031	35,817
Interest income	(1,582)	(348)	(107)
Other (income) expense	(1,160)	(584)	893
Loss before equity in earnings of subsidiaries and income taxes	(62,114)	(66,593)	(41,959)
Equity in earnings of subsidiaries	645,204	547,617	495,556
Income before income taxes	583,090	481,024	453,597
Income tax benefit	(12,224)	(17,202)	(11,640)
Net income	<u>\$ 595,314</u>	<u>\$ 498,226</u>	<u>\$ 465,237</u>
Comprehensive income	<u>\$ 595,314</u>	<u>\$ 498,226</u>	<u>\$ 465,237</u>
Net income per common share:			
Basic	\$ 2.17	\$ 1.86	\$ 1.77
Diluted	<u>\$ 2.17</u>	<u>\$ 1.86</u>	<u>\$ 1.77</u>
Average common shares outstanding during the period:			
Basic	273,914	267,171	262,246
Diluted	<u>274,421</u>	<u>267,659</u>	<u>262,868</u>

The accompanying condensed notes are an integral part of these condensed financial statements.

Essential Utilities, Inc.
Schedule 1 – Condensed Parent Company Financial Statements
Condensed Statements of Cash Flows
(In thousands of dollars)

	Years ended December 31,		
	2024	2023	2022
Net cash flows used in operating activities	\$ (284,039)	\$ (179,556)	\$ (169,778)
Cash flows from investing activities:			
Acquisitions of utility systems and other, net	(501)	(32,431)	(116,627)
Increase in investment in subsidiaries	(104,022)	(36,740)	(162,662)
Other	322	554	299
Net cash flows used in investing activities	(104,201)	(68,617)	(278,990)
Cash flows from financing activities:			
Proceeds from long-term debt	1,644,604	906,856	1,522,157
Repayments of long-term debt	(960,000)	(677,000)	(865,469)
Proceeds from issuance of common stock from at-the market sale agreement	36,134	322,983	63,040
Proceeds from issuance of common stock under dividend reinvestment plan	15,476	16,005	16,619
Proceeds from exercised stock options	2,471	287	2,475
Repurchase of common stock	(4,048)	(3,981)	(1,192)
Dividends paid on common stock	(346,392)	(316,806)	(288,632)
Other	(5)	(171)	(230)
Net cash flows from financing activities	388,240	248,173	448,768
Net change in cash and cash equivalents	-	-	-
Cash and cash equivalents at beginning of year	-	-	-
Cash and cash equivalents at end of year	\$ -	\$ -	\$ -

See Note 1 - *Basis of Presentation*

The accompanying condensed notes are an integral part of these condensed financial statements.

Essential Utilities, Inc.
Schedule 1 – Condensed Parent Company Financial Statements
Notes to Condensed Financial Statements
(In thousands, except per share amounts)

Note 1 – Basis of Presentation – The accompanying condensed financial statements of Essential Utilities, Inc. (the “Parent”) should be read in conjunction with the consolidated financial statements and notes thereto of Essential Utilities, Inc. and subsidiaries (collectively, the “Registrant”) included in Part II, Item 8 of the Annual Report. The Parent’s significant accounting policies are consistent with those of the Registrant.

The Parent borrows from third parties and provides funds to its subsidiaries, in support of their operations. Amounts owed to the Parent for borrowings under this facility are reflected as accounts receivable – affiliates on the condensed balance sheets. The interest rate charged to the subsidiaries is sufficient to cover the Parent’s interest costs under its associated borrowings.

As of December 31, 2024 and 2023, the Parent had a current accounts receivable – affiliates balance of \$244,758 and \$907,302, respectively. As of December 31, 2024 and 2023, the Parent had a notes receivable – affiliates balance of \$3,033,702 and \$2,765,670, respectively. The changes in these balances represent non-cash adjustments that are recorded through the Parent’s investment in subsidiaries.

In the ordinary course of business, the Parent indemnifies a third-party for surety bonds issued on behalf of subsidiary companies, guarantees the performance of one of its regulated utilities in a jurisdiction that requires such guarantees, and guarantees several projects associated with the treatment of water in a jurisdiction.

Note 2 – Dividends from subsidiaries – Dividends in the amount of \$0, \$0, and \$0 were paid to the Parent by its wholly-owned subsidiaries during the years ended December 31, 2024, 2023, and 2022, respectively.

Note 3 – Long-term debt – The Parent has long-term debt under unsecured note purchase agreements with investors in addition to its \$1,000,000 revolving credit agreement. Excluding amounts due under the revolving credit agreement, the debt maturities of the Parent’s long-term debt are as follows:

Year	Debt Maturity
2025	\$ -
2026	-
2027	500,000
2028	-
2029	400,000
Thereafter	3,125,000

DESCRIPTION OF THE REGISTRANT'S SECURITIES**REGISTERED PURSUANT TO SECTION 12 OF THE
SECURITIES EXCHANGE ACT OF 1934**

As of the date of the Annual Report on Form 10-K (the "Annual Report") of which this exhibit is a part, Essential Utilities, Inc. (the "Registrant") has one class of securities registered under Section 12 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), its common stock, par value \$0.50 per share.

Common Stock

Overview

As of December 31, 2024, the authorized capital stock of the Company was 601,770,819 shares, consisting of:

- 600,000,000 shares of common stock, par value \$0.50 per share; and
- 1,770,819 shares of preferred stock, par value \$1.00 per share.

The following summary of certain terms of the Registrant's common stock is qualified in its entirety by the provisions of the Registrant's Amended and Restated Articles of Incorporation, and Amended and Restated Bylaws, each of which is incorporated by reference as an exhibit to the Annual Report.

Voting Rights

Holders of the Registrant's common stock are entitled to one vote for each share held by them at all meetings of the shareholders and are not entitled to cumulate their votes for the election of directors.

Dividend Rights and Limitations

Holders of the Registrant's common stock may receive dividends when declared by its board of directors. Because the Registrant is a holding company, the funds used to pay any dividends on common stock are derived predominantly from the dividends that received from its direct and indirect subsidiaries. Therefore, the Registrant's ability to pay dividends to holders of its common stock depends upon the subsidiaries' earnings, financial condition and ability to pay dividends. Most of the subsidiaries are subject to regulation by state utility commissions and the amounts of their earnings and dividends are affected by the manner in which they are regulated. In addition, they are subject to restrictions on the payment of dividends contained in their various debt agreements. Payment of dividends on common stock is also subject to the preferential rights of the holders of any outstanding preferred stock.

Liquidation Rights

In the event that the Registrant liquidates, dissolves or winds-up, the holders of its common stock are entitled to share ratably in all of the assets that remain after the Registrant pays its liabilities. This right is subject, however, to the prior distribution rights of any outstanding preferred stock.

Listing

The common stock is listed on the New York Stock Exchange ("NYSE") under the symbol "WTRG."

Pennsylvania State Law Provisions

Under Section 1712 of the Pennsylvania Business Corporation Law of 1988, as amended (“PBCL”), which is applicable to the Registrant, directors stand in a fiduciary relation to their corporation and, as such, are required to perform their duties in good faith, in a manner they reasonably believe to be in the best interests of the corporation and with such care, including reasonable inquiry, skill and diligence, as a person of ordinary prudence would use under similar circumstances. Under Section 1715 of the PBCL, in discharging their duties, directors may, in considering the best interests of their corporation, consider various constituencies, including, shareholders, employees, suppliers, customers and creditors of the corporation, and upon communities in which offices or other establishments of the corporation are located. Directors are not required to give prominent consideration to the interests of any particular constituency. Absent a breach of fiduciary duty, a lack of good faith or self-dealing, any act of the board of directors, a committee thereof or an individual director is presumed to be in the best interests of the corporation. Actions by directors relating to an acquisition or potential acquisition of control of the corporation are not subject to any greater obligation to justify, or higher burden of proof, than is applied to any other acts of directors. The PBCL expressly provides that the fiduciary duty of directors does not require them to (i) redeem or otherwise render inapplicable outstanding rights issued under any shareholder rights plan; (ii) render inapplicable the anti-takeover statutes set forth in Chapter 25 of the PBCL (described below); or (iii) take any action solely because of the effect it may have on a proposed acquisition or the consideration to be received by shareholders in such a transaction. In addition, Section 2513 of the PBCL specifically validates shareholder rights plans, or “poison pills,” and the discriminatory dilution provisions contained in such plans.

Chapter 25 of the PBCL contains several anti-takeover statutes applicable to publicly-traded corporations. Corporations may opt-out of such anti-takeover statutes under certain circumstances. The Registrant has not opted-out of any of such statutes.

Section 2538 of Subchapter 25D of the PBCL requires certain transactions with an “interested shareholder” to be approved by a majority of disinterested shareholders. “Interested shareholder” is defined broadly to include any shareholder who is a party to the transaction or who is treated differently than other shareholders and affiliates of the interested shareholder.

Subchapter 25E of the PBCL requires a person or group of persons acting in concert which acquires 20% or more of the voting shares of the corporation to offer to purchase the shares of any other shareholder at “fair value.” “Fair value” means the value not less than the highest price paid per share by the controlling person or group during the 90-day period prior to the control transaction, plus a control premium. Among other exceptions, Subchapter 25E does not apply to shares acquired directly from the corporation in a transaction exempt from the registration requirements of the Securities Act of 1933, or to a one-step merger.

Subchapter 25F of the PBCL generally establishes a 5-year moratorium on a “business combination” with an “interested shareholder.” “Interested shareholder” is defined generally to be any beneficial owner of 20% or more of the corporation’s voting stock or an affiliate or associate of the corporation that at any time within the prior five-year period was a beneficial owner of 20% or more of the corporation’s voting stock. “Business combination” is defined broadly to include mergers, consolidations, asset sales and certain self-dealing transactions. Certain restrictions apply to business combination following the 5-year period. Among other exceptions, Subchapter 25F will be rendered inapplicable if the board of directors approves the proposed business combination, or approves the interested shareholder’s acquisition of 20% of the voting shares, in either case prior to the date on which the shareholder first becomes an interested shareholder.

Subchapter 25G of the PBCL provides that “control shares” lose voting rights unless such rights are restored by the affirmative vote of a majority of (i) the disinterested shares (generally, shares held by persons other than the acquiror, executive officers of the corporation and certain employee stock plans) and (ii) the outstanding voting shares of the corporation. “Control shares” are defined as shares which, upon acquisition, will result in a person or group acquiring for the first time voting control over (a) 20%, (b) 33 1/3% or (c) 50% or more of the outstanding shares, together with shares acquired within 180 days of attaining the applicable threshold and shares purchased with the intention of attaining such threshold. A corporation may redeem control shares if the acquiring person does not request restoration of voting rights as permitted by Subchapter 25G. Among other exceptions, Subchapter 25G does not apply to a merger, consolidation or a share exchange if the corporation is a party to the transaction agreement.

Subchapter 25H of the PBCL provides in certain circumstances for the recovery by the corporation of profits realized from the sale of its stock by a controlling person or group if the sale occurs within 18 months after the controlling person or group became a controlling person or group, and the stock was acquired during such month period or within 24 months before such period. A controlling person or group is a person or group that has acquired, offered to acquire, or publicly disclosed an intention to acquire 20% or more of the voting shares of the corporation or a person or group that has otherwise publicly disclosed or caused to be disclosed that it may seek to acquire control of the corporation through any means. Among other exceptions, Subchapter 25H does not apply to transactions approved by both the board of directors and the shareholders prior to the acquisition or distribution, as appropriate.

