

SECOND PARTY OPINION

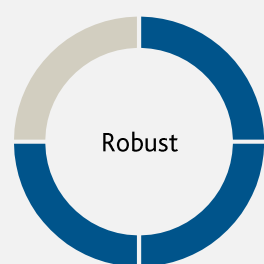
on the sustainability of Volta Energy Solutions Hungary Kft.'s Green Loan Framework

Moody's ESG Solutions considers that Volta Energy Solutions Hungary Kft.'s Loan Framework is aligned with the four core components of LMA/APLMA/LSTA's Green Loan Principles 2021 ("GLP").

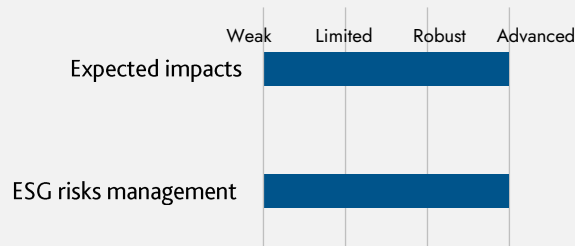


Framework

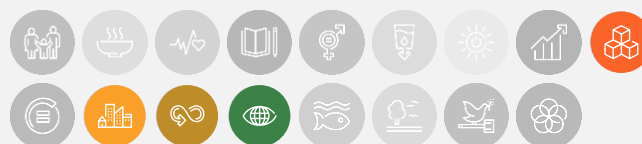
Contribution to Sustainability:



Legend:
 ○ Advanced
 ○ Limited
 ○ Robust
 ○ Weak



SDG Mapping



Characteristics of the Framework

Green Project Categories	⇒ Clean Transportation - Battery Copper Foil Production
Project Locations	Tatabanya Industrial Park, Környe, Hungary
Existence of Framework	Yes
Share of Refinancing	100%
Look-back Period	24 months

Borrower

The assessment of controversies and controversial activities was done for Solus Advanced Materials Co., the parent company of Volta Energy Solutions Hungary Kft.

Controversial Activities

Solus Advanced Materials Co appears to not be involved in any of the 17 controversial activities screened under our methodology:

- ☐ Alcohol
- ☐ Fossil fuels industry
- ☐ High interest rate lending
- ☐ Pornography
- ☐ Animal welfare
- ☐ Coal
- ☐ Human embryonic stem cells
- ☐ Reproductive medicine
- ☐ Cannabis
- ☐ Gambling
- ☐ Military
- ☐ Tobacco
- ☐ Chemicals of concern
- ☐ Genetic engineering
- ☐ Nuclear power
- ☐ Unconventional oil and gas
- ☐ Civilian firearms

ESG Controversies

Number of Controversies	None
Frequency	N/A
Severity	N/A
Responsiveness	N/A

Coherence

Coherent
Partially coherent
Not coherent

Moody's ESG Solutions considers that the contemplated Framework is coherent with Volta Energy Solutions Hungary Kft.'s strategic sustainability priorities and sector issues and that it contributes to achieving the Borrower's sustainability commitments.

Key findings

Moody's ESG Solutions considers that Volta Energy Solutions Hungary Kft.'s Green Loan Framework is aligned with the four core components of the GLP.

Use of Proceeds - aligned with the GLP and best practices identified by Moody's ESG Solutions

- The Eligible Project is clearly defined and detailed. The Borrower has communicated the nature of the expenditures, eligibility criteria and location of Eligible Project for the category.
- The Environmental Objectives are clearly defined, relevant and set in coherence with the sustainability objectives defined in international standards for the Eligible Project.
- The Expected Environmental Benefits are clear, precise, relevant and measurable. They will be quantified for the Eligible Project in the reporting.
- The Borrower has committed to transparently communicate to lenders the estimated share of refinancing prior to each loan issuance. For the first loan issuance, the Borrower has transparently communicated the estimated share of refinancing which will be 100%. The look-back period for refinanced Eligible Expenditures will be equal to or less than 24 months from the issuance date, in line with good market practices.

Evaluation and Selection - aligned with the GLP and best practices identified by Moody's ESG Solutions

- The Process for Project Evaluation and Selection has been clearly defined and detailed by the Borrower. The process is well-structured in all the evaluation and selection steps (including the proposal, selection, validation and monitoring of the Eligible Project). The roles and responsibilities are clear and include relevant internal and external expertise. The process is disclosed only to lenders.
- Eligibility criteria for the project selection have been clearly defined and detailed by the Borrower, including relevant exclusion criteria, for the Eligible Project.
- The process applied to identify and manage potential material ESG risks associated with the Eligible Project is disclosed only to lenders. The process is considered robust: it combines monitoring, identification and corrective measures for the Eligible Project (see detailed analysis on pages 15-17).

Management of Proceeds - aligned with GLP and best practices identified by Moody's ESG Solutions

- The Process for the Management and Allocation of Proceeds is clearly defined and detailed and is disclosed only to lenders.
- The allocation period will be 24 months or less.
- Net proceeds of the Loan will be placed in the Green Project Register and tracked by the Borrower's controlling department in an appropriate manner and attested to in a formal internal process.
- The intended types of temporary placement for the balance of the unallocated net proceeds are disclosed only to the lenders.
- For as long as the Loan is outstanding, the Borrower has committed to periodically adjust the balance of tracked net proceeds to match allocations to the Eligible Project.
- The Borrower has provided information on the procedure that will be applied in case of project postponement. However, most of the project budget has already been spent and postponement is not applicable. In the unlikely case of divestment, all proceeds become due to be repaid to the loan syndicate as it is an event of default.

