



CALIFORNIA  
**WATER SERVICE GROUP**  
INVESTING FOR LIFE

Enhancing the Quality of Life

# Today & Tomorrow





# Contents

<b>1.0 Overview</b>	<b>3</b>
1.1 CEO Letter	4
1.2 About Us	5
1.3 About This Report	5
1.4 Our Approach to ESG	6
<b>2.0 Protecting Our Planet</b>	<b>8</b>
2.1 Climate Change, Energy, and Emissions	11
2.2 Water Supply Management, Reliability, and Resilience	16
2.3 Water System Efficiency	19
2.4 End-Use Conservation	21
2.5 Environmental Management and Compliance	23
<b>3.0 Supporting Our Communities</b>	<b>26</b>
3.1 Community Support	27
3.2 Stakeholder Engagement and Public Participation	29
3.3 Emergency Preparedness and Response	32
<b>4.0 Serving Our Customers</b>	<b>34</b>
4.1 Drinking Water Quality and Customer Safety	35
4.2 Water Affordability and Access	37
4.3 Cybersecurity and Data Privacy	39
4.3 Customer Service	41

<b>5.0 Engaging Our Workforce</b>	<b>43</b>
5.1 Diversity, Equality, and Inclusion	44
5.2 Talent Management	46
5.3 Workplace Health and Safety	49
<b>6.0 Leading with Integrity</b>	<b>51</b>
6.1 Corporate Governance	52
6.2 Ethics	56
6.3 Public Policy and Political Involvement	58
6.4 Responsible Sourcing	60
<b>7.0 Content Indices</b>	<b>62</b>
7.1 SASB Content Index	63
7.2 GRI Content Index: General Disclosures	65
7.3 GRI Content Index: Material and High-Priority Topics	66

This 2021 Environmental, Social, and Governance (ESG) Report and ESG Analyst Download (collectively the “2021 ESG Disclosures”) contain forward-looking statements within the meaning established by the Private Securities Litigation Reform Act of 1995. The forward-looking statements in the 2021 ESG Disclosures include the Company’s objectives, goals, progress, or expectations with respect to ESG, sustainability, and corporate social responsibility matters, and business risks, opportunities, and plans. Because they are aspirational and are based upon currently available information, expectations, and projections, they are subject to various risks and uncertainties, and actual results may differ. Because of this, the Company advises all interested parties to carefully read and understand the Company’s disclosure on risks and uncertainties found in Forms 10-K, 10-Q, and other reports filed with the Securities and Exchange Commission (“SEC”). The Company undertakes no obligation to update any forward-looking or other statements, whether as a result of new information, future events, or otherwise, and notwithstanding any historical practice of doing so. The Company may determine to adjust any objectives, goals, and targets or establish new ones to reflect changes in our business.

Historical, current, and forward-looking ESG-related statements and data in the 2021 ESG Disclosures may be based on standards for measuring progress that are still developing, controls and processes that continue to evolve, and assumptions that are subject to change in the future.

The information included in, and any issues identified as material for purposes of, the 2021 ESG Disclosures may not be considered material for SEC reporting purposes, and the use of the term “material” in the 2021 ESG Disclosures is distinct from, and should not be confused with, such term as defined for SEC reporting purposes.

Website references and hyperlinks throughout the 2021 ESG Disclosures are provided for convenience only, and the content on the referenced third-party websites is not incorporated by reference into the 2021 ESG Disclosures, nor does it constitute a part of the 2021 ESG Disclosures. The Company assumes no liability for the content contained on the referenced third-party references.





# 1.0

## Overview

1.1 [CEO Letter](#)

1.2 [About Us](#)

1.3 [About This Report](#)

1.4 [Our Approach to ESG](#)



1.1

# CEO Letter



When we first embarked on our Environmental, Social, and Governance (ESG) journey a few years ago, we were encouraged to find that we were already doing business in a way that reflected our dedication to caring for people, protecting the planet, and operating with the utmost integrity. Our most pressing challenge was to formalize our ESG efforts, set meaningful goals and targets, and improve our reporting, and I am pleased to report that we have progressed on all fronts.

There is no doubt in our minds that ESG progress and performance are foundational to the sustainability and continued success of our business. It is vital that we minimize our contributions, and our customers' contributions, to climate change. It is also critical that we clearly understand the risks that climate change poses to our assets, and take appropriate action to mitigate those risks.

Beyond that, we must lift up those who need a hand. We must continue to live out our core values, and we must give back. In short, we must fulfill our purpose and enhance the quality of life for our customers, communities, employees, and stockholders. In doing so, we reduce risk to the business and earn the respect of all of our stakeholders.

I am extremely pleased with the progress we made in 2021 to add rigor and accountability to our ESG strategy, despite the continuing pandemic. With the guidance and support of our Board of Directors, we:

- Published our first ESG Report that aligns with the relevant Sustainability Accounting Standards Board (SASB) standards and references the Global Reporting Initiative (GRI) standards
- Adopted four new ESG-related policies: Diversity, Equality, and Inclusion; Human Rights; Environmental Sustainability; and Political Involvement
- Established an ESG governance framework, with a vision, charter, and structure that will provide oversight and involvement across the organization, starting at the Board level
- Developed a climate change strategy that is expected to pave the way to progress on both mitigation and adaptation
- Completed a robust ESG goal-setting process with intense cross-functional collaboration among subject-matter experts, resulting in a range of short- and long-term, measurable, time-bound objectives
- Integrated ESG into our strategic framework and corporate strategic planning process and Enterprise Risk Management model

A few examples of how we have executed on our ESG strategy in 2021 include:

- Completed a study on the climate-related risks for our operations, facilities, and water supply portfolio in California, which will help us prioritize actions to mitigate and adapt to the impacts of climate change
- Completed construction of an in-line hydro turbine system in Waikoloa, Hawaii, which is expected to generate electricity from water flowing downhill and represent a sustainable energy source to reduce our environmental footprint and offer cost savings that can be passed on to our customers
- Launched operations of the Tesoro Viejo Wastewater Treatment and Recycled Water Production Plant, which treats wastewater from the local community for reuse
- Performed irrigation system efficiency evaluations and installed water-efficient equipment at no charge to our customers through our Smart Landscape Tune-Up program, which has provided a lifetime water savings of over 98 million gallons for our customers
- Renovated our water quality laboratory in San Jose, Calif., to expand our facility, improve functionality, and enable future growth and additional capacity for water testing
- Presented a new rate design in our 2021 General Rate Case to continue to support infrastructure investment while promoting conservation and affordability
- Implemented unconscious bias training for managers in 2021 to promote an inclusive environment and build on our efforts to expand employee training for diversity, equity, and inclusion

Going forward, we have three priorities: make meaningful progress to achieve our ESG objectives, many of which are climate-change focused; enhance our data collection process; and continue to mature and enhance our ESG communications and reporting.

I am firmly convinced that companies must step up. Stakeholder capitalism is not a passing trend; it represents a paradigm shift that will truly change the world for the better. I am proud of the progress we are making at California Water Service Group, and look forward to continuing to progress on this ESG journey.

## MARTIN A. KROPELNICKI

President and Chief Executive Officer (CEO)



## 1.2 About Us

At California Water Service Group (Group or the Company), our purpose is to enhance the quality of life for our customers, communities, stockholders, and employees by being the leading provider of water and wastewater services. We are the third-largest publicly traded water utility in the United States (NYSE:CWT) and serve more than 2 million people in over 100 communities.

Headquartered in San Jose, Calif., Group consists of seven operating subsidiaries: California Water Service (Cal Water), Hawaii Water Service (Hawaii Water), New Mexico Water Service (New Mexico Water), Washington Water Service (Washington Water), TWSC, Inc. (Texas Water), and CWS Utility Services and HWS Utility Services LLC (collectively referred to as Utility Services). Cal Water, New Mexico Water, Washington Water, and Hawaii Water are regulated public utilities. However, these entities also provide some non-regulated services. Utility Services holds non-utility property and provides non-regulated services to private companies and municipalities outside of California. Our new Texas-based subsidiary, Texas Water, invests in water and wastewater infrastructure through majority ownership of BVRT Utility Holding Company, a utility development company that owns and develops wastewater utilities.

We secure, treat, test, store, and distribute water, and we provide wastewater collection and treatment services. We also provide non-regulated water-related services under agreements with municipalities and other private companies, including full water system operation, billing, and meter reading services. Non-regulated operations also include the lease of communication antenna sites, lab services, and promotion of other non-regulated services. Our [10-K](#) includes further information about our operations.

## 1.3 About This Report

This 2021 Environmental, Social, and Governance (ESG) Report covers our activities from January 1 to December 31, 2021, and commemorates the fifth year of reporting on our ESG activities. This report aligns with the [Sustainability Accounting Standards Board \(SASB\)](#) Water Utilities and Services Industry Standard and references the 2021 Global Reporting Initiative (GRI) Universal Standards and the most recent version of each relevant Topic Standard. If you have any questions about this report, please contact Lara Agnew, ESG Program Manager, at [sustainability@calwater.com](mailto:sustainability@calwater.com).

Our [2021 ESG Analyst Download](#) supplements this 2021 ESG Report and provides key performance metrics for our reporting topics. We have included all subsidiaries in our full reporting and data, unless otherwise noted. Texas Water Service is referenced in this report but is not included in the scope of our data disclosures at this time due to its recent acquisition.

## Our Core Values

**Integrity**

**Safety**

**Respect and Collaboration**

**Commitment**

**Innovation**

**Corporate Citizenship**

**Agility**

**Service**



# 1.4 Our Approach to ESG

As the world continues to face unprecedented challenges and the impacts of climate change become increasingly evident, we remain committed to contributing to a sustainable future and a high quality of life for our customers, communities, stockholders, and employees. To do so, we integrate sustainability across our business, enable cross-functional collaboration, and evolve our approach to adjust to the changing landscape. In this report, the terms “ESG” and “sustainability” are used interchangeably, and both refer to the advancement of environmental, social, and governance practices that demonstrate our commitment and responsibilities to the issues that matter most to us and our stakeholders. In 2021, we established ESG objectives, formalized our ESG governance structure, developed what we believe to be a comprehensive climate change strategy, and performed detailed climate analyses. We look forward to continuing to advance and communicate our ESG strategy in the coming years.

## MATERIALITY ASSESSMENT

Our 2020 materiality assessment enabled us to prioritize our ESG focus areas based on the importance to our business and to our stakeholders. Through this process, we identified and researched relevant ESG topics, mapped impacts to our value chain, prioritized topics based on extensive stakeholder input, and discussed results with our internal leaders to validate our key focus areas. The findings of the materiality assessment have provided the basis for ongoing elements of our broader ESG program and priorities, including ESG reporting and disclosure, objective-setting, integration with our corporate strategy, and internal and external stakeholder engagement efforts. This ESG report reflects the results of the materiality assessment and discloses our management approach as well as progress on our material and other high-priority ESG topics.

The valued feedback we receive from our stakeholders enables us to identify improvement opportunities in our business, enhance our strategy, and gather new insights to inform our annual reporting. For more information about these engagement activities, see the [Stakeholder Engagement and Public Participation](#) section. Please note that our use of the term “material” in the context of this report may differ from, and should not be confused with, what we consider “material” for purposes of U.S. securities laws and the filings we make with the SEC.



## REPORTING TOPICS<sup>[1]</sup>

ENVIRONMENTAL	SOCIAL	GOVERNANCE	WORKFORCE
<div><b>Most Material<sup>[2]</sup></b><ul style="list-style-type: none"><li>• Water Supply Management, Reliability, and Resilience</li><li>• Water System Efficiency</li><li>• End-Use Conservation</li><li>• Climate Change, Energy, and Emissions</li></ul></div> <div><b>High Priority<sup>[3]</sup></b><ul style="list-style-type: none"><li>• Environmental Management and Compliance</li></ul></div>	<div><b>Most Material<sup>[2]</sup></b><ul style="list-style-type: none"><li>• Drinking Water Quality and Customer Safety</li><li>• Emergency Preparedness and Response</li><li>• Water Affordability and Access</li><li>• Stakeholder Engagement and Public Participation</li><li>• Cybersecurity and Data Privacy</li><li>• Community Support</li></ul></div> <div><b>High Priority<sup>[3]</sup></b><ul style="list-style-type: none"><li>• Customer Service</li></ul></div>	<div><b>Most Material<sup>[2]</sup></b><ul style="list-style-type: none"><li>• Public Policy and Political Involvement</li><li>• Corporate Governance</li><li>• Ethics</li></ul></div> <div><b>High Priority<sup>[3]</sup></b><ul style="list-style-type: none"><li>• Responsible Sourcing</li></ul></div>	<div><b>Most Material<sup>[2]</sup></b><ul style="list-style-type: none"><li>• Diversity, Equality, and Inclusion</li><li>• Talent Attraction and Retention</li></ul></div> <div><b>High Priority<sup>[3]</sup></b><ul style="list-style-type: none"><li>• Workplace Health and Safety</li><li>• Training and Development</li><li>• Labor Relations and Management</li><li>• Compensation, Benefits, and Employee Wellbeing</li></ul></div>

[1] The reporting topics are listed in priority order for each tier according to the results of the materiality assessment, with our most material ESG topics listed first. Each material topic is covered in detail throughout this report. In 2021, we separated the original “Water System Efficiency and Conservation” topic into “Water System Efficiency” and “End-Use Conservation” to fully distinguish between our own efficiency efforts and customer conservation programs.

[2] These topics were identified as most critical to both internal and external stakeholders with regards to business impact, risk, and opportunities. We view these topics as the most important to effectively manage, set goals for, and provide robust discussion of in our reporting.

[3] High-priority ESG topics are those that did not necessarily emerge as the most material, but were nevertheless identified as important topics to monitor and manage effectively. In some cases, these topics are areas our stakeholders viewed as standard business practice, or areas that Group already manages well but must maintain.



ESG OBJECTIVES

We developed objectives for key ESG topics in 2021 to drive performance and further embed sustainability into our strategic framework. Our first step in the goal-setting process involved conducting a gap assessment to determine where existing corporate initiatives, strategic plans, and Enterprise Risk Management efforts did not sufficiently address material ESG topics. Based on this assessment, we identified a subset of material ESG topics on which to focus and worked closely with our internal subject matter experts and company leadership to develop time-bound, measurable, short- and long-term ESG objectives. This process provides accountability, establishes milestones, allows for performance tracking and reporting, and further incorporates ESG into our business strategy. We are committed to engaging with regulators and advocating for ESG-related projects that support our objectives.

Among the ESG objectives developed in this process are:

<b>Climate Change, Energy, and Emissions</b>	<ul style="list-style-type: none"><li>• Develop a company-wide electric vehicle strategy, including a plan to purchase 100% zero-emission passenger vehicles in California by 2035.<sup>[1]</sup></li><li>• By 2023, develop and begin implementing an enterprise-wide renewable power purchasing strategy to pursue opportunities to increase renewable electricity use and decrease Scope 2 greenhouse gas emissions.<sup>[2]</sup></li><li>• In the next 10 years, invest no less than \$5 million in emissions reducing energy solutions, such as renewables and low-carbon energy sources.<sup>[1][2]</sup></li><li>• By 2025, complete comprehensive data analysis and modeling, and set and publish targets for energy/GHG intensity of water sourced and/or delivered to customers.<sup>[1][2]</sup></li></ul>
<b>Community Support</b>	<ul style="list-style-type: none"><li>• By 2024, roll out an annual enterprise-wide Community Celebration Day to allow employees to spend a half-day on a team community service project. Strive to achieve 50% employee and 90% district involvement in the first year.</li></ul>
<b>Diversity, Equality, and Inclusion</b>	<ul style="list-style-type: none"><li>• By 2024, establish a partnership with at least one educational or community resource organization per region enterprise-wide, with the aim of creating more diverse candidate pools.</li></ul>



<b>End-Use Conservation</b>	<ul style="list-style-type: none"><li>• Meet the per-capita water use targets mandated by the State of California for each district effective in 2027.</li></ul>
<b>Emergency Preparedness and Response</b>	<ul style="list-style-type: none"><li>• By 2024, establish formal partnerships with the State-specific Office of Emergency Services, Water/Wastewater Agency Response Network, and other essential utilities to improve coordination for large-scale emergency events and/or emerging threats.</li></ul>
<b>Stakeholder Engagement and Public Participation</b>	<ul style="list-style-type: none"><li>• Starting in 2022, in each California district at least every three years, partner with community stakeholders to host customer engagement and education events in low-income communities to increase awareness of customer assistance and conservation programs and engage key stakeholders to increase public trust, build partnerships, and understand external perspectives.</li></ul>
<b>Water Supply Management, Reliability, and Resilience</b>	<ul style="list-style-type: none"><li>• By 2035, increase the use of recycled water in our operations to no less than 5% of total water supply to customers.</li></ul>

[1] Related to Scope 1 emissions  
[2] Related to Scope 2 emissions





## 2.0

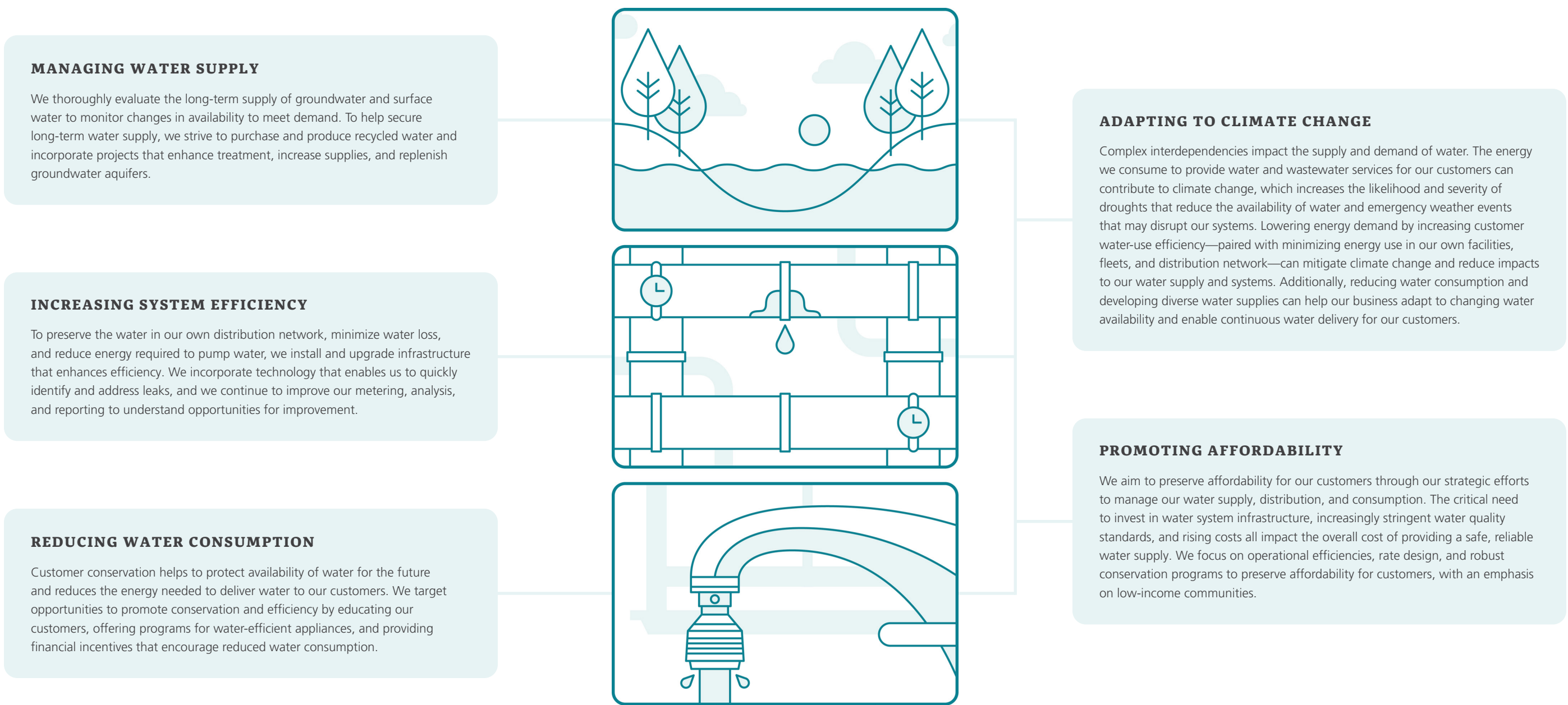
# Protecting Our Planet

- 2.1 *Climate Change, Energy, and Emissions*
- 2.2 *Water Supply Management, Reliability, and Resilience*
- 2.3 *Water System Efficiency*
- 2.4 *End-Use Conservation*
- 2.5 *Environmental Management and Compliance*



# Providing a Sustainable Supply of Safe, Affordable Water

No single ESG topic stands alone, so we continue our work to understand and leverage the interconnections between them to provide a sustainable supply of safe, affordable water service for our customers. While the following sections go into more detail about the various ways we protect our planet, the graphic below depicts the key linkages among some of these focus areas.





## Managing Our Water Service

We develop multiple plans and reports—both voluntarily and driven by regulatory requirements—that evaluate our operations and risks, enhance our resilience, and drive our environmental strategies to mitigate climate change and maintain reliable and efficient water delivery.

Plan/Study (hyperlinked where public)	Voluntary/Required	High-Level Description
Climate Change Study (Phase 1: Water Resources Monitoring and Adaptation Plan; Phase 2: Climate Change Risk Assessment and Adaptation Framework)	Voluntary	This analysis occurs at the district level to assess climate-related risks to our facilities, operations, and water supply portfolio; evaluate climate-related impacts to our demand forecasts; and develop the steps for prioritizing actions for addressing climate risk over time.
<a href="#">Urban Water Management Plans (UWMPs)</a>	Required	In California, we are required to complete these plans for any service area in which we meet the definition of an urban retail water supplier. However, we complete these plans for all service areas, regardless of the required threshold. Prepared on a five-year cycle, the UWMPs are foundational documents and sources of district-specific information such as historical and projected water demands, water supplies, supply reliability and potential vulnerabilities, water shortage contingency planning, and demand management programs.
<a href="#">Water Shortage Contingency Plans (WSCPs)</a>	Required	The WSCPs, which are included as appendices to each of our UWMPs and conducted on a five-year cycle, are designed to help make sure we have the necessary resources and management responses to protect public health and safety, minimize economic disruption, and preserve environmental and community assets during water supply shortages and interruptions.
<a href="#">Conservation Master Plans</a>	Voluntary	These reports, which are included as appendices to each of our UWMPs, summarize and evaluate forward-looking conservation activities in each district on a five-year cycle.
Water Supply Reliability Plans/Studies	Voluntary	These plans evaluate the reliability of existing supplies, develop and assess supply and demand options to increase reliability, and make project recommendations to be included in the facilities master planning process.
Water Supply and Facilities Master Plans	Required	By forecasting needs for potential infrastructure, these plans assist in maintaining and improving our long-term operational reliability.



## Our Management Approach

For information on the governance of this topic, see the [ESG Governance Matrix](#).

Additionally, our public policy outlines our management efforts for this topic:

- [Environmental Sustainability Policy](#)

### GOVERNANCE

We are dedicated to managing climate-related risks and opportunities throughout Group. We seek to align our management of climate change with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD), starting at the highest level of leadership.

- In addition to reviewing climate risks, the full Board of Directors is involved in discussions of our climate mitigation and adaptation. The Board also formally approved and oversees execution of our climate change strategy. The Nominating/Corporate Governance Committee of the Board oversees our ESG program and reporting, including disclosures relating to climate change. The committee and/or the full Board receive updates on climate-related efforts from executive leadership throughout the year.
- Within our executive leadership team, the CEO spearheads the planning and execution of our climate change strategy, and our Vice President (VP), Customer Service & Chief Citizenship Officer oversees climate-related efforts.
- The Strategy & Operating Committee, comprising senior officers, oversees our strategy for energy management as part of our plans to minimize our environmental footprint and contributions to climate change.
- The Enterprise Risk Management team and Water Resource Sustainability Department collaborate to identify, assess, and manage climate-related risks and opportunities.
  - The Enterprise Risk Management team incorporates climate into its risk analysis and reports this to the Board.
  - The Water Resource Sustainability Department coordinates our initiatives to mitigate the climate-related risks and drive our overall strategy.
- Finally, various additional teams—including Fleet and Facilities, Operations, Engineering, and Rates—contribute to our overall efforts to execute on our strategy to reduce our contributions to climate change and prepare for its impacts on our business.

For information on ESG governance at Group, see the [Corporate Governance](#) section.

### STRATEGY

To drive our climate change strategy, we completed a Climate Change Risk Assessment and Adaptation Framework to identify climate-related risks and opportunities that could impact our business over various future time horizons and two greenhouse gas concentration trajectories to capture a range of potential future climates. The time horizons considered in our analysis included the following.

- The early-century horizon, defined as 2016–2045, includes near-term vulnerabilities and adaptation measures that should be started or implemented immediately.
- The mid-century horizon covers 2035–2064 and may align with the end of the lifespan of our facilities and longer-term capital investments for new facilities beyond this time.
- For the late-century horizon, defined as 2070–2099, we evaluated long-term adaptation pathways.

