

# Sustainability Matters:

An Update on California Water Service Group's  
Climate Strategy



# At California Water Service Group, doing the right thing has always been a part of our DNA.

**We strive to make the world a better place** and take pride in our long-standing efforts to provide safe, reliable water at affordable rates; be responsible stewards of the environment; give back to our communities; foster a positive and enriching work environment for our employees; and maintain the highest ethical standards.

**We believe our stakeholders hold a shared vision for climate action**, and they engage us frequently to learn more about our climate strategy. This includes a recent shareholder proposal requesting that Group issue near and long-term science-based greenhouse gas (GHG) emissions reduction targets covering Group's full range of operational and supply chain GHG emissions. In response to this and other inquiries, our team has been working diligently to advance a climate strategy that is aligned with leading practices and to engage with our stakeholders to share updates on our efforts. Today, we are excited to share additional details about the progress we've made and our key areas of focus.

We hope that this mid-year update, coming ahead of our 2023 Environmental, Social, and Governance (ESG) Report and ESG Analyst Download in Q2 2024, will provide additional transparency and useful insight into our work. We value feedback and perspectives from our stakeholders.

**Please send any input or questions to [sustainability@calwater.com](mailto:sustainability@calwater.com).**

## Climate Strategy Focus Areas: Taking a Methodical and Strategic Approach

Approved by our Board of Directors in 2021, our climate change strategy is designed to manage the impacts of climate-related risks through both climate mitigation and adaptation throughout our business, including sourcing, treatment and distribution, and community engagement.

### Our focus areas include:

- Reducing our own and our customers' contributions to climate change through mitigation efforts focused on reducing water use, energy use, and emissions
- Ramping up collaboration and advocacy through customer education campaigns and engagement with policymakers, regulators, and other stakeholders
- Understanding and planning for potential impacts of climate change on our business through adaptation and resiliency planning and investments
- Setting time-bound goals, including pending absolute Scope 1 and Scope 2 GHG emissions reduction targets
- Seeking to mature our ESG reporting in alignment with leading frameworks



## **Emissions Metrics and Targets: Building on a Strong Foundation**

We believe an important step for any corporate climate strategy is having a complete and accurate GHG emissions inventory. In 2022 and 2023, we took steps to improve our carbon accounting by partnering with an independent third party to complete an updated inventory of Scope 1, 2, and partial Scope 3 GHG emissions aligns with the Greenhouse Gas Protocol. The details of this inventory can be found in our 2022 ESG Analyst Download on our website.

### **Partnering with an independent environmental consultant, our approach includes:**

- Understanding the target landscape and best practices
- Analyzing data on our baseline and projected emissions
- Gathering data on our existing and planned emissions reduction initiatives
- Identifying additional emissions reduction opportunities
- Modeling target scenarios and achievement roadmaps
- Selecting and validating targets with company leadership
- Developing an interdisciplinary strategy to achieve selected targets

With this baseline in place, in May of 2023, we announced our commitment to set absolute, science-based Scope 1 and Scope 2 GHG emissions reduction targets before the end of the third quarter of 2024, building upon a prior commitment to set intensity targets by 2025. We are actively working on setting those targets and look forward to publishing them by the end of Q3 2024 or sooner. We recognize the importance of setting climate targets in a timely manner, while at the same time taking a disciplined and data-driven approach to support the implementation of goals that are actionable, credible, achievable, and meaningful. In addition to our focus on setting Scope 1 and Scope 2 GHG emissions targets, we have a number of concurrent projects and strategies that we are excited to share.

## Ongoing Decarbonization Efforts: Making Meaningful Progress

Aligned with our ambition to manage our climate impacts, our team has been hard at work pursuing projects intended to reduce our operational emissions. These include projects related to operational efficiency, renewable energy procurement, and fleet sustainability.

