energy recovery®

2023 SUSTAINABILITY REPORT

ENERGY RECOVERY IS PROUD TO PRESENT OUR 2023 SUSTAINABILITY REPORT.

This report is more condensed than our past reports and focuses exclusively on our goal progress and the data we use to track our advancement. Spotlights on specific initiatives that contribute to our success, both through our products and in our own operations, governance, employee features, and our overall sustainability strategy can now be found on the expanded sustainability section of our website.

In the four years since we conducted our first materiality assessment and published our first sustainability targets, we have made significant progress. Several of our goals have been completed, and we are happy to report that as of the end of 2023, we remain on track for all our recurring objectives. More information on our 2020 materiality assessment can be found on our website.

In 2023, we refreshed our materiality assessment with support from a thorough cross-section of our stakeholders, including employees, investors, and customers. The results of this assessment process and any associated adjustments to our sustainability priorities, goals, and roadmap will be published by the end of 2024.

INTRODUCTION

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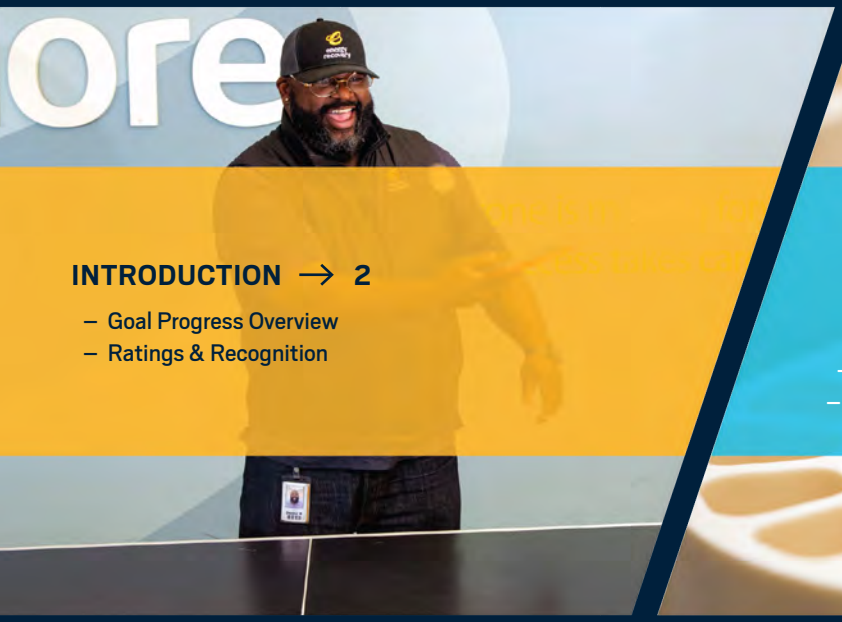


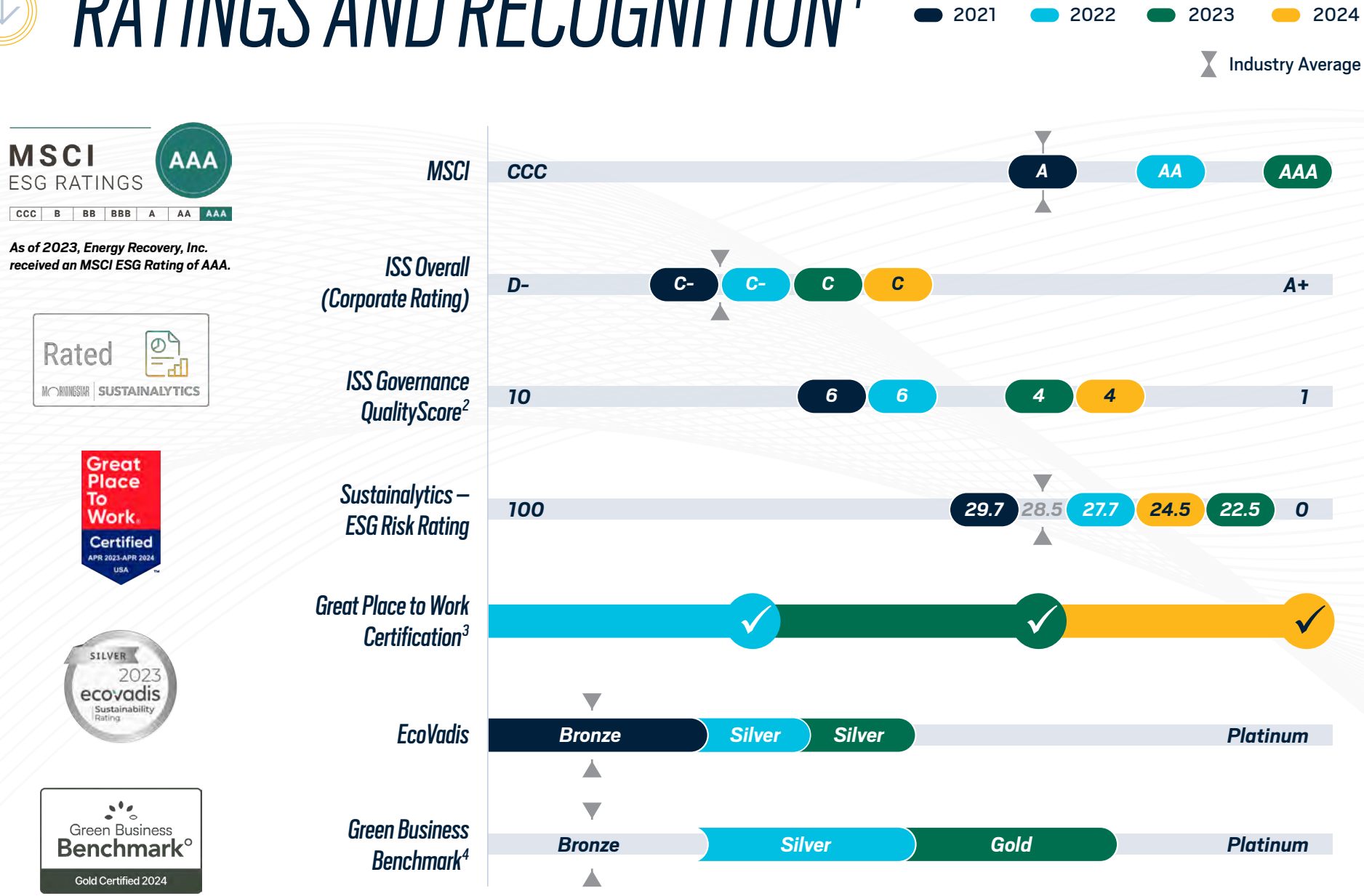
GOAL PROGRESS

Achieved and Ongoing On Track

Goal	KPI	Target	2023 Value[1]	Status
Double emissions reductions from Energy Recovery products by end of 2025 vs. 2019 baseline[2]		20.8 million	19.7 million	
Reduce Scope 1 and 2 GHG emissions intensity 65% by 2026 from 2021 baseline	Scope 1 and 2 emissions intensity reduction (market-based)	10 MT CO_2e[3] per $1M of product revenue	15 MT CO_2e per $1M of product revenue	
Report climate-related risk strategy and management aligned with TCFD by end of 2024		Disclose by 2024	Disclosures included in 2023 Report	✓
Develop workforce to deliver sustainable, diversified growth	Maintain retention rate above 90%	>90%	96%	✓
	100% of new hires receive sustainability training within 3 months of hire date	100%	100%	✓
	Maintain new hire turnover rate below 10%	<10%	8%	✓
	Maintain Great Place to Work survey participation rate above 70%	>70%	77%	✓
Protect our employees by providing a safe and healthy working environment	Aim towards total recordable incident rate of zero	Zero	2.39	
	Achieve 95% of planned annual safety trainings	95%	96%	✓
Deliver products and solutions customers can trust	Maintain warranty expense below 1% of total product revenue	<1%	<1%	✓
	Maintain zero monetary losses associated with legal proceedings due to product health and safety incidents	Zero	Zero	✓

[1]Historical disclosures are available in the subsequent goal pages
[2]Annual data based on Energy Recovery estimates (internally validated). Additional detail on the rationale and calculation of these KPIs is available in the "Content Index – SASB" section on page 31
[3]Metric tons of carbon dioxide equivalents

RATINGS AND RECOGNITION[1]



MSCI ESG RATINGS AAA

CCC | B | BB | BBB | A | AA | AAA

As of 2023, Energy Recovery, Inc. received an MSCI ESG Rating of AAA.