Reporting - aligned with the GLP

- The Borrower has committed to report on the Use of Proceeds on an annual basis, until full allocation and on a timely basis in case of material developments. The report will be publicly available as part of the Annual Reports on the Parent Company (Solus Advanced Materials Co.) website.
- The Borrower has committed to include in the reports relevant information related to the allocation of Loan proceeds and the expected environmental benefits of the Eligible Project. The Borrower has also committed to report on material developments and controversies related to the Eligible Project.
- The reporting methodology and assumptions used to report on environmental benefits of the Eligible Project will be disclosed only to lenders.
- An external auditor will verify the tracking and allocation of funds to the Eligible Project until full allocation and in case of material changes. The reporting on the environmental benefits of the Eligible Project will be verified internally by the Borrower.

Contact

Sustainable Finance Team | clientservices@moodys.com

SCOPE

Moody's ESG Solutions was commissioned to provide an independent Second Party Opinion ("SPO") on the sustainability credentials and management of the Green Loans¹ (the "Loans") to be issued by Volta Energy Solutions Hungary Kft. (the "Borrower", "Volta") in compliance with the Green Loan Framework (the "Framework") created to govern their issuance(s).

Our opinion is established according to Moody's ESG Solutions' Environmental, Social and Governance ("ESG") exclusive assessment methodology and to the latest version of the voluntary guidelines of LMA/APLMA/LSTA's Green Loan Principles ("GLP") - edited in February 2021.

Our opinion is built on the review of the following components:

- Framework: we assessed the Framework, including the coherence between the Framework and the Borrower's environmental commitments, the Loans' potential contribution to sustainability and its alignment with the four core components of the GLP 2021.
- Borrower²: we assessed the management of potential stakeholder-related ESG controversies and involvement in controversial activities³ of Solus Advanced Materials Co., the parent company of Volta, and guarantor of the loans.

Our sources of information are multichannel, combining data (i) gathered from public sources, press content providers and stakeholders, (ii) from our exclusive ESG rating database, and (iii) information provided from the Borrower through documents and interviews conducted with the Borrower's managers and stakeholders involved in the Loans issuance, held via a telecommunications system.

We carried out our due diligence assessment from February 16th to March 15th, 2022. We consider that we were provided access to all documents and interviewees we solicited. For this purpose, we made reasonable efforts to verify the accuracy of all data used as part of the assessment.

Type of External Reviews supporting this Framework

<input checked="" type="checkbox"/>	Pre-issuance Second Party Opinion	<input type="checkbox"/>	Independent verification of impact reporting
<input checked="" type="checkbox"/>	Independent verification of funds allocation	<input type="checkbox"/>	Climate Bond Initiative Certification

¹ The "Green Loans" are to be considered as the loans to be potentially issued, subject to the discretion of the Borrower. The name "Green Loans" has been decided by the Borrower: it does not imply any opinion from Moody's ESG Solutions.

² The Borrower is not part of our ESG performance rating universe.

³ The 17 controversial activities screened by us are: Alcohol, Animal welfare, Cannabis, Chemicals of concern, Civilian firearms, Coal, Fossil Fuels industry, Unconventional oil and gas, Gambling, Genetic engineering, Human embryonic stem cells, High interest rate lending, Military, Nuclear Power, Pornography, Reproductive Medicine and Tobacco.

COHERENCE

Coherent
Partially coherent
Not coherent

We consider that the contemplated Framework is coherent with Volta Energy Solutions Hungary Kft.'s strategic sustainability priorities and sector issues and that it contributes to achieving the Borrower's sustainability commitments.

The electric vehicle ("EV") battery is a primary enabling technology to transition towards clean transportation in the European Union ("EU") and to achieve the region's carbon neutrality goal by 2050. The transportation sector is one of the most carbon intensive sectors, accounting for 16% of total greenhouse gas ("GHG") emissions globally.⁴ In the EU, emissions from the transport sector are responsible for nearly a quarter of total GHG emissions.⁵ Emissions in the sector are primarily generated from internal combustion engine ("ICE") vehicles which retain the largest market share of vehicles in the automobile industry. Tightened EU regulations under the Fit for 55⁶ proposal as well as various government subsidy programmes have accelerated the consumer and production shift towards low to zero emission vehicles. This is further enhanced by the region's target to have at least 30 million zero-emission vehicles on the road to achieve its 2050 climate goals. In 2020, the EU doubled its EV stock to 3.2 million from the prior year and currently holds the lion share of new global electric car sales at 10%⁷. Ramped up production of EVs, particularly EV batteries, are crucial to achieve the EU's ambitious carbon reduction targets and to significantly decarbonize the sector.

Copper foil is integral in the production of lithium-ion EV cell batteries because of its superior electric and thermal conductivity properties that enables it to function effectively as an anode current collector. A significant portion of copper used for battery manufacturing comes from recycled sources: according to the International Copper Association,⁸ about 35% of global and 50% of EU copper demand shares are met with recycled copper because of the recyclability of the metal without any loss of performance. The EU's proposed legislation for new batteries⁹ calls for 90% copper recovery from batteries beginning 2026 before ramping up to a 95% target, which fortifies its commitment for sustainable mobility. The production of copper foil for EV batteries will be critical to accelerate EV uptake and production capacities for EU and global auto manufacturers over the next decade.

