



2022 CORPORATE ESG REPORT



Central States Water Resources
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About the Report

This report presents the second Environmental, Social, and Governance (ESG) Report from Central States Water Resources (CSWR), covering our ESG performance for the calendar year January 2022-December 2022. We prepared this report in accordance with the Sustainability Accounting Standards Board (SASB), and this report discloses CSWR's metrics on several key SASB standards. Please see the "SASB Index" section for specific references to the SASB framework.

As part of our work in bringing safe, reliable, and environmentally responsible water resources to every community in the U.S., we believe in holding ourselves publicly accountable to continuous improvement in the areas of environmental, social, and governance.

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About Central States Water Resources

Central States Water Resources (CSWR) is the parent company of investor-owned, regulated water and wastewater utilities operating in 10 states at the end of 2022. We work to bring safe, reliable, and environmentally responsible water resources to every community in the U.S.

Founded in 2014, CSWR is the 11th largest investor-owned water utility in the United States. In 2022, we became the single largest owner of individual domestic wastewater treatment plants in the U.S. In that same year, we successfully returned 89 systems to environmental compliance, with 65 in Louisiana alone. And by the end of 2022, we served over 320,000 customers across 10 states - Arizona, Arkansas, Florida, Kentucky, Louisiana, Missouri, Mississippi, North Carolina, Tennessee, and Texas.

We continue to acquire and transform water and wastewater utilities in desperate need of reinvestment and care, often due to years of neglect, inability to keep up with an evolving industry, and the increasingly stringent demands placed on utilities to meet environmental safety and compliance standards. CSWR is able to achieve these dramatic system turn-arounds by using technology and innovation to quickly assess and invest in reliable infrastructure, ensuring that communities across the United States have access to safe, reliable, and environmentally responsible water resources while protecting the aquifers, lakes, rivers, and streams essential to our world.



Bringing safe, reliable, and environmentally responsible water resources to over **320,000 customers** across **10 states** in 2022.



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2022 At-a-Glance

Transforming water and wastewater utilities to provide safe, reliable, and environmentally responsible water resources.

10

STATES

66

FULL-TIME EMPLOYEES

320,000

CUSTOMERS

\$339M

INVESTED TO TRANSFORM CRITICAL WATER INFRASTRUCTURE

809

PLANTS OPERATIONAL

18B

GALLONS OF WATER AND WASTEWATER TREATED ANNUALLY

1,155

ESTIMATED JOBS CREATED IN 2022



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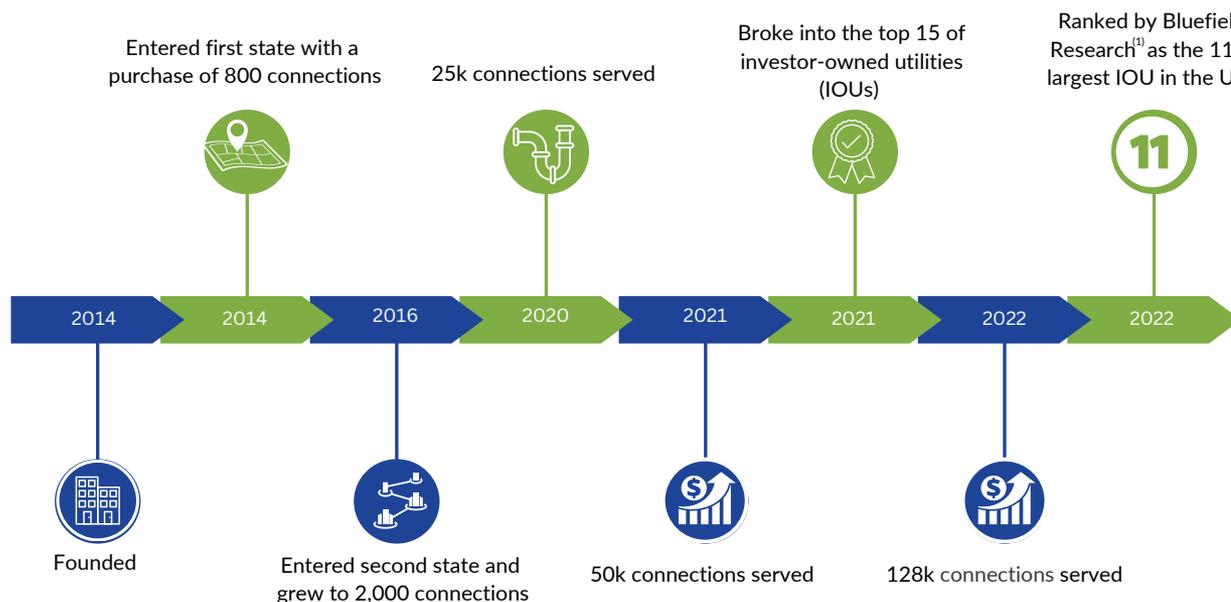


Josiah Cox
President and Founder,
Central States Water Resources

Letter from the CEO

At Central States Water Resources (CSWR), we are passionate about fulfilling our mission of bringing safe, reliable, and environmentally responsible water resources to every community in the United States. An integral part of that commitment is ensuring that we are following sound environmental, social, and governance (ESG) business practices throughout the 10 states we serve. Since issuing our inaugural ESG report in 2021, CSWR has continued its tremendous growth trajectory, entering one more state and adding 385 water and wastewater systems to our portfolio. With growth comes increased opportunity to positively impact the communities we serve. We are proud of what we accomplished in 2022, and I am pleased to share the full impact of our work.

Company Timeline



(1) <https://www.bluefieldresearch.com/>



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Serving Our Communities

In 2022, we grew our national footprint from 9 to 10 states with the addition of operations in Florida, becoming the single largest owner/operator of individual wastewater plants in the U.S. According to Bluefield Research, an independent domestic water and wastewater industry research firm, CSWR is now the 11th largest investor-owned utility in the U.S. We built upon our record of operational excellence by returning 89 systems to compliant status, and we believe we are on a trajectory to take more domestic wastewater systems from noncompliance with environmental, health, and safety regulations to compliance than any other water utility in U.S. history. We also have a strong record of restoring water systems to meet strict environmental compliance standards. One example is the Guste Island water system in Louisiana, which had been providing customers poor quality water for decades. We installed a multimillion-dollar filtration treatment system that removes naturally occurring manganese from the water, improving water quality for over 1,200 homes in that community.

Severe Weather and Emergency Response

Weather-related system impacts are always a concern, and we go above and beyond to build resiliency into our systems so our customers experience minimal service interruptions. Hurricanes Ian and Nicole tested our infrastructure readiness in 2022, and I am proud to report that despite widespread power outages, we were able to maintain service to all our customers in the affected areas. In addition to the backup power and remote monitoring we build into our systems, we constructed an Emergency Operations Center in Louisiana in 2022. This building serves as a central point of contact, housing important back-up equipment, fuel, and manpower, allowing us to respond quickly during an extreme weather event that may impact service. Read more about our Emergency Operations Center in the Severe Weather & Natural Disasters section.

