



**CSWR**  
Central States Water Resources

# 2021 CORPORATE ESG REPORT



Central States Water Resources  
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## About the Report

This report presents the first Environmental, Social, and Governance (ESG) Report from Central States Water Resources (CSWR), covering our ESG performance for the calendar year January 2021-December 2021. 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. This report includes historic information where relevant since this is our first report; subsequent reports will include data covering a single calendar year.

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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 9 states. We work to bring safe, reliable, and environmentally responsible water resources to every community in the U.S.

Founded in 2014, CSWR has become one of the 15 largest investor-owned water utilities in the United States. We are transforming water and wastewater utilities that have urgent reinvestment needs and long-term investment requirements typically due to years of neglect. CSWR does this by using technology and innovation to quickly assess and invest in reliable infrastructure that meets or exceeds stringent state and federal standards for providing service to our customers. We work to ensure all communities across the United States have access to safe, reliable, and environmentally responsible water resources while protecting the aquifers, lakes, rivers, and streams that are essential to our world.

CSWR invested more than \$250 million to acquire and transform critical water and wastewater systems, often in areas where community value has diminished due to limited existing infrastructure. Our investments elevate communities, ultimately enhancing value and helping to drive outside investment and growth. At the end of 2021, we served over 200,000 people across nine states – Arizona, Arkansas, Kentucky, Louisiana, Missouri, Mississippi, North Carolina, Tennessee, and Texas.



**Bringing safe, reliable, and environmentally responsible water resources to over 200,000 customers across 9 states in 2021.**



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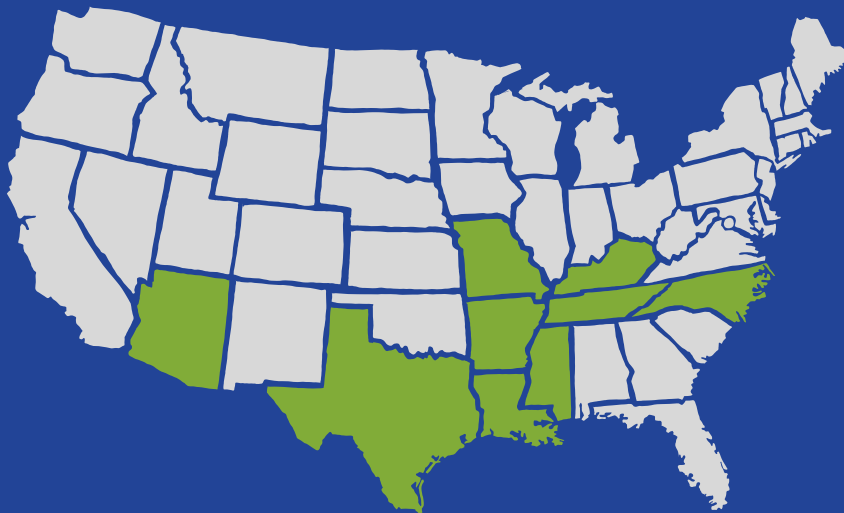
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# 2021 At-a-Glance

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



**9**

STATES

**41**

FULL-TIME EMPLOYEES

SERVING MORE THAN

**200,000**

PEOPLE

**\$250M**

INVESTED TO TRANSFORM CRITICAL WATER INFRASTRUCTURE

**424**

PLANTS OPERATIONAL

**10B**

GALLONS OF WATER AND WASTEWATER TREATED ANNUALLY

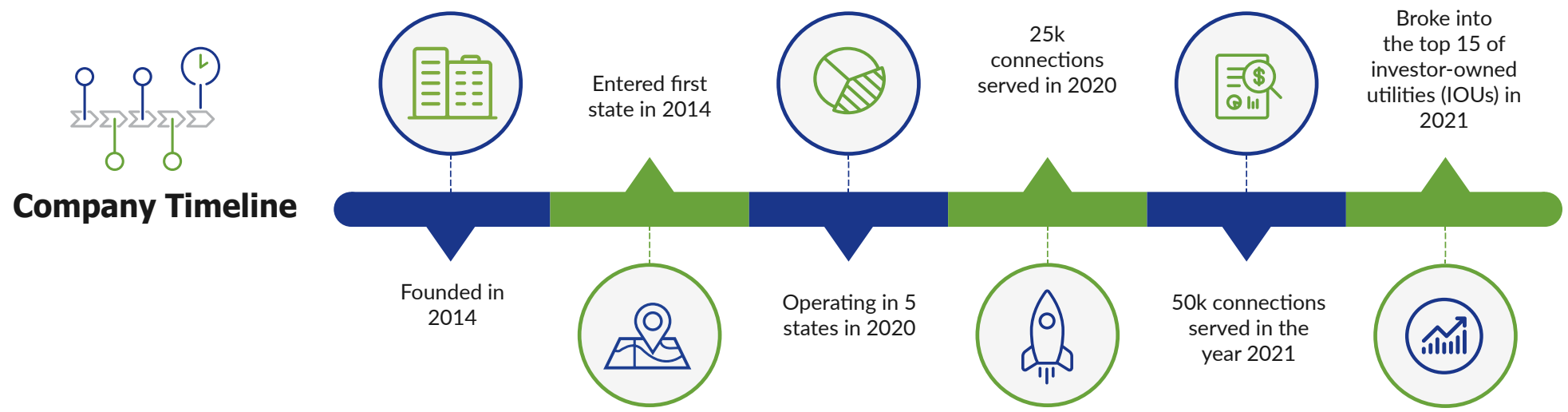
**935**

ESTIMATED JOBS CREATED IN 2021



## Letter from the CEO

On behalf of our employees, business partners, and investors, I am proud to present our first Environmental, Social, and Governance (ESG) report. The environment has always been an important part of my life, and water is a very personal issue for me. As an Environmental Sciences major, I spent several years leading water and wastewater engineering projects and land development efforts. My vision for CSWR began when I worked with a daycare in my home state of Missouri that was being served lead-contaminated water from a public water system. This same community's sewerage system was also polluting the downstream waterway so severely that the stream was almost biologically dead. As a lifelong avid outdoorsman, and now even more as a father, I could not imagine my children drinking unsafe water, nor do I want any citizen to have to suffer with the impacts of polluted public waterways. Unfortunately, this was far from an isolated incident.





