LAGOON
WATER MIDSTREAM

ESG REPORT

2021

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LETTER FROM OUR CEO

Lagoon is building the premier midstream water logistics company in the Anadarko Basin in Oklahoma and the Midland Basin in Texas. We judge ourselves on much more than our financial performance or the volume of water we manage — our performance on environmental, safety and governance (ESG) are also central to our success.

In fact, we believe placing ESG at the center of everything we do enhances our ability to grow and succeed. Put simply, **we can't be a great company unless we are also a safe and environmentally responsible company.**

It's why we have a plan to reach **carbon neutrality by 2030 and net-zero emissions by 2040.**

We provide extensive, ongoing training for every employee, and every contractor is held to high standards. We measure and evaluate our potential environmental impact in multiple ways, asking reputable third-party evaluators to examine our operations and acting on their key recommendations. We are committed to being an example for the entire industry — and our GRESB score shows the progress we are making!

Because of our commitment, we have celebrated a streak of more than 1,000 days without a single recordable injury. This statistic is made even more impressive because, unlike most companies, we include our contractors' safety records as well.

Lagoon cares deeply about providing outstanding service to our clients. More importantly, we are dedicated to demonstrating to our entire industry the importance and value of operating in a safe, sustainable manner.

For us, it's about much more than doing what's good for the bottom line. It's about doing what's right for our partners, our people and our communities.

It comes down to one word: Integrity. We do the right thing, even when nobody is looking and even when it's difficult.

KEVIN LAFFERTY
President & CEO
Lagoon Water Midstream

ABOUT LAGOON WATER MIDSTREAM

Founded in 2017, Lagoon is now the largest water midstream company based in Oklahoma.

In 2021, building off our core position in the Anadarko Basin, Lagoon made a strategic entry into the Midland Basin by acquiring Double Drop Resources, a rapidly growing full-service water midstream company in Midland and Martin counties. In both Oklahoma and Texas, we develop all components of water infrastructure, from providing reuse/recycled water for hydraulic fracturing operations to gathering and disposing produced water. Our expansive midstream water infrastructure throughout the Anadarko and Midland basins provides a foundation for future growth and expansion of services to our customers.

OUR CULTURE OF EXCELLENCE CHAMPIONS:

01 SAFETY

02 FAMILY

03 COST CONSCIOUSNESS

04 INNOVATION

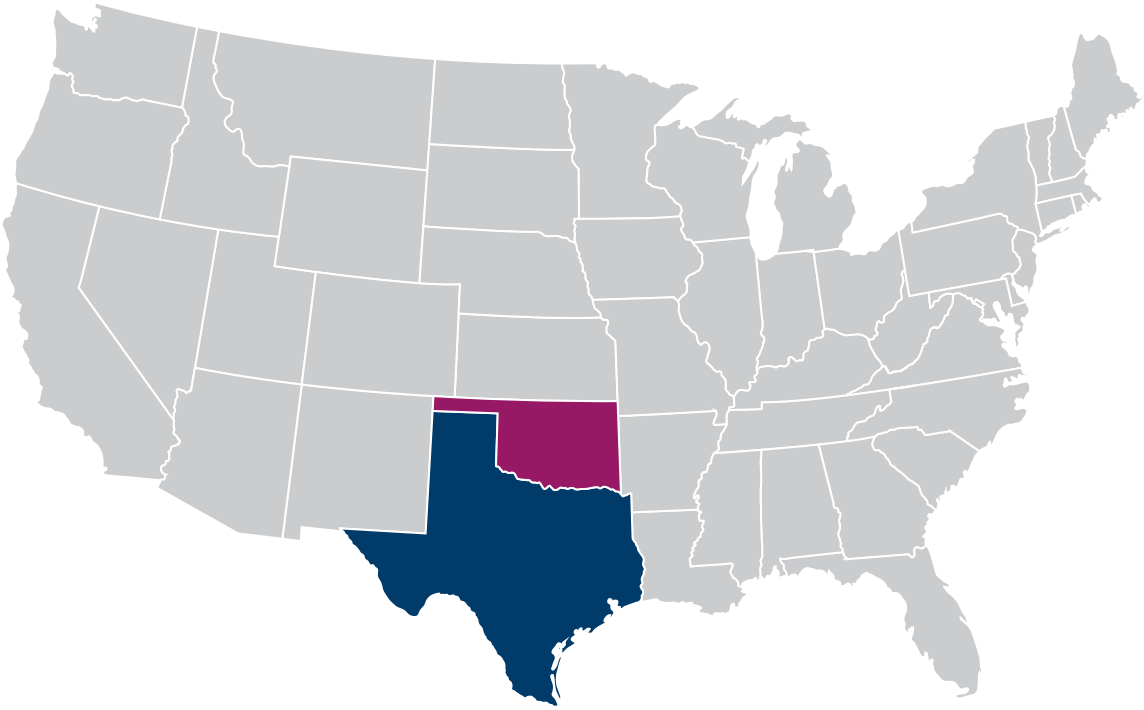
05 PRUDENT ENVIRONMENTAL STEWARDSHIP

We align ourselves with like-minded partners and employees who embrace this culture of excellence, provide industry-leading customer support and value personal relationships.

COMPANY VISION

Build a best-in-class company with dedicated people focused on safety and service to our employees and customers

We are focused on helping our customers solve their water management needs while providing best-in-class environmental stewardship and safety. Our leadership team has both E&P and midstream experience, allowing us to anticipate the market's needs, react quickly and provide services with the operator in mind.



OKLAHOMA

15 disposal wells with **280,000** BPD permitted disposal capacity

3 additional approved SWD permits

50,200 bbls of storage capacity

1.35M bbls of recycling capacity

240+ miles of produced water pipeline

TEXAS

7 disposal wells with **315,000** BPD permitted disposal capacity

7 additional SWD permits

13,000 bbls of storage capacity with **1M** barrels of additional budgeted storage

~60 miles of existing and budgeted produced water pipeline

FINANCIAL STABILITY

Macquarie Infrastructure Partners — through a 10-year, $5 billion fund — has committed $500 million to Lagoon. We are in Year 3 of the partnership. The company's financial backing helps us provide stability and ongoing support for our customers and the neighbors who live in our operating areas. Additionally, the backing from Macquaire means **our company can operate without debt and can focus on building long-term value.**

$500M

COMMITMENT

FROM MACQUAIRE INFRASTRUCTURE PARTNERS

OUR CORE VALUES

SAFETY

Staying safe is at the forefront of everything we do

SERVANT MINDSET

Serving our customers, our community and our employees

FOCUS ON PEOPLE

Treating others with dignity and respect

STEWARDSHIP

Being good stewards of our environment and corporate resources

INTEGRITY

Doing the right thing, even when no one is looking and even when it's difficult

HEALTH, SAFETY & ENVIRONMENT

At Lagoon, safety isn't just about regulations and procedures. It's a core part of our culture. Our health, safety and environment (HSE) stewardship starts with our leadership team. HSE influences our hiring decisions and is emphasized consistently in our work. We are committed ethically, financially and personally to achieving a work environment where employees and contractors return home safely to their families every day.

CO_2

12,500
metric tons of carbon dioxide avoided as of May 2022

Metrics increase daily

Each year, Lagoon transports over 50 million barrels of produced water through its more than 250 miles of underground pipeline. By transporting produced water through underground pipelines, Lagoon can remove trucks from the road and substantially reduce oil and gas operators' carbon footprint.

OUR COMMITMENTS

Health & Safety

Keeping safety at the forefront of everything we do is a core value and is foundational to Lagoon's culture. HSE success is an unambiguous measurement; it is achieved when each of our employees and contractors returns home to their families in the same condition as they arrived to work. We strive to achieve this goal through our HSE management system, which comprises four key elements: leadership, process, monitoring and reinforcement. Our plan lays out the roadmap for how Lagoon can achieve best-in-class performance.

Competency

To promote our HSE culture, we strive to attract, develop and retain individuals who share our core values. A vital aspect of this is ensuring our employees are equipped with the proper tools and training to guarantee they each have the required skills to perform their work safely and competently. All employees and contractors attend a robust HSE orientation and are required to participate in annual safety compliance training.

Compliance

Compliance is rooted in our corporate values, and we are committed to conducting our business in accordance with all applicable HSE laws, rules, and regulations. Often, Lagoon goes beyond regulatory requirements to adopt industry best practices because we believe protecting people and the environment is about more than just meeting regulatory requirements.

Contractor Management

Everyone working with Lagoon, including contractors, is responsible for achieving HSE excellence. Thus, we implement a robust contractor selection process through ISNetworld, a global leader in contractor and supplier information management. ISNetworld, among other criteria, vets contractor HSE performance. Potential Lagoon contractors must score within the top-quartile on HSE performance. Once hired by Lagoon, contractors must participate in our thorough hiring and onboarding process, which includes management expectations meetings, HSE orientation and subsequent vendor performance meetings.

