



TURNING THE TIDE ON WATER QUALITY

2020 SUSTAINABILITY OVERVIEW

Axius
water



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ABOUT THIS REPORT

This is Axis Water's inaugural report on our platform's sustainability performance, including environmental, social, and governance (ESG) issues. The content and performance metrics were developed in part from the UN Sustainable Development Goals, in particular Target 6.3, which calls for improving water quality by reducing pollution and the proportion of untreated wastewater globally, and the Sustainable Accounting Standards Board (SASB) Waste Management Industry Standard. The reporting period for the content and metrics is for fiscal year 2020, January 1, 2020, to December 31, 2020, unless otherwise noted.

This report provides highlights of our performance in these areas and the benefits we have created for society, our investors, and other stakeholders. We realize disclosure is important to our various stakeholders and are committed to publishing a fuller report annually beginning in 2022. Thus, this is a foundational step in our reporting journey, and we intend that future reports will include information on a new platform-level ESG strategy that we are developing. In the spirit of continuous improvement, we also expect to strengthen our overall sustainability strategy, approach, and performance.

FROM OUR CEO



“We share the vision of KKR’s Global Impact Fund and embrace our identity as a scalable, commercial solution focused on solving critical global challenges.”

More than ever, people, communities, and companies around the world need clean, safe water. Today, Axius Water’s expanding global platform is delivering proven technology and application knowledge for water and wastewater treatment.

With deep, applicable knowledge gained from years of on-the-ground experience, our professionals solve complex water treatment challenges that require technology and application knowledge. The Axius Water team stands out as leaders in applying process and technology to real-world water issues that need immediate focus.

Our operating companies are also providing innovative solutions that address worsening water pollution and rising regulatory standards for water quality. As they do so, our companies are seeking to identify and manage their most critical ESG issues.

Formed in late 2019 through a partnership of investors KKR and XPV Water Partners, Axius Water was created as one of the solutions-oriented investments in the KKR Global Impact Fund. We fully support KKR’s commitment to transparency and accountability through performance reporting. We are also fortunate to have XPV Water Partners on the team; that

firm’s unique water expertise is an asset as we look to solve more water challenges and make greater positive environmental contributions.

This inaugural sustainability overview describes some of our key initiatives and outcomes during 2020. Environmentally, our operations removed 140 million kilograms of harmful nutrients from receiving waters, which is significant since excess nutrients contribute to algae blooms and death of aquatic life. Our accomplishment is critical to contributing to the achievement of the UN Sustainable Development Goal (SDG) 6 to ensure clean water and sanitation. Operationally, our management team and governance are stronger and more inclusive today following additions to our leadership team and the appointment of two diverse, independent board members with deep expertise in the water sector. I invite you to read about these and other accomplishments of 2020 throughout this report.

We intend to responsibly improve our ability to make clean water available for more people worldwide as KKR makes additional investments to our platform. We have the skills, we have the technology, and we are resolute in our efforts to turn the tide on water pollution.

Chris McIntire
Chief Executive Officer

ABOUT AXIUS WATER

We solve real-world problems for municipal and industrial wastewater treatment facilities.

Axius Water is a portfolio company in KKR's Global Impact Fund, which invests in companies that deliver impact through their products or services. Our differentiated

products and services improve the effectiveness of the wastewater treatment process, thereby measurably improving the quality of treated water. Our platform is expanding globally by building a diversified and growing portfolio of operating companies that offer leading solutions that improve wastewater management processes.

FOUNDATIONAL ACQUISITIONS

Environmental Operating Solutions, Inc. (EOSi) offers nonhazardous supplemental carbon products, controls, equipment, and applications expertise that wastewater treatment facilities use to increase the efficacy of their nitrogen and phosphorus removal programs. EOSi's supplemental carbon sources are preferred over other chemicals such as methanol, which is flammable and hazardous to store and handle.

Nexom designs, manufactures, and provides installation and maintenance services for proprietary biological and filtration-based technologies that remove nutrients such as ammonia, nitrogen, phosphorus, and carbon. Nexom focuses on low-complexity solutions ideal for small to medium-sized municipal and industrial treatment plants, including those facing the challenge of a cold climate.

