

SECOND PARTY OPINION (SPO)

Sustainability Quality of the Issuer and Sustainability-Linked Securities

Solaris Water
22nd March 2021

VERIFICATION PARAMETERS

Type(s) of instruments contemplated	Sustainability-Linked Securities
Relevant standards	Sustainability-Linked Bond Principles, as administered by ICMA
Lifecycle	Pre-issuance verification
Validity	For one issuance

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SCOPE OF WORK

Solaris Water (Solaris) commissioned ISS ESG to assist with its Sustainability-Linked Securities by assessing three core elements to determine the sustainability quality of the instrument:

1. The sustainability credibility of the KPI selected and Sustainability Performance Target (SPT) calibrated – whether the KPI selected is core, relevant and material to the issuer’s business model and sector and whether the associated target is ambitious.
2. Solaris’ Sustainability-Linked Securities Framework (March 2021) and structural components of the transaction – benchmarked against the Sustainability-Linked Bond Principles (SLBPs), as administered by the International Capital Market Association (ICMA).
3. Solaris’ sustainability performance, according to the ISS ESG Corporate Rating.

ISS ESG SPO ASSESSMENT SUMMARY

SPO SECTION	EVALUATION SUMMARY ¹
<p>Part 1:</p> <p>Focus on KPI selection and SPT calibration</p>	<p>KPI selection: Material to issuer’s business model and sustainability profile</p> <p>Sustainability Performance Target (SPT) calibration:</p> <ul style="list-style-type: none"> › Ambitious against issuer’s past performance › Ambitious against issuer’s sectorial peer group › No international target available for comparison <hr/> <p>The KPI selected is core, relevant and material to the issuer’s business model and consistent with its sustainability strategy. It is appropriately measurable, quantifiable, externally verifiable and benchmarkable. It covers a material scope of the operations and activities of Solaris.</p> <p>The SPT calibrated by Solaris is ambitious against the company’s past performance and compared to its industry peers² that have not communicated publicly any targets in terms of increasing recycled produced water.</p> <p>Solaris is the only company in the investigated peer group² to have concrete targets to increase recycled produced water. The target is set with a clear timeline, is benchmarkable and supported by a credible strategy and action plan.</p>
<p>Part 2:</p> <p>Alignment with the SLBPs</p>	<p>Aligned with ICMA Sustainability-Linked Bond Principles</p> <hr/> <p>The issuer has defined a formal concept for its Sustainability-Linked Securities regarding the selection of the KPI, calibration of Sustainability Performance Targets (SPT), Sustainability-Linked Securities characteristics, reporting and verification. This concept is in-line with the Sustainability-Linked Bond Principles (SLBPs) administered by the ICMA.</p>

¹ ISS ESG’s evaluation is based on the engagement conducted in March 2021 and on Solaris’s Sustainability-Linked Securities Framework (March 2021 version).

² ISS ESG identified the peer group with the issuer’s help. The peer group is composed of Water Midstream Infrastructure Companies and Oil & Gas service providers providing water management solutions in the Permian Basin. None of the selected peers is rated in ISS ESG universe. The analysis has been realized on both publicly available information and information provided by the issuer.

Consistent with issuers' sustainability strategy

Part 3:

**Issuer
sustainability
performance**

Solaris is a developer and operator of water infrastructure assets in the Permian Basin, US, providing services to over 35 contracted customers in the Oil & Gas industry as of March 2021. As all of the company's operations are located in the Permian Basin, it mainly provides services to companies engaged in hydraulic fracturing. Solaris supplies recycled produced water and/or groundwater (only brackish water³ excluding freshwater) and collects the produced water⁴ from the extraction process. The produced water is then disposed of in saltwater disposal wells or recycled by Solaris.

By providing wastewater services and recycling produced water, Solaris reduces pressure on freshwater sources and contributes to global water conservation. Through its services, the company also positively contributes to global sustainability goals to ensure health and safety.

By disposing of produced water, Solaris faces two main risks (water pollution and seismic risks) that it mitigates through wellbore design, constant monitoring of wellbore pressure and strong seismic risk analysis in areas with existing faults.

³ The United States Geological Survey defines 'brackish water' as follows: 'All water naturally contains dissolved solids that, if present in sufficient concentration, can make a surface-water or groundwater resource 'brackish', typically defined as distastefully salty. Although quantitative definitions of this term vary, it is generally understood that brackish groundwater is water that has a greater dissolved-solids content than occurs in fresh water, but not as much as seawater (35,000 milligrams per liter)' - <https://water.usgs.gov/ogw/gwrp/brackishgw/brackish.html>.