To evaluate the resilience of our operations, we incorporated climate scenario analysis in alignment with Representative Concentration Pathways (RCPs) adopted by the Intergovernmental Panel on Climate Change (IPCC). RCPs are scenarios that show trajectories of atmospheric greenhouse gases concentrations dependent on different timeframes and emission levels. In alignment with recommendations from the State of California, the RCPs selected for our analysis included:

- RCP 8.5, which assumes anthropogenic global greenhouse gas emissions continue to rise over the next century (i.e., there are no significant efforts to limit or reduce emissions). The RCP 8.5 pathway is often regarded as the high-emissions scenario and corresponds to likely temperature increases of at least 4°C by 2100, relative to pre-industrial temperatures.
- RCP 4.5, which assumes anthropogenic global greenhouse gas emissions peak in 2040 and then decline thereafter. The RCP 4.5 pathway corresponds to an estimated global temperature rise between 2°C and 3°C by 2100 from pre-industrial levels, and is described by the IPCC as an intermediate scenario.

**We align our management of climate change with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD), starting at the highest level of leadership.**

## 2.1

# Climate Change, Energy, and Emissions

The effects of climate change, including wildfires, increasing temperatures, sea level rise, flooding, and drought, can impact the health of our communities and our operations. While we continue to identify and develop responses to these risks, we also recognize that our emissions can contribute to climate change. We strive to reduce our own and our customers' impact on climate change and protect our environment by limiting our energy consumption, transitioning to renewable and efficient energy sources, and advancing our environmental management programs.

Conducted at the district level to provide actionable insights, this assessment leveraged estimated projections to determine impacts to our critical infrastructure and business operations from climate change. Through these scenarios, we prepared a reliable model for planning.

As identified in our assessment, immediate physical risks could affect our operations and intensify over time as climate change worsens. More frequent flooding, wildfires, sea level rise, rising groundwater, and uneven ground level sinking could damage our assets, including pressurized mains, wells, treatment facilities, and other infrastructure. Wildfires and changes in rainfall could also impact water quality, and both higher temperatures and wildfires could pose risks to employee safety. In the mid-century and late-century horizon, temperature increases could cause declines in snowpack storage, and droughts could decrease surface water supply availability and groundwater recharge while increasing outdoor demands.

Additional climate-related risks could influence our climate strategy as we support the transition to a low-carbon economy. Transition risks include changes in the market and consumer demands, such as differences in generational behaviors, shifts in population locations due to changes in climate, and variations in water needs. Regulatory risks, such as emission trading systems and carbon taxes, could also financially impact our business. Additionally, federal and state regulations establish requirements for managing water supplies and limiting impacts on local wildlife, while regional plans and legislation could directly affect how we address water issues.

Acknowledging the potential and real impacts of these climate-related risks to our business, our climate strategy focuses on mitigation and adaptation across our value chain—in sourcing, treatment and distribution, and community engagement. We seek to adapt and plan for impacts to our water supply and infrastructure, anticipate shifts in customer demand, and work to protect our watersheds. As part of our efforts to enhance our fleet, facilities, and infrastructure for treatment and distribution, we continue to increase efficiency, reduce the energy required to deliver water to customers, and advocate for climate-related projects to systematically improve performance. Lastly, we continue to expand customer water conservation programs, communicate with our customers about associated energy savings, and share summaries of climate change monitoring and adaptation studies with our communities.

We monitor and respond to climate-related impacts on our water sources by evaluating and diversifying our supplies while collaborating to support responsible water management. This collaboration includes participating in research conducted by the Water Research Foundation and the Public Policy Institute of California (PPIC). We incorporate our risk studies into our business and financial planning to inform our management approach for water supply management. To learn more about how we integrate additional water sources and promote reliability, see the [Water Supply Management, Reliability, and Resilience](#) section.

To reduce our emissions and mitigate our contribution to climate-related risks, we have implemented a variety of energy efficiency initiatives, seek to increase energy use from renewable sources, and continue to advocate for climate mitigation in our rate hearings. We conduct internal assessments of our assets to evaluate performance and target replacements for our pumping equipment. We also enhance efficiency in our buildings by optimizing heating, ventilation, and air conditioning (HVAC) systems and upgrading to LED lights. Leadership in Energy and Environmental Design (LEED) standards provide a framework for our new construction, and in recent years, we have built two facilities to the LEED Silver standard to prioritize efficiency.

Our strategy also focuses on incorporating renewable energy sources into our operations. To date, we have invested over \$3.2 million in renewable power generation at our facilities, including solar panels at our Chico District Customer Center, an in-line hydro turbine system in our Rancho Dominguez District, and a wind turbine and in-line hydro turbine system in our Waikoloa District in Hawaii. As discussed in more detail in the [Metrics and Targets](#) section, we have committed to continue to strategically invest in renewable energy where feasible. Additionally, for our California districts, we annually review and, where available, purchase power from Community Choice Aggregators, which often offer higher percentages of renewable power sources compared to other providers.

As part of our fleet strategy, the following ongoing programs reflect our commitment to efficient transportation:

- **Efficient vehicles:** We replace aging passenger vehicles with smaller, more fuel-efficient, hybrid and/or electric vehicles where feasible, and we offer electric chargers at our San Jose campus and our Bayshore District facilities.
- **Travel reduction:** As we investigate various ways to reduce travel, we have been investing in technology such as video conferencing over the last 10 years. Because of the pandemic, we further reduced employee travel, which reduces emissions and costs of vehicle use.
- **Route optimization:** We leverage a platform that automates work management processes and improves operational efficiency by automatically scheduling maintenance, optimizing routes to job sites, and directly communicating with customers. In addition to replacing paper documentation with online processes, this solution reduces fuel consumption and the response time for service requests.
- **Commuter benefits:** To encourage employees to reduce personal vehicle emissions, we offer a commuter benefits program that focuses on public transportation and ride-sharing, although we ceased promoting the program during the pandemic for employee safety.

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**Acknowledging the potential and real impacts of these climate-related risks to our business, our climate strategy focuses on mitigation and adaptation across our value chain—in sourcing, treatment and distribution, and community engagement.**

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To target our energy footprint in our supply and distribution systems, our demand response programs strategically aim to reduce energy usage during peak times. Examples include our Bakersfield peak demand reduction program, which shuts down wells during emergency events to reduce strain on the electrical grid and provides rebates to customers when participating in the program, and our “Rider-M” program in Hawaii, which refrains from operating wells during certain periods of the day in exchange for a discount on our energy bill. We also improve efficiency in our distribution network and upgrade infrastructure to mitigate water loss and preserve our water supply when delivering water to customers. For additional information about our strategic approach, see the [Water System Efficiency](#) section. In addition to our own consumption, we target energy reductions for customers by promoting conservation programs that reduce water usage and require less energy. This is a powerful program, as it encompasses a key aspect of our Scope 3 emissions. For more information, see the [End-Use Conservation](#) section.

See the [2021 Updates](#) section for additional information and recent examples of climate-related opportunities that we are pursuing.

## RISK MANAGEMENT

We regularly identify and assess climate-related risks throughout our operations to enhance resilience and prepare for impacts to our business. In a 2016 study, we initially identified vulnerabilities in our water sources, including surface water, groundwater, and purchased water. Our initial [Climate Change Update](#) outlines these risks and the factors that can influence our risk forecasts.

In 2020, we began collaborating with a third party on a multiphase initiative to update and expand on this work. Through this, we developed our Climate Change Risk Assessment and Adaptation Framework. This comprehensive study further identifies and prioritizes the climate-related impacts to our operations, facilities, and water supply portfolio; helps us more fully understand and integrate climate-related impacts into our demand forecasts; and develops the steps for prioritizing actions for addressing climate risks over time. This allowed us to measure the exposure, sensitivity, and adaptive capacity to climate hazards:

- Exposure ratings were assigned to climate indicators and time horizons on a scale (low, moderate, or high) based on a combination of GIS-based asset exposure and operational exposure.
- Sensitivity ratings were assigned on a scale (low, moderate, or high) based on the impact to performance of operations and assets.
- Adaptive capacity ratings were assigned on a scale (low, moderate, or high) based on the ability to adjust and mitigate potential impacts.

To compare and prioritize risks, we estimated the consequence level of the hazards on the business and the likelihood of disruption or failure of our systems. We evaluated the risks at a district level to determine the key risks for each district related to supply reliability

and operational assets. We also considered the impacts on Disadvantaged Vulnerable Communities (DVCs), which often are disproportionately exposed to climate hazards and have a lower capacity to adapt to these hazards. These risks may compound existing health or economic issues in DVCs. To understand the implications, we mapped DVCs overlapping with our districts, determined the DVC criteria met in each district, and identified key risks for districts that serve a large portion of DVCs. Finally, we prepared and prioritized relevant adaptation strategies to inform actions for mitigating risks and improving resilience. With this critical tool, we intend to develop and implement programs to capitalize on these adaptation strategies as we continue to execute our overall climate change strategy.

## METRICS AND TARGETS

Although we own facilities in a number of states, more than 90% of our operations are located in California, which has therefore been the focus of our more detailed climate data collection and analysis to date. We continue to mature our enterprise-wide greenhouse gas emissions and energy consumption data to assess our contributions to climate change and manage our environmental impacts across our operations. See the [2021 Updates](#) section and our [2021 ESG Analyst Download](#) for our latest energy and emissions data trends.

Our objectives for climate mitigation focus on our fleet, facilities, and operations related to electricity use, customer conservation, and low-carbon solutions. To drive our climate change mitigation strategy, we have set multiple targets, including:

- Develop a company-wide electric vehicle strategy, including a plan to purchase 100% zero-emission passenger vehicles in California by 2035.
- By 2023, develop and begin implementing an enterprise-wide renewable power purchasing strategy to pursue opportunities to increase renewable electricity use and decrease Scope 2 greenhouse gas emissions.
- In the next 10 years, invest no less than \$5 million in emissions reducing energy solutions, such as renewables and low-carbon energy sources.





# 2021 Updates

In 2021, we completed our Climate Change Risk Assessment and Adaptation Framework, which focuses on understanding climate-related risks that could affect our districts in California and will inform our ongoing management approach to mitigate the impacts of climate change. We also submitted our General Rate Case and Infrastructure Improvement Plan for California in 2021. Our proposal requests approval to invest approximately \$1 billion in capital expenditures from 2022 through 2024, many of which are related to climate change, including main line replacements to reduce water loss, water quality treatment needed to address higher source temperatures, and projects to better prepare us to respond to wildfires and associated interruptions in power, such as emergency generators, pumps, and control valves.

Additionally, we developed an interactive tool to provide quantitative estimates of Scope 1, 2, and 3 greenhouse gas emissions in California by individual district and statewide. The tool also quantifies the energy and greenhouse gas emissions intensity of water produced, so we can assess ways to incorporate the least energy-intensive water sources in our supply portfolio.

In 2021, we also made progress in enhancing our data collection by expanding the scope of our climate data to our smaller subsidiaries, Hawaii Water, New Mexico Water, and Washington Water. As we continue to build on this progress, we hope to broaden our in-depth energy and emissions data analyses to include all of our operations.

## OPERATIONAL EFFICIENCY

Throughout our operations and facilities, we implemented projects intended to help improve operational energy efficiency and management:

- **Energy management system:** Guided by the ISO 50001 standard, we initiated a project to implement an Energy Management System (EnMS) for detailed measurement and assessment of our energy consumption and costs in California. This EnMS should allow us to evaluate performance energy and efficiency data to identify energy optimization strategies and define energy-related policies and objectives.
- **Asset replacement program:** In 2021, we completed more than 50 water pump and motor replacement projects, and we performed almost 600 pump efficiency tests to prioritize future upgrades.
- **HVAC systems:** Based on our building energy audits and modeling, we are optimizing HVAC systems at our Customer Support Services (CSS) headquarters.

- **LED lighting:** We have replaced lighting at our CSS campus with efficient LED lighting, and our water quality laboratory renovation also included installation of LEDs.
- **Data center redesign:** The data center at our headquarters is one of the larger contributors to our energy consumption, so we are evaluating opportunities to maximize energy savings by improving efficiency of the space and leveraging technological advancements that require less equipment.
- **Copier upgrades:** We replaced copiers in our buildings with more energy-efficient models.

## FLEET ELECTRIFICATION

We completed a comprehensive assessment of our fleet and identified strategic opportunities to electrify it. Elements of our strategy include:

- Validating replacement cycle guidelines for key vehicle types
- Exploring financing methods to mitigate initial costs of electric vehicles
- Examining the availability and feasibility of electric vehicles and charging infrastructure for our operations
- Procuring more hybrid and electric vehicles where feasible
- Advocating for support of our efforts in our next rate case

When completing vehicle upgrades in 2021, we worked to standardize vehicle selection based on job requirements, opting for smaller and more efficient vehicles where possible. In alignment with the California Air Resources Board (CARB) mandate, we also replaced older diesel trucks with newer, lower-emitting engine alternatives.

## RENEWABLE ENERGY

In 2021, we completed construction on an in-line hydro turbine system in Waikoloa, Hawaii, which should generate electricity from water flowing downhill through a pressure-reducing valve station to offset power used to pump drinking water from wells. When commissioned in 2022, this system is expected to have consistent electrical generation capacity of about 75 kilowatts and estimated annual production of approximately 600,000 kilowatt-hours. This technology represents a sustainable energy source that is designed to reduce the water system's environmental footprint and offer cost savings that can be passed on to our customers.



## Exploring an On-Demand Response Program

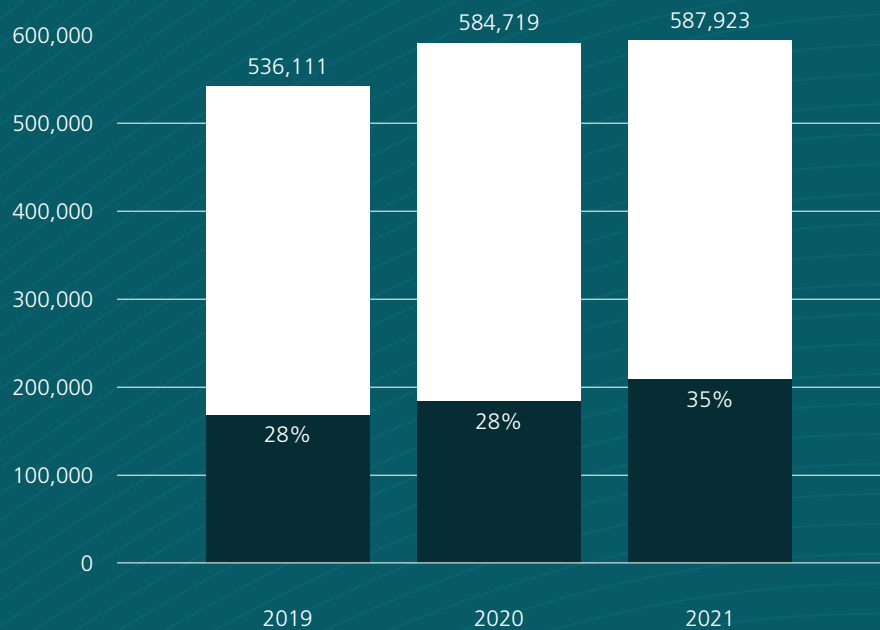
We recently finalized a pilot study with the Electric Power Research Institute (EPRI) for a demand response program in East Los Angeles. This report showed that participation in the program led to reduced power usage during demand response event periods. The study also demonstrated our operational flexibility to potentially expand our engagement in demand response events across the Company. By partnering with EPRI to pilot this program, we have supported research to understand the viability of demand response within the electric utility industry and have illustrated our successful participation in such programs.



# 2021 Updates

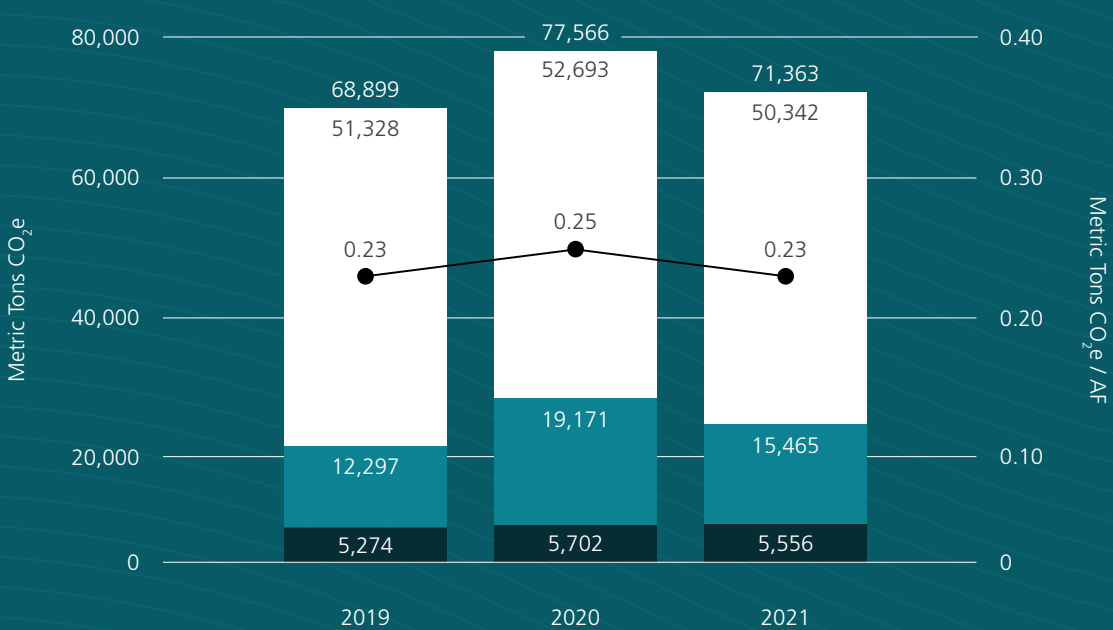
## Cal Water Energy and Emissions Metrics<sup>[1]</sup>

CAL WATER YEAR-OVER-YEAR TOTAL ENERGY CONSUMPTION (GJ)<sup>[2]</sup>



Percentage of Renewable Energy  
Total Energy Consumption

CAL WATER YEAR-OVER-YEAR GREENHOUSE GAS EMISSIONS (METRIC TONS CO<sub>2</sub>e)<sup>[3]</sup>



Scope 1 (Direct/Fuel)   Scope 2 (Energy Indirect/Electricity)  
Scope 3 (Water Purchases and Customer Water Use)  
GHG Emissions Intensity of Water Produced (Metric Tons CO<sub>2</sub>e / AF)

-64%

change in Cal Water’s total (Scope 1, 2, and 3) GHG emissions from baseline year (2000)

-8%

change in Cal Water’s total (Scope 1, 2, and 3) GHG emissions from previous year (2020)

[1] Historic data have been corrected from disclosures in our 2020 ESG Report where applicable due to increased scope of data collection and/or improvements in calculation methodologies. We use production data from on-site renewable power sources, as well as direct consumption and renewable energy content data from our electricity and natural gas utilities, fleet management systems, and fuel vendors for our energy and emissions calculations. Increases in energy consumption and emissions from previously reported figures are primarily due to the expanded scope of our data collection to include additional sources of energy use across our value chain. Year-over-year increases in energy consumption and emissions can be attributed in part to increased consumption in existing customer accounts and/or acquisitions and new customer accounts coming online (22,400 additional customer connections came online in 2020, compared to an increase of 4,600 customers in 2021). Although we are committed to minimizing our carbon footprint, our ability to make investments to reduce our emissions is limited because such investments must be supported by our regulators, the state public utilities commissions. As we continue to mature our climate change strategy, we will focus on what we can control and advocate for meaningful progress from our regulators. Please see the [ESG Analyst Download](#) for Group-wide energy and emissions data.

[2] GJ = gigajoule. The percentage of energy consumed that is renewable energy includes energy generated from on-site renewable power sources, as well as the portion of our grid electricity consumption from eligible renewable power sources, per the California Energy Commission Renewable Portfolio Standard Eligibility Guidebook, Ninth Edition (Revised). Increases in use of electricity from renewable sources is due primarily to higher availability of renewable power content from our electric utilities and increased electricity supply from Community Choice Aggregators.

[3] CO<sub>2</sub>e = carbon dioxide equivalent; GHG = greenhouse gas; AF = acre-foot. In accordance with the Greenhouse Gas Protocol Corporate Standard, Scope 1 and 2 emissions include those associated with our direct fossil fuel consumption and indirect energy consumption from purchased electricity, respectively. Scope 3 includes emissions embedded in water we purchase from wholesale providers, as well as an estimate of the emissions required to collect, treat, and dispose of wastewater generated by our customers. Scope 3 emissions were estimated using either emission factors reported by the water and wastewater service providers or with data published by the United States Environmental Protection Agency (EPA). Emissions ratios for our emissions calculations are based on the EPA’s Emissions & Generation Resource Integrated Database (eGRID2019 and 2020). Standard regression-based data interpolation techniques were used in cases where direct estimates of electricity or fuel consumption were not available.

## Our Management Approach

For information on the governance of this topic, see the [ESG Governance Matrix](#).

Our public policy outlines our commitments for this topic:

- [Environmental Sustainability Policy](#)

### SUPPLY RELIABILITY

The effects of climate change, including temperature increases and droughts, can impact supply availability by causing decreases in snowpack storage, surface water, and groundwater recharge. We continue to evaluate existing and future water supplies, forecast demand over time, and mitigate any supply limitations. In taking deliberate steps to support these priorities, we maintain a forward-looking approach and actively engage with regulatory agencies to align with legislative requirements. The passing of California's Sustainable Groundwater Management Act (SGMA) of 2014 set forth a statewide framework to help protect groundwater resources over the long term. The Act required most basins to establish a local groundwater sustainability agency (GSA) in priority areas by 2017, develop a sustainability plan by 2022, and show progress toward sustainability by 2027. After full SGMA implementation, nearly all of our groundwater in California will be sourced from sustainably managed and adjudicated basins.

We continue to participate in GSAs in our service areas to address concerns about groundwater levels, storage availability, seawater intrusion, water quality degradation, and land subsidence. We also partner with other GSAs to enhance their local groundwater sustainability plans by reviewing potential projects and participating on appropriate boards and committees. To further drive meaningful investments, we support acceleration of the SGMA process to reflect the urgency of sustainably managing our groundwater sources.

Our Urban Water Management Plans (UWMPs) and Water Shortage Contingency Plans (WSCPs), which we prepare for our California Districts, are foundational to supporting our long-term water resource planning to meet our customers' current and future demand. In conjunction with our UWMPs and WSCPs, district-level Water Supply Reliability Plans further describe and evaluate sources of supply, efficient uses, reclamation, and demand management. However, water management does not happen in isolation; these plans are informed by and help to inform other planning processes to provide a reliable supply of water to our customers. For more information about our management plans, see the table [Managing Our Water Service](#).



Using our plans to direct our approach, ongoing initiatives include, but are not limited to:

- **Responsible groundwater extraction:** We monitor groundwater levels across our states, seek to avoid extracting water from basins with limited supply where possible, and diversify our water sources. For example, during periods of surface water surplus, we may increase our use of surface water and decrease groundwater pumping to support aquifer recovery. We also pay well pump taxes that support groundwater recharge facilities in most of our managed groundwater basins. These efforts represent significant actions to preserve the integrity of these water sources and contribute to responsible water service.
- **Preparing for new water sources:** To meet regulatory requirements and bring additional groundwater wells online where needed, we proactively accelerate maintenance and treatment projects.
- **Water budgeting:** We have considered options to customize water budgets for individuals in the future and have received input on these potential opportunities. These budgets incorporate the efficient use of water indoors and outdoors based on specific customer information, such as landscape size and local climate.
- **Collaboration with authorities:** We collaborate with court-appointed watermasters and groundwater authorities that provide oversight for the West and Central Basins in Los Angeles.
- **Partnership with the PPIC:** We provide funding, serve as reviewers and advisors, and supply data for PPIC research projects that concentrate on groundwater management, climate-related impacts on wastewater and recycled water, and drought resilience.
- **Alternative funding mechanisms:** As we plan long-term projects such as asset installations and infrastructure upgrades, we pursue grant funding to support cost-effective solutions. We have requested more than \$8 million in funding to pursue five projects that support effective drought management.

2.2

## Water Supply Management, Reliability, and Resilience

Our ability to source and deliver a reliable supply of safe, high-quality water directly impacts access to water for everyday needs and firefighting in the communities that we serve. To address these impacts, we proactively manage both supply reliability, which relates to availability of water sources, as well as operational reliability, which includes the capabilities of our infrastructure and distribution network to deliver water to our customers.



As we continue to diversify our water supply, we pursue recycled water projects to supplement water availability. We are currently improving our organizational structure to identify and authorize these types of projects more efficiently, and we plan to evaluate the need for an Alternative Water Supply Project Manager to accelerate these efforts. Highlights of our projects include:

- In Hawaii, we reuse water at our resort wastewater treatment plants to offset water supply. We generate water for both high-quality reuse, such as agricultural irrigation and industrial processes, and additional supply for green spaces, and we aim to continue improving water quality to reach the highest level of reuse.
- We have continued to participate in partnerships that support the Potable Reuse Exploratory Plan, which is currently in Phase 3 and focuses on investigating direct potable reuse options in the Bay Area. This process will help us prepare for the development of uniform water recycling criteria for direct potable reuse.
- At the Tesoro Viejo Wastewater Treatment and Recycled Water Production Plant, which began delivering recycled water in 2021, we provide treated wastewater for use in irrigation, landscaping, and construction.

While implementing these initiatives to maintain access to water, we also recognize the importance of reducing customer water consumption as part of our long-term efforts and drought response. To learn more about our water conservation programs, see the [End-Use Conservation](#) section.

## OPERATIONAL RELIABILITY

We continue to work to maintain reliable service by investing in our water system infrastructure. Where possible, we prioritize upgrades to groundwater wells and pumping capacity, because groundwater from wells is generally less expensive than other sources and is, therefore, more affordable for customers.