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### U.S. Water Problem

I've seen firsthand how fragmented the U.S. water utility market is, with 51,000 water utilities and over 30,000 sewer utilities across the country. I founded Central States Water Resources (CSWR) in 2014 because I knew there had to be a better way to meet the water and wastewater needs of every community in the U.S., protecting the resources we share and the environment in which we live.

Water is the only utility service that is ingested by humans, and sewerage is the only utility people come into direct contact with through discharge in streams, rivers, and lakes. Our company serves predominantly smaller, underserved communities across our national footprint. Water utilities serving under 2,500 people comprise only 10 percent of all water utilities in the U.S. but make up 80 percent of the EPA's acute human health violations. These communities face unique challenges and significant investment barriers. The water service in many of these communities is so distressed that it cannot even be used for laundry – much less for drinking or bathing. This is just one example of the serious and often health-threatening issues our customers face daily.

### Enabling Access to Capital and Technical Expertise

That's why our work is so important and personal to me. CSWR has purchased failing utilities and proved those systems viable. The investments we are making allow us to transform small communities across the country. We pride ourselves in being able to bring Wall Street money to Main Street – filling funding gaps for small systems with poor access to capital. These investments have allowed us to restore services to abandoned systems destroyed by category five hurricanes, revive

wastewater plants discharging untreated sewage into public streams in state parks, and fix wastewater systems that were discharging untreated waste into rivers that serve drinking water to hundreds of thousands of people living downstream.

CSWR's mission is to bring safe, reliable, and environmentally sustainable water resources to every community in the U.S. We strive to achieve this mission by purchasing water and sewer utilities, dramatically improving the infrastructure, and operating the utilities in a manner that is cost effective and environmentally sound.





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## Our Growth and Results

In 2021, we grew our footprint to cover nine states and successfully took over the ownership and operations of 174 new treatment plants. We've turned around human health violations and designed, tested, and deployed new technology to cost-effectively fix infrastructure previously seen as too costly to repair. More notably, we were able to integrate these plants into our operations while maintaining our track record of strong environmental compliance. This translated into serving more than 200,000 people, treating more than 10 billion gallons of water per year, and operating 424 treatment plants.

## A Culture of Innovation

CSWR could not be this successful without the dedication and commitment of our employees and partners. We have worked hard to build a self-governing culture that creates what we call "bottom-up innovation" – all employees help set company goals and have the freedom to find new and innovative ways to better serve our customers.

We have embraced Objectives and Key Results (OKRs) as a corporate management tool, following in the footsteps of some of the most innovative companies in the U.S. This bottom-up, employee-engaged OKR process is reflected in every aspect of our business, and you will see specific examples of employee innovation throughout this report.

We strive to foster a culture of innovation, diversity, and inclusivity, as it is important to the success of our company. Many of our employees do not come from the utility industry. A diverse and inclusive culture

fosters diversity of thought, which in turn, increases the likelihood of our company to find new and innovative ways to serve our customers. This culture and diversity allowed CSWR to become the market leader for small water and wastewater systems in the U.S., and the second-largest owner of individual wastewater treatment plants in the U.S.

While we are extremely proud of our impact to date, we recognize more remains to be done. We are all works in progress, both organizationally and personally, in our pursuits of continuous improvement. We know the road to success is always under construction. At CSWR, we will always strive to be the best at what we do: provide clean and affordable water resources to every community we serve.

We are grateful for the opportunity in our first ESG report to reflect on our progress as we look towards the future. Thank you for reading about our journey.



Josiah Cox  
President and Founder,  
Central States Water Resources



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## Cleaning Up Water Systems

### The Water Problem

Stable, resilient water and sewer utilities are at the center of any healthy community. When these essential services are not working properly, a community's health is put at risk, and environmental and/or health regulators can implement building moratoriums and water rationing. Delivering clean water to homes and proper conveyance and treatment of wastewater promotes the health of the public and the surrounding environment.

Despite water's essential value to communities, America is facing a water crisis. One in four Americans is exposed to potentially unsafe drinking water or wastewater systems, and 60 million Americans do not trust their tap water.

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, including hazardous lead levels and E. coli contamination.

The Natural Resources Defense Council (NRDC) recently found that there are nearly 80,000 violations impacting drinking water systems across the US, a number that is likely an underestimate due to under-reporting and lack of enforcement in many states. Notably, systems found in rural areas account for more than half of all health-based violations, and nearly 70 percent of all violations. This long-term noncompliance represents direct and ongoing damage to the environment, lower quality and potentially unsafe (both chronically and acutely) drinking water, and a hinderance to community development in the areas served by these utilities.

**60 Million Americans Don't Trust Their Tap Water**







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## What We Do

CSWR directly addresses these issues by acquiring small non-compliant utilities, investing capital in the underlying infrastructure, and enhancing operations so that customers receive high-quality water and wastewater service that meets or exceeds regulatory compliance.