⁴ Produced water is naturally occurring water that comes out of the ground along with Oil & Gas.

ISS ESG SPO ASSESSMENT

PART 1: SUSTAINABILITY CREDIBILITY OF KPI AND SPT

1.1. KPI selection

KPI selected by the issuer

FROM ISSUER'S FRAMEWORK

KPI: Increase recycled produced water sold and reduce groundwater withdrawals sold expressed as a percentage of barrels of recycled produced water sold per year / total barrels of water sold per year.

SPT: Increase barrels of recycled produced water sold to 60% by 2022 from a 2020 baseline of 42.1%.

Long-term goals:

- 2025: 85% of all barrels of water sold per year to our customers will be barrels of recycled produced water.
- 2030: 98% of all barrels of water sold per year to our customers will be barrels of recycled produced water.

Solaris Water is playing a leading role in helping to transition our customers in the Permian Basin away from consuming scarce water sources for operator completions, and instead utilize recycled produced water. Through its ambitious long-term KPI targets, Solaris Water will continue to facilitate greater recycled produced water adoption across the industry.

SDG 6: Clean water and sanitation

SDG 12: Responsible production and consumption

Rationale for KPI: Solaris Water sells water in two forms: (1) recycled/treated produced water and (2) groundwater. Our KPI enables us to reduce groundwater withdrawals for water intensive industrial operations in the water stressed Permian Basin by increasing our sales of recycled produced water.

Scope: The KPI encompasses 100% of Solaris' sourcing operations in the Permian Basin.

Materiality and relevance

Conserving water by reducing pressure on groundwater sources is considered a key ESG issue faced by environmental services companies active in the Permian Basin. Providing water midstream services to Oil & Gas operators for hydraulic fracturing operations requires large volumes of water; this is particularly true in the most arid states (e.g., New Mexico) in which water used for hydraulic fracturing is a combination of surfacewater, groundwater and/or recycled water. After the hydraulic fracturing process is complete, a portion of the water and chemicals injected into the well will flow back out of the well along with water already present in the geological formation; this water is

commonly referred to as 'produced water'. The produced water collected is either recycled or disposed of in saltwater disposal wells (contributing potentially to increased water pollution). Solaris, as a water midstream infrastructure company (i) supplies water for the hydraulic fracturing process (groundwater and/or recycled) and collects produced water flowing back to the surface for recycling or disposal.

ISS ESG finds that the 'recycled produced water increase as a percentage of total water sales' KPI selected by the issuer is:

- **Relevant to Solaris' business as its industry is highly exposed to water stress, more specifically in arid regions.** As described above, large volumes of water are needed for the hydraulic fracturing process. By increasing this KPI, Solaris will contribute to lowering the pressure on groundwater resources;
- **Core to the issuer's business as measures to increase recycled produced water volumes will impact key processes and operations** (e.g., increase the quantity of water collected and not disposed, increase the treatment capacity);
- **Material as the KPI enables Solaris to mitigate the 'water stress' risk related to the company's activity** which captures 100% of Solaris' sourcing operations. However, the KPI does not cover a future absolute growth of groundwater withdrawals as it tracks the relative share of groundwater sales (as a percentage of total water sales).

Consistency with overall company's sustainability strategy

Since its formation, Solaris has identified reducing water stress through water recycling as one of its primary goals. According to the issuer, and the information publicly available, Solaris has become a leader in supplying a greater percentage and volume of recycled produced water to its customers. Since July 2019, it has supplied over 1,158,000,000 gallons of recycled produced water to 9 different operators. In its 2020 Sustainability Report, the company has clearly disclosed a 2021 target for recycled water volume (1,974,000,000 gallons).

ISS ESG finds that the design of the 'recycled produced water sales / total water sales' KPI is consistent with Solaris' long-standing strategy of reducing water stress, which is in-line with the company's sustainability strategy.

Measurability

- **Material scope and perimeter:** The KPI selected covers material operations and activities of the company as it requires tracking 100% of the company's sourcing operations.
- **Quantifiable:** The KPI selected is measurable and quantifiable. The calculation is based on common water meter readings⁵ (according to Solaris, this is the official methodology to bill customers in the industry).
- **Externally verifiable:** The KPI selected is externally verifiable. The independent verifier already verified the baseline and will provide assurance over the next two years until the SPT Observation Date. The independent verifier will conduct its review based on (i) invoices sent

⁵ Recycled Produced Water Sales Volumes = Meter Reading FINAL - Meter Reading START.

to customers, (ii) payments made by customers and (iii) a Master file including water volumes provided by Solaris on the basis of meter readings.

