



Keeping Our Promise in Focus

**CALIFORNIA WATER SERVICE GROUP
2019 CORPORATE CITIZENSHIP REPORT**

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EXECUTIVE SUMMARY:

At California Water Service Group (Group), our shared purpose is to improve the quality of life for our customers, communities, employees, and stockholders. We achieve this by being a responsible corporate citizen committed to doing what's right. Whether that's by upgrading infrastructure to keep it reliable, meeting increasingly stringent water quality and environmental standards, supporting those in need in our communities, maintaining high expectations of those in our supply chain, or establishing and upholding responsible practices to safeguard our business, we work hard every day to keep our purpose clearly in focus.

By aligning our efforts with recognized frameworks for environmental, social, and governance reporting, we can better communicate our efforts. Our 2019 Corporate Citizenship Report is based primarily on metrics from the Sustainability Accounting Standards Board (SASB) for water utilities. As we have begun to sharpen our focus on climate change, we are also providing highlights based on the Task Force on Climate-Related Financial Disclosures (TCFD) framework.

In 2020, we will conduct a materiality assessment to establish our environmental, social, and governance priorities and determine which framework is most appropriate for Group for reporting purposes. In the meantime, we are pleased to offer this annual Corporate Citizenship Report, which highlights some of the key improvements by our California, Hawaii, New Mexico, and Washington subsidiaries last year.

Additionally, at the writing of this report, countries around the globe are fighting to contain the spread of the novel coronavirus (COVID-19), a pandemic that has impacted every industry and individual, and one that has deeply affected the communities we call home. In this report, we share some of our initial efforts to support our employees and customers and provide relief to those who need it most. I am proud of our employees' tireless work every day to keep the water flowing and serve their communities in the midst of this challenging and unprecedented time, and we look forward to providing more details regarding our relief efforts in next year's report.



Marty Kropelnicki
President and CEO

EXECUTIVE
SUMMARY

2019
HIGHLIGHTS

2019
STATS

ENVIRONMENTAL
STEWARDSHIP

SOCIAL
RESPONSIBILITY

CORPORATE
GOVERNANCE

CLIMATE
CHANGE

2019 HIGHLIGHTS

ENVIRONMENTAL STEWARDSHIP

- o Reduced total energy consumption by nearly **8%**
- o Replaced **145,881** feet of water main to prevent water loss through leaks and breaks
- o Saved **204 MILLION GALLONS** of water annually through conservation devices rebated or distributed

SOCIAL RESPONSIBILITY

- o Donated more than **\$1.25 MILLION** to local charitable organizations
- o Completed **NECESSARY CHANGES** to comply with the California Consumer Privacy Act
- o Updated our Supplier **CODE OF CONDUCT** to formalize expectations of our supply chain

CORPORATE GOVERNANCE

- o Launched a new, secure fraud and ethics reporting **HOTLINE**
- o Established an **ENTERPRISE RISK MANAGEMENT, SAFETY, AND SECURITY** Board Committee
- o Added **SOCIAL RESPONSIBILITY AND SUSTAINABILITY** to the Nominating and Corporate Governance Committee's responsibilities

CLIMATE CHANGE

- o Established a **WATER RESOURCES SUSTAINABILITY** Department to enhance climate-change planning and mitigation, and merge the departments that oversee water supply planning and conservation
- o Developed plan to update **ANALYSIS** and to identify, assess, and manage risks related to climate change
- o Reduced carbon emissions by **40%** over last 6 years



2019 STATS



ENERGY MANAGEMENT

Total energy consumed:
550,570 gigajoules
across California, Hawaii,
New Mexico & Washington



451,856 GIGAJOULES



93,615 GIGAJOULES



3,822 GIGAJOULES



1,277 GIGAJOULES

Percentage of energy
from grid electricity
(defined as electricity
provided by the default
power provider)



65.5%*



99.15%



100%



100%

*2018 report included community choice aggregators (CCAs) in this calculation; energy produced by CCAs are now only in renewable source calculation

Percentage of energy from
renewable sources
(excludes renewable
energy provided by
default power provider*)