By the end of 2021, we operated utilities in nine states, serving more than 200,000 people through 424 plants (119 water facilities and 305 wastewater facilities). During this time, we experienced a 58 percent growth in our operating capacity. We delivered an average of 10.8 million gallons of potable water and treated 17.5 million gallons of wastewater daily for over 200,000 water and wastewater customers across nine states.

We successfully acquired and took over the ownership of 171 wastewater treatment plants, and assumed operations of three additional plants in 2021. Our wastewater treatment removes 27,800 pounds of pollution (including nutrient pollution and human pathogens) from local water bodies daily. The annual impact of CSWR treatment improvement is estimated to be an additional 860,000 pounds of contaminants removed from local water bodies – that is 860,000 pounds of nutrient pollution and human pathogen contamination.

Most importantly, we maintained our track record of strong environmental compliance. CSWR's efforts have routinely taken systems with decades of consistent 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 2021, we have brought 200 utilities into compliance with regulatory requirements. Read more about compliance and our audits in the Governance section.





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### Case Study: Ensuring Clean and Safe Water in Hillcrest, Missouri - Before/After

Prior to 2014, the water and sewer systems of the Hillcrest community in Missouri were in a complete state of disrepair, rife with health and safety violations as well as potentially life-threatening contamination of the drinking water by bird feces in the ground storage tank. The Missouri Attorney General issued an enforcement action, and after decades of neglect and mismanagement, in 2014, CSWR sought to acquire Hillcrest's water and wastewater facilities and began an extensive six-month overhaul of Hillcrest's drinking water and wastewater treatment systems.

Within six months, we salvaged and dramatically revitalized Hillcrest's water and wastewater facilities. Our upgrades to the community included the construction of a new, 58,000-gallon bolted steel water tank that meets the area's requirements, and the rebuilding of the drinking water wellhead to ensure a safe supply.

Following our acquisition and revitalization of Hillcrest's water treatment systems the community saw tangible benefits including, most notably, the restoration of safe and reliable service by removing pathogens from the drinking water and the adjoining community waterways. CSWR's efforts improved the health and safety standards for Hillcrest's residents, elevated property values, and attracted new development into the subdivision.



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### Case Study: Belle Foret - Before/After

The Belle Foret wastewater treatment plant in Louisiana serves approximately 100 homes. CSWR purchased this system in 2020, which had essentially been abandoned by previous owners and operators with no functioning mechanical equipment, resulting in untreated human waste being discharged into the receiving waterbody that weaves through several residential neighborhoods.

CSWR implemented a program to overhaul this neglected system in Belle Foret, restoring proper treatment in the plant and stopping the introduction of sludge and pollutants to the creek. These improvements solved the persistent nutrient pollution, human pathogen pollution, and odor issues that plagued the community, returning reliable wastewater treatment to over 100 homes.



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## Restoring Water Infrastructure

CSWR restores reliable service to customers and brings the systems we acquire back into compliance. Maximizing the utility of existing infrastructure, we have brought technical, managerial, and financial resources to these small systems while introducing innovative water and wastewater treatment technologies. These technologies help ensure these facilities are continuously maintained and aligned with environmental regulatory requirements. This results in long-term community impacts by improving the environmental health of receiving water bodies, reducing the risks to the physical health of customers and community members, and eliminating obstacles to community expansion from noncompliant water infrastructure.

### Water Quality

People expect safe and clean water. To provide quality drinking water and wastewater treatment, there are enormous technical, operational, and financial investment efforts required.

We purchase drinking water systems that draw water from groundwater wells, and we treat, store, and distribute water to our customers. 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, we have encountered many systems where water supply and storage is so inadequate that it hinders a community's use of water services. In communities with these crises, we restore adequate water supply by repairing and/or replacing damaged equipment, invest in additional storage, build emergency service infrastructure and make improvements to ensure safe and reliable service.



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We also acquire wastewater systems that have similar infrastructure issues and that need improvements to provide safe service in compliance with regulatory requirements. In fact, issues with poor performance and lack of reinvestment in small wastewater systems is more common than in drinking water systems. Many of these small wastewater systems are so old that their infrastructure is incapable of meeting modern limits. Without significant repairs and improvements, many of these facilities discharge wastewater that violates permit limits and degrades the quality of receiving waters. This poses a health risk to anyone who comes into contact with the creeks, streams, rivers, and lakes into which these systems discharge. We make necessary repairs and improvements to failing wastewater systems, which results in improved water quality in receiving waters, improved natural biology in the receiving waters, and a reduction of health risk to communities.

### A Different Way

CSWR's approach to building resilient water and wastewater systems is different than many others in our industry because we focus on rehabilitation rather than rebuilding. Many of the systems we acquire are extremely degraded or in significant disrepair. Rather than simply decommissioning and replacing the existing treatment infrastructure, we employ a different approach. On nearly every project, we maximize the use of existing infrastructure, repairing and repurposing equipment where appropriate to minimize the amount of new construction required.

Repairing existing infrastructure instead of replacing the facility significantly reduces the environmental impact from the construction of material production, disposal of decommissioned infrastructure, and general construction activities. This also reduces the overall cost of projects. Through these projects, these facilities achieve environmental compliance, and we ensure communities have safe drinking water and cleaner waterways. We estimate our approach of repurposing existing infrastructure reduces carbon emissions by up to 70 percent in the construction process, compared to plant replacement.