- **Benchmarkable:** The company follows a clear and widely used calculation methodology, which can be benchmarked against recycling⁶ disclosures made by other companies (although today, no similar disclosures are made publicly available by peers).

Opinion: *ISS ESG finds that the KPI selected is core, relevant and material to the issuer's business model and consistent with its sustainability strategy. It is appropriately measurable, quantifiable, externally verifiable and benchmarkable. It covers a material scope of the operations and activities of Solaris.*

⁶ Share of recycling is a commonly used metric for circular economy applications (e.g., Recycling of waste components for the Utilities sector, Percentage of recycled materials for the Furniture sector).

1.2. Calibration of SPT

SPT set by the issuer

FROM ISSUER'S FRAMEWORK⁷

SPT: Increase barrels of recycled produced water sold to 60% by 2022 from a 2020 baseline of 42.1%.

Sustainability Performance Target Trigger: 60% of recycled produced water barrels sold.

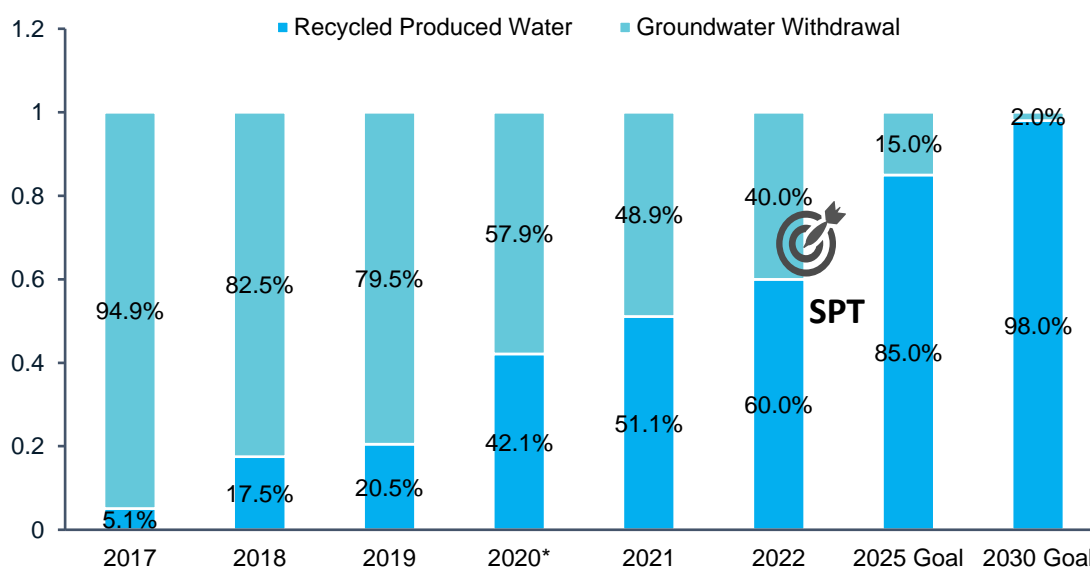
Sustainability Performance Target Observation Date: December 31, 2022.

YE 2020 Baseline: 42.1% of recycled produced water barrels sold.

Long-term goal:

- 2025: 85% of all barrels of water sold per year to our customers will be barrels of recycled produced water.
- 2030: 98% of all barrels of water sold per year to our customers will be barrels of recycled produced water.

% Breakdown of Total Water Supply



*During the year of 2020, a combination of factors including growth of operator activity in the basin, and a significant investment in people, technology, and infrastructure, accounted for this meaningful increase in recycled produced water sales

2020 is our baseline

2021 is an estimated number

2022 is our Sustainability Performance Target (SPT)

2025 and 2030 are our long term goals

Source: Solaris as of 2/21/2021

⁷ This table is displayed by the issuer in its Sustainability-Linked Bond Framework and has been copied over in this report by ISS ESG for clarity.

Methodology for calculating SPT: % of barrels of recycled produced water sold per year / total water sales (i.e. total groundwater withdrawal barrels sold + recycled produced water barrels sold).

Water measurement methodology and data scope: An independent third-party assurance provider will provide assurance on the baseline and over the next two years up until the SPT Observation date. The KPI encompasses 100% of Solaris' sourcing operations in the Permian Basin.