Environmental Stewardship

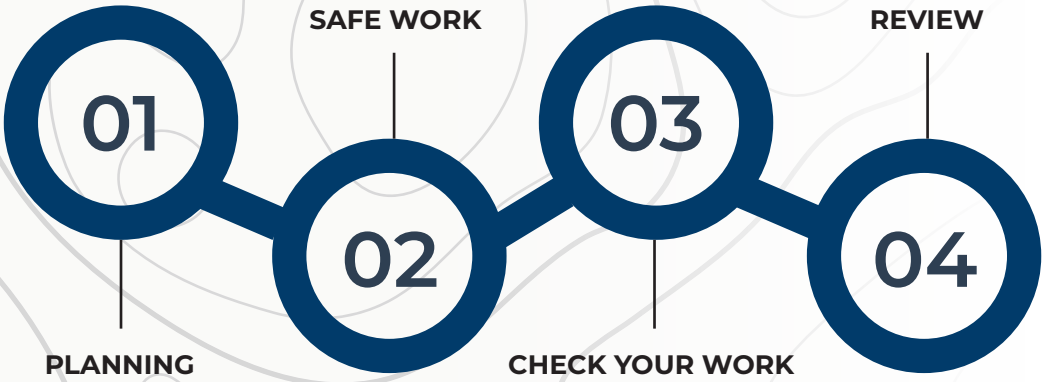
We embrace our responsibilities as stewards of the environment and embed climate-related risk analysis into our business planning. Utilizing well-established engineering controls, our facilities are fully automated and designed with oversized containment to minimize discharges, including discharges to navigable waters, and are continuously monitored and regularly inspected to reduce fugitive emissions. We are leading the industry with a strategic plan, approved by our board of directors, to achieve carbon neutrality by 2030 and net-zero by 2040.

FOCUS ON SAFETY

1,000+ DAYS

In March 2022, **Lagoon achieved a significant milestone: 1,000 days without an OSHA Recordable Injury for employees or contractors.** This accomplishment would not be possible without the dedication of each employee and contractor to Lagoon's core values and always keeping **safety at the forefront of everything we do.**

SAFETY STEPS >



Every Lagoon employee and contractor is empowered and obligated to stop work at any time they feel it is unsafe, without any fear of retribution.

All incidents, near misses and good catches are reported immediately so we can improve our operations and mindset.

As part of our safety-first culture, Lagoon places special emphasis on several critical areas, known as "Lagoon Life-Saving Rules."

LIFE-SAVING RULES

SAFE DRIVING
Follow safe driving practices, avoid distractions and stay aware of road conditions

LOCK-OUT, TAG-OUT
We will isolate, de-energize, lock out and tag out all energy sources as required when performing work

LIFTING OPERATIONS
Follow OSHA crane specifications, follow general lifting plan and inspect rigging

WORK AT HEIGHTS
Protect ourselves and others by taking effective precautions when working on any surface above 4 feet

TRENCHING/ EXCAVATIONS
Prior to digging, Lagoon requires the use of State One-Call Notification and JSA & Evacuation Checklist

PRE-JOB PLANNING
Proper job planning, hazard assessments and communication leads to a safe work environment

CONFINED SPACES
Confined space entries are not performed without proper training and pre-job planning

Every employee and contractor working on these tasks follows specific rules and procedures, in addition to basic safety precautions. We believe all accidents are preventable, and we do everything in our power to make sure they don't happen. We will never compromise safety in the execution of our business.

Before work, all Lagoon safety-sensitive employees receive OSHA 10 or similar training, drug and alcohol screening, and information on first-day expectations. Our safety culture is paramount, and discussion and training are ongoing. Our high standards in these areas extend to all contractors and anyone working with Lagoon.

We expect everyone on our team to build their on-the-job knowledge to make each day safer than the one before. This commitment has allowed us to go **more than 1,000 days without an OSHA recordable incident.**

CONTRACTOR MANAGEMENT

A critical aspect of safety is managing contractors through ISNetworld. Lagoon has robust expectations for our contractors, and ISNetworld scores potential contractors and subtractors against our standards.