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**Case Study: Bottom-Up Innovation in Action:  
The Villages At Whiteman - Before/After**

The Villages At Whiteman in western Missouri was serviced by a three-cell lagoon that provided wastewater treatment for decades. Following the 1972 Clean Water Act, the effluent limits, including ammonia, became more stringent. As a result, the system could no longer consistently comply with its permitted limits. Many system owners confronted with similar problems resolve to decommission their lagoon system, haul away the sludge, and replace the facility with a new mechanical treatment plant capable of meeting the ammonia limits. This demolition process, however, is incredibly costly and can require upwards of a million dollars.

When CSWR acquired The Villages At Whiteman lagoon system in 2015, rather than replacing the facility with a package plant, we rehabilitated the existing assets and added a Moving Bed Bioreactor (MBBR) treatment system with a total capital improvement cost of just under \$520,000. With the installation of the MBBR, CSWR enhanced the existing infrastructure in The Villages At Whiteman, which saved hundreds of thousands of dollars. The system now performs better, consuming more waste with higher energy efficiency than a traditional mechanical plant.



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We bring safe, reliable water and wastewater resources to underserved communities, work to ensure our customers have transparent, responsive customer service, and empower our employees with a culture of innovation that inspires ingenuity and problem solving.



### Improving Communities

In the nine states where we operated in 2021, we improved water infrastructure in communities as small as six people to as large as 10,000. Small utilities in particular struggle with compliance issues due to both a lack of access to capital and the technical expertise needed to operate utilities to meet stringent compliance standards. Our expenditures in water resources are investments in communities overall, ultimately enhancing value, driving outside investment, and enabling growth.



### Access to Capital

We enable these types of improvements in smaller, sometimes rural communities by bringing in outside investment. This access to capital allows communities that otherwise did not have the funds to now make the critical infrastructure improvements for safe water. In 2021, CSWR invested \$55.8 million for system-specific utility investments in communities in which we serve. These investments were for infrastructure upgrades including plant improvements, equipment, and professional services.



### Economic Impact

Water quality has a direct impact on home values – in many cases, prior to CSWR's improvement of water and sewer systems, people are unable to sell or build homes in these communities because of their non-compliant systems. When we repair outdated water and wastewater systems, CSWR helps increase the value of each community we serve through economic growth and rising 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 2021, our wastewater treatment facilities removed 27,800 pounds of pollution from local water bodies daily



### 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 are diverse, 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 manage their utility bills.



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### Case Study: Making an Impact in Majestic Lakes - Before/After

The water and wastewater system serving 65 homes of the Majestic Lakes subdivision in Moscow Mills, Missouri, had structural failures so extensive that it was subject both to repeated wastewater violations and a building moratorium for the community.

CSWR completely overhauled the system in 2019-2020, which lifted the moratorium on new construction. Even prior to taking ownership while CSWR was seeking permission from the Missouri Public Service Commission to acquire the system, we were notified of an impending catastrophic wall failure of a portion of the wastewater treatment plant. CSWR immediately sent emergency construction teams and installed temporary structural support to the wastewater plant to prevent failure and illegal discharge of raw wastewater into the community. In the two years since the moratorium was lifted, the community has grown to 255 homes with plans for development of over 800 homes.





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## Environmental & Climate Resilience

Because we work in many states across the country, we face a variety of weather-related concerns and climate change impacts, including droughts in Arizona and Texas, and rising floodwaters and tropical storms in Florida, Mississippi, and Louisiana. These weather conditions can affect water availability and water quality, so it is critical that we build resiliency into our systems and implement best-in-class preparedness protocols to ensure we can uphold our commitment to our customers. The systems we acquire typically were not designed with backup power to handle outages, so we ensure systems have backup generators available to handle climate and weather-related emergencies as well as daily challenges faced in operating critical water infrastructure.

### Drought, Rising Water Levels, and Other Impacts

We acquired water systems in Arizona in Q4 of 2021 and are working to improve system resiliency against drought conditions. We are designing storage solutions to provide adequate water storage and recovery processes for drinking water, and providing customer education regarding water conservation and demand management. We will report our progress in future ESG reports.

In drinking water systems near the coast in Louisiana, Florida, Mississippi, North Carolina, and Texas there is a greater potential for salt-water intrusion in aquifers as ocean levels increase. To address this, we conduct inspections of drinking water wells and regular water testing to verify that no additional treatment is required to remove salt from drinking water. We are also mindful of managing the water resources in wastewater. In water stressed areas, we operate systems that return the treated wastewater to groundwater through constructed wetlands, rapid infiltration basins, drip irrigation or drain fields, and injection wells.



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### Severe Weather and Natural Disasters

Because we operate in multiple states across the country, we have faced multiple natural disasters in 2021, including an F4 tornado in Kentucky, Hurricane Ida in Louisiana, and Winter Storm Uri in Texas, requiring us to respond quickly and continue to prepare for future severe weather. During Hurricane Ida in August 2021, we outperformed other utilities with our response, restoring water service to all non-evacuated affected customers within 48 hours. To address severe weather and natural disasters, CSWR has implemented a hurricane preparedness program, which includes storm hardening on all systems in Louisiana, southern Texas, and southern Mississippi. To prepare, we conduct “tabletop” exercises where the organization comes together to participate in a simulation to ensure our processes and documentation is complete and up to date. Tabletop exercises typically begin with a scenario, such as: “The national weather service has come out with a tornado warning in Sedalia, MO – what is our plan?”