Solaris Water is the first produced water infrastructure and recycling company in the Permian Basin to supply meaningful volumes of recycled produced water to multiple Oil & Gas operators using its pipeline gathering system. The produced water infrastructure industry has a short history, gathering growth around 2015 following the emergence of multi-well pad, horizontal completion programs which generate significant volumes of produced water, better suited for large-scale, commercial pipeline infrastructure than truck transfer. As a result, Solaris Water has a limited peer set, and those that do exist, have either made little progress in recycling and/or do not publicly quantify any related figures.

Traditionally, Solaris' customers, in limited circumstances, have undertaken their own recycling, or used significant quantities of groundwater. However, building pipeline infrastructure across a vast area has enabled Solaris Water to supply numerous customers with significant volumes of recycled produced water. Through February 2021 and since July 2019, Solaris Water has supplied over 1,158,000,000 gallons of recycled produced water to multiple operators.

Despite the logistical and operational challenges of meeting the needs of multiple operators simultaneously, Solaris Water has become a leader in supplying a greater percentage and volume of recycled produced water to its customers than can be consistently achieved by customers undertaking these activities for themselves.

Factors that support the achievement of the targets:

- To achieve the 60% SPT, Solaris Water must continue to construct storage facilities to supplement the capacity of its recycling facilities to supply more customers with recycled water— in some cases, simultaneously – out of a single site, and Solaris must manage multiple recycle operations at different locations across its connected pipeline infrastructure, requiring detailed logistical planning and management of system hydraulics.
- Utilizing over 50% recycled produced water remains a major milestone for Oil & Gas operators due to historic barriers of not having access to a predictable and adequate supply of recycled produced water in the treatment specification needed.
- We spend a lot of time working with customers and highlighting the benefits of using recycled produced water and the positive impact on their operations.

Factors that risk the achievement of the targets:

- Recycled volumes are dependent on the market, adoption and use of recycled volumes by operators in our region and customer completions, pandemics and macroeconomic growth and commodity prices can affect this ratio.
- Recycling infrastructure may not be near customer locations which may result in certain cases in the use of a greater ratio of groundwater to recycled water.

Ambition

Against company's past performance

- Solaris sets the SPT to increase its recycled produced water sold to 60% of its total water sales by 2022 (from a 2020 baseline of 42.1%). The total recycled produced water share in 2022 would be approximately 10 times higher than the 2017 share (recycled produced water represented 5.1% of total water sales in 2017). Solaris' goals align with the longer-term target of increasing its recycled produced water to 98% of its total water sales by 2030.
- The growth-rate implied by the 2022 target is slower than in the past. In fact, over the 2018 - 2020 period, the recycled water portion increased by 2.41x while over the 2020 – 2022 period, it would increase by an annual factor of 1.43x. This is mainly due to:
 - i. the future strong growth of the total water sales anticipated by the company and caused by the growing needs of water for unconventional exploration and production processes. This will, all other things being equal, decrease recycled water portion and;
 - ii. the exceptional share of recycled water growth sold by the company in the baseline year of 2020, which is the year Solaris began to fully benefit from the infrastructures it had put in place in the recent past (e.g., treatment facilities, pipelines).
- In this context and compared to the baseline year, the SPT set by Solaris is perceived by ISS ESG as ambitious against the company's past performance.

Against company's sectorial peers

- ISS ESG conducted a benchmarking study of the SPT set by Solaris against Water Infrastructure Midstream companies and Oil & Gas service providers currently active in the Permian Basin. Peers that compose of both groups, provide water management solutions (water transportation, disposal, recycling, and supply). As of today, the main difference is that Water Infrastructure Midstream companies usually provide those solutions through their own integrated pipeline networks and treatment facilities (vs. on-site solutions for Oil & Gas Service providers).
- In terms of setting recycling targets, Solaris is the only company (against its industry peers, defined by ISS ESG) that communicates on total recycled produced water (in million bbl per year) and has a concrete recycled produced water expansion target (2021 target already publicly available in their 2020 Sustainability Report).
- Even if there is no or limited information available regarding industry peers, ISS ESG concludes that the SPT set by the issuer is ambitious as none of the investigated peer group of 7 companies had targets in the same order of magnitude or disclosed information on current performance levels⁸.

⁸ It is important to note that in the cases where water midstream companies recycle for an Oil & Gas (O&G) company, O&G companies count these recycled barrels in their ESG metrics. Another limit to use O&G companies metrics as a benchmark is that they usually only disclose their absolute freshwater volume used (without disclosing the recycled portion).