Our customized, weighted scorecard incorporates a wide variety of measures: training documents, written programs, experience, citations, fatalities, lost time rate and total recordable injuries. Our process also requires an ESG culture questionnaire — which is rare in our industry — ensuring potential contractors have programs in place to capture emissions and water usage data. Companies who do not complete this part of the assessment receive a 0 overall and are ineligible to work with us.

We only work with rigorously vetted companies; Lagoon meets with contractor managers before work commences to set clear expectations for HSE and ESG performance. Vendor performance is tracked through field audits and biannual meetings.

SAMPLE ISNETWORLD SCORECARD

Grade Scorecard

Grade Component	Status	Points	Gaps
HSE Culture Questionniare	**Satisfactory**	10 / 13	⚠
Lost Time Case Rate (LTC)	**Exceptional**	10 / 10	✓
Total Recordable Incident Rate (TRIR)	**Exceptional**	10 / 10	✓
Days Away/Restricted or Transfer Rate (DART)	**Exceptional**	10 / 10	✓
Fatalities	**No Fatalities Reported**	10 / 10	✓
Citations	**No Citations**	5 / 5	✓
Experience Modifier	Rate is **0.70**	5 / 5	✓
Training Documents	**Training Documents** score is **85.71**	0 / 7	⚠
Written Programs	**RAVS** score is **88.86**	20 / 30	⚠
Insurance	Current Documents are **Not Submitted**	-100 / 0	⚠
Site Tracker	Status is **Not Applicable**	0 / 0	✓
TPS Alert DOT	Status is **Not Available**	0 / 0	✓
TPS Alert Non-DOT	Status is **Not Available**	0 / 0	✓
Environmental Questionnaire, ESG	**Complete Questionnaire**	0 / 0	✓
Ethics Questionnaire, ESG	**Complete Questionnaire**	0 / 0	✓
Human Rights Questionnaire (ESG)	**Completed Questionnaire**	0 / 0	✓
Total		-20 / 100	

FOCUS ON ENVIRONMENT

We don't just preach environmental stewardship. We make focused, strategic plans that will lower the impact of our operations on the environment.

Most importantly, our **board-approved plan places us on a pathway to carbon neutrality by 2030,** with an expectation that technological developments will get us to net zero by 2040.

Our Paris Agreement-aligned, net-zero business plan involves lowering our direct emissions (Scope 1 and Scope 2) through a wide variety of measures, including moving away from gasoline-powered vehicles. We will request and transparently provide third-party verification of our status through GRESB, including a third-party greenhouse gas audit. *See Appendix A.*

2030
Expected date for eliminating gas-powered fleet vehicles.

As part of our plan, we expect to transition 20% of our fleet each year to electric-powered vehicles and eliminate gasoline-powered vehicles by the end of the decade.

We also seek to purchase as much renewable energy as feasible from third-party providers, and we plan to purchase offsets and renewable energy credits (RECs) to account for the lack of renewable energy available in certain locations in which we operate. Currently, 50% of energy in Oklahoma is from renewable sources, and we plan a similar transition in Texas. We will seek to reduce our Scope 2 emissions from any remaining electricity that's not renewable through the purchase of RECs.

We have voluntarily implemented a leak detection and repair (LDAR) program on our facilities, despite it not being a federal or state requirement. LDAR uses an optical gas imaging system to detect fugitive emissions of methane and VOCs. This program helps reduce residual methane emissions, ensuring harmful gasses do not enter the atmosphere. We annually identify needed repairs and make improvements to hatches, connections and valves.

This extra step helps keep the air clear for everyone in our community and reduces greenhouse gasses.

WHAT IS LDAR?

LEAK DETECTION AND REPAIR

WE HAVE A ROBUST PROGRAM IN PLACE, DESPITE NO FEDERAL REQUIREMENT

OPTICAL GAS IMAGING DETECTS METHANE AND VOC EMISSIONS

GRESB

GRESB provides validated ESG performance data and peer benchmarks for investors and managers to improve business intelligence, industry engagement and decision-making.

Lagoon chooses to participate in GRESB reviews to ensure we hold ourselves accountable for our ESG performance. In our 2021 assessment, our score increased to 87 (out of 100), demonstrating clear improvements since the beginning of our GRESB program.

Lagoon is leading the way in this area. We are ahead of our American peers by choosing to participate, and we are the No. 2 ranked natural resources transportation company in the U.S.

