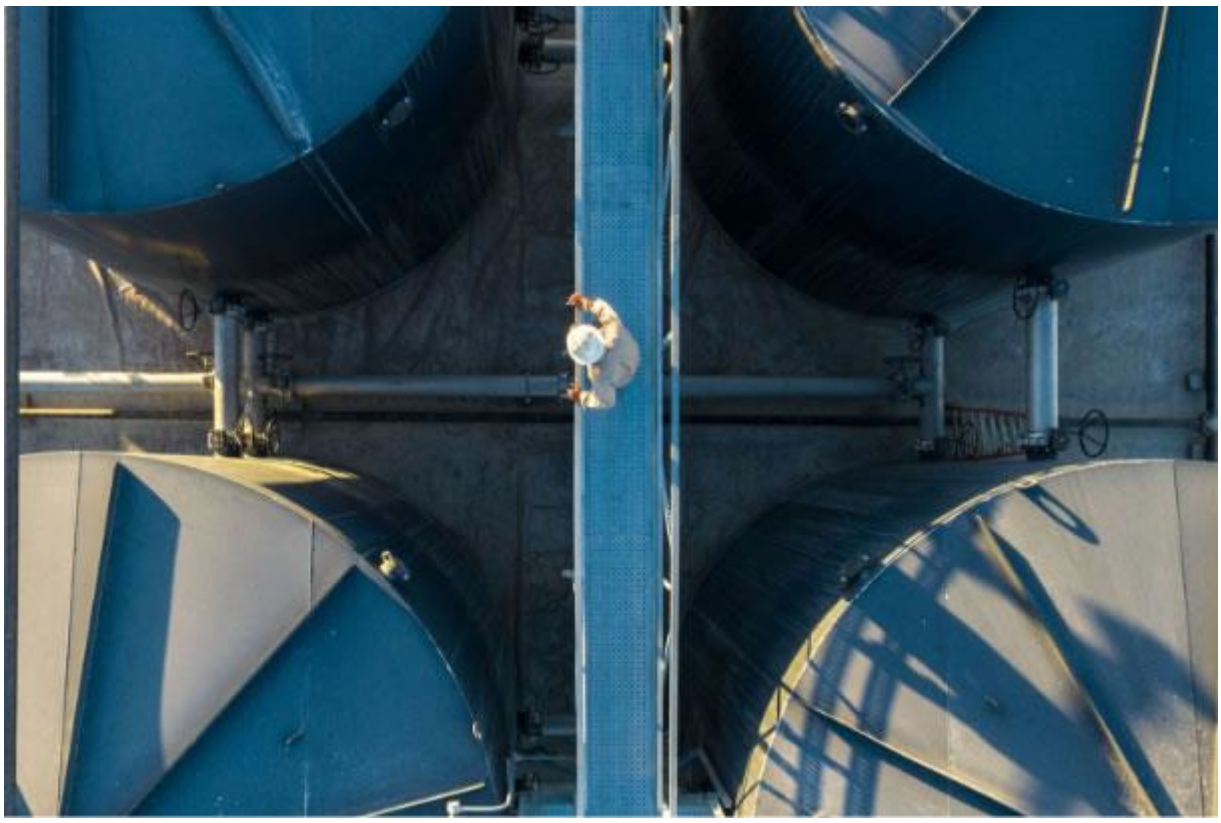
Solaris Water Sustainability-Linked Bond Framework



March 2021

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Contents:

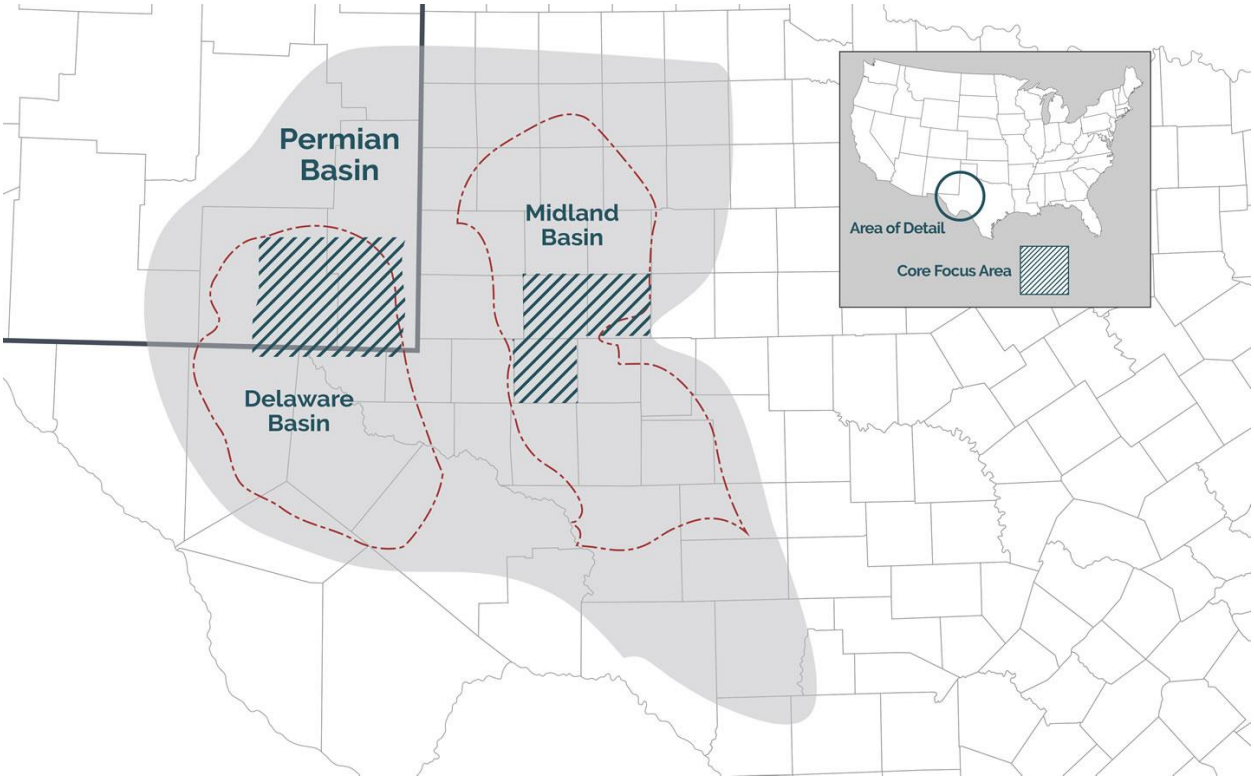
1. Company Overview

Solaris Water is an independent, environmentally focused water infrastructure and recycling company headquartered in Houston, Texas. Solaris builds sustainable, long term value through the design, construction and operation of integrated produced water infrastructure that provides high capacity gathering, recycling, ground water supply, disposal, and comprehensive produced water management, supply solutions for the largest operators in the Permian Basin.

Solaris Water has demonstrated their ESG leadership by setting and meeting aggressive ESG targets. The Company has rapidly emerged as the largest independent recycler of produced water gathered on their extensive pipeline gathering system. Produced water is naturally occurring water extracted through the production process and is gathered on its pipelines from multiple operators, and is then treated and redelivered to its customers as recycled water for use in their operations. Advanced technology and water processing methods have resulted in treated produced water becoming a viable water source for use in oil and gas operations. As a consequence, recycling produced water in the arid Permian Basin reduces dependence on scarce fresh and other sources of groundwater in the region, and provides a sustainable alternative.

Solaris Water is deeply committed to responsibly developing and operating our infrastructure and deploying technology to advance sustainability, reduce the oil and gas industry's water and carbon footprint, help our customers achieve their environmental and social commitments, and manage climate related risk while addressing the expectations of all stakeholders through the energy transition.