Another key area of focus has been preparing our water systems for worsening wildfires and associated interruptions in electricity, which is critical to moving water to the customer. We have invested in additional emergency generators, power transfer switches, fire hydrants, and new water lines, with much of the emphasis on improving our ability to both move water to areas that could be isolated in the event of a wildfire and control water pressures and flows between zones in our water systems.

Supplementing our ongoing initiatives, Water Supply and Facilities Master Plans guide our strategic investments as we improve operational reliability throughout our distribution network. For each California district, these 30-year plans assess current infrastructure and forecast future needs to determine opportunities to enhance long-term reliability. For more information about our management plans, see the [Managing Our Water Service](#) table.





# 2021 Updates

We made significant progress in our efforts to systematically assess water availability and advance reliability in 2021. In addition to the Climate Change Risk Assessment and Adaptation Framework discussed previously, we collaborated with a third party to assess the climate change-related supply and water quality risks to our surface water supplies. Based on the threat likelihood, consequence magnitude, and vulnerability within our systems, we assigned a risk rating to prioritize next steps and identify mitigation strategies.

In 2021, we also began developing our Strategic Asset Management Plan (SAMP), a new framework for evaluating asset replacement projects in California with regard to the impact those assets may have on our ability to maintain operation of the water system. Based on the evaluated overall business risk of major assets—including the likelihood and consequence of failure of those assets—we expect to develop Infrastructure Improvement Plans (IIPs) that prioritize asset replacement to minimize the risk and improve our ability to maintain operation of the water system, while balancing the financial burden to our customers. We expect to complete the SAMP in 2022. We have also developed a sample IIP for Cal Water’s Willows District to evaluate the overall process and verify that the methodologies included in the SAMP meet our expectations. Individual IIPs for all districts will then be developed every three years as part of Cal Water’s General Rate Case filing, and would be based on the same risk-driven framework identified in the SAMP.

Additionally, we commenced operations of the Tesoro Viejo Wastewater Treatment and Recycled Water Production Plant to support water reuse. Wastewater comes from the local community and undergoes sophisticated treatment, including membrane bioreactor treatment and ultraviolet disinfection. At the plant, wastewater is converted to recycled water for non-potable reuse, including irrigation, landscaping, and construction.

Additional achievements in 2021 included:

- We finalized our 2020 UWMPs, which are available on our [web site](#).
- We initiated two Water Supply Reliability Studies that reflect robust scenario planning and use more conservative assumptions than required by regulators.
- We are working on more than 50 wildfire projects in 13 territories in California, 16 of which were completed in 2021 to strengthen water availability for firefighting.

- To prepare for extended droughts, we have replaced water quality filter treatments and pumps ahead of time with the goal of making sure critical equipment is ready without interruption in the dry summer months. We also have moved forward in the planning and design of capital projects in specific districts to prepare for extended drought scenarios. These projects include additional filtering ability and capacity given changing water quality of groundwater and surface water sources, as well as improvements to bring existing well sources back online.

54,000

gallons of recycled water generated on average per day at the Tesoro Viejo Wastewater Treatment and Recycled Water Production Plant

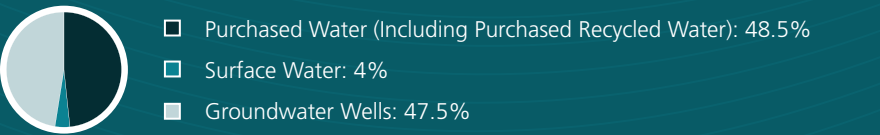
## Investigating Groundwater Recharge Opportunities

Since 2019, we have been evaluating a potential groundwater storage facility project to improve water supply reliability in our Visalia District. Through this initiative, we expect to secure surplus surface water during wet years and divert the water to recharge groundwater in areas that overlie the Kaweah Sub-basin, the sole source of supply for the Visalia District. The supply will percolate into the basin for later extraction during dry years. Currently, we are assessing the recharge potential of properties in the area by using advanced mapping techniques to evaluate the potential impediments to soil infiltration. Leveraging innovative technology allows us to identify and pursue opportunities to replenish local groundwater for our communities.

### TOTAL WATER SOURCED IN 2021 (THOUSAND M³)

Subsidiary	2021
Cal Water	382,831
Hawaii Water	17,584
New Mexico Water	2,143
Washington Water	15,800
Total	418,358

### PERCENTAGES OF WATER SOURCED IN 2021



### TOTAL VOLUME OF RECYCLED WATER DELIVERED TO CUSTOMERS (THOUSAND M³)

Subsidiary	2021
Cal Water	7,675
Hawaii Water	950
New Mexico Water <sup>[1]</sup>	0
Washington Water	0
Total	8,625

[1] We do not sell recycled water to customers in New Mexico at this time. As part of our discharge plan, we donate produced recycled water to a local homeowner’s association for landscaping.



## Our Management Approach

For information on the governance of this topic, see the [ESG Governance Matrix](#).

Our public and internal policies outline our commitments for this topic:

- [Environmental Sustainability Policy](#)
- [Water Loss Control Policy](#)

We work to reduce water loss throughout our systems and comply with related regulations by assessing and upgrading our water and wastewater assets. Highlights of our ongoing initiatives and strategies include the following:

- **Steering committee:** A Water Loss Control Steering Committee aligns our strategy across departments and includes department heads and key staff.
- **Infrastructure upgrades:** By replacing aging infrastructure and targeting components that may become more expensive to repair in the future, we proactively improve system efficiency and support affordability. Our Main Replacement Program Steering Committee guides replacement rates in our districts.
- **Meter calibration:** Implementation of our asset management reliability program includes regular production meter calibrations for wells, treatment plants, and interconnections.
- **Meter replacements:** We have prioritized the installation and accuracy of our flow meters, and we offer a customer meter testing and replacement program.
- **Leak detection:** We leverage existing and emerging technologies to record water loss information and enhance data collection, monitoring, and visualization of leaks. We also continue to perform source and customer meter testing while tracking our leak repair times to accurately estimate water loss.
- **External engagement:** We engage in the stakeholder workgroup process and development of performance standards for water loss control that were initiated by the California State Water Resources Control Board.

A high-quality water loss control program, maintained in each of our states, tailors our approach to state-specific needs and regulatory requirements. For example, in Washington, we develop a mitigation plan for systems that exceed the state's water loss limit, prepare annual reports on system losses, diligently track our performance, repair leaks, and host annual forums to educate the public on our water use efficiency efforts. Additionally, our Water Loss Auditing and Control (WLAC) program in California focuses on strategically enhancing our field practices, data management, and distribution system efficiency to

reduce water loss and provide accurate revenue generation. Supported by ongoing workshops and training, multiple WLAC subcommittee teams collaborate across departments to collect data and guide our analysis. This program also documents water loss auditing and control standards to maintain compliance with current and future statewide water loss regulations.

A high-quality water loss control program, maintained in each of our states, tailors our approach to state-specific needs and regulatory requirements.

2.3

## Water System Efficiency

Efficiency in our distribution network and infrastructure minimizes water loss and reduces energy demand, reducing both environmental impacts and customer costs. Ongoing maintenance also reduces water loss and prevents discharges to the environment.





# 2021 Updates

We initiated the following steps to reduce water loss in 2021:

- **Infrastructure investments:** Across Group, we invested \$293.2 million in water system infrastructure for supply and system reliability improvements that included installing or replacing 48 miles of water pipeline, replacing two pump stations, and installing 17 permanent backup power generators.
- **Pilot studies:** We developed pilot studies to test innovative solutions that proactively assess and manage leaks, and ultimately reduce water loss. One pilot program focuses on leakage reduction technologies, such as manual acoustic surveys, acoustic sensors deployed on infrastructure, remote imaging analysis, and zone segmentation to track flow and usage in metered areas and target zones of higher water loss. Another pilot study focuses on main breaks and provides a reporting application to capture more accurate leak data and provide insights that contribute to our main replacement program. The pilots are expected to be implemented in 2022.
- **Reporting tools:** We recently upgraded our reporting tools to visualize monthly production values and any losses in our California districts. Our WLAC subcommittees on production data and meter testing led this cross-functional effort to consistently provide automated reporting and gather accurate totals. Data on use and demand offer valuable information for our financial accounting and planning teams while meeting state requirements.
- **Data visualization:** Improvements in data management have advanced our approach for water loss and reporting in California. In alignment with applicable requirements, we conduct an annual validated water audit of 49 water systems and prepare a water loss report to record key findings about water supply production and loss. Our interactive leak dashboards visualize water losses in our systems to illustrate types of leaks, number of leaks currently being repaired and reported, leaks by pipe material, and trends over time for each operating district. Additionally, Tableau dashboards track water supply, sales, and non-revenue water that represents the difference between supply and authorized consumption. With these tools, we can perform pulse checks to investigate and address potential errors, compare to historical data to confirm anomalies, and identify key events that can impact results. We continue to implement training for employees to leverage these dashboards and strategically target water loss.

## INFRASTRUCTURE MANAGEMENT

Metric	2020	2021
Volume of non-revenue real water losses for Cal Water (thousand m³)	15,373	13,606
Water main replacement rate for Cal Water	0.66%	0.45%







2.4

## End-Use Conservation

One of the most significant ways we mitigate climate change is by helping our customers conserve water, which, as a result, also saves the energy required to treat and deliver the water. And water conservation is not just good for the planet, it also helps us weather increasingly severe droughts.

## Our Management Approach

For information on the governance of this topic, see the [ESG Governance Matrix](#).

Our public policy outlines our commitments for this topic:

- [Environmental Sustainability Policy](#)

We are committed to helping our customers use water efficiently and have developed a range of water conservation programs to support this goal. To help us provide the right mix of programs in the most cost-effective manner possible, we routinely conduct comprehensive conservation program analyses and planning via our Conservation Master Plans. These plans, which are developed on a five-year cycle, evaluate and summarize our variety of conservation measures, plans for implementation, and costs associated with these programs in each district. We also maintain a Drought Response Program and WSCPs that describe prohibited uses of water and outline our plans to address droughts. For more information about our management plans, see the [Managing Our Water Service](#) table.

We offer multiple programs to encourage customer conservation, including:

- Customized incentive programs for commercial customers
- Rebates for high-efficiency toilets, clothes washers, smart irrigation controllers, and high-efficiency sprinkler nozzles
- Conservation kits for customers that include high-efficiency showerheads, hose nozzles, faucet aerators, and leak detection tablets
- The Cal Water H<sub>2</sub>O Challenge, which is a project-based, environmentally focused competition for classrooms and school clubs, grades 4–6
- Informational fact sheets, online resources, local water conservation reports, and other opportunities to learn about conservation and efficiency
- A Smart Landscape Tune-Up program that installs efficiency improvements and repairs leaks in customers' irrigation systems at no cost to them while specifically targeting low-income customers
- Lawn-to-Garden and Spray-to-Drip programs that offer rebates to customers for replacing their lawn with low-water-use landscaping or converting from standard spray irrigation to a more water-efficient drip system





We also engage in external programs and associations that support conservation, including:

- Participation in the Environmental Protection Agency (EPA) WaterSense program
- Membership in the Alliance for Water Efficiency
- Service on the Board of Directors for the California Water Efficiency Partnership
- Collaboration with the American Water Works Association

Our subsidiary web sites provide additional information about conservation opportunities and resources.

We are committed to helping our customers use water efficiently and have developed a range of water conservation programs to support this goal.



# 2021 Updates

We made significant progress in our efforts to reduce demand and improve conservation in 2021:

- All California districts met their demand reduction targets tied to the 20 x 2020 targets adopted by the State of California; results are available in the 2020 UWMPs on our [web site](#). We also have an ESG objective to meet the new incoming targets for per-capita water use for each district.
- We completed our most recent Conservation Master Plans, which are available within the UWMPs on our [web site](#).
- We progressed our advanced metering infrastructure strategy by finalizing the cost-benefit model, presenting findings to our officers, and engaging a third party to develop our application to the California Public Utilities Commission.
- Our Smart Landscape Tune-Up program received an impressive response in 2021 and was featured in the EPA publication “[Assistance That Saves](#).” We completed nearly 940 evaluations, installed over 6,000 high-efficiency nozzles, and installed more than 230 weather-based irrigation controllers. Through this program, customers have achieved an annual water savings of nearly 48,440 cubic meters (nearly 13 million gallons) and a lifetime water savings of about 371,700 cubic meters (over 98 million gallons).

47.8

million gallons of water saved by our customers in 2021 from water-saving efficiency measures across our 24 California districts

100%

of water utility revenues from rate structures that are designed to promote conservation and revenue resilience



## Increasing Affordability by Promoting Conservation

We completed a study linking end-use conservation and affordability by analyzing how conservation efforts have lowered operating costs and provided financial benefits for ratepayers. The study focused on five representative districts reflecting the diverse geography, climate, supplies, and social demographics of customers in California. Results revealed that conservation has a long-term benefit in all five districts, with the greatest benefit being in high-cost areas. For example, the analysis indicated that lower per-capita water demand between 2010 and 2019 reduced operating costs by 3.2% to 19.9% in the five districts included.



## Our Management Approach

For information on the governance of this topic, see the [ESG Governance Matrix](#).

Our public policy outlines our commitments for this topic:

- [Environmental Sustainability Policy](#)

Our annual goal of zero environmental violations and penalties from non-compliance with regulations is our guiding target for our environmental management program. If any issues occur, we have processes designed to promptly report them to the appropriate regulatory entity, examine the causes of the violations, and implement steps to avoid future violations.

As we aim for violation-free performance, our programs for compliance and permitting protect the natural ecosystem and support healthier habitats. For example, we have implemented projects to protect local species while installing infrastructure, and we continue to follow regulatory guidance to restore our natural environments.

### WATER DISCHARGES AND WASTEWATER TREATMENT

Our Environmental and Water Quality Departments collaborate to comply with relevant permits and regulations related to effluent management and discharge treatment, such as those issued by the National Pollutant Discharge Elimination System (NPDES). As environmental management standards and requirements evolve, we monitor regulatory changes and promote open communication with legislative bodies. Proactive dialogue improves our ability to prepare for compliance with new regulations and designate sufficient time and resources to meet the requirements. We also continue to monitor future mandates to remove various contaminants of emerging concern and opportunities to implement additional treatment technologies for wastewater constituents.

To effectively manage our water effluent quality, we evaluate treatments and technologies on an industry-wide level, discuss options with our suppliers, and conduct audits to help maintain compliance. We provide a Discharge Management Guidance Manual, and our employees also receive annual training on water discharge practices, including effluent and potable water discharges as well as discharges related to groundwater treatment.

Our potable water systems and wastewater treatment plants include chlorinated water that can be harmful to aquatic species in the event of an unregulated release, so we prepare response plans to address any emergency events, such as sudden infrastructure failures. These emergency procedures also incorporate input from a third-party biologist and engage field crews to respond and neutralize the treated water before reaching sensitive water sources. In locations where regulations do not exist, we typically assess the specific pathways of discharges to understand effects on the local water bodies and species, track our impacts, and establish best practices.

Our annual goal of zero environmental violations and penalties from non-compliance with regulations is our guiding target for our environmental management program.

We complete regular inspections, cleaning, and maintenance of our sewer systems to aim for zero sanitary sewer overflows. Our teams conduct visual and/or audio inspections of our wastewater collection and treatment systems, including the use of Closed Circuit Television Video inspection in some cases to avoid invasive methods. Inspection frequencies vary by type of inspection. For example, while all inspections are required to be completed at least annually, plant and lift station inspections should occur daily, while sewer manhole inspections must take place monthly, quarterly, or annually depending on the criticality.

We also conduct regular maintenance of our wastewater treatment systems to reduce the risk of flooding or blockages. Depending on the system, this may include anything from cleaning systems with high-pressure cleaning equipment, pumping out a chlorine contact chamber, or removing solids or debris build-up. Our inspection and maintenance activities are designed to follow applicable environmental regulations in each of our areas of operation, and we work to hold the necessary permits to achieve compliance for our wastewater treatment systems, such as a Sanitary Sewer Management Plan for our wastewater collection systems in California, as well as a Basis of Design and Engineering report for each of our wastewater treatment plants in Hawaii.

Longer term solutions to prevent sanitary sewer overflows and blockages include educating our customers about the impact of fats, oils, and grease to collection systems; planning ahead for expanded operations when we anticipate increased demand and capacity needs for wastewater treatment; and proactive repairs and maintenance informed by regular inspections.

For sewer sludge treatment and disposal, we use various methods across our systems, including membrane bioreactors, moving bed bioreactors, land application, sludge lagoons, and dewatering for offsite disposal as biosolids.

In addition to treating water for conventional effluent disposal, we treat certain wastewater for non-potable reuse and strive to increase recycling of treated wastewater in our operating locations. For more information on our recycled water programs, see the [Water Supply Management, Reliability, and Resilience](#) section.

2.5

## Environmental Management and Compliance

As a water and wastewater utility, we have a responsibility to minimize negative environmental impacts from our operations, which may include unplanned wastewater discharges, chemical spills, air or water quality violations, ecosystem degradation, or other risks. We continue to enhance our environmental management program and maintain compliance with regulations to support healthier and diverse habitats, help preserve and improve water quality in the environment, and mitigate financial and reputational risks. Our leadership oversees our approach to waste and wastewater discharge, and our local teams handle state-specific permitting to align with relevant standards and laws.





To minimize our waste footprint, we strive to reduce our non-hazardous waste by pursuing recycling programs and repurposing materials, while balancing affordability and feasibility.

WASTE MANAGEMENT

We promote sustainable waste management across our operations through reduction, reuse, and recycling efforts. Under our policies, we manage any waste identified as hazardous with oversight from an internal environmental expert to meet regulatory requirements. Additionally, we provide annual hazardous waste management training to operations and laboratory employees in California. Our largest waste stream consists of hazardous chromium waste from our water treatment processes; so in 2017, we modified our treatment process to reduce and recycle this waste, which reduced average chromium waste volumes by approximately 70% post-installation. We also continue to monitor and mitigate historical contaminants within our systems. For example, we have proactively engaged in remediation efforts to voluntarily remove residual mercury found in material from system components that were removed decades ago, and we engage with local agencies for voluntary oversight of waste cleanup during site remediation activities.

Because chemical spills are a risk at our sites, our environmental management team oversees permits in California for properly managing chemical storage, particularly at our water treatment plants that contain additional chemicals. For other states, we align with applicable regulations, but generally do not use chemicals in significant quantities that require extensive permitting.

To minimize our waste footprint, we also strive to reduce our non-hazardous waste by pursuing recycling programs and repurposing materials, while balancing affordability and feasibility.

- **Production waste:** For our production waste, we generate relatively minor waste streams and handle each case based on the material and recycling options in each of our service areas. Our priority is to reduce the amount of waste generated where possible, followed by seeking options to reuse or recycle. One example of our reuse efforts: We provide the sandblast waste materials from water storage tank cleanings for use in road construction.
- **Office waste:** We manage our office waste through an external service that provides separate containers for recycling paper products and collecting wet compost. Throughout our campus in San Jose, Calif., we also gather bottles and cans in recycling bins and donate these to a local church that recycles the materials to finance a program that installs water wells in developing countries. We also recycle batteries and light bulbs through a third-party vendor.
- **E-waste:** Our Information Technology (IT) Department collaborates with external vendors to recycle e-waste, such as IT equipment and electronic components. In California, most e-waste is sent to CSS and then recycled through a third party. In our other states, we utilize this partnership, as well as local e-waste companies, to recycle e-waste.

Employee safety is a top priority, so we seek to provide the appropriate protective equipment, tools, and training to employees who may interact with waste. We also pursue alternative safer materials that offer lower toxicities when possible to further safeguard our employees and minimize risks to the environment.

MATERIAL SOURCING AND CONSUMPTION

We strive to eliminate unnecessary material consumption and encourage environmentally conscious alternatives in our operations to avoid excess waste generation and promote sustainable consumption. For example, by more accurately estimating chemical purchasing needs and ordering efficiently for our water quality laboratory, we are able to reduce the volume of chemicals that expire before use and require disposal. Additionally, we use green building standards such as LEED as a framework when renovating or constructing new buildings. For other environmental initiatives in our offices and facilities, see the [Climate Change, Energy, and Emissions](#) section.





# 2021 Updates

Our performance in 2021 reflects our dedication to effectively managing impacts from our waste and water discharges:

- To enhance our effluent management in 2021, we refreshed our discharge management training for California and organized training sessions in each district. We also created a Discharge Management Guidance Manual and provided copies for service vehicles.
- In California, we completed the final mercury remediation projects for all sites.
- The Washington State Department of Ecology presented an Outstanding Performance Award to our team in Washington for our water quality compliance and strong health and safety performance at the Rosario Wastewater Treatment Plant. For more information, visit our [web site](#).

We also incorporated initiatives to support responsible consumption in our facilities:

- We implemented a standard to install bottle refill stations for drinking water in new buildings to reduce reliance on single-use plastic water bottles.
- In our newly updated water quality building, we support responsible forest management by using wooden furniture and work surfaces certified by the Forest Stewardship Council.

## SANITARY SEWER MANAGEMENT

Metric	Subsidiary	2021
Average volume of sanitary sewer wastewater treated per day in 2021 (m³ per day)	Cal Water	204
	Hawaii Water	4,065
	New Mexico Water	1,387
	Washington Water	189
Number and volume (m³) of sanitary sewer overflows in 2021	Cal Water	0
	Hawaii Water	2 (1,778 m³)
	New Mexico Water	4 (9.84 m³)
	Washington Water	0







## 3.0

# Supporting Our Communities

3.1 Community Support

3.2 Stakeholder Engagement and Public Participation

3.3 Emergency Preparedness and Response



## Our Management Approach

For information on the governance of this topic, see the [ESG Governance Matrix](#).

We contribute time, money, and materials to a range of community-based organizations. Our Community Affairs & Government Relations team collaborates with local management in each district to develop a custom approach for contributions and plan relevant activities. We strive to refine our corporate giving strategy to adapt to changes in stakeholder needs.

Although the pandemic has limited our in-person engagement, we continue to support charities and foster partnerships. Examples of our ongoing initiatives include:

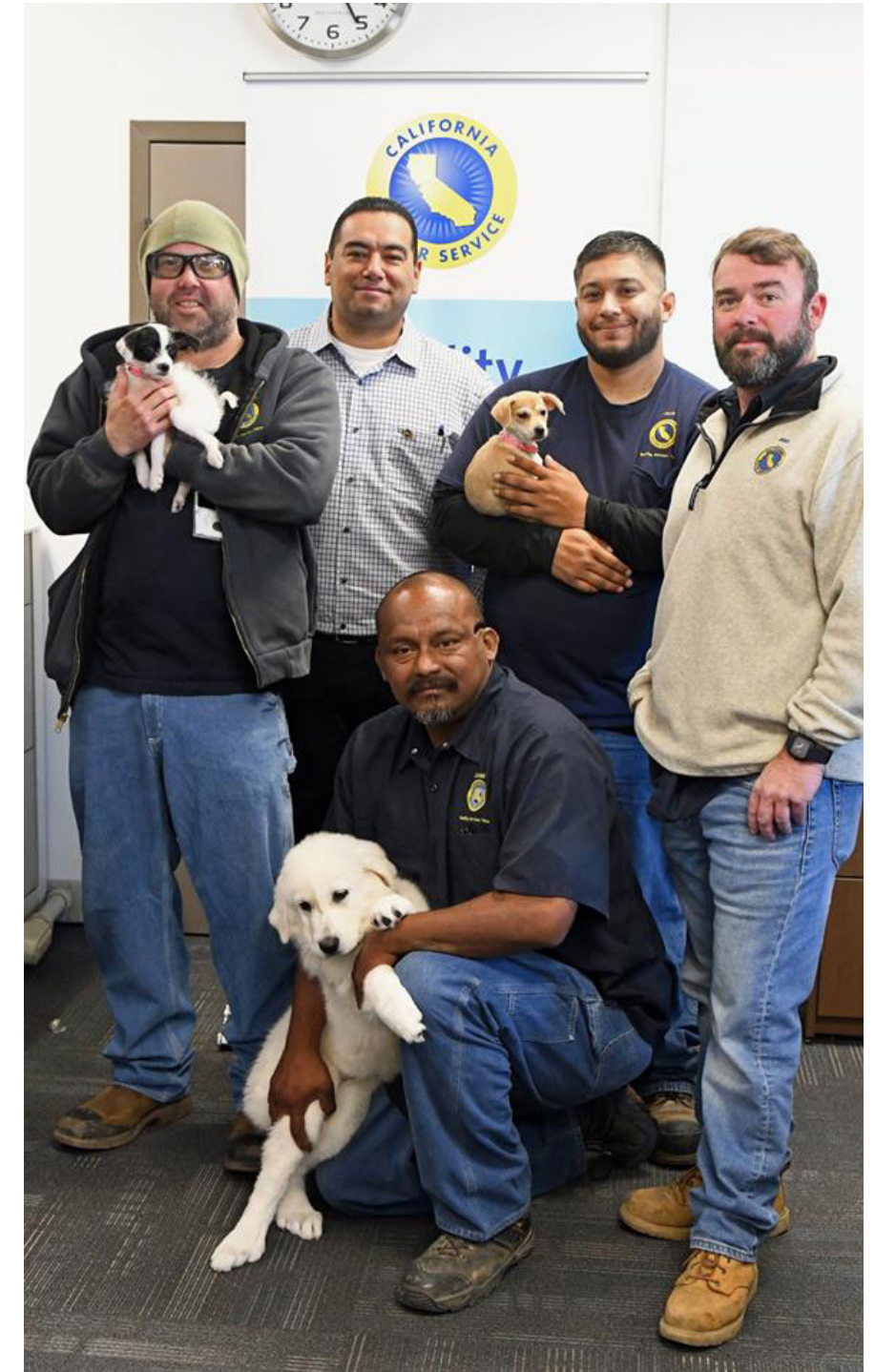
- Through our annual Firefighter Grant Program, we provide funding to fire departments for life-saving equipment, training, and other necessities.
- Our annual college scholarships allow students in our service areas to pursue higher education or vocational training. Awards are based upon community service, academic achievement, and financial need.
- In Washington, we partner with All Kids Win, which provides food to local students to promote success in school.
- We continue to support undergraduate research and the Engineering School at California State University, Bakersfield, where many students are from the economically challenged Central Valley and are first-generation college students. Please see our [web site](#) for further information.
- Through our partnership with the California Association of Science Educators and DoGoodery, we sponsor an annual Cal Water H<sub>2</sub>O Challenge, which engages students in project-based learning to design solutions for local water issues.
- To amplify our impact, Group matches employee donations to eligible non-profit organizations, up to \$250 per year per employee, through our employee contribution matching program.