Subchapter 25I of the PBCL mandates severance compensation for eligible employees who are terminated within 24 months after the approval of a control-share acquisition. Eligible employees generally are all employees employed in Pennsylvania for at least two years prior to the control-share approval. Severance equals the weekly compensation of the employee multiplied by the employee’s years of service (up to 26 years), less payments made due to the termination.

Subchapter 25J of the PBCL requires the continuation of certain labor contracts relating to business operations owned at the time of a control-share approval.

Articles of Incorporation and Bylaw Provisions

Certain provisions of the Registrant’s Amended and Restated Articles of Incorporation, as amended (the “Articles”), and Amended and Restated Bylaws (the “Bylaws”) may have the effect of discouraging unilateral tender offers or other attempts to take over and acquire its business. These provisions might discourage some potentially interested purchaser from attempting a unilateral takeover bid for the Registrant on terms which some shareholders might favor. The Articles require that certain fundamental transactions must be approved by the holders of 75% of the outstanding shares of capital stock entitled to vote on the matter unless at least a majority of the members of the board of directors has approved the transaction, in which case the required shareholder approval will be the minimum approval required by applicable law. The fundamental transactions that are subject to this provision are those transactions that require approval by shareholders under applicable law or the Articles. These transactions include certain amendments of the Articles or Bylaws, certain sales or other dispositions of our assets, certain issuances of our capital stock, or certain transactions involving our merger, consolidation, division, reorganization, dissolution, liquidation or winding up. The Registrant’s Articles and Bylaws also provide that:

- a special meeting of shareholders may only be called by the chairman, the president, the board of directors or shareholders entitled to cast a majority of the votes which all shareholders are entitled to cast at the particular meeting;

- nominations for election of directors may be made by any shareholder entitled to vote for election of directors if the name of the nominee and certain information relating to the nominee is filed

with our corporate secretary not less than 14 days nor more than 50 days before any meeting of shareholders to elect directors;

- under a “proxy access bylaw”, any eligible shareholder, or eligible group of up to 20 shareholders, owning 3% or more of the Registrant’s common stock continuously for a three-year period and through the date of the next annual meeting of shareholders may, subject to certain limitations and conditions set forth in the Bylaws, nominate and include in the Company’s proxy materials for such annual meeting of shareholders a number of director nominees not to exceed the greater of (a) one director and (b) 20% of the directors then serving on the Board (rounded down to the nearest whole number);

- a nomination and notice process is established whereby a shareholder can submit a nomination for election of a person or persons to serve on the Board, other than pursuant to the “proxy access” nomination process set forth in the Bylaws, to implement the universal proxy rules governing contested elections of directors under Rule 14a-19 promulgated under the Exchange Act;

- certain advance notice procedures must be met for shareholder proposals to be made at annual meetings of shareholders. These advance notice procedures generally require a notice to be delivered not less than 90 days nor more than 120 days before the anniversary date of the immediately preceding annual meeting of shareholders; and

- unless the Registrant consents in writing to the selection of an alternative forum, the sole and exclusive judicial forum for certain legal actions enumerated in the Bylaws shall be a state court located within Montgomery County, Pennsylvania, or if no state court located within such county has jurisdiction over such action or proceeding, the federal United States District Court for the Eastern District of Pennsylvania.

**SCHEDULE OF SUPPLEMENTAL INDENTURES SUBSTANTIALLY IDENTICAL TO FORM
OF SUPPLEMENTAL INDENTURE DURING AND AFTER 2014**

In accordance with Instruction 2 to Item 601 of Regulation S-K, the Registrant has omitted filing the following Supplemental Indentures by and between Aqua Pennsylvania, Inc. and The Bank of New York Mellon Trust Company, N.A. because they are substantially identical in all material respects to the form of Supplemental Indenture filed as Exhibit 4.1.15 to Essential Utilities, Inc.'s Annual Report on Form 10-K for the fiscal year ended December 31, 2015:

1. Forty-Ninth Supplemental Indenture, dated as of December 1, 2014
 2. Fiftieth Supplemental Indenture, dated as of November 1, 2015
 3. Fifty-First Supplemental Indenture, dated as of November 1, 2016
 4. Fifty-Second Supplemental Indenture, dated as of June 15, 2017
 5. Fifty-Third Supplemental Indenture, dated as of June 1, 2018
 6. Fifty-Fourth Supplemental Indenture, dated as of October 15, 2018
 7. Fifty-Fifth Supplemental Indenture, dated as of May 1, 2019
 8. Fifty-Sixth Supplemental Indenture, dated as of September 1, 2019
 9. Fifty-Seventh Supplemental Indenture, dated as of November 1, 2019
 10. Fifty-Eight Supplemental Indenture, dated as of March 15, 2020
 11. Fifty-Ninth Supplemental Indenture, dated as of September 1, 2020
 12. Sixtieth Supplemental Indenture, dated as of September 1, 2022
 13. Sixty-First Supplemental Indenture, dated as of December 1, 2022
 14. Sixty-Second Supplemental Indenture, dated as of July 27, 2023
-

SCHEDULE OF CHANGE IN CONTROL AGREEMENTS

In accordance with Instruction 2 to Item 601 of Regulation S-K, Essential Utilities, Inc. (the “Company”) has omitted filing Change in Control Agreements by and between the Company and the following executive officers because the agreements are substantially identical in all material respects to the form of Change in Control Agreement filed as Exhibit 10.10 to the Company’s Annual Report on Form 10-K for the year ended December 31, 2024:

1. Daniel J. Schuller
 2. Christopher P. Luning
 3. Michael Huwar
 4. Colleen Arnold
-

ESSENTIAL UTILITIES, INC.
AMENDED AND RESTATED EQUITY COMPENSATION PLAN
PERFORMANCE-BASED SHARE UNIT GRANT
TERMS AND CONDITIONS

1. Grant of Performance Units.

These Performance-Based Share Unit Grant Terms and Conditions (the “Grant Conditions”) shall apply and be part of the grant made by Essential Utilities, Inc., a Pennsylvania corporation (the “Company”), to the Grantee named in the Performance-Based Share Unit Grant (the “Performance-Based Unit Grant”) to which these Grant Conditions are attached (the “Grantee”), under the terms and provisions of the Essential Utilities, Inc. Amended and Restated Equity Compensation Plan, as amended and restated (the “Plan”). The applicable provisions of the Plan are incorporated into the Grant Conditions by reference, including the definitions of terms contained in the Plan (unless such terms are otherwise defined herein). The Grantee is an employee of the Company, its subsidiaries, or its Affiliates (collectively, the “Employer”).

Subject to the terms and vesting conditions hereinafter set forth, the Company, with the approval and at the direction of the Executive Compensation Committee (the “Committee”) of the Company’s Board of Directors (the “Board”), has granted to the Grantee a target award (the “Target Award”) of performance-based share units as specified in the Performance-Based Share Unit Grant (the “Performance Units”). The Performance Units are contingently awarded and shall be earned, vested and payable if and to the extent that the performance goals described on Schedule A (the “Performance Goals”), employment conditions and other conditions of these Grant Conditions are met. The Performance Units are granted with Dividend Equivalents (as defined in Section 6).

2. Vesting.

Except as otherwise set forth in these Grant Conditions, the Grantee shall earn and vest in a number of Performance Units based on the attainment of the Performance Goals as of the end of the Performance Period, provided that the Grantee continues to be employed by the Employer through the Vesting Date stated on the Performance-Based Share Unit Grant (the “Vesting Date”). The “Performance Period” is the performance period beginning and ending on the applicable dates stated on the Performance-Based Share Unit Grant. The “Vesting Period” is the period beginning on the Grant Date and ending on the Vesting Date.

(a) Except as otherwise set forth in these Grant Conditions, at the end of the Performance Period, the Committee will determine whether and to what extent the Performance Goals have been met and the amount earned with respect to the Performance Units. The Grantee can earn up to two hundred percent (200%) of the Target Award based on the attainment of the Performance Goals.

(b) Except as described in Section 3 below, the Grantee must continue to be employed by the Employer throughout the Vesting Period in order for the Grantee to vest and receive payment with respect to the earned Performance Units.

(c) Except as specifically provided below, no Performance Units shall vest prior to the Vesting Date, and if the Performance Goals are not attained at the end of the Performance Period, the Performance Units shall be immediately forfeited and shall cease to be outstanding.

3. Termination of Employment on Account of Retirement, Death, or Disability.

(a) Except as described below, if the Grantee ceases to be employed by the Employer prior to the Vesting Date, the Performance Units shall be forfeited as of the termination date and shall cease to be outstanding.

(b) If the Grantee ceases to be employed by the Employer during the Vesting Period on account of the Grantee's death or Disability, the Grantee's outstanding Performance Units shall remain outstanding through the Vesting Period and the Grantee shall earn Performance Units based on the attainment of the Performance Goals, as determined following the end of the Performance Period (or as described in Section 4, if applicable). The earned Performance Units shall be paid as described in Section 5.

(c) If the Grantee ceases to be employed by the Employer during the Vesting Period on account of Retirement (defined below), the Grantee shall remain eligible to earn the outstanding Performance Units based on attainment of the Performance Goals, as determined following the end of the Performance Period (or as described in Section 4, if applicable). The earned portion shall be determined based on the number of Performance Units earned based on the attainment of the Performance Goals during the Performance Period, without proration. The earned Performance Units shall be paid as described in Section 5.

(d) For purposes of these Grant Conditions, "Retirement" shall mean (i) the Grantee's voluntary termination of employment after (A) the Grantee has attained age fifty-five (55) and has five (5) full years of service with the Employer or (B) a combination of age and years of service equal to at least 60, and (ii) the Grantee has provided the Company at least six (6) months advance written notice of such Retirement.

4. Change in Control.

(a) If a Change in Control occurs during the Vesting Period, the Grantee shall earn outstanding Performance Units as of the date of the Change in Control (the "Change in Control Date") as follows:

(i) If the Change in Control occurs before the end of the Performance Period, the Grantee shall earn the greater of (x) the number of Performance Units earned based on the attainment of the Performance Goals from the beginning of the Performance Period to the Change in Control Date, or (y) the Target Award.

(ii) If a Change in Control occurs after the end of the Performance Period but before the Vesting Date, the Grantee shall earn Performance Units based on the attainment of the Performance Goals as of the end of the Performance Period.

Performance Units earned as of the Change in Control Date, as described above in subsection (a)(i) or (ii), are referred to as the "CIC Earned Units." All reference in this Agreement to "Performance Units" includes CIC Earned Units on and after a Change in Control.

(b) The Grantee shall vest in the CIC Earned Units on the Vesting Date if the Grantee continues to be employed by the Employer through the Vesting Date. Except as described below, the CIC Earned Units shall only vest if the Grantee continues to be employed by the Employer through the Vesting Date.

(c) If prior to the Vesting Date, a Change in Control occurs and the Grantee ceases to be employed by the Employer upon or following a Change in Control on account of (i) the Grantee's Retirement, (ii) the Grantee's termination by the Company without Cause, (iii) the termination by the Grantee for Good Reason (defined below), or (iv) the Grantee's Disability or death, the CIC Earned Units shall vest as of the termination date.

(d) Notwithstanding the foregoing, if the CIC Earned Units are not assumed by, or replaced with comparable rights by, the surviving corporation (or a parent or subsidiary of the surviving corporation), the CIC Earned Units shall fully vest immediately prior to the consummation of the Change in Control).