FOLLOW-ON ACQUISITIONS

Environmental Dynamics International (EDI), acquired in 2020, designs, manufactures, installs, and services high-efficiency aeration systems around the world. Aeration is a vital component of municipal and industrial wastewater treatment facilities but also their largest energy consumer. Since its founding in 1975, EDI helped pioneer fine-bubble aeration and continues to drive aeration efficiency innovation.

ATAC Solutions Ltd, acquired in 2021, is a leading UK wastewater treatment company offering treatment equipment, liquid waste disposal services, equipment for hire, and pump sales. Equipped to benefit from the UK's increased regulatory focus on phosphorous removal, ATAC serves as a conduit for other Axius solutions in this market.

OUR FOUNDING INVESTORS

Launched in 2018, the Global Impact Fund is KKR's dedicated lower-middle market private equity strategy established to invest in businesses delivering solutions to significant societal challenges. **KKR** is a leading global investment firm that offers alternative asset management and capital markets and insurance solutions. KKR aims to generate attractive investment returns by following a patient and disciplined investment approach, employing world-class people, and supporting growth in its portfolio companies and communities.

XPV Water Partners is a team of experienced operators and investors who are committed to making a difference in water. The firm manages investment capital from some of the world's top institutional investors and partners with emerging water-related companies to help them rapidly expand and achieve their strategic goals. XPV aims to generate strong, risk-adjusted returns for its investors by leveraging its trusted ecosystem, deep industry knowledge, and its water-centric company scaling platform. XPV is committed to building partnerships that contribute to growing people, sustainable businesses, prosperous communities, and a better planet for everyone.

ADDRESSING GLOBAL WATER CHALLENGES

Nutrient pollution causes dead zones and harmful algal growth in more than 700 coastal areas around the world.¹

Axius Water's operating companies address global challenges of water pollution through their deep and varied expertise, including helping wastewater treatment plants manage nutrient pollution. Excess nutrients in water bodies can cause eutrophication, the dense growth of plant life and the death of aquatic life from lack of oxygen. Nutrient sources include fertilizer from agricultural operations, stormwater runoff from developed areas, wastewater effluent from municipal and industrial plants, and increasing rainfall associated with climate change. These conditions result in loss of aquatic life and environmental damage such as harmful algae blooms, human health concerns, and economic loss.

A Costly, Widespread Problem

The U.S. Environmental Protection Agency (EPA) has named nutrient pollution "one of America's most widespread, costly, and challenging environmental problems." In the UK, 55% of assessed river water bodies and 73% of assessed lake water bodies fail the current Water Framework Directive phosphorus standards for good ecological status, which were implemented to provide meaningful limits to help prevent further eutrophication.²

Growing Regulations

Wastewater treatment facilities play an essential role in treating wastewater by removing or reducing harmful nutrient effluent levels and improving the quality of treated water.³ In the United States, the EPA has recently encouraged states to develop quantitative criteria to regulate nutrient concentrations from wastewater effluent. As states adopt tighter discharge regulations, improvements to treatment facilities will be required.



¹ World Resources Institute. In [a] World That Says It's Cutting Nutrient Pollution, Progress Is Lacking. March 4, 2019. (Source)

² Environment Agency. Phosphorus and Freshwater Eutrophication Pressure Narrative. October 2019. (Source)

³ EPA. Status of Nutrient Requirements for NPDES-Permitted Facilities. Accessed June 2020. (Source)

IMPACT HIGHLIGHTS



ENVIRONMENTAL

Contributed to the advancement of

UN SDG 6

Clean Water and Sanitation

Removed

140

million kilograms of harmful nutrients from wastewater

Added

EDI's Aeration Technologies

and maintenance services, which enhance the efficacy of wastewater treated by Axis Water

Assisted more than

2,000

clients in achieving compliance with water and sanitation regulation



SOCIAL

Maintained a

47%

diverse workforce,⁴ including the significant integration of the EDI team

Achieved excellent safety performance with

Zero Recordable Incidents

at EOSi, Nexom, and EDI

Added

2

diverse board directors in early 2021, including:

- the former CEO of Xylem
- a long-standing equity research analyst covering the water sector



GOVERNANCE

Added a

CEO

to lead strategy development, mergers and acquisitions, platform-building, and ESG management

Strengthened our

Executive Leadership Team

through the addition of a chief financial officer⁵

Developed a

Vision

for the Axis leadership team to include operations and commercial leaders

⁴ Based on gender and historically underrepresented groups

⁵ Joined Axis Water in early 2021

SUSTAINABILITY PERFORMANCE

ENVIRONMENTAL

We are committed to operating responsibly and demonstrating leadership on sustainability issues that are material for our industry and companies, using the relevant SASB sector standards as a guiding framework.

Product Impact

By reducing pollution and improving water quality, Axius Water strives to deliver measurable progress toward SDG 6: Clean Water and Sanitation.

Axius Water directly contributes to SDG Target 6.3, which calls for improving water quality by reducing pollution and the proportion of untreated wastewater globally. Across our platform, we removed 140 million kilograms of harmful nutrients from wastewater during 2020 despite pandemic-related project slowdowns. Additionally, EDI's aeration technologies and maintenance services enhance the efficacy of wastewater treated by Axius Water and extend the reach of our impact.

Climate Impact

Axius Water strives to reduce emissions, both directly in our operations and through the implementation of our technologies at customer sites. We will continue to work on developing a consolidated approach to reducing emissions across all our businesses. To better understand our impact on climate change, Axius Water has been compiling greenhouse gas estimates since 2019. The increase in our Scope 1 and 2 emissions in 2020 reflects the addition of the baseline emissions (Scope 1: 77, Scope 2: 380) of our subsidiary EDI, which provides aeration for wastewater management processes. While aeration is one of the most energy-intensive parts of wastewater processing, EDI's technology is up to 50% more energy efficient compared to other solutions on the market. The company is working to formalize its approach to tracking fuel consumption data for future reporting.

GREENHOUSE GAS EMISSIONS

	2019	2020
Scope 1⁶	19	295
Scope 2	15	391

Our operating companies assess climate-related risks and opportunities and are establishing strategies to manage these.

- **EOSi** monitors the impact of rising temperatures to identify high-risk areas because higher temperatures increase the severity and length of algae blooms. In 2020, rising temperatures associated with climate change intensified algae blooms and hypoxia, which increased the need for EOSi products and services.
- After assessing how climate change contributes to the severity of localized water shortages, in 2020 **Nexom** optimized the design of a water reuse filtration process and increased its focus on regions that rely on wastewater reuse. Nexom plans to continue optimizing the process, developing strong referrals, and focusing on wastewater reclamation facilities in regions that are impacted by water scarcity.
- At **EDI**, climate change places additional pressure on water sources, including reuse of wastewater and increased demand for treatment equipment such as EDI's aeration solutions.
- **EOSi**, **Nexom**, and **EDI** expect to continue monitoring regulations relevant to climate change and nutrient limits to deliver solutions as needed.

⁶ Note: Metric tons of CO2 equivalent absolute data. The increase in Scope 1 and 2 emissions in 2020 reflects the addition of the baseline emissions (Scope 1: 77, Scope 2: 380) from our acquired subsidiary EDI. EDI's gallons of diesel consumed were estimated using total fuel spend data and average diesel prices sourced from the Department of Energy statistics.

SUSTAINABILITY PERFORMANCE

SOCIAL

We are committed to achieving a more diverse workforce and further evaluating and implementing a DEI reporting and improvement tool.

Diversity, Equity, and Inclusion

We are proud to have made progress on initiatives related to diversity, equity, and inclusion (DEI). The gender diversity of our board progressed from 0% to 25% as in early 2021 we added two diverse⁷ board directors with extensive experience in the water industry: the former CEO of Xylem and a long-standing equity research analyst covering the water sector. Our senior leadership diversity increased

from 30% in 2019 to 31% in 2020 and maintained a 47% diverse workforce⁸ following the significant integration of the EDI team.

