

ESG 2022

 Bluewater

Environmental, Social and
Governance Report — 2022

\$1.5 MILLION

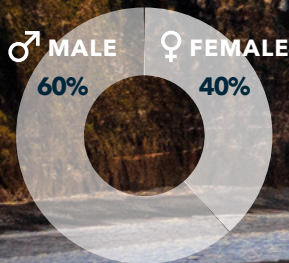
Bluewater has donated over \$1.5m to charities and local community initiatives in the last 8 years

100%

of companies will measure Scope 1 & 2
CO2 emissions by end of 2022



93% of portfolio have
developed specific
environmental KPIs



60/40 split
of male/female at Bluewater

Lost time incidents across our
portfolio as of total available hours...

1hr/1 million hrs

19,000

employees over 10
countries in our portfolio

106

Each company reporting
on 106 data points in ESG

22

nominated ESG
directors across
our portfolio



87% of portfolio
companies actively
involved in local
community projects



“Our focused ESG
strategy reaches into all
areas of our operations”

≡Bluewater

Responsible Investing

Bluewater is a specialist private equity firm with a track record of creating sustainable growth. We apply extensive knowledge and experience in the middle-market energy sector as we continue to build on a global track record of investing and creating value for our investors. Based in London, we have \$2.5bn under management in over 20 portfolio companies across two funds.

We have developed a focused ESG strategy that reaches into all areas of our operations: both within our business and across our portfolio companies. The strategy is underpinned by a long-term roadmap that tracks how – through a variety of projects and initiatives – we can meet our ESG objectives.

Beyond oversight of sustainability issues, our strategy targets specific areas: Safety & Security, Environmental Impacts, Governance and Workplace & Community.

In 2020 Bluewater became a signatory to the UN Principles for Responsible Investment.

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The Bluewater ESG Report 2022

I am pleased to introduce Bluewater's second annual ESG report. This document updates you on our continuing progress in the critically important areas of environmental performance, especially climate impact, social equality and best-in-class governance, against the backdrop of overall business performance.

The ESG movement gained significant traction last year, especially in the energy sector. One of the major changes lay in a shift in thinking about ESG: from the perception that it is a cost, requiring additional people, process and reporting to becoming increasingly seen as a business opportunity. We see strong ESG performance and measurable improvement as another value creation tool. Businesses of the future will be valued on their place in society and positive impacts, not just on financial performance.

The impact of COVID-19 has accelerated this ESG agenda. Government, business and social & health services have all had to work more closely to align in the battle against the pandemic. This has necessitated strategy changes, new operational models and variable work patterns as managers seek to build more resilient companies.

At Bluewater we have embraced the challenges and sought to be flexible and adaptable in this fast changing environment. The seismic shifts in energy markets have also been reflected in our investment strategy. We believe our plans will allow us to drive returns from our portfolio in conventional energy markets and invest in exciting energy transition opportunities. Across all of our investment and portfolio management activities we have now embedded strong ESG performance and are driving measurable actions alongside the ESG nominated directors we have in every portfolio company. We recognise ESG is now a mainstream business function and critical to good investment performance.

To allow us to bring some focus to the wide range of ESG topics we have identified our four Bluewater focus areas. These are Safety & Security, Environmental Impacts, Business Governance

and Workplace & Community. For each of these four pillars we have identified a number of goals that are important and relevant to both Bluewater and our portfolio companies. Our Bluewater ESG key performance indicators are very closely aligned to the UN Principles for Responsible Investment which Bluewater signed and adopted in 2020. Our targets are also aligned with a subset of the UN Sustainable Development Goals, detailed in this report, and we are working to incorporate those into our investment and governance processes.

The ESG committee we have established at Bluewater is the focal point for setting direction, learning and knowledge sharing to allow each deal team to work with portfolio management to build better companies.

At the same time, we continue to move forward with our own ESG targets and performance. We are seeking to lead by example. We have made good progress in closing an ESG-linked NAV facility for Fund I. We have been certified as a Carbon Neutral Plus organisation. We have set ourselves ambitious targets for this year, when we will update our ESG roadmap after delivering on the first set of objectives we agreed when we started this journey in 2018.

If we continue growing our capabilities and leading in the area of ESG we will create new opportunities in new markets, enhance our reputation and those of our portfolio companies, attract exceptional talent and create more value.

Graeme Sword,
Chairman of the ESG committee



“We see strong ESG performance and measurable improvement as another value creation tool. Businesses of the future will be valued on their place in society and positive impacts, not just on financial performance.”



ESG Within Bluewater



At Bluewater we have embraced challenges and sought to be flexible and adaptable in this fast changing environment.

Find out more





Setting an Example, Promoting Engagement

ESG represents a journey for Bluewater, but we are clear about our direction of travel and the means by which we advance towards our destination.

We seek to lead by setting an example for portfolio companies, and foster a culture of engagement with the ESG agenda across our Bluewater teams.

It is for those reasons we have set ambitious targets against which we can measure future performance. So, in practical terms, what does ESG within Bluewater look like?