(e) For purposes hereof, "Good Reason" shall have the meaning set forth in any written severance or employment agreement between the Grantee and Essential Utilities or, if there is no such agreement or such agreement does not define Good Reason, shall mean, except as otherwise provided in the last paragraph of this subsection, a termination of employment as a result of one or more of the following events, without the Grantee's written consent to the event:

(i) any action or inaction that constitutes a material breach by Essential Utilities (or any successor thereto) of this Agreement;

(ii) a material diminution of the authority, duties or responsibilities of the Grantee held immediately prior to the Change in Control;

(iii) a material diminution in the Grantee's base salary, which, for purposes of this Agreement, means a reduction in base salary of ten (10) percent or more that does not apply generally to all executive officers of Essential Utilities;

(iv) a material change in the geographic location at which the Grantee must perform services under this Agreement, which, for purposes of this Agreement, means a requirement that the Grantee be based at any office or location which is located more than fifty (50) miles from the Grantee's primary place of employment immediately prior to the Change in Control on other than on a temporary basis (less than 6 months);

(v) a material diminution in the authority, duties, or responsibilities of the supervisor to whom the Grantee is required to report, including a requirement that the Grantee

report to a corporate officer or employee instead of reporting directly to the board of directors of a corporation (or similar governing body with respect to an entity other than a corporation); or

(vi) a material diminution in the budget over which the Grantee retains authority.

A termination of employment after any of the foregoing events shall be a Good Reason only if the Grantee provides written notice to Essential Utilities of the existence of such event within ninety (90) days after the initial occurrence of such event, and Essential Utilities fails to remedy the event within thirty (30) days following the receipt of such notice and the Grantee terminates employment within fifteen (15) days thereafter.

(f) If the Grantee ceases to be employed by the Employer for any other reason before the Vesting Date, they shall forfeit Grantee the CIC Earned Units as of the date of termination.

5. Payment with Respect to Performance Units.

(a) Except as otherwise set forth in Section 4, if the Committee certifies that the Performance Goals and other conditions to payment of the Performance Units have been met, shares of Company Stock equal to the vested earned Performance Units shall be issued to the Grantee within sixty (60) days after the Vesting Date, subject to applicable tax withholding and Section 16 below.

(b) If, prior to the Vesting Date, a Change in Control occurs and the Grantee continues to be employed by the Employer through the Vesting Date, shares of Company Stock (or other consideration, as described below) equal to the vested CIC Earned Units shall be issued to the Grantee within sixty (60) days after the Vesting Date, subject to applicable tax withholding and Section 16 below.

(c) If, prior to the Vesting Date, a Change in Control occurs and the Grantee ceases to be employed by the Employer on or after the Change in Control on account of (i) the Grantee's Retirement, (ii) the Grantee's termination by the Employer without Cause, or (iii) the Grantee's Disability or death, shares of Company Stock (or other consideration, as described below) equal to the vested CIC Earned Units shall be issued to the Grantee within sixty (60) days following the Grantee's date of termination, subject to applicable tax withholding and Section 16 below.

(d) Notwithstanding Sections 5(b) and 5(c), if Section 4(d) applies in connection with a Change in Control, shares of Company Stock (or other consideration, as described below) equal to the vested CIC Earned Units shall be issued to the Grantee within sixty (60) days after the consummation of the Change in Control, subject to applicable tax withholding and Section 16 below.

(e) If the Grantee terminates employment on account of the Grantee's Disability, death or Retirement before a Change in Control, any outstanding Performance Units under Section 3(b) or 3(c) may be earned as CIC Earned Units pursuant to Section 4(a), but in the event such termination is on account of Retirement, such outstanding Performance Units shall be prorated by applying the fraction in Section 3(c), and such CIC Earned Units shall vest on the date of the Change in Control. Shares of Company Stock (or such other consideration, as

described below) equal to the vested CIC Earned Units shall be issued to the Grantee within sixty (60) days after the Change in Control, subject to applicable tax withholding and Section 16 below.

(f) If, in connection with a Change in Control, shares of Company Stock are converted into the right to receive a cash payment or other form of consideration, the vested CIC Earned Units shall be payable in such form of consideration, as determined by the Committee.

(g) Any fractional shares with respect to vested earned Performance Units shall be paid to the Grantee in cash.

6. Dividend Equivalents with Respect to Performance Units.

(a) Dividend Equivalents shall accrue with respect to Performance Units and shall be payable subject to the same vesting terms and other conditions as the Performance Units to which they relate. Dividend Equivalents shall be credited when dividends are declared on shares of Company Stock from the Grant Date until payment date for the vested earned Performance Units. If and to the extent that the underlying Performance Units are forfeited, all related Dividend Equivalents shall also be forfeited.

(b) While the Performance Units are outstanding, the Company will keep records in a bookkeeping account for the Grantee. On each date on which a dividend is declared by the Company on Company Stock, the Company shall credit to the Grantee's account an amount equal to the Dividend Equivalents associated with the Performance Units held by the Grantee on the record date for the dividend. No interest will be credited to any such account.

(c) Dividend Equivalents shall be paid in cash at the same time as the underlying vested earned Performance Units are paid.

(d) Notwithstanding the foregoing, if shares of Company Stock are converted to cash as described in Section 5(f) above in connection with a Change in Control, Dividend Equivalents shall cease to be credited with respect to the Performance Units.

7. Certain Corporate Changes.

If any change is made to the Company Stock (whether by reason of merger, consolidation, reorganization, recapitalization, stock dividend, stock split, combination of shares, or exchange of shares or any other change in capital structure made without receipt of consideration), then unless such event or change results in the termination of all the Performance Units, the Committee shall adjust, in an equitable manner and as provided in the Plan, the number and class of shares underlying the Performance Units to reflect the effect of such event or change in the Company's capital structure in such a way as to preserve the value of the Performance Units, and the Committee shall adjust the Performance Goals as necessary to reflect the effect of such event or change in the Company's capital structure. Any adjustment that occurs under the terms of this Section 7 or the Plan will not change the timing or form of payment with respect to any Performance Units and will be consistent with Section 409A of the Code, to the extent applicable.

8. No Stockholder Rights.

No shares of Company Stock shall be issued to the Grantee at the time the grant is made, and the Grantee shall not be, nor have any of the rights or privileges of, a shareholder of the Company with respect to any Performance Units recorded in the account, including no voting rights and no rights to receive dividends (other than Dividend Equivalents).

9. No Right to Continued Employment.

Neither the award of Performance Units, nor any other action taken with respect to the Performance Units, shall confer upon the Grantee any right to continue to be employed by the Employer or shall interfere in any way with the right of the Employer to terminate the Grantee's employment at any time, consistent with the terms of any written employment agreement between the Grantee and the Employer and applicable law.

10. Termination or Amendment.

These Grant Conditions and the award made hereunder may be terminated or amended by the Committee, in whole or in part, in accordance with the applicable terms of the Plan.

11. Notice.

Any notice to the Company provided for in these Grant Conditions shall be addressed to it in care of the Company's Chief Human Resources Officer, and any notice to the Grantee shall be addressed to the Grantee at the current address shown on the payroll system of the Company, or to such other address as the Grantee may designate to the Company in writing. Any notice provided for hereunder shall be delivered by hand, sent by telecopy or electronic mail, or enclosed in a properly sealed envelope addressed as stated above, registered and deposited, postage and registry fee prepaid in the United States mail or other mail delivery service. Notice to the Company shall be deemed effective upon receipt. By receipt of these Grant Conditions, the Grantee hereby consents to the delivery of information (including without limitation, information required to be delivered to the Grantee pursuant to the applicable securities laws) regarding the Company, the Plan, and the Performance Units via the Company's electronic mail system or other electronic delivery system.

12. Incorporation of Plan by Reference.

The Performance-Based Share Unit Grant and these Grant Conditions are made pursuant to the terms of the Plan, the terms of which are incorporated herein by reference, and shall in all respects be interpreted in accordance therewith. The decisions of the Committee shall be conclusive upon any question arising hereunder. The Grantee's receipt of the Performance Units constitutes the Grantee's acknowledgment that all decisions and determinations of the Committee with respect to the Plan, these Grant Conditions, and/or the Performance Units shall be final and binding on the Grantee, his or her beneficiaries and any other person having or claiming an interest in the Performance Units. The settlement of any award with respect to the Performance Units is subject to the provisions of the Plan and to interpretations, regulations and determinations concerning the Plan as established from time to time by the Committee in

accordance with the provisions of the Plan. A copy of the Plan will be furnished to each Grantee upon request.

13. Income Taxes; Withholding Taxes.

The Grantee is solely responsible for the satisfaction of all taxes and penalties that may arise in connection with the award or settlement of Performance Units and Dividend Equivalents pursuant to these Grant Conditions. At the time of taxation, the Employer shall have the right to deduct from other compensation, or to withhold shares of Company Stock, in an amount equal to the federal (including FICA), state, local and foreign taxes and other amounts as may be required by law to be withheld with respect to the Performance Units, as approved in advance by the Committee.

14. Governing Law; Enforcement.

The validity, construction, interpretation and effect of the Performance-Based Share Unit Grant and these Grant Conditions shall be governed by, and determined in accordance with, the applicable laws of the Commonwealth of Pennsylvania, excluding any conflicts or choice of law rule or principle. The resolution of any dispute regarding, or the enforcement of, this Performance-Based Share Unit Grant and these Grant Conditions shall take place in a court of competent jurisdiction located within the Commonwealth of Pennsylvania, notwithstanding any dispute resolution terms that may exist under any employment agreement between the Grantee and the Company.

15. Assignment.

The Performance-Based Share Unit Grant and these Grant Conditions shall bind and inure to the benefit of the successors and assignees of the Company. The Grantee may not sell, assign, transfer, pledge or otherwise dispose of the Performance Units, except to a successor grantee in the event of the Grantee's death.

16. Section 409A.

The Performance-Based Share Unit Grant and these Grant Conditions are intended to comply with Code Section 409A or an exemption, and payments may only be made under these Grant Conditions upon an event and in a manner permitted by Code Section 409A, to the extent applicable. Notwithstanding anything in these Grant Conditions to the contrary, if required by Code Section 409A, if the Grantee is considered a "specified employee" for purposes of Code Section 409A and if any payment under these Grant Conditions is required to be delayed for a period of six (6) months after separation from service pursuant to Code Section 409A, such payment shall be delayed as required by Code Section 409A, and the accumulated payment amounts shall be paid in a lump sum payment within ten (10) days after the end of the six (6)-month period. If the Grantee dies during the postponement period prior to payment, the amounts withheld on account of Code Section 409A shall be paid to the personal representative of the Grantee's estate within sixty (60) days after the date of the Grantee's death. Notwithstanding anything in these Grant Conditions to the contrary, if the Performance Units are subject to Code Section 409A and if required by Code Section 409A, any payments to be made upon a termination of employment under these Grant Conditions may only be made upon a "separation

from service” under Code Section 409A. In no event may the Grantee, directly or indirectly, designate the calendar year of a payment, except in accordance with Code Section 409A. Notwithstanding anything in these Grant Conditions to the contrary, if required by Code Section 409A, if CIC Earned Units are subject to Code Section 409A, and if a Change in Control is not a “change in control event” under Code Section 409A or the payment event does not occur upon or within two years following a “change in control event” under Code Section 409A, any vested CIC Earned Units shall be paid to the Grantee upon the Vesting Date and not on account of an earlier termination of employment.

17. Company Policies.

This Performance-Based Unit Grant and all shares issued pursuant to this grant shall be subject to any applicable recoupment or clawback policies and other policies implemented by the Board, as in effect from time to time.

* * *

Schedule A

Performance Goals for 2025 Performance Units

1. Performance Goals.

[_____]

2. Calculation of TSR.

[_____]

3. Performance Units Earned Based on Comparative TSR to the Peer Group. _____% of the Target Award of Performance Units (the “Peer Group Portion”) shall be earned based on _____ for the Performance Period, in accordance with the following:

(a) The Peer Group for this purpose consists of:

.	.	.
.	.	.
.	.	.
.	.	.
.	.	.