Additional information about our community engagement is available on our subsidiary web sites.

3.1

## Community Support

We are committed to enhancing the quality of life in our communities. Our operations create jobs and contribute to local economies while providing the safe, clean, and reliable water and wastewater services every community needs to grow and thrive. More directly, we support charitable organizations that share our commitment to making our communities better. By investing locally and building partnerships, we promote opportunities that foster growth, education, and wellbeing.





# 2021 Updates

We donated a total of approximately \$2.2 million to local organizations through our philanthropic efforts in 2021. Highlights include:

- In last year's cycle of our annual Firefighter Grant Program, we increased funding by 18% to provide a total of \$174,500 to eight local fire departments. Funds are to be used to obtain updated personal protective equipment, lightweight and durable gear, new nozzles and hoses, and other emergency response tools to improve efficiency during firefighting and rescue missions. More information is available on our [web site](#).
- Our college scholarships totaled \$90,000 for the 2021–2022 academic year, including both our community scholarship program and our program for children of employees. Please see our [web site](#) for details on the most recent recipients of the community program.
- Our executive team and Board of Directors made personal contributions totaling \$600,000. One-third went to Chico Housing Action Team for Everhart Village, a high-barrier transitional housing shelter for patients of Butte County Behavioral Health; one-third went to the Boys & Girls Clubs of America for desperately needed satellite clubs within two public housing developments in Stockton, Calif.; and one-third went to food banks, missions, shelters, and other organizations throughout our service areas. More information is available on our [web site](#).
- For every COVID-19 test provided by our company to our employees, our testing provider donates \$5 to Santa Clara Valley Medical Center, which funds free COVID-19 testing and vaccinations in low-income communities.
- We entered into a partnership with the Monterey Bay National Marine Sanctuary Foundation, which supports the Monterey Bay National Marine Sanctuary in its efforts to protect marine life and their habitat. Our contribution will support the Foundation in providing educational opportunities for kids from disadvantaged communities, including our Salinas and King City Districts. For additional details, see our [web site](#).
- As a lead sponsor of the inaugural Operation Santa Claus in King City, Calif., we partnered with Monterey County Supervisor Chris Lopez, Assembly Member Robert Rivas, the Food Bank for Monterey County, U.S. Army Fort Hunter Liggett, the California Highway Patrol, King City, and others to provide a one-of-a-kind holiday experience for community members in need. Instead of his sleigh, Santa flew in on a helicopter to help distribute toys to more than 1,000 children and Christmas dinner to 500 local families in need.

- In collaboration with the Community Action Partnership of Kern, we purchased \$10,000 in new shoes for kids returning to school.
- We donated toilet paper and other paper goods to a homeless shelter in San Jose, Calif.
- Building on previous contributions, we committed to funding an annual scholarship at the University of New Mexico-Valencia Campus for the next 20 years.
- We sponsored the 12 Days of Christmas event benefiting All Kids Win in Washington.
- In our eighth annual Cal Water H<sub>2</sub>O Challenge, students with the winning project demonstrated how greywater can be used to solve water conservation problems. Despite the limitations of distance learning last school year, students were able to connect to their community on a larger scale. For more information, see our [web site](#).



## Partnering with Local Business to Promote Conservation

Established in 1980, La Rosa Fruit Bars and Ice Cream, Inc., operates in our Bakersfield District and uses our water to make its renowned fruit bars. In 2021, we partnered with this family-owned business to develop a limited-edition fruit bar, the "Cal Watermelon." A portion of the sales from this watermelon- and cucumber-flavored fruit bar supported the Water Association of Kern County in funding a water conservation campaign. This partnership reflects our dedication to promoting awareness of water management and investing in the communities that we serve.



# Our Management Approach

For information on the governance of this topic, see the [ESG Governance Matrix](#).

Focusing on those who may be affected by and/or have the potential to influence the success of our operations, we encourage open, consistent, and informed communication with our stakeholders. Through a variety of engagement methods, we foster meaningful relationships, receive input, identify opportunities to address concerns, and share critical information with the communities we serve. The following table summarizes our broad engagement activities.

Stakeholder Group	Primary Engagement Methods	Key ESG Topics and Focus Areas
Customers, Communities, and “Grasstop” Stakeholders (i.e. city council members, county supervisors, chambers of commerce board members)	<ul style="list-style-type: none"><li>Public meetings</li><li>One-on-one discussions and meetings</li><li>Speaking engagements and presentations</li><li>Focus groups</li><li>Interviews</li><li>Surveys</li></ul>	<ul style="list-style-type: none"><li>Community-giving initiatives</li><li>Infrastructure projects</li><li>Water affordability, equity, and rate changes</li><li>Water conservation, drought, and supply reliability</li><li>Climate change and sustainability</li><li>Water quality</li><li>Safety, emergency preparedness, and Public Safety Power Shutoffs</li></ul>
Employees	<ul style="list-style-type: none"><li>Focus groups</li><li>Meetings</li><li>Surveys</li><li>Training</li></ul>	<ul style="list-style-type: none"><li>Cybersecurity</li><li>Diversity, equality, and inclusion</li><li>Employee engagement</li><li>Safety</li><li>Water supply management, reliability, and resilience</li><li>Ethics</li></ul>
Suppliers	<ul style="list-style-type: none"><li>Supplier audits and evaluation</li><li>Contract negotiations</li></ul>	<ul style="list-style-type: none"><li>Climate change</li><li>Labor relations</li><li>Local economic impact</li><li>Supplier diversity</li></ul>

3.2

## Stakeholder Engagement and Public Participation

Proactive engagement with our key stakeholders allows us to build trust, nurture positive relationships, and incorporate external perspectives to improve our operations and practices. We demonstrate transparency and engage in discussion to inform our services and meet the individual needs of our communities. Feedback from our stakeholders is also important to our strategies for identifying and managing our ESG focus areas.



Stakeholder Group	Primary Engagement Methods	Key ESG Topics and Focus Areas
Industry Associations	<ul style="list-style-type: none"><li>• Conferences</li><li>• Participation in committees</li><li>• Memberships</li></ul>	<ul style="list-style-type: none"><li>• Regulatory relations</li><li>• Government relations</li><li>• Public policy issues</li><li>• Water affordability and equity</li><li>• Climate change and sustainability</li><li>• Water quality</li><li>• Water system efficiency</li><li>• Water supply management, reliability, and resilience</li></ul>
Investors	<ul style="list-style-type: none"><li>• Conferences</li><li>• Earnings calls</li><li>• Meetings</li><li>• Securities and Exchange Commission filings</li></ul>	<ul style="list-style-type: none"><li>• Climate change</li><li>• Customer satisfaction</li><li>• Emissions and energy consumption</li><li>• Water supply management, reliability, and resilience</li><li>• Ethics</li></ul>
Non-Governmental Organizations and Activists	<ul style="list-style-type: none"><li>• One-on-one discussions and meetings</li><li>• Speaking engagements and presentations</li><li>• Focus groups</li></ul>	<ul style="list-style-type: none"><li>• Safety, emergency preparedness, and Public Safety Power Shutoffs</li><li>• Water conservation and drought</li><li>• Water affordability and equity</li><li>• Water quality</li><li>• Climate change and sustainability</li></ul>
Regulators and Legislators	<ul style="list-style-type: none"><li>• Filings and reports</li><li>• Policy research</li><li>• Lobbying</li><li>• Meetings</li><li>• Trade associations</li></ul>	<ul style="list-style-type: none"><li>• Political involvement</li><li>• Public policy issues</li><li>• Water affordability and equity</li><li>• Water supply management, reliability, and resilience</li></ul>

While conversations with community stakeholders typically occur on a weekly if not daily basis, annually, our Community Affairs & Government Relations team works with local management teams to prepare a District Engagement Conspectus. The Conspectus promotes a consistent approach to engagement across our service areas and includes resources for our District Managers, including a District Engagement Register, which provides a list of relevant community involvement and philanthropic opportunities for each service area. We encourage our management teams to contribute to our local communities through meaningful activities, such as participating in citizen advisory committees, working in service clubs, joining community boards, and engaging in various leadership roles.







We collaborate with our community partners to promote access to safe, clean, reliable, and affordable water service.

COMMUNITY ADVOCACY

We also remain committed to collaborating with our community partners to advocate for legislation and regulations that promote access to safe, clean, reliable, and affordable water service for our customers and communities. For example, we have supported federal infrastructure legislation that substantially increases funding for water infrastructure projects and establishes a federal low-income assistance program for water bills.

MEMBERSHIPS

We regularly engage external organizations through our memberships in various associations, including:

- National Association of Water Companies (NAWC)
- California Water Association (CWA)
- California Chamber of Commerce
- California Hispanic Chamber of Commerce
- American Water Works Association (AWWA)
- Alliance for Water Efficiency
- California Water Efficiency Partnership
- Water Education for Latino Leaders
- California African American Water Education Foundation
- Public Policy Institute of California
- California Foundation on the Environment and the Economy
- Bay Area Council

ENGAGEMENT TRACKING

Our district management and Community Affairs & Government Relations teams in California use a cloud-based relationship management platform to monitor, track, report on, and identify opportunities to improve our stakeholder engagement activities. The platform provides a single repository to analyze our political, regulatory, and community outreach efforts—including the channel, tone, location, issues, participating team members, and stakeholders involved in each interaction. In the coming years, we will continue to integrate this tool throughout the Company to collect more comprehensive data and further enhance our stakeholder engagement and public participation efforts.

2021 Updates

We completed in-depth interviews with local community stakeholders in California in 2021, collecting information that will help us enhance the ways that we interact and communicate with them. We plan to conduct interviews annually to track our performance and identify further opportunities for improvement.

Alongside our routine stakeholder engagement activities in 2021, we engaged in several public discussions focused specifically on drought management, a topic of particular importance in our more water-stressed service areas. Our leaders participated in a drought town hall and various conference panels with state agencies, elected officials, and other relevant stakeholders. We also organized in-person and virtual public meetings with customers to discuss drought management and conservation.

Last year, we continued to advocate to the California Public Utilities Commission for them to host more public participation hearings for our proceedings in which customer bills could be affected, such as Cost of Capital and General Rate Case and Infrastructure Improvement Plan proceedings. Public participation hearings provide our customers with an opportunity to learn about and, more importantly, provide input regarding the proposals that will affect their utility service.

We engaged in several public discussions focused specifically on drought management.

We also committed to partner with community stakeholders to host customer engagement and education events in low-income communities in our California districts to increase awareness of customer assistance and conservation programs and engage key stakeholders to increase public trust, build partnerships, and understand external perspectives. To learn more about our ESG objectives, see the [ESG Objectives](#) section of this report.



## Our Management Approach

For information on the governance of this topic, see the [ESG Governance Matrix](#).

Our internal policy outlines our commitments for this topic:

- [Emergency Response Plan Procedure](#)

### PREVENTION

We aim to prevent emergencies and mitigate risks through agility, proactive maintenance, and active communication. Within our facilities, we regularly inspect fire sprinklers, smoke detectors, and fire extinguishers, and we maintain direct access to exits and electrical panels. We train our employees to identify hazards and maintain responsibility in alignment with Occupational Safety and Health Administration (OSHA) 30 and OSHA 10 certification. We also conduct annual vegetation management to minimize the risk of wildfires encroaching on our facilities.

To protect our infrastructure from external threats, we also encourage employees to report suspicious activity, and we monitor communications from the Department of Homeland Security (DHS) and InfraGard, a partnership between the Federal Bureau of Investigation (FBI) and private sector to protect critical infrastructure.

### PREPARATION

We prepare for a variety of emergencies by coordinating responses across our districts, training our teams, and adhering to our “Emergency Action Guidebook.” Our employees receive this guidance, which offers hazard-specific checklists for multiple emergency situations. We also provide customized Emergency Response Plans for each location in which we operate. We conduct internal training and simulations to practice evacuation drills and test functionality of our emergency equipment. In alignment with our goal for 100% district and subsidiary participation in emergency response training, we perform annual training for employees, and we provide additional training for field employees.

To further prepare for unexpected situations, we maintain protocols to protect our water supply and invest in backup power generators, portable power sources, and other equipment to restore or maintain service through emergencies. We also prepare for emergency response in after-hours operations and provide additional customer service lines during emergency events to respond to concerns and update our customers.

Recognizing the impacts of emergencies on our communities, our Operations and Community Emergency Response Team routinely collaborate with local first responders, police departments, contractors, city employees, elected officials, electric utilities, and other key stakeholders in our districts to practice emergency response exercises and

promote community preparedness and outreach. Our Emergency Operations Centers (EOCs) train our management staff to efficiently respond in alignment with the command framework and to quickly support EOCs in other districts during emergencies. This is all designed to be accomplished in accordance with the Standard Emergency Management System and the National Incident Management System.

We put significant effort into preparing for wildfires and interruptions in electricity. Every year, our Wildfire Taskforce takes a systematic approach to confirming that our teams are adequately trained, vegetation around our facilities is maintained, facilities and equipment are functional and strategically located, and lines of communication are open with fire agencies and other first responders. Annual training includes review of our standard operating procedures to complete fire hydrant inspections, prevent fires, monitor dry weather, and respond to changes in air quality. We continue to track progress, execute tactical projects, and strategically enhance the resilience of our assets and facilities.

### RESPONSE AND RECOVERY

During emergencies, we communicate through our EOCs with external stakeholders in our communities to coordinate the distribution of equipment, resources, and support. Additionally, mutual aid programs enable sharing of resources and support to assist in response and recovery. We participate in the California Water/Wastewater Agency Response Network and California Governor’s Office of Emergency Services programs that provide systematic organization for mutual aid requests and offer collective approaches to protect our communities during emergency events. We continue to engage other state organizations in implementation of equivalent programs.

After crises occur, our recovery efforts include measures to support our employees and communities. For affected customers, we provide water, food, and information through our Commodity Points of Distribution, and our disaster relief plan offers bill discounts and other measures to help those who have lost their homes. We aid in the emotional wellness and recovery of our employees through our peer-to-peer support program and our professional CareBridge Employee Assistance Program. For more information on our employee health and wellbeing services, see the [Compensation, Benefits, and Employee Wellbeing](#) section.

Through our external partners, we sustain operations to deliver safe water to our customers throughout the recovery process and can establish mobile offices to contribute to Continuity of Operations Planning. After emergencies, we use After Action Reports to evaluate our response by tracking alignment with regulatory requirements. Additionally, we use our Post-Incident Evaluations to identify improvement opportunities. Each year, we complete a thorough review of our most significant emergency events and seek to incorporate the results of our discussions into training and planning for the next year.

3.3

## Emergency Preparedness and Response

We are susceptible to a variety of potential emergency events in our areas of operation, including earthquakes, floods, droughts, wildfires, security breaches, spills, Public Safety Power Shutoffs, water contamination events, and more. As a water and wastewater service provider, preparing for and responding to emergencies is critical for business resilience, protection of local ecosystems, and our ability to provide a reliable supply of life-saving water to our communities during times of crisis. Our culture of preparation has also enabled our multifaceted response to the COVID-19 pandemic, and we continue to update our approach to maintain safety and service as conditions evolve.



# 2021 Updates

Our Engineering and Operations teams completed various capital projects to mitigate wildfire risk and improve our resilience. We installed 42 automatic power transfer switches, purchased 18 portable generators, and finished multiple projects to provide backup power during wildfires and Public Safety Power Shutoffs in 2021.

To augment the Wildfire Taskforce's efforts, we are forming regional Operations Rapid Response Teams. These teams will have advanced training on first aid and cardiopulmonary resuscitation (CPR), emergency response leadership, safety, and water system operations, and are intended to be ready to deploy at a moment's notice.

America's Water Infrastructure Act (AWIA) of 2018 includes a federal mandate to assess our water systems for all threats related to terrorism and natural hazards. We completed risk and resilience assessments to identify vulnerabilities and quantify costs, and we have incorporated findings into our Emergency Response Plans. These procedures outline actions to mitigate risks, detect threats, and respond quickly and efficiently. We achieved compliance with AWIA by the end of 2021, and we used this opportunity to improve the resilience of our systems, while enhancing safety for our employees and physical assets.

Also in 2021, we activated 11 EOCs to directly respond to emergency events, and we hosted 17 EOC training engagements across our states and districts to discuss our collective approach and review our plans. Attendees of the various training events included Company employees and a diverse group of community members, such as councilmembers, public works employees, fire marshals, and other city officials. Despite the challenges of holding virtual events during the pandemic, we enhanced communication and continued to safely sponsor EOC events that improve our emergency preparation and response efforts.

We directly responded to a variety of emergency events in 2021. Examples include the following:

- Our teams mobilized quickly to establish an EOC and respond to the French Fire in the Kern River Valley, which presented significant challenges due to extremely high temperatures, low range of humidity, and unfavorable wind speeds. The French Fire affected a wide range of our departments because of the impacts to our water service and surface water treatment systems. Damage to one of our stations depleted system pressure, but we quickly reconstructed a portable booster pump station and restored operations to provide water for firefighting and avoid water quality violations. Our executive leaders were directly involved in incident briefings, and our teams effectively collaborated across functions to immediately adapt and assist in our response efforts.
- In Bakersfield, Calif., a chemical atmospheric disbursement resulted in an unknown amount of gas being released into the atmosphere from a well site. Our employees activated an EOC to coordinate resources and communicate with local first responders to address the incident. The team effectively secured the affected area and prevented damage to the local community and company assets.
- As we continue to address the COVID-19 pandemic, we have actively maintained our COVID-19 Taskforce EOC and upheld safe practices to minimize risks. We also established a permanent Incident Commander to oversee daily operations related to COVID-19 and track employee exposures. For more information about our practices to maintain safety and reliability during the pandemic, see the [Workplace Health and Safety](#) section.



## Detecting Wildfires with Artificial Intelligence

In our Los Altos District, we partnered with a third-party vendor to install a wildfire detection camera powered by artificial intelligence software. This innovative camera offers a live video feed and rapid alerts that serve as an early warning system to first responders. The image above shows a snapshot from the recently installed camera. For more information, visit our [web site](#).





# 4.0

## Serving Our Customers

- 4.1 *Drinking Water Quality and Customer Safety*
- 4.2 *Water Affordability and Access*
- 4.3 *Cybersecurity and Data Privacy*
- 4.4 *Customer Service*



## Our Management Approach

For information on the governance of this topic, see the [ESG Governance Matrix](#).

Our public policy outlines our commitments for this topic:

- [Our Commitment to Excellent, Affordable Service](#)

### TREATMENT AND TESTING

Our Water Quality Department leads our comprehensive compliance program, overseeing sample collection, testing, and treatment. Our success is driven by our use of best available treatment technologies; collaborative working relationships with federal, state, and local regulatory agencies; and ability to maintain safety during external events that threaten water quality, including droughts and wildfires.

Across the Company, we oversee extensive monitoring programs and manage over 800 different treatment processes to meet more than 240 water quality standards, including requirements from the federal Safe Drinking Water Act (SDWA) and applicable state regulations. Our comprehensive initiatives, such as our award-winning groundwater well treatment projects, allow us to meet these standards at each entry point to the distribution system, regardless of the source of water.

In California, each year we collect approximately 70,000 individual water samples and perform more than 400,000 water quality tests. We maintain an in-house laboratory at our San Jose campus that analyzes over 75% of the water samples from our districts, and we strive to outsource testing for the remaining samples in alignment with our strict licensing and quality thresholds. We have maintained Environmental Laboratory Accreditation Program (ELAP) certification for 22 years through the annual renewal process, which includes detailed site audits conducted by the State of California. In addition to this, we now comply with The NELAC Institute (TNI) Laboratory Accreditation Standards, now adopted by ELAP, which have more stringent laboratory operational requirements.

At our in-house lab, our scientists test the water for more than 140 contaminants by using advanced equipment that can detect down to the part per trillion level. In-house testing currently offers the most cost-effective option and allows us to control turnaround times and quickly inform decisions. We also reduce associated greenhouse gas emissions by avoiding the need to transport significant amounts of samples to external labs.

Our Laboratory Information Management System (LIMS) supports data management, quality control, reporting, and regulatory compliance programs for our California districts, and we regularly update this tool to improve functionality, expand scope of use, and broaden its application. We expect to continue to advance the LIMS and plan to expand its use to our other states.

### EMERGING CONTAMINANTS

As research on emerging contaminants advances, we proactively prepare for regulations through additional studies and testing and are transparent about our performance. Every five years, we participate in the Unregulated Contaminant Monitoring Rule program to collect occurrence data for emerging contaminants; the next cycle goes into effect in 2022.

Aligned with our standard approach for treatment and testing outlined above, when evaluating treatment methods for emerging contaminants, we base our selection on best available technologies while also considering cost effectiveness and whether there are any co-contaminants that need to be removed. We also take into account site-specific factors, such as lot size, operational considerations, and discharge and waste disposal options.

We monitor and treat our systems for per- and polyfluoroalkyl substances (PFAS) using granular activated carbon treatment methods where needed, and continue to implement our strategy to comply with future regulations for new Maximum Contaminant Levels. We proactively monitor new treatment technologies, review areas impacted by PFAS, and evaluate effective ways to install treatment or remove wells to avoid having PFAS over the response level in water supplies delivered to customers.

Additionally, although the California State Water Resources Control Board has not yet established a new maximum contaminant level for chromium-6, experts suggest that it is harmful to human health, so we already treat affected water supplies for chromium-6 using strong-base anion exchange treatment methods. We continue to proactively maintain thorough processes designed to protect the health and safety of our customers while regulations for drinking water quality evolve.

Across the Company, we oversee extensive monitoring programs and manage over 800 different treatment processes to meet more than 240 water quality standards.

4.1

## Drinking Water Quality and Customer Safety

Our customers trust us to provide safe high-quality water, and we work to deliver on our promise to meet this critical need by maintaining a rigorous water quality assurance program and implementing initiatives to meet or surpass applicable drinking water standards in every system. Our ability to anticipate new regulations, collaborate across the water industry, and research innovative treatment technologies directly impacts the health of our customers.





**CROSS-CONNECTION CONTROL**

Our Water Quality team manages the Company’s cross-connection control program to protect our distribution system from being compromised by activities on customers’ properties. Cross-connection control is the identification of actual or potential connections between the potable water supply and any non-potable liquids, solids, or gasses that could contaminate the water supply by backflow, a reverse in the flow of water due to a loss of pressure in the water system. To prevent this contamination and protect public health, some customers must install, test, and maintain the proper type of backflow prevention assembly to comply with regulations and avoid potential liability. Our cross-connection control specialists confirm that existing backflow prevention assemblies are tested annually, prioritize assessment of the water connections, and enforce and manage the installation of new commercial and residential assemblies.

**TRAINING**

We provide training to educate Operations staff about water quality topics, including SDWA regulations, sample collection, use of analytical equipment, necessary field analysis, operation of specific treatment equipment, and other technical information. We also evaluate the effectiveness of sample collection training by administering a written exam so attendees can prove their comprehension. To broaden awareness about the importance of water quality, we encourage employees in all roles to pursue certifications and attend training and conferences that focus on water quality.

To broaden awareness about the importance of water quality, we encourage employees in all roles to pursue certifications and attend training and conferences that focus on water quality.

**EXTERNAL ENGAGEMENT AND TRANSPARENCY**

As part of our commitment to protecting public health, we discuss our research and insights with the water industry and regulatory agencies to improve wider knowledge. Our Water Quality team includes experts with a large variety of certifications and qualifications related to cross-connection control, laboratory analysis, and treatment. Team members volunteer on advisory boards and water quality committees for various associations, including the American Water Works Association, National Association of Water Companies, and California Water Association. Our skilled employees have received awards in past years for their leadership in water quality, and we continue to produce publications and presentations to share findings with the industry on emerging issues and innovative approaches.

Additionally, we work to align with external standards and promote a high-quality water supply through compliance with regulations. We coordinate with California’s State Water Resources Control Board, Division of Drinking Water, to submit monthly performance reports and comply with the SDWA and state requirements. To confirm the safety and quality of our infrastructure, the Division of Drinking Water inspects and permits our new and existing facilities, including wells, tanks, and pipelines. We also support legislation to proactively protect our water supply for customers, such as regulations to prohibit products that could impact water quality.

In support of further transparency and compliance, we submit our laboratory data electronically through the State California Laboratory Intake Portal, and we provide annual reports that summarize water quality results within our systems to the State. To update our customers on local water quality, we prepare annual Consumer Confidence Reports that outline all detected contaminants and provide educational information about current topics of concern.