“Connecting the UN goals to our own priorities serves to strengthen the foundations of our ESG work, places it in a global context and helps us measure the performance of our existing agenda.”

We completed a carbon footprint measurement programme before the end of 2021, and will establish a net zero target by the end of 2022

We are introducing a firm-wide compensation/annual bonuses framework directly linked to ESG metrics

We plan to set specific Diversity, Equity and Inclusion (DEI) targets. We completed a pay gap analysis during 2021, and aim to increase the percentage of women and under-represented minorities in the investment team during 2022

We will seek to sign up to a further ESG accrediting body applicable to our sector and overall objectives with the aim of striving to meet higher international standards

We have identified UN Sustainable Development Goals (SDGs) that are directly relevant to Bluewater, and are working to incorporate them into investment, marketing and governance processes (see p7-8)

We are delivering two ESG-related training sessions per annum for all staff. In 2021 this took the form of DEI training; in 2022 it will again focus on DEI but will be augmented by specific ESG topics

We are committed to having each team member spend a minimum of one day a year working on a charitable initiative

We have launched an Energy | Nature photography competition in support of one of our priority areas of social focus: mental health awareness among young people (see p24)

Alignment with UN Goals Underpins ESG Agenda



THE GLOBAL GOALS For Sustainable Development

The United Nations' Sustainable Development Goals represent an 'urgent call for action' by all countries in a worldwide partnership.

The UN says they 'recognize that ending poverty and other deprivations must go hand-in-hand with strategies that improve health and education, reduce inequality, and spur economic growth – all while tackling climate change and working to preserve our oceans and forests'.

Connecting the UN goals to our own priorities serves to strengthen the foundations of our ESG work, places it in a global context and helps us measure the performance of our existing agenda. It illustrates how our efforts at Bluewater – indeed the efforts of every individual business – contribute to common goals.

3 GOOD HEALTH AND WELL-BEING



Good health and wellbeing

People come first at Bluewater; our own people and the people in our portfolio companies. We have various programmes in place to support their health and wellbeing, and we always encourage our team to put forward new ideas. In 2019 a

team of nine Bluewater people completed the 3-peaks challenge in the UK and raised over £25,000 for two of our supported charities. The benefits of this initiative extended to the health and wellbeing of the team members: not only fitness gains, but also new respect and admiration for the great outdoors of the UK.



9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



Industry, innovation and infrastructure

Much of Bluewater's core investment strategy for the past 10 years has been to invest in the critical supply chains that supports the energy we all use in our daily lives. Whether that be traditional

hydrocarbons, LNG, wind or other sources, we believe that energy can only be delivered in the way we all use it, if these supply chains are well managed and innovative. Across our portfolio there are many examples of where this SDG is supported. We have close relationships with industry, we invest in innovation as an enabler of the energy transition and we invest in the infrastructure required to store and deliver the world's energy. This SDG will also remain a core focus in our future investment strategy as we look to a future that will require decarbonisation, improving energy efficiencies and further new enabling technologies across energy.

16 PEACE, JUSTICE AND STRONG INSTITUTIONS



Peace, justice and strong institutions

One of our chairmen frequently makes the point: "Well run companies with strong boards have inherently strong ESG credentials." We also know that well run companies that are bound by good

principles and governance typically make the best financial returns. In all cases, we rely on our portfolio boards to ensure they have robust governance and appropriate policies in place across the areas of anti-harassment, anti-corruption, health & safety and more. More than that, each company ensures all policies are implemented and followed. Where we continue to challenge ourselves is in seizing the opportunities for portfolio companies to learn from each other and striving to optimise the diversity of their boards.



Reduced inequalities

Our comprehensive DEI programme involves training throughout the year and a requirement for all employees to adhere to our DEI policy. Our people-first principles mean we endeavour to create a culture that is inclusive and fair, and

respects the personal preferences of our staff and associated personnel. Our commitment to reducing inequalities is closely interlinked with our charitable giving. Between 2019 and 2021, we helped a local charity - Switchboard LGBT+ Helpline - to help raise its profile and develop a series of podcasts. When COVID struck, we provided emergency funding that allowed this vital service to operate remotely.



Gender equality

The female to male ratio in Bluewater today is approximately 40/60, and we continue to strive for a gender balance that reflects modern-day equality principles. Our last series of recruits across the IR, finance and deal teams were selected

from pools of equal male/female candidates and resulted in an even intake of males and females. Our recruitment partners are challenged to put forward good people from all backgrounds and ethnicities and, where possible, an even mix of male and female candidates. While we cannot determine the exact profile and gender of the person we recruit before we start the process, we endeavour always to be balanced and fair.

In our portfolio it has been a specific challenge to recruit female board members, due to the nature of the industry and the lack of investment in younger female professionals as they progress in their careers. The team at 3T Energy Group, has recently recruited a new female board member who is challenged to strengthen its digital product development and offering. Nevertheless we recognise that more can be done at the portfolio level to drive more women into middle management roles and position them to become the board members and leaders of tomorrow. This will be a focus of the ESG team and the respective ESG directors in 2022 and beyond.