(b) The Peer Group shall be subject to change as follows:

(i) In the event of a merger, acquisition, or business combination transaction of a Peer Company in which the Peer Company is the surviving entity and remains publicly traded, the surviving entity shall remain a Peer Company.

(ii) In the event of a merger, acquisition or business combination transaction of a Peer Company, a “going private” transaction or similar event involving a Peer Company or the liquidation of a Peer Company, in each case where the Peer Company is not the surviving entity or is no longer publicly traded, the TSR for the Peer Company shall be calculated by dividing the Closing Average Share Value (as defined below) using the date immediately prior to the merger, acquisition, or business combination transaction by the Opening Share Value (as defined below).

(iii) In the event of an announced merger, acquisition or business combination transaction of a Peer Company, a “going private” transaction or similar event involving a Peer Company or the liquidation of a Peer Company, or the announcement of an intention to enter into a merger, acquisition or business combination of a Peer Company, a “going private” transaction or similar event, in each case where the Peer Company is not the surviving entity or is no longer publicly traded, the TSR for the Peer Company shall be calculated by dividing the Closing Average Share Value (as defined below) using the date immediately prior to the announcement of the merger, acquisition, or business combination by the Opening Share Value (as defined below).

(c) The term “Closing Average Share Value” means the average value of the common stock for the trading days during the two calendar months ending on the last trading day of the Performance Period, which shall be calculated as follows: (i) determine the closing price of the common stock on each trading date during the two-month period, (ii) multiply each closing price as of that trading date by the applicable share number described below, and (iii) average the amounts so determined for the two-month period. The Closing Average Share Value shall take into account any dividends on the common stock for which the ex-dividend date occurred during the Performance Period, as if the dividend amount had been reinvested in common stock at the closing price on the ex-dividend date. The share number in clause (ii) above, for a given trading day, is the sum of one share plus the cumulative number of shares deemed purchased with such dividends. Notwithstanding the foregoing, if the Closing Average Share Value is calculated as of a Change in Control, then the Closing Average Share Value shall be based on the two-month period ending immediately prior to the Change in Control.

(d) The term “Opening Average Share Value” means the average value of the common stock for the trading days during the two calendar months ending on the last trading day prior to the beginning of the Performance Period, which shall be calculated as follows: (i) determine the closing price of the common stock on each trading date during the two-month period, (ii) multiply each closing price as of that trading date by the applicable share number described below, and (iii) average the amounts so determined for the two-month period. The Opening Average Share Value shall take into account any dividends on the common stock for which the ex-dividend date occurred during the two-month period, as if the dividend amount had been reinvested in common stock at the closing price on the ex-dividend date. The share number in clause (ii) above, for a given trading day, is the sum of one share plus the cumulative number of shares deemed purchased with such dividends.

(e) The Peer Group Portion shall be earned based on how the Company’s TSR ranks in comparison to the TSRs of the Peer Group in accordance with the following schedule, depending on how many companies remain in the Peer Group at the end of the Performance Period:

[]

4. Performance Units Earned Based on Return on Earnings. ____% of the employee’s target performance-based award (the “ROE”) shall be earned based on ____ according to the following schedule:

[]

If the ROE falls between the measuring points on the foregoing schedule, the percentage earned will be based on linear interpolation between the applicable measuring points.

Performance Units Earned Based on the Achievement of Targeted Operating and Maintenance Expenses. ____% of the employee’s target performance-based award shall be earned based on the Company’s achieving targets for the consolidated operations and maintenance expenses of the Company and its subsidiaries, but excluding operations and maintenance expenses from all market based activities from ____ (the “Regulated O&M”). The Regulated O&M shall be calculated according to the following schedule:

[]

If the Company's Regulated O&M falls between the measuring points on the foregoing schedule, the percentage vesting will be based on linear interpolation between the applicable measuring points.

(a) Performance shares awarded based on market conditions (the Company's relative TSR metrics) will be valued using a Monte Carlo simulation model.

(b) For performance shares awarded based on the internal metrics (Rate Base Growth & Target O&M Expenses), the grant date accounting value will equal the Company's share price assuming dividend equivalents as provided in shares actually earned.

5. General Terms. Any portion of the Performance Units that is not earned as of the end of the Performance Period shall be forfeited as of the end of the Performance Period (or as provided above upon an earlier Change in Control). In no event shall the maximum number of Performance Units that may be payable pursuant to these Grant Conditions exceed 200% of the Target Award.

**ESSENTIAL UTILITIES, INC.
AMENDED AND RESTATED EQUITY COMPENSATION PLAN**

**2025 RESTRICTED STOCK UNIT GRANT
TERMS AND CONDITIONS**

1. Grant of Restricted Units.

These Restricted Stock Unit Grant Terms and Conditions (the “Grant Conditions”) shall apply and be part of the grant made by Essential Utilities Inc., a Pennsylvania corporation (the “Company”), to the Grantee named in the Restricted Stock Unit Grant (the “Restricted Stock Unit Grant”) to which these Grant Conditions are attached (the “Grantee”), under the terms and provisions of the Essential Utilities Inc. Amended and Restated Equity Compensation Plan, as amended and restated (the “Plan”). The applicable provisions of the Plan are incorporated into these Grant Conditions by reference, including the definitions of terms contained in the Plan (unless such terms are otherwise defined herein). The Grantee is an employee of the Company, its subsidiaries or its Affiliates (collectively, the “Employer”).

Subject to the terms and vesting conditions hereinafter set forth, the Company, with the approval and at the direction of the Executive Compensation Committee (the “Committee”) of the Company’s Board of Directors (the “Board”), has granted to the Grantee the number of restricted stock units specified in the Restricted Stock Unit Grant (the “Restricted Units”). The Restricted Units shall become vested as set forth in these Grant Conditions and Grant. The Restricted Units are granted with Dividend Equivalents (as defined in Section 8).

2. Restricted Unit Account.

Restricted Units represent hypothetical shares of common stock of the Company (“Company Stock”), and not actual shares of Company Stock. The Company shall establish and maintain a Restricted Unit account, as a bookkeeping account on its records, for the Grantee and shall record in such account the number of Restricted Units granted to the Grantee. No shares of Company Stock shall be issued to the Grantee at the time the grant is made, and the Grantee shall not be, nor have any of the rights or privileges of, a shareholder of the Company with respect to any Restricted Units recorded in the account, including no voting rights and no rights to receive dividends (other than Dividend Equivalents). The Grantee shall not have any interest in any fund or specific assets of the Company by reason of this award or the Restricted Unit account established for the Grantee.

3. Vesting.

(a) The Restricted Units shall vest on the following dates (each date, a “Vesting Date”) if the Grantee continues to be employed by the Employer through the Vesting Date:

<u>Vesting Date</u>	<u>Shares for Which the Option is Vested</u>
First Anniversary of the Grant Date	_____% of the Shares
Second Anniversary of the Grant Date	_____% of the Shares
Third Anniversary of the Grant Date	_____% of the Shares

The vesting of the Restricted Units is cumulative but shall not exceed 100% of the Shares subject to the Restricted Units. If the foregoing schedule would produce fractional Shares, the number of Shares for which the Restricted Units becomes vested shall be rounded down to the nearest whole Share; provided that, the portion of the Option subject to vesting on the Third Anniversary of the Grant Date shall include the Shares subject the Restricted Units that did not previously vest as a result of such rounding.

4. Termination of Employment on Account of Retirement, Death, or Disability.

(a) Except as described below, if the Grantee ceases to be employed by the Employer prior to the Vesting Date, the Restricted Units shall be forfeited as of the termination date.

(b) Subject to Section 5(b), if the Grantee ceases to be employed by the Employer prior to the Vesting Date on account of the Grantee's Retirement (defined below), the Grantee shall vest in the unvested Restricted Units upon such Retirement. Shares of Company Stock equal to the Restricted Units that so vest shall be issued to the Grantee within sixty (60) days following the Grantee's Retirement date, subject to applicable tax withholding and subject to Section 19 below. For purposes of these Grant Conditions, "Retirement" shall mean (i) the Grantee's voluntary termination of employment after (A) the Grantee has attained age fifty-five (55) and has five (5) full years of service with the Employer or (B) a combination of age and years of service equal to at least 60, and (ii) the Grantee has provided the Company at least six (6) months' advance written notice of such Retirement.

(c) If the Grantee ceases to be employed by the Employer prior to the Vesting Date on account of the Grantee's death or Disability, the Grantee's Restricted Units shall fully vest and shares of Company Stock equal to the vested Restricted Units shall be issued to the Grantee within sixty (60) days after the Grantee's date of termination, subject to applicable tax withholding and subject to Section 19 below.

5. Change in Control.

(a) Except as described below, if a Change in Control occurs prior to the Vesting Date, the Grantee's Restricted Units shall remain outstanding and shall vest on the Vesting Date if the Grantee continues to be employed by the Employer through the Vesting Date. Shares of Company Stock (or other consideration, as described below) equal to the vested Restricted Units shall be issued to the Grantee within sixty (60) days after the Vesting Date, subject to applicable tax withholding and Section 19 below.

(b) If the Grantee ceases to be employed by the Employer upon or following a Change in Control on account of (i) the Grantee's Retirement, (ii) termination by the Employer without Cause, (iii) termination by the Grantee for Good Reason (defined below), or (iv) the Grantee's Disability or death, the Grantee's outstanding unvested Restricted Units shall fully vest. Shares of Company Stock (or such other consideration, as described below) equal to the Grantee's vested Restricted Units shall be issued to the Grantee within sixty (60) days after the Grantee's date of termination, subject to applicable tax withholding and Section 19 below.

(c) If the Grantee terminates employment for any other reason prior to the Vesting Date, except as set forth in Section 4, the Restricted Units shall be forfeited as of the date of termination.

(d) Notwithstanding any other provision in these Grant Conditions, if the Restricted Units are not assumed by, or replaced with comparable rights by, the surviving corporation (or a parent or subsidiary of the surviving corporation), the unvested portion of the Restricted Units shall fully vest immediately prior to the consummation of the Change in Control.

(e) If, in connection with the Change in Control, shares of Company Stock are converted into the right to receive a cash payment or other form of consideration, the vested Restricted Units shall be payable in such form of consideration, as determined by the Committee.

6. Definitions.

(a) For purposes of these Grant Conditions, “Good Reason” shall have the meaning set forth in any written severance or employment agreement between the Grantee and Essential Utilities or, if there is no such agreement or such agreement does not define Good Reason, shall mean, except as otherwise provided in the last paragraph of this subsection, a termination of employment as a result of one or more of the following events, without the Grantee’s written consent to the event:

(i) any action or inaction that constitutes a material breach by Essential Utilities (or any successor thereto) of this Agreement;

(ii) a material diminution of the authority, duties or responsibilities of the Grantee held immediately prior to the Change in Control;

(iii) a material diminution in the Grantee’s base salary, which, for purposes of this Agreement, means a reduction in base salary of ten (10) percent or more that does not apply generally to all executive officers of Essential Utilities; or

(iv) a material change in the geographic location at which the Grantee must perform services under this Agreement, which, for purposes of this Agreement, means a requirement that the Grantee be based at any office or location which is located more than fifty (50) miles from the Grantee’s primary place of employment immediately prior to the Change in Control on other than on a temporary basis (less than 6 months).

(v) a material diminution in the authority, duties, or responsibilities of the supervisor to whom the Grantee is required to report, including a requirement that the Grantee report to a corporate officer or employee instead of reporting directly to the board of directors of a corporation (or similar governing body with respect to an entity other than a corporation).