Rated by MORNINGSTAR SUSTAINALYTICS

Great Place To Work. Certified APR 2023-APR 2024 USA

SILVER 2023 ecovadis Sustainability Rating

Green Business Benchmark® Gold Certified 2024

[1]*Industry averages and 2024 ratings provided where available as of June 1, 2024*
[2]*A decile score of 1 indicates lower governance risk, while a 10 indicates higher governance risk.*
[3]*Updated certification badge for 2024–2025 is not yet available, so previous certification badge is displayed.*
[4]*Green Business Benchmark certification only applies to our Texas facility.*

GOALS

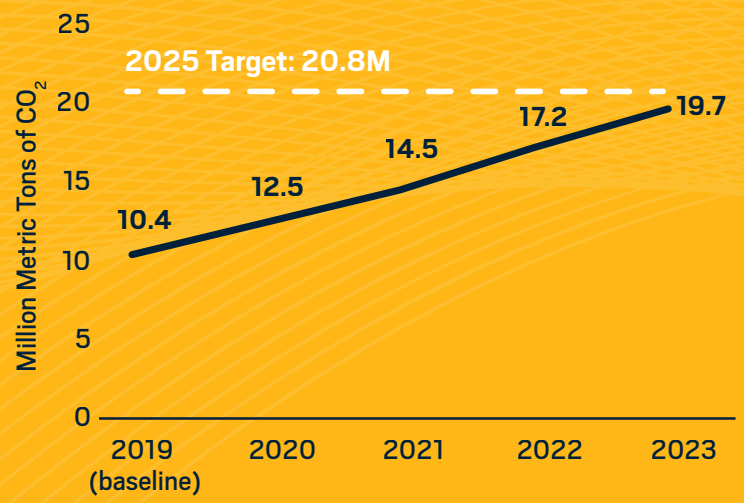
INNOVATION & OPPORTUNITY

INNOVATION & OPPORTUNITY

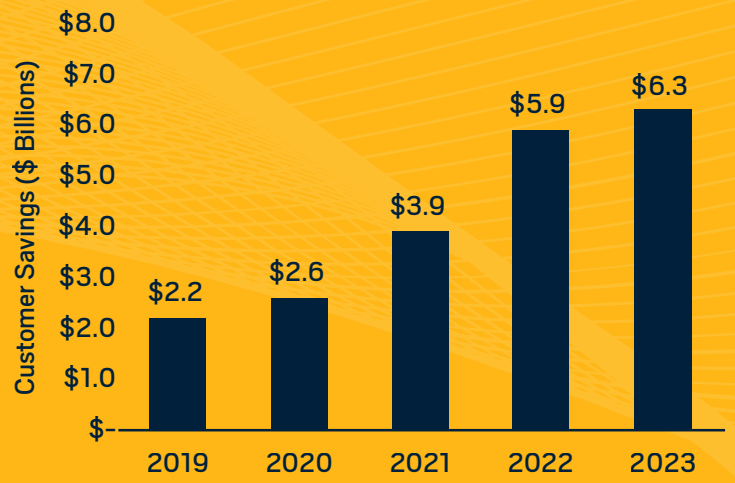
GOALS

GOAL: DOUBLE EMISSIONS REDUCTIONS FROM OUR PRODUCTS BY 2025

Annual Emissions Reductions Across All Products[1]



Annual Customer Energy Cost Savings



Our products make a significant environmental impact by reducing our customers' energy consumption and therefore carbon emissions. We have set ambitious growth targets for our business that will considerably increase the volume of emissions our products prevent, and we remain on track to achieve this goal.

[1]*Annual data based on Energy Recovery estimates (internally validated). Additional detail on the rationale and calculation of these KPIs is available in the "Content Index – SASB" section on page 31*

GOALS

OPERATIONAL IMPACT & MANAGEMENT

OPERATIONAL IMPACT & MANAGEMENT GOALS

GOAL: REDUCE SCOPE 1 AND 2 GHG EMISSIONS INTENSITY 65% BY 2026 FROM 2021 BASELINE

KPI	Target	2021 (baseline)	2022	2023
Scope 1 and 2 emissions intensity reduction (market-based)	10 MT CO_2e per $1M of product revenue (65% reduction by 2026, compared to 2021 baseline)	29 MT CO_2e per $1M of product revenue	17 MT CO_2e per $1M of product revenue (41% reduction compared to baseline)	15 MT CO_2e per $1M of product revenue (48% reduction compared to baseline)

In 2023, we announced our first-ever emissions reduction goal, targeting a 65% reduction in scope 1 and 2 GHG emissions intensity by 2026, compared to our baseline of 2021. We chose to measure our emissions relative to our revenue rather than set an absolute reduction target as we are pursuing substantial business growth targets in the same timeframe. We believe our emissions goal is ambitious but achievable through a combination of switching to renewable energy and implementing strategies to reduce the amount of electricity and natural gas used in our manufacturing process.

Our scope 1 emissions come almost entirely from one source: the natural gas-powered kilns that we use to fire our ceramic cartridges, the core component of our pressure exchanger technology.

We are developing a strategy to optimize our kiln cycles and minimize run time to reduce the amount of natural gas needed to produce each cartridge, while maintaining the integrity of our production process and the quality of our products. In 2022, we began the process to transition to 100% renewable electricity at all three of our facilities – San Leandro, CA; Tracy, CA; and Katy, TX – through our utility companies. As a result, we have reduced our scope 2 emissions by over 80% compared to our 2021 baseline.

A detailed view of our greenhouse gas emissions over the last three years is available on the following page.

OPERATIONAL IMPACT & MANAGEMENT GOALS

Due to variations in operational and business needs such as business travel or purchased goods and services, our absolute scope 3 emissions may vary year-over-year. We will continue to evalue future reduction pathways as our operations evolve.

EMISSIONS REDUCTION BY SCOPE[1]

Metric Tons CO_2e	2021 (baseline)[2]	2022	2023	% change from 2021
Scope 1[3]	1,807	1,606	1,731	-4%
Scope 2 (market-based)[4]	1,259	552	204	-84%
Scope 2 (location-based)[5]	1,200	1,230	1,002	-17%
Scope 1-2 Emissions Intensity (MT CO_2e/$1M revenue)[6]	29	17	15	-48%
Scope 3[7]	13,153	13,013	9,088	-31%
Total Combined Scope 1-3 Emissions (market-based)	16,219	15,171	11,023	-32%

[1]We are focused on ensuring our methodology for measuring our GHG emissions remains aligned with best practices. As part of that effort, we will continue to update our inventories to be as accurate as possible. We remain committed to calculating a representative footprint, and as such, future process improvements can be expected to increase or decrease previously published emissions data. Our GHG emissions calculations have been internally validated. Numbers are rounded to the nearest metric ton, and as a result, totals may display de minimis discrepancies.
[2]In accordance with the GHG Protocol, we consider 2021 to be our best baseline since it is most representative of a normal operational year post-pandemic.
[3]Scope 1 emissions are direct emissions calculated using the operational-control method aligned with the GHG Protocol across our San Leandro, CA; Tracy, CA; and Katy, TX sites.
[4]Market-based emissions measure the emissions intensity of the energy that we purchase, taking into account factors including, but not limited to, our renewable energy contracts. Scope 2 emissions are indirect emissions produced from purchased energy calculated using the operational-control method aligned with the GHG Protocol across our San Leandro, CA;. Tracy, CA; and Katy, TX sites. Given that we began purchasing 100% renewable electricity for most of our utility accounts in the summer of 2022, we have calculated both market-based and location-based scope emissions. For the market-based calculations, the CA sites rely on the Ava Community Energy emissions factors for the Bright Choice and Renewable 100 plans published on the California Energy Commission Power Source Disclosure webpage. The 2022 e-Green factor was used for the Katy, TX site in the market calculations for the purchased renewable electricity in 2023. Solar panels were down from August 2022-January 2023 due to an inverter issue. 100% renewable electricity plans began mid-year 2022 for most sites, with the exception of one utility account in Tracy, CA. There remains a small portion of electricity consumption under landlord control in San Leandro, CA that is assumed to be on the default 40% renewable plan.
[5]Location-based emissions measure the average emissions intensity of the grid from which we consume energy. For the location-based calculations, we use the standard Western Power Grid factor (WECC-CA) for our San Leandro, CA and Tracy, CA sites. For the Katy, TX site, the ERCOT factor was used.
[6]Calculated as Metric Tons of CO_2e divided by FY revenue ($M).
[7]Scope 3 emissions are indirect emissions across the value chain not captured in scope 1 and 2 and calculated leveraging a third-party proprietary model and software which aligns with the guidance of the GHG Protocol and relies on recent EPA emissions factors and trusted third-party data to determine indirect and induced greenhouse gas emissions. Our reported scope 3 emissions do not include the following categories: 3.08 - Upstream Leased Assets; 3.10 – Processing of sold products; 3.11 – Use of sold products; 3.12 – End-of-life treatment of sold products; 3.13 – Downstream leased assets; 3.14 – Franchises; 3.15 – Investments. Note, 3.10, 3.11, 3.12 all require customer data to which we do not have access, while our business model and operations deem categories 3.08, 3.13, 3.14, and 3.15 inapplicable. Our reported scope 3 emissions input categories reflect our U.S.-based operations and global business travel.

GOALS

ENVIRONMENTAL & CLIMATE CHANGE RISKS

ENVIRONMENTAL & CLIMATE CHANGE RISKS

GOALS

GOAL: ALIGN WITH TCFD BY 2024

This year we finished our final step toward full TCFD alignment: the completion of a quantitative climate scenario analysis. The results from this analysis provide valuable insights into how climate change may affect our business and therefore inform our company strategy moving forward.

The following outlines our climate-related risks and opportunities and related processes of governance and management, in full alignment with the TCFD's recommendations. This section builds on our prior qualitative assessment and integrates findings from our quantitative scenario analysis. The outputs of this analysis allow us to prioritize our risks and opportunities in the near, medium, and long-term to inform strategic business planning and risk mitigation.

Our analysis demonstrated that climate risks and opportunities may have an overall net positive impact on our earnings over the analyzed time horizons. Though there is an upside in both quick and slow climate transition scenarios, a quick transition is more advantageous for our business.