We will continue to ensure that **EDI**, a federal contractor, has an affirmative action/Equal Employment Opportunity program. **EOSi** is working on developing a formal Diversity and Inclusion Policy.



Worker Well-being

To ensure the health and safety of the workers throughout our organization, our operating companies deliver training programs, maintain compliance with best practices, and practice responsible labor relations.

- In 2020, **EOSi** expanded its health and safety training program, completing eight internal safety audits and six safety refresher training courses. The company had zero recordable injuries in 2020.
- **Nexom** developed COVID-19 policies that met all local and federal guidelines, had zero recordable injuries, and maintained its Certificate of Recognition from the Manitoba Heavy Construction Association with a score of 95.1%, which was above the 80% minimum requirement.
- **EDI** achieved one year without a recordable injury and was compliant with all Occupational Safety and Health Administration regulations.

^{7,8} Based on gender and historically underrepresented groups

SUSTAINABILITY PERFORMANCE

RESPONSIBLE BUSINESS

Executives at our operating companies are accountable for performance: The EOSi president is responsible for EOSi's performance on ESG issues, while the Nexom CEO is directly responsible for Nexom and EDI's performance.

Sustainability Governance and Strategy

In 2020, Axius Water formalized our board of directors, which regularly reviews company performance on sustainability initiatives. To this end, the Axius Water board regularly reviews company performance on ESG initiatives.

Regulatory Impact

We monitor our operating companies' capacity to manage their own ESG-related regulatory risks and opportunities as well as their ability to assist clients with regulatory compliance.

- **EOSi** is well positioned to support existing and new customers in complying with new or more stringent nutrient removal regulations and limits.
- **Nexom's** treatment programs support its customers as environmental standards increase. Recent changes in phosphorus regulations will likely increase demand for the company's products.

- **EDI** offers solutions to support new and existing customers' efforts to optimize the efficiency of their aeration processes and reduce power consumption as much as possible.

Waste Management

As responsible corporate citizens, our operating companies strive to achieve regulatory compliance in the treatment, handling, storage, and disposal of their hazardous and nonhazardous waste.

- **EOSi** moved to new headquarters in mid-2020, which provided an opportunity to reevaluate its related laboratory and reagent waste streams, update handling procedures, and establish waste management monitoring for the new facility. Building on that, EOSi aims to finalize its overall materials management program to reflect changes in procedures, including baseline reporting of waste management.

Supply Chain Management

Axius Water expects our operating companies to ethically manage supplier labor and human rights practices and engage in responsible sourcing of critical raw material input(s).

- In 2020, **EOSi** purchased most of its raw material inputs from the United States and Canada. EOSi plans to develop a supply chain diversity and management plan for its vendor relationships in North America and internationally.
- **Nexom** plans to add environmental, social, and governance performance factors into its vendor selection process.

OPERATING COMPANIES IN ACTION

CASE STUDY: EDI



Robust, well-proven technology coupled with intelligent control protocols achieved success in Shanghai, China.

When one of the largest municipal wastewater treatment facilities in Asia needed to upgrade its massive operations, it selected EDI. The Bai Long Gang wastewater treatment facility serves a population of 7.2 million people, accounting for roughly 40% of Shanghai's treatment capacity. Despite heavy competition from local and foreign-based companies, Shanghai Water chose EDI to supply the aeration components for this high-profile application. The client's decision was influenced by several factors: EDI's unique

technologies and proven performance, EDI's comprehensive warranty, and EDI's reputation for excellence and responsive after-sales service.

Bai Long Gang's aeration system upgrade to EDI FlexAir fine-bubble diffusers successfully delivered 10% greater oxygen transfer. It also reduced maintenance cost and achieved an additional 20% operating energy savings, ultimately improving the facility's bottom line by \$500,000 annually. Despite its complex operations and massive scale—treating an average of 2.8 million m³/day—the plant has been able to minimize its footprint while achieving best-value treatment. Projects like this are how EDI has become a leading manufacturer of diffuser aeration systems globally, with more than 7,000 installations in more than 100 countries reaching 300 million people.