Water quality reports and additional information are available on our subsidiary web sites, and we send customers the link to their local report.

2021 Updates

Last year, we completed our renovation and expansion project for our water quality laboratory in San Jose, Calif., to significantly enhance functionality and comply with new regulatory standards for labs in the state. We expanded the shipping and receiving area, remodeled the lab to provide additional storage and workstations, and improved the air handling system. The new organization and space improve workflow, efficiency, and safety for our lab professionals, and the additional testing capacity accommodates future growth. Because we provided temporary work environments and implemented processes to safely continue lab operations during construction, we finished this renovation without incurring any water quality testing violations. As part of our lab upgrade, we are implementing processes and procedures to comply with the State’s new TNI Laboratory Accreditation Standards.

In 2021, we also continued construction on a new PFAS treatment facility located in Montebello, Calif., that will serve customers in our East Los Angeles District.

0 acute health-based drinking water violations<sup>[1]</sup>

0 non-acute health-based drinking water violations<sup>[1]</sup>

2 procedural non-health-based drinking water violations<sup>[1]</sup>

[1] As of the end of 2021.



## Our Management Approach

For information on the governance of this topic, see the [ESG Governance Matrix](#).

Our public policy outlines our commitments for this topic:

- [Our Commitment to Excellent, Affordable Service](#)

### MAINTAINING AFFORDABILITY IN OUR RATES

Our Rates Department puts a strong emphasis on affordability while coordinating with the public utilities commissions in each of our states on the highly regulated process of setting customer rates. In California, the forward-looking rate-setting structure provides an incentive to keep expenses low. A review of rates by the California Public Utilities Commission (CPUC) is required every 3 years in a proceeding referred to as a General Rate Case (GRC) application, or what is known as our Infrastructure Improvement Plan. This includes a detailed review of district-level needs, including infrastructure investment, budgeting needs, operating costs, and services provided.

Departments collaborate across the Company to drive our access and affordability efforts. Our Capital Planning Management Committee, comprising a subset of officers and the Engineering team, leads the capital project portion of this process, and other departments provide information about non-capital costs. The Rates team then determines the overall cost of service for each district and calculates proposed water rates for customers. We examine impacts to affordability at each stage and continue to evaluate opportunities to control project costs and support our customers.

Multiple factors can impact our costs and cause rate increases over time, including the following drivers:

- Stricter regulations for water quality can require significant investments in more advanced technology to detect contaminants and treat water.
- City and County officials may mandate changes for planning, permitting, and reporting that increase costs and do not directly relate to water quality. For example, when cities require us to relocate pipelines or repave larger areas during our main replacement projects, we must incur these additional costs.
- Supply chain conditions and equipment delays can limit access to critical products and increase costs to obtain them.
- The income of individual customers, as well as current housing prices and the local cost of living, represent another set of external factors that directly affect affordability.

- Increasingly common disruptions related to climate change, such as wildfires, flooding, and power losses, can force costs to rise as we aim to maintain reliability.
- Wholesale water prices may rise as other water providers grapple with long-term water supply challenges.

We adjust our approach to maintaining affordability in our communities based on these factors, any additional regulatory requirements in each state, and the specific needs within our service areas. We continue to promote open communication to explain rate changes to our customers.

When we prepare our Infrastructure Improvement Plans, we work to minimize rate increases. We analyze multiple rate design scenarios to examine the effects of our proposals on average bills, particularly for our residential and low-income customers. We also try to manage the financial impacts to customers by implementing innovative solutions, such as proposing options to phase in rate increases over time, when applicable.

We also advocate for the consolidation of our smaller water systems with larger water systems so costs can be spread across a larger customer base. We have already successfully consolidated three smaller districts in California with larger ones, turning six districts into three larger ratemaking areas. In our most recent GRC filing, we proposed consolidation of an additional four districts into two larger ratemaking areas. The larger ratemaking areas can improve affordability for many customers and stabilize rates over the long term.

### EXPENSE MANAGEMENT

To generate additional savings for our customers, we pursue various initiatives intended to reduce our internal expenses, such as evaluating water supplies and diversifying our water sources to use the lowest-cost, high-quality, water option. As part of these efforts, we respond to evolving regulations by researching the cost of treatment technologies, piloting applicable treatments, and advising public health experts on practical timelines for implementation. In our supply chains, we negotiate long-term contracts with our strategic partners to lower the cost of services and materials, and we balance our supply mix to minimize the cost of goods. To mitigate costly supply chain disruptions, we place material orders earlier and build up our safety stock to try to avoid project delays, and we consider alternative materials that maximize affordability.

4.2

## Water Affordability and Access

Infrastructure improvements, new water quality standards, and increasing costs for materials and labor all impact water rates. We focus on operational efficiency, rate design, conservation programs, and low-income support programs to maintain affordability and access. This focus is critical, because lack of access and/or affordability would threaten the availability of this crucial resource for the people in our communities, which could impact health, sanitation, and economic opportunity.



EXTERNAL FUNDING

When appropriate, we pursue funding from external sources. For example, we have pursued grant funding and no-interest loans to offset the costs of constructing treatment plants and pipeline extensions to neighboring communities. When water resources became contaminated, we pursued civil litigation to have the responsible parties pay for cleanup and protect our customers from bearing the costs associated with water treatment.

CONSERVATION

Our extensive conservation programs drive affordability by reducing customer consumption and directly lowering bills. With greater water savings, we can also reduce overall demand on our water sources, minimizing the need to invest in infrastructure to access additional sources and further avoiding costs to our customers. For more information about our engagement with customers and the Company's conservation efforts, see the [End-Use Conservation](#) section.

FINANCIAL ASSISTANCE FOR CUSTOMERS

To directly assist customers with their bills during challenging times, we offer a variety of programs to help them pay. We provide flexible, penalty-free, interest-free payment arrangements and extensions. We also offer a stockholder-funded hardship grant program to protect access to water. Additionally, we do not charge any fees for late bill payments in California, New Mexico, and Washington. Our California Customer Assistance Program (CAP) (previously called the Low-Income Ratepayer Assistance program) provides a credit equal to 50% of the 5/8' x 3/4' monthly service charge for residential customers who meet maximum income guidelines. We also manage a Rate Support Fund in California that subsidizes the monthly bills for all customers in our highest-cost districts. We currently provide Rate Support Fund benefits to our Dixon, Kern River Valley, and Willows Districts, which have fewer customers available to share the costs of operation, maintenance, and upgrades.



# 2021 Updates

7

districts in California achieved the target for <\$5 monthly rate increase, with 9 districts receiving a rate decrease as of the end of 2021

111,287

customers enrolled in our CAP as of the end of 2021

\$12,730,506

provided in discounts through our CAP in 2021

We recently responded to an updated CPUC requirement by presenting a new rate design in our 2021 GRC application to support our business, while maintaining affordability. In August 2020, the CPUC reversed its 2008 water conservation policy that had decoupled water usage from revenues. The decoupling policy initially enabled utilities to promote conservation by giving customers more control over their water bills. At that time, we implemented tiered rates for most residential customers and began recovering more revenue through commodity charges, rather than through fixed monthly service charges. Simultaneously, the CPUC adopted a mechanism to assist in the collection of the funds necessary to maintain the water system. Because of the latest change in CPUC policy, we proposed a new rate design in our 2021 GRC—which is subject to approval by the CPUC—that still balances operational funding, conservation, and affordability. One element is a residential rate design with a four-tiered inclining commodity rate to promote conservation, while keeping rates low for basic indoor water use. This approach substantially discounts the commodity rate for the first tier of water usage (up to 6 Ccf or 4,488 gallons per month) to protect affordability while adjusting fixed charges to enable sufficient revenue to fund operations.

In 2021, our communities continued to face challenges due to the ongoing COVID-19 pandemic. To support customers' health and preserve their access to safe water, we continued suspension of service disconnections for non-payment by customers, in accordance with each state's regulations. We have continued to prioritize reliable and affordable water service by offering flexible payment plans and extensions, engaging our customers and allowing them to defer bills, and working with the state Commissions to develop long-term solutions for payment plans. In California, we also pursued state and federal funding on behalf of our customers to reduce or eliminate past-due bills incurred during the pandemic. For more information, see the [Public Policy and Political Involvement](#) section.



# Our Management Approach

For information on the governance of this topic, see the [ESG Governance Matrix](#).

Our internal policies outline our commitments for this topic:

- IT Security Policy
- IT Security Event Logging
- Incident Response Policy
- California Consumer Privacy Act (CCPA) Compliance Policy
- Security Awareness and Training Policy
- Ransomware Policy
- Password Management and Usage
- Encryption Policy
- Firewall Policy
- Acceptable Use Policy
- Information Classification and Handling
- Social Media Policy and Procedure Manual
- Change Control Policy
- PCI Security Policy
- Security Roles and Responsibilities Policy
- Vulnerability Management Policy

We align with multiple standards and regulations for cybersecurity and data privacy, including the following:

- National Institute of Standards and Technology (NIST) Cybersecurity Framework
- The Sarbanes-Oxley Act
- NIST 800-171 and Cybersecurity Maturity Model Certification
- Payment Card Industry Data Security Standard
- CCPA
- Health Insurance Portability and Accountability Act
- Defense Federal Acquisition Regulations Supplement

We regularly assess our adherence to these standards and maintain programs that are designed to meet these requirements. For example, we support CCPA compliance by including formal processes to protect data privacy, offering mechanisms that allow customers to make CCPA inquiries, and promptly responding to these requests.

4.3

## Cybersecurity and Data Privacy

Cyberattacks increasingly threaten business and present risks to our operational continuity, facilities, and system security. Weaknesses could lead to a lack of safe water for our communities, threaten customer and employee data privacy, and cause damage to the environment due to unregulated discharges. To adapt to the changing cyber landscape and enhance resilience, we continue to invest in our technology, cybersecurity capabilities, and employee education.





Our IT team continues to support a variety of best practices that align with recognized frameworks and reflect our advanced approach to cybersecurity:

- **Regular testing:** External audits annually test our controls and assess opportunities to mitigate deficiencies, and we continue to witness measurable improvements in testing by correcting weaknesses detected in past assessments. A third party conducts an annual network penetration test on our corporate and supervisory control and data acquisition (SCADA) networks. In addition to reviewing known software vulnerabilities, the assessment includes tests to breach the network through various pathways, analyzes our security levels, and evaluates our Incident Response Plan. Our IT team also conducts a rehearsal for our Incident Response Plan multiple times per year and leverages support from the DHS, the FBI, and our contractors that offer critical defensive solutions.
- **Monitoring for risks:** We engage a third party to manage our Security Operations Center (SOC) and monitor network traffic 24/7. Our SOC is designed to identify and respond to cybersecurity issues in real time by assessing the level of threats and determining appropriate actions.
- **Security controls:** We incorporate physical- and software-based preventive, detective, and corrective security controls, and our Security Incident Event Management tool monitors security logs, includes detective controls, and identifies irregular activities. This software also records how often vulnerabilities are scanned and patched.
- **Defensive technology:** Multiple technologies work to protect our system through defensive solutions. Our intrusion prevention system blocks unwanted traffic in the network, our next-generation antivirus program provides additional defense, and our endpoint protection system targets suspicious activity on endpoint devices. We also leverage a data loss prevention security tool that inspects outgoing traffic and blocks sensitive data from being exposed.
- **Regular improvements:** We continue to enhance our systems and integrate new information to upgrade our systems. We review and approve software and hardware acquisitions for security, and we have incorporated advanced controllers within our SCADA system. To support ongoing improvement, we engage the FBI, DHS, and Fusion Center for incident response support and collaborate to share critical information.

Our leaders also share knowledge to protect our infrastructure and learn from recent developments. Our Chief Risk Officer served on the Board of Directors for the San Francisco Bay Area Chapter of InfraGard through 2021, and was voted by the current board to be President Emeritus in January 2022. InfraGard is a collaboration between the FBI and members of the private sector that promotes the protection of U.S. critical infrastructure and enables the exchange of important information. Our Director of IT Security and Chief Information Security Officer also actively participates on the Safety and Security Committee of the NAWC to collaborate with members of our industry and learn best practices.

## WORKFORCE TRAINING AND ENGAGEMENT

Our employees represent the foundation of cybersecurity protection and are our most important line of defense, and we strengthen their ability to target risks by proactively training active employees and contractors each year. We update our online security awareness training annually to review key policies and practices for security.

To further engage our workforce and inform employees of applicable security topics, we provide a monthly internal cybersecurity newsletter. Our monthly campaign on mock phishing emails reminds employees to refrain from clicking on fraudulent emails disguised as safe content. First-time offenders undergo additional training, repeat offenders must meet with their supervisors and the IT Security team, and additional offenses result in a negative performance log. Due to our preventive controls and training, we have observed year-over-year reductions in employees clicking on test phishing emails.



Our employees represent the foundation of cybersecurity protection and are our most important line of defense, and we strengthen their ability to target risks by proactively training active employees and contractors each year.

## 2021 Updates

We expanded our focus areas for cybersecurity in 2021 to align with the evolving landscape:

- In 2021, we initiated a greater emphasis on cyber risk in our supply chain. We are leveraging new tools to screen suppliers and thoroughly reviewing supplier IT and cybersecurity scores to assess opportunities for improvement.
- We have started to prepare for the next version of CCPA compliance and additional federal mandates on cybersecurity that are expected in the coming years. We plan to consider data encryption, determine the appropriate access for each employee level, identify high-priority data, and develop a log to record access.
- We have implemented an Identity Access Management solution to provide users with the appropriate access to technology resources they need to do their jobs.
- By incorporating Single Sign-On, we have mitigated the risk of password theft and increased user productivity since repeated logins are no longer required.







## Our Management Approach

For information on the governance of this topic, see the [ESG Governance Matrix](#).

Our internal policy outlines our commitments for this topic:

- *Customer Communication Policy*

As customers have shifted from in-person requests to remote options, we have aligned our services to deliver greater flexibility, efficiently manage our resources, and develop elite customer service professionals to meet the needs of our customers. Our strategy for customer service concentrates on two key approaches that energize our business and contribute to high-quality customer experiences.

- First, our corporate customer service team serves as a core partner that supports the districts to monitor controls and metrics, organize audits, and handle urgent needs and special projects.
- Second, we have transitioned from a district-level model to Regional Customer Centers (RCCs) to regionalize our customer care in California, which enables a consistent, elevated level of customer service. We now operate four RCCs that serve our districts, including the Northern California RCC in Chico, Bay Area RCC in San Mateo, Central Valley RCC in Bakersfield, and Southern California RCC in East Los Angeles. As part of the transition, we enhanced the customer service career path and improved the benefits for our Customer Service Representatives (CSRs). By demonstrating superior change management, we avoided any employee dismissals due to regionalization, and we adjusted roles and duties to efficiently support our customers.

In alignment with our refreshed approach, our CSRs receive a variety of training to cultivate their knowledge and improve their ability to serve our customers. To receive feedback on our capabilities and performance, we regularly conduct a customer survey to measure satisfaction, glean insights about customer preferences, and supplement our ongoing feedback mechanisms.

To support customer convenience, our online account portal enables secure access to information for them and connects to our Customer Care and Billing platform, which offers improvements in payment options, account recovery, notification management, conservation and meter analytics, and leak detection. Our Customer Outreach Portal is another online solution that allows us to quickly identify customers affected by emergencies across our geographic locations and to communicate important information through call, text, or email. Additionally, we provide a Connected Customer notification system to update customers with real-time alerts and expected arrival times of field technicians. Also, customers can report water main and service leaks both through our mobile application or web site.

We are committed to basing customer service decisions on customer preferences. We actively engage customers to understand their perceptions and preferences on a variety of topics, such as service priorities and expectations, communication needs, water quality, rates and water usage, and more. We also monitor key performance metrics that are indicators of customer satisfaction levels, such as first call satisfaction and overall favorability, value perception, and satisfaction ratings. This customer feedback helps us identify opportunities to improve our service.

**As customers have shifted from in-person requests to remote options, we have aligned our services to deliver greater flexibility, efficiently manage our resources, and develop elite customer service professionals to meet the needs of our customers.**



4.4

## Customer Service

We have long said there is a reason we have “Service” in our name—our customers are at the heart of what we do. We are committed to providing excellent customer service and leveraging emerging technologies to meet evolving service needs. We care about our customers and our service team embraces our purpose: enhancing quality of life for those we serve.



# 2021 Updates

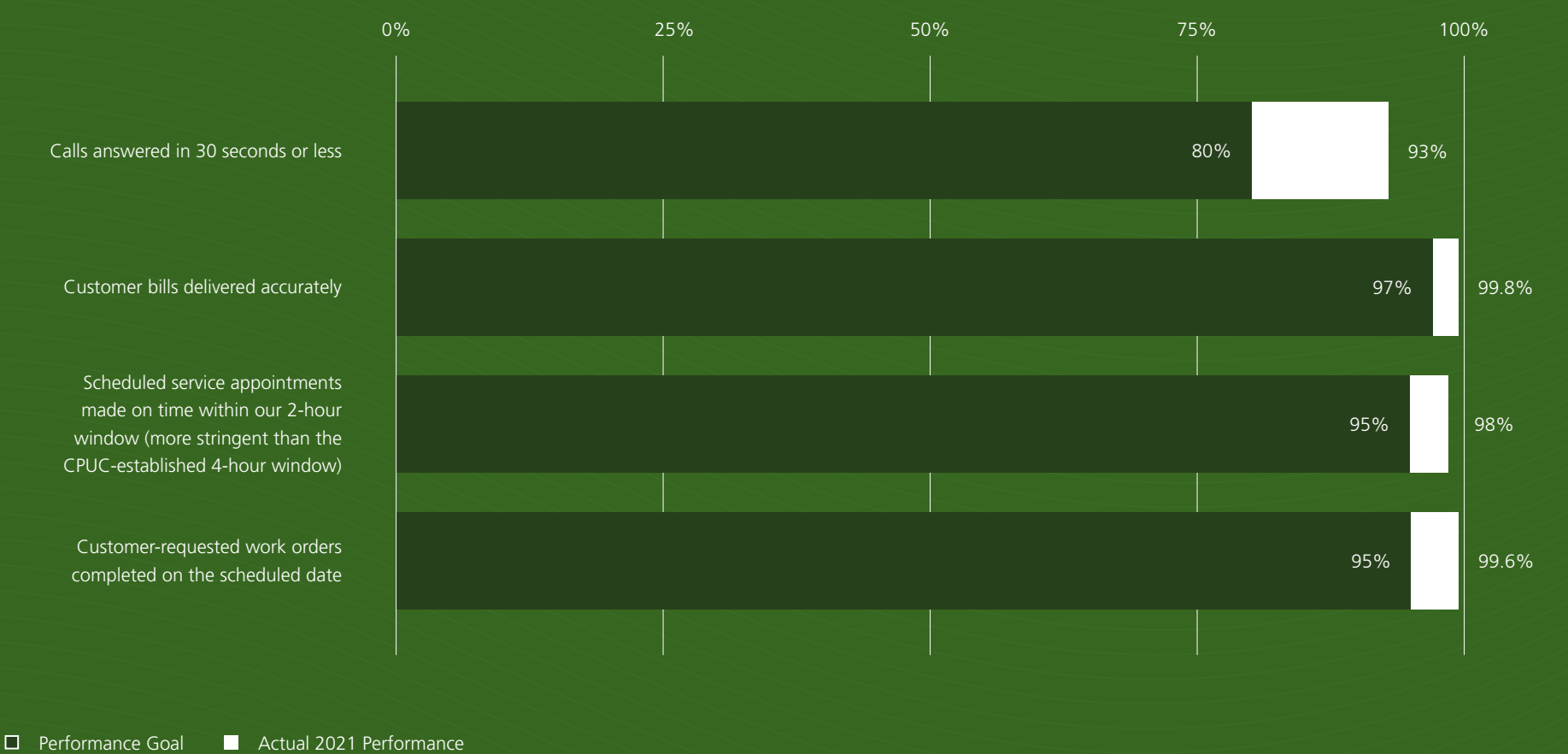
We significantly enhanced customer service by establishing innovative processes and modernizing our approach. In 2021, we accomplished the following:

- **Leveraging phone system features:** We identified opportunities to activate features in our phone systems to record and monitor calls and expect to launch these in 2022, so that our customer service leaders can leverage insights from customer interactions to maintain consistency and quality of service.
- **Customer chat:** We initiated the roll-out of a live customer chat feature to increase accessibility for our customers and address their questions.
- **Additional customer service hours:** Our RCCs expanded full-service, live support by four hours (from 7 a.m. to 7 p.m.) on weekdays to increase availability of our customer service team.
- **User experience:** Reviewing customer feedback enabled us to identify opportunities to improve our web site and online account management experience. Based on this research, we have been updating our online systems to address customer concerns and will continue to implement further changes. In 2021, we made changes to provide more clarity in our email communications and payment failure messages, as well as additional ways for our customers to submit service requests after-hours through our web site.
- **Certification training program:** We launched the initial phase of our new annual certification training program to invest in our customer service teams and cultivate their skills. This comprehensive training requires baseline courses on customer service, internal policies, and water system operations. In addition to improving our ability to deliver high-quality customer service, the training program outlines the pathway to promotion for our CSRs as they strengthen their skills.
- **Ongoing feedback mechanism:** To further build upon the foundation of our annual customer surveys, we implemented our Medallia survey platform to elicit customer feedback on customer service calls through phone or email surveys on a continuous basis. This system generates data on CSR performance and gathers information about customer perspective and experience, and we will use these insights to develop targeted coaching for CSRs and celebrate their successes. After calibrating the data in the initial launch in 2021, we plan to incorporate Medallia into additional customer interactions to collect feedback across our broader platforms and inform our services.

<0.01%

customer complaints to the CPUC’s Consumer Affairs Branch were received for our California customer connections in 2021, meeting our goal of less than 0.1%

## CUSTOMER SERVICE PERFORMANCE IN 2021







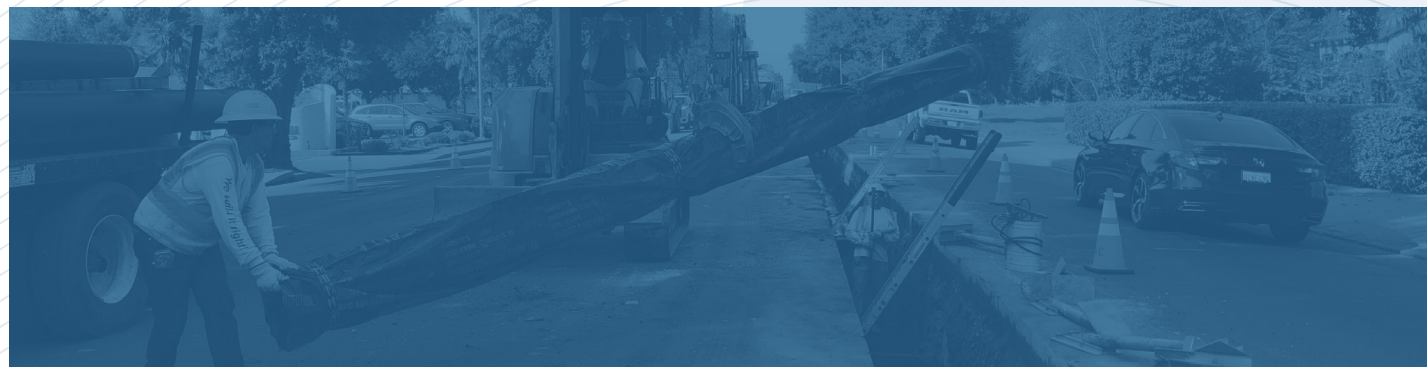
5.0

# Engaging Our Workforce

5.1 *Diversity, Equality, and Inclusion*

5.2 *Talent Management*

5.3 *Workplace Health and Safety*





## Our Management Approach

For information on the governance of this topic, see the [ESG Governance Matrix](#).

Our public policy outlines our commitments for this topic:

- [Diversity, Equality, and Inclusion Policy](#)

### EQUAL OPPORTUNITY

Our commitment to equal opportunity extends across employees, including our field and office staff, management, and executive team. As part of our commitment, we maintain a zero-tolerance approach to discrimination, harassment, and retaliation, and we seek to provide equal opportunity regardless of age, sex, race, ethnicity, ancestry, religion, creed, citizenship status, disability, national origin, marital status, military status, sexual orientation, gender identity, socio-economic status, or any other characteristic protected by law or any other non-job-related factor or activity. Under our policies, we thoroughly review employee-related claims of non-compliance and improve applicable processes and policies to support employees. Additionally, we annually submit our affirmative action plans and report Equal Employment Opportunity (EEO) statistics.

We also source from women-, minority-, veteran-, disabled veteran-, and LGBTQ-owned suppliers, and we work each year to increase our spending with these important stakeholders. For more information on supplier diversity, see the [Responsible Sourcing](#) section.

### INCLUSIVE CULTURE

We provide regular training for our employees to cultivate an inclusive work environment, such as our annual training on unconscious bias. We also deliver annual online training to employees about sexual harassment avoidance to encourage respectful practices and increase awareness.

We encourage people to share their experiences; past events have included speaker panels that discuss cultural and ethnic awareness. As the pandemic continues, we continue to assess opportunities to engage our employees in safe virtual events that promote appreciation for diversity.

Our leaders direct our external engagement to learn from experts, encourage diversity in the industry, and continually refine our processes and programs. For example, our VP, Chief Human Resource Officer participates in the CWA Diversity, Equity, and Inclusion Committee, and also is a Board member of Baywork, which represents water providers that focus on training potential applicants in underserved communities.

