



2022 REPORT

Environmental, Social, & Governance

Table of Contents

ABOUT US 3

ENVIRONMENTAL STEWARDSHIP 8

SOCIAL COMMITMENT 14

CORPORATE RESPONSIBILITY 23

APPENDIX 31

ABOUT THIS REPORT

We at Shoals Technologies Group, Inc. (Shoals or the Company) are proud to share our second annual Environmental, Social, and Governance (ESG) report, which describes our ESG approach and performance and the ways in which our products and solutions contribute to sustainable development. In preparing this report, we have considered the International Financial Reporting Standards (IFRS) Foundation's Sustainability Accounting Standards Board (SASB) Standards for Solar Technology and Project Developers. Additionally, we have identified the United Nations Sustainable Development Goals (UN SDGs) that are most relevant to our Company and the impacts we make on challenges facing our environment and society. We continue to seek ways to further align our ESG reporting with industry-leading frameworks and standards and develop transparent reporting of our ESG progress. Unless otherwise noted, this report addresses our ESG progress and performance from January 1, 2022 to December 31, 2022.



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About Us

We operate with purpose, passion, and creativity to be the leading provider of electrical balance of systems (EBOS) solutions and components for solar, battery storage, and electric vehicle (EV) charging applications.

Our Vision

To create a brighter future for our clients, our team, and the wider world by pursuing simple ideas with a determination to make solar, storage, and EV charging a more affordable and viable choice for people and communities everywhere.

Our Mission

To develop innovative solutions that make EBOS installation simpler, faster, safer, and more reliable to reduce the Levelized Cost of Energy (LCOE).¹

Our Common Values

- ✿ Making quality foremost in all we do, make, and sell.
- ✿ Maintaining integrity in how we act, make decisions, and hold ourselves accountable.
- ✿ Being responsive to change, to each other, and to our business partners, customers, and users.
- ✿ Being respectful in how we treat all people.
- ✿ Seeking innovation in the way we approach challenges and build products.
- ✿ Being sustainable in our approach to producing our products and our operations.

We are engineers, solar evangelists, curious minds, collaborators, optimists, and advocates of sunnier days.

2022 HIGHLIGHTS

27 Years of Manufacturing Experience

35 Cumulative Issued Patents

14 of Top 15 Solar Engineering, Procurement, and Construction Companies (EPCs) Use Shoals' Combine-As-You-Go System

~835 Employees

15 Patents Issued

5 Plants Located in Tennessee, Alabama, and California

4 EV Charging Product Families Introduced



Our Products

EBOS products are mission critical for every solar, EV charging, and energy storage project, regardless of size, location, or technology. They encompass all of the components to carry and convert electrical currents for their intended purpose.

At Shoals, we design and manufacture innovative and customizable EBOS components and solutions that are safe, reliable, cost effective, and speed installation. Our in-house, prefabricated manufacturing meets Tier 1 QA/QC standards and certification. Our above-ground designs mean our products are simple to install, significantly reducing the need for skilled electricians and special tools.

Through our wide range of industry-leading products, we are helping to efficiently harness the power of the sun, deliver best-in-class battery energy storage, and meet ambitious EV charging deployment goals.

American Engineering

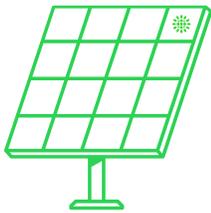
Shoals is built on a foundation of American ingenuity. With the right teams, technologies, processes, and procedures, we create high-quality products within North America. Our principal manufacturing facilities are in Tennessee, Alabama, and California. Shoals is proud to contribute to domestic manufacturing and support the federal government’s pursuit of energy independence.





Our Products

Solar



- Big Lead Assembly
- Interconnect System®
- Combiner Box
- Balance on Tracker®
- Service & Design

50% of All U.S.-Based Solar Projects Installed Used Shoals' Products in 2022²

43% Lower Installation Cost³

20% Lower Material Cost⁴

Energy Storage



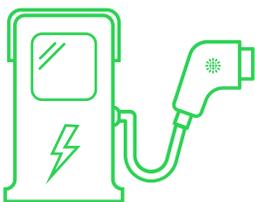
- Battery Combiner
- Fuse Cabinets
- Isolation Cabinets
- Reverse Current Protection Mitigation
- Auxiliary Power Cabinets

+8% Compound Annual Growth Rate in Addressable Market for New Projects and Retrofits of Battery Energy Storage from 2021-2025⁵

AC OR DC Coupled

299-400 Amp Applications

eMobility



- Power Center
- Raceways
- EV-BLA
- Quick Connect Bases

>1/3 U.S. States with Shoals' Charging Units Installed

1-3 days for eMobility deployments

Chargers ideal for Fleets, Retail, Office and Metropolitan Utility Districts



Our ESG Strategy

Every day, we challenge and support each other to design, develop, and deliver solutions that have the potential to change the world and ourselves.