GRESB Infrastructure is an internationally recognized, reputable sustainability benchmark tool. It is already widely employed in Europe, and it's rapidly gaining prominence in the U.S. An annual assessment questionnaire provides a standardized way to measure sustainability performance.

GRESB synthesizes complex ESG matters into material considerations and tracks performance and improvement. It provides a robust annual ESG health check and allows management teams to tailor clear action plans.

Additionally, we outperformed benchmark averages in all three categories — environmental, social and governance — and scored higher overall than 90% of participating entities across a variety of industries.

In fact, we received a perfect score in multiple areas, including health & safety; air pollution; greenhouse gas emissions; energy; and stakeholder engagement. We outperformed our peer group average in 8 of 10 categories. This score is incredibly important to us, as it is a multi-step, thorough examination and is a long and difficult process.

GRESB also provided guidance on areas of improvement, which our leadership team intends to incorporate into plans to facilitate ongoing annual score increases.

We are exceptionally proud to be an ESG-centric company, and we look forward to continual improvement.

WHY IS GRESB IMPORTANT?

- Identifies strengths and opportunities for improvement
- Synthesizes complex ESG matters into material considerations
- Highly valued communication tool for investors
- Tracks performance and improvement, as well as insight into peers operating in the same sector/ industry
- Provides a robust annual ESG health check and allows management teams to tailor bespoke ESG action plans with clear targets for the year(s) ahead

LAGOON SCORED HIGHER OVERALL THAN 90% OF PARTICIPATING ENTITIES IN THE FOLLOWING AREAS:

- HEALTH & SAFETY
- AIR POLLUTION
- GREENHOUSE GAS EMISSIONS
- ENERGY
- STAKEHOLDER ENGAGEMENT

FOCUS ON PEOPLE AND COMMUNITY

Putting a Community Relations Team in place to support the communities in which we operate has been a priority since Lagoon's inception. This team spearheads support for a wide variety of local nonprofits, from the annual Oklahoma City Memorial Marathon and the United Way of Central Oklahoma to the City Rescue Missions, Infant Crisis Center and youth livestock shows. We are integrated into our communities, and we support programs which make a difference.

We plan to expand our efforts as our operations move into new areas and our company grows. We understand the larger we become, the greater our responsibility to the people around us — and the greater opportunity to serve others.

> **"Community involvement and giving provides an opportunity to extend our Core Values and serve people in our neighborhoods. Since I joined Lagoon, we've been involved with over 20 organizations, providing support where we can while enriching our company culture through these shared experiences."**

CHASITY HARRIS
Land Specialist
Lagoon Water Midstream

APPENDIX A

VERIFICATION OPINION DECLARATION
GREENHOUSE GAS EMISSIONS

To: The Stakeholders of Lagoon Water Midstream

Apex Companies, LLC (Apex) was engaged to conduct an independent verification of the greenhouse gas (GHG) emissions reported by Lagoon Water Midstream for the period stated below. This verification declaration applies to the related information included within the scope of work described below.

The determination of the GHG emissions is the sole responsibility of Lagoon Water Midstream. Lagoon Water Midstream is responsible for the preparation and fair presentation of the GHG statement in accordance with the criteria. Apex's sole responsibility was to provide independent verification on the accuracy of the GHG emissions reported, and on the underlying systems and processes used to collect, analyze and review the information. Apex is responsible for expressing an opinion on the GHG statement based on the verification. Verification activities applied in a limited level of assurance verification are less extensive in nature, timing and extent than in a reasonable level of assurance verification.

Boundaries of the reporting company GHG emissions covered by the verification:

- Operational Control
- Worldwide

Types of GHGs: CO_2, N_2O, CH_4, HFCs

GHG Emissions Statement:

- **Scope 1:** 217 metric tons of CO_2 equivalent
- **Scope 2 (Location-Based):** 6,760 metric tons of CO_2 equivalent

Data and information supporting the Scope 1 and Scope 2 GHG emissions statement were in some cases estimated rather than historical in nature.