ENERGY RECOVERY'S CLIMATE-RELATED RISKS AND OPPORTUNITIES

RISK AND OPPORTUNITY IDENTIFICATION PROCESS

In 2022, we worked alongside a third-party advisor to qualitatively evaluate our exposure to climate-related risks and opportunities in our direct operations and value chain. This process included a working session with the Sustainability Management Committee and participants from various facets of operations to review our potential climate-related risks and opportunities, gain consensus on the company's exposure, and assess potential operational impacts. Risks and opportunities were defined and classified using terminology from the TCFD's guidance and the CDP's climate questionnaire. The group also discussed and identified the potential financial impacts for each risk and opportunity, which laid the groundwork for the quantitative scenario analysis.

Quantitative Scenario Analysis Approach

In 2023, we performed a rigorous quantitative scenario analysis to evaluate how physical and transition risks and opportunities under different climate scenarios may result in financial impacts to each of our business segments across different time horizons. Conducting this analysis allowed us to prioritize our climate-related risks and opportunities by magnitude and likelihood while considering the potential earnings impacts across our business segments. Results of the analysis help inform our understanding of the resilience of our business as well as any go-forward adjustments to our climate-integrated business strategy.

The analysis leveraged publicly available scenarios most relevant to our business, each with its own set of data points relevant to the risks and opportunities. The results and assumptions were also validated internally by our Finance and Market Intelligence teams.

CLIMATE SCENARIOS SELECTED BY ENERGY RECOVERY[1,2]			
Slow Transition	Transition Scenario	NGFS – Delayed Transition	The next 10 years see a "fossil recovery" and conditions follow the Current Policies scenario until 2030. After 2030, carbon policies drive a trajectory in line with long-term climate targets.
	Physical Scenario	IPCC – SSP3-7.0	Concerns about competitiveness, security, and regional conflicts push countries to focus on domestic and regional issues, such as energy and food security, at the expense of broader-based development and climate targets.
Quick Transition	Transition Scenario	NGFS – Net Zero	Countries with a clear commitment to a net-policy target are assumed to meet these targets and begin making progress starting in 2021. Widespread policy interventions cause the world to reach net zero around 2050.
	Physical Scenario	IPCC – SSP1-2.6	Economic growth shifts toward a broader emphasis on human well-being even as aggressive action is taken to address climate change. Consumption is oriented toward low material growth, resource, and energy intensity.

Leveraging the set of data points from the selected scenarios, we identified the climate drivers most relevant to our risks and opportunities. Examples of these climate drivers are displayed below:

CLIMATE-RELATED DRIVERS EVALUATED UNDER EACH SCENARIO		
Physical Climate Drivers	Population Change	Rainfall
	Water Stress	Sea Level Rise
	HFC Emissions	Air / Surface Temperature
Transition Climate Drivers	Electricity Cost	Raw Materials Cost
	Natural Gas Cost	Labor Productivity

We then determined the impacts of each climate driver across our financial projections from the present to 2040 to forecast bottom and top-line impacts in both slow and quick transition scenarios. The analysis was also segmented into short, medium, and long-term time horizons.

For each climate driver, we evaluated the relative likelihood of climate-driven outcomes across each time horizon given the variance in certainty across slow and quick transition scenarios from the IPCC and NGFS. We then mapped each climate driver (and its financial impact and likelihood) to the relevant risks and opportunities to determine their magnitude and probability of impact on our business.

[1] NGFS Climate Scenarios Database
[2] IPCC

ANALYSIS OF CLIMATE-RELATED OPPORTUNITIES AND RISKS[3]

The scatterplot on the following page shows the results of the quantitative scenario analysis in terms of the likelihood and magnitude of each risk and opportunity over the total time horizon (2024–2040) as an average between the slow and quick transition scenarios.

As demonstrated in the scatterplot, ***consumer preferences*** to decrease emissions and costs, as well as increased demand for freshwater, present the largest positive financial impact and are considered moderately likely. Likewise, ***downstream market opportunities*** related to accessing new markets because of climate change impacts to new regions and policy changes present significant positive financial impacts and are moderately likely.

On the other hand, ***upstream market risks*** related to increased raw materials and energy costs present the largest negative financial impact and are moderately likely. The increase in cost of non-ferrous metals forecasted by the NGFS over the time horizon drives this impact significantly compared to other risks. ***Acute physical risks to our facilities*** also present significant financial impacts with a moderate likelihood, followed by ***chronic physical risks to our facilities***. The geographic location of our facilities and their proximity to coastal areas make our facilities particularly susceptible to certain physical risks including floods, coastal events, earthquakes, blackouts, sea level rise, and water stress.

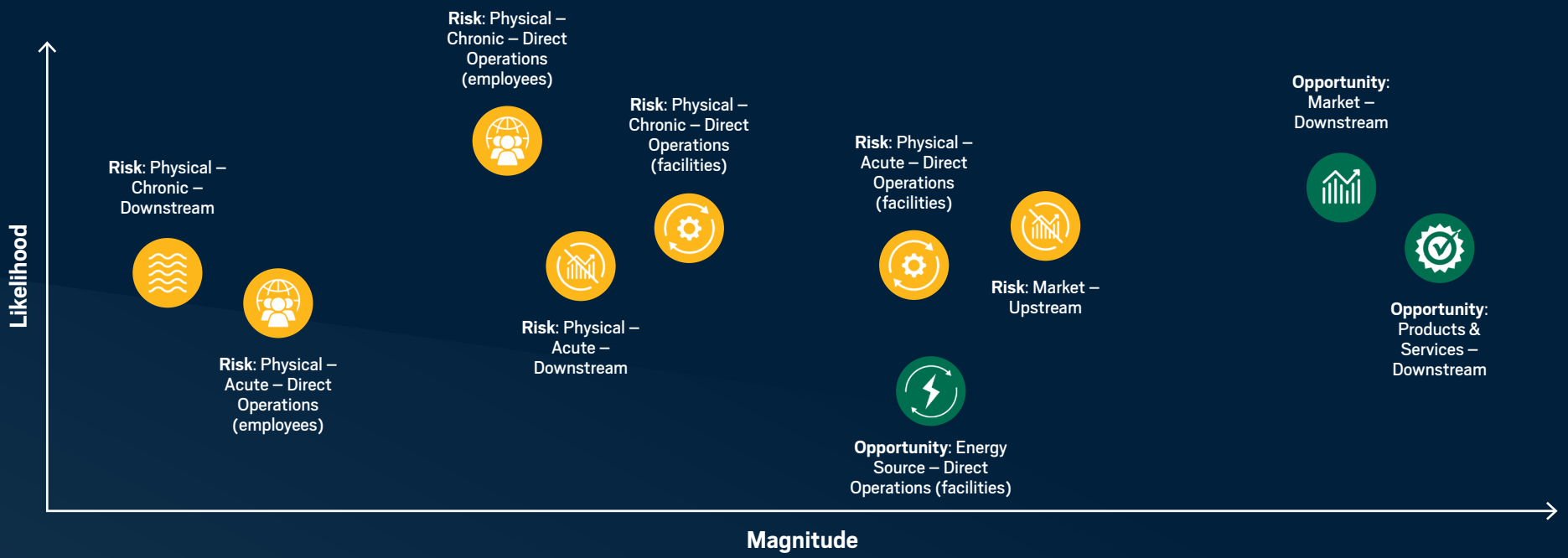
However, ***chronic physical risks related to downstream impacts*** to customer demand for our products as a result of their exposure to physical climate risks present the smallest negative financial impact and are moderately likely. This is a lower risk to our company due to the comparatively de minimis impacts of sea level and air temperature rise on our customers compared to the increase in demand for freshwater anticipated by these same climate factors. Direct ***acute physical risk to our employees*** is also a comparatively less significant risk. This is largely due to the linkage of secondary risks associated with wildfire burns, which our facility locations are not overtly vulnerable to. Risks that were determined to have a moderate financial impact include ***direct chronic physical risks (to both facilities and employees)*** as well as ***acute physical downstream risks***.

We view this as a dynamic, ongoing exercise, and we plan to update our TCFD disclosures as necessary based on newly available third-party data, material changes to our business, and/or any changes to requirements from the evolving climate regulatory landscape.

Discussion on mitigation strategies is available on subsequent pages in this goal section.

[3] *Climate scenario analysis is an emerging discipline and relies on various inputs and data from third-party sources and complex assumptions. Modeling that includes estimates of future data and predictions of complex outcomes can be imprecise and subject to change. As such, the results presented are representative of our current understanding and are subject to change.*

CLIMATE-RELATED RISK AND OPPORTUNITY IMPACT[1]



Likelihood *indicates the certainty of the select climate-driven outcomes relevant to each risk and opportunity that impacts our business.*
Magnitude *describes the extent to which the impact may affect our present value earnings.*

SCATTERPLOT LEGEND	
Risk: Physical – Acute – Direct Operations (facilities)	Impact of increased likelihood and severity of acute physical risks to direct operations (blackouts, flooding, coastal events, earthquakes) on facilities.
Risk: Physical – Acute – Downstream	Impact of increased likelihood and severity of acute physical risks (blackouts, flooding, coastal events, wildfires) on product markets.
Risk: Physical – Acute – Direct Operations (employees)	Impact of increased likelihood and severity of acute physical risks (blackouts, flooding, coastal events, wildfires) on employees.[2]
Risk: Physical – Chronic – Direct Operations (facilities)	Impact of rising sea levels on our facilities given proximity to coastal areas, and other chronic physical risks related to temperature rise and water stress.[3]
Risk: Physical – Chronic – Downstream	Impact of rising sea levels on product markets given proximity to coastal areas, and other chronic physical risks related to temperature rise.
Risk: Physical – Chronic – Direct Operations (employees)	Impact of rising mean temperatures, and other chronic physical risks such as water stress, on employees, which may ultimately impact labor productivity.[4]
Risk: Market – Upstream	Increased cost of raw materials impacts cost of goods sold.
Opportunity: Market – Downstream	Access to new markets.
Opportunity: Products & Services – Downstream	Shift in customer preferences (cost of energy, water access).
Opportunity: Energy Source – Direct Operations (facilities)	Use of lower-emission sources of energy.