From our mission and vision to our business and operations, we are strategically aligned with many global sustainability ambitions. We are committed to continuously supporting these aims and to being transparent about our practices.

In 2021, we initiated the process by establishing an ESG Working Group comprised of internal members from our Legal Team and external resources. The ESG Working Group identified the ESG topics most relevant to Shoals, engaged with team members from across the Company to understand our programs, policies, and procedures, and ultimately produced our inaugural ESG report.

The ESG Working group continues to prioritize and monitor our ESG-relevant activities, including engagements with stakeholders to solicit feedback on our practices. The outcomes and progress are reported through our annual disclosures.

Oversight

The execution of our strategy and achievement of our mission relies on everyone at Shoals.

Board of Directors

Our Nominating and Corporate Governance Committee reviews, monitors, and provides guidance on the development and implementation of our ESG programs and goals.

Management

Our executive leadership guides our management teams and their divisions on acting responsibly in ways that protect the environment and the safety and wellbeing of our employees, local communities, and products.

ESG Working Group

Our Legal Team oversees and coordinates reporting of our ESG efforts in collaboration with teams across the Company.



Environmental Stewardship



Ecological Product
Impacts



Operational
Sustainability



Responsible Product
Design and Lifecycle
Management

Social Commitment



Human Capital
Management



Diversity, Equity,
and Inclusion (DEI)

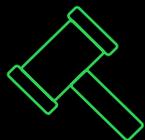


Occupational
Health and Safety
(OHS)



Product Safety

Corporate Responsibility



Ethics and
Integrity



Data Privacy
and Security



Corporate
Governance



Environmental Stewardship

As a leader in providing solar energy-focused products and eMobility solutions, we have identified four UN SDGs that align with Shoals' commitment to environmental stewardship through our ecological product impacts, operational sustainability, and responsible product design and lifecycle management.

See the Appendix for an overview of all the UN SDGs Shoals advances.



Environmental Solutions

From the development of new technologies to the benefits of our products in installations, we are advancing the global energy transition and accelerating electrification. These efforts are supporting global, national, local, and corporate net-zero emissions goals and the Paris Agreement's aim of maintaining global average temperatures below 2°C above pre-industrial levels and to limiting warming to no more than 1.5°C.⁶

Over the past few years, the growing sentiment to mitigate the impacts of climate change alongside recent U.S. legislative actions, such as the Infrastructure Investment and Jobs Act and the Inflation Reduction Act, are bolstering our contributions.⁷ As a Tier-1 supplier to the solar, energy storage, and eMobility sectors, we are providing solutions that overcome some of the pressing challenges of our day.





Supporting the Clean Energy Transition

Solar energy and electrification are key to the transition to a low-carbon future. The products we manufacture help to reduce reliance on fossil fuels, avoid millions of tons of greenhouse gas (GHG) emissions, and create more stable, flexible, and reliable energy sources that contribute to cleaner air and healthier communities.

Solar

Utility-scale solar energy installations are powering renewable opportunities. Our EBOS solutions are optimizing the process by interconnecting with the solar panels, collecting the electrical current, aggregating it to the inverter, and ultimately bringing the energy to the power grid.

Energy Storage

The utility-scale energy storage industry is evolving and off-the-shelf solutions continue to be a challenge. Shoals fills the gap by providing customized and semi-customized Battery Energy Storage Solutions (BESS) that cost-effectively and quickly couple to utility scale solar, EV charging sites, and the existing electricity grid.

EV Chargers

Charge point operators need to speed deployment while simultaneously reducing costs and achieving higher quality to meet ambitious federal EV deployment goals. Our EV EBOS solutions are portable, charger agnostic, and deployable in days rather than weeks or months to accelerate the adoption and expansion of EV charging networks.