Commitment to Customers

Providing exceptional customer service is always a priority. In 2022, we made strides to continue improving our customer experience by implementing a new customer information system that allows for a more seamless integration with our field operations partners. We also provided customers with expanded payment options and improved the online customer payment portal. We continue to closely monitor our service metrics to ensure customers are receiving best in-class service and support.





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Lead and Copper Replacement

As new regulations are established to ensure the safety of drinking water, we are committed to being an industry leader. We are working to complete a comprehensive inventory of all our service lines so that we are compliant with the U.S. Environmental Protection Agency (EPA) lead and copper guidelines and can provide clear, transparent communications to our customers. By the end of 2022 we had tested 236 systems, with just 3 systems testing outside the EPA proposed limits. This testing will continue until we've completed evaluations on all our systems. As the industry awaits federal guidelines to be determined, we continue to use state guidelines where they have already been established. And as always, we support the EPA's efforts to protect the quality of drinking water and are committed to meeting the standards that are set.

Diversity, Equity, and Inclusion

I am pleased to report that we continue to make strides in prioritizing diversity, equity, and inclusion in our workforce. In an industry that has historically struggled with diversity, we continue to engage in equitable hiring practices to fulfill our commitment to a diverse workforce. I am proud of the culture we are fostering at CSWR and firmly believe it promotes innovation and creativity while also providing for personal growth and quality of life.

Thank you for reading about our progress through 2022. At CSWR, we will always strive to be the best at what we do - which is to bring safe, reliable, and environmentally responsible water resources to every community we serve.

Josiah Cox
President and Founder, Central States Water Resources



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Cleaning Up Water & Wastewater Systems

What We Do

Water systems across the U.S. often lack the staff, expertise, and funding to address critical water safety, reliability, and quality standards. Many of these water systems have operated for 50-100 years, often without much-needed reinvestment, leading to unsafe and environmentally-damaging conditions. After acquiring a noncompliant utility, CSWR addresses these issues by investing capital in the underlying infrastructure, and enhancing operations so that customers receive high-quality water and wastewater services that meet or exceed regulatory compliance standards.

By the end of 2022, we operated utilities in 10 states, serving more than 320,000 people through 809 systems. During this time, we experienced a 102 percent growth in our operating capacity and also became the single largest owner and operator of individual domestic wastewater plants in the U.S. By the end of 2022, our wastewater plants had the capacity to remove 80.1 million pounds of pollution from receiving water bodies annually and we delivered an annual average of 18.3 million gallons (per day) of potable water. At this same time, we had the capacity to treat and produce a total of 18 billion gallons of drinking water and wastewater. Following CSWR's initial improvements, by the end of 2022 the improvement treatment of the facilities owned by us was estimated to remove in excess of 15 million pounds of pollution from local water bodies when compared to those facilities whose operations were under previous ownership.

Most importantly, we maintained our track record of strong environmental compliance. CSWR's efforts have routinely taken systems with decades of noncompliance into a condition where they are providing safe and reliable service to the communities they serve. This brings an end to ongoing water pollution in receiving waters, reduces contaminant levels in drinking water systems to safe levels, and has often resulted in lifting building moratoriums in communities, allowing them to grow and flourish after long periods of stagnation. By the end of 2022, we brought 89 utilities from a state of noncompliance into a state of compliance with regulatory requirements. Read more about compliance and our audits in the Governance section.



60 million Americans don't trust their tap water

Maher, K. (2021, October 8). *A crisis of confidence in America's tap water*. The Wall Street Journal



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Case Study: Total Environmental Solutions, Inc. (TESI)

In 2022, CSWR completed one of the largest acquisitions in the company's history with the purchase of 24 water systems and 185 wastewater systems in Louisiana from Total Environmental Solutions, Inc. (TESI). 100 of the wastewater systems acquired were previously subject to a 22-year consent decree with the Environmental Protection Agency (EPA) and the Louisiana Department of Environmental Quality (LDEQ), due to an ongoing history of polluting local water bodies with undertreated or untreated wastewater. While under the consent decree, many of the systems further degraded due to lack of proper management and investment and consistently missing state mandated compliance deadlines.

After a year of active conversation and negotiation, CSWR executed a modified consent decree with the Department of Justice (DOJ), EPA and the LDEQ to set a framework for bringing these systems back into compliance. This modified consent decree provides a clear path for closing decades-old compliance issues within a reasonable time frame. Upon acquisition of the TESI assets in late 2022, CSWR immediately commenced work to remediate issues and bring these systems back into compliance.



State of the facility at high risk upon acquisition



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Restoring Infrastructure

The American Society for Civil Engineers has assessed the United States drinking water infrastructure at a C- grade. Much of America's infrastructure is reaching its expiration date with a lifespan intended for a maximum of 75 years, yet actually averaging between 60 to 130 years. At CSWR, we recognize that providing quality drinking water and a positive customer experience requires significant technical, operational, and financial investment efforts - not just when we purchase a system and bring it back into compliance, but as a pillar of our ongoing commitment to each community we serve.

Water Quality

The most common form of treatment required to make groundwater safe to consume is disinfection to prevent harmful pathogens from growing in the infrastructure. Beyond treatment and contamination issues plaguing many of these facilities, we have encountered many systems where water supply and storage are inadequate and hinder a community's use of water services. Smaller communities in particular are often left unprotected by small-scale water providers who continually defer maintenance, resulting in roughly twice as many health violations as those of big cities. These systems can go unnoticed by environmental agencies, avoiding consequences imposed on them for the violations they create. The communities are left defenseless due to the lack of funding, limited re-investment, and poor general management.

We focus on these underserved and smaller communities; we purchase drinking water systems that draw water from groundwater wells, and we treat, store, and distribute water to our customers. We restore compromised and failing water supplies by repairing and/or replacing damaged equipment, investing in additional storage, building emergency service infrastructure, and making ongoing improvements to ensure safe and reliable service.





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Case Study: Coletto Water System

In 2022, CSWR completed capital improvements on the Coletto Water system in Texas. When we purchased this system, it had been suffering from years of neglect and lack of reinvestment. The 44,000-gallon ground storage tank had severe corrosion and multiple leaks. The hydropneumatic tank also faced severe corrosion and had no access hatch, rendering an interior inspection of the tank impossible. CSWR removed the ground storage tank and installed a new fiberglass tank. The hydropneumatic tank was also replaced.

The poor condition of the original tanks meant that any disruption to the system would cause a loss of water pressure, resulting in a boil water advisory for all customers. With the Coletto Water system, 180 households had experienced 15 boil water advisories - many lasting for days. Every time a boil water advisory is issued, it represents a potential health hazard for a given community.