34.5%



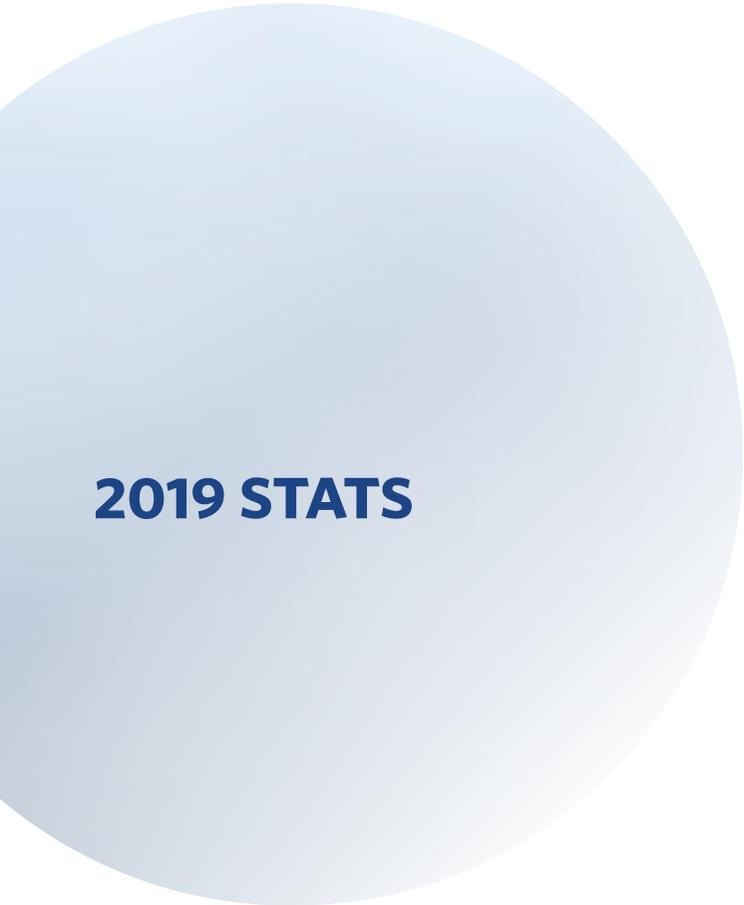
0.85%



0%



0%



2019 STATS

DISTRIBUTION NETWORK EFFICIENCY

Water mains replaced in California
in 2019

145,881 FEET
OR 0.47% OF MAIN

Volume of non-revenue real water losses

17,916 THOUSAND
CUBIC METERS*

*Based on systems qualifying as urban retail water suppliers under the American Water Works Association's Water Audits and Loss Control Program

EFFLUENT QUALITY MANAGEMENT

Number of incidents of non-compliance
from water effluent quality permits,
standards, and regulations

ZERO

WATER AFFORDABILITY & ACCESS

Number of residential water customer
disconnections for non-payment

44,306

DRINKING WATER QUALITY

Number of drinking water violations Group-wide

Acute health-based standards

ZERO

Non-acute health-based standards

ZERO

Non-health-based standards

2 PROCEDURAL

END-USE EFFICIENCY

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

98.1%
GROUP-WIDE

WATER SUPPLY RESILIENCE

Volume of recycled water delivered to customers



7,181,321
THOUSAND
CUBIC METERS



908 THOUSAND
CUBIC METERS



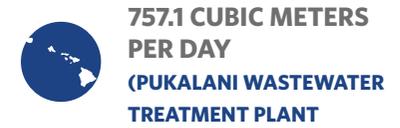
228 THOUSAND
CUBIC METERS



ZERO

NETWORK RESILIENCY

Wastewater treatment capacity
in 100-year flood zones



Number and volume of
sanitary sewer overflows



2019 STATS



ACTIVITY METRICS

<p>Total water sourced and percentage by source type</p>	<p>366,461 THOUSAND CUBIC METERS A reduction of 10,350 thousand cubic meters from 2018 (table in narrative)</p>	
<p>Total water delivered in CA</p>	<p>343,256 THOUSAND CUBIC METERS</p>	
<p></p>	<p> 226,421 THOUSAND CUBIC METERS</p>	<p> 21,326 THOUSAND CUBIC METERS</p>
<p></p>	<p> 72,453 THOUSAND CUBIC METERS</p>	<p> 23,056 THOUSAND CUBIC METERS (OTHER)</p>

<p>Average volume of wastewater (sanitary sewer) treated per day</p>	<p>6,000 CUBIC METERS an increase of 161 cubic meters from 2018</p>	
<p></p>	<p> ZERO*</p>	<p> 1,261 CUBIC METERS</p>
<p></p>	<p> 4,622 CUBIC METERS</p>	<p> 117 CUBIC METERS</p>

<p>Length of water mains</p>	<p>10,557.9 KILOMETERS TOTAL</p>
<p></p>	<p> 9,527.0 KILOMETERS</p>
<p></p>	<p> 129.6 KILOMETERS</p>
<p></p>	<p> 233.4 KILOMETERS</p>
<p></p>	<p> 667.9 KILOMETERS</p>

<p>Length of sewer pipe</p>	<p>122.27 KILOMETERS TOTAL</p>
<p></p>	<p> 12.65 KILOMETERS</p>
<p></p>	<p> 46.67 KILOMETERS</p>
<p></p>	<p> 59.57 KILOMETERS</p>
<p></p>	<p> 3.38 KILOMETERS</p>

*As a new development, the Tesoro-Viejo Wastewater Treatment Facility is currently in maintenance mode only.

ENVIRONMENTAL STEWARDSHIP



AT GROUP AND OUR SUBSIDIARIES, OUR RESPECT FOR THE ENVIRONMENT AND EARTH'S PRECIOUS RESOURCES IS REFLECTED IN THE WAY WE DO BUSINESS.