[1]*We determined that two of our originally identified risks and opportunities (**technology downstream risks, products & services opportunities to direct operations**) cannot be appropriately quantified by available climate factors. Both involve our internal ability to unlock and maintain customer demand, of which climate change impacts can be a factor, but does not have a significant quantifiable impact and therefore was not included in the quantitative scenario analysis.*
[2]*Source: EPA Climate Change Indicators: Wildfires;* [3]*IPCC AR6 Synthesis Report Figure 3.4;* [4]*Based on IPCC data: World Economic Forum Summary of 2023 IPCC Report*

DETAILED BREAKDOWN OF CLIMATE-RELATED OPPORTUNITIES AND RISKS

Climate-related Transition Opportunities

Though climate change presents risks and challenges for both our company and society, it also presents significant opportunities for our business. We have identified four climate-related opportunities across our direct operations and value chain. We view our exposure to climate opportunities as highly relevant to the core strategy of our business: continued innovation.

Opportunity Category	*Position in Value Chain*	*Climate-related Opportunity Definition*	*Potential Impact to Energy Recovery*	*Short Term*	*Medium Term*	*Long Term*	*Approach to Opportunities*
TRANSITION OPPORTUNITIES							
Energy Source	Direct Operations (facilities)	Use of lower-emission sources of energy	Diversification of energy sources minimizes reliance on one given source and de-risks energy-related disruptions to operations. Reducing our emissions and environmental footprint can reduce operating costs and minimize future liabilities from potential regulation. Using lower-emission sources of energy can also increase our revenues through access to new and emerging markets and our access to capital. Finally, we expect to see returns on our investment in lower-emission technology. Though this represents a potentially significant positive financial impact to our business, realization of the full benefit is less likely compared to other opportunities given the volatility of energy costs across regions and under different climate scenarios.	✓	✓	✓	**Energy Source Diversification**: We have shifted our own operations to include off-site and on-site renewable energy sources in recent years. **Emissions Footprint Reductions**: As of calendar year 2022, we annually report our scope 1, 2, and 3 greenhouse gas emissions, and in 2023, we announced our first corporate emissions reduction target. For more information on efforts to reduce our carbon footprint, see page 9.
Market	Downstream	Access to new markets	Downstream market opportunities related to accessing new markets because of climate change impacts to new regions and policy changes present potentially significant positive financial impacts and are moderately likely. ***Desalination and Wastewater*** Desalination and wastewater treatment and reuse are critical ingredients to address water scarcity. Regulatory intervention on wastewater and water reuse presents a significant opportunity for our business. Likewise, desalination will increasingly be a tool regions and countries facing water scarcity will utilize to bridge the gap in natural water resources. ***CO_2 Refrigeration*** Regulatory changes are driving the refrigeration industry — as well as supermarket chains looking for a safer source of refrigerants — to shift from HFCs to carbon dioxide-based refrigeration, which is one of the most sustainable and safe natural refrigerants due to its low toxicity and flammability, as compared to alternative refrigerants such as ammonia and propane. As markets catch up to comply, we anticipate the sales of CO_2 refrigeration systems to increase.	✓	✓	✓	**New Market Entry**: We seek to drive high-margin growth by offering efficient, scalable solutions for recovering otherwise wasted energy in seawater desalination, wastewater treatment, and CO_2 refrigeration, thereby allowing our customers to reduce their capital expenditures, as well as lower operating costs, reduce carbon emissions, and meet regulatory requirements. **Market Intelligence and Monitoring**: Our Market Intelligence team monitors macro and micro-level trends that impact our business across the value chain (upstream and downstream), for instance, how regulation may impact the total addressable market size for CO_2 refrigeration.

✓ indicates that the identified risk / opportunity is expected to impact Energy Recovery in the associated time horizon.
Short Term = 2024-2025 | Medium Term = 2026-2032 | Long Term = 2033-2040

Opportunity Category	*Position in Value Chain*	*Climate-related Opportunity Definition*	*Potential Impact to Energy Recovery*	*Short Term*	*Medium Term*	*Long Term*	*Approach to Opportunities*
TRANSITION OPPORTUNITIES							
Products & Services	Downstream	Shift in customer preferences (cost of energy, water access)	Consumer preferences to decrease emissions and costs, as well as increased demand for freshwater, present the largest positive financial impact and are considered moderately likely. The world's need for freshwater is intensifying, driven by population growth, industrialization, rapid urbanization, and climate change. Water scarcity can lead to a rising focus on water access and quality, particularly when the population is expanding. Additionally, fluctuation in electricity costs may influence demand for our energy-efficient product offerings. As such, we expect to see increased revenues resulting from increased demand for our products and returns on our investment in lower-emission technologies.		✓	✓	**Sales and Marketing**: We maintain ongoing sales and marketing efforts with current and prospective customers to drive awareness of our pressure exchanger's value proposition, including lowering energy costs and emissions and meeting regulatory compliance obligations. **Proven Expertise**: With our roots in desalination, we are well-positioned to help address the world's increasing need to produce and re-use freshwater in a sustainable and economical manner.
	Direct Operations	Development of new products or services through research and innovation	Our success has been built on the strength of our proprietary pressure exchanger technology platform, which is the center of our product solutions. This technology platform is applicable to a wide range of industries and functions to reduce energy usage while also lowering operating costs and unplanned downtime. Developing our technologies to address a broader set of applications is expected to increase our revenues, increase our returns on investment in R&D, and increase our access to capital.	✓	✓	✓	**Research & Development Strategy**: Our R&D investments focus on: • Advancing our solutions to better service historical markets, such as desalination. • Applying our pressure exchanger technology to new markets, such as our recent entries into wastewater and CO_2 refrigeration. • Fundamental research into new applications of our pressure exchanger technology in existing and new verticals.

✓ indicates that the identified risk / opportunity is expected to impact Energy Recovery in the associated time horizon.
Short Term = 2024-2025 | Medium Term = 2026-2032 | Long Term = 2033-2040

DETAILED BREAKDOWN OF CLIMATE-RELATED OPPORTUNITIES AND RISKS

Climate-related Risks and Mitigation Strategies

The table below provides an overview of the climate-related risks most relevant to our business and value chain. Based on our analysis, the company's exposure to physical risks of climate change would most likely have the greatest impact on our direct operations and at customer facilities (downstream), while transition risks related to climate change would most likely have an outsized effect on our business partners – both downstream and upstream – within our value chain.

For more information on risks to our business, including climate change, please reference our Form 10-K.

Risk Category	*Position in Value Chain*	*Climate-related Risk Definition*	*Potential Impact to Energy Recovery*	*Short Term*	*Medium Term*	*Long Term*	*Mitigation Strategies*
PHYSICAL RISKS							
Acute	Direct Operations (facilities)	Impact of increased likelihood and severity of acute physical risks to direct operations (blackouts, flooding, coastal events, earthquakes) on facilities	Acute physical risks to our facilities present potentially significant financial impacts with a moderate likelihood. The rising risk of blackouts and damage from other acute events to our corporate headquarters in San Leandro, CA, could lead to higher repair costs and overall business disruptions. Public safety power shutdowns or natural disasters in San Leandro and Tracy, CA, where our secondary manufacturing facility is located, could also increase production downtime and adversely affect our financial condition. While we have insurance coverage for our properties, insurance companies may not provide full protection, and as the severity of weather events continues to escalate in the regions in which we operate, certain forms of insurance may become unavailable or prohibitively costly.		✓	✓	**Emergency Preparedness**: Our emergency preparedness processes and teams support our ability to properly respond to acute physical risks. Examples include our IT Incident Response and Business Continuity Plans. Our San Leandro, CA facility has also undergone an earthquake retrofit to minimize the potential for any physical damage. **Inventory Management**: Our inventory management strategy mitigates adverse impacts from acute events by maintaining appropriate levels of finished goods in multiple sites. In the event of production disruption, this backstock enables us to minimize impacts to our customers and potential loss in market share. **Insurance**: We seek to maintain adequate levels of insurance to mitigate potential financial losses.