(vi) a material diminution in the budget over which the Grantee retains authority.

A termination of employment after any of the foregoing events shall be a Good Reason only if the Grantee provides written notice to Essential Utilities of the existence of such event within ninety (90) days after the initial occurrence of such event, and Essential Utilities fails to remedy the event within thirty (30) days following the receipt of such notice and the Grantee terminates employment within fifteen (15) days thereafter.

7. Payment with Respect to Restricted Units.

Except as otherwise set forth in Section 4 and 5 above, shares of Company Stock equal to the vested Restricted Units shall be issued to the Grantee within sixty (60) days after the Vesting Date, subject to applicable tax withholding and subject to Section 19. (d) Notwithstanding the foregoing, if Section 5(d) applies in connection with a Change in Control, shares of Company Stock equal to the vested Restricted Units shall be issued to the Grantee within sixty (60) days after the consummation of the Change in Control, subject to applicable tax withholding and Section 16 below. Any fractional Restricted Units shall be paid to the Grantee in cash.

8. Dividend Equivalents with Respect to Restricted Units.

(a) Dividend Equivalents shall accrue with respect to Restricted Units and shall be payable subject to the same vesting terms and other conditions as the Restricted Units to which they relate. Dividend Equivalents shall be credited when dividends are declared on shares of Company Stock from the Grant Date until the payment date for the vested Restricted Units. If and to the extent that the underlying Restricted Units are forfeited, all related Dividend Equivalents shall also be forfeited.

(b) While the Restricted Units are outstanding, the Company will keep records in a bookkeeping account for the Grantee. On each date on which a dividend is declared by the Company on Company Stock, the Company shall credit to the Grantee's account an amount equal to the Dividend Equivalents associated with the Restricted Units held by the Grantee on the record date for the dividend. No interest will be credited to any such account.

(c) Dividend Equivalents will be paid in cash at the same time as the underlying vested Restricted Units are paid.

(d) Notwithstanding the foregoing, if shares of Company Stock are converted to cash as described in Section 5(e) above in connection with a Change in Control, Dividend Equivalents shall cease to be credited with respect to Restricted Units.

9. Certain Corporate Changes.

If any change is made to the Company Stock (whether by reason of merger, consolidation, reorganization, recapitalization, stock dividend, stock split, combination of shares, or exchange of shares or any other change in capital structure made without receipt of consideration), then unless such event or change results in the termination of all the Restricted Units, the Committee shall adjust, in an equitable manner and as provided in the Plan, the number and class of shares underlying the Restricted Units. Any adjustment that occurs under the terms of this Section 10 or the Plan will not change the timing or form of payment with respect to any Restricted Units.

10. No Right to Continued Employment.

Neither the award of Restricted Units, nor any other action taken with respect to the Restricted Units, shall confer upon the Grantee any right to continue to be employed by the Employer or shall interfere in any way with the right of the Employer to terminate the Grantee's employment at any time, consistent with the terms of any written employment agreement between the Grantee and the Employer and applicable law.

11. Termination or Amendment.

These Grant Conditions and the award made hereunder may be terminated or amended by the Committee, in whole or in part, in accordance with the applicable terms of the Plan.

12. Notice.

Any notice to the Company provided for in these Grant Conditions shall be addressed to it in care of the Company's Chief Human Resources Officer, and any notice to the Grantee shall be addressed to the Grantee at the current address shown on the payroll system of the Company, or to such other address as the Grantee may designate to the Company in writing. Any notice provided for hereunder shall be delivered by hand, sent by telecopy or electronic mail or enclosed in a properly sealed envelope addressed as stated above, registered and deposited, postage and registry fee prepaid in the United States mail or other mail delivery service. Notice to the Company shall be deemed effective upon receipt. By receipt of these Grant Conditions, the Grantee hereby consents to the delivery of information (including without limitation, information required to be delivered to the Grantee pursuant to the applicable securities laws) regarding the Company, the Plan, and the Restricted Units via the Company's electronic mail system or other electronic delivery system.

13. Incorporation of Plan by Reference.

The Restricted Stock Unit Grant and these Grant Conditions are made pursuant to the terms of the Plan, the terms of which are incorporated herein by reference, and shall in all respects be interpreted in accordance therewith. The decisions of the Committee shall be conclusive upon any question arising hereunder. The Grantee's receipt of the Restricted Units constitutes the Grantee's acknowledgment that all decisions and determinations of the Committee with respect to the Plan, these Grant Conditions, and/or the Restricted Units shall be final and binding on the Grantee, his or her beneficiaries and any other person having or claiming an interest in the Restricted Units. The settlement of any award with respect to the Restricted Units is subject to the provisions of the Plan and to interpretations, regulations and determinations concerning the Plan as established from time to time by the Committee in accordance with the provisions of the Plan. A copy of the Plan will be furnished to each Grantee upon request.

14. Income Taxes; Withholding Taxes.

The Grantee is solely responsible for the satisfaction of all taxes and penalties that may arise in connection with the award or settlement of Restricted Units and payment of Dividend Equivalents pursuant to these Grant Conditions. At the time of taxation, the Employer shall have

the right to deduct from other compensation, or to withhold shares of Company Stock, in an amount equal to the federal (including FICA), state, local and foreign taxes and other amounts as may be required by law to be withheld with respect to the Restricted Units, as approved in advance by the Committee.

15. Company Policies.

This Restricted Unit Grant and all shares issued pursuant to this grant shall be subject to any applicable recoupment or clawback policies and other policies implemented by the Board, as in effect from time to time.

16. Governing Law; Enforcement.

The validity, construction, interpretation and effect of the Restricted Stock Unit Grant and these Grant Conditions shall be governed by, and determined in accordance with, the applicable laws of the Commonwealth of Pennsylvania, excluding any conflicts or choice of law rule or principle. The resolution of any dispute regarding, or the enforcement of, this Restricted Stock Unit Grant and these Grant Conditions shall take place in a court of competent jurisdiction located within the Commonwealth of Pennsylvania, notwithstanding any dispute resolution terms that may exist under any employment agreement between the Grantee and the Company.

17. Assignment.

The Restricted Stock Unit Grant and these Grant Conditions shall bind and inure to the benefit of the successors and assignees of the Company. The Grantee may not sell, assign, transfer, pledge or otherwise dispose of the Restricted Units, except to a successor grantee in the event of the Grantee's death.

18. Code Section 409A.

The Restricted Stock Unit Grant and these Grant Conditions are intended to comply with Code Section 409A or an exemption, and payments may only be made under these Grant Conditions upon an event and in a manner permitted by Code Section 409A, to the extent applicable. Notwithstanding anything in these Grant Conditions to the contrary, if required by Code Section 409A, if the Grantee is considered a "specified employee" for purposes of Code Section 409A and if any payment under these Grant Conditions is required to be delayed for a period of six (6) months after separation from service pursuant to Code Section 409A, such payment shall be delayed as required by Code Section 409A, and the accumulated payment amounts shall be paid in a lump sum payment within ten (10) days after the end of the six (6)-month period. If the Grantee dies during the postponement period prior to payment, the amounts withheld on account of Code Section 409A shall be paid to the personal representative of the Grantee's estate within sixty (60) days after the date of the Grantee's death. Any payments to be made upon a termination of employment under these Grant Conditions may only be made upon a "separation from service" under Code Section 409A. In no event may the Grantee, directly or indirectly, designate the calendar year of a payment, except in accordance with Code Section 409A.

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ESSENTIAL UTILITIES, INC.
AMENDED AND RESTATED EQUITY COMPENSATION PLAN
STOCK OPTION
TERMS AND CONDITIONS

1. Grant of Option.

These Stock Option Terms and Conditions (the “Grant Conditions”) shall apply and be part of the grant made by Essential Utilities, a Pennsylvania corporation (the “Company”), to the Grantee named in the Stock Option Grant (the “Option”) to which these Grant Conditions are attached (the “Grantee”), under the terms and provisions of the Essential Utilities, Inc. Amended and Restated Equity Compensation Plan, as amended and restated (the “Plan”). The applicable provisions of the Plan are incorporated into the Grant Conditions by reference, including the definitions of terms contained in the Plan (unless such terms are otherwise defined herein). The Grantee is an employee of the Company, its subsidiaries, or its Affiliates (collectively, the “Employer”).

Subject to the terms and vesting conditions hereinafter set forth, the Company, with the approval and at the direction of the Executive Compensation Committee (the “Committee”) of the Company’s Board of Directors (the “Board”), has granted to the Grantee a nonqualified stock option (the “Option”) to purchase the number of shares of common stock of the Company (the “Shares”) as specified in the Stock Option Grant at the exercise price per Share set forth in the Stock Option Grant (the “Exercise Price”). The Option shall vest according to Section 2 below.

2. Vesting of Option.

The Option shall vest on the following dates (each date, a “Vesting Date”) if (i) the Grantee continues to be employed by the Employer through the Vesting Date and (ii) the Performance Goal described on the attached Schedule A is achieved for the calendar year ending on December 31 immediately preceding the Vesting Date (each such calendar year, a “Performance Year”), except as otherwise provided in Sections 3 and 5 below.

<u>Vesting Date</u>	<u>Shares for Which the Option is Vested</u>
First Anniversary of the Grant Date	_____ of the Shares
Second Anniversary of the Grant Date	_____ of the Shares
Third Anniversary of the Grant Date	_____ of the Shares

The vesting of the Option is cumulative but shall not exceed 100% of the Shares subject to the Option. If the foregoing schedule would produce fractional Shares, the number of Shares for which the Option becomes vested shall be rounded down to the nearest whole Share; provided

that, the portion of the Option subject to vesting on the Third Anniversary of the Grant Date shall include the Shares subject the Option that did not previously vest as a result of such rounding.

3. Term of Option.

(a) The Option shall have a term of ____ (____) years from the Grant Date specified in the Stock Option Grant (the “Grant Date”) and shall terminate at the expiration of that period, unless it is terminated at an earlier date pursuant to the provisions of these Grant Conditions or the Plan.

(b) If the Grantee ceases to be employed by the Employer for any reason, the unvested portion of the Option will terminate on the date the Grantee ceases to be employed by the Employer (the “Termination Date”), unless otherwise provided in this Section 3. Any vested portion of the Option as of the Termination Date may be exercised for the period described in this Section 3.

(c) If the Grantee ceases to be employed by the Employer for the following reasons, the Option will be treated as follows:

(i) *General Rule.* If the Grantee ceases to be employed by the Employer, except as provided below, the Option will thereafter be exercisable only with respect to that number of Shares with respect to which the Option has vested as of the Termination Date. The vested portion of the Option will terminate upon the earlier of the expiration of the term of the Option or the expiration of the ninety (90) day period commencing on the Termination Date.

(ii) *Retirement.* If the Grantee ceases to be employed by the Employer on account of the Grantee’s Retirement, except as otherwise provided in subsection (iv) below, the unvested Option will vest on the Vesting Date coincident with or immediately following the Termination Date (the “Retirement Vesting Date”) if the Performance Goal is achieved for the Performance Year that relates to the Retirement Vesting Date. If the Grantee ceases to be employed by the Employer on account of Retirement, the vested portion of the Option shall remain outstanding until the expiration of the term of the Option. For purposes of these Grant Conditions, “Retirement” shall mean (i) the Grantee’s voluntary termination of employment after (A) the Grantee has attained age fifty-five (55) and has five (5) full years of service with the Employer or (B) a combination of age and years of service equal to at least 60 , and (ii) the Grantee has provided the Company at least six (6) months’ advance written notice of such Retirement.