Energy management

Part of being a responsible steward of the environment extends beyond water to energy, as we rely on energy to deliver this critical resource to our customers and communities. To use energy as efficiently as possible, our California districts purchase power from Community Choice Aggregators that focus on renewable power sources. Through our pump and motor replacement program, we also test each of our water pumps every 1 to 2 years, based on size, and use the results to plan replacements that improve reliability and energy efficiency. In 2019, we invested \$1 million to replace 15 pumps with more efficient designs. And, our Hawaii subsidiary participates in a "Rider-M program," in which we shut down certain wells during peak energy usage hours and receive a rebate each month that is credited directly to customers through the power cost adjustment.

Additionally, in 2019, we continued to increase electricity usage from renewable sources through:

- Solar panels installed at our Chico District Customer Center, which generated 148,980 kilowatt-hours of energy
- The wind turbine at one of our Waikoloa wastewater treatment plants, which produced 201,785 kilowatt-hours of energy
- An inline power recovery turbine in Palos Verdes, which produced 145,582 kilowatt-hours

Distribution network efficiency

To increase water system reliability, we have been working to augment our mainline replacement program in California. While we were able to replace 0.47% of our pipes each year in 2018 and 2019, we sought and received approval from the CPUC to expand water main replacements. We are now working toward increasing our California main replacement rate to 0.76% of water main annually by 2021.

IN 2019, GROUP SUBSIDIARIES INVESTED \$273.8 MILLION IN WATER SYSTEM INFRASTRUCTURE, SOME OF WHICH INCLUDED:



145,881 FEET of new water main installed in California to replace aging pipes



2 NEW GROUNDWATER WELLS and a treatment facility constructed in East Los Angeles that can produce and treat 5 million gallons of water per day



3 CRITICAL PUMP STATIONS replaced in our Chico, Bear Gulch, and Dominguez systems



GRANULAR-ACTIVATED CARBON TREATMENT added to the surface water treatment plant in the Kern River Valley to mitigate the formation of disinfection byproducts



11 PERMANENT BACKUP POWER GENERATORS installed in the Bear Gulch, Palos Verdes, Salinas, Bakersfield, and Chico systems



1,700 FEET OF NEW MAIN installed and 2 pump stations replaced to connect Washington Water's Peacock Hill and Sea Cliff Estates systems



PROJECTS ACROSS ALL CALIFORNIA DISTRICTS to help mitigate wildfire risks and keep water flowing during Public Safety Power Shutoffs by electric companies

Effluent management

Our full compliance with water effluent quality permits, standards, and regulations – which includes both technology-based standards and quantity- and/or quality-based standards – is the result of comprehensive efforts across our subsidiaries. We deliver water discharge training each year to all appropriate staff members, perform audits of our facilities every three years, and share key performance indicators with facilities management.

To manage effluents of emerging concern, our Environmental and Water Quality departments work closely together to determine how maximum contaminant levels for compounds can affect effluent quality. We also identify on an industry-wide level the best available treatment options and technology used to mitigate effluent discharges; communicate constituent management strategies to our suppliers; and engage our regulatory partners early to address any risks of discharging, the cost of compliance, and timelines for issuance of water discharge permits.

Water affordability and access

As we work to fulfill our commitment to deliver safe, reliable, high-quality water and wastewater services to our customers, we remain mindful of the costs and affordability of those services. Our districts serve a wide range of customers with demographic and socioeconomic differences. In some areas, the water supply source and natural water quality require more extensive treatment to make the water safe for our customers to drink. These are often smaller, more rural areas where we have fewer customers to share these costs. This makes the per-unit cost of water higher for these customers.

In our Kern River Valley District, for example, we have 4,000 customer connections—compared to our nearby Bakersfield District with 72,700 connections. In the Kern River Valley, we installed treatment plants to remove naturally occurring arsenic, selenium, uranium, iron, manganese, and other constituents from the water supply. Here and in other economically challenged areas, we also have customers on fixed incomes, such as retirees.

We offer a Low-Income Ratepayer Assistance program to customers who meet maximum income guidelines, and in 2019, we provided more than \$9 million in discounts to customers through this program. We also have a Rate Support Fund, a subsidy in which customers in higher-cost districts receive a discount each month, currently for our Kern River Valley and Redwood Valley customers, and have requested approval from the CPUC to add Dixon and Willows customers.

With affordability in mind, we formally adopted a policy to provide “access to safe, clean, affordable, and accessible water adequate for human consumption, cooking, and sanitary purposes by operating in accordance with applicable state and federal laws and regulations at rates established by our governing regulatory bodies.”

The full proclamation may be read online at www.calwatergroup.com/commitment.

THIS TABLE REPRESENTS THE TYPICAL MONTHLY WATER BILL FOR RESIDENTIAL CUSTOMERS WITH 10 CCF OF WATER DELIVERED PER MONTH, BASED ON A 5/8" METER. IT DOES NOT INCLUDE SURCHARGES/CREDITS OR TAXES.