✓ indicates that the identified risk / opportunity is expected to impact Energy Recovery in the associated time horizon.
Short Term = 2024-2025 | Medium Term = 2026-2032 | Long Term = 2033-2040

Risk Category	*Position in Value Chain*	*Climate-related Risk Definition*	*Potential Impact to Energy Recovery*	*Short Term*	*Medium Term*	*Long Term*	*Mitigation Strategies*
PHYSICAL RISKS							
Acute	Direct Operations (employees)	Impact of increased likelihood and severity of acute physical risks (blackouts, flooding, coastal events, wildfires) on employees[1]	Acute events in the geographic regions relevant to our business could displace our workforce and disturb public transportation systems and communication channels. California is highly exposed to wildfire risks and changing wildfire patterns, which climate change has worsened per the EPA.[2] While our operational sites in California are not at overt risk of wildfire burn, secondary risks associated with wildfires could threaten our employees' physical safety and impair production capacity. Such threats include the excessive inhalation of toxic smoke, potential for property damage, and the inability to commute to corporate offices and manufacturing facilities. As a result, we may see increased operating and insurance costs; however, the potential financial impact of these risks is less significant compared to other climate-related risks.		✓	✓	**Operational and Workforce Continuity**: We have measures in place to limit the impacts of an acute event on our employees' ability to communicate and work given our use of cloud-based systems, bi-coastal disaster recovery IT servers, and our IT Incident Response Plan. In the event production is impacted, our inventory management strategy discussed above provides additional mitigation. **Minimized Workforce Exposure**: Our employees do not work in outdoor settings and are less susceptible to the impacts of acute events during the workday.
	Downstream	Impact of increased likelihood and severity of acute physical risks (blackouts, flooding, coastal events, wildfires) on product markets	Weather-related damage could lead to the destruction of customer sites and/or supply chain disruptions and temporarily result in lower demand for our products. Additionally, prolonged supply chain disruptions and increased delays in shipments could lead to customer attrition, a loss in market share, and increased operating costs. In the event of an acute physical event, our ability to deliver our products and collect payment in a timely manner from customers may also be impaired, as may our ability to raise capital at favorable terms. Overall, these events are projected to have a potentially moderate financial impact on our company.	✓	✓	✓	**Diversification**: We are actively pursuing diversified business growth in markets that are less concentrated in large projects (as compared to desalination mega projects). As our revenue becomes spread out across more projects, the risk from any single project is minimized. Additionally, these projects are more globally distributed. The diversification of our business both from a market and a geographical perspective helps insulate us from location-specific acute events.
Chronic	Direct Operations (facilities)	Impact of rising sea levels on our facilities given proximity to coastal areas, and other chronic physical risks related to temperature rise and water stress[3]	Given our geographic footprint, our facilities could be exposed to risks associated with rising sea levels. This may adversely affect operating and insurance costs, the value of existing assets, and production capacity. Sea level and temperature rise may also contribute to water scarcity and potential caps on water consumption, which could impact our R&D processes that utilize water and limit growth opportunity capitalization. Chronic water stress may also directly impact our core operations due to increased water costs and/or decreased access to water. These risks are considered somewhat likely and represent a potential moderate financial impact.		✓	✓	**Insurance**: We seek to maintain adequate levels of insurance to mitigate potential financial losses. **Operational Efficiency**: We are implementing resource-efficient processes across our operations, such as recycling water in our test loops, so that our production and R&D processes can operate on reduced water consumption.

✓ indicates that the identified risk / opportunity is expected to impact Energy Recovery in the associated time horizon.
Short Term = 2024-2025 | Medium Term = 2026-2032 | Long Term = 2033-2040

[1] Source: EPA Climate Change Indicators: Wildfires
[2] Source: EPA Climate Change Indicators: Wildfires
[3] IPCC AR6 Synthesis Report Figure 3.4

Risk Category	Position in Value Chain	Climate-related Risk Definition	Potential Impact to Energy Recovery	Short Term	Medium Term	Long Term	Mitigation Strategies
PHYSICAL RISKS							
Chronic	Direct Operations (employees)	Impact of rising mean temperatures, and other chronic physical risks such as water stress, on employees, which may impact labor productivity[1]	Employee well-being, health, and safety could deteriorate due to extreme heat and droughts, which may affect both life at home and employee productivity at work. Water stress and scarcity, a symptom of increased heat and droughts, may also lead to potential caps in water consumption in locations where our employees live and work, leading to increased labor costs. While these risks are projected to have a moderate financial impact, they are the most likely to occur of all our climate-related risks and opportunities.	✓	✓	✓	**Workforce Protection**: Temperature-controlled facilities, along with the ability to work from home for many job functions, help shield employees from many climate-related health and safety impacts. **Workforce Health and Safety**: We have implemented systematic safety improvements that meet or exceed the requirements of the ISO 45001 Standard (Occupational Health and Safety Management Standard) to ensure employee health and well-being.
	Downstream	Impact of rising sea levels on product markets given proximity to coastal areas, and other chronic physical risks related to temperature rise	Given the typical placement of desalination and wastewater plants on or near coastlines, demand for our energy recovery devices could be affected due to our customers' exposure to rising sea levels. For example, volatility in the construction of desalination plants and related reductions in spending for desalination-related infrastructure could negatively impact our revenue. These market dynamics could also pose increased credit risk due to a restricted ability to collect timely payment from customers and decrease the company's access to capital. However, the impacts of sea level and air temperature rise on our customers are relatively de minimis compared to the increase in demand for freshwater anticipated by these same climate factors. Therefore, this risk presents the smallest potential financial impact on our business.			✓	**Diversification**: We are actively pursuing diversified business growth in markets that are less concentrated in large projects (as compared to desalination mega projects). As our revenue becomes spread out across more projects, the risk from any single project is minimized. Additionally, these projects are more globally distributed. The diversification of our business both from a market and a geography perspective helps insulate us from location-specific physical events.

✓ indicates that the identified risk / opportunity is expected to impact Energy Recovery in the associated time horizon.
Short Term = 2024-2025 | Medium Term = 2026-2032 | Long Term = 2033-2040

[1] *Based on IPCC data: World Economic Forum Summary of 2023 IPCC Report*

Risk Category	*Position in Value Chain*	*Climate-related Risk Definition*	*Potential Impact to Energy Recovery*	*Short Term*	*Medium Term*	*Long Term*	*Mitigation Strategies*
TRANSITION RISKS							
Market	Upstream	Increased cost of raw materials may impact cost of goods sold	Upstream market risks related to increased raw materials (especially non-ferrous metals) and energy costs present the largest potential negative financial impact. This exposure includes price changes in raw materials required to manufacture our products and operational and input costs needed for production, such as water, electricity, and natural gas. These constraints may cause production delays or stoppages, which would likely decrease the volume of units sold. Our supply chain may also face inflationary pressures related to the sourcing, distribution, and transportation of raw materials due to various factors, such as rising natural gas costs, regulatory requirements, and geopolitical tensions.	✓	✓	✓	**Market Intelligence and Monitoring**: Our dedicated Market Intelligence team monitors macro and micro-level trends that impact our business across the value chain (upstream and downstream), for instance, how energy costs in the mining industry may impact the cost of metals. **Supply Chain Management**: We are actively diversifying our supply chain to ensure we have qualified back-up suppliers and to minimize risks associated with a highly concentrated number of suppliers. We also work to streamline shipping activities. **Operational Efficiency**: We continuously assess opportunities to make our operations more resource-efficient by addressing water, natural gas, and electricity usage, especially related to manufacturing operations.
Technology	Downstream	Substitution of existing products and services with more efficient options	Our customers' preference for our solutions is deeply connected to our ability to provide the most competitive solution with the lowest life cycle cost on the market. Across our legacy water segment and emerging technologies, a variety of risks may emerge if the company is unable to provide the most efficient and effective products and services, which are detailed extensively in our 2023 Form 10-K.	✓	✓	✓	**Marketing and Sales Efforts**: We maintain ongoing sales and marketing efforts with both current and prospective customers to actively solicit feedback to ensure customer satisfaction. **Market Intelligence and Monitoring**: Our value proposition is predicated on our ability to provide the most energy-efficient and reliable products and services. Given this, we monitor the competitive environment very closely to ensure we can continue meeting customers' needs.

✓ indicates that the identified risk / opportunity is expected to impact Energy Recovery in the associated time horizon.
Short Term = 2024-2025 | Medium Term = 2026-2032 | Long Term = 2033-2040

GOVERNANCE OF CLIMATE-RELATED OPPORTUNITIES AND RISKS

Our Board of Directors implements systemic risk oversight directly and through its committees by providing reviews of business strategy and management's risk assessments and keeping an open feedback channel with management. Each committee is responsible for oversight of risks deemed relevant to their functions. Such risk management is inclusive of sustainability and climate-related issues oversight at the Board and senior leadership levels to ensure a congruent and action-driven approach to sustainability across the organization. At the Board level, responsibility for sustainability oversight is handled by the Nominating and Corporate Governance Committee.

At the senior leadership and management levels, the cross-functional Sustainability Management Committee (SMC) works to advance our efforts, embed sustainability into our culture, and effectively monitor risks and opportunities. The SMC drives forward and implements the company's sustainability strategy and is responsible for reviewing our climate risks and opportunities at a minimum annually.

In addition, various individuals' day-to-day duties contribute to our management of environmental impact and risks. The QHSE team oversees the integration of environmental management into operations via our ISO 14001-certified Environmental Management System. Other teams involved in our management and mitigation efforts include Sustainability, Facilities, IT, Finance, Accounting, HR, Sales and Marketing, Market Intelligence, and Supply Chain.

For more information on our sustainability governance structure, please see our website.

METRICS AND TARGETS

Refer to the TCFD Content Index on page 30 for a complete list of relevant metrics and targets.