Period covered by GHG emissions verification:

- January 1, 2021 to December 31, 2021

Criteria against which verification conducted:

- World Resources Institute (WRI)/World Business Council for Sustainable Development (WBCSD) Greenhouse Gas (GHG) Protocol Corporate Accounting and Reporting Standard (Scope 1 and 2)

Reference Standard:

- ISO 14064-3 Second Edition 2019-04: Greenhouse gases -- Part 3: Specification with guidance for the verification and validation of greenhouse gas statements

Level of Assurance and Qualifications:

- Limited
- This verification used a materiality threshold of ±5% for aggregate errors in sampled data for each of the above indicators

GHG Verification Methodology:

Evidence-gathering procedures included but were not limited to:

- Interviews with relevant personnel of Lagoon Water Midstream;
- Review of documentary evidence produced by Lagoon Water Midstream;
- Review of Lagoon Water Midstream data and information systems and methodology for collection, aggregation, analysis and review of information used to determine GHG emissions; and
- Audit of sample of data used by Lagoon Water Midstream to determine GHG emissions.

Verification Opinion:

Based on the process and procedures conducted, there is no evidence that the GHG emissions statement shown above:

- is not materially correct and is not a fair representation of the GHG emissions data and information; and
- has not been prepared in accordance with the WRI/WBCSD GHG Protocol Corporate Accounting and Reporting Standard (Scope 1 and 2).

It is our opinion that Lagoon Water Midstream has established appropriate systems for the collection, aggregation and analysis of quantitative data for determination of these GHG emissions for the stated period and boundaries.

Statement of independence, impartiality and competence

Apex is an independent professional services company that specializes in Health, Safety, Social and Environmental management services including assurance with over 30 years history in providing these services.

No member of the verification team has a business relationship with Lagoon Water Midstream, its Directors or Managers beyond that required of this assignment. We conducted this verification independently and to our knowledge there has been no conflict of interest.

Apex has implemented a Code of Ethics across the business to maintain high ethical standards among staff in their day-to-day business activities.

The verification team has extensive experience in conducting assurance over environmental, social, ethical and health and safety information, systems and processes, has over 20 years combined experience in this field and an excellent understanding of Apex's standard methodology for the verification of greenhouse gas emissions data.

Attestation:

Trevor Donaghu, Lead Verifier
Program Manager
Apex Companies, LLC
Pleasant Hill, CA

John Rohde, Technical Reviewer
Senior Program Manager
Apex Companies, LLC
Lakewood, CO

4/14/2022

This verification statement, including the opinion expressed herein, is provided to Lagoon Water Midstream and is solely for the benefit of Lagoon Water Midstream in accordance with the terms of our agreement. We consent to the release of this statement by you to CDP in order to satisfy the terms of CDP disclosure requirements but without accepting or assuming any responsibility or liability on our part to CDP or to any other party who may have access to this statement.

FORWARD-LOOKING STATEMENTS

Certain of the information contained in this ESG Report contains "forward-looking statements" or information. Any statements that are not statements of historical facts may be deemed to be forward-looking statements. When used in this Report, the words "may," "could," "anticipate," "target," "plan," "continue," "goal," "commit," "achieve," "project," "intend," "estimate," "believe," "expect" and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain such words. Forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from our historical experience and our present expectations or anticipated results. These risks and uncertainties, include, but are not limited to: continued uncertainties related to the impact of the COVID-19 pandemic on our business and operations, financial performance and liquidity, our investors and portfolio companies, and on the global economy; changes in general economic conditions, in the U.S. or internationally; significant competition on a local, regional, national and international basis; changes in the regulatory environment in the U.S. or internationally; increased or more complex physical or data security requirements; legal, regulatory or market responses to global climate change; our ability to attract and retain qualified employees; breaches in data security; disruptions to the Internet or our technology infrastructure; interruptions in or impacts on our business from natural or man-made events or disasters including terrorist attacks, epidemics or pandemics; our ability to accurately forecast our future capital investment needs; exposure to changing economic, political and social developments in international and emerging markets; changes in business strategy, government regulations, or economic or market conditions that may result in impairment of our assets; increases in our expenses or funding obligations relating to employee health, retiree health and/or pension benefits; potential additional U.S. or international tax liabilities; potential claims or litigation related to labor and employment, personal injury, property damage, business practices, environmental liability and other matters; and other risks. The forward-looking statements speak only as of the date of this ESG Report and undue reliance should not be placed on these statements. Investors should read this ESG Report in conjunction with investment fund quarterly reports, financial statements and other disclosures regarding the valuations and performance of the specific investments listed herein. Lagoon disclaims any obligation to update any forward-looking statements as a result of new information, future events or otherwise. Goals are aspirational and not guarantees or promises that all goals will be met. Statistics and metrics relating to ESG matters are estimates and may be based on assumptions or developing standards.

ESG REPORT 2021

LAGOON WATER MIDSTREAM