DISTRICT	BILL (\$)*
BAKERSFIELD	\$36.64
BAY AREA REGION	\$82.63
BEAR GULCH	\$93.84
CHICO	\$31.38
DIXON	\$65.31
DOMINGUEZ	\$52.81
EAST LOS ANGELES	\$58.51
HERMOSA-REDONDO	\$57.18
KERN RIVER VALLEY	\$104.69
LIVERMORE	\$57.55
LOS ALTOS	\$72.82
LOS ANGELES REGION	\$68.17
MARYSVILLE	\$52.05
MONTEREY REGION	\$51.82
OROVILLE	\$60.86
SELMA	\$39.61
STOCKTON	\$52.60
VISALIA	\$25.01
WESTLAKE	\$73.31
WILLOWS	\$60.76

*Based on tariffs effective as of Dec. 31, 2019

Drinking water quality

As experts learn more about water contaminants of emerging concern and water quality regulations become more stringent, we prepare to meet new guidelines and standards through a number of strategies. We closely monitor changes in the regulatory environment; participate in water industry organizations and workgroups such as the American Water Works Association, California Water Association, and Water Research Foundation; proactively monitor water quality of unregulated compounds; research and pilot test treatment techniques; and analyze data trends.

To that end, even before advisory levels for perfluorooctylsulfonic acid (PFOA) and perfluorooctanesulfonic acid (PFOS) were lowered in 2019, Cal Water had already been monitoring and testing for the compounds, focusing on areas where there was a higher likelihood of the compounds being used in the past. As a result of this early monitoring, we opted to take eight of our wells out of service to safeguard our customers.

In 2019, we filed a lawsuit against a group of companies that manufactured and sold firefighting foam products that released PFOA and PFOS into the environment to ensure the responsible parties – not our customers – bear the costs of treatment. We also supported legislation to prohibit the sale and use of certain products containing these compounds and to require the certification of testing methods based on the best available science.



End-use efficiency

Through our robust water conservation program, we offer a variety of water-efficient product rebates and programs for our residential and non-residential customers, including:

- High-efficiency toilet and clothes washer rebates indoors
- Smart irrigation controller and high-efficiency sprinkler nozzle rebates outdoors
- Conservation kits for customers that include high-efficiency showerheads, hose nozzles, aerators, and leak tablets
- Customized incentive programs for commercial customers
- And more

We also participate in the EPA WaterSense program to promote and support end-user efficiency, and are a member of the Alliance for Water Efficiency and the California Water Efficiency Partnership.

In 2019, we had the unique opportunity to partner with the Los Angeles County Fire Department and Visalia Fire Department in our service areas to save a combined 8.5 million gallons of water per year. As part of our commitment to supporting firefighters and conserving water, we granted a Pump-Pod Direct Recirculating Apparatus Firefighting Training & Sustainability (DRAFTS) Unit to each fire department. These self-contained units recirculate water used during firefighter training and pump testing, enable fire departments to train with full-flow water, prevent engine companies from having to call “out of service” while training, and meet National Fire Protection Association testing requirements. Each unit allows 1,850 gallons of water to be pumped continually.



CUSTOMER WATER SAVINGS FROM EFFICIENCY MEASURES IMPLEMENTED IN 2019, BY MARKET:

DISTRICT	ANNUAL SAVINGS (IN CUBIC METERS)	LIFETIME SAVINGS (IN CUBIC METERS)
Bear Gulch	29,492.51	417,138.27
Chico	35,721.58	587,494.19
Dixon	2,170.92	26,680.17
Dominguez	58,059.90	856,750.54
East Los Angeles	53,286.34	908,840.40
Hermosa-Redondo	39,890.74	687,332.06
Kern River Valley	2,392.95	26,038.76
King City	2,417.62	41,679.29
Livermore	45,540.08	764,597.25
Los Altos	37,547.13	627,162.91
Marysville	5,044.93	90,537.43
Mid-Peninsula	58,824.66	963,754.93
Oroville	1,603.52	25,323.34
Palos Verdes	58,985.01	808,669.49
Redwood Valley	752.42	12,507.49
Salinas	85,751.53	1,560,845.59
Selma	12,495.15	161,450.20
South San Francisco	58,010.56	1,018,336.42
Stockton	52,176.20	781,397.25
Visalia	42,641.40	640,805.19
Westlake	5,427.31	76,068.71
Willows	49.34	629.07
2019 TOTAL	772,331.17	12,208,084.60

Additionally, water rates for all single-family, residential metered customers are structured to incentivize conservation. This means that the first units of water are priced lower; as more water is used, the price increases. Remaining flat-rate customers will be converted to meters by 2025.

Water supply resilience

To manage risks related to the quality and availability of water resources, we prepare a comprehensive Urban Water Management Plan (UWMP) in accordance with the California Water Code for each of our districts that qualify as an urban retail water supplier. Additionally, we include a Conservation Master Plan within the UWMP. The plans describe and evaluate local sources of supply, reasonable and practical efficient uses, reclamation, and demand management activities. The plans each address measures for residential, commercial, government, and industrial water demand management. The 2015 UWMP, available on our web site, will next be updated in 2020. We will also begin preparing a Water Supply Reliability Plan for our districts in 2020.