Solaris Water Region of Operations

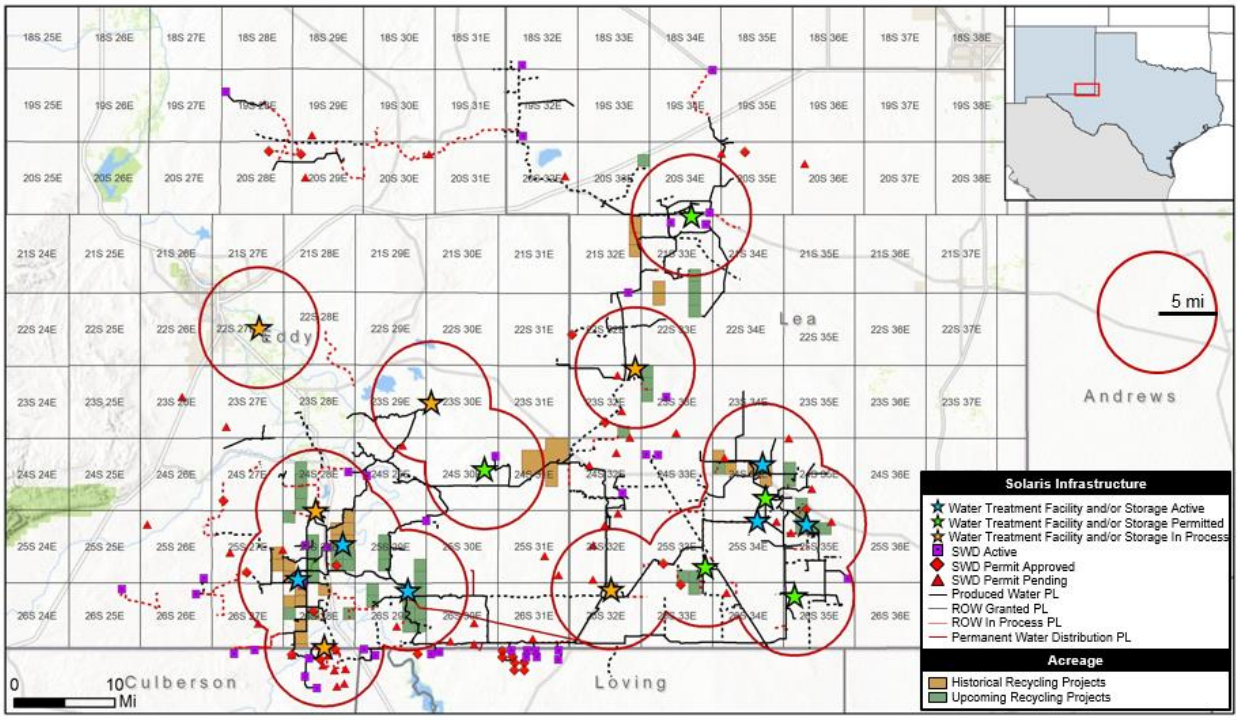


Source: http://www.solariswater.com/operations/

We have been a pioneer in developing recycling infrastructure in the Permian Basin for our customers and since July 2019, and have established the largest recycling capability footprint in the Permian Basin, recycling over 1,158,000,000 gallons of produced water. Every gallon of produced water we recycle is a gallon of fresh or other groundwater that is not extracted for use in our customers' operations in the region. No other company has this proven track record, and no company in the Solaris Water peer group has recycled as many gallons of produced water, and in many cases may not be recycling any produced water at this time.

Solaris Has Developed the Largest Recycling Footprint in the Permian Basin

Solaris's recycling footprint covers ~2,500 square miles across the Delaware Basin due to its extensive pipeline network



Source: Solaris

2. Approach to Sustainability

Our Commitment

Solaris Water continues to set aggressive goals to reduce the industry's consumption of scarce fresh and non-potable water in one of the world's premier energy-producing regions by delivering responsible and sustainable alternative sources to the use of fresh and non-potable groundwater. From inception, our strategic goal as a company has been to recycle as much produced water as possible while delivering a comprehensive full-cycle water management program to our customers that mitigates water scarcity and demand issues.