52%

Global Solar PV Capacity from Utility-Scale Plants⁸

7.8 GW

Utility-Scale Battery Storage in U.S. as of October 2022¹⁰

54%

Increase in Global EV Sales as Compared to 2021¹²

~1–4 GtCO₂e

Emissions Reduced per Year from Solar PV Power Generation Compared to Fossil Fuel Combustion²

44-Fold

Projected Growth in Global Grid-Scale Battery Storage Capacity to 680 GW By 2030¹¹

1.2M

Estimated Public EV Chargers Needed By 2030¹³



Reducing Environmental Impacts Through Design

Our products are uniquely designed to have lower environmental and ecological impacts as compared to conventional homerun EBOS systems.

1

Above-ground installation

Our combine-as-you-go system and EV charging solutions require no excavation. This minimizes soil disturbances on the large areas of land needed for projects such as utility-scale solar or in parking lots for EV fleets. It also lessens the system materials, including the water, energy, waste, and emissions from the product lifecycle, by eliminating underground metal and PVC pipe conduit systems.

2

Fewer wires and cables

Our solutions dramatically reduce wire runs and redundant wiring, thereby minimizing material use. As compared to a 100 MW Conventional Homerun EBOS System solar project that uses approximately **18,000** individual wires runs and **100,000** connections, our BLA has **83%** fewer connection points resulting from the reduction of **95%** inverter runs and **67%** string runs. Our EV BLA eliminates individual homeruns from each dispenser and wire runs by up to **75%**.

3

Lighter materials

By replacing copper with aluminum, our materials weigh less and reduce the amount of fuel used for their transport. From our estimate, there are **~48** copper cables per conductor in a Conventional Homerun EBOS System compared to **2** copper cables in one set of Shoals conductors.

4

Longer Lasting

Our above-ground cabling is more durable than other commonly used materials, such as PVC, ensuring a longer life. The XLPE (cross-linked polyethylene) cables used in our products have not only higher quality electrical and physical properties, but also last longer due to higher UV stabilization. This reduces the amount of waste from replacement materials for UV-damaged cables.



Sustainable Operations

Considerations of our environmental impact have primarily centered around our solutions and how they support the energy transition through the solar, energy storage, and eMobility industries. As a Tier 1 supplier, we have always upheld responsible business and manufacturing practices. Now, we are expanding our focus to the impacts from our value chain and our own operations.

Environmental Responsibility

We are committed to operating in an environmentally responsible and sustainable manner to protect our people, our communities, and the planet for future generations.

Our Environmental Policy outlines the sustainability guiding principles and practices we expect of everyone at Shoals. It addresses our overall approach and the areas of energy conservation, materials consumption, and waste minimization, including overall waste and toxic and hazardous waste.

We expect our visitors, contractors, and business partners to honor these standards. For our suppliers, contractors, consultants and other business partners, we also have a Third-Party Code of Conduct (Code). Within it, there is a section on Responsibility to the Earth. This covers compliance with environmental laws and the encouragement of impact reducing activities on the environment, climate, and our shared natural resources. Each of our business partners are required to comply with the Code.

Environmental Guiding Principles and Practices

-  Comply with applicable environmental laws and regulations.
-  Continue to review and minimize the impacts of our activities.
-  Conserve energy and other natural resources.
-  Reduce, reuse, and recycle materials to minimize waste.
-  Minimize the generation of waste.
-  Adopt green procurement practices.
-  Receive environmental awareness training.





Our Practices

We have implemented a number of sustainable processes and procedures.

Waste

Our waste management efforts help us minimize and divert refuse from landfills through our reduction, reuse, and recycling practices.

- ⚙️ Regrinding and reusing plastic scraps in our manufacturing process.
- ⚙️ Recycling e-waste and corrugated packaging.
- ⚙️ Recycling scrap material, including wires and metals (e.g., steel and copper) by local recycling companies, when applicable.
- ⚙️ Engaging waste-management third parties with sustainable processes for materials recovery from lithium ion batteries and waste fluids, including the creation of products such as antifreeze derived from coolant with ethylene glycol.
- ⚙️ Reducing single-use plastics at our plants by reducing the availability of plastic cutlery and utilizing biodegradable drinkware.

6

Office,
Manufacturing,
Warehouse and
Shipping Locations

~452k

Total Location
Square
Footage

50%

Locations Owned
by Shoals

This past year, we switched to a higher grade coolant in our computer numerical control machines, which help us manufacture our products with the highest level of efficiency, accuracy, and consistency. This upgrade reduced our coolant usage intensity from every 3 months to every 6+ months.

Water & Wastewater

Our water management practices include reuse and reduction techniques that help us conserve water.