TOTAL WATER SOURCED	WELLS	PURCHASED	SURFACE
Antelope Valley	76%	24%	0%
Bakersfield	46%	28%	26%
Bayshore	0%	100%	0%
Bear Gulch	0%	93%	7%
Chico District	100%	0%	0%
Dixon	100%	0%	0%
East Los Angeles	67%	33%	0%
Kern River Valley	84%	0%	16%
King City	100%	0%	0%
Livermore	11%	89%	0%
Los Altos/Suburban	20%	89%	0%
Marysville	100%	0%	0%
Oroville	6%	94%	0%
Rancho Dominguez (including Hawthorne)	10%	90%	0%
Redwood Valley	31%	2%	67%
Salinas	100%	0%	0%
Selma	100%	0%	0%
Stockton	4%	96%	0%
Visalia	100%	0%	0%
Westlake	0%	100%	0%
Willows	100%	0%	0%

Additionally, Cal Water prepares Water Supply and Facilities Master Plans for each of our California districts. These 30-year plans provide an assessment of existing infrastructure and general direction on potential mid- and long-term infrastructure needs to assist with maintaining and improving our long-term operational reliability. These plans incorporate our supply reliability analysis and ongoing infrastructure assessments.

In 2019, our Rancho Dominguez District began providing recycled water to the Dominguez Technology Center (DTC) in Carson, Calif., increasing our recycled water supply pursuant to an agreement with wholesale supplier West Basin Municipal Water District. DTC – a 438-acre, 20-building business, industry, technology, and office space – will use an estimated 135 acre-feet, or almost 44 million gallons, of recycled water per year, saving an equivalent amount of potable water.

Network resiliency and impacts of climate change

We experienced no sanitary sewer overflows in Washington and New Mexico in 2019; however, Hawaii Water experienced three wastewater system leaks in its Waikoloa Beach Resort system, all due to tree root intrusion. In April, a break caused 16,600 gallons to leak above-ground; in May, a break on another section of main caused about 4,125 gallons to leak above-ground; and in September, 2,100 gallons leaked above-ground. In each instance, the affected area was quickly contained and repairs made. Because crews responded quickly, wastewater did not enter any waterways at any time. Additionally, crews used a pumper/Vactor truck to vacuum up what they could, although the exact amount is unknown. Each of these sections of pipeline were replaced.

Impacts of climate change will be discussed later in this report.



SOCIAL RESPONSIBILITY

"I'm given the freedom to perform to the best of my ability. There is room to learn and explore new things. The company is willing to invest in tools that modernize and make procedures better."

-Cal Water Employee

IN ADDITION TO OUR ENVIRONMENTAL STEWARDSHIP EFFORTS, WE ARE COMMITTED TO SUPPORTING OUR EMPLOYEES, CUSTOMERS, COMMUNITIES, AND STOCKHOLDERS, AND WE ARE PLEASED TO REPORT THE COMPLETION OF A FEW IMPORTANT INITIATIVES IN 2019.

Human Rights: Management Policies, Systems, and Disclosure

Our California subsidiary completed a project to comply with the California Consumer Privacy Act (CCPA). When it went into effect in January 2020, the CCPA enhanced privacy rights and protections for California customers. To ensure we complied with the new regulation, we determined what personally identifiable information (PII) we collected from our customers, where within our systems the data resided, and which suppliers had access to this information. We ensured that PII data remains protected at rest and in transit, and created a process by which customers could make CCPA-related requests online and by phone. We also formalized new policies on data use, data sharing, and privacy, and trained our employees on CCPA compliance.

Since the law went into effect, as of the time of this writing, we have received 27 CCPA requests, 7 of which were “request to know” and the others to “request to delete PII data.”

Labor, Health, and Safety: Labor Relations and Management

We maintain a collaborative relationship with the two unions that represent part of our workforce, the Utility Workers Union of America, AFL-CIO (UWUA) and the International Federation of Professional and Technical Engineers. Promoting a culture of safety is one of our top priorities, and in 2019, we embarked on an initiative with the UWUA and Power 4 America to provide peer-to-peer safety inspections and leadership training, and develop an apprenticeship program in the Bay Area.

Additionally, we regularly take the pulse of our workforce to assess employee satisfaction and learn where we can better support our team members. In 2019, we were named a Great Place to Work® for the fourth year in a row by the Great Place to Work® Institute, and a Top Workplace in the Bay Area by the Bay Area News Group for the eighth consecutive year.

Labor, Health, and Safety: Occupational Health and Safety

Our commitment to our employees' safety is reflected in our company-wide occupational health and safety policy, but we don't just talk the talk. We employ a variety of efforts to keep their work environment safe and ensure they are mindful of their habits when performing their duties. We begin every meeting with a safety moment, have explicit rules for driving, provide both classroom and on-the-job safety training regularly, and ensure proper personal protective equipment is worn on any job site, among other measures. And, as the eyes and ears in the field, our employees have processes by which they can report situations that could cause a safety issue if left unchecked.

In 2019, in addition to Power 4 America, we added mandatory regulatory training through the Occupational Safety and Health Administration (e.g., OSHA's qualified service truck crane operator and qualifying-competent rigger/signalperson training, silica awareness training, and FEDCO fire pump training) to our robust safety program. And, in an effort to reduce our preventable vehicle accidents, we delivered classroom and behind-the-wheel Smith System driver training to every employee who drives a company vehicle.