GOALS

EMPLOYEES

EMPLOYEES

GOALS

GOAL: DEVELOP WORKFORCE TO DELIVER SUSTAINABLE, DIVERSIFIED GROWTH

KPI	Target	2021	2022	2023
Retention Rate	Maintain above 90%	91%	93%	96%
New Hire Turnover Rate	Maintain below 10%	4%	8%	8%
Employee Sustainability Training	All new hires receive training within three months of hire by 2022	Commissioned sustainability training video	Launched in Aug. 2022. 100% of new hires post-launch received training	100%
Great Place to Work Survey Participation Rate[1]	Maintain above 70%	70%	75%	77%

Our employees are integral to our success and ability to innovate. We aim to create an environment where all employees feel supported and heard in the workplace and are given the tools they need to succeed, grow in their careers, and meet their objectives. These goals underscore the importance of vetting and hiring the best candidates, while providing onboarding support to pave the way for their early success. Given the small size of our company, we expect to see natural fluctuations in these metrics each year. In 2023, we met all our workforce development goals and continue to utilize feedback from the Great Place to Work survey to proactively identify areas where we can improve and develop initiatives to support our employees.

[1] *Survey is delivered Q1 of the following fiscal year.*

EMPLOYEES

GOALS

GOAL: PROTECT OUR EMPLOYEES BY PROVIDING A SAFE AND HEALTHY WORKING ENVIRONMENT

KPI	Target	2021	2022	2023
Safety Training	Achieve 95% of planned annual training for each employee group	Transitioned to management software for efficient tracking	93%	96%
Total Recordable Incident Rate	Aim towards zero	7.80 (4.16 excluding COVID-19 cases)	8.48 (4.49 excluding COVID-19 cases)	2.39[1]
Near Miss Frequency Rate	Actively encourage increased reporting to reinforce safety culture	13.01	18.96	17.24
Fatality Rate	Maintain at zero	Zero	Zero	Zero

The physical safety of our employees is paramount. We actively encourage and reinforce safety protocols and a culture of reporting with the goal of identifying and eliminating potential hazards and near misses before they become incidents. Our regular job-specific safety trainings and hazard and improvements reporting program have strengthened our ability to track and quickly respond to reports and correct them. In 2023, we met all our safety targets and saw our near misses decrease slightly for the first time, an encouraging sign that this cycle of reporting and immediate action is creating a safer work environment.

One factor that significantly contributed to our reporting successes last year was the implementation of SHARP (Safety and Health Achievement Recognition Program) cards. These cards, featuring QR codes, are prominently displayed throughout the office. When scanned, they direct employees to a feedback sheet where they can submit safety hazard identification, facilities concerns, or offer suggestions for improvement. Each submission through the SHARP system is received by responsible team members who take action to follow up directly with employees and resolve any issues. This streamlined process not only ensures rapid responses but also fosters a strong culture of employee engagement in our safety and sustainability initiatives.

[1] *There were zero COVID-19 incidents in FY 2023.*

GOALS

PRODUCTS

PRODUCTS

GOALS

GOAL: DELIVER PRODUCTS AND SOLUTIONS CUSTOMERS CAN TRUST

KPI	Target	2021	2022	2023
Warranty expenses as a percentage of product revenue	Maintain below 1%	Less than 0.1%	Less than 0.1%	Less than 0.1%
Monetary losses associated with legal proceedings due to product health and safety incidents	Maintain at zero	Zero	Zero	Zero

Over our 30-year history in desalination, we have built a reputation for superior product quality, performance, reliability, and safety. Our stellar track record is a key component to our continued success, and we have set these product quality goals to formalize our pledge to maintain our customers' trust and monitor the quality of new products as they are deployed in the field. We are proud that we continue to meet these targets as we expand our product offerings.

CONTENT INDEX

TCFD

Core Topic	Recommended Disclosures	Reference
Governance		
Disclose the organization's governance around climate-related risks and opportunities.	Describe the board's oversight of climate-related risks and opportunities. Describe management's role in assessing and managing climate-related risks and opportunities.	2023 Sustainability Report > TCFD Goal Section, page 13 2023 Sustainability Report > TCFD Goal Section, page 23 Corporate Website > Sustainability Oversight
Strategy		
Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material.	Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term. Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning. Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	2023 Sustainability Report > TCFD Goal Section, page 13
Risk Management		
Disclose how the organization identifies, assesses, and manages climate-related risks.	Describe the organization's processes for identifying and assessing climate-related risks. Describe the organization's processes for managing climate-related risks. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.	2023 Sustainability Report > TCFD Goal Section, page 12
Metrics & Targets		
Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.	Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process. Disclose scope 1, scope 2, and scope 3 greenhouse gas (GHG) emissions, and the related risks. Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.	2023 Sustainability Report > TCFD Goal Section, page 12 2023 Sustainability Report > Innovation and Opportunity Goal Section, page 7 2023 Sustainability Report > Operational Impact and Management Goal Section, page 9

SASB

INDUSTRIAL MACHINERY & GOODS – ACCOUNTING METRICS
FY 2023

Topic	*SASB Code*	*Accounting Metric*	*Category*	*Unit of Measure*	*Response*
Energy Management	RT-IG-130a.1	(1) Total energy consumed, (2) percentage grid electricity, (3) percentage renewable	Quantitative	Gigajoules (GJ), Percentage (%)	(1) 51,900 gigajoules in FY 2023, (2) 100% in FY 2023, (3) 83% in FY 2023
Employee Health & Safety	RT-IG-320a.1	(1) Total recordable incident rate (TRIR), (2) fatality rate, and (3) near miss frequency rate (NMFR)	Quantitative	Rate	(1) 2.39 in FY 2023, (2) 0.00 in FY 2023, (3) 17.24 in FY 2023
Fuel Economy & Emissions in Use-phase	RT-IG-410a.1	Sales-weighted fleet fuel efficiency for medium and heavy-duty vehicles	Quantitative	Gallons per 1,000 ton-miles	Suggested accounting metrics for Fuel Economy & Emissions in Use-Phase are not applicable to our business. As disclosed below, we modified suggested accounting metrics to demonstrate the energy efficiency and associated benefits of our energy recovery devices, an accounting metric we believe is highly relevant to our business model. Avoided electricity consumption from all products (excluding pumps) sold and shipped: 41.40 TWh/y in FY 2023. The above metric is calculated as the avoided electricity consumption that can be attributed to our energy recovery devices that have been sold, shipped and, to our knowledge, still in use by customers globally, an amount associated with avoiding approximately 19.7 million metric tons of carbon emissions per year.
	RT-IG-410a.2	Sales-weighted fuel efficiency for non-road equipment	Quantitative	Gallons per hour	
	RT-IG-410a.3	Sales-weighted fuel efficiency for stationary generators	Quantitative	Watts per gallon	
	RT-IG-410a.4	Sales-weighted emissions of: (1) nitrogen oxides (NOx) and (2) particulate matter (PM) for: (a) marine diesel engines, (b) locomotive diesel engines, (c) on-road medium and heavy-duty engines, and (d) other non-road diesel engines	Quantitative	Grams per kilowatt-hour	

INDUSTRIAL MACHINERY & GOODS – ACCOUNTING METRICS

Topic	*SASB Code*	*Accounting Metric*	*Category*	*Unit of Measure*	*Response*
Materials Sourcing	RT-IG-440a.1	Description of the management of risks associated with the use of critical materials	Discussion and Analysis	n/a	Corporate Website > People, Products, & Community > Responsible Sourcing Please see our conflict mineral sourcing policy, conflict minerals report, and conflict minerals statement located on the company's investor website. TCFD Climate-Related Risks and Opportunities: Supply Chain Management
Remanufacturing Design & Services	RT-IG-440b.1	Revenue from remanufactured products and remanufacturing services	Quantitative	Reporting currency	Not applicable

RT-IG-130a.1 - (1) Excludes: leased facilities in Dubai and Shanghai for which leased facility data was not available and work from home employees.
RT-IG-130a.1 - (3) We installed solar panels in Katy, TX in FY 2020 and began purchasing 100% renewable electricity for most utility accounts mid-year 2023.
The solar panels in Katy, TX were not operating in August 2022-January 2023 due to an inverter issue.
RT-IG-320a.1 - (1) Excludes contractor hours and international personnel hours. The company plans to re-evaluate the ability to incorporate these numbers for future reports.
RT-IG-410a.1; RT-IG-410a.2 ; RT-IG-410a.3 ; RT-IG-410a.4 - Calculated as the avoided electricity consumption that can be attributed to our energy recovery devices that have been sold, shipped, and, to our knowledge, are still in use by customers globally. These metrics have been internally validated. The estimate is based on actual sales figures and assumptions about the percentage of our cumulative sales (excluding pumps) operating globally. Although it is possible that ERDs shipped in FY 2023 may have been in the process of being commissioned and not fully operating as of fiscal year-end, We do not have access to this data and therefore use ERDs sold and shipped through the end of FY 2023 as the basis for this calculation. As ERDs constitute the majority of our sales through end of FY 2023, pumps are excluded from this calculation. The calculated CO_2 emissions reductions is based on 1.05 lbs CO_2/kWh emissions factor as published by the International Energy Agency as of 2018. The calculated customer cost savings is based on the global average power price of $0.152/kWh as published by Global Petrol Prices in 2023. Emissions and energy savings from the PX G1300 (CO_2 refrigeration ERD) are included, however, the contribution is de minimus. The remaining assumptions apply to water ERDs only: PX® Pressure Exchangers® have a design life of 25 years; therefore, this accounting metric assumes that the majority of our sold and shipped Pressure Exchangers are in operation. Assumed avoided electricity per PX Pressure Exchanger unit is based on nominal PX Pressure Exchanger efficiency of 96%, turbocharger efficiency of 69%, pump efficiency of 80%, motor efficiency of 96%, 64 bar nominal membrane pressure, and 42.5% membrane recovery.