(iii) *Death or Disability.* If the Grantee ceases to be employed by the Employer on account of the Grantee’s death or Disability, any unvested portion of the outstanding Option will become immediately vested on the Termination Date. The Option will terminate upon the earlier of the expiration of the term of the Option or the date that is 12 months following the Termination Date.

(iv) *Termination Upon or Following a Change in Control.* Notwithstanding the foregoing, if the Grantee ceases to be employed by the Employer upon or following a Change in Control on account of (i) the Grantee’s Retirement, (ii) termination by the Employer without Cause, or (iii) the Grantee’s Disability or death, any unvested portion of the outstanding Option

shall become fully vested on the Termination Date. The vested Option shall be exercisable for the applicable period described in subsections (i) through (iii) above.

(v) *Termination for Cause.* If the Committee determines that the Grantee has engaged in conduct that constitutes Cause at any time while the Grantee is employed by the Employer or after the Grantee's termination of employment (A) the vested and unvested Option shall immediately terminate and (B) the Grantee shall automatically forfeit all Shares underlying any exercised portion of the Option for which the Company has not yet delivered the share certificates, upon refund by the Company of the Exercise Price paid by the Grantee for such shares.

(vi) For purposes of these Grant Conditions, "Good Reason" shall have the meaning set forth in any written severance or employment agreement between the Grantee and Essential Utilities or, if there is no such agreement or such agreement does not define Good Reason, shall mean, except as otherwise provided in the last paragraph of this subsection, a termination of employment as a result of one or more of the following events, without the Grantee's written consent to the event:

(1) any action or inaction that constitutes a material breach by Essential Utilities (or any successor thereto) of this Agreement;

(2) a material diminution of the authority, duties or responsibilities of the Grantee held immediately prior to the Change in Control;

(3) a material diminution in the Grantee's base salary, which, for purposes of this Agreement, means a reduction in base salary of ten (10) percent or more that does not apply generally to all executive officers of Essential Utilities;

(4) a material change in the geographic location at which the Grantee must perform services under this Agreement, which, for purposes of this Agreement, means a requirement that the Grantee be based at any office or location which is located more than fifty (50) miles from the Grantee's primary place of employment immediately prior to the Change in Control on other than on a temporary basis (less than 6 months);

(5) a material diminution in the authority, duties, or responsibilities of the supervisor to whom the Grantee is required to report, including a requirement that the Grantee report to a corporate officer or employee instead of reporting directly to the board of directors of a corporation (or similar governing body with respect to an entity other than a corporation); or

(6) a material diminution in the budget over which the Grantee retains authority.

A termination of employment after any of the foregoing events shall be a Good Reason only if the Grantee provides written notice to Essential Utilities of the existence of such event within ninety (90) days after the initial occurrence of such event, and Essential Utilities fails to remedy the event within thirty (30) days following the receipt of such notice and the Grantee terminates employment within fifteen (15) days thereafter.

4. Exercise of the Option.

(a) Subject to the provisions of Section 2 and 3 above, the Grantee may exercise any vested portion of the Option, in whole or in part, by delivering a notice of exercise to the Company. Payment of the Exercise Price and any applicable withholding taxes must be paid prior to issuance of the Shares and must be received by the Company by the time specified by the Company, depending on the type of payment being made, but in all cases prior to the issuance or transfer of such Shares.

(b) The Grantee may pay the Exercise Price (i) in cash, (ii) by delivering shares of Company Stock owned by the Grantee and having a Fair Market Value on the date of exercise at least equal to the Exercise Price or by attestation (on a form prescribed by the Committee) to ownership of shares of Company Stock having a Fair Market Value on the date of exercise at least equal to the Exercise Price, (iii) by payment through a broker in accordance with procedures permitted by Regulation T of the Federal Reserve Board, or (iv) by such other method as the Committee may approve. The Committee may impose such limitations as it deems appropriate on the use of shares of Company Stock to exercise the Option, and shares of Company Stock used to exercise the Option shall have been held by the Grantee for the requisite period of time necessary to avoid adverse accounting consequences to the Company with respect to the Option.

(c) The obligation of the Company to deliver Shares upon exercise of the Option shall be subject to all applicable laws, rules, and regulations and such approvals by governmental agencies as may be deemed appropriate by the Committee, including such actions as the Company's counsel shall deem necessary or appropriate to comply with relevant securities laws and regulations. The Company may require that the Grantee (or other person exercising the Option after the Grantee's death) represent that the Grantee is purchasing Shares for the Grantee's own account and not with a view to or for sale in connection with any distribution of the Shares, or such other representation as the Company deems appropriate.

5. Change in Control.

(a) If a Change in Control before the end of the third Performance Year, vesting of the Option shall cease to be subject to achievement of the Performance Goal and the Option shall vest on each Vesting Date that occurs following the Change in Control if the Grantee continues to be employed by the Employer through the applicable Vesting Date.

(b) If a Change in Control occurs following the Grantee's termination of employment on account of Retirement and during the Performance Year in which the Termination Date occurs, the portion of the Option that would have otherwise vested on the Retirement Vesting Date pursuant to Section 3(c)(ii) shall become immediately vested upon the Change in Control, without regard to whether the Performance Goal is met.

(c) The acceleration, exercise, exchange or other disposition of this Option upon a Change in Control shall be governed by the provisions of Section 15 of the Plan, notwithstanding any other provision in these Grant Conditions (and, for the avoidance of doubt, if the Option is

not assumed by, or replaced with comparable options or rights by, the surviving corporation (or a parent or subsidiary of the surviving corporation), the unvested portion of the Option shall fully vest and become exercisable immediately prior to the consummation of the Change in Control).

6. Certain Corporate Changes.

If any change is made to the Company Stock (whether by reason of merger, consolidation, reorganization, recapitalization, stock dividend, stock split, combination of shares, or exchange of shares or any other change in capital structure made without receipt of consideration), then unless such event or change results in the termination of the Option, the Committee shall adjust, in an equitable manner and as provided in the Plan, the number and class of shares underlying the Option and the Exercise Price to reflect the effect of such event or change in the Company's capital structure, and the Committee shall adjust the Performance Goal as necessary to reflect the effect of such event or change in the Company's capital structure.

7. Restrictions on Exercise.

Except as the Committee may otherwise permit pursuant to the Plan, only the Grantee may exercise the Option during the Grantee's lifetime and, after the Grantee's death, the Option shall be exercisable by the Grantee's estate, to the extent that the Option is exercisable pursuant to these Grant Conditions.

8. No Right to Continued Employment.

Neither the award of the Option, nor any other action taken with respect to the Option, shall confer upon the Grantee any right to continue to be employed by the Employer or shall interfere in any way with the right of the Employer to terminate the Grantee's employment at any time, consistent with the terms of any written employment agreement between the Grantee and the Employer and applicable law.

9. No Shareholder Rights.

Neither the Grantee, nor any person entitled to exercise the Grantee's rights in the event of the Grantee's death, shall have any of the rights and privileges of a shareholder with respect to the Shares subject to the Option until certificates for Shares have been issued upon exercise of the Option.

10. Termination or Amendment.

These Grant Conditions and the award made hereunder may be terminated or amended by the Committee, in whole or in part, in accordance with the applicable terms of the Plan.

11. Notice.

Any notice to the Company provided for in these Grant Conditions shall be addressed to it in care of the Company's Senior Vice President and Chief Human Resources Officer, and any notice to the Grantee shall be addressed to the Grantee at the current address shown on the payroll system of the Company, or to such other address as the Grantee may designate to the

Company in writing. Any notice provided for hereunder shall be delivered by hand, sent by telecopy or electronic mail, or enclosed in a properly sealed envelope addressed as stated above, registered, and deposited, postage and registry fee prepaid in the United States mail or other mail delivery service. Notice to the Company shall be deemed effective upon receipt. By receipt of these Grant Conditions, the Grantee hereby consents to the delivery of information (including without limitation, information required to be delivered to the Grantee pursuant to the applicable securities laws) regarding the Company, the Plan, and the Option via the Company's electronic mail system or other electronic delivery system.

12. Incorporation of Plan by Reference.

The Stock Option Grant and these Grant Conditions are made pursuant to the terms of the Plan, the terms of which are incorporated herein by reference, and shall in all respects be interpreted in accordance therewith. The decisions of the Committee shall be conclusive upon any question arising hereunder. The Grantee's receipt of the Option constitutes the Grantee's acknowledgment that all decisions and determinations of the Committee with respect to the Plan, these Grant Conditions, and/or the Option shall be final and binding on the Grantee, his or her beneficiaries and any other person having or claiming an interest in the Option. The settlement of any award with respect to the Option is subject to the provisions of the Plan and to interpretations, regulations and determinations concerning the Plan as established from time to time by the Committee in accordance with the provisions of the Plan. A copy of the Plan will be furnished to each Grantee upon request.

13. Income Taxes; Withholding Taxes.

The Grantee is solely responsible for the satisfaction of all taxes and penalties that may arise in connection with the Option or the exercise of the Option pursuant to these Grant Conditions, and all obligations of the Company under these Grant Conditions shall be subject to the rights of the Employer as set forth in the Plan to withhold amounts required to be withheld for any taxes, if applicable. At the time of taxation, the Employer shall have the right to deduct from other compensation, or to withhold shares of Company Stock, in an amount equal to the federal (including FICA), state, local and foreign taxes and other amounts as may be required by law to be withheld with respect to the Option, as approved in advance by the Committee.

14. Company Policies.

This Option and all shares issued pursuant to this grant shall be subject to any applicable recoupment or clawback policies and other policies implemented by the Board, as in effect from time to time.

15. Governing Law; Enforcement.

The validity, construction, interpretation and effect of the Stock Option Grant and these Grant Conditions shall be governed by, and determined in accordance with, the applicable laws of the Commonwealth of Pennsylvania, excluding any conflicts or choice of law rule or principle. The resolution of any dispute regarding, or the enforcement of, this Stock Option Grant and these Grant Conditions shall take place in a court of competent jurisdiction located

within the Commonwealth of Pennsylvania, notwithstanding any dispute resolution terms that may exist under any employment agreement between the Grantee and the Company.

16. Assignment.

The Stock Option Grant and these Grant Conditions shall bind and inure to the benefit of the successors and assignees of the Company. The Grantee may not sell, assign, transfer, pledge or otherwise dispose of the Option, except to a successor grantee in the event of the Grantee's death.

Schedule APerformance Goal

Provided the Grantee has remained in the continuous employment of the Employer through the applicable Vesting Date (except as otherwise provided in Section 3), the applicable portion of the Option shall become vested on the Vesting Date as follows:

For purposes of this Option award, the achievement of the Performance Goal shall be determined as follows: [_____]

Essential Utilities, Inc.

Insider Trading Policy

Overview of Policy

Essential Utilities, Inc. has adopted the following insider trading policy (this “Policy”) in order to comply with federal and state securities laws governing (a) trading in the Company’s securities while in the possession of “material nonpublic information” concerning the Company, and (b) prohibitions on tipping or disclosing material nonpublic information to outsiders, in order to prevent even the appearance of improper insider trading or tipping. Essential Utilities, Inc. and its subsidiaries are collectively referred to herein as the “Company.”