- ⚙️ Installing a closed-loop cooling system through which water is reused to cool parts of our injection molding machines (e.g., plastic intake throats and motors).
- ⚙️ Eliminating water changeouts in our closed-loop system following an externally advised chemical efficiency review.
- ⚙️ Reducing water withdrawals solely for evaporation in our closed-loop system.
- ⚙️ Transferring processes to other facilities.
- ⚙️ Processing wastewater, except from sanitation facilities, into clean water.

10 gal

Amount of Water Used
per Month by our
Closed-Loop System

Energy

Our energy efficiency efforts address end uses of energy - lighting and HVAC systems -and are increasingly focused on electrifying our operations.

- ✿ Installing energy-efficient LED lighting and motion sensors at our production facilities and offices.
- ✿ Replacing aging HVAC units with Energy Star certified and high seasonal energy efficiency ratio (SEER) ratings models for the level of needed BTUs.
- ✿ Deploying and funding EV charging systems at our plants.
- ✿ Upgrading to and utilizing a majority electric mobile equipment (e.g. forklifts, box lifts) at our facilities.

Greenhouse Gas Emissions

As we continue to monitor and enhance our operational practices, we remain apprised of climate change regulatory developments and growing interests for greenhouse gas disclosures. Currently, we are reviewing ways to account for and report on our energy consumption and sources of energy during our normal course of operation. This will inform the identification of process and practice enhancements and disclosures for future reporting.



Social Commitment

As a growing company, we have identified one UN SDG that aligns with Shoals' commitment to supporting and developing our people, culture, and business through a focus on human capital management, DEI, OHS, and product safety.

See the Appendix for an overview of all the UN SDGs Shoals advances.



Human Capital Management

Our success and operational excellence starts with our people. They have the knowledge and expertise to design and deliver innovative EBOS systems and components. They share our passion, purpose, entrepreneurial spirit, and put our values into action every day.

Our Journey

Since our founding in 1996, we have had at least two pivotal moments - the transition to a solar component supplier from the automotive industry in 2002 and our listing on the Nasdaq Stock Exchange and continued high-growth since 2021.

In this phase of our journey, we are evolving our people strategy while staying true to our family-business roots. Over the past year, we continued to focus on talent attraction and retention and embarked on a transformation of our HR department with the initiation of our Total Rewards strategy and expansion of our team, including the appointment of our Chief Human Resources Officer.

In 2022, we also established baseline HR analytics, which provide us greater insights on our recruitment, retention, and total rewards practices in addition to our workforce composition.





Our Teams

Shoals is a collection of engineers and problem solvers, solar innovators, e-mobility evangelists, curious minds, and collaborators, optimists, and advocates.

Human Resources (HR)

Serves as a resource for our people and supports the growth of our talent and culture as a key differentiator and competitive advantage to attract and retain the top talent.

Research & Development

Develops reliable, safe, and innovative products for the energy transition and collaborates with academia, national laboratories, and consultants to improve our capabilities and receive independent assessments.

Production & Warehouse

Manufactures our high-quality, reliable, and safe products to fit the unique needs of every customer request and maintains our safe and efficient facilities.

Sales & Marketing

Builds product awareness and fosters long-term relationships with our customers through direct engagements, independent third-party studies, thought-leadership, marketing campaigns, training seminars, and industry conferences and events.

Project Management & Customer Care

Supports our highly consultative sales approach with installation guidance and commissioning processes in addition to administrative communication and technical support for the life of the project.

Safety & Maintenance

Delivers our occupational health and safety programs and ensures a proactive safety culture is maintained throughout all our facilities and operations.

Team Growth

Our talent attraction and retention practices focus on hiring key talent within our local communities, being viewed as an employer of choice, and promoting from within.

-  Developing strategic recruiting partnerships.
-  Establishing relationships with local staffing agencies.
-  Engaging executive search firms for key leadership roles.
-  Hosting hiring events and career fairs.
-  Promoting our employee referral program.
-  Transitioning part-time employees to full-time roles.
-  Encouraging internal recruitment.
-  Enhancing employee experiences to improve retention.

Employee Engagement

We value open and honest communication and seek to provide opportunities for our team members to share their thoughts and perspectives. We hold informal meetings across our teams to provide company updates and a space for immediate feedback. In 2022, we also held our first company-wide town hall meetings for our salaried employees. In 2023, we are expanding our feedback opportunities with the launch of our first employee engagement survey.