Since we began piloting technologies for the treatment of produced water in 2017, we have allocated significant resources and capital investment to becoming the leader in third party recycling and proving this process could be undertaken reliably and effectively. We were the first company to pioneer the aggregation of recycled produced water with different influent specifications from multiple customers. We then treated this water and delivered it back to our customers in the specification they needed. The proven success of our innovative approach to recycled produced water has significantly helped change our customer's approach to sustainable water management.

In addition, by transporting our customer's produced water by pipeline rather than traditional trucking methods, we have also contributed to a meaningful reduction in their carbon footprint and estimate that

in 2020 alone, Solaris Water eliminated 1.5 million truck trips and avoided approximately 170,000 metric tons of CO2e.

We are deeply committed to water stewardship and a greener future and our goal is to exceed the high standards set by global regulators and the global investment community. By executing on our commitment, we enable and encourage our customers to meet and even exceed their own water, carbon, environmental, and community commitments, while reducing and mitigating our own carbon and water footprint. We will continue to invest in our community and team and are implementing key sustainability performance measures in our compensation structure to reinforce our strategic initatives and ensure accountability.

Reducing Water Stress through Water Recycling[1]

Solaris Water operates in a region that is extremely arid with limited rainfall and surface water sources. Groundwater is the primary source of water in the region. It is for this reason that recycling produced water is so important in the development of sustainable alternatives to the use of groundwater.

Solaris Water is now the leading independent provider of recycled produced water for multiple users in the Permian Basin. When the oil and gas industry uses more recycled produced water and conserves fresh and ground water, local communities, habitats, rivers and wildlife benefit enormously. Through our recycling infrastructure, we make it possible for our customers to utilize a sustainable water source for their operations while helping meet their goals of reducing their overall water and carbon footprints.

Advancing Sustainability with Leading Technology-Enabled Solutions

Solaris Water identifies, evaluates, and deploys state-of-the-art produced water treatment technologies for recycling and other potential beneficial reuse options. We share our expertise across the sector to develop best practices and actively encourage the use of recycled water.

Through a Solaris Water subsidiary (Clean H2O Technologies) formed to focus on emergent technologies, we are partnering with leading scientists and universities in the field of water treatment to identify, develop and pilot innovative technologies for beneficial reuse of produced water. We will always be committed to leadership in water stewardship and are developing best practices and actively participating in industry initiatives including the New Mexico Produced Water Consortium[2] and the Produced Water Society[3]. We also monitor and provide direct feedback on New Mexico legislation

[1] http://www.solariswater.com/sustainability-reducing-water-stress-through-water-recycling/
[2] https://nmpwrc.nmsu.edu
[3] https://www.producedwatersociety.com

promoting opportunities for recycling and beneficial uses of recycled water.

Identifying Opportunities for Beneficial Use of Produced Water

Through our subsidiary, Clean H2O Technologies, Solaris Water is evaluating beneficial uses for produced water outside of the oil & gas industry. Solaris Water is one of the largest aggregators of produced water in the Permian Basin, and with its operations located in a water-stressed region, there are numerous opportunities to treat and discharge produced water for beneficial use:

- Supplement irrigation water demand
- Recharge the aquifer systems during periods of significant drought
- Replace fresh water sources utilized in road and other major construction projects
- Irrigation for the production of range grasses for carbon sequestration as proposed by the New Mexico Produced Water Consortium
- "New" water to be allocated to environmental uses

Through our recycling and beneficial reuse efforts, Solaris Water is employing a multi-facetted approach to help alleviate the Permian Basin's reliance on scarce water resources, turning produced water, a product traditionally viewed as a waste stream, into a more valuable commodity and asset that can be repeatedly reused.