Using our emergency response – prepare, monitor, assess damage, and react – we review how we will notify our customers and enact the Emergency Operations Center (EOC) for our systems. The EOC uses our remote monitoring systems to monitor a specific area through a dashboard that displays how many systems are operating in the affected area. As a storm moves through, we can see in real-time where power was lost, which allows us to pin-point our reaction and prioritize actions down to a neighborhood-level. If power is lost at major providers, we have permanent emergency generators in place to automatically restore power to water systems



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### Hurricane Ida Response

Impacting over 140 plants, Hurricane Ida in August 2021 was the toughest real-world test of our technology and infrastructure that our utility operators in Louisiana, Magnolia Water, have faced. We prepared by mobilizing our staff and partners to three priority areas:



1. **Pre-Storm Preparation:** We activated our formal storm hardening plan to minimize storm damage. Due to installation, maintenance, and continual testing, generators were onsite and operational when water systems lost power. As a result, only two of our 28 water systems experienced downtime. This downtime was due to extreme flooding and not generator failure. We also increased the number of customer service representatives available to answer calls. Our call center fielded over 1,000 calls in the week following Ida while keeping response time to three minutes or less.



2. **Post-Storm Action:** We mobilized resources from four different states to assist with service restoration once danger passed, and we coordinated our response with local emergency agencies in Louisiana. Our senior executive staff visited sites within 48 hours after landfall to assess damage.



3. **Proactive Communications:** We leveraged existing online platforms, especially Facebook, NextDoor, and our own website, to connect with customers directly.



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## 2021 Energy Consumption

Metrics	2021
Total energy consumed	79,579
% grid electricity consumed	99
% renewable energy consumed	1

### Energy Consumption and Efficiency

We use the most energy in our operations in two areas: the delivery of clean water to customers and the treatment of waste from customers. We have implemented technology process innovations at our plants to increase operational efficiency which reduces overall energy use. Approximately 40 percent of our energy consumption is from production and delivery of clean drinking water and 60 percent is from collection and treatment of wastewater.

As we bring noncompliant systems into full compliance, energy use typically increases. This is because energy consumption on a compliant system uses more energy than a noncompliant system, even with the efficiencies we have built into the treatment processes.

### Initiatives to Reduce Energy Use and Carbon Emissions

The primary way that CSWR ensures optimal energy efficiency at our facilities is by ensuring our electrical equipment is in excellent condition. Equipment in poor condition runs inefficiently, resulting in higher energy consumption. We use a computer-based maintenance program that reports statistics on the performance of all equipment, so we can repair or replace poorly operating electrical equipment.

CSWR installs remote monitoring equipment at our facilities. Our remote monitoring systems lower energy use by reducing the frequency of monitoring trips to the plant by operators, and by providing a faster response to service interruptions. This allows us to minimize down time from equipment failures, which could otherwise cause environmental damage and require more time, money, and energy to resolve.



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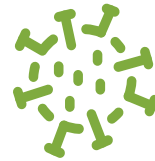
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## COVID-19 Response

During the COVID-19 pandemic, CSWR protected the health and safety of all our employees, while continuing to provide essential water and wastewater services to our customers. Our COVID-19 protocols followed or exceeded guidelines from the Centers for Disease Control and Prevention (CDC). If any of our employees tested positive for COVID-19, they were given time off work until they could produce a negative test, even if the amount of time off extended beyond the CDC recommendations. CSWR also conducted contact tracing to inform employees if a colleague had tested positive. All public areas in our offices were completely disinfected daily, along with the desks of those employees who tested positive for COVID-19.

CSWR was uniquely prepared for our employees to work from home. As part of our onboarding process, new employees receive everything they need to set-up a remote working environment. This practice was in place before the COVID-19 pandemic, which allowed CSWR's operations to continue without disruptions during stay-at-home orders and other pandemic restrictions.



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## Customer Experience

### Commitment to Customers

We are a dedicated team of employees and partners serving more than 200,000 people. We believe we have a responsibility to educate our customers about the safety, reliability, and costs of water and wastewater. Our service connection isn't just to an account, but to a human being, a family, a home, or a business. Our promise begins and ends with reliability – safe and reliable water 365 days a year.

As part of this commitment, we hold community meetings to hear from residents. In 2021, we held over 50 meetings with community leaders in nine states to discuss their water and wastewater service.

We also provide educational materials to residents, community leaders, environmental stakeholders, and regulators who are cross generational, multicultural, and from diverse socioeconomic spectrums to help them understand the dangers failing water resources pose.



## FROM THE TAP

Our branded **"From the Tap"** Blog provides educational content such as information on how to conserve water and save money on your bills.



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## Case Study: CSWR in Mississippi - Great River Utility Operating Company - Before/After

In 2020, CSWR began diligence on the condition of water and wastewater utilities in the state of Mississippi. Previously, there were no large investor-owned water utilities operating in Mississippi, however, there were around 900 small investor-owned water utilities operating in the state. Many of these utilities had little to no investment in the water and wastewater infrastructure, customers served were experiencing frequent service outages, and the wastewater was polluting local streams. Below are a few examples of scenarios that CSWR encountered in Mississippi:

- A water system for a subdivision where an unpermitted well was providing untreated water to the potable water system to meet demand from the community.
- Several wastewater systems regulated by the state that had never charged rates for service.
- Wastewater plants that were inaccessible due to lack of maintenance.

In July 2021, Great River UOC, CSWR's Mississippi affiliate, closed on its first water system in the state of Mississippi. From day one, Great River was able to provide services that were previously unavailable to customers, such as 24/7 customer service and emergency response, online bill payment and autopay, and local certified professional operations support. Within weeks of taking ownership, Great River remediated maintenance issues with plants that long plagued communities, and restored regular service. Great River continues to complete capital investments in systems needed to build resiliency and long-lasting compliance.