### Recent highlights include:

- Guided by the ISO 50001 standard, we completed the development of a custom Energy Management System (EMS) for California, designed to allow us to evaluate energy cost, usage, and efficiency data, as well as identify energy optimization strategies within our water system. We also conducted an energy audit to identify opportunities to optimize energy use efficiency in our California office facilities.
- We increased our percentage of energy consumption supplied from renewable energy from less than 1% in 2021 to 9% in 2022, consisting of electricity purchased through electric utility green tariffs and our owned onsite solar system in Chico, California. To build on this progress, we have evaluated an array of renewable power procurement and generation options, taking into consideration environmental impact, visibility, cost, financial risk, and complexity in the context of our business model. Current market conditions are more favorable for utility programs and onsite solar in the near term compared to other alternatives such as offsite solar, community solar, and unbundled renewable energy credits. To that end, we have assessed and ranked onsite solar viability at our facilities throughout the company and have identified two potential, onsite solar projects in California that we are now pursuing further. To further inform next steps for our emissions reduction strategy, we also conducted a green tariff and utility green product evaluation to identify, characterize, and rank utility-offered renewable programs within Group's electric utility portfolio. We plan to continue to track the renewable energy market and may modify our strategy if conditions change.
- As we continue to build out our fleet electrification strategy, we have standardized our fleet vehicle selection process to replace older vehicles with more fuel-efficient ones and/or hybrid or electric vehicles (EVs) where feasible. We also completed a study to evaluate and plan for EV charging station infrastructure needs as we work towards our target of purchasing 100% zero-emission passenger vehicles in California by 2035.

### 8% Increase in Renewable Energy

We increased our percentage of energy consumption supplied from renewable energy from less than 1% in 2021 to 9% in 2022, consisting of electricity purchased through electric utility green tariffs and our owned on-site solar system in Chico, California.



## Scope 3 Reductions: Tackling the Unique Challenges of our Regulated Business Model

While we are proud of the progress we've made, we believe that there are several challenges that exist for our business and industry related to Scope 3 GHG emission-reduction targets, which is why none of our proxy peers—and in fact, no regulated water utilities in North America—have done so. We feel it is important to share some of the challenges we face so that stakeholders can have further context about our business and better positioned to help us to find solutions to overcome some of these obstacles as we continue to make progress.

In preparing our 2021 and 2022 emissions inventories, we chose to focus on the Scope 3 emissions we believe to be the most significant, most relevant to our business, and/or most impactful for addressing our overall emissions footprint based on the nature of our business. Our infrastructure investment activities contribute substantially to the emissions captured in the Capital Goods and Purchased Goods and Services categories, which together account for approximately 79% of our Scope 3 GHG emissions evaluated for 2022 over 2021. We believe this poses a significant challenge to reducing our Scope 3 GHG emissions

because as a regulated, investor-owned water utility, we seek to deliver value to both customers and stockholders by investing in water and wastewater system infrastructure. This is compounded by the fact that our foundational ESG materiality assessment identified drinking water quality and customer safety as our highest priority ESG topic; not only is our infrastructure investment program critical to the health and safety of our customers, but it is also the primary basis for stockholder returns.

Accordingly, we are exploring two ways of tackling this challenge: first, we are analyzing our spending in the Capital Goods and Purchased Goods and Services categories to identify our most emissions-intensive suppliers and intend to develop a strategy in 2024 to engage more closely with suppliers on their emissions data and reduction initiatives. Second, we are working on expanding our Scope 3 emissions inventory to include remaining material Scope 3 categories. As we do so, we will be searching for areas where we may have greater control over our value chain emission sources without compromising our capital investment program.

**We are continuing to identify ways to improve the climate impacts of our operations and look forward to reporting on our progress in future disclosures.**

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## Climate Change Adaptation: Remaining Vigilant to Climate Impacts

As a water utility, we are committed to working to reliably deliver safe, high-quality water to our communities whenever it is needed. This means our resiliency in the face of climate risks such as drought, wildfire, flooding, and sea level rise is of utmost priority. Our adaptation strategy aims to monitor climate-related water risks and develop strategies to mitigate these risks for long-term resource security.

Using a data-driven approach to climate risk, we have conducted formal climate risk assessments and are seeking to leverage the findings of those assessments to help shape our strategic priorities and corporate objectives, as well as our planning and decision-making processes. For example, using the outcomes of our risk assessments, we are able to identify and prioritize climate resiliency projects to integrate into our capital planning process and rate cases with our regulators. We intend to continue to expand the scope of our climate risk assessments and adaptation strategies, account for evolving climate science, and prepare for the range of climate futures that we may encounter.