~835

Employees as of Fiscal Year End

150%

Increase to our HR Team

~19%

Year-Over-Year Employee Growth Rate

200+

Hourly Employees Hired

~50

Salaried Employees Hired



Total Rewards

Our Total Rewards strategy is a holistic perspective to employee engagement and retention. It encompasses five elements that provide a more structured approach to team members’ personal and professional growth within Shoals. We launched the strategy in 2022 and plan to develop each element through 2024 and beyond.

1 Career Pathing & Leadership Development

- ⚙️ Goals development through our performance management plans.
- ⚙️ Year-end reviews for all salaried employees.
- ⚙️ Leadership and development training.
- ⚙️ Off-site executive leadership sessions.
- ⚙️ On-the-job skills training.

2 Fair & competitive compensation

- ⚙️ Base pay benchmarking.
- ⚙️ Compliance with wage and hour laws per our Human Rights Policy.

3 Recognition

- ⚙️ Moments to appreciate, celebrate, and reward fellow colleagues.

4 Benefits & well-being

- ⚙️ Medical and dental coverage.
- ⚙️ Life and disability insurance.
- ⚙️ Retirement savings plans through our 401(k) with matching contribution.
- ⚙️ Employee Assistance Program.
- ⚙️ Paid-time-off program.

5 Incentives

- ⚙️ Annual and long-term incentive plans tied to performance.
- ⚙️ Sales-based plans for commissioned employees and bonuses for non-commissioned and select hourly employees.
- ⚙️ IPO equity grants to all employees in 2021.

\$1.5M

Invested in Benefits with More Choices and Affordability

75%

of Annual Incentive Plan Payouts Tied to EBITDA

\$1.7M

Total Financial Investment in Hourly Pay Increases in 2022

See our [Human Rights Policy](#) for our employment and labor principles and our [Proxy Statement](#) for more on our executive compensation program.

Diversity, Equity, and Inclusion

At Shoals, we strive to create a workplace where everyone is welcomed, valued, treated fairly, and respected. We believe:

Diversity is the range of our human differences, including but not limited to race, ethnicity, gender, gender identity, sexual orientation, age, economic status, physical and mental ability, religious or ethical values system, national origin, and political beliefs.

Equity & Inclusion provide opportunity, access, and impact, which are expressed through our culture, products, services, and activities.

Currently, our DEI programs are under development. We are focused on partnering with organizations and developing programs that enhance our outreach, recruitment, hiring, and retention of diverse individuals across all roles and levels. We also look to foster equity in our leadership development and to listen, learn, and respond to employee feedback, so that we may prosper as a diverse, equitable, and inclusive workplace today and into the future.

Diversity by the Numbers*

GENDER

■ FEMALE ■ MALE



RACE & ETHNICITY

■ OTHER RACE/ETHNICITY ■ WHITE



*Diversity data is reflective of EEO-1 Report data as of the fiscal year end for full-time employees. Executives include members of our leadership team and Managers consist of individuals with management responsibilities. Values in the charts may not sum up to 100 due to rounding.



Health and Safety

Protecting our workers, customers, and local communities is a fundamental responsibility at Shoals. Safety is the key component and a priority in all we do from product development and manufacturing to performance and post-installation maintenance. For our people, we focus on having a robust support system and controlled physical environment along with awareness and preparedness. For our products, we put a strong emphasis on quality control.

Occupational Health and Safety

Our OHS program is grounded in proven safety standards and best practices and designed to maintain a safe workplace that achieves outcomes through proactive intervention, leadership, and employee participation.

OHS Oversight

We strive to have an interdependent safety culture where all employees feel responsible for each other’s safety. It starts with the tone at the top from our leaders to our managers and supervisors. At our locations, we have dedicated Health and Safety teams to drive our OHS program.

Facilities & Maintenance Manager

Ensures facilities are secure and maintained to the appropriate health and safety standards.

Health & Safety Manager

Develops and administers all aspects of our OHS program, including policies and procedures, and identifies and investigates physical, chemical, and biological hazards at our facilities.

Senior Safety Coordinator

Ensures compliance with health and safety regulations, including maintenance of safety records and training implementation.

Security & Environmental Clerk

Monitors facilities security and ensures recycling and waste, including environmental waste, are safely and properly handled and removed.