Beyond individual worker safety, we have a physical security program that assesses and addresses all of our office locations; a cybersecurity program, through which we upgraded nearly all of our Supervisory Control and Data Acquisition (SCADA) systems last year; and an emergency response and preparedness program. Our emergency responders are trained annually on our Emergency Operations Center process, which is compliant with both National Incident Management System and State Emergency Management System standards.

2019 STATS

2019 YEAR-END TOTAL CASE INCIDENT RATE (TCIR)	2019 YEAR-END DAYS AWAY, RESTRICTIONS, AND TRANSFERS (DART)	PREVENTABLE VEHICLE ACCIDENTS
3.8	3.6	REDUCED BY 8.7% OVER 2018

Labor, Health, and Safety: Workforce Diversity and Equality

We seek to not only hire and retain the best employees, but also maintain a diverse and inclusive workforce. We are an equal opportunity employer for all facets of our business, including both field and office staff, managers, department heads, and executives. This extends even to our Board of Directors. And, we look for opportunities to do more business with women-, minority-, veteran-, disabled veteran-, and LGBT-owned suppliers.

Labor, Health, and Safety: Ethical Sourcing and Supply Chain Standards

Not only do we always work to do the right thing, we expect those with whom we conduct business to do the same. In 2019, we updated our Supplier Code of Conduct, which now explicitly requires vendors that do business with us to refrain from conflicts of interest, ensure a safe workplace, manage environmental risks, and conserve natural resources. We require suppliers to protect human rights and encourage them to interact with employees and communities in a way that is consistent with the UN Guiding Principles on Business and Human Rights. We also prohibit slave, child, or otherwise forced labor, and ask vendors to do the same throughout their supply chain.

Labor, Health, and Safety: Training and Development

We're committed to our employees' continued growth and development after they come on board with Group subsidiaries, as evidenced by the 1,500 industry-specific certifications currently held by our team members. So they can continue to be experts and leaders in their industries, we provide training opportunities in each district and through external organizations, and offer tuition reimbursement. Additionally, our team members are provided interim developmental opportunities to work in different and higher-level job functions than they may currently hold.

Reinforcing our one-team approach, our employees have embraced the new Continuous Improvement 2.0 (CI 2.0) program, launched in 2017. Through CI 2.0, our team members collaborate to improve our efficiency and service to benefit our customers. All employees are encouraged to contribute and implement new ideas.

STATS (AT YEAR-END 2019):

FIELD AND
OFFICE STAFF

72%
MEN

28%
WOMEN

FIRST AND MID-LEVEL
MANAGERS

71%
MEN

29%
WOMEN

SENIOR
MANAGEMENT

68%
MEN

32%
WOMEN

BOARD OF DIRECTORS

64%
MEN

36%
WOMEN

In 2019, more than 238
“daily improvements”
were initiated, and the
company implemented
184 improvements.

Labor, Health, and Safety: Compensation and Benefits

We believe when we take care of our employees, they can focus on taking care of our customers. When employees join California Water Service Group and our subsidiaries, they receive a fair and living wage, along with a benefits package that includes paid time off; a 401K savings plan with company match; a defined benefit plan; medical, vision, and dental insurance; and flexible spending accounts. We also offer emotional support services, through both Carebridge professional counseling and our internal Critical Incident Response Management team, a peer-to-peer support system.

Stakeholder and Society: Engagement

As part of our commitment to enhancing the quality of life in the communities we serve, in 2019, our subsidiaries donated more than \$1.25 million to local nonprofit, community, and other philanthropic organizations, surpassing the amount donated in 2018 by about \$250,000. This was due in part to Cal Water's inaugural Firefighter Grant Program, which provided \$160,000 to 10 fire departments in its service areas to help provide supplies or gear that would help save lives. Of this \$1.25 million, \$60,000 was given as college scholarships to students in California, Hawaii, and Washington, and \$70,000 was donated to the Salvation Army of Oroville for a mobile kitchen trailer that would provide food to natural disaster evacuees.

At the time of this writing, the spread of COVID-19 is impacting much of the United States, and our Washington and California subsidiaries are particularly affected by confirmed cases. As millions of Americans are observing "safer at home" orders, we are working to support our communities, not only by keeping their water systems running and providing the water they need to stay safe, but also by assisting those facing financial difficulties.

We suspended water service disconnections for those unable to pay their bills and restored service to those who were previously disconnected for non-payment. We are working with customers who need help with their bills through payment arrangements and extensions, and partnering with local community organizations to help feed those in need.

"I had to do a double-take.
I'm just very thankful.
This takes a load off my
family...I want to be a
leader of the people, for
the people.

My community has helped
me to get where I am now
and where I eventually
want to get."

-Dominick Brock,
2019 grand-prize scholarship recipient,
studying political science



The Stockton Fire Department conducts a demonstration of its new particulate barrier hoods purchased through the Cal Water Firefighter Grant Program, and show how the hoods protect first responders' throats and necks – parts of their bodies not previously covered by personal protective equipment and where cancer had developed in a number of former firefighters.



CORPORATE GOVERNANCE

Stakeholder and Society: Motivation and Accountability

Our executive compensation plan includes consideration for non-financial targets, as discussed in our annual proxy statement. Additionally, our stockholders have an annual “say on pay” vote for executive compensation.