Climate Action

Having measured our CO2 output for 2021 and set a benchmark for future years, our aim is to try to reduce our own emissions on a year-on-year basis. This will present a challenge as travel becomes part of our work activities again, but we

aim to adopt different practices when travel is unavoidable. We were proud to achieve carbon neutral status for 2021, albeit with the use of two offset programmes to balance our emissions. We are also planting a Sequoia tree for each Bluewater employee, which in effect offsets the carbon footprint of each team member for life.

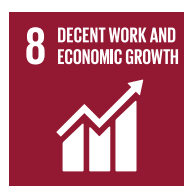
Our most exciting portfolio opportunity - one which has a doubly positive impact on climate management - lies with our companies Galileo and EDGE. Combined, they have the ability to eradicate flared gas from production fields. The addressable CO2 reduction opportunity here is in excess of 150bn cubic meters of natural gas flared each year.



Affordable and clean energy

We have taken all steps that a 30-strong team in a central London office can take when it comes to our own energy use and consumption. We source our electricity from renewable sources only, our office is optimised from a heating and lighting

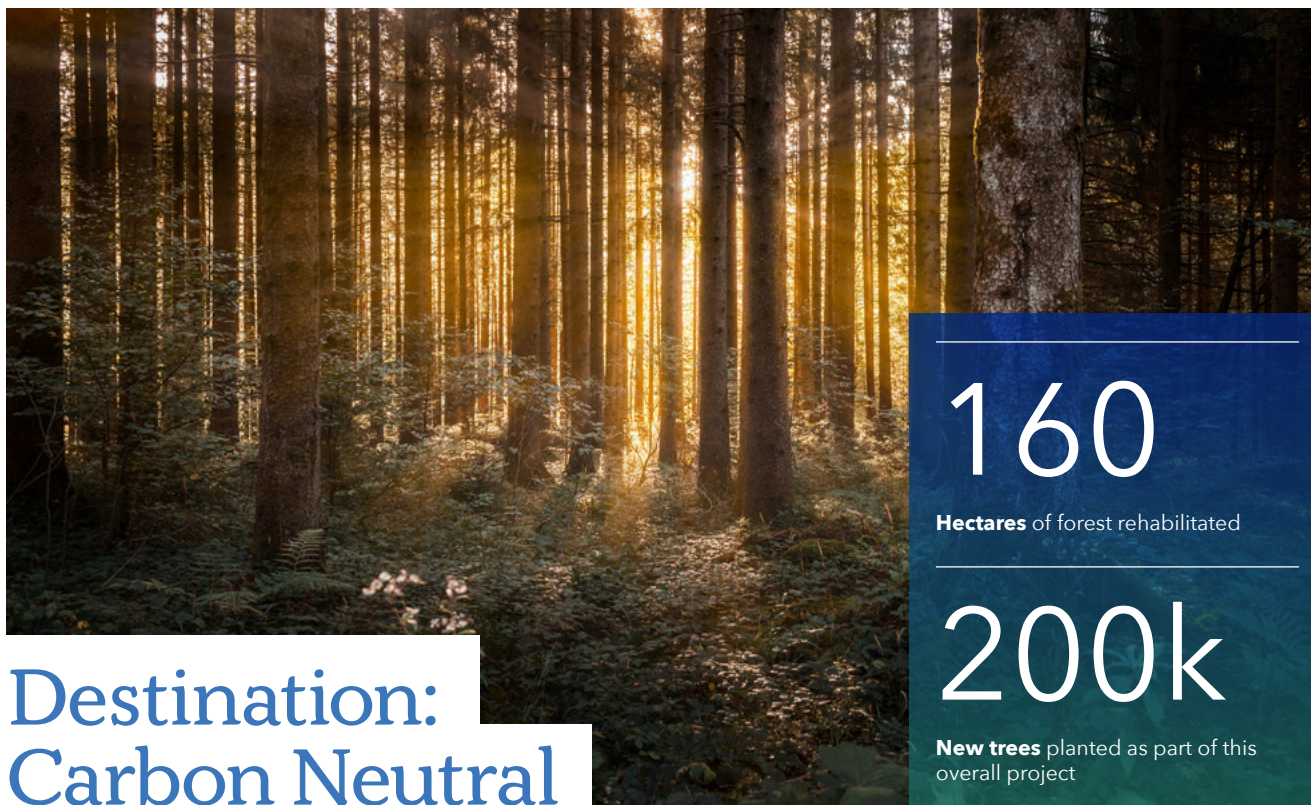
perspective so we use minimal energy and we encourage our people to take similar actions in their home environments. Our largest opportunity to contribute, however, is through our portfolio of 22 companies associated with energy across the world. Many are already involved in the energy of tomorrow, and by implementing specific energy transition strategies and plans - and by backing these plans with capital - we are significantly addressing the current and future need for more affordable and clean energy.