OHS Guiding Principles

- ✱ Maintain or surpass all pertinent health, safety, and environmental obligations.
- ✱ Strengthen and encourage strong principles and responsible workplace policies that enhance health, safety, and environmental integrity.
- ✱ Encourage the implementation of sensible health, safety, and environmental standards of contractors, vendors, and suppliers on Shoals properties.
- ✱ Convey health, safety, and environmental strategies and systems to Shoals employees and shareholders.
- ✱ Operate in a manner that strengthens safety, promotes energy efficiency, and helps protect the environment.
- ✱ Make certain that all employees are conscious of their responsibility and obligation to achieve and maintain Shoals’ health, safety, and environmental management systems and policy.



OHS Policies and Practices

We strive to have a zero accident culture. To deliver safe outcomes, we rely on a range of policies and proactive procedures to identify, assess, and mitigate health and safety concerns.

Health & Safety Policy

Outlines our OHS responsibilities and procedures for injury prevention, record keeping and reporting, and safety inspections for all employees, contractors, consultants, and other business partners.

Other OHS Policies

Provide structured corrective action processes to improve and prevent recurring unsafe employee behaviors or issues through our Safety Discipline Policy and Employee Safety Warning Notice.

Framework-based OHS Program

Aligns with the International Organization for Standardization (ISO) 45001 standards through effective organizational oversight and an emphasis on workplace safety, risk reduction, and overall employee well-being to enhance OHS performance, with future plans for ISO certification.

Hazard Identification

Proactively assesses hazardous sources or situations that have the potential to cause the most harm, including day-to-day human error injuries, machine injuries during operation, and chemical hazards, through safety walks and site inspections.

Safety Procedures

Integrate best practices to mitigate workplace hazards.

- ✱ Machinery upgrades and routine maintenance to minimize operational risks.
- ✱ Ergonomic workstations to avoid repetitive stress.
- ✱ Effective manufacturing floor communication to avoid preventable accidents.
- ✱ Use of personal protective equipment (PPE) and PPE hazard assessments to meet the requirements of specific processes.
- ✱ Stop Work Authority implemented in 2023 to address any perceived unsafe condition or behavior that may result in an undesirable event.





Performance Monitoring

Maintains records, trends, and oversight of our OHS practice.

- ✱ Preventative maintenance tracker and injury reporting analysis for employees who operate machinery.
- ✱ Regular audits and inspections of safety procedures, machines, and equipment, including fire safety equipment and waste storage areas.
- ✱ Audits and inspections of hazard response process and communication through our Learning Management System.
- ✱ Daily safety concerns and injury briefings among senior management and supervisors initiated in 2023.
- ✱ Weekly Health and Safety Team meeting to review current and emerging hazards and action plans.
- ✱ Monthly Safety Huddles to identify safety problems, develop solutions, review incident reports, provide training, and evaluate the effectiveness of the safety program.

OHS Training and Awareness

Promotes safety competencies and insights through routine programs and communication.

- ✱ Annual, and upon onboarding, health and safety training on our policies, tools and resources for maintaining safe workplaces, including evacuations and other emergency protocols.
- ✱ Routine role- and topic-specific trainings, such as high-risk hazard situations, as necessary.
- ✱ Special operating licenses and test preparation.
- ✱ Safety signage and reminders placed throughout our facilities.
- ✱ Individual incentive programs to recognize employees who proactively raise outstanding hazards that may have otherwise gone unaddressed.
- ✱ Safety Mondays with coffee provided by the Health and Safety Team.

2022 Safety Performance

140+

Safety Trainings Conducted

1.33

Combined Full-Time and Temporary Employee Total Recordable Incident Rates



Product Safety

We have always maintained an unwavering commitment to our product safety. Our research and development team works with the objective of developing innovative new products that reduce the cost and improve the reliability and safety of the energy transition.

We believe most of the new EBOS products and installation methods adopted by the U.S. solar industry over the past five years were developed and commercialized by Shoals. This uptake is a testament to the safety and reliability of our products.

Product Safety Oversight

Our Quality Assurance department employs a centralized approach to product testing and compliance. Using a knowledge sharing model, we communicate practices across our facilities so that we may apply cross-functional lessons across the Company.

Product Safety Practices and Procedures

Our systems are designed and manufactured to be safer and more reliable than conventional EBOS systems. Our factory assembly and pre-terminated connectors reduce system failures and fires from arc-faults (i.e., flow of electrical energy through an air gap), which are caused by installation errors, mechanical damage, and faulty components. Our products are also subject to a warranty, which covers defects in materials and workmanship of our products under normal use and service conditions.