INDUSTRIAL MACHINERY & GOODS – ACTIVITY METRICS

Topic	*SASB Code*	*Activity Metric*	*Category*	*Unit of Measure*	*Response*
-	RT-IG-000.A	Number of units produced by product category	Quantitative	Number	We do not disclose the number of units produced by product category. For a financial breakdown by business segment, please see Item 7 in our 2023 Annual Report.
-	RT-IG-000.B	Number of employees	Quantitative	Number	269 as of Dec. 31, 2023

ELECTRICAL & ELECTRONIC EQUIPMENT – ACCOUNTING METRICS

Topic	*SASB Code*	*Accounting Metric*	*Category*	*Unit of Measure*	*Response*
Product Lifecycle Management	RT-EE-410a.3	Revenue from renewable energy-related and energy efficiency-related products	Quantitative	Reporting Currency	$123.6M in FY 2023 (96% of total FY 2023 product revenue across all business segments)

RT-EE-410a.3 – Includes revenue from products incorporated into systems which recover and reuse otherwise wasted energy. We updated this definition in FY 2021 based on detailed product mapping.

GRI CONTENT INDEX

GENERAL DISCLOSURES 2021
FY 2023

Certain materials throughout this report and the below table reference GRI 2021 Standards including 2-9 – Governance Structure and Composition, 2-10 – Nominating and Selecting the Highest Governance Body, 2-12 – Role of the Highest Governance Body in Overseeing the Management of Impacts, 2-13 – Delegation of Responsibility for Managing Impacts, 2-14 – Role of the Highest Governance Body in Sustainability Reporting, 2-15 – Conflicts of Interest, 2-16 – Communication of Critical Concerns, 2-17 – Collective Knowledge of the Highest Governance Body, 2-18 – Evaluation of the Performance of the Highest Governance Body, 2-19 – Renumeration Policies, 2-20 – Process to Determine Renumeration, 2-21 – Annual Total Compensation Ratio.

GRI Indicator	Description	Reference
2-9	Governance structure and composition	• 2024 Proxy Statement pages 10-20, 24-27 • Sustainability Oversight • Committee Charters • Board of Directors
2-10	Nominating and selecting the highest governance body	• 2024 Proxy Statement pages 11, 19-20, 24-27 • Sustainability Oversight • Nominating and Corporate Governance Committee Charter
2-12	Role of the highest governance body in overseeing the management of impacts	• Sustainability Oversight • Sustainability Priorities
2-13	Delegation of responsibility for managing impacts	• Sustainability Oversight
2-14	Role of the highest governance body in sustainability reporting	• 2024 Proxy Statement pages 32-33 • Sustainability Oversight

GRI CONTENT INDEX – GENERAL DISCLOSURES 2021

GRI Indicator	*Description*	*Reference*
2-15	Conflicts of interest	• 2024 Proxy Statement pages 29-32, 96
2-16	Communication of critical concerns	• 2024 Proxy Statement pages 32, 97-98 • FY 2023 Sustainability Report > Governance Performance Table (page 39) • Whistleblower Policy
2-17	Collective knowledge of highest governance body	• 2024 Proxy Statement pages 11-17, 32-35 • Sustainability Oversight
2-18	Evaluation of the performance of the highest governance body	• 2024 Proxy Statement page 23
2-19	Remuneration policies	• 2024 Proxy Statement pages 9, 35-36, 42-56
2-20	Process to determine remuneration	• 2024 Proxy Statement pages 35, 42-65 • Compensation Committee Charter
2-21	Annual total compensation ratio	• 2024 Proxy Statement pages 74, 80 • The ratio between the annual total compensation of the Chief Executive Officer and the annual total compensation for the median employee was 16.92:1 in FY 2023.

PERFORMANCE TABLES

ENVIRONMENTAL PERFORMANCE DATA

Metric		Unit	Time Period		
Operational Impact & Management			**FY 2021**	**FY 2022**	**FY 2023**
Greenhouse Gas Emissions[1,2]	Scope 1 Emissions[3]	Metric Tons CO_2e ($MT CO_2e$)	1,807	1,606	1,731
	Market-Based Scope 2 Emissions[4,5]		1,259	552	204
	Location-Based Scope 2 Emissions[4,5]		1,200	1,230	1,002
	Scope 3 Emissions[6]		13,153	13,013	9,088
	Scope 3.01 Purchased Goods and Services		5,376	4,317	2,264
	Scope 3.02 Capital Goods		3,846	4,789	3,862
	Scope 3.03 Fuel and Energy-Related Activities		702	525	828
	Scope 3.04 Upstream Transportation and Logistics		1,731	777	613
	Scope 3.05 Waste Services of Operations		182	227	91
	Scope 3.06 Business Travel		552	1,186	604
	Scope 3.07 Employee Commuting		422	439	571
	Scope 3.09 Downstream Transportation and Logistics		343	753	256
	Total Scope 1 - 2 Emissions (Market-Based)		3,066	2,158	1,935
	Scope 1 Emissions Intensity[7]	MT CO_2e / $M Revenue	17	13	13
	Scope 2 Emissions Intensity[7]		12	4	2
	Scope 3 Emissions Intensity[7]		127	104	71
	Total Scope 1 - 2 Emissions Intensity[7] (Market-Based)		29	17	15

Footnotes begin on the following page

PERFORMANCE TABLES – ENVIRONMENTAL PERFORMANCE DATA

Metric		Unit	Time Period		
Operational Impact & Management			FY 2021	FY 2022	FY 2023
Energy Consumption	Natural Gas - Across All Sites	Gigajoules (Gj)	32,654	31,340	34,247
	Diesel - Across All Sites		1,952	252	0
	Electricity - Grid Across All Sites		17,055	17,635	17,652
	Electricity - Renewable Across All Sites[8]		404	10,266	14,730
	Total Energy Consumption Across All Sites[9]		52,065	49,474	51,900
	Total Energy Intensity Across All Sites[10]	Gigajoules (Gj) / $M Revenue	501	394	405
Water	*Total Water Withdrawal*[11]	Million Liters	–	–	7.4
Waste	*Reclaimed Alumina Powder Used in PX Production*[12]	Percentage (%)	36	40	39
Innovation & Opportunity			FY 2021	FY 2022	FY 2023
Customer savings from use of Energy Recovery product versus conventional products	*Total Emissions Avoided Across All Products Per Year*[13]	Million MT CO_2e	14.5	17.2	19.7
	Year Over Year Total Increase in Emissions Avoided[13]	Percentage (%)	16	18	15
	Customer Cost Savings Per Year[13]	Billion USD	3.9	5.9	6.3

[1]We are focused on ensuring our methodology for measuring our GHG emissions remains aligned with best practices. As part of that effort, we will continue to update our inventories to be as accurate as possible. We remain committed to calculating a representative footprint, and as such, future process improvements can be expected to increase or decrease previously published emissions data. Our GHG emissions calculations have been internally validated. Numbers are rounded to the nearest metric ton, and as a result, totals may display de minimis discrepancies.

[2]In accordance with the GHG Protocol, we consider 2021 to be our best baseline since it is most representative of a normal operational year post-pandemic.

[3]Scope 1 emissions are direct emissions calculated using the operational-control method aligned with the GHG Protocol across our San Leandro, CA; Tracy, CA; and Katy, TX sites.

PERFORMANCE TABLES – ENVIRONMENTAL PERFORMANCE DATA

[4]Scope 2 emissions are indirect emissions produced from purchased energy calculated using the operational-control method aligned with the GHG Protocol across our San Leandro, CA; Tracy, CA; and Katy, TX sites.

[5]Given that we began purchasing 100% renewable electricity for most of our utility accounts in the summer of 2022, we have calculated both market-based and location-based scope 2 emissions. For the location-based calculations, we use the standard Western Power Grid factor (WECC-CA) for our San Leandro, CA and Tracy, CA sites. For the Katy, TX site, the ERCOT factor was used. For the market-based calculations, the CA sites rely on the Ava Community Energy emissions factors for the Bright Choice and Renewable 100 plans published on the California Energy Commission Power Source Disclosure webpage. The 2022 e-Green factor was used for the Katy, TX site in the market calculations for the purchased renewable electricity in 2023.

[6]Scope 3 emissions are indirect emissions across the value chain not captured in scope 1 and 2 and calculated leveraging a third-party proprietary model and software which aligns with the guidance of the GHG Protocol and relies on recent EPA emissions factors and trusted third-party data to determine indirect and induced greenhouse gas emissions. Our reported scope 3 emissions do not include the following categories: 3.08 - Upstream Leased Assets; 3.10 – Processing of sold products; 3.11 – Use of sold products; 3.12 – End-of-life treatment of sold products; 3.13 – Downstream leased assets; 3.14 – Franchises; 3.15 – Investments. Note, 3.10, 3.11, 3.12 all require customer data to which we do not have access, while our business model and operations deem categories 3.08, 3.13, 3.14, and 3.15 inapplicable. Our reported scope 3 emissions input categories reflect our U.S.-based operations and global business travel.

[7]Calculated as Metric Tons of CO_2e divided by FY revenue ($M).

[8]Solar panels in Katy, TX were down from August 2022-January 2023 due to an inverter issue. 100% renewable electricity plans began mid-year 2022 for most sites, with the exception of one utility account in Tracy, CA. There remains a small portion of electricity consumption under landlord control in San Leandro that is assumed to be on the default 40% renewable plan.