The proposed loans will be used to support the Phase 2 expansion of Volta's battery copper foil factory. The expansion is expected to increase production capacity by roughly 167%, to 40,000 ton/year. This will enable the Borrower to deliver a stable supply of copper foil to clients and positions the company favourably to meet projected increase in battery copper as EV production ramps up in the EU. Additionally, the Borrower's use of scrap copper as a base material supports circular economy and recyclability of the material. Therefore, Volta's battery copper foil supports the transition to electromobility, which in turn will help to decarbonize the transportation sector.

Maintaining sustainable operations is a key aspect to Volta's business strategy. However, given the nascent aspect of its operations, the company has not formally adopted GHG reduction targets within its sustainability strategy. Favourably, the Borrower has engaged with an external sustainability consultant to understand the environmental impact across its value chain through its Company Carbon Footprint ("CCF"), Product Carbon Footprint ("PCF") and a Lifecycle Assessment ("LCA") reports.

Based on the materiality matrix, Volta has identified several critical environmental issues that are the most important to stakeholders. These are energy consumption, the level of scope 1 & 2 emissions, carbon intensity, use of renewables, and water impact.

By creating a Green Loan Framework to finance battery copper foil production for clean transportation, the Borrower coherently aligns with its sustainability priorities, and addresses the main issues of the transportation sector in terms of sustainable development.

⁴ <https://www.climatewatchdata.org/ghg-emissions>

⁵ <https://www.eea.europa.eu/data-and-maps/indicators/transport-emissions-of-greenhouse-gases/transport-emissions-of-greenhouse-gases-12>

⁶ <https://www.consilium.europa.eu/en/policies/green-deal/eu-plan-for-a-green-transition/>

⁷ <https://www.iea.org/reports/global-ev-outlook-2021>

⁸ <https://copperalliance.org/policy-focus/society-economy/circular-economy/>

⁹ https://eur-lex.europa.eu/resource.html?uri=cellar:4b5d88a6-3ad8-11eb-b27b-01aa75ed71a1.0001.02/DOC_2&format=PDF

FRAMEWORK

The Borrower has described the main characteristics of the Loans within a formalized Green Loan Framework that covers the four core components of the GLP 2021 (the last updated version was provided to Moody's ESG Solutions on March 10th, 2022). The Borrower has committed to disclose this document to syndicated lenders only.

Alignment with the Green Loan Principles

Use of Proceeds



The net proceeds of the Loan will exclusively refinance in full, one Eligible Green Project ("Eligible Project"), as indicated in Table 1.

- The Eligible Project is clearly defined and detailed. The Borrower has communicated the nature of the expenditures, eligibility criteria and location of Eligible Project for the category.
- The Environmental Objectives are clearly defined, relevant and set in coherence with the sustainability objectives defined in international standards for the Eligible Project.
- The Expected Environmental Benefits are clear, precise, relevant and measurable. They will be quantified for the Eligible Project in the reporting.
- The Borrower has committed to transparently communicate to lenders the estimated share of refinancing prior to each loan issuance. For the first loan issuance, the Borrower has transparently communicated the estimated share of refinancing which will be 100%. The look-back period for refinanced Eligible Expenditures will be equal to or less than 24 months from the issuance date, in line with good market practices.

BEST PRACTICES
<div>⇒ The definition and eligibility criteria (selection and exclusion) are clear and in line with international standards for the Eligible Project.</div> <div>⇒ Relevant environmental benefits are identified and measurable for the Eligible Project.</div> <div>⇒ The Borrower has committed to transparently communicate to lenders the estimated share of refinancing prior to each loan issuance.</div> <div>⇒ The look-back period for refinanced assets is equal or less than 24 months, in line with good market practices.</div>





Table 1. Our analysis of Eligible Categories, Sustainability Objectives and Expected Benefits as presented in the Borrower's Framework

- Nature of expenditures: CAPEX for battery copper foil production
- Location of Eligible Projects/Assets: Tatabanya Industrial Park, Környe, Hungary

ELIGIBLE PROJECT	DESCRIPTION	SUSTAINABILITY OBJECTIVES AND BENEFITS	MOODY'S ESG SOLUTIONS' ANALYSIS
Clean Transportation - Battery Copper Foil Production	<p>CAPEX investments in, expenditures for and/or costs for conception, infrastructure, development, and manufacturing of copper foil for electric vehicle batteries and further components for zero direct emission vehicles.</p> <p>Volta operates one of the few European copper foil production bases. Phase one of construction for the copper foil plant was completed in 2021 and production commenced. The proceeds from this loan will go towards phase two construction and its related expenditures. This phase of construction began in 2020 and is still on going.</p> <p>Through this plant, Volta aims to provide high grade copper foil for EV batteries in the European and global markets. The project will use recycled non-hazardous metal copper waste as the base material. The collection and recovery of non-hazardous metal copper waste is carried out on the site in accordance to the waste management permit.</p>	<p><u>Climate Change Mitigation</u></p> <p>Estimated annual GHG emissions avoided through EV battery production</p> <p><u>Circular Economy</u></p> <p>Re-uptake of waste scrap copper</p>	<p>The Eligible Project is clearly defined and detailed. The Borrower has communicated the nature of the expenditures, eligibility criteria, and location of the Eligible Project.</p> <p>The Environmental Objectives are clearly defined, relevant and set in coherence with sustainability objectives defined in international standards for the Eligible Project.</p> <p>The Expected Environmental Benefits are clear, precise, relevant and measurable. They will be quantified for the Eligible Project in the reporting.</p> <p>The project meets the technical screening criteria of the "Manufacture of batteries" activities as defined by the EU Taxonomy Climate Delegated Act for substantial contribution to climate mitigation. Battery copper foil is an economic activity recognized as an enabling activity, for its role in the production of EVs and EV batteries.</p>