Decent work and economic growth

The core function of private equity is to grow investments and make financial returns to investors - this is largely achieved by supporting good companies and teams and initiating growth either organically or by mergers

and acquisitions. Backing this particular SDG is core to what we do every day, and with a strong focus on the social aspects in all of the companies we own, we try hard to ensure that the work places and the people in the companies are key priorities. If staff feel valued and if we provide a good environment, then research has continually shown that productivity increases and therefore company prosperity grows. In all of our 22 companies in the portfolio we will always endeavour to look after our staff by providing decent work that leads to economic growth.



Destination: Carbon Neutral

As part of our journey to carbon neutral status, we have contributed to two Verified Carbon Standard projects – meaning they meet one of the leading standards for voluntary carbon offsetting.

The first project supports reforestation in Kenya – over the last decade it has seen 200,000 new trees planted and over 160 hectares of forest rehabilitated.

For each tCO₂ being offset, one native tree is planted in Kenya's Great Rift Valley and an additional tCO₂ is offset through the 199.70 Wind Project in Maharashtra in India to guarantee the emission reductions. The variety of benefits it delivers means it aligns with no fewer than four elements of our UN SDG subset.

The second initiative, the Rimba Raya Biodiversity Reserve Project in Borneo, Indonesia, involves selling carbon credits based on the rich carbon stores of the forest and helps to protect endangered species, support the local economy, and provide access to clean water and health services.

The project is designated REDD+ (Reducing Emissions from Deforestation and Forest Degradation) which is a formal UN initiative and aligns with five of the UN SDGs.



“Now we have achieved carbon zero in 2021, our aim is to now reduce our offset.”



Kenya's Great Rift Valley



Bluewater Giant Sequoia Planting

January 2022



Bluewater has purchased a **Giant Sequoia tree** for each staff member to help offset their lifetime carbon footprint.

As well as offsetting the team's individual future emissions, this initiative will also help save an endangered tree species and increase biodiversity. It is widely believed that the Giant Sequoia is the most effective tree species in the fight against climate change.

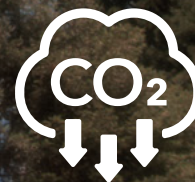
100m²

Each Sequoia is planted in a 100m² plot together with three native UK species to promote biodiversity.

The trees are protected from browsing wildlife by methods recommended by their forestry experts overseeing each grove to promote maximum growth.

1400t

The average UK person's lifetime CO₂ footprint is 520 tonnes, **the World's largest Giant Sequoia has captured over 1400 tonnes.**



Life expectancy in the UK is currently 80 years. The UK per capita carbon emissions are 6.5 tonnes per annum (World Bank 2017). **The target is to grow Giant Sequoias that reach a volume of 500 m³ to offset a person's lifetime carbon footprint.**



The UK Forestry Commission quotes that within 100 years a woodland planted today would sequester 400-600 tonnes of CO₂ per hectare. A Sequoia grove where the trees were growing in line with existing UK specimens, where each tree could expect to reach a 100-year volume of 57 tonnes, would **sequester over 6000 tonnes of CO₂ from the atmosphere between 108 trees. That is 10x more carbon dioxide removed from the atmosphere.**

The Net Zero Drivers Behind Bluewater Growth Strategy

Society is facing the dual challenge of transitioning to a low-carbon energy future to manage the risks of climate change, whilst meeting rising demand for primary energy driven mainly by emerging market demand growth.

It's important to understand energy "transition" is not something new. Through the course of history, the world has undergone many energy "transitions" – from wood to coal, from coal to oil & gas and now from hydrocarbons to renewable sources. What makes it different this time is while historically the focus was solely on improving energy density and economics, today there are broader considerations, including reducing carbon emissions, waste, and the impact we leave on our environment.

Within this context, our investment strategy is threefold, first we seek to "address the problem at source" by helping industries that have historically been big emitters to decarbonise; second, we invest in the development of entirely new infrastructure and supply chains that enable "cleaner" generation; and finally, we seek to optimise demand by supporting investment in data and technologies that reduce consumption and waste.

These broader considerations are also reflected in our investment process. It's no longer enough to just talk about return on investment. We also must understand the role of each potential investment in facilitating the energy transition and broader ESG considerations.



“...the energy transition drives, and will continue to drive, a number of key trends that present attractive opportunities for investment...”

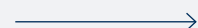


ESG Within the Portfolio



We are working to drive
our ESG strategy across
our portfolio.

Find out more





Portfolio Focus

How is Bluewater working to drive the ESG agenda across our portfolio?

ESG gained new momentum over the past 12 months as greater focus from government, media and financial institutions continued to put the working practices of individual companies under the spotlight.

Safety and security in the workplace has long been a focus in the energy industry, with health and safety invariably the first agenda item at the board table. At the same time, private equity ownership ensures robust governance, with a strong emphasis on business ethics and integrity. For Bluewater and our portfolio, these have been – and will continue to be – top priorities, and ESG principles are central to our Investment Committee discussions.