### Customer Response and Communications

When a customer needs accurate, transparent information, our goal is to support their inquiry through a convenient and responsive customer service process.

#### Services available to our customers include :

- 24/7 customer service call center
- Remote monitoring system that uses real-time data and tracking so that we can respond to emergencies 24/7
- Water consumer education through our website, direct mail, email, and social media
- Online accessibility for all customers, including: online bill payment for water and sewer service, online account management, and service advisory reporting through our website.

CSWR has a 100% fully integrated platform for real-time response to customer-reported events. The call center answers and responds to emergency calls 24/7. These customer experiences and associated field work are then reviewed upon completion to enhance the CSWR process to reduce customer wait times, decrease response times, and improve customer satisfaction.

By providing a 24/7 call center, we ensure equitable access to information and technology for customers who don't have computer access so that they can always reach someone to help with their concern.



In 2021, we completed 7,291 field service work orders from an estimated population of more than 200,000 people served.

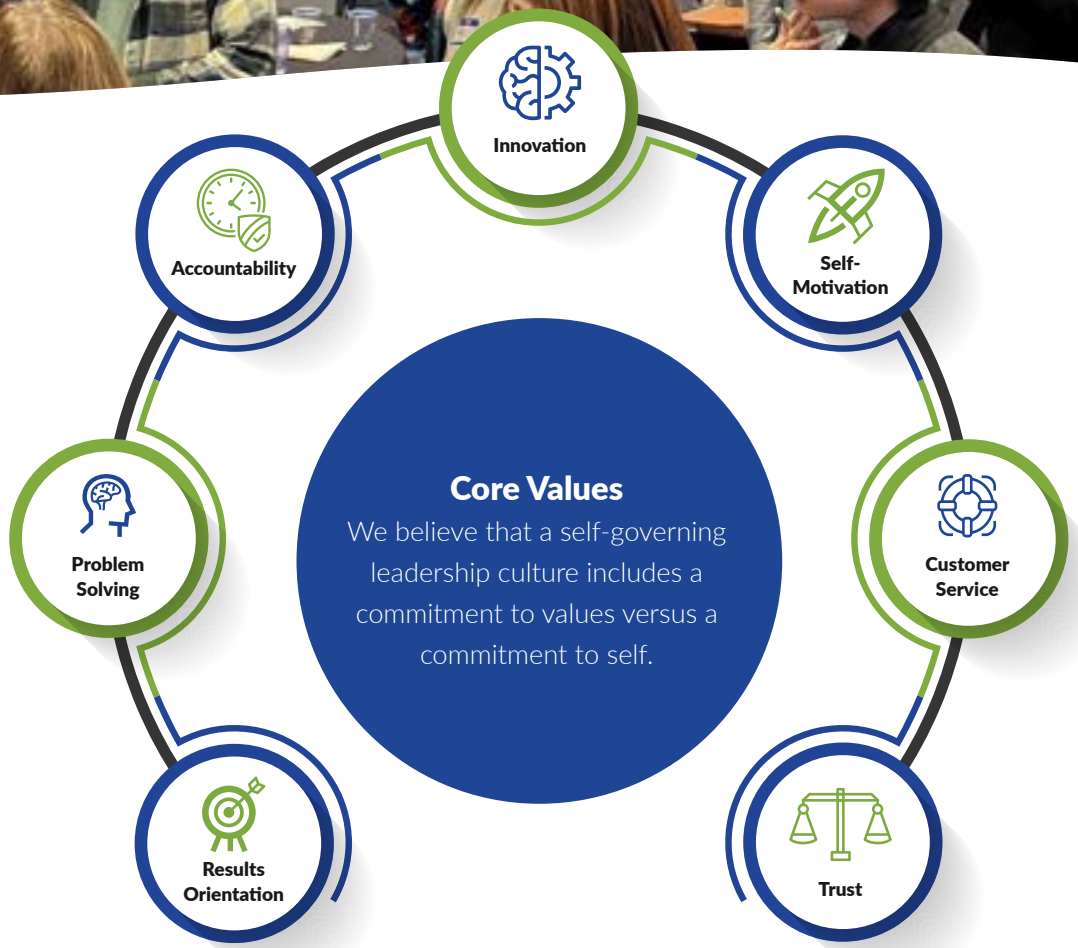
To measure our performance on meeting the needs of our customers, in late 2021, we set goals to keep customers' wait time to 30 seconds or less; customers' average handle time to five minutes or less; and to interact with 80 percent of customers who have contacted us. We will measure and share our progress in future reports.





## Our People & Culture

As of the end of 2021, our team had 41 full time employees and hundreds of dedicated partners. We believe in a self-governing, agile culture that fosters collaboration, self-motivation, and innovation. We support people who take leadership, full ownership, and responsibility to drive service and results to achieve our mission. We do this by listening to our employees, delegating tasks among individuals and teams, and promoting a collaborative environment focused on continuous learning. These company values ensure we foster professional development for our employees and team members, and that our employees can grow and increase their contributions to the organization.





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### Employee Demographics

In 2021, we hired **22** people.



#### Of the 22 hired:

- Interns: **9**
- Managers: **5**
- Staff Members: **8**



#### Of the 9 interns hired:

- Female: **2**
- Male: **7**
- People of Color: **2**



#### Of the 5 managers hired:

- Female: **3**
- Male: **2**
- People of Color: **2**



#### Of the 8 staff members hired:

- Female: **5**
- Male: **3**
- People of Color: **1**

### Health and Wellbeing

To encourage our employees' personal health and well-being, we provide a comprehensive medical, dental, and vision benefits 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.