Scope of Policy

- A. This Policy applies to all directors, and officers of the Company, their family members and members of their households, and entities (such as trusts, partnerships, corporations and investment clubs) over which such directors, officers and employees of the Company have or share voting or investment control (singularly referred to as an “Insider” and collectively referred to as “Insiders”).
- B. This Policy also applies to any third parties whom the Compliance Officer, as defined below, may designate as individuals with access to material nonpublic information concerning the Company (the “Designated Outsiders”).
- C. This Policy applies to any and all transactions in the Company’s securities, including its common stock and options or other equity awards to purchase or acquire its common stock, and any other type of securities that the Company may issue from time to time, such as preferred stock, promissory notes, convertible debentures and warrants, exchange-traded options and other derivative securities, and rights, whether or not issued by the Company. For the avoidance of doubt, transactions involving the sale of Company’s equity that may be necessary for personal reasons (such as the need to raise money for an emergency) are subject to this Policy.
- D. This Policy has been provided to each Insider and to all new Insiders and Designated Outsiders at the start of their respective employment or relationship with the Company. This Policy continues to apply even after the employment or other relationship between the Company and an Insider or Designated Outsider has terminated. A current or former Insider or Designated Outsider may not effect, recommend or influence a transaction in the Company’s securities until any material nonpublic information obtained during such person’s employment or other relationship with the Company either has become public or is no longer material.

- E. If a person violates the insider trading laws, he or she may have to pay civil fines for up to three times the profit gained or loss avoided by the unlawful trading, as well as criminal fines of up to \$5,000,000. He or she also may have to serve a jail sentence of up to 20 years. In addition, the Company could be subject to a civil fine of up to the greater of \$1,000,000 and three times the profit gained or loss avoided as a result of any unlawful trading violations by an Insider. The Company could face criminal penalties of up to \$25,000,000. Both the SEC and the Financial Industry Regulatory Authority (“FINRA”) are very effective at detecting and pursuing insider trading cases. The SEC has successfully prosecuted cases against employees trading through foreign accounts, trading by family members and friends, and trading involving only a small number of shares. Therefore, it is important that each Insider and Designated Outsider understand the breadth of activities that constitute illegal insider trading.

Designation of Certain Persons

- A. *Section 16 Individuals.* The Company has identified on Attachment A hereto the directors and officers of the Company who are subject to the reporting and liability provisions of Section 16 (“Section 16”) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and the rules and regulations promulgated thereunder (collectively, “Section 16 Individuals”). Section 16 Individuals must obtain prior approval (“pre-clearance”) of all trades in the Company’s securities from the Compliance Officer. The Compliance Officer may amend Attachment A from time to time as necessary to reflect the addition, resignation or departure of Section 16 Individuals.
- E. *Other Persons.* The Company has designated those persons listed on Attachment B hereto as “Other Persons” who, because of their position with the Company and their access to material nonpublic information, must obtain pre-clearance of all trades in the Company’s securities from the Compliance Officer. The Compliance Officer may amend Attachment B from time to time as necessary to reflect the addition, resignation or departure of Other Persons.

Compliance Officer

The Company has designated Christopher P. Luning, the General Counsel of Essential Utilities, Inc., as its Compliance Officer for purposes of this Policy (the “Compliance Officer”). The Compliance Officer may designate one or more individuals who may perform the Compliance Officer’s duties in the event that the Compliance Officer is unable or unavailable to perform such duties. The duties of the Compliance Officer will include, but not be limited to, the following:

- (1) Administering this Policy and monitoring and enforcing compliance with all provisions and procedures of this Policy.
- (2) Responding to all inquiries relating to this Policy and its procedures.

- (3) Designating and announcing special trading Black-Out Periods during which no Insiders may trade in the Company's securities, and determining whether such Black-Out Periods apply to Designated Outsiders.
- (4) Providing copies of this Policy and other appropriate materials to all current and new directors, officers and employees of the Company, and such other persons whom the Compliance Officer determines have access to material nonpublic information concerning the Company.
- (5) Administering the Company's compliance with all federal and state insider trading laws and regulations, including, without limitation, Sections 10(b), 16, 20A and 21A of the Exchange Act and the rules and regulations promulgated thereunder, and Rule 144 under the Securities Act of 1933, as amended; and overseeing the preparation and filing of all reports required by the Securities and Exchange Commission (the "SEC") relating to trading in the Company's securities by Section 16 Individuals.
- (6) Periodically reminding all Section 16 Individuals regarding their obligations to report trades in the Company's securities.
- (7) Reminding, on a quarterly basis, all Insiders and Designated Outsiders of the dates that Trading Windows begin and end.
- (8) Revising this Policy as necessary to reflect changes in applicable federal and state insider trading laws and regulations.
- (9) Maintaining, with the Company's records, originals or copies of all documents required by the provisions of this Policy or the procedures set forth herein, and copies of all required SEC reports relating trading by Section 16 Individuals.
- (10) Performing periodic cross-checks of available materials, which may include Forms 3, 4 and 5, officer's and director's questionnaires, and reports received from the Company's transfer agent, to determine trading activity by officers, directors and others who have, or may have, access to material nonpublic information.
- (11) Maintaining the accuracy of the list of Section 16 Individuals and Other Persons, and updating them periodically as necessary to reflect additions to or deletions from each such category of individuals.
- (12) Working with outside counsel in furtherance of the foregoing.

General Policies

- A. It is the policy of the Company to prohibit the unauthorized disclosure of any nonpublic information acquired in the workplace and the misuse of material nonpublic information in securities trading. The Company will cooperate fully with the SEC and other regulatory authorities in investigating possible violations of this Policy.
- F. In addition to any legal ramifications under applicable state and federal securities laws, Insiders who violate this Policy shall be subject to disciplinary action by the Company, which may include ineligibility for future participation in the Company's equity incentive plans and/or termination of employment or other relationship with the Company.
- G. This Policy and the guidelines described herein also apply to material nonpublic information relating to other companies, including the Company's customers, clients and suppliers ("business partners"), when that information is obtained in the course of employment with, or the performance of services on behalf of, the Company. Civil and criminal penalties, and termination of employment, may result from trading on inside information regarding the Company's business partners. All officers, directors, employees, consultants and contractors should treat material nonpublic information about the Company's business partners with the same care required with respect to information related directly to the Company.

Specific Policies

- A. *Trading on Material Nonpublic Information.*
 - (1) No Insider shall engage in any transaction involving a purchase, sale or gift of the Company's securities, including any offer to purchase, offer to sell or offer to gift, during any period commencing with the date that he or she possesses material nonpublic information concerning the Company, and ending at the close of trading on the second full Trading Day following the date of widespread public dissemination of that information, or at such time as such nonpublic information is no longer material. As used herein, the term "Trading Day" shall mean a day on which any securities exchange on which any of the Company's securities are traded is open for trading, commencing at the time trading begins on such day. This restriction on trading does not apply to transactions made under a trading plan adopted pursuant to Rule 10b5-1(c) (17 C.F.R. § 240.10b5-1(c)) under the Exchange Act and acknowledged and confirmed in writing by the Company (an "authorized trading plan").

- (2) Pursuant to federal and state securities laws, Insiders and Designated Outsiders may be subject to criminal and civil fines and penalties as well as imprisonment for engaging in transactions in the Company's securities at a time when they have knowledge of material nonpublic information regarding the Company.

H. *Tipping.*

- (1) No Insider shall disclose or "tip" material nonpublic information to any other person (including family members) where such information may be used by such person to his or her profit by trading in the securities of companies to which such information relates, nor shall such Insider or related person make recommendations or express opinions on the basis of material nonpublic information as to trading in the Company's securities.
 - (2) Insiders may be liable for improper transactions by any person (commonly referred to as a "tippee") to whom they have disclosed material nonpublic information or to whom they have made recommendations or expressed opinions on the basis of such information as to trading in the Company's securities, even if the disclosing Insider did not profit financially from the trading. The SEC, the major securities exchanges and FINRA use sophisticated electronic surveillance techniques to uncover insider trading and tipping.
- I. *Confidentiality of Nonpublic Information.* Nonpublic information relating to the Company is the property of the Company and the unauthorized disclosure of such information is forbidden. No Insider shall disclose nonpublic information to any other person (including other employees of the Company) other than those who need to know such information to carry out the Company's business. In the event any officer, director or employee of the Company, or any Designated Outsider receives any inquiry from outside the Company, such as from a stock analyst, for information (particularly financial results and/or projections) that may be material nonpublic information, the inquiry should be referred to the Compliance Officer, who will coordinate and oversee the release of such information to the investing public, analysts and others in compliance with applicable laws and regulations.

Trading Guidelines and Requirements

- A. *Black-Out Period.* The period beginning at the close of trading (or 11:59 p.m., if such day is not a Trading Day) on the 15th day of the third calendar month of each fiscal quarter and ending at the close of trading on the second Trading Day following the date of public disclosure of the Company's financial results for that quarter (the "Financial Black-Out Period") is a particularly sensitive period of time for transactions in the Company's securities from the perspective of compliance with applicable securities laws. This sensitivity is due to the fact that officers, directors and certain employees of the Company will, during the Financial Black-Out Period, often possess material nonpublic information about the expected financial results for the quarter during that period. All Section 16 Individuals and all Other Persons are prohibited from trading in the Company's securities during a Financial Black-Out Period. In addition, there may be other time periods when material nonpublic information regarding the Company may be pending. While such information is pending, the Company may impose a special "black-out" period during which the same prohibitions shall apply (a "Special Black-Out Period", and together with Financial Black-Out Periods, the "Black-Out Periods"). Persons restricted from trading during Special Black-Out Periods will be notified of the prohibition. These restrictions on trading do not apply to transactions made under an authorized trading plan. The prohibition against trading during Black-Out Periods encompasses the fulfillment of "limit orders" by a broker, and the broker with whom any such limit order is placed must be so instructed at the time it is placed. The restrictions on trading during Black-Out Periods continue to apply even after the employment or other relationship between the Company and an Insider, particularly Section 16 Individuals or Other Persons, has terminated, and such restrictions shall apply until the end of any Black-Out Period applicable at the final date of employment or other relationship.
- J. *Trading Window.*
- (1) To ensure compliance with this Policy and applicable federal and state securities laws, the Company requires that all Section 16 Individuals and all Other Persons refrain from conducting transactions involving the purchase, sale or gift of the Company's securities other than during the period commencing at the open of market on the third Trading Day following the date of public disclosure of the financial results for a particular fiscal quarter or year and continuing until the close of trading (or 11:59 p.m., if such day is not a Trading Day) on the 15th day of the third calendar month of the next fiscal quarter (the "Trading Window"). This restriction on trading does not apply to transactions made under an authorized trading plan.

- (2) From time to time within any Trading Window, the Company may also prohibit Section 16 Individuals and Other Persons, and potentially a larger group of employees, consultants and contractors, from trading the Company's securities because of material developments known to the Company and not yet disclosed to the public. In such event, such persons may not engage in any transaction involving the purchase, sale or gift of the Company's securities during the applicable period and should not disclose to others the fact of such suspension of trading. This restriction on trading does not apply to transactions made under an authorized trading plan. The Company will re-open any such closed Trading Window at the beginning of the third Trading Day following the date of widespread public dissemination of the relevant information, or at such time as such information is no longer material.
- (3) It should be noted that, even during the Trading Window, no person possessing material nonpublic information concerning the Company, whether or not subject to the Black-Out Period and Trading Window provisions of this Policy, and whether or not the Company has recommended a suspension of trading to that person, should engage in any transactions in the Company's securities until such information has been known publicly for at least two full Trading Days. This restriction on trading does not apply to transactions made under an authorized trading plan. Trading in the Company's securities during the Trading Window should not be considered a "safe harbor," and all directors, officers and other persons subject to this Policy should use their individual good judgment in applying the guidelines set forth in this Policy whenever considering engaging in transactions in the Company's securities.