Within the last couple of years there has been an increased focus on the ‘E’ component of ESG, especially as it relates to the reduction of carbon emissions. At the same time, the many and diverse Social programmes across all of our investments continue to thrive; Varel’s water project in Honduras, as outlined elsewhere in this report, is a great example of such initiatives.

Bluewater portfolio companies have committed to measure scope 1 and 2 emissions by the end of 2022 (and scope 3 by the end of 2023), whilst many companies are now linking part of their incentive schemes to ESG metrics. Each portfolio company is unique and is developing its own ESG roadmap

“Good ESG is good business practice, and businesses are becoming increasingly aware of their broader responsibilities to society and the environment in general.”

accordingly, and all have appointed a director responsible for that roadmap to help ensure that targeted milestones are met. There was excellent progress during 2021 in terms of target setting and portfolio company leadership teams demonstrated a tremendous commitment to these initiatives.

Separately, many new opportunities are emerging from the energy transition mega trend. For example, 3t has diversified into offshore wind, whilst Techouse’s Heat Recovery Steam Generators (HRSGs) technology reduces CO₂ by up to 25% and is emerging as an active solution in both hydrogen and carbon capture. Being ‘energy insiders’ equips us with a significant advantage when it comes to accessing these opportunities, as it often involves responding to existing – or new – customers’ needs by adapting existing products and services to satisfy a slightly different end use or market. Customer led growth is always easier than starting completely anew.

Ultimately, good ESG is good business practice, and businesses are becoming increasingly aware of their broader responsibilities to society and the environment in general.

Mark Dickinson
Chief Operating Officer, Bluewater

Our Challenge to Each of Our Portfolio Companies

Here are the key areas of the ESG framework we are establishing with individual companies to help them sustain and enhance performance:

- | | | | | | |
|---|---|--|---|---|--|
| 1 | • | Calculate scope 1 and 2 carbon emissions by end of 2022* | 5 | • | Complete a cybersecurity assessment by end of June 2022 and develop necessary actions |
| 2 | • | Establish ESG & Energy Transition Roadmap for next three years by end of Q2 2022 | 6 | • | Ensure a sustainability policy is in place |
| 3 | • | Choose between three and five KPIs (relevant to each portfolio company): set goals to achieve them by the end of 2022 and report to the ESG committee quarterly on progress | 7 | • | Assess LTIFR (lost time injury frequency rate) |
| 4 | • | Set up DEI, ABC and refresher training at board level | 8 | • | Report on percentage of renewable energy used for commercial operations |

*Emissions are categorised into three scopes: scope 1 covers direct emissions from owned or controlled sources, scope 2 covers indirect emissions from the generation of purchased power and scope 3 includes all other indirect emissions that occur in the supply chain.

We look forward to updating you on the progress across our portfolio in this report in 2023.

Focus Areas

There are four strategic Focus Areas: an initial sample survey has provided a baseline for assessing portfolio company performance in these specific areas, and ongoing development of this survey work will enable us to gauge improvements and prioritise support.

Safety & Security



Promoting zero harm for workers and community
Prepared for critical incident response
Safety in the workspace and cyberspace



100% said they had a H&S policy and management system in place, 50% reported that their H&S performance management system had been externally certified



No reported fatalities and, similarly, no recorded enforcement actions by regulators for breaches of relevant H&S legislation in the previous 12 months



Lost Time Frequency Rate: 1 per million hours worked



73% reported that they had a formal cybersecurity policy in place



73% said they had a Business Continuity & Disaster Recovery plan

Environmental Impacts



Minimising the use of finite resources
Managing ecological impacts (emissions, air quality, waste, biodiversity)
Increasing resilience to physical climate risk
Supporting transition to low carbon economy



40% said they had a system in place to monitor their emissions to air from their operations



93% have developed environmental KPIs



64% have developed environmental improvement & efficiency initiatives



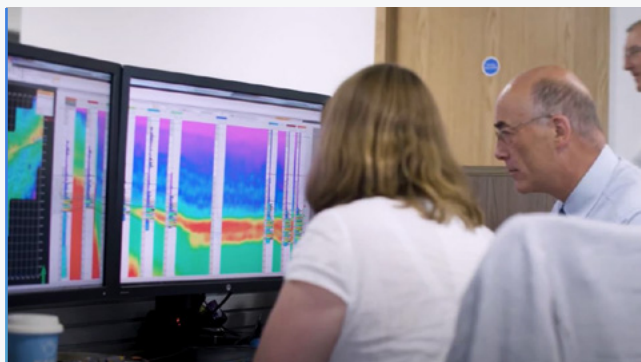
47% reported they had introduced technologies that reduce CO2 emissions in their operations



79% said they had considered physical risk arising from climate change

Our Focus Areas provide a strategic framework against which we can measure tangible progress.

Business Governance



Business ethics and integrity
Risk management
Transparency



Workplace & Community



Healthy, diverse and inclusive workplaces
Decent and fair employment
Respect for communities and strong community relations



All data taken as a percentage from the number of companies reporting on the specific data point.

Varel Energy Solutions

Industry competitors come together to support clean water programme.