### Diversity, Equity, and Inclusion

We believe in prioritizing diversity, equity, and inclusion in our workforce. We are proud of how we have grown diversity within and across all levels of our company and continue to engage in equitable hiring practices to further embrace and expand upon our commitment to a diverse workforce.



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### Employee Engagement

We measure employee engagement annually through an internal survey. In 2021, 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 7.5 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.

### Self-Governing Organization Survey Results

We aim 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 2021, we achieved this goal.

To encourage communication among team members and communication from leadership, we hold three off-site, all-company meetings per year. The meetings consist of a “state of the business” overview and updates on CSWR’s financial health. At the meetings, we also set goals and host professional development exercises. Our employees also participate in team-building activities to allow employees to build relationships across functions by pairing our employees with those from other teams.

Question	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.	7.7	7.8	7.2
If I have my way, I will be working for my organization 12 months from now.	7.5	7.8	7.8
I am willing to recommend my organization as a place to work.	7.3	7.8	7.6



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### Employee and Partner Safety

We work with a large network of partners to provide operational support to our facilities. We monitor environmental health and safety performance remotely with real-time data and reported from our tracking systems. During 2021, CSWR and its partners experienced one OSHA recordable injury across our 9 state footprint. To standardize and strengthen our partner engagements, we implemented the initiatives outlined in blue.

### Enterprise Risk Management Strategy

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

**Service disruption:** We prepare and manage disruptions through system redundancy, emergency response plans, simulations, and stress test operations to handle scenarios that might impact service.

**Safety of our employees and contractors:** We focus on safety immediately after acquiring a system. We install safety equipment where needed.

**Environmental pollution risks with domestic waste:** We build infrastructure that includes monitoring and backup power generation to minimize events that could result in failure.

**Environmental hazards:** We bring systems into compliance through open and transparent communication with state environmental agencies.



Developed a facility operations plan for lagoon and mechanical wastewater treatment facilities, including mapping and emergency response plans to help ensure proper operation and minimize system failures during emergencies.



Continued to require all partners to do "Safety Skills," an online safety training that includes more than 20 different courses. Each month, the operations partners also are required to do their own in house safety training with employees.



Implemented annual third-party safety auditing of all operations and management partners' internal training and policies with auditors who have a minimum of five years of experience in the field or with OSHA. In 2021, no partner was found to be in violation of our operations standards.



## 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. Our delivery of safe, clean, and reliable water and wastewater services relies on a culture of integrity, oversight, communication of ESG, and strong compliance. Our Board of Directors, leadership team, employees, and partners all play a role in this work.

### Corporate Governance

We are led by a core leadership team that includes our CEO and founder, Josiah Cox, and leaders from each function in the organization.

As part of our bottom-up innovation process, all employees at our company are encouraged to participate in setting our company-wide objectives and key results (OKRs). Every two years, the organization brainstorms and develops a set of “Moonshot OKRs.” These are aspirational goals to push employees’ thinking about what could be possible. Quarterly OKRs are then established based on the two-year aspirational OKRs, and individual OKRs are developed by each employee. The aspirational OKRs serve as a guidepost to lead the development of goals throughout the organization.



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### **Ethical Conduct**

We have zero tolerance for bribery or corruption of any kind, and all 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.

### **Code of Conduct**

The successful business operation and reputation of the CSWR is built upon the principles of fair dealing and ethical conduct of our employees. Our reputation for integrity and excellence requires strict compliance with our policies and procedures, with all applicable laws and regulations, as well as 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. Employees must review and attest to the Code of Conduct annually.



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### Data Security and Privacy

To protect our customers' privacy, we do not keep customer data on a server. Our IT partners specialize in data security 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 will not implement technology unless we can ensure 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 to further protect customer data.



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### Due Diligence Process

Strong governance ensures we make 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 need to 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 investments (ROI).

#### Our vetting process examines:

- The overall condition of the system, and a thorough review of environmental compliance history
- Median home values for the communities we serve
- Third-party engineers will evaluate system capital requirements
- Internal compliance inspectors complete a thorough audit within 90 days of purchase

Generally, regulators are in favor of the fact that we strengthen existing infrastructure rather than building new construction. We discuss the environmental, economic, and energy benefits to this approach in the Environmental Stewardship section of this report. Overall, this process helps us and our investors determine that a project will be viable and completed with integrity and responsibility.





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## Compliance

To ensure we are meeting or exceeding regulatory standards, external audits and internal reviews hold us accountable to our commitments.

Type of Audit	Frequency
Internal safety audit with group of CSWR health and safety regulatory managers and compliance inspectors	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

Within 90 days before CSWR purchases a facility, we conduct an internal safety audit with a group of environmental health and safety regulatory managers and compliance inspectors.

Once we own a facility, it continues to be audited periodically by a regulatory agency from the state in which they are located. In addition, third party engineering firms are doing 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 services 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 review our organizational chart, internal controls and compliance, regulatory developments, insurance coverage, records of retention, as well as system level requests (boil orders, regulatory arrangement, 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.

# WHAT ARE PFAS?



Family of over 600 compounds



Man-made since 1940's



Thermal and water resistant



Applications: non-stick coatings, waterproof fabrics, firefighting foams, repellent of dirt and grease

## Environmental Compliance

We have received 100 percent compliance with Agreed Orders of Consent (agreements with environmental regulators to return acquired systems to compliant operations within a prescribed period). In 2021, we conducted over 59,000 water and wastewater quality tests to monitor system performance, and we tested every water system we owned for polyfluoroalkyl substances (PFAs), which are used to make fluoropolymer coatings and other products. In addition, CSWR has no sustained 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.