[9]Calculated as the sum of grid electricity (Gj), diesel (Gj), renewable electricity (Gj), and natural gas (Gj) consumed at our three facilities (San Leandro, CA; Tracy, CA; Katy, TX).

[10]Calculated as Gigajoules (Gj) divided by FY revenue ($M).

[11]Sum of all water drawn from surface water, groundwater, seawater, or a third party for any use over the course of the reporting period. Includes San Leandro, CA and Katy, TX sites. Tracy, CA site is excluded.

[12]Calculated as kilograms of relclaimed alumina powder used in PX production divided by kilograms of total alumina powder used in PX production. Reclaimed alumina powder and virgin alumina powder are tracked as separate part numbers in inventory and on as-builts.

[13]Calculated as the avoided electricity consumption that can be attributed to our energy recovery devices that have been sold, shipped, and, to our knowledge, are still in use by customers globally. These metrics have been internally validated. The estimate is based on actual sales figures and assumptions about the percentage of our cumulative sales (excluding pumps) operating globally. Although it is possible that ERDs shipped in FY 2023 may have been in the process of being commissioned and not fully operating as of fiscal year-end, We do not have access to this data and therefore use ERDs sold and shipped through the end of FY 2023 as the basis for this calculation. As ERDs constitute the majority of our sales through end of FY 2023, pumps are excluded from this calculation. The calculated CO_2 emissions reductions is based on 1.05 lbs CO_2/kWh emissions factor as published by the International Energy Agency as of 2018. The calculated customer cost savings is based on the global average power price of $0.152/kWh as published by Global Petrol Prices in 2023. Emissions and energy savings from the PX G1300 (CO_2 refrigeration ERD) are included, however, the contribution is de minimus. The remaining assumptions apply to water ERDs only: PX® Pressure Exchangers® have a design life of 25 years; therefore, this accounting metric assumes that the majority of our sold and shipped Pressure Exchangers are in operation. Assumed avoided electricity per PX Pressure Exchanger unit is based on nominal PX Pressure Exchanger efficiency of 96%, turbocharger efficiency of 69%, pump efficiency of 80%, motor efficiency of 96%, 64 bar nominal membrane pressure, and 42.5% membrane recovery.

PERFORMANCE TABLES – GOVERNANCE PERFORMANCE DATA[1]

Metric		Unit	Time Period		
General			**FY 2021**	**FY 2022**	**FY 2023**
Company Profile	Annual Revenue	Million USD	103.9	125.6	128.3
	Number of Employees	Number	222	246	269
Board Composition			**FY 2021**	**FY 2022**	**FY 2023**
Board Composition	*Board of Director Female Representation[2]*	Percentage (%)	38%	43%	29%
	Board of Director People of Color Representation[2]		25%	29%	29%
	Independent Director Representation[2]		88%	86%	71%
Stakeholder Engagement			**FY 2021**	**FY 2022**	**FY 2023**
Stakeholder Engagement	*Number of Total Critical Concerns*	Number	0	0	0
Executive Compensation			**FY 2021**	**FY 2022**	**FY 2023**
Executive Compensation	*CEO Pay Ratio*	Ratio	20.26:1	18.64:1	16.92:1

[1]Please refer to the company's current and prior Annual Reports on Form 10-K and Proxy Statement for further information.

[2]After the 2024 annual meeting date, Female Representation is 33%, People of Color Representation is 17%, and Independent Director Representation is 83%.

PERFORMANCE TABLES – SOCIAL PERFORMANCE DATA

Metric		*Unit*	*Time Period*		
Employees			***FY 2021***	***FY 2022***	***FY 2023***
Health & Safety	*Total Recordable Incident Rate*[1]	(Incidents per 200,000 hours worked)	7.80	8.48	2.39
	Near Miss Frequency Rate[2]		13.01	18.96	17.24
	Fatality Rate[3]		Zero	Zero	Zero
Recruitment & Retention	*Retention Rate*[4]	Percentage (%)	91%	93%	96%
	New Hire Turnover Rate[5]		4%	8%	8%
Products			***FY 2021***	***FY 2022***	***FY 2023***
Quality	*Warranty Expenses as a Percentage of Product Revenue*	Percentage (%)	Less than 0.1%	Less than 0.1%	Less than 0.1%
Safety	*Monetary Losses Associated with Legal Proceedings due to Product Health and Safety Incidents*	USD	Zero	Zero	Zero

[1]Total recordable incident rate is calculated as (number of incidents x 200,000)/(hours worked). Note: Our TRIR was 4.16 excluding COVID-19 incidents for FY 2021 and 4.49 in FY 2022. Excludes international employees, temp employees, and contract workers. There were zero COVID-19 incidents in FY 2023.

[2]Near miss frequency rate is calculated as (number of near misses x 200,000)/(hours worked). Excludes international employees, temp employees, and contract workers.

[3]Fatality rate is calculated as (number of work-related fatalities x 200,000)/(hours worked). Excludes international employees, temp employees, and contract workers.

[4]Retention rate is calculated as the number of voluntary terminations (of both domestic and international employees) divided by the average headcount for the fiscal year.

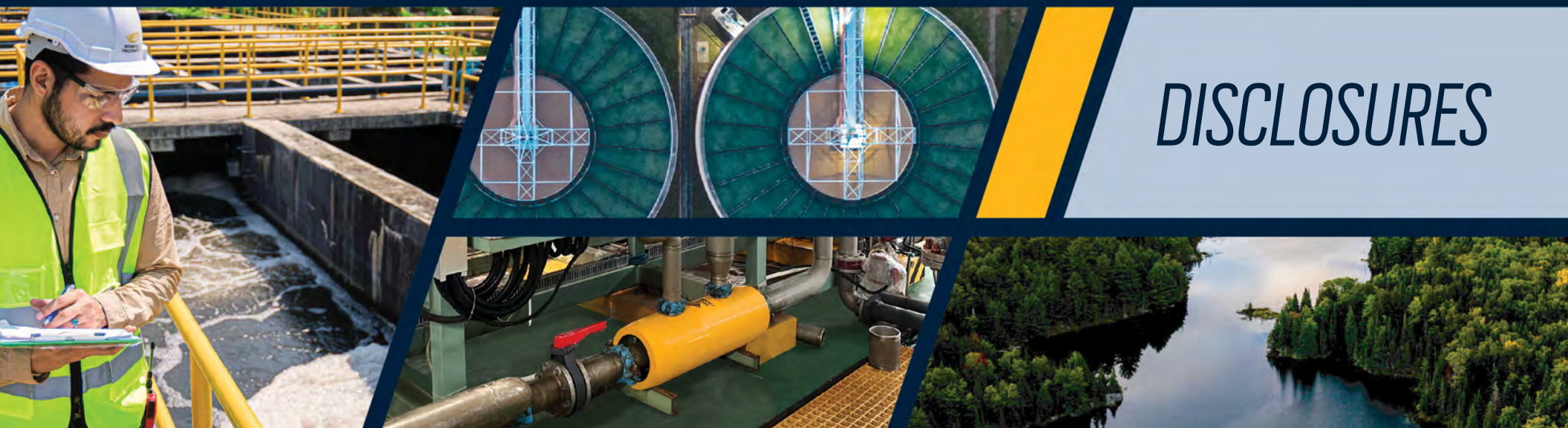
[5]Includes both voluntary and involuntary terminations of domestic and international employees. Excludes interns, temporary employees, and part-time employees.

ABOUT THIS REPORT

We are pleased to present Energy Recovery's ("we," "our," "Energy Recovery," or "the company") fifth annual Sustainability Report, which describes our performance for our fiscal year 2023 from January 1, 2023, to December 31, 2023, and includes all company operations worldwide, unless otherwise noted. We have also incorporated select examples of our initiatives to date in 2024. Included throughout this report are disclosures containing relevant, industry-specific data and information aligned with the Sustainability Accounting Standards Board (SASB) framework and the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. We have also included select disclosures aligned with the Global Reporting Initiative (GRI) framework. Content within this report should not be considered a substitute for the financial and other material information provided in Energy Recovery's periodic filings with the Securities and Exchange Commission (SEC). Detailed footnotes regarding data presented throughout this report are located in the Content Index and Performance Tables starting on page 29. The term "materiality" or "material" used herein is not defined per the Supreme Court's definition and that enforced by the SEC. For questions about this report, please contact sustainability@energyrecovery.com

Forward-Looking Statements

The statements included in this report are made in an effort to share our views on our sustainability initiatives with our key stakeholders, and to further enhance our collective understanding of ESG issues. Certain matters discussed in this report are "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements are based on information currently available to us and on management's beliefs, assumptions, estimates, or projections and are not guarantees of future events or results. Because such forward-looking statements involve risks and uncertainties, changes in circumstances, and assumptions that are difficult to predict and are often beyond our control, our actual results may differ materially from the predictions in these forward-looking statements. All forward-looking statements are made as of today, and we assume no obligation to update such statements, whether as a result of new information, future events, or otherwise. You should not place undue reliance on any forward-looking statement. Factors that could cause actual results to differ materially from those described in forward-looking statements can be found in this report, in the company's filings with the SEC, and disclosures available on our corporate website. The company does not undertake to update forward-looking statements to reflect the impact of circumstances or events that arise after the date the forward-looking statements were made.



DISCLOSURES

energy recovery®

2023 SUSTAINABILITY REPORT

energyrecovery.com
1717 Doolittle Drive, San Leandro, CA 94577
sustainability@energyrecovery.com