After CSWR completed the tank replacements in September 2022, there have been **no boil water advisories** and the residents of Coletto have safe, reliable water service.



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Wastewater Improvements

Statistics show that poor performance and lack of reinvestment are more prevalent among small wastewater systems than they are with small drinking water systems. When we purchase a wastewater system, we evaluate its current conditions and review any environmental or regulatory violations that have been reported by the state. We then create a plan to address that system's aging infrastructure and ongoing deficits. Our improvements ensure a cleaner effluent which in turn improves natural biology in the receiving waters and reduces health risks to communities.

Compliant, well maintained and adequately running wastewater services enhance community value by ensuring safety and reliability for all customers, often ending years of potentially unsafe, improperly treated wastewater. Our upgrades, technology, and professional operations ensure these facilities are continuously maintained, monitored, and are meeting environmental and regulatory requirements.

A Different Approach

CSWR's approach to building resilient water and wastewater systems is different than that of many others in our industry - because we focus on *rehabilitation* rather than rebuilding. Instead of decommissioning and replacing the infrastructure, we maximize the use of existing infrastructure, repairing and repurposing equipment where appropriate. Not only does this reduce the overall cost of projects, but we estimate that our approach of repurposing existing infrastructure reduces carbon emissions by up to 70 percent in the construction process when compared to plant replacement.





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Case Study: Pecan Lakes Wastewater System

Upon purchasing the Pecan Lakes wastewater system in Mississippi, CSWR began immediate rehabilitation of the underperforming lagoon whose aeration equipment had partially failed, and whose replacement parts were difficult to source. Additionally, there was heavy eutrophication from the flow entering Reese Creek near the discharge point, impacting the water quality downstream and contributing to nutrient pollution. The disinfection system itself consisted of a repurposed and severely deteriorating tank in place of an adequate contact chamber. This system is a typical example of older infrastructure built with dated technology and equipment, making it increasingly difficult to operate, troubleshoot, and ultimately repair.

CSWR implemented a program to clean up the lagoon, establish a maintenance protocol, replace aeration equipment to restore functionality to the lagoon, replace the contact chamber which was degraded and inefficient, and upgrade the disinfection and collection system. These improvements were completed in 2022 and helped to mitigate potential environmental damage and hazardous pathogens, restoring reliable wastewater treatment to over 350 homes.



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Making An Impact



Improving Communities

In the 10 states in which we operated in 2022, we improved water infrastructure in neighborhoods ranging from less than ten people to communities as large as 11,200. Small utilities in particular struggle with compliance issues due to both a lack of access to capital and the technical expertise needed to meet stringent compliance standards. Our expenditures in water and wastewater resources are investments in communities overall, ultimately enhancing them, driving outside investment, and enabling growth.



Access to Capital

CSWR provides the capital necessary to support infrastructure improvements in communities that otherwise may not have had access to funds in order to make the critical infrastructure improvements necessary for safe water. In 2022, CSWR invested \$182 million for system-specific utility investments in the communities we serve. These investments were for infrastructure upgrades including plant improvements, equipment, and professional services.



Economic Impact

Water quality is proven to have a direct impact on home values. In many cases, prior to CSWR's improvement to water and sewer systems, people were unable to sell or build homes in their communities because of the noncompliant systems. When we repair outdated water and wastewater systems, we help increase the value of each community we serve through economic growth and enhanced property values.



Health Impact

Overloaded wastewater treatment plants discharge undertreated domestic waste into the receiving waterbody which often runs through residential neighborhoods, endangering both humans and wildlife. By overhauling these systems, we help to restore the receiving waters to a healthy state while improving human, animal, plant, and aquatic life. In 2022, our wastewater treatment facilities removed approximately 219,452 pounds of pollution from local water bodies daily, or 80.1 million pounds annually.



Accessibility and Affordability

The governing regulatory body that oversees the jurisdictional operations of utilities in each state ultimately determines rates for CSWR customers. While the economic conditions of our communities may vary, there has been an increase in home building activity in developing areas. The addition of new homes to a community benefits all customers, since the fixed cost of the utility is spread out among a larger customer base, making the cost of water or wastewater service more affordable.

We also work to make rates as affordable as possible by efficiently building systems with repurposed materials and taking the needs of the community into account. We offer payment plans, and we help households find programs in their state that can help them manage their utility bills.



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Case Study: Guste Island Water Treatment Plant

The Guste Island Water Treatment Plant in Louisiana was plagued by excessive manganese that accumulated over time, turning the water brown and overwhelming an existing filtration system that was not equipped to manage the growing customer population. Manganese, while safe to drink, stains tubs and toilets and can over time, damage appliances such as hot water heaters and dishwashers. The previous owner of the Guste Island facility did not address the manganese issue despite receiving continuous customer complaints over the years.

CSWR, operating as Magnolia Water Utility Operating Company, took over operations at Guste Island and immediately put a plan together to solve the manganese issue. In 2022 we completed installation of a large 12-filter filtration system that removes the naturally occurring manganese and sediment from the water. This new multimillion dollar system was brought online in December 2022, and customers have since reported dramatic improvements in water quality.