SDG Contribution

The Eligible Project is likely to contribute to four of the United Nations' Sustainable Development Goals ("SDGs"), namely:

ELIGIBLE CATEGORY	SDG	SDG TARGETS
Clean Transportation - Battery Copper Foil Production	 9 Industry, Innovation and Infrastructure	9.4 By 2030 upgrade infrastructure and retrofit industries to make them sustainable, with increased resource use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, all countries taking action in accordance with their respective capabilities.
	 11 Industry, Innovation and Infrastructure	11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons.
	 12 Responsible Production and Consumption	12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.
	 13 Climate Action	The Eligible Project is likely to contribute to SDG 13 which consists of adopting urgent measures to combat climate and its effects. Corporates can contribute to this goal by investing in technologies enabling climate mitigation.

Evaluation and Selection of Eligible Projects



- The Process for Project Evaluation and Selection has been clearly defined and detailed by the Borrower. The process is well-structured in all the evaluation and selection steps (including the proposal, selection, validation and monitoring of the Eligible Project). The roles and responsibilities are clear and include relevant internal and external expertise. The process is disclosed only to lenders.
- Eligibility criteria for the project selection have been clearly defined and detailed by the Borrower, including relevant exclusion criteria, for the Eligible Project.
- The process applied to identify and manage potential material ESG risks associated with the Eligible Project is disclosed only to lenders. The process is considered robust: it combines monitoring, identification and corrective measures for the Eligible Project (see detailed analysis on pages 15-17).

Process for Project Evaluation and Selection

The Borrower has created a Green Finance Committee ("the Committee") to govern the selection and decision-making process of the Loans issued under the Framework. This Committee is composed of representatives of:

- Management
- Finance
- Environmental, Health and Safety

The Committee will meet at least once a year until full allocation and will be responsible for:

- Ensuring the potential Eligible Projects are aligned with the categories and eligibility criteria as specified in the Framework and approving any proposed changes to the List of Eligible Projects in the event that the assets no longer meet the eligibility criteria.
- Ensuring that the allocations of proceeds are aligned with the relevant general Volta policies and ESG strategy.
- Approving the annual Allocation and Impact Report.

The Committee's decision-making process for project selection includes the following:

- Firstly, primary evaluation of project eligibility is determined with the expertise of an external stakeholder.
- Secondly, the Management team and Committee will consider ESG issues highlighted by the LCA, PCF and CCF reports as well as compliance with ISO 14001 Environmental Management System in the decision-making process for project selection.
- Finally, evaluation from the Borrower's Board of Directors as well as consideration of stakeholder opinions are incorporated to determine project selection.

The traceability and verification of the selection and evaluation of the projects is ensured throughout the process:

- The monitoring of continued compliance with the eligibility criteria throughout the life of the loan will be enforced by the loan agreement with periodic monitoring conducted by the borrower's EHS department and by syndicated lenders. Corrective actions in the event of non-compliance will be determined via discussions with syndicated lenders.
- The monitoring of potential ESG controversies associated with the Eligible Project throughout the life of the loan will be enforced by the loan agreement. Per the loan agreement, syndicated lenders are obliged to comply with all relevant environmental laws. Corrective actions in the event of ESG non-compliance will be determined via discussions with the syndicated lenders. Additionally, the Borrower confirms that its ISO 14001 Environmental Management System has procedures in place to determine corrective actions.
- For traceability, meetings conducted by the Board of Directors will be summarized and disclosed to comply with financial disclosure rules of the Borrower's parent company in South Korea.

Eligibility Criteria

The process relies on explicit eligibility criteria (selection and exclusion), relevant to the environmental objectives defined for the Eligible Project.

- The selection criteria are based on the definition of the Eligible Project defined Table 1 in the Use of Proceeds section.
- The exclusion criteria cover financing of fossil fuel generation, nuclear energy generation, the weapons and defence industries, gambling or tobacco industries.

BEST PRACTICES

- ⇒ Eligibility and exclusion criteria for the project selection are clearly defined and detailed for the eligible category.
- ⇒ The Borrower reports that it will monitor compliance of selected and financed Projects with eligibility criteria specified in the Framework throughout the life of the instrument and has provided details on the procedure adopted in case of non-compliance.

Management of Proceeds



- The Process for the Management and Allocation of Proceeds is clearly defined and detailed and is disclosed only to lenders.
- The allocation period will be 24 months or less.
- Net proceeds of the Loan will be placed in the Green Project Register and tracked by the Borrower's controlling department in an appropriate manner and attested to in a formal internal process.
- The intended types of temporary placement for the balance of the unallocated net proceeds are disclosed only to the lenders.
- For as long as the Loan is outstanding, the Borrower has committed to periodically adjust the balance of tracked net proceeds to match allocations to the Eligible Project.
- The Borrower has provided information on the procedure that will be applied in case of project postponement. However, most of the project budget has already been spent and postponement is not applicable. In the unlikely case of divestment, all proceeds become due to be repaid to the loan syndicate as it is an event of default.