### HIRING AND DEVELOPMENT

We continue to pursue gender and racial/ethnic diversity at all levels, from the Board of Directors to entry-level employees. One of the principles established by the Nominating/Corporate Governance Committee of our Board of Directors on board composition is diversity. This principle consists of our Board being comprised of members who demonstrate a diversity of thought, perspectives, skills, backgrounds, and experiences, and has a goal of identifying candidates that can contribute to that diversity in a variety of ways, including ethnically and gender diverse candidates.

To support diverse recruitment of employees and develop broader outreach, we have leveraged targeted job boards and partnered with local community colleges. We participate in job fairs to incorporate diverse gender and racial representation in our team. In addition to engaging more diverse candidates, we have also enhanced our hiring selection process. We seek to provide more diverse panels of interviewers and train our teams to prevent bias during the selection process.

Additionally, our leadership development program factors diversity into our class selection for high-potential directors and managers. This program provides a key pipeline for senior management and considers diversity to advance leaders that reflect the demographics of the communities that we serve. For more information about this program, see the [Talent Management](#) section.

### PROGRESS EVALUATION

As part of our continuous improvement approach, we routinely evaluate our progress related to diversity, equality, and inclusion. We periodically analyze pay equity for gender and other diversity factors within our business, and we address any issues based on the results. We also share annual EEO reports with our Board and evaluate opportunities for ongoing improvement in diversity across all employment levels. We also leverage insights from our own employees by facilitating focus groups to gather input on our practices, identify new priority areas, and improve our approach.

**We continue to pursue gender and racial/ethnic diversity at all levels, from the Board of Directors to entry-level employees.**

5.1

## Diversity, Equality, and Inclusion

Providing equal opportunities for people of all backgrounds contributes to our performance and has a positive economic impact on our communities. We continue to promote an inclusive work environment and foster a diverse team to provide a variety of perspectives and capabilities that enable better service for our customers. Developing a workforce that reflects our communities strengthens our organization and enhances our connections to the community.



# 2021 Updates

We continued hosting diversity focus groups in 2021 to invite input from our employees and facilitate thoughtful discussion. These virtual focus groups allowed employees to validate the priority areas identified in past focus groups, ask questions about our strategy, and make suggestions for future steps.

As part of our online courses to promote inclusion, we completed unconscious bias training for our managers in 2021. Participants provided positive feedback, so we plan to extend this training to all full-time employees across the Company in 2022. This will also support our initiative to develop annual training related to diversity, equality, and inclusion for all employees.



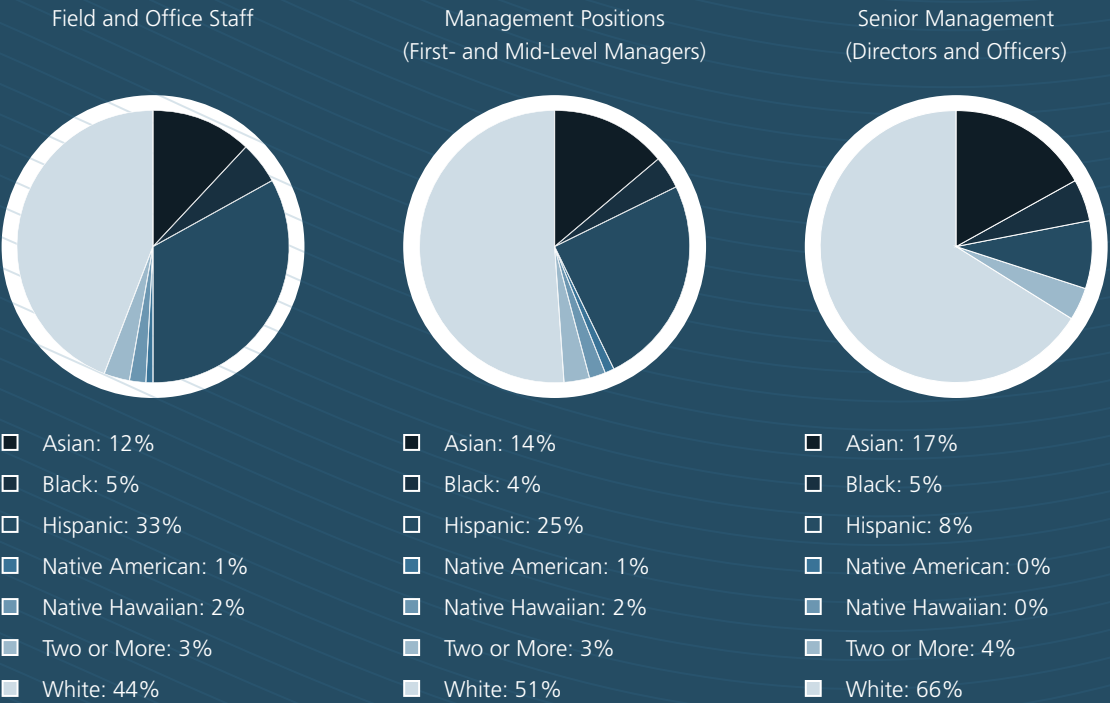
## Supporting a Vibrant LGBTQ+ Business Community

Since 2015, we have partnered with the Rainbow Chamber of Commerce, Silicon Valley chapter (RCCSV). In addition to financial contributions through the CWA, we participate via board membership and in events to support RCCSV's mission of creating a vibrant LGBTQ+ supportive business community through development, education, promotion, and advocacy. Our Supplier Diversity Program Manager served on the board from 2016 to 2018, and a member of our Water Quality Department has been the Board Treasurer since 2018. Multiple employees in California attend events hosted by RCCSV each year, creating a space for our employees to further foster a culture of diversity and inclusion.

### 2021 PERCENTAGE OF WOMEN IN THE WORKFORCE



### 2021 RACIAL/ETHNIC DIVERSITY IN THE WORKFORCE







5.2

## Talent Management

The ability to attract, engage, retain, and properly award and incentivize employees impacts the skills, health, and success of our workforce, as well as our ability to serve our customers. We strive to provide competitive benefits, engage our employees, foster supportive environments, develop their capabilities, protect their rights, and promote overall wellness. Retaining talent and nurturing employee growth can also lead to positive economic impact in the communities we serve.

## Our Management Approach

For information on the governance of this topic, see the [ESG Governance Matrix](#).

Our public and internal policies outline our commitments for this topic:

- [Business Code of Conduct](#)
- [Diversity, Equality, and Inclusion Policy](#)
- [Americans with Disabilities Act \(ADA\) Policy](#)
- [Anti-Nepotism Policy](#)
- [Commuter Benefits Policy](#)
- [Equal Employment Opportunity Policy](#)
- [Harassment-Free Workplace Policy](#)
- [Reasonable Accommodation Policy](#)
- [Recruitment Selection Policy](#)
- [Tuition Reimbursement Policy](#)
- [Workplace Violence Prevention Policy](#)

### TALENT ATTRACTION

We strive to recruit highly qualified candidates who are innovative and impactful; foster our one-team approach; and enable us to deliver on our promise to provide quality, service, and value. Additionally, we seek ethical candidates with strong leadership skills and team values. Our hiring process involves flexible interview format options, provides guidelines on interview questions and rating factors, and promotes diverse perspectives. Our managers receive training on unconscious bias and the impacts of a hire on the organization. For more information about diverse recruitment, see the [Diversity, Equality, and Inclusion](#) section.

As part of our efforts to leverage a strong talent pool, we encourage veterans to apply and join our team. Veterans represent 7% of our workforce across the Company, and our relationship with local veterans is particularly strong in Hawaii, where more than 12.5% of our employees are veterans. In the Bay Area, we organize apprenticeships and concentrate on local recruitment in our own community through our Bay Area Trainee Program. These types of initiatives allow us to stimulate the local economy while leveraging available talent.

To establish a pipeline of talent, we also partner with local high schools, trade schools, and colleges to educate students about potential careers in the water industry. In San Jose, Calif., we continue to collaborate with Cristo Rey Jesuit High School, which specifically supports low-income and at-risk youth, to offer work experience to students each year. Students have gained valuable experience in our Facilities, IT, Corporate Communications, Human Resources, Engineering, and Accounting departments. We also maintain partnerships with San José State University and California State University, Bakersfield, to participate in career fairs and offer internships to students. Though some of these activities have been paused due to the pandemic, we continue to identify opportunities to connect to students and generate interest in the water industry.



### TALENT SATISFACTION AND RETENTION

We strive to retain our skilled talent by continually enhancing our inclusive culture, offering opportunities for growth, and supporting employee satisfaction, and we employ two surveys to track our performance:

- **Bay Area News Group's Top Workplace employee survey:** We gather feedback through this survey annually, and we share results with our officer team. If districts or departments score below our target, we assign team members to collaborate with local management and improve performance.
- **Great Place to Work® Trust Index® Survey:** Conducted by a third party, this annual survey provides additional insights, and our leadership reviews employee comments and identifies opportunities for improvement.



TRAINING AND DEVELOPMENT

Our employees are our most important asset, so we prioritize both individual development and team training. Employees are assigned annual performance reviews to foster discussion about their development. Employees and their managers may identify individual career development and training opportunities as part of these annual performance reviews to align with each employee’s short and long-term career aspirations and job responsibilities. As part of our strategic approach, we promote internal advancement by encouraging current employees to apply for higher positions, and by offering an interim promotion program that allows employees to temporarily serve as managers and assess whether they want to proceed to the management level.

We consider various factors when identifying strategic training needs for our employees and leadership. These include, among others, the success of and/or feedback on previous training and team building resources; succession planning and preparations for anticipated employee retirements; compliance with legal training requirements; response to geopolitical events and shifting employee needs; and alignment with our core values as a company.

We leverage our Workday platform across departments in an effort to provide consistent, streamlined training for employees to develop leadership skills and become managers. All existing managers undergo our Management Essentials training series, which consists of six modules to improve management capabilities. These units focus on employee coaching and constructive feedback, successful performance counseling, conflict resolution in the workplace, leadership expectations and tools for team building, techniques to build trust and lead effectively, and performance management expectations and tool usage.

Our unique Future Leaders of Water (FLOW) program offers another important opportunity for employees to enhance their leadership skills. For this 18-month program, our officers select high-potential directors and managers to pair with officer mentors. Virtual modules review a variety of topics related to leadership competence and business expertise, including strategic thinking, executive presentation, business writing, ratemaking, risk management, and project management. Participants also conduct a 360-degree

All existing managers undergo our Management Essentials training series, which consists of six modules to improve management capabilities.

assessment to evaluate the impact of the program and measure their growth. The FLOW program represents a key pipeline for senior management and aims to develop high-potential employees who reflect the diversity of our team.

We have an improvement-oriented mindset when evaluating our training programs. For all internal training programs, employee participants are asked to submit a survey to provide feedback on their experiences and suggestions for ongoing improvements. Our Human Resources team then evaluates feedback and makes adjustments to our training programs as needed.

We also encourage our employees to pursue external opportunities for further education. Our workforce holds more than 1,500 industry-specific certifications, and we incentivize employees to achieve certifications beyond the minimum requirements by offering bonuses worth up to 3.5% of their pay. We organize access to online water treatment and distribution certification courses through a community college, coordinate with third parties to teach certain courses on our campus, and offer tuition reimbursement for outside coursework.

Through our Continuous Improvement 2.0 program, our employees share their knowledge across the Company and develop creative solutions. Collaborative efforts inspire new ideas to address issues, increase efficiency, and enhance service for our customers. We implement these process improvements that reflect the advanced skills of our team.

COMPENSATION, BENEFITS, AND EMPLOYEE WELLBEING

To encourage retention and support our employees’ wellbeing, we strive to offer fair competitive wages and generous benefits. Part-time employees receive the same types of benefits as full-time employees, with adjustments for accrual of hours. Our benefits, some of which are subject to minimum levels of service with the Company, include:

- Paid time off for holidays, employee sick and family sick time, and vacations
- A 401(k) savings plan with an employer matching program
- A defined benefit pension plan
- Medical, dental, and vision insurance plans
- Flexible spending accounts for both medical and dependent daycare expenses
- Company-paid life insurance
- Supplemental life insurance for employees and dependents
- Long-term disability insurance
- Employee Stock Purchase Plan

As the pandemic continues to impact our lives, we provide additional resources to foster mental health.

- A commuter benefits program that encourages alternative modes of transportation instead of driving alone
- Survivor benefits for dependents of a deceased employee
- Retiree health benefits for employees who retire from the Company
- An employee assistance program that provides childcare and eldercare resources
- Emotional support services offered through external Carebridge professional counseling
- Our Critical Incident Response Management program that trains employees across the Company to provide peer-to-peer emotional support for coworkers who have experienced stress, loss, grief, change, or other traumatic events
- Tobacco-free incentive for healthcare
- A return-to-work program that helps employees adjust after a work-related or non-work-related injury
- Personal leave of absence that may be requested and approved in alignment with our Collective Bargaining Agreement
- Financial wellness education, planning tools, and investment advisory services
- Annual Employee Celebration Day to show appreciation for our employees

While we have no formal job-sharing policy, we consider requests from employees about this type of arrangement to accommodate needs for flexibility. As the pandemic continues to impact our lives, we provide additional resources to manage stress and foster positive mental health. Through our employee assistance program, we offer virtual support groups to navigate stress and grief, and we provide webinars, articles, and other resources to mitigate the health risks associated with stress and improve wellbeing.

In Hawaii, we maintain our designation as a Blue Zones Project Approved Worksite. The Blue Zones Project represents a community-led initiative designed to support practices that improve employee wellbeing, such as maintenance of an on-site garden and events that encourage healthy behaviors.





## LABOR RELATIONS AND MANAGEMENT

We support our workforce by working to protect fair labor rights, providing safe working conditions, and maintaining open dialogue with our employees. To guide our efforts, our [Business Code of Conduct](#) outlines expectations and provides fraud and ethics hotline details that employees can use to report any grievances.

In alignment with our values, we respect the right to freedom of association and collective bargaining, and we honor an employee's right to choose to be represented or not. We strive to support informed decisions by explaining the differences between being a union-represented employee and a non-represented employee.

Union employees, including members of the Utility Workers Union of America, AFL-CIO and the International Federation of Professional and Technical Engineers, represented about 62% of our workforce across the Company as of the end of 2021. In monthly meetings with our unions, we review business matters and seek to mitigate potential issues. We also collaborate with our unions to support career development for our employees and offer applicable safety and functional training. For more information about union involvement in our safety programs, see the [Workplace Health and Safety](#) section.

# 2021 Updates

Our efforts in 2021 reflected our commitment to developing and supporting our talent:

- **New leadership training:** To supplement our Management Essentials training series, we introduced a new Foundations of Leadership training for managers recently promoted or hired in the Company. This training series provides relevant tools and resources for our new leaders and their teams to be successful. We also rolled out the sixth module for our Management Essentials program, which focuses on navigating the performance management process.
- **Healthy living:** We continue to support engaging events that contribute to employee health and wellbeing. For example, employees in Hawaii participated in the statewide Hawaii Bike Challenge during May 2021. Participants tracked their bike riding through an online platform and aimed to incorporate biking into their daily lives in new ways to earn more points. Our team in Hawaii earned third place and celebrated the appreciation for healthy active lifestyles.
- **Collaboration with our workforce:** We completed mutually successful union negotiations that resulted in a long-term contract, which minimizes the costs and time associated with annual negotiations. As part of this process, we extended our agreement to collaborate with union members through the Power 4 America (P4A) safety training program. For more information on this training program, see the [Workplace Health and Safety](#) section.

# 5.5%

voluntary turnover<sup>[1]</sup>

# 4%

employee retirement<sup>[1]</sup>

# 9.48

average hours of training per year, per employee<sup>[1]</sup>

# >\$393,000

incurred for employee training costs (including tuition reimbursements for employee certifications and continued education)<sup>[1]</sup>

# 74%

average score in the 2021 Great Place to Work® survey with 409 responses received (of 1,112 invited)

Named a Top Workplace in the Bay Area for the 10th consecutive year by the Bay Area News Group in 2021

Named a Great Place to Work® by the Great Place to Work® Institute in 2021 for the sixth year in a row

[1] As of the end of 2021.



## Our Management Approach

For information on the governance of this topic, see the [ESG Governance Matrix](#).

Over 30 internal programs, procedures, and policies outline our commitments for this topic. Examples include:

- Injury Illness Prevention Program
- Emergency Action Plan
- Code of Safe Practices
- Job Hazard Identification and Reporting Procedure
- Stop Work Authority Program Policy

Our occupational health and safety management system applies to 100% of employees and structures our approach to maintain an accident-free and healthy work environment. We annually review the programs, procedures, and policies associated with our health and safety management system to keep them current, and our strong culture of safety continues to strengthen as employees leverage tools, training, and resources for hazard identification and mitigation.

Each of our districts and states maintains a local Safety Committee that meets monthly and promotes safe practices across the business. Committees consist of a Safety Committee Chair, Safety Champions, and representative employees at every level of the organization, including front-line supervisors, managers, and union members. Guided by our “Safety Champion Handbook,” these committees perform job safety analyses, support collaborative efforts to mitigate risks, and review safety standards with employees to promote hazard awareness.

### EMPLOYEE ENGAGEMENT AND TRAINING

We offer an extensive variety of in-person and computer-based safety training to improve employee awareness and to better prepare employees to reduce work-related accidents and respond to emergencies. Guided by our Master Planning Safety Training Calendar, we provide annual training on general workplace safety and other safety-related topics, and we track attendance for temporary and permanent employees across organizational levels to comply with OSHA standards. While some safety trainings are required for all employees, our Safety Department also implements specialized training relevant to specific teams and/or roles based on their exposure to safety risks. Examples include trainings for “boots on the ground” emergency response, EOC response, wastewater biohazard safety, heat illness prevention, sprains and strains, hearing conservation, and ergonomics and safe lifting mechanics, to name a few. We continue to revise and update training based on trends in injuries and risks. For more information on training specifically for emergencies, see the [Emergency Preparedness and Response](#) section.

To enable employee involvement in the evaluation of our occupational health and safety programs, we partner with the Utility Workers Union of America, AFL-CIO in California to train employees that are union members to become safety ambassadors through Power 4 America (P4A). The ambassadors train and audit supervisors and other union members, provide guidance on leading safety practice, and review safety products in the field. Our Safety Department collaborates closely with P4A to accomplish our safety program and training goals, identify training needs, and address hazard identification and correction. This program is designed to contribute to open dialogue and internal coaching among union members, while enhancing the safety of our teams.

Our refreshed, hands-on vehicle safety program incorporates a specific focus on training employees to drive safely and addressing the causes of distracted driving. It is given to both new employees and as ongoing training for existing employees. This program encourages safe behavior and rewards employees for their performance. Through the program, we proactively educate our teams and implement driving policies that promote consistency across departments and locations.

Each of our districts and states maintains a local Safety Committee that meets monthly and promotes safe practices across the business.

Due to the pandemic, we have evolved our training and communications for health and safety to maintain our strong safety culture and improve risk awareness, while adjusting to different circumstances. We have managed pandemic-related limitations by leveraging online video conferencing to provide virtual training and safety discussions, checking in with teams regularly, and maintaining appropriate distance to avoid close contact, for example.

5.3

## Workplace Health and Safety

As part of our commitment to be the leading provider of water and wastewater services, we are dedicated to conducting business in a manner that protects and promotes the health and safety of our employees, those involved with our operations, and the communities where we work. Our employees are our most valuable asset; therefore, our philosophy is that health and safety should be a vital part of everything we do. We regard applicable health and safety legislation as a minimum standard, and are committed to complying with and striving to exceed that minimum.



RISK MITIGATION AND INJURY MANAGEMENT

Job safety analyses identify potential hazards, record trends in our compliance, and highlight practices to further reduce risk in our work environments. We also implement projects that target safety risks and encourage employees to report any issues. We track our safety and near-miss performance to inform training and mitigate issues by learning from our “boots on the ground” team members. Additionally, our Stop Work Authority Program allows Group employees across job classifications to pause tasks if they observe a health, safety, or environmental risk. Managers evaluate the reported risks, and we maintain policies to prevent punishment or retribution for exercising Stop Work Authority.

Preventive measures are crucial to reducing the risk of injuries and promoting safety. Our practice is to provide the appropriate personal protective equipment for our teams, implement rules and procedures for daily operations, and begin every meeting with a safety reminder. To confirm that our employees are prepared for work, we perform hearing and respiratory fit testing for relevant roles. Our Injury and Illness Prevention Program also focuses on eliminating injuries and includes risk mitigation, training, and accident investigation.

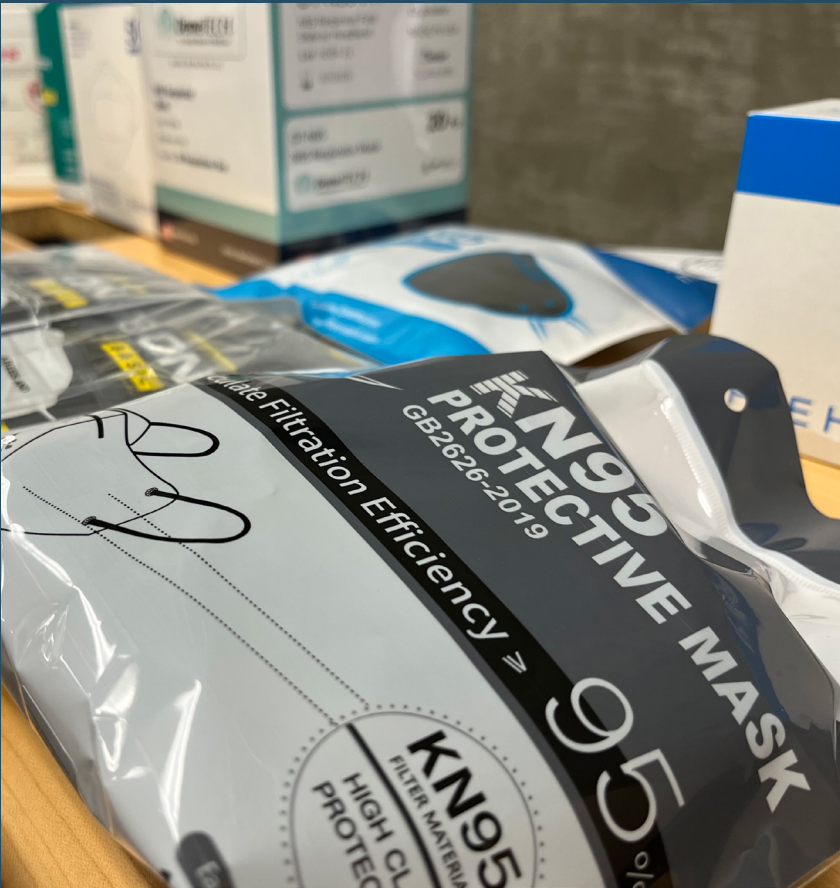
We track our safety and near-miss performance to inform training and mitigate issues by learning from our “boots on the ground” team members.

To address any injuries that do occur, our occupational health services include first aid, emergency treatment, health surveillance, and a triage nurse program that can quickly evaluate injuries so that appropriate action can be taken. Our return-to-work program supports employees after injuries so they can reassimilate. We also promote the overall health and wellbeing of our employees by providing generous medical coverage insurance plans, our Critical Incident Response Management peer-to-peer support program, and Carebridge professional employee assistance counseling. For more information, please see the [Compensation, Benefits, and Employee Wellbeing](#) section.

2021 Updates

As the pandemic extended into the year, we continued to prioritize health and safety for our workforce by minimizing COVID-19 exposures and implementing best practices, which include the following:

- Our safety team updated our COVID-19 Prevention Plan to align with Centers for Disease Control and Prevention (CDC) and OSHA requirements, and our COVID-19 protocols outline our rigorous safety measures.
- In our facilities, we continued to conduct additional cleanings, enable social distancing, require screening processes for entry into the workplace, distribute personal protective equipment, implement COVID-19 safety training, develop pods for each building, and perform COVID-19 district validation audits.
- We complied with California’s mandate for paid COVID-19 sick leave in 2021 and provided additional floating holidays for employees.
- To minimize risk of exposure, we regularly updated our employee travel policy in line with CDC and OSHA guidance to limit traveling and to outline requirements for testing and quarantine after traveling.
- We continue to provide free, on-site COVID-19 testing services on a regular basis for employees at our campus in San Jose, Calif.
- Our return-to-office plan included staggered shifts and a phased approach to safely bring employees back in stages, which allowed us to maintain support for our customers and improve efficiency.
- We continue to monitor pending OSHA vaccine requirements, collaborated with our unions on next steps, and increased our vaccination rates by offering cash bonuses to incentivize employees to receive vaccinations.