Against international targets

- According to the issuer, as of today, there is no industry specific target available as a reference point in terms of use of recycled water.
- However, States (e.g. New Mexico) and upstream Oil & Gas companies active in the Permian Basin (e.g., Pioneer, Devon, Chevron, EOG) have been working to minimize the use of freshwater for Oil & Gas use.
- In December 2020, the New Mexico State Land Office (NMSLO) halted the commercial sale of freshwater from State Land for Oil & Gas use. Solaris already respects this and does not provide freshwater to its clients.
- Upstream Oil & Gas companies have been developing freshwater reduction action plans, and maximizing recycled produced water sourcing in their operations is key to executing their plans. However, there is limited data available on specific targets in terms of total produced recycled water used / total water used by producers.
- In the absence of a definite international target for the industry on usage of recycled water, Solaris's long-term target of 98% of recycled water sold by 2030 is considered ambitious as it approaches a fully closed cycle of water recycling.

Measurability & comparability

- **Historical data:** The issuer provided relevant historical data from 2017 (prepared by Solaris) to 2020 (baseline year). The baseline has been verified.
- **Benchmarkable:** The KPI, considered as core, relevant and material, is easily calculable by any company providing water management solutions.
- **Timeline:** The issuer defined a precise timeline related to the SPT achievement, including the target observation date of 12/31/2022, the trigger event (60% target reached) and the frequency of SPTs measurement (annually).

Supporting strategy and action plan

- In its Framework, Solaris states that the strong increase in recycled produced water sales in 2020 resulted from a combination of factors including:
 - growth of operators activity in the basin;
 - a significant investment in people, technology, and infrastructure.
- Solaris will be able to reach its SPT in 2022 if (i) the demand for recycled water keeps growing and (ii) the company manages to meet this demand by increasing its recycling capacity and strengthening its pipeline networks:
 - i. Key Oil & Gas operators in the region show commitment to reduce the use of freshwater by implementing freshwater reduction action plans. Maximizing recycled water resources is often part of those plans (e.g. Pioneer's freshwater reduction action plan⁹);
 - ii. Solaris has 7 active water treatment facilities. To meet a growing demand, the company kept investing in infrastructure and plans to have 12 active treatment

⁹ Pioneer's Sustainability report - <https://www.pxd.com/reports/2020-sustainability-report>.

facilities by the end of 2021. Solaris' treatment capacity is planned to increase from 315,000 BWPD¹⁰ in 2020 to 675,000 BWPD in 2021 to 945,000 BWPD in 2022.

Opinion: *ISS ESG finds that the SPT calibrated by Solaris is ambitious against the company's past performance, when compared to selected peers within the Water Infrastructure Midstream and Oil & Gas services providers peer group, and in terms of defining a recycled produced water growth target. According to the issuer, there is no international or local industry specific target available as a reference point. Solaris is the only company (against its industry peers, defined by ISS ESG) that set an SPT to increase recycled produced water (as a percentage of total water sales). The target is set in a clear timeline, is benchmarkable and supported by a credible strategy and action plan.*

¹⁰ Barrels of water per day.

PART 2: SUSTAINABILITY-LINKED BOND PRINCIPLES

Rationale for Framework

The issuer intends to issue Sustainability-Linked Bonds (“SLBs”) in order to further use its example to effect positive industry change. Through its issuance, the company is eager to reinforce its water stewardship, and to build sustainable, long-term growth and value through the construction and operation of integrated produced water infrastructure. The issuer hopes that the issuances of the first SLBs, which support water recycling goals, will have a ripple effect on the whole industry.

Opinion: ISS ESG considers the Rationale for Issuance description provided by Solaris as aligned with the SLBPs. The issuer has created and committed to publicly disclose the first framework of its kind in a comprehensive and credible manner.

2.1. Selection of KPI

ISS ESG conducted a detailed analysis of the sustainability credibility of KPI selection available in section 1 of this report.

Opinion: ISS ESG considers the Selection of KPIs as per the description provided by Solaris as aligned with the SLBPs. The KPI is relevant, core and material to the issuer’s overall business and of high strategic significance to the issuer’s current and/or future operations (detailed analysis has been conducted in [section 1 of this report](#)). The KPI is quantifiable, externally verifiable and benchmarkable. It is well quantified and calculated on a consistent methodological basis. The baseline selected for improvement as well as the rationale for that baseline, is well defined. The definition of applicable scope for the KPI is provided.

2.2. Calibration of Sustainability Performance Target (SPT)

ISS ESG’s detailed analysis of the sustainability credibility of SPT is available in [section 1 of this report](#).