Management Process

- The net proceeds of the Loan will be allocated to Eligible Green Projects as specified in the Borrower's Framework. Any portion of the net proceeds that have not been allocated to the Eligible Green Projects will be held in accordance with the Borrower's normal liquidity management policies, such as cash and/or cash equivalents and/or bank deposits.
- As the project is nearing its completion, Borrower states that most of the eligible expenditures have already been invested.
- Volta's controlling department will be responsible for keeping track and ensuring that there are sufficient Eligible Green Projects matched to the Loan proceeds until full allocation.
- The unallocated funds will be held within Volta's treasury in accordance with its usual treasury investment strategy. Unallocated proceeds will not be placed in assets that finance GHG emissions intensive or controversial activities.
- In case of projects postponement, the Borrower has committed to repay all proceeds to the loan syndicate as it is an event of default. The project however is nearing its completion and most of the allocated funds have been invested.

BEST PRACTICES

- ⇒ The allocation period is 24 months or less.
- ⇒ The Borrower has committed not to invest temporarily unallocated net proceeds in GHG intensive activities.
- ⇒ The Borrower has provided information on the procedure that will be applied in case of project divestment or postponement and it has committed to reallocate divested proceeds to projects that are compliant with the Loan Framework.

Reporting

Not Aligned	Partially Aligned	Aligned	Best Practices
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- The Borrower has committed to report on the Use of Proceeds on an annual basis, until full allocation and on a timely basis in case of material developments. The report will be publicly available as part of the Annual Reports on the Parent Company (Solus Advanced Materials Co.) website.
- The Borrower has committed to include in the reports relevant information related to the allocation of Loan proceeds and the expected environmental benefits of the Eligible Project. The Borrower has also committed to report on material developments and controversies related to the Eligible Project.
- The reporting methodology and assumptions used to report on environmental benefits of the Eligible Project will be disclosed only to lenders.
- An external auditor will verify the tracking and allocation of funds to the Eligible Project until full allocation and in case of material changes. The reporting on the environmental benefits of the Eligible Project will be verified internally by the Borrower.

Indicators

The Borrower has committed to transparently communicate at Eligible Category level, on:

- Allocation of proceeds: The indicators selected by the Borrower to report on the allocation of proceeds are exhaustive.

REPORTING INDICATORS
<ul style="list-style-type: none"> ⇒ The % share of proceeds allocated and yet to be unallocated ⇒ Project names and locations ⇒ The % share of refinancing ⇒ The % of co-financing

- Environmental benefits: The indicators selected by the Borrower to report on the environmental benefits are clear and relevant.

ELIGIBLE CATEGORIES	ENVIRONMENTAL BENEFITS INDICATORS	
	OUTPUTS AND OUTCOMES	IMPACT INDICATORS
Clean Transportation	<ul style="list-style-type: none"> - Amount of electric battery components produced (in tons) - Gross tonnage sourced from scrap copper 	<ul style="list-style-type: none"> - Estimated annual GHG emissions avoided through the use of the products (tCO₂e)

An area for improvement is:

- Commit to an external verification of the indicators used to report on environmental benefit of the Eligible Project.

BEST PRACTICES

- ⇒ The report will be publicly available at least until loan maturity.
- ⇒ The reporting will cover relevant information related to the allocation of Loan proceeds and to the expected sustainable benefits of the Projects. The Borrower has also committed to report on material development related to the projects, including ESG controversies.
- ⇒ The Borrower will report on allocation of proceeds and on environmental benefits at project level.
- ⇒ The indicators selected by the Borrower are clear and relevant and cover all expected benefits associated with the Eligible Project.

CONTRIBUTION TO SUSTAINABILITY

Expected Impacts

The potential positive Impact of the Eligible Project on environmental objectives is considered to be robust.

ELIGIBLE PROJECT	EXPECTED IMPACT	ANALYSIS
Clean Transportation – Battery copper foil production	ROBUST	<p>Globally, the transportation sector generates nearly 16% of total GHG emissions and in the EU, the sector generates a quarter of total GHG emissions. Volta's battery copper foil is a critical component to EV batteries. EVs are the best technology available to decarbonize the sector and the copper foil supports the production of EVs, specifically EV batteries. The International Energy Agency ("IEA") estimates that in accordance to its States Policies Scenario, global EV fleet can reduce GHG emissions by more than one-third compared to equivalent internal combustion engine vehicle fleet.¹⁰</p> <p>Copper foil is an anode that serves as a pathway for electric current of Lithium Ion Battery ("LIB"). LIBs are one of the most common EV batteries in the market due to its high energy density, efficiency and increased power per mass.¹¹ Volta's copper foil is produced based on product specifications (e.g. film roll width, length and associated weight) from customers. The thinner the foil, the better it is to conduct electricity within the LIB, which increases capacity, and reduces weight and heat generated by the battery. CBI lists EVs as the best alternative technology in the market to decarbonize the transportation sector and is Paris Agreement compliant.¹²</p> <p>Additionally, Volta's 100% use of recycled scrap copper foil as opposed to mined copper also contributes to a circular economy. The use of scrap copper reduces the environmental hazards caused by mined copper. While the project has a positive impact to the company, local and global stakeholders, the positive impact on its value chain is partially covered. This is because the company's Product Lifecycle Assessment report is based on the cradle to gate approach and excludes the carbon footprint generated from distribution, consumer use and disposal of copper foil.</p> <p>While the project supports EV capacity expansion and electromobility transition, the energy intensive production process generates some locked-in negative impact from GHG emissions. The Borrower estimates that production currently generates over 60% of scope 1 & 2 emissions from the use of natural gas for boilers and diesel for transportation of materials within the factory. Although Volta has not identified strategies to switch to renewable energy for its production, it reports that it monitors its consumption of fossil fuel energy. Volta is also in the process of conducting an energy efficiency audit which is expected to be complete later this year. Despite these short to medium term environmental challenges, the long-term expected impact from the adoption of EVs are positive and the project is an enabling technology for EVs to decarbonize the transportation sector.</p>

¹⁰ <https://www.iea.org/reports/global-ev-outlook-2021?mode=overview>

¹¹ https://afdc.energy.gov/vehicles/electric_batteries.html

¹² https://www.climatebonds.net/files/files/CBI_Taxonomy_Jan2021.pdf

ESG Risks Identification and Management Systems in Place at Project Level

The identification and management of the environmental, social, and governance risks associated with the Eligible Projects are considered robust.