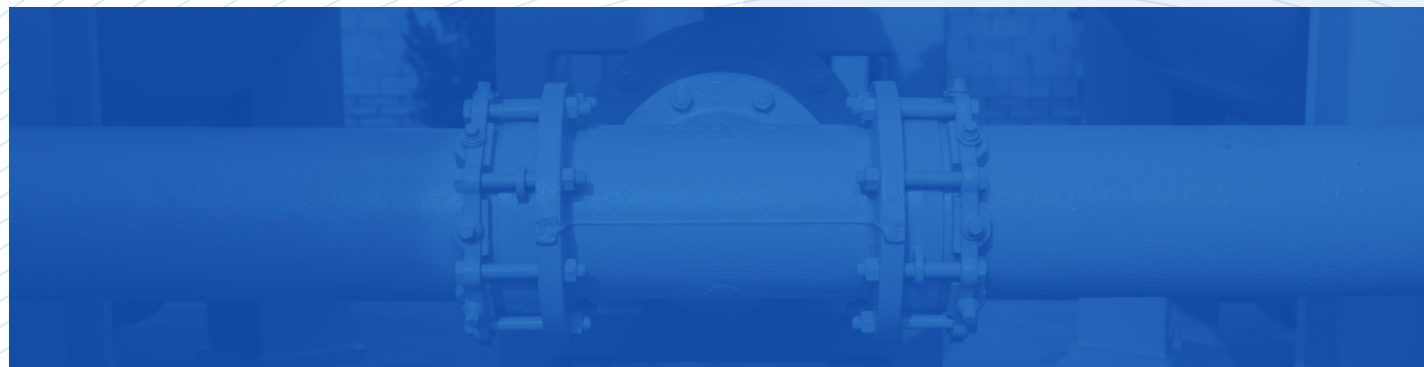


SAFETY PERFORMANCE<sup>[1]</sup>

Metric	2019	2020	2021
Total Case Incident Rate	3.7	2.9	3.4
Days Away, Restricted, or Transferred Rate	3.5	1.9	2.8

[1] Due to restrictions related to the COVID-19 pandemic, 2020 represents an anomalous year; 2021 reflects our typical performance.





## 6.0

# Leading with Integrity

6.1 Corporate Governance

6.2 Ethics

6.3 Public Policy and Political Involvement

6.4 Responsible Sourcing



## Our Management Approach

*Our policies and annual reports provide further information about our approach to corporate governance:*

- [Corporate Governance Guidelines](#)
- [2021 Annual Report](#)
- [California Water Service Group Bylaws](#)
- [2021 10-K and Proxy Statement](#)

### BOARD OF DIRECTORS OVERSIGHT

Our Board of Directors oversees corporate governance and our strategic approach to sustainability. We regularly review and enhance governance procedures to align with best practices. Our Board includes five committees:

- [Audit Committee](#)
- [Enterprise Risk Management, Safety, & Security Committee](#)
- [Finance & Capital Investment Committee](#)
- [Nominating/Corporate Governance Committee](#)
- [Organization & Compensation Committee](#)

We strive to strengthen our Board through diverse membership that contributes a range of experiences and perspectives to deliver critical insights. We remain dedicated to enhancing the diversity of our Board, particularly related to demographics such as gender, race, ethnic and national background, geography, age, and sexual orientation.

Our Enterprise Risk Management, Safety, & Security Committee advises executive leaders on our Enterprise Risk Management program.

The Organization & Compensation Committee reviews and provides recommendations on executive compensation. We also conduct an annual “say-on-pay” stockholder vote on executive compensation.

For more information on the Board’s committee structure and membership information, please see our [web site](#).

### ESG GOVERNANCE

To drive ESG progress, designate responsibility, and guide our progress, we have developed a formal structure for ESG governance. Our full Board oversees execution of our climate change strategy, and the Nominating/Corporate Governance Committee leads our ESG program and reporting. The other Board committees also have specific ESG-related oversight responsibilities within their purview. The committee and/or the full Board are updated by executive leadership on ESG matters as needed and at least annually. Topics typically covered in these updates to the Board may include introduction of new strategic ESG initiatives, progress on ESG objectives and existing initiatives, results of relevant studies and reports, current and emerging ESG trends and regulations, and more.

At the executive level, our officers discuss and manage our corporate responsibility and sustainability practices. To lead our ESG strategy, the Executive ESG Council oversees and advances progress in our material ESG topics and overall sustainability vision, management, and communications. Our Executive ESG Council includes our VP, Customer Service & Chief Citizenship Officer, who provides oversight for specific risks and commitments related to ESG. Additionally, as part of our efforts to maintain senior responsibility for ESG performance, our short-term incentive program links executive compensation to metrics related to water quality, emergency preparedness, workplace safety, and customer service.

Our ongoing Enterprise Risk Management (ERM) program identifies critical opportunities to strengthen our practices and mitigate risks that could impact business continuity. Additionally, our program references best practices from the utility industry, assesses top-tier risks from other water utilities, and is refreshed on an annual basis. At the highest level, our Enterprise Risk Management, Safety, & Security Committee maintains oversight responsibility for this process and updates the full Board. We regularly assess our enterprise risks and have assigned lead officers and departments to oversee individual risks and enhance our management approach. Through our strategic framework and goal-setting process, we have also mapped and further integrated our material ESG topics into our ERM process to align our focus areas. This provides direction for our executive leaders and enables strategic action to address risks while improving ESG performance.

**To lead Group’s strategy, our ESG Executive Advisory Council monitors material ESG issues.**

6.1

## Corporate Governance

Strong corporate governance and responsible ethical leadership are foundational to our ability to sustain and grow our business. We seek to maintain a clear framework of accountability to define responsibilities and to properly manage all material risks. Our adherence to our core values and commitment to high ethical standards are underpinned by a well-designed organizational structure and clear bylaws, policies, and practices designed to provide the proper oversight and controls.



ESG GOVERNANCE STRUCTURE

Board Level



Executive Level



Supporting Structures



For each material ESG topic, we have outlined individual responsibilities for our departments and directors, officers, and Board. The following table illustrates the governance for these ESG topics:

ESG GOVERNANCE MATRIX

Topic	Departments (Led by Directors and Managers)	Officers	Board Oversight
Climate Change, Energy, and Emissions	<ul style="list-style-type: none"><li>Water Resource Sustainability</li><li>Engineering</li><li>Procurement (Fleet &amp; Facilities)</li><li>Operations</li></ul>	<ul style="list-style-type: none"><li>CEO</li><li>VP, Customer Service &amp; Chief Citizenship Officer</li><li>Chief Water Resource Sustainability Officer</li></ul>	<ul style="list-style-type: none"><li>Full Board of Directors</li></ul>
Water Supply Management, Reliability, and Resilience	<ul style="list-style-type: none"><li>Water Resource Sustainability</li><li>Engineering</li></ul>	<ul style="list-style-type: none"><li>CEO</li><li>VP, Customer Service &amp; Chief Citizenship Officer</li><li>Chief Water Resource Sustainability Officer</li></ul>	<ul style="list-style-type: none"><li>Full Board of Directors</li></ul>
Water System Efficiency	<ul style="list-style-type: none"><li>Water Resource Sustainability</li><li>Engineering</li></ul>	<ul style="list-style-type: none"><li>VP, Engineering</li><li>Chief Water Resource Sustainability Officer</li><li>Chief Engineering Officer</li></ul>	<ul style="list-style-type: none"><li>None</li></ul>
End-Use Conservation	<ul style="list-style-type: none"><li>Water Resource Sustainability</li></ul>	<ul style="list-style-type: none"><li>VP, Customer Service &amp; Chief Citizenship Officer</li><li>Chief Water Resource Sustainability Officer</li></ul>	<ul style="list-style-type: none"><li>None</li></ul>
Environmental Management and Compliance	<ul style="list-style-type: none"><li>Environmental Affairs</li></ul>	<ul style="list-style-type: none"><li>VP, Engineering &amp; Chief Water Quality &amp; Environmental Compliance Officer</li></ul>	<ul style="list-style-type: none"><li>Enterprise Risk Management, Safety, &amp; Security Committee</li></ul>
Community Support	<ul style="list-style-type: none"><li>Community Affairs &amp; Government Relations</li><li>Human Resources</li></ul>	<ul style="list-style-type: none"><li>VP, Customer Service &amp; Chief Citizenship Officer</li></ul>	<ul style="list-style-type: none"><li>None</li></ul>



Topic	Departments (Led by Directors and Managers)	Officers	Board Oversight
Stakeholder Engagement and Public Participation	<ul style="list-style-type: none"> <li>Community Affairs &amp; Government Relations</li> </ul>	<ul style="list-style-type: none"> <li>VP, Customer Service &amp; Chief Citizenship Officer</li> <li>VP, Rates &amp; Regulatory Affairs</li> </ul>	<ul style="list-style-type: none"> <li>Full Board of Directors</li> </ul>
Emergency Preparedness and Response	<ul style="list-style-type: none"> <li>Safety</li> </ul>	<ul style="list-style-type: none"> <li>VP, Information Technology &amp; Chief Risk Officer</li> </ul>	<ul style="list-style-type: none"> <li>Enterprise Risk Management, Safety, &amp; Security Committee</li> </ul>
Drinking Water Quality and Customer Safety	<ul style="list-style-type: none"> <li>Water Quality</li> </ul>	<ul style="list-style-type: none"> <li>VP, Engineering &amp; Chief Water Quality &amp; Environmental Compliance Officer</li> <li>Chief Water Quality Officer</li> <li>Management Committee</li> <li>Strategy &amp; Operating Committee</li> <li>Environmental &amp; Water Quality Officer Oversight Committee</li> </ul>	<ul style="list-style-type: none"> <li>Enterprise Risk Management, Safety, &amp; Security Committee</li> <li>Full Board of Directors</li> </ul>
Water Affordability and Access	<ul style="list-style-type: none"> <li>Rates &amp; Regulatory Affairs<sup>[1]</sup></li> </ul>	<ul style="list-style-type: none"> <li>VP, Rates &amp; Regulatory Affairs</li> <li>VP, Corporate Development</li> <li>VP, Chief Financial Officer &amp; Treasurer</li> </ul>	<ul style="list-style-type: none"> <li>Full Board of Directors</li> </ul>
Cybersecurity and Data Privacy	<ul style="list-style-type: none"> <li>Information Technology</li> </ul>	<ul style="list-style-type: none"> <li>VP, Information Technology &amp; Chief Risk Officer</li> </ul>	<ul style="list-style-type: none"> <li>Audit Committee</li> <li>Full Board of Directors</li> </ul>
Customer Service	<ul style="list-style-type: none"> <li>Customer Service</li> </ul>	<ul style="list-style-type: none"> <li>VP, Customer Service &amp; Chief Citizenship Officer</li> </ul>	<ul style="list-style-type: none"> <li>None</li> </ul>
Diversity, Equality, and Inclusion	<ul style="list-style-type: none"> <li>Human Resources</li> </ul>	<ul style="list-style-type: none"> <li>VP, Chief Human Resource Officer</li> </ul>	<ul style="list-style-type: none"> <li>Full Board of Directors</li> </ul>

Topic	Departments (Led by Directors and Managers)	Officers	Board Oversight
Talent Attraction and Retention	<ul style="list-style-type: none"> <li>Human Resources</li> </ul>	<ul style="list-style-type: none"> <li>VP, Chief Human Resource Officer</li> </ul>	<ul style="list-style-type: none"> <li>Full Board of Directors</li> </ul>
Training and Development	<ul style="list-style-type: none"> <li>Human Resources</li> </ul>	<ul style="list-style-type: none"> <li>VP, Chief Human Resource Officer</li> </ul>	<ul style="list-style-type: none"> <li>Full Board of Directors</li> </ul>
Labor Relations and Management	<ul style="list-style-type: none"> <li>Human Resources</li> </ul>	<ul style="list-style-type: none"> <li>VP, Chief Human Resource Officer</li> </ul>	<ul style="list-style-type: none"> <li>Full Board of Directors</li> </ul>
Compensation, Benefits, and Employee Wellbeing	<ul style="list-style-type: none"> <li>Human Resources</li> </ul>	<ul style="list-style-type: none"> <li>VP, Chief Human Resource Officer</li> </ul>	<ul style="list-style-type: none"> <li>Organization &amp; Compensation Committee</li> </ul>
Workplace Health and Safety	<ul style="list-style-type: none"> <li>Safety</li> </ul>	<ul style="list-style-type: none"> <li>VP, Information Technology &amp; Chief Risk Officer</li> <li>CEO</li> <li>VP, Operations</li> <li>VP, Chief Human Resource Officer</li> <li>Executive Safety Committee</li> </ul>	<ul style="list-style-type: none"> <li>Enterprise Risk Management, Safety, &amp; Security Committee</li> <li>Full Board of Directors</li> </ul>
Ethics	<ul style="list-style-type: none"> <li>Human Resources</li> <li>Legal</li> </ul>	<ul style="list-style-type: none"> <li>VP, Corporate Secretary &amp; Chief of Staff</li> <li>VP, Chief Human Resource Officer</li> <li>VP, General Counsel</li> <li>VP, Information Technology &amp; Chief Risk Officer</li> </ul>	<ul style="list-style-type: none"> <li>Audit Committee</li> <li>Full Board of Directors</li> </ul>
Public Policy and Political Involvement	<ul style="list-style-type: none"> <li>Community Affairs &amp; Government Relations</li> </ul>	<ul style="list-style-type: none"> <li>VP, Customer Service &amp; Chief Citizenship Officer</li> <li>CEO</li> </ul>	<ul style="list-style-type: none"> <li>Full Board of Directors</li> </ul>
Responsible Sourcing	<ul style="list-style-type: none"> <li>Procurement (Fleet &amp; Facilities)</li> </ul>	<ul style="list-style-type: none"> <li>VP, Facilities, Fleet, &amp; Procurement</li> </ul>	<ul style="list-style-type: none"> <li>Audit Committee</li> </ul>

[1] While we take an interdepartmental approach to many of our ESG topics, Water Affordability and Access is particularly cross-cutting because all departments play a role in finding opportunities to reduce expenses that can ultimately impact affordability.



# 2021 Updates

We formalized our ESG governance structure in 2021 by outlining clear responsibilities at the Board, executive, and supporting levels. Our newly formed ESG Executive Advisory Council will provide critical guidance on our sustainability journey.

**Annual Meeting:** All directors are expected to attend the Annual Meeting of Stockholders, unless attendance is prevented by an emergency. All of our board members who were directors as of our 2021 Annual Meeting attended the meeting.

**Board and Committee Meetings:** Members of the Board are expected to attend Board meetings in person, unless the meeting is held by videoconference or teleconference. During 2021, there were 9 meetings of the Board and, collectively, 14 committee meetings. The incumbent directors attended at least 75%, and on average attended 100%, of all Board and applicable committee meetings in 2021 (held during the period each director served).

## BOARD INDEPENDENCE

All Independent Board Committees

10 of 12

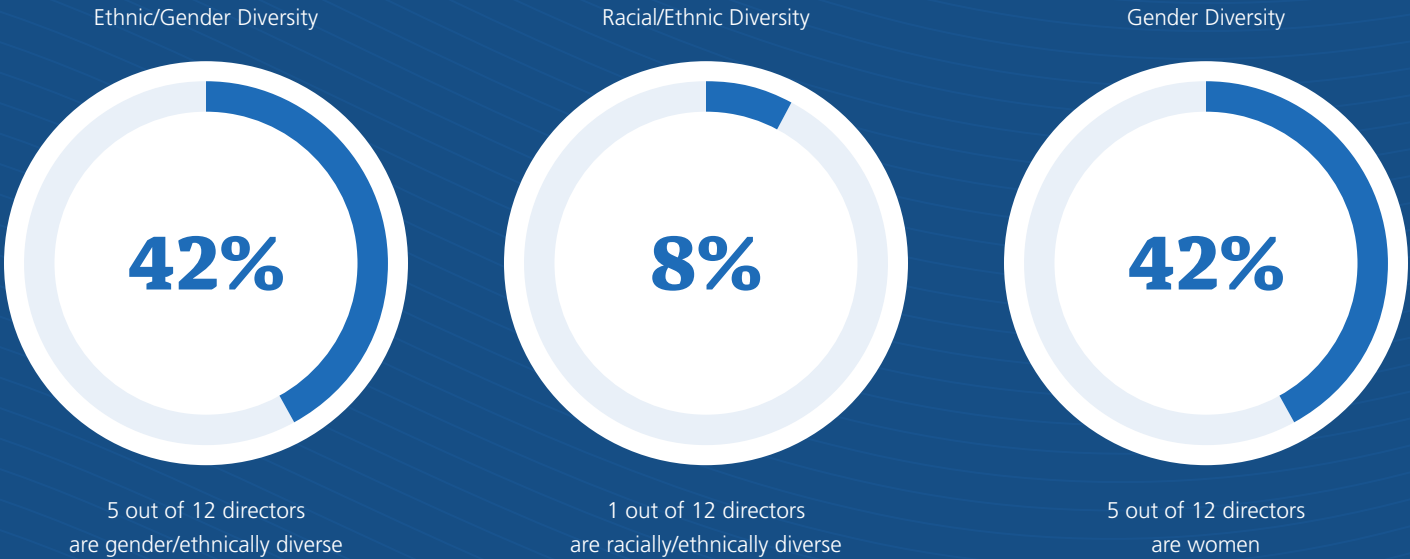
Independent Director Nominees

75

Mandatory Retirement Age

Richard P. Magnuson — Independent Lead Director

## BOARD DIVERSITY









## HUMAN RIGHTS

Our [Human Rights Policy](#) aligns with the UN Guiding Principles on Business and Human Rights. Our Board of Directors maintains oversight for our Human Rights Policy, which covers topics related to ethical conduct, water affordability, workplace health and safety, equal opportunity, labor practices, and responsible sourcing. We remain responsible for protection of these fundamental rights, and we prohibit child labor and forced labor throughout our operations and supply chain. For additional information on policies related to our supply chain, refer to the [Responsible Sourcing](#) section.

As part of our dedication to upholding essential human rights, we respect the human right to water and believe that every person retains the right to access safe, clean, and affordable drinking water. To learn about our commitment to protecting this right in our communities, see our policy on our [web site](#).



# 2021 Updates

In support of continued improvement, we have initiated a formal operational auditing program to expand our current financial auditing program, evaluate the implementation of operational policies, and further integrate internal audits and controls into ESG matters. We performed a risk assessment pilot in 2021, and we intend to continue to advance this program in the future.

## 6

complaints through our incident reporting mechanisms

## 0.53

complaints per 100 employees

## 50%

substantiation rate





## Our Management Approach

For information on the governance of this topic, see the [ESG Governance Matrix](#).

Our public policy outlines our commitments for this topic:

- [Political Engagement Policy](#)

Our Community Affairs & Government Relations team manages our political donations in accordance with local, state, and federal laws and regulations, and oversees two employee-funded Political Action Committees (PACs). For both PACs, our Director of Community Affairs & Government Relations serves as the Executive Director, and the PACs include the same five officers on each Board of Directors. Our VP, Customer Service & Chief Citizenship Officer is the Chair, and our CEO is the Vice Chair, for each PAC. Our federal PAC organizes contributions to support the campaigns of qualified candidates who are running for federal office and may impact Group, our subsidiaries, employees, stockholders, or customers. Our state and local PAC performs the same function for candidates for state and local offices in California.

Our Rates Department provides oversight for our relationship with the CPUC and examines regulatory impacts. For more information, see the [Water Affordability and Access](#) section.

We engage with industry organizations and trade associations to monitor impending laws and regulations and provide input on policies that can affect our business. Organizations that represent our interests include the AWWA, CWA, Water Research Foundation, and NAWC. Additionally, we collaborate with the PPIC to conduct research and provide thought leadership within our industry. We may provide commentary on laws and regulations that are relevant to Group and our customers, and we will periodically post these comments to our web site. Our public comment letters regarding our position on PFAS are also available online.

**We engage with industry organizations and trade associations to monitor any impending laws and regulations and provide input on policies that can affect our business.**



Our advocacy efforts and focus areas can be found in public records. We maintain transparency in our positions, and we file a quarterly Report of Lobbyist Employer in accordance with California Government Code Section 86116. We do not utilize contract lobbyists in any states other than California, and none of our employees is registered as a lobbyist.

To manage external relationships and track our political and regulatory outreach activities, we continue to integrate a cloud-based tool into our processes and systems. For additional details, see the [Stakeholder Engagement and Public Participation](#) section.

The following resources provide additional information about our political contributions and lobbying activities:

- [Political contributions from California Water Service](#)
- [Lobbying activity of California Water Service](#)
- [State and local political contributions \(California only\) from the California Water Service State and Local PAC](#)
- [Federal political contributions from the California Water Service Group PAC](#)

6.3

## Public Policy and Political Involvement

Our political involvement is policy driven, non-partisan, and transparent, intended to benefit our customers, communities, employees, and stockholders. We advocate for affordability, water quality, sustainability, and equality for our customers, as well as safeguard our position as the leading provider of water service in our communities. In addition to following regulations and proactively engaging policymakers, we endeavor to set clear internal expectations for our employees and align our activities with our values and objectives.



# 2021 Updates

Group engaged on multiple public policy initiatives in 2021 that would affect our customers and the service we provide.

We supported and advocated for the federal Infrastructure Investment and Jobs Act (the Bipartisan Infrastructure Bill), which included a number of provisions that we believe will directly benefit our customers and the communities we serve:

- A tax code change that will help disadvantaged communities obtain access to safe, clean, affordable drinking water and support housing affordability
- Up to \$55 billion in funding to address water infrastructure challenges, including \$10 billion for PFAS treatment
- Funding for a new program that will provide income-qualified customers with assistance to pay their water bills, which will enhance affordability and equity in our communities
- A new provision that requires the EPA to conduct a study on water and wastewater system compliance with applicable laws and regulations, and to identify characteristics that lead to compliance, which will serve as the foundation of new policies to help all Americans have access to safe, clean drinking water

To help customers pay past-due water bills that they incurred during the pandemic, we advocated for them to receive access to both state and federal COVID relief funds. In California, these efforts culminated in the creation of a first-of-its kind program—the Water and Wastewater Arrearage Payment Program—that will allow us to provide approximately \$20 million in assistance to roughly 50,000 customers who faced financial hardships during the pandemic. For more information, see our [web site](#).

We led the effort to secure enactment of legislation that will make it more financially feasible for one of the economically challenged cities we serve to move forward with its desire to transfer its small industrial water system to us. Assisting in this transfer will allow everyone in the city to have access to safe, clean, and affordable drinking water.

In support of customer convenience, we also advocated for legislation in California that allows customers to utilize electronic payment methods of their choice, without incurring a fee for paying with a credit or debit card instead of cash or check. This makes it easier for customers to use the payment methods that are most convenient for them and best meet their financial circumstances.





## Our Management Approach

For information on the governance of this topic, see the [ESG Governance Matrix](#).

Our public and internal policies outline our commitments for this topic:

- [Supplier Code of Conduct](#)
- [Procurement Policy](#)

We require our suppliers to comply with applicable regulations and our [Supplier Code of Conduct](#), which outlines our commitment to ethical business practices and responsible sourcing. The code includes expectations for fair dealing, conflicts of interest, and protection of confidential information. We also encourage our suppliers to maintain a Health and Safety Management Plan that includes training requirements. Additionally, our suppliers are expected to manage environmental risks and evaluate their materials use, energy efficiency, life-cycle inventory data, and product end-of-life treatment.

In our Supplier Code of Conduct, we describe additional ESG responsibilities to forbid discrimination and harassment, prohibit forced labor and child labor, treat people with respect, and contribute to an inclusive and ethical culture. We encourage our suppliers to engage their employees and communities through practices that align with the United Nations Guiding Principles to Business and Human Rights. We regularly evaluate our programs to protect human rights, and we minimize the risk of violations by leveraging domestic manufacturers, whenever possible, as our key suppliers.

### CONTRACTING AND SCREENING

Through our screening, we review environmental training processes, documentation of training for employees, and asbestos management, and we assess supplier compliance with our standards. We strive to engage with suppliers that do not commit environmental or social violations.

After supplier screening and selection, we incorporate specific requirements in our contracts to help avoid preventable, negative environmental and social impacts. These conditions include management practices related to hazardous materials, waste disposal, wetlands and local wildlife, fair labor, human rights, and health and safety. As part of our contracting process, we require suppliers to adhere to the [Supplier Code of Conduct](#).

### SUPPLIER EVALUATION

Through our supplier risk management program, we evaluate ESG, regulatory, and financial performance of our suppliers. Our process includes assessment of ESG topics such as conflicts of interest, cybersecurity, and safety risks.

We follow industry best practices for monitoring non-conformance and implementing corrective action. By emphasizing open communication, we collect information from our key suppliers and maintain a self-certification process, which includes an annual questionnaire and upholds our right to audit suppliers. If we determine that a vendor is non-compliant, our policy is to request an explanation of the issues and a corrective action plan. We may terminate contracts and/or add a supplier to our no-bid list if critical issues are repeated or remain unresolved.

### EMPLOYEE TRAINING

We provide training for our employees to understand and follow our procurement policies and processes. Training reviews ethical practices related to gifts and conflicts of interest; our inclusion requirement for competitive bidding; our program to support supplier diversity; and other topics connected to safety, environmental management, and security.

### SUPPLIER DIVERSITY

Through our Supplier Diversity Program, we contribute to economic inclusion and obtain high-quality products and services from a diverse group of suppliers. We work hard toward achieving the CPUC-targeted 21.5% spending with diverse suppliers and communicate with the CPUC on any observations or issues in order to improve the program.

Our Procurement Policy requires that at least one diverse supplier be invited to bid for every competitive bidding event, and we continue to monitor and analyze the impacts of this requirement. As part of our ongoing efforts to increase our partnerships with women-, minority-, veteran-, disabled veteran-, and LGBTQ-owned suppliers, we support qualified suppliers in achieving certification through the CPUC's Supplier Clearinghouse. For additional information about our Supplier Diversity Program, see our annual [California Water Service GO156 Supplier Diversity Annual Reports](#).

We also strive to support the federal subcontracting goal on diverse suppliers, small businesses, and HUBZone (Historically Underutilized Business Zone) suppliers through our Operation Contract with Travis Air Force Base. We have exceeded the spending goals on diverse suppliers and small businesses in the past few years and are working hard to engage more HUBZone suppliers.