Solaris Water's focus in technology development is aimed at reducing our environmental footprint in operations and driving sustainability in water management and treatment. In 2021 Solaris Water will contribute toward the development of a number of specific technologies, which are conditional upon cost-share funding for these technologies through U.S. Federal (Department of Energy) and State of New Mexico (New Mexico Produced Water Research Consortium) funded research initiatives. The technologies proposed for funding include 1) solar thermal desalination for producing freshwater and reducing produced water volumes requiring disposal; 2) energy efficient electric-only jet distiller for producing freshwater; 3) waste heat multistage thermal evaporator to make use of unused energy to produce freshwater. In addition to freshwater production from produced water, these three technologies can be combined with non-food agricultural applications, lithium and rare earth metal extraction to achieve additional benefit from the large volumes of water that Solaris Water manages each day.

Commitment to the Environment and Safety

Solaris Water works hard to maintain the trust of our customers, employees, landowners and the local communities in which we operate. We are committed to protecting the environment in our area of operation and take climate risk and corporate responsibility seriously. We also prioritize a safety-first culture, provide a safe workplace for our employees, and respect and encourage community engagement.

Our EHS Management System is aligned with ISO 14001 and 45001, and we have integrated applicable ISO programs and practices, including the "Plan-Do-Check-Adjust" continuous improvement cycle.

Highlighted Environmental Commitments:

- We have implemented a comprehensive environmental management strategy. Our processes include undertaking baseline ecological studies needed before building and operating in any location to ensure protection of endangered species habitat, ecologically sensitive areas, and historic cultural locations, as well as compliance with all applicable regulations
- We constantly identify opportunities to reduce emissions, such as investing in, designing and implementing a gas-powered microgrid to replace diesel generators and developing pipeline infrastructure to eliminate transporting produced water by truck

Source: Solaris

- We have developed and follow a proprietary and proactive program for spill management, leak detection and repair that uses technology-enhanced systems, including 24/7 monitoring programs. The SPCC (Spill Prevention, Control and Countermeasures) program is implemented across our system and includes employee training and oversight, best practices for material selection and construction of primary and secondary containment systems. This system dramatically reduces "lost" barrels and when compared to barrels we transport was 0.0009% in 2020

Health and Safety Highlights:

- We strive for safety performance that is better than the industry average, targeting a Total Recordable Incident Rate (TRIR) of 0.0
- We are dedicated to maintaining a safe, OHSA-compliant working environment by using an effective EHS program of system operations, emergency preparedness, response protocols, vehicle safety monitoring, mandatory safety training for all employees, and thorough vetting and auditing of contractors' EHS performance and qualifications
- Ensure accountability and prevent future incidents by using an incident management, root cause and corrective and preventive action program
- We are in full compliance with our customers' EHS and quality audits

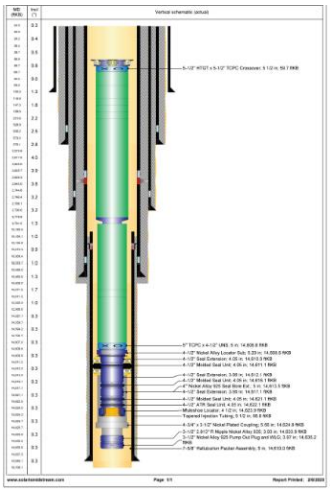
Responsibly Building Permanent Infrastructure

Solaris Water is a leading developer and operator of critical produced water infrastructure assets in the Permian Basin. Our growing infrastructure footprint allows us to aggregate large volumes of produced water from multiple operators and then to reliably and sustainably treat and redeliver recycled volumes back to our customers. We safely dispose of produced water that is not recycled into saltwater disposal wells commonly referred to as SWDs.