Stakeholder and Society: Business Ethics and Anti-Corruption

In every decision, we are guided by our commitment to always doing the right thing. We have explicitly defined our guiding principles through:

- A Code of Ethics and insider trading policy for the board, management, and employees
- A Code of Conduct for all employees
- A separate Supplier Code of Conduct for all potential vendors
- Clawback and anti-hedging policies for executives
- A formal bonding policy for executives
- An expanded role for our board's independent lead director, and majority voting for electing new board members

Additionally, we have multiple whistleblower reporting channels through which employees can report concerns, including directly to management or Human Resources, or through quarterly questionnaires conducted in accordance with the Sarbanes-Oxley Act's Section 302. In 2019, we launched a new, secure fraud and ethics hotline, through which employees can anonymously report business code of conduct violations.

Stakeholder and Society: Sustainability Management and Oversight

While board and committee charters are already in place to ensure proper oversight, we took further steps to enhance oversight measures in 2019 with the creation of an Enterprise Risk Management, Safety, and Security Committee on our Board of Directors. This committee discusses the principal risks for our businesses, including operations and facilities, and guides mitigation and management efforts to reduce exposure and risk. The new committee also reviews goals, programs, policies, and practices to promote a culture of safety, and ensures the safeguarding of company assets related to both physical and cybersecurity.

With this change, the board's Nominating and Corporate Governance Committee now discusses strategies, policies, and practices related to environmental and social responsibility, and sustainability issues and impacts.



CLIMATE CHANGE



WITH THE INCREASING RISK THAT CLIMATE CHANGE POSES TO WATER SUPPLIES AND ITS POTENTIAL IMPACT ON INFRASTRUCTURE AND OPERATIONS DUE TO THE INCREASED FREQUENCY AND SEVERITY OF NATURAL DISASTERS, WE ARE REPORTING SEPARATELY ON THIS TOPIC BASED ON THE “RECOMMENDATIONS OF THE TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES” (TCFD).

In late 2019, we merged our Conservation and Water Resources departments to establish a new Water Resource Sustainability Department. Within this department, we will expand our focus on identifying and mitigating climate change risks, and determining the metrics and targets best suited to tracking our efforts.

Governance

From an enterprise risk management standpoint, we have designated climate change as one of our top risks. While the Nominating and Corporate Governance Committee oversees ESG matters, the new Enterprise Risk Management, Safety, and Security Committee maintains board oversight of risks arising out of our business, including operations, facilities, climate change, and others. The newly created Water Resource Sustainability Department, responsible for identifying the proper controls to mitigate the risks, will report against the risk management plan throughout the year to the Nominating and Corporate Governance Committee through the department's lead officer.

Strategy

Risk associated with climate change lies predominantly in the uncertainty of timing, location, and impact of effects brought on by changes to the atmosphere. While some climate-change effects have become evident, on average, such as documented higher average snowlines in the Sierra Nevada Mountains in California and sea level measurements worldwide, many other effects such as droughts, weather variability, wildfires, and extreme events are difficult to predict and plan for at specific locations. We anticipate that known changes plus uncertainties could contribute to variations and reductions in the amount of water available to deliver to our customers, seawater intrusion into coastal aquifers, wildfire and flood risks to our facilities and our customers' properties, and changes to patterns of use and development in our service areas. However, we have begun to identify opportunities and controls to mitigate these challenges.

In the short- and mid-term, we have been working to diversify our supplies, identify alternative supply sources, utilize conservation, update our water shortage contingency plan, and carefully monitor our current supplies. Additional details about our conservation efforts, alternative supplies, and water supply resilience can be found in the environment section of this report. Long-term, we will continue conducting research into groundwater banking and other supply augmentation techniques, along with broader climate change issues to establish associated policies and inform updates to our water supply management plans.

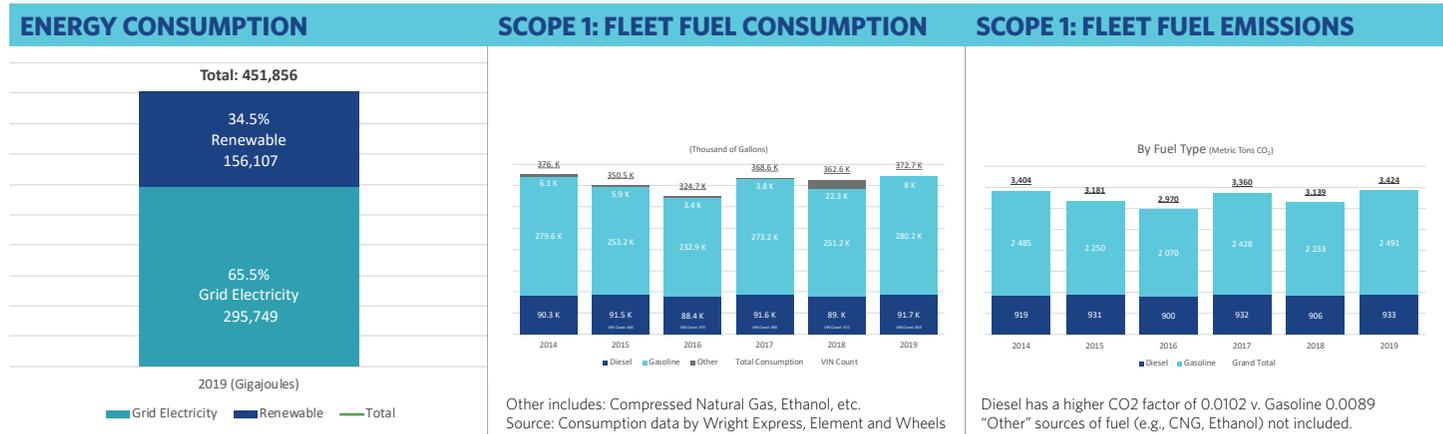
In addition to our focus on risk management, we acknowledge that our business may contribute to climate change through greenhouse gas production and programs and policies that may impact consumer behavior in our service areas. While we have a strong track record of promoting customer water conservation, leading to lower energy consumption and carbon emissions, we will continue to focus on cost-effective measures to lower our greenhouse gas footprint.