We prioritize quality assurance and safety at each of our manufacturing facilities. Our products are tested against stringent quality requirements to ensure they can withstand a variety of conditions, such as high winds and storms.

Our Alabama facility is ISO 9001:2015 certified, which ensures we maintain certain requirements for an effective quality management system, including conformity to applicable regulatory requirements and consistent delivery of quality products to our customers.

This past year, our Fuel Power Center, Big Lead Assembly for DC or AC power, raceways, and quick-connect bases for chargers received UL Standards certification. This ensures we meet National Electric Codes and safely deliver energy from power centers to chargers.



Corporate Responsibility

At Shoals, we are inspired to create a better future for everyone through ingenuity and integrity. This goal guides our daily actions and drives positive outcomes for our Company, communities, stockholders, stakeholders, and planet, both now and well into the future.



Business Ethics and Integrity

We are committed to acting with the highest degree of ethics and accountability through an honest, inspired, and principled approach.

Everyone at Shoals - from our Board and our management team to our temporary and contract employees - is expected to conduct themselves in accordance with our common values, principles, and policies. We require each of our employees to annually review and attest to our Code of Ethics, and we are exploring additional ways to educate them on compliance and ethics through training. Our Board and Committees oversee the management of our policies and practices and remain updated on current trends through ongoing education and training. Our legal advisers assure we are operating in compliance with all applicable laws and regulations.

Ethics & Integrity Guiding Principles & Policies

Common Values

Focuses our attention on the means through which we will achieve our Mission and Vision.

Code of Ethics

Details the actions, behaviors, and compliance expectations for acting honestly, ethically, and fairly in all interactions and business activities.

Human Rights Policy

Reinforces our commitment to respecting human rights as laid out in the Universal Declaration of Human Rights and the International Labour Organization’s Declaration on Fundamental Principles and Rights at Work.