Environmental Management and Life Cycle Assessment

Volta has an ISO 14001 certified management system, and it was introduced in 2021. The scope of oversight is for the battery copper foil production. The Borrower has conducted a life cycle assessment of the product. The lifecycle assessment was carried out with alignment to the ISO 14040 principles. The relevant perimeters are:

- Procurement and processing of resources (copper scrap, activated carbon, etc.)
- Generation of secondary energy carriers (e.g., electricity)
- All relevant transport to the plant gate and at site
- Transport of waste to respective waste disposal
- Waste management of waste generated as outputs from the production phase (e.g., hazardous waste)
- Manufacturing of packaging

Environmental Impact Assessment

There was no significant environmental impact from Phase II construction of the plant. The negative impact on soil was only in phase one construction and remediation occurred at the time. There are no soil impacts from phase two construction on the soil but there is a "tolerable" impact on air quality. It is within the set regulations that comply with local regulations. The environmental impact assessment found that construction should not impact any protected plant species, protected animals, or their corresponding habitat. The habitat of species who do frequent the site remains unaffected by construction. The responsibility to oversee and conduct the environmental impact assessment has been assigned to Enviropro Group Kft.

The preliminary planning also accounted for dust, noise, odors, vibrations, and landscape aesthetics. The change to the landscape scenery is negligible. Noise level is also acceptable as it falls within the tolerable range. The thresholds comply with local regulations. However, Volta determined freight traffic will increase on neighboring roads in the longer term, increase utilization of utility services and other resources.

Eco-Design

As the Borrower uses 100% scrap copper for product input, the early stages of product design optimize eco-friendly characteristics. Volta also conducts a carbon assessment of the product. However, the carbon assessment of the product ceases after hand-off to consumer (e.g., does not include use and end-of-life related emissions). This is an area of improvement would be to include post-consumer hand off in the product related assessment. Another area of improvement would be to include the LCA of the product after it's delivery to the customer (e.g., end of product life management). It would also be material to consider capital goods in the LCA (e.g., buildings, machinery vehicles, and infrastructure).

Environmental Pollution and GHG emissions

The Borrower has contingency plans in place for emergencies and response measures for fire protection. One such plan is for the "Emergency Case" environmental element which has a "taxing" impact on all three phases of the plant (e.g., installation, implementation and discontinuation phases). The plan was approved by local authorities and includes mitigation measures which should be conducted to the lowest environmental impact. Volta is in the process of setting up an on-site team in case of emergencies.

In terms of GHG emissions, Volta carried out a GHG assessment through an external consultant. A carbon assessment of both the product and company. Scope emissions are detailed in the sustainability report, but goals / targets related to emissions have not been set. The Borrower plans to set forth Scope 1,2,3 emissions targets in the second quarter of 2023. The responsibility to oversee processes and goals related to environmental pollution as well as GHG emissions is assigned to Volta's Strategy Team.

As Volta does not have its own vehicle fleet it relies on third party shipping companies for transportation. An area of improvement would be to manage the indirect GHG emissions related to transportation of the scrap copper.

Resource and Waste Management

The Borrower meters water consumption on a daily basis. Energy consumption is also monitored as it is purchased from the market. The Borrower is in the process of completing a power losses study and an independent energy audit. However, production doesn't follow any practices to minimize energy consumption as the Borrower states it will adversely impact the quality the manufactured product.

The Borrower has a waste management system in place for non-hazardous and hazardous waste. Waste quantities are measured and reported on in the Sustainability Report. Volta has stated that the goal is to maintain or reduce specific amount of waste generated over the next three years. In addition to this, the Borrower has set a goal to increase selective waste collection by 10% annually. Generated waste will be sold when possible. Upon collection of more data, the collection of different waste can be organized, with specialized bins, education campaigns. Waste Management is overseen by the Borrower's environmental engineer.

The copper foil production also creates a chromium hydroxy sludge, a by-product from its onsite technical wastewater pre-treatment process. This hazardous by-product is currently landfilled and treated by its waste management partners. The Borrower is looking at ways to minimize and manage its technical waste more effectively to minimize environmental hazards.

Human Rights

The Borrower appears to have adequate measures in place to protect and advocate for employees. Volta has signed a collective bargaining agreement which ensures worker's representation. The agreement is in the process of being implemented as the principles of the agreement are currently being reviewed. Coupled with this protection is the employee handbook, which is distributed and contains processes aligned with Hungarian Law (Act 1 of 2012 on the Labor Code). However, in the case of a violation of Volta's Code of Conduct, related policies / laws, or ethical violations (e.g., harassment), there is whistleblowing system in place to report such grievances. On Volta's website, employees can submit an anonymous whistleblower report. The Borrower has a procedure to process reports filed.

Health and Safety

Volta has an OHS management system (ISO 45001) in place and LOTO (Lockout/Tagout) system to improve operation safety. LOTO is a procedure to control hazardous energy while machinery maintenance occurs to prevent serious injury or death to workers. Volta is in the process of constructing, developing, and implementing a visual safety awareness program and has engaged external consultants to do so.