Our Best Practices

- Proactive safety program supporting a diverse workforce which is made up of more than 50% women and minorities, while promoting a culture of continuous improvement in safety and environmental practices
- Construction of robust, high-quality systems through our Front-End Engineering and Design process
- Use highest industry standard materials and components for reliable operations
- Identify opportunities to upgrade assets, effectively manage hydraulics and increase system utilization through scheduling and automation
- Minimize surface piping to reduce the possibility of failures
- Integrate all systems into our SCADA (supervisory control and data acquisition) platform
- Implement FIIX CMMS (Computerized Maintenance Management System) and regular preventative maintenance programs to ensure the integrity of our system

Disposal Wellbore Design



Source: Solaris

The Texas Railroad Commission provides Groundwater Protection Determinations for surface casing, underground injection and other underground activities to protect against groundwater contamination. We comply with these regulations in Texas and similar regulations in New Mexico, and design, build and maintain our SWDs to protect groundwater quality using high-integrity wellbore designs. This ensures we meet strict regulatory requirements and protect ground water resources when we are drilling SWDs so that we can safely dispose of produced water that is not recycled.

We are proactively using regulated cement and casing designs that protect groundwater with additional casing and cement barriers.

- Typically, wells have at least three layers to prevent groundwater contamination – one of which is cement
- Our shallow Delaware disposal wells are designed to include two casing strings and two layers of cement to prevent groundwater contamination, which can be looked at as four layers of protection
- Our deeper Devonian disposal wells have three casing strings and three layers of cement to prevent groundwater contamination, which can be looked at as six layers of protection

3. Sustainable Financing

Through the issuance of our Sustainability-Linked Bonds (“SLBs”), we aim to further use the power of our company to effect positive environmental change. Our SLBs reinforce our mission of water stewardship and building sustainable, long term growth and value through the construction and operation of integrated produced water infrastructure systems that support our recycling goals. We hope it will encourage other companies to do the same and for operators to minimize their use of groundwater.

4. Alignment with the Sustainability-Linked Bond Principles, 2020

The Sustainability-Linked Bond Principles[4] ("SLBP"), as administered by the International Capital Market Association ("ICMA"), 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 of SLBs. Our SLBs are in alignment with the five core components of the SLBP.

1. Selection of Key Performance Indicator (KPI)
2. Calibration of Sustainability Performance Targets (SPT)
3. Bond characteristics
4. Reporting
5. Verification

Sustainability-Linked Bonds are any type of bond instrument for which the financial and/or structural characteristics can vary depending on whether the issuer achieves predefined Sustainability/ ESG objectives. In that sense, issuers are thereby committing explicitly (including in bond documentation) to future improvements in sustainability outcome(s) within a predefined timeline that are relevant, core and material to their overall business. SLBs are a forward-looking performance-based instrument. The proceeds of SLBs are intended to be used for general purposes, hence the use of proceeds is not a determinant in its categorization.

4.1 Selection of KPI

The selected KPI is core, relevant and material to our business. Our SLBs will rely on the following KPI:

KPI	
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** **Strategic 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	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.