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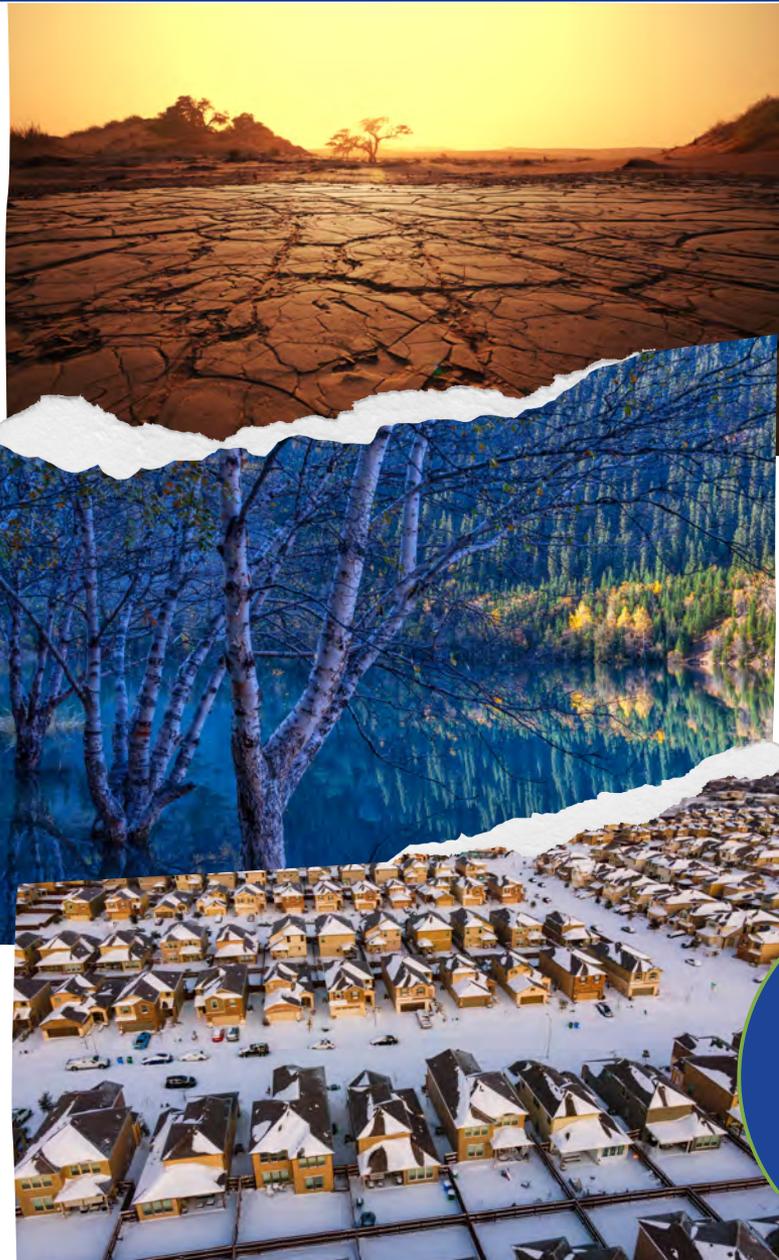
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Environmental & Climate Resilience

In our operations across the country, we experience natural disasters that require us to quickly respond to mitigate potential damage to systems and minimize service disruptions to our customers.

Drought, Rising Water Levels, and Other Impacts

We face a variety of weather-related challenges ranging from droughts in Arizona and winter storms in Texas, to rising floodwaters and tropical storms in Florida, Mississippi, and Louisiana. These weather conditions often impact water availability and water quality, so it is critical that we build resiliency into our systems and implement best-in-class preparedness protocols to safeguard and uphold our commitment to our customers. Most of the systems we acquire do not have an alternative power source to handle outages, so we work to ensure systems have generators on site to provide a continuous power source and uninterrupted event reporting. As weather events become more frequent, it is imperative that we be prepared to respond, just as it is crucial to be well equipped to take on the daily challenges faced in operating critical water infrastructure.

In drinking water systems located near the coasts of Louisiana, Florida, Mississippi, North Carolina, and Texas, we conduct inspections of drinking water wells and engage in regular water testing to verify that no additional treatment is required to remove salt from drinking water. In water-stressed areas, we operate systems that return the treated wastewater to groundwater through constructed wetlands, rapid infiltration basins, drip irrigation, drain fields, and injection wells.



**There is a water main break every two minutes
and an estimated 6 billion gallons of treated
water lost each day in the U.S.**

2021, Report Card for America's Infrastructure (ASCE)



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Severe Weather & Natural Disasters

In February 2021, Winter Storm Uri hit Texas, triggering the worst energy infrastructure failure in state history. Following catastrophic power blackouts across the state, Texas Senate Bill 3 was eventually passed, mandating preparation, prevention, and response to weather emergencies and power outages. In 2022, CSWR began installing backup generators at every facility in the state. When electrical service is disrupted, these systems will automatically switch power over to the generators. We have the financial capacity to respond and comply with such requirements - requirements that are often an insurmountable challenge for smaller utility companies.

We have also continued fine tuning our hurricane preparedness program, which includes storm hardening on all systems in relevant service areas. Using our emergency response protocol steps - *prepare, monitor, assess damage, and react* - we know instantaneously about outages, using the remote monitoring technology we install in the systems we own. Outages are displayed on a dashboard and monitored 24/7 during a storm event. As a storm moves through, we can see in real-time where power was lost, allowing us to prioritize response and outage communications at the neighborhood level. If power is lost at major electrical providers, we have generators in place to automatically restore power to the water systems.

Emergency Response

As part of our weather preparation, CSWR created a severe weather response team comprised of our regional managers, customer service, communications, asset management, and executive leadership. The team meets annually to simulate a severe weather event and review the response steps before, during, and after the weather event. We built an Emergency Operations Center in Louisiana which serves as a central point of response, housing important back-up equipment, generators, vehicles, fuel, and emergency manpower. Roughly two-thirds of the Center is designated as a warehouse for the power generators, fuel, trailers, and water, while a third of the building offers living space for our emergency responders. Read about our Emergency Operations Center in the Case Study.





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Case Study: Emergency Operations Center

Situated along the Gulf of Mexico, Louisiana's population and delicate ecosystem are especially vulnerable to severe weather events. In 2020 and 2021, the state endured two Category 4 and 5 hurricanes, devastating communities and altering landscapes. Magnolia Water was called upon both times by state government to intervene and assist with communities who lost access to precious water resources.

In response to those experiences, in 2022 Magnolia Water built an Emergency Operations Center in Mandeville. This cutting-edge facility houses power equipment that can be dispatched across Louisiana in response to systems impacted by severe weather. The goal with these enhanced capabilities is to have systems up and running again in under 24 hours.

Roughly two-thirds of the Emergency Operations Center is designated as a warehouse for generators along with fuel tanks, trailers, and water, while a third of the building offers living space for our emergency responders.



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Initiatives to Reduce Energy Use & Carbon Emissions

Energy efficiency is one way to reduce overall energy consumption. CSWR establishes optimal energy efficiency at our facilities by ensuring our electrical equipment is in excellent condition. Equipment does not run efficiently when it is in poor condition, and this results in higher energy consumption. We use a computer-based maintenance program that reports statistics on the performance of equipment, allowing us to identify and repair or replace poorly operating electrical equipment.

We also install remote monitoring equipment at our facilities, reducing the frequency of operator trips necessary to monitor the plants and increasing the speed of response to service interruptions. This technology allows us to minimize downtime by quickly identifying equipment failures which could otherwise go undetected and potentially cause environmental damage and require more time, money, and ultimately energy, to resolve.

Energy Consumption and Efficiency

Most of the energy we use for operations resides in the following two areas:

- Delivery of water to customers
- Treatment of waste from customers

We have implemented innovative technology processes at our facilities to increase operational efficiency. An estimated 40 percent of our energy consumption is from production and delivery of clean drinking water, and 60 percent is from the collection and treatment of wastewater.

As we continue to bring noncompliant systems into full compliance, energy may be expected to increase. The energy consumption on a compliant system actually uses more energy than a noncompliant system, even with the efficiencies we build into the treatment processes.