Community Engagement

Before all projects, Volta consults with a Hungarian Investment promotion agency to contextualization the local social and economic development. One perimeter considered is whether the project will negatively impact the community. The Borrower creates inclusive employment opportunities by providing comprehensive training to all employees in positions that support the sustainable economy. This training is particularly important to recuperate those displaced from traditional fossil fuel professions (e.g., coal miners). In addition to this, Volta meets with the local government from where the site is located to discuss potential issues such as community grievances.

An area for improvement would be to hold an open consultation with the local population (e.g., to collect community grievances) and develop a procedure to process and respond to grievances during the construction and operation.

Environmental & Social Supply Chain Risks

When new suppliers are contracted, the Borrower requires them to conform with standards set forth from International Organization for Standardization (ISO) and International Standard for Automotive Quality Management Systems (IATF). To enforce such requirements, Volta evaluates annually major suppliers and rates them based on their adherence to social responsibilities. To promote responsible suppliers, those with a high rating will receive more favorable payment terms while those with lower ratings will receive more stringent terms. In extreme cases such as a supplier who is non-compliant with regulations, then the partnership will discontinue. The Borrower has targeted the second quarter of 2023 to enhance its ESG requirements in an effort to continue compliance with EU regulation and support climate.

Business Ethics

The Borrower's Code of Conduct formalizes policies and procedures to combat corruption, conflicts of interest, anti-competitive practices, bribery, insider trading and financial/accounting mismanagement.

The Code is managed by the Ethics Department and requires mandatory compliance from all employees. Volta's employees, business partners and visitors can report violations of the Code of Conduct, related policies and breaches of laws via a confidential professional alert system. Alerts can be discretely reported to a manager, an executive officer, the Human Resources Director or the local HR team without reprisals to the whistle-blower. The system is designed to identify potential violations and immediate remedies to uphold the company's integrity.

BORROWER

Of note, the Borrower of the loans is Volta, and the assessment of controversies and controversial activities was done for Volta's parent company, Solus Advanced Materials Co., also guarantor of the loans.

Management of ESG Controversies

As of today, the review conducted by Moody's ESG Solutions did not reveal any ESG controversy against Solus Advanced Materials Co. over the last four years.

Involvement in Controversial Activities

Solus Advanced Materials Co. appears to not be involved in any of the 17 controversial activities screened under our methodology, namely: Alcohol, Animal welfare, Cannabis, Chemicals of concern, Civilian firearms, Coal, Fossil Fuels industry, Unconventional oil and gas, Gambling, Genetic engineering, Human embryonic stem cells, High interest rate lending, Military, Nuclear Power, Pornography, Reproductive Medicine and Tobacco.

The controversial activities research provides screening of companies to identify involvement in business activities that are subject to philosophical or moral beliefs. The information does not suggest any approval or disapproval on their content from Moody's ESG Solutions.

METHODOLOGY

In our view, Environmental, Social and Governance (ESG) factors are intertwined and complementary. As such they cannot be separated in the assessment of ESG management in any organisation, activity or transaction. In this sense, we provide an opinion on the Borrower's ESG performance as an organisation, and on the processes and commitments applicable to the intended issuance.

Our Second Party Opinions (SPOs) are subject to internal quality control at three levels (Analyst, Project Manager and Quality Reviewer). If necessary, this process is complemented by a final review and validation by the Expertise Committee and Supervisor. A right of complaint and recourse is guaranteed to all companies under our review.

COHERENCE

Scale of assessment: not coherent, partially coherent, coherent

This section analyses whether the activity to be financed through the selected instrument is coherent with the Borrower's sustainability priorities and strategy, and whether it responds to the main sustainability issues of the sector where the Borrower operates.

ISSUANCE

Alignment with the Green Loan Principles

Scale of assessment: Not aligned, Partially aligned, Aligned, Best Practices

The Framework has been evaluated by Moody's ESG Solutions according to the LMA/APLMA/LSTA's Green Loan Principles – February 2021 ("GLP"), and on our methodology based on international standards and sector guidelines applicable in terms of ESG management and assessment.

Use of proceeds

The definition of the Eligible Projects and their sustainable objectives and benefits are a core element of Green/Social/Sustainable Bonds and Loans standards. Moody's ESG Solutions evaluates the clarity of the definition of the Eligible Categories, as well as the definition and the relevance of the primary sustainability objectives. We evaluate the descriptions of the expected benefits in terms of relevance, measurability and quantification. In addition, we map the potential contribution of Eligible Projects to the United Nations Sustainable Development Goals' targets.

Process for evaluation and selection

The evaluation and selection process is assessed by Moody's ESG Solutions on its transparency, governance and relevance. The eligibility criteria are assessed on their clarity, relevance and coverage vs. the intended objectives of the Eligible Projects.

Management of proceeds

The process and rules for the management and the allocation of proceeds are assessed by Moody's ESG Solutions on their transparency, traceability and verification.

Reporting

The monitoring and reporting process and commitments defined by the Borrower are assessed by Moody's ESG Solutions on their transparency, exhaustiveness and relevance, covering the reporting of both proceeds' allocation and sustainable benefits (output, impact indicators).

Contribution to sustainability

Scale of assessment: Weak, Limited, Robust, Advanced

Our assessment of activities' contribution to sustainability encompasses both the evaluation of their expected positive impacts on environmental/social objectives, as well the management of the associated potential negative impacts and externalities.