We value local suppliers and strive to benefit our communities through local purchasing, when possible. We continue to leverage the findings from our 2017 Buy Local Study that incorporated tags in our financial system for local suppliers in our service areas. Based on these results, we regularly assess local supplier participation as a percentage of our total procurement, monitor trends in our performance, and annually evaluate our investment in our local communities.

6.4

## Responsible Sourcing

As the largest investor-owned water utility west of the Mississippi River, we engage a diverse group of suppliers and strive to promote supplier responsibility by selecting vendors that effectively mitigate their environmental impacts, maintain safe practices that uphold human rights, and represent the diversity of our communities. Our suppliers provide materials, equipment, construction, maintenance, and other professional services that support our operations. For details about our supply chain and supplier engagement, see the Supplier FAQ on our [web site](#).



# 2021 Updates

We updated our supplier policies to enhance our management processes and foundation for responsible sourcing:

- **Supplier Code of Conduct:** We collaborated with a third party to conduct a benchmark against peer companies and update our Supplier Code of Conduct in alignment with best practices. Our suppliers will continue to be expected to acknowledge the updated code through our onboarding and contracting process. We enhanced our Supplier Code of Conduct by adding a supplier diversity section to promote selection of diverse vendors. We also included a section to cover anti-corruption and anti-bribery, and we expect our suppliers to comply with the U.S. Foreign Corrupt Practices Act. As part of our broader updates, we strengthened language to reflect our position on environmental management, labor practices, and supplier compliance. By increasing the clarity of our code, we have reinforced the expectations for supplier responsibility.
- **Procurement Policy:** We updated our internal policy to improve our procurement strategy and management of high-risk vendors. Our policy outlines the process for identifying high-risk suppliers and implementing various assessment processes to mitigate risks.

## SUPPLIER RISK MANAGEMENT PROGRAM

In 2021, we engaged a third party to implement our supplier risk management program. Components of this program include supplier segmentation, supplier qualification, and ongoing monitoring. To define our focus areas, we segmented vendors into critical and high-risk categories. Critical suppliers offer unique services, have high switching costs, or prevent service interruptions. High-risk suppliers provide services that could potentially cause issues if not managed correctly, such as excavating or demolition activities, electrical work, hazardous waste disposal, or information security.

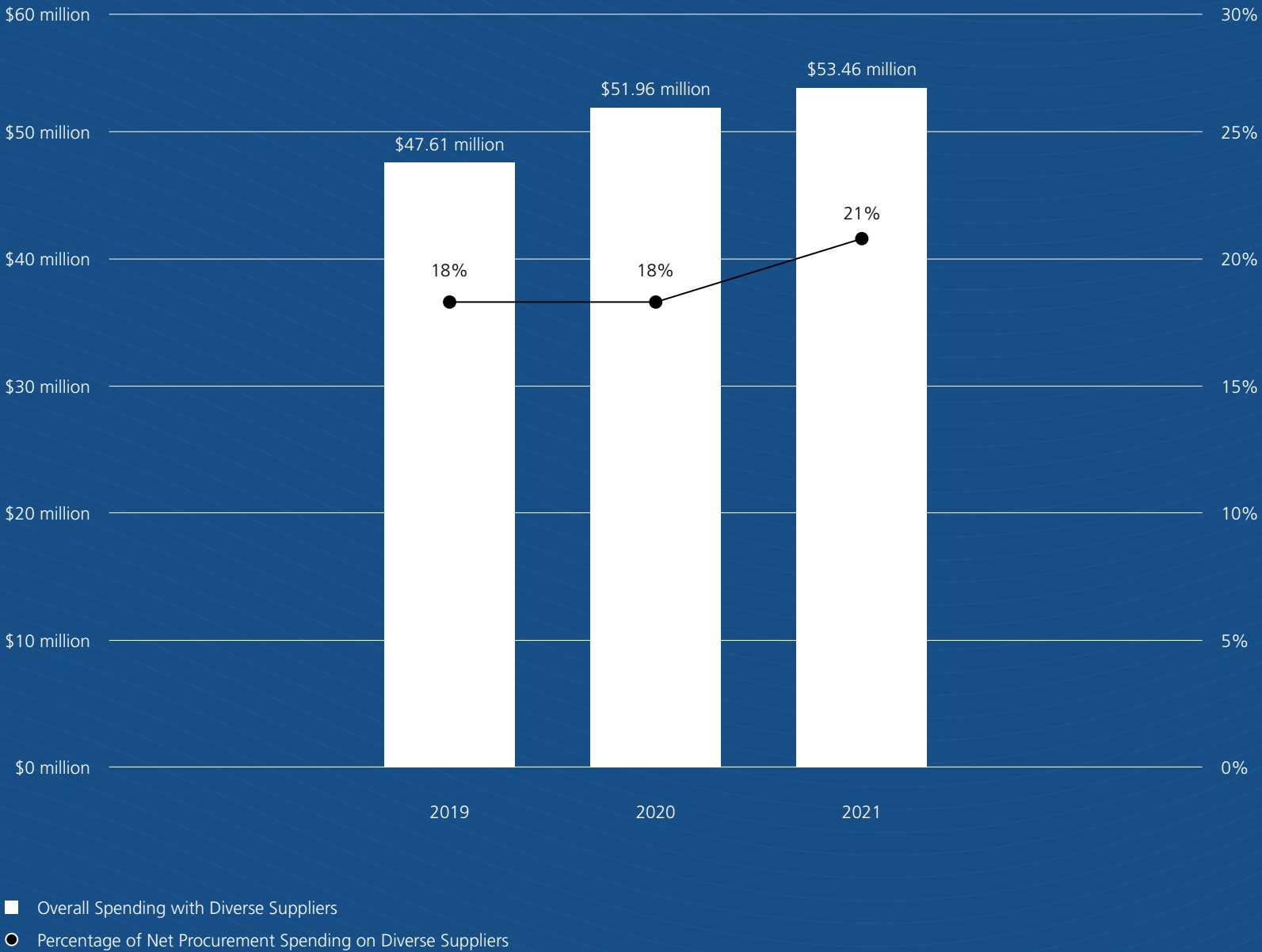
We qualify suppliers by evaluating various criteria and assessing regulatory, financial, and ESG performance, including conflicts of interest, cybersecurity, and safety risks. The monitoring frequency for compliance was based on the supplier type. To manage supplier data and implement this program, we selected a comprehensive software solution that provides risk management services and monitors supplier performance.

We have completed the first stage of this program to assess and monitor high-risk and critical suppliers for underground construction and capital investments; and in 2022, we plan to initiate the second stage to complete the process for all other high-risk and critical suppliers.

## SUPPLY CHAIN DISRUPTION

We also manage risks associated with interruptions in our supply chain in order to maintain reliable service to our customers. Companies faced significant supply chain disruptions in 2021 partly due to the ongoing pandemic, and these challenges will continue to affect our operations and investments. We have adjusted our strategy to help mitigate these impacts and fulfill our plans for upgrading infrastructure. Our approach includes strengthening our relationships with key partners, ordering materials earlier to minimize issues with lead time, increasing our inventory to build up reserves, and developing a more diverse supplier base to provide backup for critical needs.

## SPENDING ON DIVERSE SUPPLIERS (WOMEN, MINORITY, DISABLED VETERAN, AND LGBTQ BUSINESS ENTERPRISES)







7.0

# Content Indices

- 7.1 [SASB Content Index](#)
- 7.2 [GRI Content Index: General Disclosures](#)
- 7.3 [GRI Content Index: Material and High-Priority Topics](#)



## 7.1 SASB Content Index: Water Utilities and Services Sustainability Accounting Standard

SASB Disclosure	Location or Direct Response
<b>Energy Management</b>	
IF-WU-130a.1: (1) Total energy consumed, (2) percentage grid electricity, (3) percentage renewable	<a href="#">2021 ESG Analyst Download</a>
<b>Distribution Network Efficiency</b>	
IF-WU-140a.1: Water main replacement rate	<a href="#">Water System Efficiency</a> ; <a href="#">2021 ESG Analyst Download</a>
IF-WU-140a.2: Volume of non-revenue real water losses	<a href="#">Water System Efficiency</a> ; <a href="#">2021 ESG Analyst Download</a>
<b>Effluent Quality Management</b>	
IF-WU-140b.1: Number of incidents of non-compliance associated with water effluent quality permits, standards, and regulations	<a href="#">Environmental Management and Compliance</a> ; <a href="#">2021 ESG Analyst Download</a>
IF-WU-140b.2: Discussion of strategies to manage effluents of emerging concern	<a href="#">Environmental Management and Compliance</a>
<b>Water Affordability and Access</b>	
IF-WU-240a.1: Average retail water rate for (1) residential, (2) commercial, and (3) industrial customers	<a href="#">2021 ESG Analyst Download</a>
IF-WU-240a.2: Typical monthly water bill for residential customers for 10 Ccf of water delivered per month	This data is unavailable for disclosure while we work to enhance our data collection processes and improve quality and accuracy.
IF-WU-240a.3: Number of residential customer water disconnections for non-payment, percentage reconnected within 30 days	<a href="#">2021 ESG Analyst Download</a>
IF-WU-240a.4: Discussion of impact of external factors on customer affordability of water, including the economic conditions of the service territory	<a href="#">Water Affordability and Access</a>
<b>Drinking Water Quality</b>	
IF-WU-250a.1: Number of (1) acute health-based, (2) nonacute health-based, and (3) non-health-based drinking water violations	<a href="#">Drinking Water Quality and Customer Safety</a> ; <a href="#">2021 ESG Analyst Download</a>
IF-WU-250a.2: Discussion of strategies to manage drinking water contaminants of emerging concern	<a href="#">Drinking Water Quality and Customer Safety</a>
<b>End-Use Efficiency</b>	
IF-WU-420a.1: Percentage of water utility revenues from rate structures that are designed to promote conservation and revenue resilience	<a href="#">End-Use Conservation</a> ; <a href="#">2021 ESG Analyst Download</a>
IF-WU-420a.2: Customer water savings from efficiency measures, by market	<a href="#">End-Use Conservation</a> ; <a href="#">2021 ESG Analyst Download</a>



SASB Disclosure		Location or Direct Response
Water Supply Resilience		
IF-WU-440a.1: Total water sourced from regions with High or Extremely High Baseline Water Stress, percentage purchased from a third party	This data is unavailable for disclosure while we work to enhance our data collection processes and improve quality and accuracy.	
IF-WU-440a.2: Volume of recycled water delivered to customers	<a href="#">2021 ESG Analyst Download</a>	
IF-WU-440a.3: Discussion of strategies to manage risks associated with the quality and availability of water resources	<a href="#">Water Supply Management, Reliability, and Resilience</a>	
Network Resiliency and Impacts of Climate Change		
IF-WU-450a.1: Wastewater treatment capacity located in 100-year flood zones	<a href="#">2021 ESG Analyst Download</a>	
IF-WU-450a.2: (1) Number and (2) volume of sanitary sewer overflows (SSO), (3) percentage of volume recovered	<a href="#">Environmental Management and Compliance</a> ; <a href="#">2021 ESG Analyst Download</a>	
IF-WU-450a.3: (1) Number of unplanned service disruptions, and (2) customers affected, each by duration category	<a href="#">2021 ESG Analyst Download</a>	
IF-WU-450a.4: Description of efforts to identify and manage risks and opportunities related to the impact of climate change on distribution and wastewater infrastructure	<a href="#">Climate Change, Energy, and Emissions</a>	
Activity Metric		
IF-WU-000.A: Number of: (1) residential, (2) commercial, and (3) industrial customers served, by service provided	<a href="#">2021 ESG Analyst Download</a>	
IF-WU-000.B: Total water sourced, percentage by source type	<a href="#">Water Supply Management, Reliability, and Resilience</a> ; <a href="#">2021 ESG Analyst Download</a>	
IF-WU-000.C: Total water delivered to: (1) residential, (2) commercial, (3) industrial, and (4) all other customers	We are currently updating our data collection and calculation methodology for this metric in order to improve data quality. We plan to disclose this metric in future reporting.	
IF-WU-000.D: Average volume of wastewater treated per day, by (1) sanitary sewer, (2) stormwater, and (3) combined sewer	<a href="#">Environmental Management and Compliance</a> ; <a href="#">2021 ESG Analyst Download</a>	
IF-WU-000.E: Length of (1) water mains and (2) sewer pipe	<a href="#">2021 ESG Analyst Download</a>	



# 7.2 GRI Content Index: General Disclosures

GRI Disclosure		Location or Direct Response
The Organization and Its Reporting Practices		
GRI 2: General Disclosures 2021	2-1: Organizational details	<a href="#">About Us</a> ; <a href="#">2021 10-K</a>
	2-2: Entities included in the organization's sustainability reporting	We have included all subsidiaries in our full reporting and data, unless otherwise noted. Texas Water Service is referenced in the 2021 ESG Report but is not included in the scope of our data disclosures at this time.
	2-3: Reporting period, frequency, and contact point	<a href="#">About This Report</a>
	2-4: Restatements of information	We have restated data from previous years due to corrections and/or changes in methodology. Restatements are noted where applicable.
Activities and Workers		
GRI 2: General Disclosures 2021	2-6: Activities, value chain, and other business relationships	<a href="#">About Us</a> ; <a href="#">2021 10-K</a>
	2-7: Employees	<a href="#">About Us</a> ; <a href="#">2021 ESG Analyst Download</a>
Governance		
GRI 2: General Disclosures 2021	2-9: Governance structure and composition	<a href="#">Corporate Governance</a>
	2-13: Delegation of responsibility for managing impacts	<a href="#">Corporate Governance</a>
	2-14: Role of the highest governance body in sustainability reporting	<a href="#">Corporate Governance</a>
Strategies, Policies, and Practices		
GRI 2: General Disclosures 2021	2-22: Statement on sustainable development strategy	<a href="#">CEO Letter</a>
	2-23: Policy commitments	<a href="#">Ethics</a> ; California Water Service Group does not formally follow the precautionary principle.
	2-24: Embedding policy commitments	<a href="#">Ethics</a> ; <a href="#">Responsible Sourcing</a>
	2-25: Processes to remediate negative impacts	<a href="#">Stakeholder Engagement and Public Participation</a> ; <a href="#">Labor Relations and Management</a> ; <a href="#">Ethics</a>
	2-26: Mechanisms for seeking advice and raising concerns	<a href="#">Ethics</a>
	2-28: Membership associations	<a href="#">Stakeholder Engagement and Public Participation</a>



GRI Disclosure		Location or Direct Response
Stakeholder Engagement		
GRI 2: General Disclosures 2021	2-29: Approach to stakeholder engagement	<a href="#">Stakeholder Engagement and Public Participation</a>
	2-30: Collective bargaining agreements	<a href="#">2021 ESG Analyst Download</a> ; 61.5% of employees are covered by collective bargaining agreements.

7.3 GRI Content Index: Material and High-Priority Topics (listed per order of report)

GRI Disclosure		Location or Direct Response
GRI 3: Material Topics 2021	3-1: Process to determine material topics	<a href="#">Materiality Assessment</a>
	3-2: List of material topics	<a href="#">Materiality Assessment</a>
Climate Change, Energy, and Emissions		
GRI 3: Material Topics 2021	3-3: Management of material topics	<a href="#">Climate Change, Energy, and Emissions</a>
GRI 201: Economic Performance 2016	201-2: Financial implications and other risks and opportunities due to climate change	<a href="#">Climate Change, Energy, and Emissions</a>
GRI 302: Energy 2016	302-1: Energy consumption within the organization	<a href="#">Climate Change, Energy, and Emissions</a> ; <a href="#">2021 ESG Analyst Download</a>
GRI 305: Emissions 2016	305-1: Direct (Scope 1) GHG emissions	<a href="#">Climate Change, Energy, and Emissions</a> ; <a href="#">2021 ESG Analyst Download</a>
	305-2: Energy indirect (Scope 2) GHG emissions	<a href="#">Climate Change, Energy, and Emissions</a> ; <a href="#">2021 ESG Analyst Download</a>
	305-3: Other indirect (Scope 3) GHG emissions	<a href="#">Climate Change, Energy, and Emissions</a> ; <a href="#">2021 ESG Analyst Download</a>
	305-4: GHG emissions intensity	<a href="#">Climate Change, Energy, and Emissions</a> ; <a href="#">2021 ESG Analyst Download</a>
Water Supply Management, Reliability, and Resilience		
GRI 3: Material Topics 2021	3-3: Management of material topics	<a href="#">Water Supply Management, Reliability, and Resilience</a>
GRI 303: Water and Effluents 2018	303-1: Interactions with water as a shared resource	<a href="#">Water Supply Management, Reliability, and Resilience</a>
	303-3: Water withdrawal	<a href="#">2021 ESG Analyst Download</a>



GRI Disclosure		Location or Direct Response
Water System Efficiency		
GRI 3: Material Topics 2021	3-3: Management of material topics	<a href="#">Water System Efficiency</a>
GRI 303: Water and Effluents 2018	303-1: Interactions with water as a shared resource	<a href="#">Water System Efficiency</a>
Self-Selected Metric	We provide relevant indicators for this material topic within the corresponding report section and in the 2021 ESG Analyst Download.	<a href="#">Water System Efficiency</a> ; <a href="#">2021 ESG Analyst Download</a>
End-Use Conservation		
GRI 3: Material Topics 2021	3-3: Management of material topics	<a href="#">End-Use Conservation</a>
GRI 303: Water and Effluents 2018	303-1: Interactions with water as a shared resource	<a href="#">End-Use Conservation</a>
Self-Selected Metric	We provide relevant indicators for this material topic within the corresponding report section and in the 2021 ESG Analyst Download.	<a href="#">End-Use Conservation</a> ; <a href="#">2021 ESG Analyst Download</a>
Environmental Management and Compliance		
GRI 3: Material Topics 2021	3-3: Management of material topics	<a href="#">Environmental Management and Compliance</a>
GRI 303: Water and Effluents 2018	303-1: Interactions with water as a shared resource	<a href="#">Environmental Management and Compliance</a>
	303-2: Management of water discharge-related impacts	<a href="#">Environmental Management and Compliance</a>
	303-4: Water discharge	<a href="#">Environmental Management and Compliance</a> ; <a href="#">2021 ESG Analyst Download</a>
GRI 306: Waste 2020	306-1: Waste generation and significant waste-related impacts	<a href="#">Environmental Management and Compliance</a>
	306-2: Management of significant waste-related impacts	<a href="#">Environmental Management and Compliance</a>
	306-3: Waste generated	<a href="#">2021 ESG Analyst Download</a>
Community Support		
GRI 3: Material Topics 2021	3-3: Management of material topics	<a href="#">Community Support</a>
GRI 413: Local Communities 2016	413-1: Operations with local community engagement, impact assessments, and development programs	<a href="#">Community Support</a>
Stakeholder Engagement and Public Participation		
GRI 3: Material Topics 2021	3-3: Management of material topics	<a href="#">Stakeholder Engagement and Public Participation</a>
Self-Selected Metric	We provide relevant indicators for this material topic within the corresponding report section.	<a href="#">Stakeholder Engagement and Public Participation</a>



GRI Disclosure		Location or Direct Response
Emergency Preparedness and Response		
GRI 3: Material Topics 2021	3-3: Management of material topics	<a href="#">Emergency Preparedness and Response</a>
Self-Selected Metric	We provide relevant indicators for this material topic within the corresponding report section.	<a href="#">Emergency Preparedness and Response</a>
Drinking Water Quality and Customer Safety		
GRI 3: Material Topics 2021	3-3: Management of material topics	<a href="#">Drinking Water Quality and Customer Safety</a>
GRI 416: Customer Health and Safety 2016	416-2: Incidents of non-compliance concerning the health and safety impacts of products and services	<a href="#">2021 ESG Analyst Download</a>
Water Affordability and Accessibility		
GRI 3: Material Topics 2021	3-3: Management of material topics	<a href="#">Water Affordability and Access</a>
Self-Selected Metric	We provide relevant indicators for this material topic within the corresponding report section and in the 2021 ESG Analyst Download.	<a href="#">Water Affordability and Access</a> ; <a href="#">2021 ESG Analyst Download</a>
Cybersecurity and Data Privacy		
GRI 3: Material Topics 2021	3-3: Management of material topics	<a href="#">Cybersecurity and Data Privacy</a>
GRI 418: Customer Privacy 2016	418-1: Substantiated complaints concerning breaches of customer privacy and losses of customer data	<a href="#">2021 ESG Analyst Download</a>
Customer Service		
GRI 3: Material Topics 2021	3-3: Management of material topics	<a href="#">Customer Service</a>
Self-Selected Metric	We provide relevant indicators for this high-priority topic within the corresponding report section and in the 2021 ESG Analyst Download.	<a href="#">Customer Service</a> ; <a href="#">2021 ESG Analyst Download</a>
Diversity, Equality, and Inclusion		
GRI 3: Material Topics 2021	3-3: Management of material topics	<a href="#">Diversity, Equality, and Inclusion</a>
GRI 405: Diversity and Equal Opportunity 2016	405-1: Diversity of governance bodies and employees	<a href="#">Diversity, Equality, and Inclusion</a> ; <a href="#">2021 ESG Analyst Download</a>
Talent Attraction and Retention		
GRI 3: Material Topics 2021	3-3: Management of material topics	<a href="#">Talent Attraction</a> ; <a href="#">Talent Satisfaction and Retention</a>
GRI 401: Employment 2016	401-1: New employee hires and employee turnover	<a href="#">2021 ESG Analyst Download</a>



GRI Disclosure		Location or Direct Response
Training and Development		
GRI 3: Material Topics 2021	3-3: Management of material topics	<a href="#">Training and Development</a>
GRI 404: Training and Education 2016	404-1: Average hours of training per year per employee	<a href="#">2021 ESG Analyst Download</a>
	404-2: Programs for upgrading employee skills and transition assistance programs	<a href="#">Training and Development</a>
	404-3: Percentage of employees receiving regular performance and career development reviews	<a href="#">2021 ESG Analyst Download</a>
Compensation, Benefits, and Employee Wellbeing		
GRI 3: Material Topics 2021	3-3: Management of material topics	<a href="#">Compensation, Benefits, and Employee Wellbeing</a>
GRI 401: Employment 2016	401-2: Benefits provided to full-time employees that are not provided to temporary or part-time employees	<a href="#">Compensation, Benefits, and Employee Wellbeing</a>
Labor Relations and Management		
GRI 3: Material Topics 2021	3-3: Management of material topics	<a href="#">Labor Relations and Management</a>
Self-Selected Metric	We provide relevant indicators for this high-priority topic within the corresponding report section and in the 2021 ESG Analyst Download.	<a href="#">Labor Relations and Management</a> ; <a href="#">2021 ESG Analyst Download</a>
Workplace Health and Safety		
GRI 3: Material Topics 2021	3-3: Management of material topics	<a href="#">Workplace Health and Safety</a>
GRI 403: Occupational Health and Safety 2018	403-1: Occupational health and safety management system	<a href="#">Workplace Health and Safety</a>
	403-2: Hazard identification, risk assessment, and incident investigation	<a href="#">Workplace Health and Safety</a>
	403-3: Occupational health services	<a href="#">Workplace Health and Safety</a>
	403-4: Worker participation, consultation, and communication on occupational health and safety	<a href="#">Workplace Health and Safety</a>
	403-5: Worker training on occupational health and safety	<a href="#">Workplace Health and Safety</a>
	403-6: Promotion of worker health	<a href="#">Workplace Health and Safety</a> ; <a href="#">Compensation, Benefits, and Employee Wellbeing</a>
	403-7: Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	<a href="#">Workplace Health and Safety</a>
	403-8: Workers covered by an occupational health and safety management system	<a href="#">Workplace Health and Safety</a>
	403-9: Work-related injuries	<a href="#">2021 ESG Analyst Download</a>



GRI Disclosure		Location or Direct Response
Corporate Governance		
GRI 3: Material Topics 2021	3-3: Management of material topics	<a href="#">Corporate Governance</a>
Self-Selected Metric	We provide relevant indicators for this material topic within the corresponding report section and in the 2021 ESG Analyst Download.	<a href="#">Corporate Governance</a> ; <a href="#">2021 ESG Analyst Download</a>
Ethics		
GRI 3: Material Topics 2021	3-3: Management of material topics	<a href="#">Ethics</a>
GRI 205: Anti-Corruption 2016	205-2: Communication and training about anti-corruption policies and procedures	<a href="#">Ethics</a>
	205-3: Confirmed incidents of corruption and actions taken	<a href="#">2021 ESG Analyst Download</a>
GRI 206: Anti-Competitive Behavior 2016	206-1: Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	<a href="#">2021 ESG Analyst Download</a>
GRI 411: Rights of Indigenous Peoples 2016	411-1: Incidents of violations involving rights of indigenous peoples	<a href="#">2021 ESG Analyst Download</a>
Public Policy and Political Involvement		
GRI 3: Material Topics 2021	3-3: Management of material topics	<a href="#">Public Policy and Political Involvement</a>
GRI 415: Public Policy 2016	415-1: Political contributions	<a href="#">Public Policy and Political Involvement</a>
Responsible Sourcing		
GRI 3: Material Topics 2021	3-3: Management of material topics	<a href="#">Responsible Sourcing</a>
Self-Selected Metric	We provide relevant indicators for this high-priority topic within the corresponding report section and in the 2021 ESG Analyst Download.	<a href="#">Responsible Sourcing</a> ; <a href="#">2021 ESG Analyst Download</a>