2022 Energy Consumption

Metrics	2022
Total Energy Consumed	107,484 Gigajoules
% grid electricity consumed	99%
% renewable energy consumed	1%





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Customer Experience

Commitment to Customers

Serving over 320,000 customers in 2022, we place a premium on customer care, with a customer service team responding 24/7 for emergencies and available Monday through Friday from 7 am to 7 pm for general inquiries.

We also believe that customer care goes beyond the boundaries of our customer service team and operators. At CSWR, our executive leadership continually seeks opportunities to meet with customers either in person in their service areas or through virtual Town Halls. We believe that we *all* have a responsibility to educate our customers about the safety, reliability, and cost of water and wastewater.

In 2022, we redesigned our Service Advisory Customer Portal which facilitates a more seamless transmission of crucial information to our customers. When issues arise, notifications are posted on CSWR's local utilities' websites, on social media, and sent directly to customers via email in both English and Spanish. Looking forward, we plan to expand our communications modes to include text messaging as another option available for customers to select for receiving crucial notifications.

We also implemented a new software program to better communicate with and service our customers more efficiently. On the payment side, we increased customer payment options to include electronic bank bill-pay, and over-the-phone credit card payments, PayPal, Apple Pay, and Google Pay. This expanded technology offers better accessibility and reduces overall delinquencies.

CSWR continues to partner with the National Association of Water Companies (NAWC) to identify and educate customers about payment assistance programs such as the Low-Income Household Water Assistance Program (LIHWAP), which we offer on our affiliated Utility Operating Company web pages and through our billing statements. Our Customer Support team has the latest program information for all our states and is ready to assist when customers call.





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Our branded "From the Tap" Blog provides educational content ranging from information on how to conserve water and check for leaks, to tutorials on commercial flushing, backflow prevention and other water or wastewater related activities and/or treatment techniques.



FROM THE TAP



WHAT TO DO IF YOUR PIPES BURST

Nov 29, 2022

Have you ever put an unopened bottle of water in the freezer? As water freezes, it becomes ice, which expands until it cracks the plastic. When the ice thaws again, the water will run out of the holes...



HOW TO AVOID SEWER CLOGS FROM FAT, OIL AND GREASE

Nov 15, 2022

Whether you cook at home or eat out at a restaurant, every kitchen uses fats and oils to give food richness, flavor and moisture. What happens to the fat, oil and grease once the meal is over? When th...



STORMS ON THE HORIZON

Sep 15, 2022

According to the National Oceanic & Atmospheric Administration (NOAA), above-average and record-breaking temperatures paired with ongoing La Niña conditions make for a busy storm season this year....



HOW TO CLEAN YOUR WATER HEATER FILTER: SEDIMENT BUILDUP

Jun 24, 2022

The hot water heater is one of the most important parts of any home. We use it whenever we shower, wash clothes or clean the dishes. According to the U.S. Department of Energy, the average household s...

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Customer Response & Communications

Our goal is to provide our customers with accurate, transparent information. Inquiries are supported through a convenient and responsive customer service process. We have a 100% fully integrated platform for real-time response to customer-reported events including emergency calls, 24/7. This platform ensures that both emergencies and non-emergencies are handled timely and efficiently, providing best-in-class service to our customers.





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Our People & Culture

We believe in a self-governing, agile culture that fosters collaboration and innovation. We support people who take leadership, full ownership, and responsibility to drive service and results to achieve our mission. By the end of 2022, our team had 66 full time employees and hundreds of contract partners providing operations, engineering, and customer service support.

We continually work to build our **self-governing culture**, which creates what we call "bottom-up innovation," where all employees help set company goals and have the freedom to find novel and even unprecedented ways to better serve our customers. This is accomplished through active listening, committed outreach, shared values, and enthusiastic collaboration. Employees work with their managers to set their own objectives, creating a deeper sense of ownership for milestones and achievements and fostering a sense of accomplishment and success. This sense of accomplishment reminds us that we as individuals have value, and that together, we can achieve great things.

We are proud to share that in 2022, the St. Louis Business Journal sponsored a workplace survey in which 98 percent of our employees participated. The survey measured responses to questions ranging from job satisfaction to workplace innovation and opportunity to make an impact. Our employee responses were overwhelmingly positive, resulting in CSWR being named one of the "Best Places to Work" among medium sized companies in the St. Louis region.



We believe that a self-governing leadership culture includes a commitment to values versus a commitment to self. These are our core values:





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Commitment to Community

Outside of the workplace, our CSWR employees are passionately engaged in numerous community service activities, often as representatives of the company. This past year, employees formed *CSWR Cares*, an employee-run initiative offering various opportunities throughout the year to work together to serve our communities. In 2022, *CSWR Cares* helped flood victims clean out their homes, donated hundreds of winter personal care bags to people who were experiencing homelessness, sponsored a company Toys for Tots gift drive, and worked to organize donations at an area food bank. The *CSWR Cares* team has a goal of one event per quarter. The activities vary and focus on creating a positive impact on our communities.



CSWR Cares





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Professional Development

Fostering professional development among our employees is important throughout all levels of our company. We believe that continuous learning is crucial to professional growth, ultimately benefitting the organization as a whole.



In 2022, we instituted a "360 Review" process in which all management level leaders participated. This was a rigorous journey of professional introspection and constructive feedback from direct reports, peers, and executives in addition to coaching provided by a professional consultant. The resulting blueprint offered a roadmap for valuable, personalized and ongoing development.



Internship Programs

We've also continued our **CSWR Internship Program** initiated three years ago. This program is a paid internship where college students gain work experience in a field of interest and avail themselves of the opportunity to work on meaningful projects, develop new skills, gain real-life experience, receive constructive feedback, grow their network of professionals, and foster connections with seasoned employees as mentors.

We are continuing to develop our **Engineering Co-Op Program** as well, which is a special program designed to bridge from the CSWR Internship Program. The Co-Op Program offers a specific blueprint tailored to the participant, involving more in-depth project work and meaningful research. Interns must qualify for this program, and it counts as credit hours for their academic curriculum. At the end of the program, the participant completes and presents a capstone project to our leadership team.





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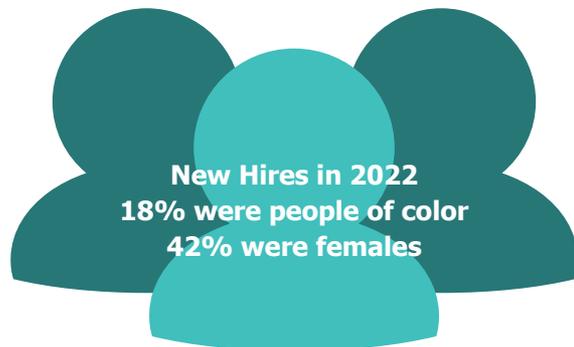
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Employee Demographics

In 2022, we hired 39 people.