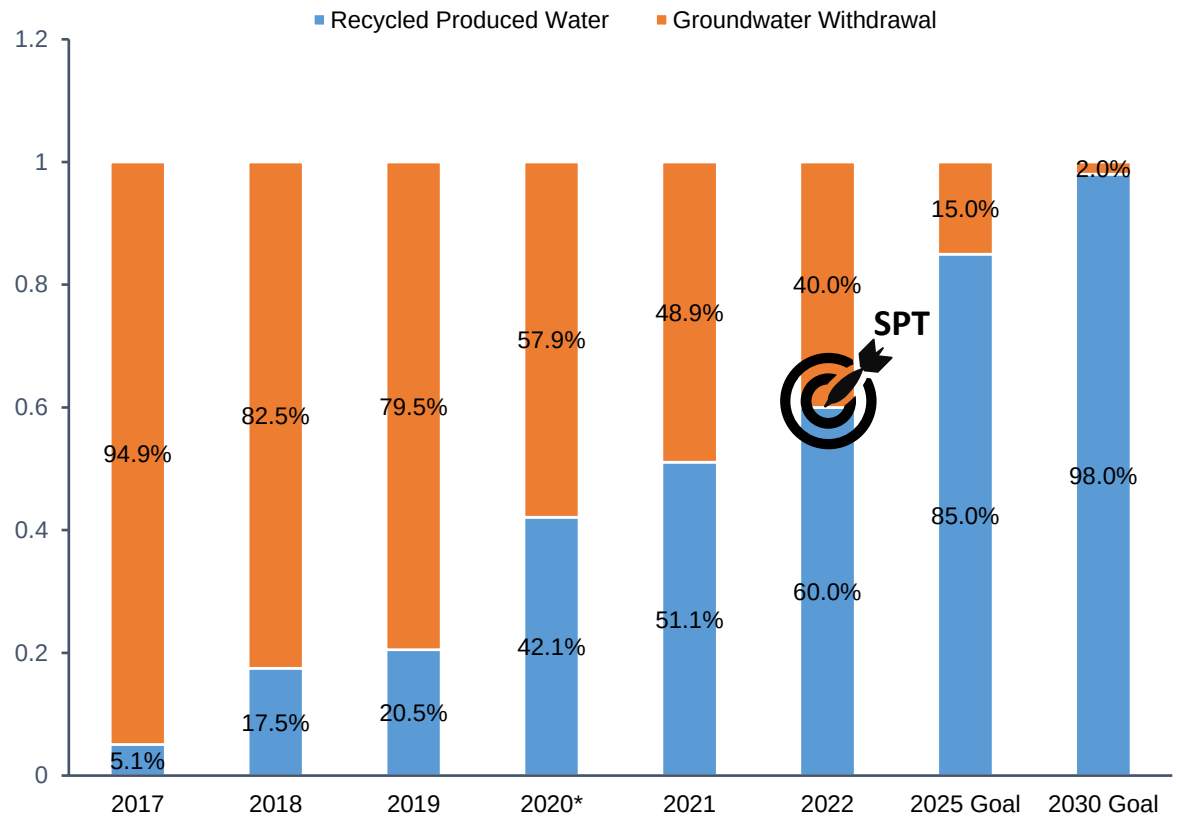
[4] https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/June-2020/Sustainability-Linked-Bond-PrinciplesJune-2020-100620.pdf

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	As total water sales increase substantially, growing the percentage of recycled water becomes increasingly challenging. Constraints resulting from geographical bottlenecks and changing customer schedules are obstacles, which require additional infrastructure to overcome. As this infrastructure becomes operational, Solaris Water expects to continue to increase the percentage of recycled produced water over time, while growing total sales, and currently estimate that we will surpass 80% in 2025. Using 60% of recycled water sales as the KPI represents a ~18% increase compared to the 2020 baseline. We believe this is an ambitious goal and will be a major milestone for the industry.

4.2 Calibration of Sustainability Performance Target (SPT)

SPT
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 **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.

% 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 Water as of 2/21/2021

Peer Analysis - Recycled Produced Water (%)

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

4.3 Bond Characteristics

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.

4.4 Reporting

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.