Expected positive impact of the activities on environmental/social objectives

The expected positive impact of activities on environmental/social objectives to be financed by the Borrower is assessed on the basis of:

- i) the relevance of the activity to respond to an important environmental/social objective for the sector of the activity;¹³
- ii) the scope of the impact: the extent to which the expected impacts are reaching relevant stakeholders (i.e. the Borrower, its value chain, local and global stakeholders);
- iii) the magnitude and durability of the potential impact of the proposed activity on the environmental/social objectives (capacity to not just reduce, but to prevent/avoid negative impact; or to provide a structural/long-term improvement);
- iv) for environmental objectives only: the extent to which the activity is adopting the best available option.

ESG risk management for eligible activities

The identification and management of the potential ESG risks associated with the eligible projects/activities are analysed on the basis of Moody's ESG Solutions' ESG assessment methodology, international standards and sector guidelines applicable in terms of ESG management and assessment.

BORROWER

Management of Stakeholder Related ESG Controversies

Moody's ESG Solutions defines a controversy as public information or contradictory opinions from reliable sources that incriminate or make allegations against a Borrower regarding how it handles ESG issues as defined in Moody's ESG Solutions' ESG framework. Each controversy may relate to several facts or events, to their conflicting interpretations, legal procedures or non-proven claims.

We reviewed information provided by the Borrower, press content providers and stakeholders (partnership with Factiva Dow Jones: access to the content of 28,500 publications worldwide from reference financial newspapers to sector-focused magazines, local publications or Non Government Organizations). Information gathered from these sources is considered as long as it is public, documented and traceable.

We provide an opinion on companies' controversies risks mitigation based on the analysis of 3 factors:

- Frequency: reflects for each ESG challenge the number of controversies that the Borrower has faced. At corporate level, this factor reflects on the overall number of controversies that the Borrower has faced and the scope of ESG issues impacted (scale: Isolated, Occasional, Frequent, Persistent).
- Severity: the more a controversy is related to stakeholders' fundamental interests, proves actual corporate responsibility in its occurrence, and have caused adverse impacts for stakeholders and the company, the higher its severity is. Severity assigned at the corporate level will reflect the highest severity of all cases faced by the company (scale: Minor, Significant, High, Critical).
- Responsiveness: ability demonstrated by an Borrower to dialogue with its stakeholders in a risk management perspective and based on explanatory, preventative, remediating or corrective measures. At corporate level, this factor will reflect the overall responsiveness of the company for all cases faced (scale: Proactive, Remediate, Reactive, Non- Communicative).

The impact of a controversy on a company's reputation reduces with time, depending on the severity of the event and the company's responsiveness to this event. Conventionally, our controversy database covers any controversy with Minor or Significant severity during 24 months after the last event registered and during 48 months for High and Critical controversies.

Involvement in Controversial Activities

17 controversial activities have been analysed following 30 parameters to screen the company's involvement in any of them. The company's level of involvement (Major, Minor, No) in a controversial activity is based on:

- An estimation of the revenues derived from controversial products or services.
- The specific nature of the controversial products or services provided by the company.

¹³ The importance of a specific social need at country level is assessed on the basis of the country performance on the priority SDG that the project is targeting using data from Sachs, J., Schmidt-Traub, G., Kroll, C., Lafortune, G., Fuller, G., Woelm, F. 2020. The Sustainable Development Goals and COVID-19. Sustainable Development Report 2020. Cambridge: Cambridge University Press.

OUR ASSESSMENT SCALES

Scale of assessment of Borrower's ESG performance or strategy and financial instrument's Contribution to sustainability		Scale of assessment of financial instrument's alignment with Green and/or Social Bond and Loan Principles	
Advanced	Advanced commitment; strong evidence of command over the issues dedicated to achieving the sustainability objective. An advanced expected impact combined with an advanced to robust level of ESG risk management & using innovative methods to anticipate new risks.	Best Practices	The Instrument's practices go beyond the core practices of the ICMA's Green and/or Social Bond Principles and/or of the LMA/APLMA/LSTA's Green and/or Social Loan Principles by adopting recommended and best practices.
Robust	Convincing commitment; significant and consistent evidence of command over the issues. A robust expected impact combined with an advance to robust level of assurance of ESG risk management or an advanced expected impact combined with a limited level of assurance of ESG risk management.	Aligned	The Instrument has adopted all the core practices of the ICMA's Green and/or Social Bond Principles and/or of the LMA/APLMA/LSTA's Green and/or Social Loan Principles.
Limited	Commitment to the objective of sustainability has been initiated or partially achieved; fragmentary evidence of command over the issues. A limited expected impact combined with an advanced to limited level of assurance of ESG risk management; or a robust expected impact combined with a limited to weak level of assurance of ESG risk management; or an advance expected impact combined with a weak level of assurance of ESG risk management.	Partially Aligned	The Instrument has adopted a majority of the core practices of the ICMA's Green and/or Social Bond Principles and/or of the LMA/APLMA/LSTA's Green and/or Social Loan Principles, but not all of them.
Weak	Commitment to social/environmental responsibility is non-tangible; no evidence of command over the issues. A weak expected impact combined with an advanced to weak level of assurance of ESG risk management or a limited expected impact with a weak level of assurance of ESG risk management.	Not Aligned	The Instrument has adopted only a minority of the core practices of the ICMA's Green and/or Social Bond Principles and/or of the LMA/APLMA/LSTA's Green and/or Social Loan Principles.

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