Risk Management

To identify, assess, and manage climate-related risks, our Enterprise Risk Management team performs annual analyses on each of the current risks and potential new risks with input from the Water Resource Sustainability Department, and reports the findings to our Enterprise Risk Management, Safety, and Security Committee. The team utilizes a framework that includes preventive, detective, corrective, and recovery controls as it evaluates each of the risks and determines the most efficient and effective management techniques. Details will be included in the organization's 2020 Climate Change Report, an update to the 2016 report.

Metrics and Targets

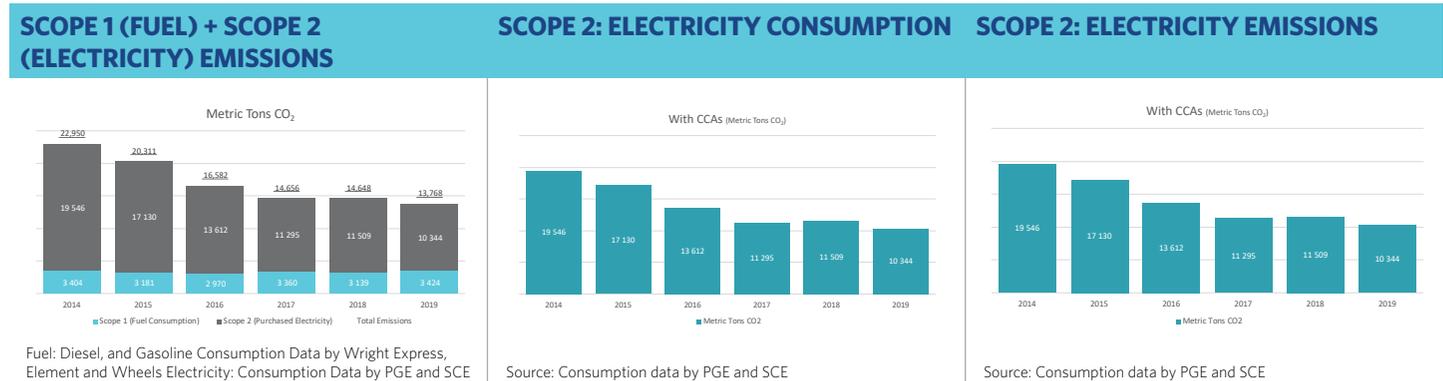
The Water Resource Sustainability Department will formalize metrics used by the company to assess climate-related risks and opportunities in line with our strategy and risk-management process. The team will similarly formalize targets used to manage the risks and opportunities, and identify our performance against those targets.



SCOPE 1 AND SCOPE 2

CARBON EMISSIONS

6-year trend: Decreasing annually since 2014: 22,950 to 13,768 metric tons in 2019 = total emissions reduction: 40%



A calculation error in last year's update for year 2018 is corrected here. Individual figures may also vary slightly from total due to rounding.

As reported in our mid-year update last year, we employ a number of strategies to decrease emissions. For fuel emissions, our commuter benefits program focused on public transportation and ride-sharing was well-received, and we reimbursed \$47,294 in commuter expenses in 2019. At the writing of this report, however, this program is on hold, as the world seeks to maintain social distancing to slow the spread of COVID-19. Where possible, we also use hybrid, plug-in hybrids, and electric vehicles in our fleet, and in 2019, we added four electric charging stations at our Customer Support Services office in San Jose.

To decrease electricity emissions, we continue to increase the use of community choice aggregators, identify renewable options with energy providers, and install renewable energy infrastructure where appropriate.

Conclusion

At California Water Service Group and our subsidiaries California Water Service, Hawaii Water Service, New Mexico Water Service, and Washington Water Service, our 1,200 employees are dedicated to doing business in a manner that respects the environment, is socially responsible, and is financially and corporately accountable. Going forward, we will continue to provide quality, service, and value every day for each person we serve, and we look forward to reporting our 2020 efforts next year.

If you have any questions about the 2019 report, please contact us at:

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