Opinion: ISS ESG considers the Calibration of Sustainability Performance Target (SPT) description provided by Solaris as aligned with the SLBPs. The SPT is ambitious against the company’s past performance, compared to Water Infrastructure Midstream companies and Oil & Gas service providers practices in terms of defining a recycled produced water increase target. According to the issuer, as of today, there is not any industry specific target available as a reference point. Strategic information that would decisively impact the achievement of the SPT has been considered by Solaris while calibrating the target. The timeline, calculation methodology and benchmark for the target achievement are clearly defined.

2.3. Sustainability-Linked Securities Characteristics

FROM ISSUER'S FRAMEWORK

Our Sustainability-Linked Bonds have a sustainability-linked feature that will result in a coupon adjustment if our performance does not achieve the stated Sustainability Performance Targets. The relevant KPI, SPT(s) and coupon adjustment, if applicable, would be specified in the terms and conditions of the relevant SLBs prospectuses.

Opinion: ISS ESG considers the Sustainability-Linked Securities characteristics description provided by Solaris as aligned with the SLBPs. The issuer gives a detailed description of the potential variation of the financial characteristics of the securities, while clearly defining the KPI and SPT and its calculation methodologies. The bond documentation includes an Optional Redemption section (please refer to the bond documentation for more details).

2.4. Reporting

FROM ISSUER'S FRAMEWORK

Annually, and in any case for any date/period relevant for assessing the trigger of the SPT performance leading to a potential coupon adjustment, such as a step-up of our Sustainability-Linked Bond financial characteristics, we will publish and keep readily available and easily accessible on our website a Sustainability-Linked Bond update included within our Sustainability Annual Report including:

- i. Up-to-date information on the performance of the selected KPI, including the baseline where relevant;
- ii. A verification assurance report relative to the SPT outlining the performance against the SPT and the related impact, and timing of such impact, on a bond's financial performance; and
- iii. Needed relevant information enabling investors to monitor the progress of the SPT.

Information may also include when feasible and possible:

- i. Qualitative or quantitative explanation of the contribution of the main factors, including M&A activities, behind the evolution of the performance/KPI on an annual basis;
- ii. Illustration of the positive sustainability impacts of the performance improvement; and/or
- iii. Any re-assessments of KPI and/or restatement of the SPTs and/or pro-forma adjustments of baselines or scope of the KPI.

Opinion: ISS ESG considers the Reporting description provided by Solaris as aligned with the SLBPs. This will be made publicly available annually and include detailed information, reflecting best market practices.

2.5. Verification

FROM ISSUER'S FRAMEWORK

Annually, and in any case for any date/period relevant for assessing the SPT performance leading to a potential coupon adjustment, such as a step-up of the Sustainability-Linked Bond financial characteristics, until after the SPT trigger event of a bond has been reached, we will seek independent and limited assurance of our performance level against the SPT for the stated KPI by a qualified external reviewer with relevant expertise. The verification of the performance against the SPT will be made publicly available on our website.

We will obtain and make publicly available a Second Party Opinion (SPO) from a consultant with recognized environmental and social expertise to provide an opinion on the sustainability benefit of this Sustainability-Linked Bond Framework as well as the alignment to the SLBP. The SPO will be available on the SPO provider's website.

Opinion: ISS ESG considers the Verification description provided by Solaris as aligned with the SLBPs. The issuer plans on having all annual values of the SPT published and verified; this will outline the performance against the SPT, the related impact and timing of such impact on the securities financial characteristics.

PART 3: SOLARIS' ESG PERFORMANCE AND STRATEGY

Key Issues of the industry:

1. Energy management and resource efficiency
2. Environmentally safe operation of plants and infrastructure
3. Accessibility and reliability of energy and water supply
4. Business ethics and government relations
5. Worker safety and accident prevention

Indicative ESG risk and performance assessment:

Solaris is a developer and operator of water infrastructure assets in the Permian Basin, US, providing services to greater than 35 contracted customers from the Oil & Gas industry as of March 2021. As a significant share of the company's operations are located in the Permian Basin, it mainly provides services to companies engaged in hydraulic fracturing.

The company has implemented a health and safety management system (ISO 45001 aligned), and reports on process safety procedures. As no current data is publicly available on total recordable accident rates for employees and contractors (data only reported to Solaris employees per Occupational Safety and Health Administration requirement), Solaris' current safety performance cannot be assessed against a benchmark. Solaris has a relatively comprehensive employee manual that gives guidance on non-discrimination and conflicts of interest. When hired, every employee is required to read, consent and adhere to the policies. To fight against discriminatory behavior, the company has reporting processes that enable employees to report such behavior.