Varel has partnered with NOV-ReedHycalog for a Water for Life initiative in Honduras, as part of a wider effort to help deliver water well drilling in under-developed and low economic regions where clean water for drinking, washing and other purposes doesn't exist.

Some communities in Honduras have to walk more than 30 miles per day to acquire drinking water. Many people are forced to retrieve river and tributary water where filtration systems are not sophisticated enough to produce healthy source water.

Varel and NOV – who are historically competitors in the drill bit sector – have joined together to provide drill bits for clean water initiatives in Honduras managed by Manna Worldwide.

Manna Worldwide is a global philanthropic organisation focused on efforts to alleviate poverty around the world through mission work, development projects, adoption programmes and other initiatives.

The drill bits are used on the end of drilling rigs positioned to tap safely and effectively into the respective water tables and construct water wells/ pipeline for the use of the local underserved communities.

Pandemic-related constraints have so far prevented Varel people from travelling to Honduras to visit the work, but a real-time feed of the water well drilling operations was scheduled to become available in March 2022.



Techouse

Energising the pursuit of net zero.

Techouse has invested to advance the net zero agenda, introducing technologies that help clients reduce their CO2 emissions by significant margins.

Its energy recovery systems are becoming established as the go-to solution for all new and retrofit production facilities in the oil & gas market, underpinning more efficient production of power on offshore installations.

Techouse's Heat Recovery Steam Generators (HRSGs) technology can support clients by helping to reduce CO2 emissions from upstream production by as much as 25%.

It has set a wider ambition of delivering annual CO2 reductions of one million tons, via the deployment of its energy recovery products, by 2030.

Techouse is also developing its technologies for application in renewable energy production, across both offshore wind and green hydrogen, as well as in carbon capture. It is an active participant in carbon reduction projects – it has already secured delivery contracts and is exploring new opportunities.

The strategic move into renewables and carbon capture reflects how Techouse can apply its oil & gas experience and technical knowledge to support the delivery of energy transition projects.



-1m_(ton)

CO2 reductions via the deployment of its energy recovery products, by 2030.

-25%

Reduction of CO2 emissions from upstream production.



2000+

Delegates trained for the wind sector, is now the market leader in the UK.

100+

Virtual training simulators deployed in 1 year to help facilitate remote learning.

AIS Survivex Wind Turbine Engineer

Unique Group

Autonomous technology protecting the natural world.

Unique Group has designed and developed autonomous survey vessels (ASVs) Uni-Cat and Uni-Pact – and the latter was successfully deployed to complete a carbon-conscious rig entry survey in Scotland.

Unique Group supported First Marine Solutions and their end client Well-Safe Solutions in undertaking the survey work at Cromarty Firth, ahead of a potential move of the jack-up rig Well-Safe Protector.

The Uni-Pact ASV is an environmentally friendly solution, operating on electric engines which make zero noise and therefore reduce disturbance of the aquatic ecosystem.

The entire project scope at Cromarty Firth was completed in less than two hours, realising efficiency and cost gains for the client.



3t Energy Group

Virtual solutions to reduce carbon footprint.

3t Energy Group has not only taken proactive steps to help ensure skills development keeps pace with the energy transition, but also introduced a series of solutions to support clients as they pursue their net zero objectives. It trains thousands of delegates annually for the wind sector: its training business, AIS Survivex, has invested in wind training to the extent it is now the market leader in the UK.

3t Energy Group offers the full suite of Global Wind Organisation (GWO) courses from two state-of-the-art centres in Newcastle and Aberdeen in the UK while, more widely, it has worked with others to set up a GWO training centre in Maryland to service the fast-growing industry along the USA's East Coast.

At the same time, it is helping to reduce client staff travel requirements by offering solutions which enable training to be delivered remotely. Specifically, 3t Energy Group's 3t Transform business is developing innovative solutions to reduce travel and off-rotation time.

The group's overall portfolio includes remote Live Learning courses as well as digital twin solutions, virtual reality training programmes, e-learning courses and virtual drilling simulators.

AIS Survivex delivered a four-week Live Learning upskilling training programme from Aberdeen for energy workers in Asia. A total of 70 people completed the safety-critical training, developed specifically for a key client.

3t Energy Group's Drilling Systems business has in the space of a year deployed more than 100 virtual training simulators to facilitate remote learning. The iDrillSIM solution not only helps the energy industry stay safe and compliant but also reduces travel commitments.

Profile: A Business on a Mission

Improving Global Prosperity, Driving Out Illicit Trade

A system of fair and open commerce serves as a powerful agent for good throughout the world. When this system is compromised by illicit trade, civil society is weakened.

Authentix contributes to the protection and betterment of society by ensuring the integrity of products, brands and global commerce. In doing this, they enable their customers to effectively build trust across their markets.



This trust in markets creates a virtuous cycle to the benefit of society. Consumers benefit from purchased products and services, suppliers earn a profit – which in turn can be invested to create more products and generate more jobs – and governments collect taxes that are rightfully owed to them which can be used for the benefit of its citizens.