OPERATING COMPANIES IN ACTION

CASE STUDY: EOSi



EOSi's innovative wastewater treatment processes are helping Sarasota County, Florida, attain compliance with current and future regulatory requirements regarding water quality.

In Sarasota County, Florida, the Bee Ridge Water Reclamation Facility faced two challenges: It needed to reduce the nitrogen in treated water to 10 mg/l to achieve limits set by the Florida Department of Environmental Protection and upgrade its facilities. Bee Ridge turned to EOSi for a turnkey full-service program, which included MicroC 2000 chemical, integrated storage, and feed system and Nitrack advanced dosing control and monitoring system. EOSi also provides ongoing technical and maintenance service support as well as training eligible for continuing education units.

Despite the challenges posed by COVID-19 constraints, EOSi mobilized quickly and worked remotely with the local project team to successfully install and start a pilot program. After the pilot met its goals, Sarasota County signed a five-year agreement with EOSi to continue its services and expand the program to its facilities at Bee Ridge.



OPERATING COMPANIES IN ACTION

CASE STUDY: NEXOM



Designed to deliver even in cold weather, Nexom's proprietary technologies serve a growing community in Saskatchewan, Canada.

Before the advent of Nexom's proprietary SAGR post-lagoon biological reactors, removing ammonia was a challenge for cold-climate municipal wastewater treatment lagoons, including those serving the residents of Pilot Butte, Saskatchewan. In this Regina bedroom community, the winter daytime temperatures can average a low of -20°C (-4.4°F). As its growing population climbed past 2,500, Pilot Butte needed to upgrade its basic two-cell facultative lagoon system to expand treatment capacity as well as meet a full slate of nutrient regulations.

Working with engineers from Bullee Consulting in Saskatoon, Nexom designed and implemented its SAGR to eliminate ammonia by using an innovative recycle process to address Total Nitrogen (TN) and a simple chemical process to upgrade the municipal lagoons to address phosphorus as well.

Since being commissioned in June 2021, the system completed its first critical fall discharge and became one of Canada's first municipal lagoon-based treatment plants to fully comply with each of ammonia, TN, and phosphorus regulations. Additionally, Nexom's solution will enable the fast-growing Pilot Butte community to use its existing lagoon infrastructure for years to come, without sacrificing the operations and maintenance simplicity that makes it ideal for the small municipality.

LOOKING AHEAD

Axius Water has already expanded our platform with the acquisition of ATAC in the UK in early 2021 and looks forward to the further build out of our platform.

We are also building on our ESG practices to formalize a corporate ESG strategy, to include expanding our culture of safety for workers, advancing diversity, equity, and inclusion, and defining longer-term ESG goals. We believe that sound management of ESG issues can help reduce risks and build on future opportunities.



Forward-Looking Statements

Certain information set forth in this presentation contains “forward-looking information” about Axius Water (“the Company”). Except for statements of historical fact, the information contained herein constitutes forward-looking statements and includes, but is not limited to, the (i) projected financial performance of the Company; (ii) the expected development of the Company’s business, projects, and joint ventures; (iii) execution of the Company’s vision and growth strategy, including with respect to future M&A activity and global growth; (iv) completion of the Company’s projects that are currently underway, in development or otherwise under consideration; and (v) renewal of the Company’s current customer, supplier, and other material agreements. Forward-looking statements are provided to allow potential investors the opportunity to understand management’s beliefs and opinions in respect of the future so that they may use such beliefs and opinions as one factor in evaluating an investment.

These statements are not guarantees of future performance and undue reliance should not be placed on them. Such forward-looking statements necessarily involve known and unknown risks and uncertainties, which may cause actual performance and results in future periods to differ materially from any projections of future performance or result expressed or implied by such forward-looking statements.

Although forward-looking statements contained in this presentation are based upon what management of the Company believes are reasonable assumptions, there can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. The Company undertakes no obligation to update forward-looking statements if circumstances or management’s estimates or opinions should change. The reader is cautioned not to place undue reliance on forward-looking statements.

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