Solaris argues that by providing infrastructure for transporting water via pipelines, it avoids the need to use trucks and associated CO₂ emissions. Solaris is also committed to reduce its greenhouse gas emissions (GHG), e.g., by a reduced use of temporary generators and using natural gas instead of diesel. Solaris does not communicate on its GHG emissions as it is, according to the issuer, below the EPA GHG reporting level threshold (25,000 metric tons of CO₂ per year). The company is currently working on a Scope 1 and 2 reduction target and has been developing a strategy to reach it¹¹. Regarding water, Solaris aims to increase the volume of recycled water delivered to customers by 2.6X from 2020 (18 million bbl) to 2021 (47 million bbl). Additionally, a target is set to increase recycled produced water sold to 60% by 2022, from a baseline of 42.1%, as a proportion of total water sales. By reusing wastewater, the company contributes to reducing pressure on freshwater sources. The company also engages in research on emergent technologies for water treatment that increase the reuse of produced water, e.g., for irrigation purposes. Solaris has taken measures to avoid wastewater spills and leakage such as maintenance procedures and leak detection programs. Water that is not recycled is currently disposed of in saltwater disposal wells; this process implies major potential environmental adverse impacts such as seismic risks and water pollution risks. Solaris aims to avoid groundwater contamination through wellbore design and constant monitoring of wellbore pressure. According to the issuer, in the States of New Mexico and Texas, there is no standard on water quality of the produced water which is disposed of in saltwater disposal wells under Oil & Gas regulations. However, regulators protect freshwater aquifers ensuring that casing

¹¹ Comment based on non-public available information shared by Solaris to ISS ESG.

and cement protect water-bearing zones, and that all installations are monitored for pressure to detect leaks. Solaris closely follows those procedures.

Indicative product portfolio assessment:

- **Social impact of the product portfolio:**

Solaris’ business model is entirely based on providing wastewater services for corporate customers, accounting for an assumed 100% revenue share. By treating wastewater and thereby reducing the environmental load on water streams, the company positively contributes to global sustainability goals to ensure health.

- **Environmental impact of the product portfolio:**

By providing wastewater services and recycling produced water, Solaris reduces pressure on freshwater sources and contributes to global water conservation. It can be assumed that 100% of revenues are attributable to related activities. However, Solaris’ services are connected to the application of hydraulic fracturing, which negatively impacts global climate goals.

Controversy risk assessment:

Based on a review of controversies in the period of 1 January 2019 to 3 March 2021, the greatest risk reported against companies operating in the Utilities/Environmental Services sector relate to activities that may have adverse impacts on the environment and human rights. This is closely followed by the failure to respect labour rights. The top three issues that have been reported against companies within the industry are as follows: alleged failure to prevent water pollution, poor waste management and failure to respect the right to water. This is closely followed by the alleged failure to respect the right to health, failure to prevent depletion of biodiversity and failure to assess environmental impacts.

There is no indication of Solaris being involved in any of the above-mentioned controversies.

Comment: Solaris provided several relevant documents, including a short ESG report and an employee manual.

Contribution of the KPI to sustainability objectives and priorities

ISS ESG mapped the KPI selected by the issuer for its Sustainability-Linked Securities with the sustainability objectives defined by the issuer, and with the key ESG industry challenges as defined in the ISS ESG Corporate Rating methodology for the Utilities/Environmental Services sector. Key ESG industry challenges are key issues that are highly relevant for a respective industry to tackle when it comes to sustainability, e.g. climate change and energy efficiency in the buildings sector. From this mapping, ISS ESG derived a level of contribution to the strategy of the KPI selected.

KPI SELECTED	SUSTAINABILITY OBJECTIVES FOR THE ISSUER	KEY ESG INDUSTRY CHALLENGES	CONTRIBUTION
Recycled produced water increase as a percentage of total water sales	✓	✓	Contribution to a material objective

Opinion: ISS ESG finds that the KPI is consistent with the issuer’s sustainability strategy and material ESG topics for the issuer’s industry.