- K. *Pre-Clearance of Trades.* The Company has determined that all Section 16 Individuals and Other Persons must refrain from trading in the Company's securities, even during the Trading Window and regardless of whether he or she has material nonpublic information, without first complying with the Company's "pre-clearance" process and receiving the prior written consent of the Compliance Officer. Prior to commencing any trade in the Company's securities, each Section 16 Individual and Other Person must contact the Compliance Officer to request pre-clearance of such trade. The Compliance Officer will consult as necessary or desirable with senior management of and/or outside counsel to the Company before clearing any such proposed trade. A request for pre-clearance must be received at least two full business days before the date of the proposed transaction. All trades in the Company's securities by the Compliance Officer that are subject to the pre-clearance provisions of this paragraph must be pre-cleared by the Company's Chief Financial Officer, pursuant to the same procedures applicable to other Insiders, as set forth in this paragraph. Any Insider wishing to establish a proposed Rule 10b5-1 trading plan must obtain the Compliance Officer's authorization of such plan before it is adopted. Thereafter, all trades made by a broker under an authorized trading plan are not subject to these pre-clearance procedures, but each authorized trading plan must provide that the Compliance Officer or designee be notified of any transactions made under such authorized trading plan.
- L. *Individual Responsibility.* Every Insider and Designated Outsider has the individual responsibility to comply with this Policy. An Insider or Designated Outsider may, from time to time, have to forego a proposed transaction in the Company's securities even if he or she planned to execute the transaction before learning of the material nonpublic information and even though the Insider or Designated Insider believes he or she may suffer an economic loss or forego anticipated profit by waiting.

Definition of Material Nonpublic Information

Information about the Company is "material" if it would be expected to affect the investment or voting decisions of a reasonable investor, or if the disclosure of the information would be expected to significantly alter the total mix of the information in the marketplace about the Company. In simple terms, material information concerning the Company is any type of information which could reasonably be expected to affect the market price of the Company's securities. While it is not possible to identify all types of information that would be deemed "material," and the following list is therefore not exclusive, the following types of information ordinarily would be considered material:

- Financial performance, especially quarterly and year-end earnings, significant changes in financial performance or liquidity, or a proposed bankruptcy filing
- Company projections and strategic plans
- Material potential mergers and acquisitions, the sale of Company assets, divisions or subsidiaries, or a proposed joint venture or exchange offer

- New major contracts, projects, customers, or finance sources, or the loss thereof
- Significant changes or developments in products, research, technologies, services or lines of business
- Significant pricing changes
- Stock splits, stock buy-backs, public or private securities/debt offerings, additional borrowings or credit facilities or other financing transactions, or changes in the Company's dividend policies or amounts
- Significant changes in senior management
- Significant labor disputes or negotiations
- Actual or threatened major litigation or the resolution of such litigation
- Changes in auditors or auditor notification that its audit report may not be relied upon

Both positive and negative information can be material. Because trading that receives scrutiny will be evaluated after the fact with the benefit of hindsight, questions concerning the materiality of particular information should be resolved in favor of materiality, and trading should be avoided when in doubt.

Material information is "nonpublic" until the point at which it has been widely disseminated to the public through major newswire services, national news services or financial news services, or through an SEC filing, and sufficient time thereafter has passed for the public to fully absorb such information. For the purposes of this Policy, information will be considered public, i.e., no longer "nonpublic", after the close of trading on the second full Trading Day following the Company's widespread public release of the information.

Any Insider or Designated Outsider who is unsure whether the information that he or she possesses is material or nonpublic must consult the Compliance Officer for guidance before trading in any Company securities.

Unauthorized Disclosure; Prohibition on Commenting on the Company on Electronic Bulletin Boards, Internet Chat Rooms, Websites or Social Media

While the Company encourages its shareholders and potential investors to obtain information about the Company, the Company believes that that information should come from its publicly filed SEC reports, press releases and external website or from designated Company spokespersons, or from other public disclosures made by the Company, rather than from speculation or unauthorized disclosures by directors, officers or employees of the Company. For this reason, the Company has designated certain members of management to respond to inquiries regarding the Company's business and prospects. This centralization of communication is designed to ensure that the information the Company discloses is accurate and considered in light of previous disclosures. Formal announcements are generally reviewed by management and legal counsel before they are made public. Any communications that do not go through this review process create an increased risk of liability to the Company, as well as to the individuals responsible for the communications.

In addition, communications about companies and their business prospects through the use of social media (such as X (formerly known as Twitter), Facebook, Instagram), electronic bulletin boards, chat rooms and other electronic discussions on the Internet are communications about the Company, and use of such forums to express views or impart information about the Company and its business can significantly harm the Company and expose the disclosing person to liability, including insider trading liability. Inappropriate communications disseminated through these methods may pose an inherently greater risk than more traditional forms of communication due to the size of the audience they reach. These forums have the potential to move a stock price significantly and very rapidly—yet the information disseminated often is unreliable, and in some cases may be deliberately false. The SEC has investigated and prosecuted a number of fraudulent schemes involving the use of social media, electronic bulletin boards and chat rooms. An Insider may encounter information about the Company that he or she believes is inaccurate or harmful to the Company, or other information that he or she believes is true or beneficial to the Company. Although the Insider may be tempted to deny or confirm such information, any sort of response, even if it presents accurate information, could be considered improper disclosure and could result in legal liability to the Insider and to the Company.

The Company is committed to preventing inadvertent disclosures of material nonpublic information, preventing unwitting participation in Internet-based securities fraud, and avoiding even the appearance of impropriety by persons associated with the Company. Accordingly, this Policy prohibits each Insider from making any comments or postings about the Company or its business on any social media sites, Internet bulletin boards, chat rooms or websites, or responding to such comments or postings about the Company or its business made by others. This restriction applies whether or not the Insider identifies himself or herself as associated with the Company.

Hedging Transactions Prohibited

A short sale is a sale of securities not owned by the seller or, if owned, not delivered. Because of the potentially speculative nature of such transactions, this Policy prohibits all Insiders from engaging in any of the following transactions at any time (even if the individual involved is not in the possession of material, non-public information):

- Short sales of the Company's securities, including without limitation "sales against the box" (sales with delayed delivery); and
- Buying or selling puts, calls or other derivative securities relating to the Company's securities. A put is an option or right to sell a specific stock at a specific price prior to a set date, and a call is an option or right to buy a specific stock at a specific price prior to a set date. Call options are purchased when a person believes that the price of a stock will rise, whereas put options are purchased when a person believes that the price of a stock will fall. Other derivative securities may take various forms, but to the extent they derive a substantial portion of their value from the price of the Company's securities, trading in them is prohibited.

Restrictions on Pledging of Company Stock

All Section 16 Individuals are prohibited from pledging the Company's securities as collateral for a loan.

Additional Considerations

For purposes of this Policy, the Company considers the exercise of stock options for cash under the Company's equity incentive plans (but not the sale of any shares issued upon such exercise and not a cashless exercise that is accomplished by a sale of a portion of the shares issued upon exercise), disposition to the Company of shares underlying stock awards in satisfaction of tax obligations and establishing payroll withholding to purchase securities under a Company-sponsored 401(k) plan or employee stock purchase plan to be exempt from this Policy, because there is no market-based transaction in these contexts.

With respect to gift transactions, the Company encourages all Insiders, and requires all Section 16 Individuals and Other Persons, to consult with the Compliance Officer with respect to the "bona fide" nature of proposed gift transactions, and to seek pre-clearance with respect to such transactions.

Section 16 Individuals must also comply with the reporting obligations and limitations on "short-swing" transactions set forth in Section 16 under the Securities Exchange Act. The practical effect of these provisions is that such persons who purchase and sell (or sell and purchase) the Company's securities within a six-month period must disgorge all profits derived therefrom to the Company whether or not they then had knowledge of any material nonpublic information concerning the Company. Under these provisions, and so long as certain other criteria are met, neither the receipt of an option under the Company's equity incentive plans,

nor the exercise of that option, is deemed a purchase under Section 16; however, the sale of any shares of common stock received upon any such exercise would be a sale under Section 16.

Because of the strict liability provisions of Section 16, we recommend that each Section 16 Individual discuss any proposed transaction with the Compliance Officer.

Company Assistance

Strict compliance with this Policy is of the utmost importance for each Insider, Designated Outsider and for the Company. If any Insider or Designated Outsider has any questions about this Policy or its application to any proposed transaction, he or she may obtain additional guidance from the Compliance Officer. It is not prudent for any person to try to resolve uncertainties on his or her own, as the rules relating to insider trading are often complex, not always intuitive and carry severe consequences if violated.

Annual Compliance

Certain Insiders and Designated Outsiders including, without limitation, Section 16 Individuals and Other Persons listed on the Attachments to this Policy, are required to certify compliance with this Policy on an annual basis.

This Policy is effective March 22, 2015, as amended May 15, 2017, October 1, 2018, May 5, 2020, August 4, 2022, December 16, 2022, January, 2024, and August 9, 2024.

ESSENTIAL UTILITIES, INC. AND SUBSIDIARIES

The following table lists the significant subsidiaries and other active subsidiaries of Essential Utilities, Inc. at December 31, 2024:

Aqua Pennsylvania, Inc. (Pennsylvania)
Aqua Resources, Inc. (Delaware)
Essential Utilities Services, Inc. (Pennsylvania)
Aqua Services, Inc. (Pennsylvania)
Aqua Infrastructure, LLC (Pennsylvania)
Aqua Ohio, Inc. (Ohio)
Aqua Illinois, Inc. (Illinois)
Aqua New Jersey, Inc. (New Jersey)
Aqua North Carolina, Inc. (North Carolina)
Aqua Texas, Inc. (Texas)
Aqua Indiana, Inc. (Indiana)
Aqua Virginia, Inc. (Virginia)
Aqua Water Holdings, Inc. (Pennsylvania)
LDC Funding, LLC (Delaware)

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (Nos. 333-271878, and 333-277563), on Form S-4 (No. 333-202393), and on Form S-8 (Nos. 033-52557, 03353689, 333-26613, 333-70859, 333-81085, 333-61768, 333-107673, 333-113502, 333-116776, 333126042, 333-148206, 333-156047, 333-159897, and 333-181389) of Essential Utilities, Inc. of our report dated February 27, 2025 relating to the financial statements, financial statement schedule and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP

Philadelphia, Pennsylvania

February 27, 2025

CERTIFICATION OF CHIEF EXECUTIVE OFFICER, PURSUANT TO RULE 13A-14(A) AS ADOPTED
UNDER THE SECURITIES AND EXCHANGE ACT OF 1934

I, Christopher H. Franklin, certify that:

1. I have reviewed this annual report on Form 10-K of Essential Utilities, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Christopher H. Franklin

Christopher H. Franklin

Chairman, President and Chief Executive Officer

February 27, 2025

CERTIFICATION OF CHIEF FINANCIAL OFFICER, PURSUANT TO RULE 13A-14(A) AS ADOPTED
UNDER THE SECURITIES AND EXCHANGE ACT OF 1934

I, Daniel J. Schuller, certify that:

1. I have reviewed this annual report on Form 10-K of Essential Utilities, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

\s\ Daniel J. Schuller

Daniel J. Schuller

Executive Vice President and Chief Financial Officer

February 27, 2025

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350

In connection with the Annual Report on Form 10-K for the year ended December 31, 2024 of Essential Utilities, Inc. (the "Company") as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Christopher H. Franklin, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- (1) The Report of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. Section 78m(a) or Section 78o(d)); and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Christopher H. Franklin

Christopher H. Franklin

Chairman, President and Chief Executive Officer

February 27, 2025

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350

In connection with the Annual Report on Form 10-K for the year ended December 31, 2024 of Essential Utilities, Inc. (the "Company") as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Daniel J. Schuller, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. Section 78m(a) or Section 78o(d)); and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Daniel J. Schuller

Daniel J. Schuller

Executive Vice President and Chief Financial Officer

February 27, 2025