According to the EPA, polyfluoroalkyl substances (PFAS) which are used in long-lasting chemicals, are found in water, air, fish, and soil at locations across the nation and the globe. While researchers are continuing to study these substances, we have identified PFAS/PFOS as a drinking water contaminant of emerging concern in the last 12 months. We have completed testing on all water sources in Missouri and Louisiana for the presence of PFAS/PFOS and have PFAS/PFOS tested select water sources in due diligence procedures for systems to be acquired. At the end of 2021, PFAS/PFOS have not been detected in any water sources owned by CSWR. CSWR will continue to increase testing for these contaminants while exploring effective solutions for treatment should these containments be discovered.

We conduct annual tests of all drinking water systems. At the end of 2021, no test has come back as positive for lead.

**CSWR has no sustained customer complaints with public utility regulators**





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Topic	SASB Code	Metric	Unit of Measure	FY 2021 Measure
Energy Management	IF-WU-130a.1	Total energy consumed	Gigajoules	79,579
	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 <sup>3</sup> )	Not Ready to Report
Effluent Quality Management	IF-WU-140b.1	Number of incidents of non-compliance associated with water effluent quality permits, standards, and regulations	Number	8
	IF-WU-140b.2	Discussion of strategies to manage effluents of emerging concern	MD&A	See Pages 12-14
Water Affordability and Access	IF-WU-240a.1	Average retail water rate for residential customers	\$	\$29.60
	IF-WU-240a.1	Average retail water rate for commercial customers	\$	\$74.55
	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	\$	\$0.47



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Topic	SASB Code	Metric	Unit of Measure	FY 2021 Measure
Water Affordability and Access	IF-WU-240a.3	Number of residential water disconnections for non-payment	Number	1,096
	IF-WU-240a.3	% of disconnected customers reconnected within 30 days	%	81.3%
	IF-WU-240a.4	Discussion of impact of external factors on customer affordability of water, including economic conditions of territory	MD&A	See Page 15
Drinking Water Quality	IF-WU-250a.1	Number of acute health-based violations	Number	0
	IF-WU-250a.1	Number of non-acute health-based violations	Number	11
	IF-WU-250a.1	Number of non-health-based violations	Number	13
	IF-WU-250a.2	Discussion of strategies to manage drinking water contaminants of emerging concern	MD&A	See Page 34
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 from regions with High or Extremely High Baseline Water Stress	Thousand cubic meters (m <sup>3</sup> )	Not Ready to Report
	IF-WU-440a.1	% of water purchased from a third party	%	6.55
	IF-WU-440a.2	Volume of recycled water delivered to customers	Thousand cubic meters (m <sup>3</sup> )	0
	IF-WU-440a.3	Discussion of strategies to manage risks associated with the quality and availability of water resources	MD&A	See Page 34



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Topic	SASB Code	Metric	Unit of Measure	FY 2021 Measure
<b>Network Resiliency &amp; Impacts of Climate Change</b>	IF-WU-450a.1	Wastewater treatment capacity located in 100-year flood zones	Cubic meters (m <sup>3</sup> ) per day	0
	IF-WU-450a.2	Number of sanitary sewer overflows (SSO)	Number	81
	IF-WU-450a.2	Volume of sanitary sewer overflows (SSO)	Cubic meters (m <sup>3</sup> )	450.6
	IF-WU-450a.2	% of volume recovered from SSOs	%	N/A
	IF-WU-450a.3	Number of unplanned service disruptions	Number	106
	IF-WU-450a.3	Customers affected, each by duration category	Number	"1-2 Days: 6,829 3-4 Days: 3,656 5-7 Days: 6,210 8-14 Days: 317 14+ Days: 34"
	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 Pages 17-19
<b>Workforce Health &amp; Safety</b>	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 2021 Measure
Activity Metrics	IF-WU-000.A	Residential customers served	Number	180,738
	IF-WU-000.A	Commercial customers served	Number	4,287
	IF-WU-000.A	Industrial customers served	Number	0
	IF-WU-000.B	Total water sourced, % by source type	Cubic meters (m <sup>3</sup> ), %	Groundwater: 93.5% Purchased: 6.5%
	IF-WU-000.C	Total water delivered to residential customers	Thousand cubic meters (m <sup>3</sup> )	3,755
	IF-WU-000.C	Total water delivered to commercial customers	Thousand cubic meters (m <sup>3</sup> )	214
	IF-WU-000.C	Total water delivered to industrial customers	Thousand cubic meters (m <sup>3</sup> )	0
	IF-WU-000.C	Total water delivered to all other customers	Thousand cubic meters (m <sup>3</sup> )	0
	IF-WU-000.D	Average volume of wastewater treated per day - sanitary sewer	Cubic meters (m <sup>3</sup> ) per day	53,066*
	IF-WU-000.D	Average volume of wastewater treated per day - stormwater	Cubic meters (m <sup>3</sup> ) per day	0
	IF-WU-000.D	Average volume of wastewater treated per day - combined sewer	Cubic meters (m <sup>3</sup> ) per day	0
	IF-WU-000.E	Length of water mains	Kilometers (km)	Not Ready to Report
	IF-WU-000.E	Length of sewer pipe	Kilometers (km)	Not Ready to Report

\*corrected 12/18/23