Where there is illicit trade, trust is eroded, consumers may be harmed, legitimate suppliers suffer and governments lose money (either from lost excise taxes or increased subsidy spending). The only people who profit are the illicit operators.

Authentix seeks to safeguard the integrity of global commerce by providing companies, governments, and consumers with advanced technology solutions to detect, react to and remedy the adverse economic and societal impacts caused by illicit trade.

Illicit trade and counterfeiting continues to be a global problem creating major societal harm. Recent estimates show that the overall economic damage to the world economy surpasses USD \$4.2 trillion per annum; it costs millions of legitimate jobs and creates inordinate safety hazards to consumers.

▶ **Consumer Safety Hazards:**

Counterfeit products often contain harmful or even deadly substances exposing consumers to severe safety hazards. Counterfeit medicines often contain no active pharmaceutical ingredients and are most often found in poverty-stricken communities that need them the most.

▶ **Organised Crime and Corruption:**

The counterfeiting of banknotes yields economic hardship to consumers and national currency devaluation, contributing to the eruption of organised crime and corruption.

▶ **Poor Air Quality:** An estimated 30% of national fuel supplies contain harmful, illegal low-quality adulterants that have been introduced through illicit trade which contributes to poor air quality.

▶ **Reduced Excise Tax Collection Needed for Public Infrastructure:** Lack of realised tax revenue to national governments on excise taxed consumer goods due to illicit trade negatively impacts the funding of important public healthcare and infrastructure initiatives.

Authentix provides fuel integrity solutions and tax stamp programmes that maximise excise tax recovery for national governments.



Fresh, drinkable water enjoyed by local Zambians



Students enjoy the new dormitory facility constructed through funding by Authentix.

Social Responsibility Through Community Service

Authentix worked with civic leaders, subcontractors and the local community to fund and execute the drilling of boreholes in the Petauke district within the Eastern Province of Zambia.

A total of 30 boreholes were rehabilitated and six new wells were drilled – giving over 30,000 people new access to clean and safe drinking water.

Authentix was honoured to collaborate with the Chingola Constituency Development Trust and Great North Petroleum in the noble cause of constructing a girls' dormitory in Zambia.

Young girls in this region have to walk long distances to attend school and are often forced to find accommodation in dangerous conditions to maintain their studies. A safe, clean dormitory offers the chance of a safe and sustained education, minimising female dropouts by deterring unplanned pregnancies and early marriages.

Authentix engaged with community leaders in Obuasi West in the Ashanti region of Ghana to alleviate and improve the living conditions of residents suffering from the loss of farmland, pollution of water sources and property damage.

The project involved the installation of 250 lights and sensors and new borehole water wells in nine towns.



“A total of 30 boreholes were rehabilitated and six new wells were drilled – giving over 30,000 people new access to clean and safe drinking water.”



Fresh, drinkable water enjoyed by local Zambians



Charity Support Partnerships for a better future

From the outset, Bluewater was committed to giving back to our communities. It was important to us that we had a clear focus, which led to a charter that emphasises children's health and education as well as local support in the operating regions of our portfolio companies.

More recently we have expanded the charter to embrace greater support for good causes in our local community as well as for organisations addressing the rising tide of mental health issues – particularly in the teen to young adult age group.

We have had several long-term partners. These include Greenhouse Sports, which focuses on helping children from disadvantaged communities learn skills through sports, and Moorfields Hospital in London. Following a generous donation by the family of Founding Partner Thomas Sikorski to the latter to facilitate critical research into children's eye cancer, Bluewater funded a team over a three-year programme to enable them to take their research to publication stage.

It is very pleasing to be able to tell you that the research yielded significant breakthroughs and medical organisations around the world are today using this data to further the work.

In 2021 we were delighted to be the principal sponsor of the Geological Society's 'Spacescapes' exhibition, a major free exhibition showcasing incredible landscapes across our Solar System. Over 4,000 people visited the exhibition and 189 school students attended workshops as part of the Geological Society's outreach and engagement programme. We are continuing our relationship with the Society by supporting their Student Volunteer Network programme which aims to train a group Post-graduate geoscience students to mentor and coach inner-city London secondary school pupils on geological concepts.

Our focus on education continues in Scotland where we are supporting TechFest, a charity that promotes Science, Technology, Engineering and Mathematics (STEM) through project-based learning opportunities. We are excited to be working with them on a project linked to our Energy | Nature initiative.

Our activities in the context of children's health have also extended over the years to a relationship with London's Great Ormond Street Hospital, where our contributions towards Play Therapy gave children undergoing treatments at the hospital focused therapeutic support and play opportunities.

There is always more work to be done, however, and we recognise that COVID-19 and multiple lockdowns – among other issues – have contributed to a growing need for support for people in vulnerable or challenging circumstances. To that end we have partnered with West London Zone, a charity located within a mile of our London offices that helps children get on track socially, emotionally and academically. We are delighted to be funding a member of staff to provide specialist support to these children over the next two years. We're also working with another potential partner to take children from inner cities in Scotland to the Highlands for weekends away. These residential experiences can transform the learning experience of young people and raise their aspirations within school and beyond.