4.5 Verification

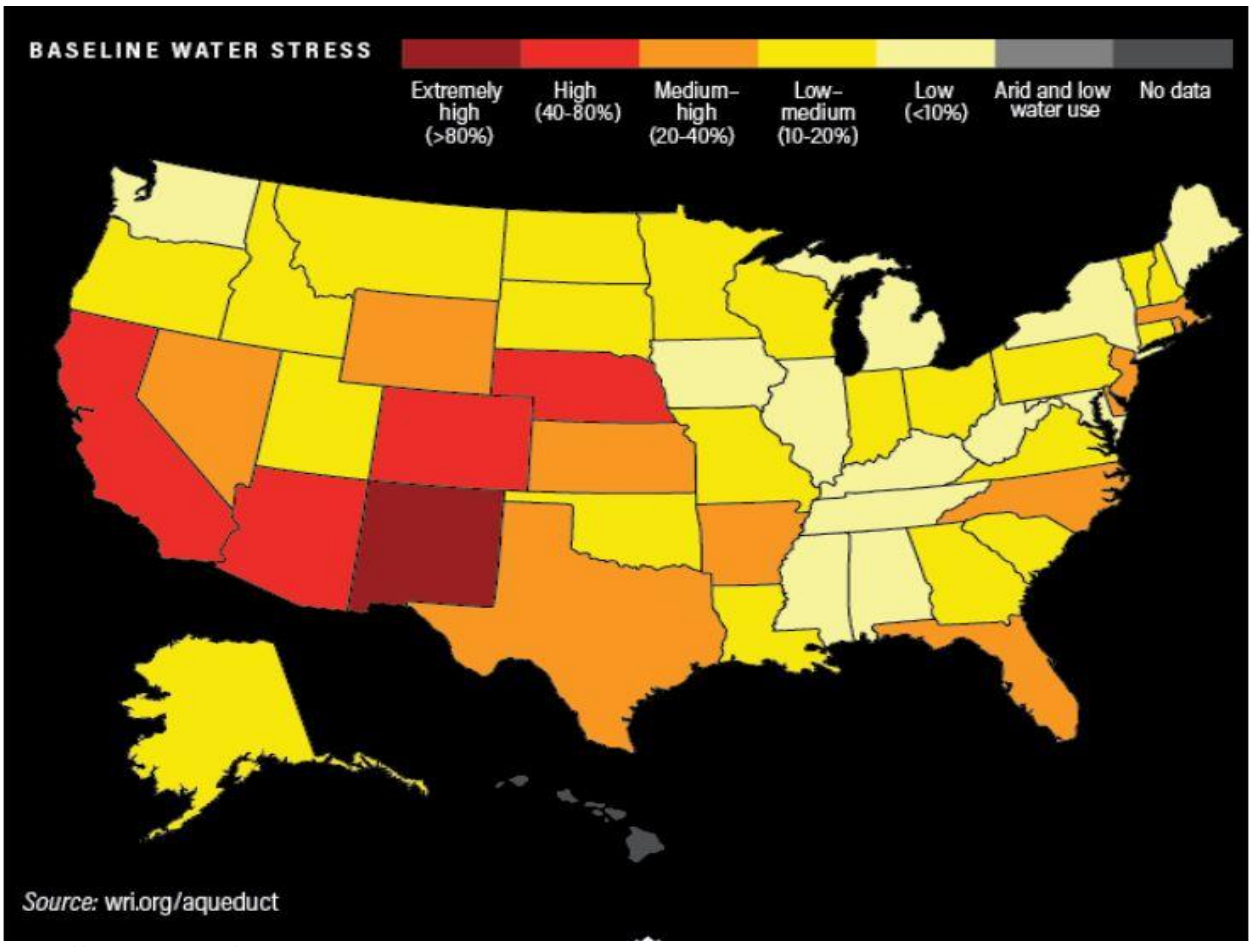
Annually, and in any case for any date/period relevant for assessing the SPT performance leading to a potential coupon adjustment, such as a step-up of the Sustainability-Linked Bond financial characteristics, until after the SPT trigger event of a bond has been reached, we will seek independent and 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.

5. Appendix

Definitions:

- "Produced Water" means all water (including fluids and materials contained therein) produced in association with the completion or production of oil and/or gas wells.
- "Recycled Water" means produced water that has been treated so it can be reused in oil and gas operations.
- "Fresh Water" means groundwater with a total dissolved solids concentration less than 3,000 mg/L.
- "Brackish Water" means groundwater with a total dissolved solids concentration between 3,000 and 10,000 mg/L.



https://www.wri.org/aqueduct