Of the 39 hired:

Interns: 7
Managers: 7
Staff members: 25



Of the 7 interns hired:

Female: 4
Male: 3



Of the 7 managers hired:

Female: 2
Male: 5



Of the 25 staff members hired:

Female: 12
Male: 13
People of Color: 6

Diversity, Equity and Inclusion

We believe in prioritizing diversity, equity, and inclusion in our workforce. We continue to grow diversity throughout all levels of our company, just as we continue to engage in equitable hiring practices to further embrace and expand upon our commitment to this initiative.

Health and Wellbeing

To encourage our employees' personal health and well-being, we provide a comprehensive medical, dental, and vision package that includes virtual doctor visits and a healthy lifestyle program. We also provide an Employee Assistance Program that offers counseling services. We provide all employees with technology that enables them to work from home when necessary, to help promote work and home life balance. Studies have shown that giving employees more autonomy allows for improved physical and mental health, increased productivity, and new perspectives.

"Lunch & Learn" sessions are held on a rotational basis, where employees can learn about various programs and projects undertaken in other departments, followed by interactive Question and Answer sessions. These are popular events that include our field employees participating remotely or traveling to the corporate office if they choose to participate in person.

With employees working both in office and out in the field, we try to keep everyone connected through our monthly employee newsletter, "Making Waves". Our newsletter includes a monthly snapshot of company performance results and features employee spotlights, company financial results, and industry related activities and events.



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Self-Governing Organization Survey Results

We seek to attract and retain the best employee talent for investor-owned water utilities in the U.S. Our goal is to retain 90% of employees, and in 2022, we once again achieved the goal.

To encourage communication among team members and communication from leadership, we hold three off-site, all company meetings per year. These meetings consist of a "state of the business" overview including updates of CSWR's financial health. We also use these meetings for goal setting and professional development exercises, often including team building activities designed to foster cross-functional relationships that further inspire collaboration among our employees at all levels.



Employee Engagement

We measure employee engagement annually through an internal survey. In 2022, 76% of employees participated in our employee engagement survey, with employees rating "If I have my way, I will be working for my organization 12 months from now" as 7.8 on a scale of 0 to 8. Other results included 90% of employees identifying CSWR as a self-governing workplace that fosters personal and professional growth.

Sample Questions (Scale 0-8)	2022	2021	2020	2019
I am willing to put in a great deal of effort beyond what is normally expected in order to help my organization be successful.	7.6	7.7	7.8	7.2
If I have my way, I will be working for my organization 12 months from now.	7.8	7.5	7.8	7.8
I am willing to recommend my organization as a place to work.	7.3	7.3	7.8	7.6



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Employee & Operating Partner Safety

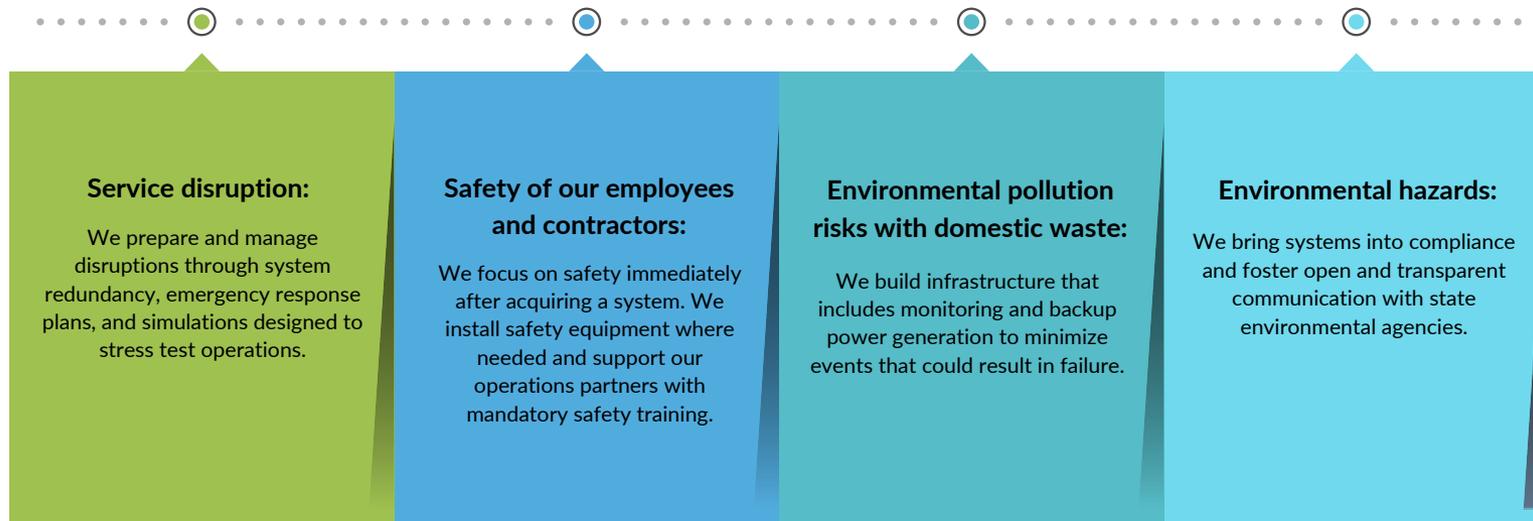
We work with a large network of contractors to provide operations support at our facilities. We monitor environmental health and safety performance remotely with real-time data from our tracking systems. During 2022, CSWR and its partners experienced zero OSHA recordable injuries across our 10-state footprint. To standardize and strengthen our partner engagements, we continue to focus on the following initiatives:

- Review and evaluate a facility operations plan for lagoon and mechanical wastewater treatment facilities, including updates to mapping and emergency response plans to help ensure proper operation and minimize system failures during emergencies.
- Require operations partners to hold monthly in-house safety training for their employees, as well as complete a comprehensive "Safety Skills" online training course.
- Audit all operations and management partners' internal training and policies, using auditors who have a minimum of five years of experience in the field or with OSHA.

In 2022, no partner was found to be in violation of our operations standards.

Enterprise Risk Management Strategy

We focus on the following areas as part of our enterprise risk management strategy:





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Governance & Compliance

Strong governance and business ethics - at all levels - are essential to drive success in our company and build sustainable value for our investors.

Corporate Governance

We are led by a core leadership team that includes Founder and CEO Josiah Cox, as well as leaders representing each function in the organization.

All company employees receive new hire training that includes an introduction to every department. Additionally, all employees attend mandatory annual training focusing on workplace harassment awareness as well as an in-house business ethics seminar sponsored by our Human Resources department, where CSWR corporate and civic values are discussed in a round-table setting.

Our Human Resources department is developing a cloud-based "Learning Hub" which will include multiple training components and serve as a resource for all employees, to be launched in 2023.