DISCLAIMER

1. Validity of the SPO: As long as Solaris' Sustainability-Linked Financing Framework and benchmarks for the Sustainability Performance target remain unchanged.
2. ISS ESG uses a scientifically based rating concept to analyse and evaluate the environmental and social performance of companies and countries. In doing so, we adhere to the highest quality standards which are customary in responsibility research worldwide. In addition, we create a Second Party Opinion (SPO) on bonds based on data from the issuer.
3. We would, however, point out that we do not warrant that the information presented in this SPO is complete, accurate or up to date. Any liability on the part of ISS ESG in connection with the use of these SPO, the information provided in them and the use thereof shall be excluded. In particular, we point out that the verification of the compliance with the selection criteria is based solely on random samples and documents submitted by the issuer.
4. All statements of opinion and value judgements given by us do not in any way constitute purchase or investment recommendations. In particular, the SPO is no assessment of the economic profitability and credit worthiness of a bond but refers exclusively to the social and environmental criteria mentioned above.
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ANNEX 1: Methodology

Alignment of the concept set for transactions against the Sustainability-Linked Bond Principles, as administered by ICMA

ISS ESG reviewed the Sustainability-Linked Financing Framework of Solaris, as well as the concept and processes for issuance against the Sustainability-Linked Bond Principles administered by the ICMA. Those principles are voluntary process guidelines that outline best practices for financial instruments to incorporate forward-looking ESG outcomes and promote integrity in the development of the Sustainability-Linked Bond market by clarifying the approach for issuance.

ISS ESG reviewed the alignment of the concept of Solaris' issuance with mandatory and necessary requirements as per the Appendix II - SLB Disclosure Data Checklist of those principles, and with encouraged practices as suggested by the core content of the Principles.

Analysis of the KPI selection and associated SPT

In line with the voluntary guidance provided by the Sustainability-Linked Bond Principles, ISS ESG conducted an in-depth analysis of the sustainability credibility of the KPI selected and associated SPT. ISS ESG analysed if the KPI selected is core, relevant and material to the issuer's business model and consistent with its sustainability strategy thanks to its long-standing expertise in evaluating corporate sustainability performance and strategy. ISS ESG also reviewed if the KPI is appropriately measurable by referring to key GHG reporting protocols and against acknowledged benchmarks.

ISS ESG analysed the ambition of the SPT against Solaris' own past performance (according to Solaris' reported data), against Transport and Logistics peers involved in road transportation (as per ISS ESG Peer Universe and data) and the UN SDGs (according the ISS ESG proprietary methodology). Finally, ISS ESG evaluated the measurability & comparability of the SPT, and the supporting strategy and action plan of Solaris.

ANNEX 2: Quality management processes

SCOPE

Solaris commissioned ISS ESG to compile a Sustainability-Linked Financing SPO. The Second Party Opinion process includes verifying whether the Sustainability-Linked Financing Framework aligns with the ICMA Sustainability-Linked Bond Principles and to assess the sustainability credentials of its Sustainability-Linked Securities, as well as the issuer's sustainability strategy.

CRITERIA

Relevant Standards for this Second Party Opinion:

- Sustainability-Linked Bond Principles, administered by the ICMA

ISSUER'S RESPONSIBILITY

Solaris' responsibility was to provide information and documentation on:

- Framework
- Rationale and supporting calculations and methodologies for KPI selection and SPT setting
- Documentation of ESG strategy, policies and measures implemented by Solaris

ISS ESG'S VERIFICATION PROCESS

ISS ESG is one of the world's leading independent environmental, social and governance (ESG) research, analysis and rating houses. The company has been actively involved in the sustainable capital markets for over 25 years. Since 2014, ISS ESG has built up a reputation as a highly-reputed thought leader in the green and social bond market and has become one of the first CBI approved verifiers.

ISS ESG has conducted this independent Second Party Opinion of the Sustainability-Linked Securities to be issued by Solaris based on ISS ESG methodology and in line with the Sustainability-Linked Bond Principles administered by the ICMA.

The engagement with Solaris took place in December 2020 and January 2021.

ISS ESG'S BUSINESS PRACTICES

ISS has conducted this verification in strict compliance with the ISS Code of Ethics, which lays out detailed requirements in integrity, transparency, professional competence and due care, professional behaviour and objectivity for the ISS business and team members. It is designed to ensure that the verification is conducted independently and without any conflicts of interest with other parts of the ISS Group.

About ISS ESG SPO

ISS ESG is one of the world's leading rating agencies in the field of sustainable investment. The agency analyses companies and countries regarding their environmental and social performance.

As part of our Sustainable (Green & Social) Bond Services, we provide support for companies and institutions issuing sustainable bonds, advise them on the selection of categories of projects to be financed and help them to define ambitious criteria.

We assess alignment with external principles (e.g. the ICMA Green / Social Bond Principles), analyse the sustainability quality of the assets and review the sustainability performance of the issuer themselves. Following these three steps, we draw up an independent SPO so that investors are as well informed as possible about the quality of the bond / loan from a sustainability perspective.

Learn more: <https://www.isscorporatesolutions.com/solutions/esg-solutions/green-bond-services/>

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