## Recent accomplishments related to our adaptation strategy in 2023 include:

### Water Supply Reliability Studies

We completed regional Water Supply Reliability Studies that cover 11 additional districts, bringing the total number of districts with Water Supply Reliability studies to 18 out of a total of 22 districts in California. These studies use scenario planning and evaluation of water supply risks—including those related to climate change—to assess future water supply and demand over several decades, evaluate water supply resiliency strategies, and provide initial supply reliability project recommendations for further pursuit.

### EPA 2023 WaterSense® Award

We earned the US Environmental Protection Agency (EPA) 2023 WaterSense® Excellence in Promoting WaterSense Labeled Products Award for our commitment to helping customers become more water-efficient.

The national award recognizes a partner that goes above and beyond to help consumers understand the value of water use efficiency and aligns with EPA's focus to aid in those efforts.

### Emergency Ops Centers Activated

We activated our Emergency Operations Centers and regional Operations Rapid Response Teams—specially-trained teams of employees that respond more quickly and effectively to crises—to respond to a number of emergency events this year, including extreme rain and flooding in California and the devastating wildfire on Maui.

### Emergency Ops Training Events

We hosted 17 community Emergency Operations Center training events across our states and districts to date in 2023. At these events, we collaborated with local first responders and other community members to discuss and prepare for emergency response and recovery, including the distribution of essential equipment, resources, and support.

## ESG Material Topics: Staying Focused on What Matters

We look forward to sharing additional progress on all of our material ESG topics in our upcoming ESG Report. If you have any suggestions for how we might make the report more useful to you, please do not hesitate to reach out.

**Thank you for your continued support of California Water Service Group and our life-sustaining mission.**

### Additional ESG Resources

- [ESG Site](#)
- [2022 ESG Report](#)
- [2022 ESG Analyst Download](#)
- [2023 Proxy Statement](#)

## About California Water Service Group

California Water Service Group is the largest regulated water utility in the western United States. It provides high-quality, reliable water and/or wastewater services to more than 2 million people in California, Hawaii, New Mexico, Washington, and Texas through its regulated subsidiaries, California Water Service, Hawaii Water Service, New Mexico Water Service, and Washington Water Service, and its utility holding company, Texas Water Service.

What sets Group apart is its commitment to enhancing the quality of life for its customers, communities, employees, and stockholders. Guided daily by their promise to provide quality, service, and value, Group's 1,200+ employees lead the way in working to protect the planet, care for people, and operate with the utmost integrity. Integral to Group's strategy is investing responsibly in water and wastewater infrastructure, sustainability initiatives, and community well-being. The company has been named one of "America's Most Responsible Companies" and the "World's Most Trustworthy Companies" by Newsweek and a Great Place to Work®. More information is available at [www.calwatergroup.com](http://www.calwatergroup.com).

\*California Water Service received the highest score in the West Large segment of the J.D. Power 2023 U.S. Water Utility Residential Customer Satisfaction Study of customers' satisfaction nationally among water customers in the US. Visit [jdpower.com/awards](http://jdpower.com/awards) for more details. Released DATE

This document contains forward-looking statements within the meaning established by the Private Securities Litigation Reform Act of 1995. The forward-looking statements in this document include our commitments, objectives, goals, targets, 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, including limitations on our ability to make ESG investments without the support of our regulators, and actual results may differ. Because of this, we advise all interested parties to carefully read and understand our disclosure on risks and uncertainties found in Forms 10-K, 10-Q, and other reports filed with the Securities and Exchange Commission ("SEC"). We undertake 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. We may determine to adjust any commitments, 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 this document 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, this document may not be considered material for SEC reporting purposes, and the use of the term "material" in this document is distinct from, and should not be confused with, such term as defined for SEC reporting purposes. Due to the inherent uncertainty and limitations in measuring greenhouse gas (GHG) emissions under the calculation methodologies used in the preparation of such data, all GHG emissions or references to GHG emissions in the ESG Disclosures are estimates. There may also be differences in the manner that third parties calculate or report GHG emissions compared to us, which means that third party data or methodologies may not be comparable to our data or methodologies.