Code of Conduct

The successful business operation and reputation of CSWR is built upon the principles of fair dealing and ethical conduct of its employees. Our reputation for integrity and excellence requires strict compliance with our policies and procedures, with all applicable laws and regulations, and a scrupulous regard for the highest standards of conduct and personal integrity. The continued success of CSWR is dependent upon our customers' trust, and we are dedicated to preserving that trust. We comply with all applicable laws and regulations and expect our directors, officers, and employees to conduct business in accordance with all relevant laws and to refrain from any illegal, dishonest, or unethical conduct. Employees are expected to raise ethical concerns and report any actual or suspected ethical misconduct to their supervisors or any corporate officer.

Ethical Conduct

We have zero tolerance for bribery or corruption of any kind, and employees must comply with all applicable anti-bribery and anti-corruption laws. These laws include, but are not limited to, the Foreign Corrupt Practices Act ("FCPA") and compliance with economic and trade sanctions administered and enforced by government.





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Data Security & Privacy

To protect our customers' privacy, we do not keep customer data on a server. Our IT partners specialize in data security and privacy and are responsible for all sensitive customer data. Our payment processing partners require a minimum threshold of criteria before selecting a vendor, adding a layer of protection, and are PCI compliant to ensure customer credit card information is safeguarded against theft.

Throughout our operations, we refrain from implementing technology unless we can verify data security. We ensure our financial and accounting software is SOC 1 compliant to meet stringent data security audits. Among our corporate employees, we conduct an unannounced phishing test monthly to help employees recognize attempts at security breaches on their computers. We also conduct regular process reviews to ensure we are in compliance with the Fair Debt Collection Practices Act, further protecting customer data.





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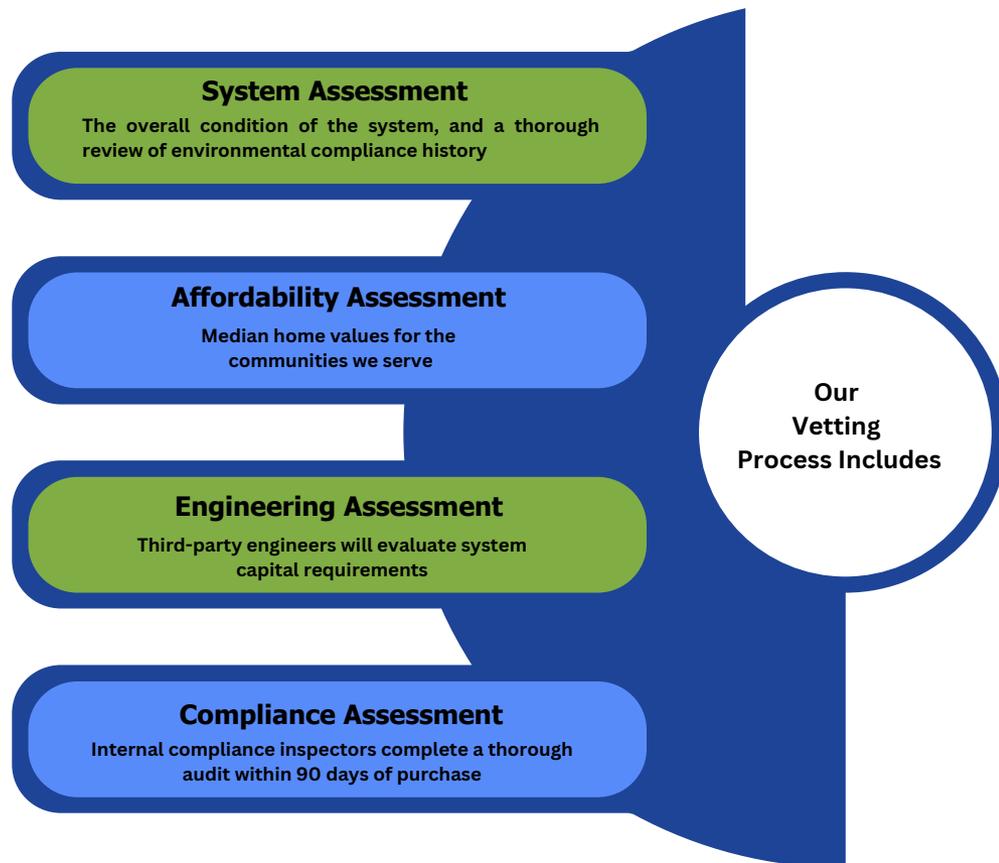
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Due Diligence

Strong governance contributes to sound business decisions for our investors. Before CSWR purchases any facility, we undergo a rigorous vetting process conducted by legal, engineering, and compliance partners. We must be able to demonstrate to our investors, state regulators, and our customers that our mission of bringing safe, reliable, and environmentally responsible water resources to every community in the United States is valuable, fiducially sound, and produces a return on investment (ROI).

This due diligence ensures that our Operations team can hit the ground running on Day One of acquisition and begin to make the improvements necessary to provide safe and reliable service.

Generally, regulatory agencies are in favor of CSWR's approach to strengthening existing infrastructure rather than building new facilities. We discuss the environmental, economic, and energy benefits to this approach in the Environmental & Climate Resilience section of this report. Overall, this process helps us and our investors determine that a project will be viable and completed with responsibility and with integrity.





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Compliance

Before CSWR purchases a facility, we conduct an internal safety audit with a group of environmental health and safety compliance inspectors. The information reviewed during these audits is captured electronically, making the data easy to share.

Once we own the facility, it continues to be audited by a regulatory agency from the state in which it is located. Additionally, third party engineering firms conduct system level audits that include examining closing documents, compliance memos, service area maps, and engineering maps.

Our responsibility is to confirm that we are fulfilling our mission of bringing safe, reliable, and environmentally responsible water resources to every community we serve. These continual audits are part of our commitment to demonstrating hyper-transparency in our operations. CSWR is also annually audited by a third-party accounting firm to ensure our accounting records are in order.

CSWR's annual audits include a review of our organizational chart, internal controls and compliance, regulatory developments, insurance coverage, records of retention, as well as system level requests (boil orders, regulatory arrangements, compliance schedules, repairs, and upgrades). General health and safety information aligned with OSHA standards are examined, as well as customer-related data including consumer confidence reports, customer complaints, and policies for customers experiencing hardships with bill pay.

Type of Audit	Frequency
Internal safety audit with group of CSWR health and safety compliance inspectors	Typically within 90 days of purchase of facility, and annually
Investment audit of prospective facility	Before purchase
Regulatory visits and testing	Periodically, after purchase
Third-party engineering firm audit	Multiple, before/after purchase and post-construction
Third-party finance	Annually, after purchase



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What are PFAS?



Family of over 600 compounds



Man-made since the 1940s



Thermal and water resistant



Applications: non-stick coatings, waterproof fabrics, firefighting foams, and other household products, etc.