There are further dimensions to our charity effort, however, and many of those link the people within Bluewater to the organisations we support. Each member of staff, for example, is required to spend time volunteering with one of the charities, and many of the partnerships we have forged over the years have stemmed from a personal connection. In addition, Bluewater matches funds raised by individuals or teams for a range of good causes.

I'm pleased that this section of our ESG report is populated with so many examples of how our commitment to charitable support is making a difference.

Jerker Johansson

Chairman of the Bluewater Charitable Giving Committee

Charities



Greenhouse Sports

Greenhouse Sports uses inspirational sports coaching and mentoring to engage young people and improve their life chances. Through partnership with several schools across London, the organisation gives young people who may be disengaged, vulnerable or facing disadvantage an opportunity to participate in sports, receive mentoring and improve physical wellbeing; enabling them to develop key life skills that help them thrive.



West London Zone

West London is an area of deep inequality where 1 in 5 children and young people aren't getting the support they need to thrive. The organisation helps children and young people build the relationships and skills they need to get on track socially, emotionally and academically to thrive in adulthood. They do this by building trusted relationships, providing specialist support and joining up each child's support system, including families, schools and local organisations, to deliver a personalised 2-year support plan for each child.

West London Zone partners with schools and charities working locally, sharing their knowledge and insight, bringing together the whole community – government, charities, schools, families and funders – to work together to support each child.



Geological Society

To ensure that more young people can benefit from engaging with the Earth around them, the Geological Society wants to help insert accurate, enthusiastically taught geology into geography lessons. Geography is taught extensively across the UK. It was the sixth most popular GCSE in 2018 with 256,420 students (compared to 493 for geology). The geography syllabus contains a wide range of important geology-related topics, including climate change, glacial landscapes and processes, rivers, tectonic activity, weather and natural hazards. Through inserting geology into geography lessons, young people will have greater opportunities to discover a passion for investigating the Earth.



TechFest

TechFest is an innovative charity that champions the promotion of Science, Technology, Engineering and Mathematics (STEM) activities that engage, challenge, inform and inspire the young people of Scotland. Through these routes and other routes, they fulfil their aim to promote STEM subjects by working in partnership with schools, FE colleges, HE establishments, Science, Technology, Engineering and Maths Enrichment & Engagement (STEM E&E) providers, industry, business, government both local and national.



ENERGY | NATURE

A Bluewater initiative exploring the coexisting
parallels between Energy and Nature



Energy | Nature

Photography Competition to Support Mental Health Goals

COVID-19 and its consequent limitations on everyday life have created unique difficulties over the past two years, and has impacted on the mental health of many.

The constraints on socialising, travel and even getting outside – alongside the anxieties stemming from the pandemic itself – have had a particular impact on young people at a time in life when peer pressures, exams and future choices are already potential causes of doubt and worry.

That is why we made a decision to raise awareness of the very specific issues facing 16-18 year olds – arguably the ‘forgotten’ age group – and do something to help address them.

This year, we intend to launch a photography competition for London teenagers in that age bracket, asking them to capture images that depict the interaction between energy and nature. By that, we mean energy and nature in all their forms: the images may well feature meadows, woods or birds, but in a city-based competition we’re also asking

participants to use their imaginations and submit photos that reflect the two components in innovative ways.

We selected photography as the medium because of the way in which it’s recognised to impact positively on mental health and boost self-esteem. It encourages people to venture outside, to get away from everyday pressures, to take time to appreciate their surroundings and to be creative.

It’s also very accessible as a pursuit: smartphone technology means anyone can be a photographer today and that is why we have stipulated that entries, which will be submitted via social media, should be taken by camera phones.

The competition directly links to some of the core principles behind our charity support work and signals how we are ready to respond to new challenges or difficulties facing those we seek to help.

ESG: Much Achieved, More to Accomplish

The road ahead goes hand in hand with continual ESG improvements.

I hope this report has been informative and demonstrated the depth and breadth of our ESG work to date.

In the meantime, energy demand is growing and will continue to grow, so the importance of delivering the next generation of energy with security of supply – combined with low costs and reduced carbon – is the next big strategic challenge on the road ahead. While focusing on this, ESG considerations will remain key consideration at Bluewater, and each of the companies we invest in.

We look forward to sharing the story of our ongoing journey in our 2023 report. Meanwhile, please take a moment to review some of our case studies at bluewaterpe.com/esg. We will keep this section updated throughout the year.

We wish everyone good health for the coming year.

Frazer Blyth

Director of Investor Relations & Marketing, Bluewater



ESG Committee



Graeme Sword

Chairman of the Bluewater ESG Committee

Role of ESG Committee:

- Drive ESG improvement at Bluewater & portfolio level
 - Empower people & teams through learning & best practice
 - Ensure portfolio companies' sustainability metrics and investment returns improve under our ownership
 - Drive better returns for LPs by creating lasting positive impact for our investors, teams, businesses and communities where we live and work
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