CSWR has no sustained customer complaints with public utility regulators



Environmental Compliance

By the end of 2022, CSWR once again received 100 percent compliance with Agreed Orders of Consent (agreements with environmental regulators to return acquired systems to compliant operations within a prescribed period) to bring over 611 wastewater plants into compliance in 10 states. More than 20,000 collection samples were taken at CSWR-owned water and wastewater facilities during the year, to monitor system performance. CSWR has no sustained customer complaints with public utility regulators.

Managing Contaminants of Emerging Concern

In addition to monitoring environmental compliance, safety, and other business best practices that uphold our commitments to investors, regulators, customers, and other stakeholders, we also monitor and manage contaminants of emerging concern such as per-and polyfluoroalkyl and perfluorooctane substances (PFAS/PFOS).

According to the EPA, chemicals such as PFAS/PFOS are found in water, air, fish, and soil at locations across the nation and the globe. By the end of 2022, CSWR tested for PFAS/PFOS in nine of the 10 states in which we operate. Systems in seven of the nine states were found to be in compliance, with systems test results below EPA proposed limits. In Florida, testing on newly acquired systems showed results to be outside of the proposed test limits defined by the EPA. Our engineering team has been working to make the investments needed to bring the PFAS levels down to EPA proposed limits.

We take EPA regulations seriously and will be prepared to comply with the final ruling anticipated at the end of 2023, while we continue monitoring, testing, and when necessary, making investments.



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Topic	SASB Code	Metric	Unit of Measure	FY 2022 Measure
Energy Management	IF-WU-130a.1	Total energy consumed	Gigajoules	107,484
	IF-WU-130a.1	% grid electricity consumed	%	99%
	IF-WU-130a.1	% renewable energy consumed	%	1%
Distribution Network Efficiency	IF-WU-140a.1	Water main replacement rate	Rate	<1%/year
	IF-WU-140a.2	Volume of non-revenue real water losses	Thousand cubic meters (m ³)	Not ready to report yet
Effluent Quality Management	IF-WU-140b.1	Number of incidents of noncompliance associated with water effluent quality permits, standards, and regulations	Number	55
	IF-WU-140b.2	Discussion of strategies to manage effluents of emerging concern	MD&A	See p. 8 - 13
Water Affordability and Access	IF-WU-240a.1	Average retail water rate for residential customers	\$	\$32.10
	IF-WU-240a.1	Average retail water rate for commercial customers	\$	\$71.20
	IF-WU-240a.1	Average retail water rate for industrial customers	\$	N/A
	IF-WU-240a.2	Typical monthly water bill for residential customers for 10 Ccf of water delivered per month	\$	\$0.57



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Topic	SASB Code	Metric	Unit of Measure	FY 2022 Measure
Water Affordability and Acces	IF-WU-240a.3	Number of residential water disconnections for non-payment	Number	58
	IF-WU-240a.3	% of disconnected customers reconnected within 30 days	%	14.4%
	IF-WU-240a.4	Discussion of impact of external factors on customer affordability of water, including economic conditions of territory	MD&A	See p. 14
Drinking Water Quality	IF-WU-250a.1	Number of acute health-based violations	Number	10
	IF-WU-250a.1	Number of non-acute health-based violations	Number	16
	IF-WU-250a.1	Number of non-health-based violations	Number	12
	IF-WU-250a.2	Discussion of strategies to manage drinking water contaminants of emerging concern	MD&A	See p. 33
End-Use Efficiency	IF-WU-420a.1	% of water utility revenues from rate structure designated to promote conservation and revenue resilience	%	N/A
	IF-WU-420a.2	Customer water savings from efficiency measures, by market	\$	N/A
Water Supply Resilience	IF-WU-440a.1	Total water sourced for regions with High or Extremely High Baseline Water Stress	Thousand cubic meters (m ³)	Not ready to report yet
	IF-WU-440a.1	% of water purchased from a third party	%	5.7%
	IF-WU-440a.2	Volume of recycled water delivered to customers	Thousand cubic meters (m ³)	0
	IF-WU-440a.3	Discussion of strategies to manage risks associated with the quality and availability of water resources	MD&A	See p. 33



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Topic	SASB Code	Metric	Unit of Measure	FY 2022 Measure
Network Resiliency & Impacts of Climate Change	IF-WU-450a.1	Wastewater treatment capacity located in 100-year flood zones	Cubic meters (m ³) per day	0
	IF-WU-450a.2	Number of sanitary sewer overflows (SSO)	Number	241
	IF-WU-450a.2	Volume of sanitary sewer overflows (SSO)	Cubic meters (m ³)	1541.5
	IF-WU-450a.2	% of volume recovered from SSOs	%	N/A
	IF-WU-450a.3	Number of unplanned service disruptions	Number	215
	IF-WU-450a.3	Customers affected, each by duration category	Number	"1-2 Days: 4219.5 3-4 Days: 3115.8 5-7 Days: 2238.3 8-14 Days: 614 14+ Days: 171.8
	IF-WU-450a.4	Discussion of efforts to identify and manage risks and opportunities related to the impact of climate change on distribution and wastewater infrastructure	MD&A	See p. 16 - 18
Workforce Health & Safety	IF-EN-320a.1	Total Recordable Incident Rate (TRIR)	Rate	0
	IF-EN-320a.1	Fatality Rate - Direct Employees	Rate	0
	IF-EN-320a.1	Fatality Rate - Contract Employees	Rate	0



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Topic	SASB Code	Metric	Unit of Measure	FY 2022 Measure
Activity Metrics	IF-WU-000.A	Residential customers served	Number	379,444
	IF-WU-000.A	Commercial customers served	Number	7,669
	IF-WU-000.A	Industrial customers served	Number	0
	IF-WU-000.B	Total water sourced, % by source type	Cubic meters (m ³), %	Groundwater: 94.3% Purchased: 5.8%
	IF-WU-000.C	Total water delivered to residential customers	Thousand cubic meters (m ³)	7,243
	IF-WU-000.C	Total water delivered to commercial customers	Thousand cubic meters (m ³)	350
	IF-WU-000.C	Total water delivered to industrial customers	Thousand cubic meters (m ³)	0
	IF-WU-000.C	Total water delivered to all other customers	Thousand cubic meters (m ³)	0
	IF-WU-000.D	Average volume of wastewater treated per day - sanitary sewer	Cubic meters (m ³) per day	81,004
	IF-WU-000.D	Average volume of wastewater treated per day - stormwater	Cubic meters (m ³) per day	0
	IF-WU-000.D	Average volume of wastewater treated per day - combined sewer	Cubic meters (m ³) per day	0
	IF-WU-000.E	Length of water mains	Kilometers (km)	Not ready to report yet
	IF-WU-000.E	Length of sewer pipe	Kilometers (km)	Not ready to report yet