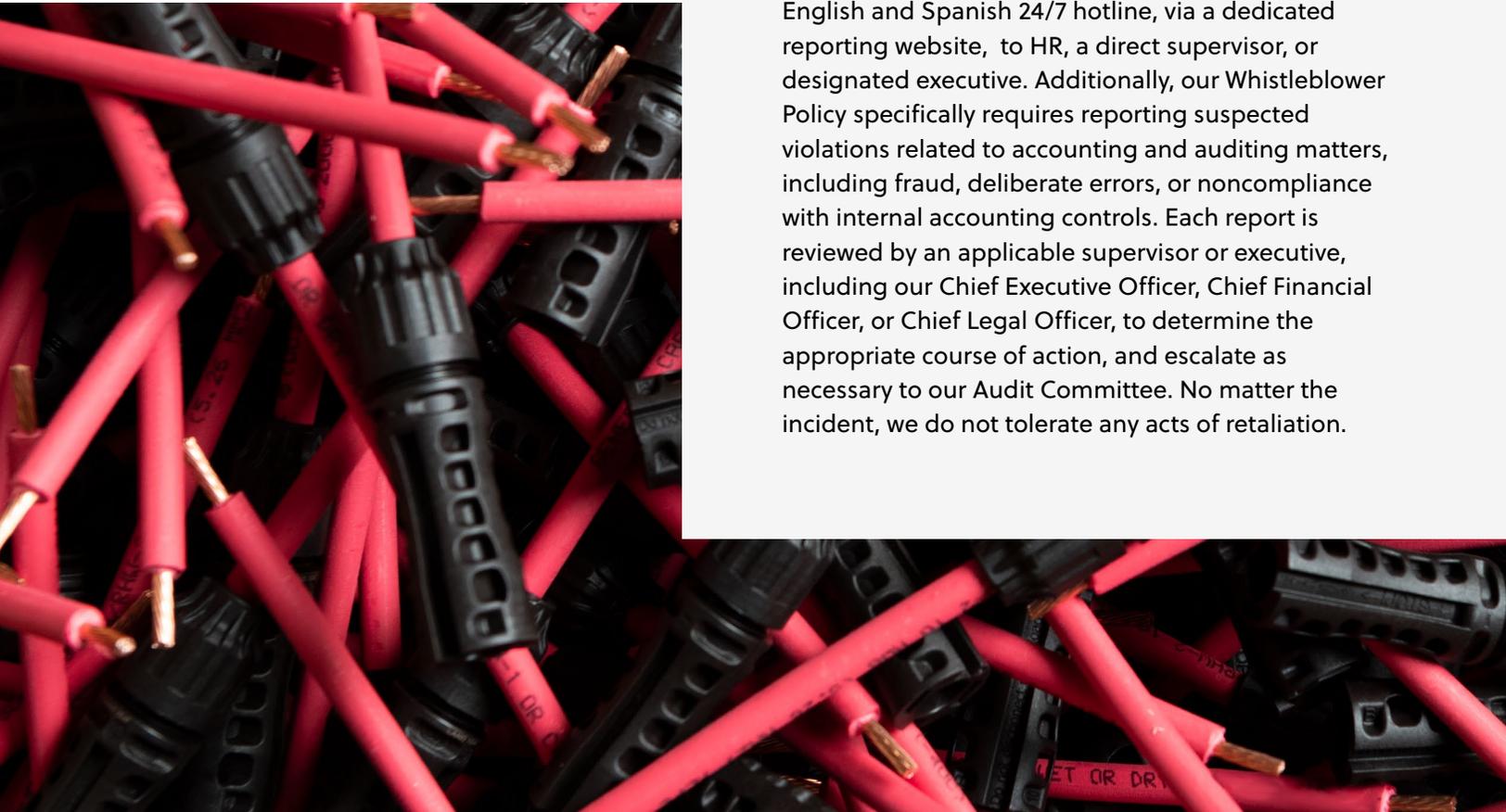
Supplier Code of Conduct

Outlines our expectations for suppliers and business partners to act responsibly and in compliance with laws regarding:

-  Health, Safety, and the Environment.
-  Workplace, Labor, and Human Rights.
-  Business Conduct and Ethics.

Whistleblower Policy

Our Code of Ethics requires anyone to report a suspected violation of our policies through our English and Spanish 24/7 hotline, via a dedicated reporting website, to HR, a direct supervisor, or designated executive. Additionally, our Whistleblower Policy specifically requires reporting suspected violations related to accounting and auditing matters, including fraud, deliberate errors, or noncompliance with internal accounting controls. Each report is reviewed by an applicable supervisor or executive, including our Chief Executive Officer, Chief Financial Officer, or Chief Legal Officer, to determine the appropriate course of action, and escalate as necessary to our Audit Committee. No matter the incident, we do not tolerate any acts of retaliation.



Enterprise Risk Management

Our risk management approach is designed to support the achievement of our organizational objectives, improve long-term performance, and enhance shareholder value.

Fundamental to our approach is understanding what our most significant risks are and taking the necessary steps to appropriately mitigate them. Our Board oversees an enterprise-wide approach to risk management and is actively involved with monitoring new threats and risks as they emerge. It has delegated primary oversight of certain risks to its committees (See our Corporate Governance section).

At regular, periodic meetings, management reports to and seeks guidance from our Board and its committees with respect to what we view as the most significant risks that could impact our business, including legal and regulatory, privacy, reputation, patent, financial, tax, and audit-related risks.



Intellectual Property

Each of our patents holds a backstory of conception and exploration, trial and error, toil and teamwork, and ultimately, a modest triumph of ingenuity. Inventing Simple® is not just a tag line – it is a way of thinking here at Shoals, and we are constantly innovating to find new ways to make EBOS safer, more reliable, and accessible around the world.

Many of our patents relate to electrical wiring and power transmission from solar panels to power inverters at solar fields. Our ability to maintain and protect our proprietary technologies, information, processes, and ideas is embedded in our company policies and protocols, including those specific to our intellectual property. We rely on patents, trademarks, copyrights, and trade secrets to protect our innovative solutions.



Our patents are much more than intellectual property. They are a testament to the quality of engineering talent at Shoals and our collective determination to problem solve on our terms.

By 2022 Fiscal Year End

26

U.S. Trademark Registrations

19

Issued Patents

16

Issued non-U.S. Patents

28

Pending Patent Applications

5

Pending U.S. Trademark Applications

Shoal's Patents

53%

Accessories

18% Interconnect System

9% Junction Box

18% Combiner Box

3% Mounting System

Data Privacy and Security

To act responsibly, we must protect the information of our customers and employees as well as our intellectual property. We monitor and implement effective procedures, policies, and activities to manage our data and maintain a high level of privacy and security within our systems.

Oversight

Our IT Director oversees our data privacy and security program. They can report directly to our President, CEO, and Audit Committee, as necessary, and lead our dedicated Information Technology (IT) team. The IT team carries out our data privacy and security programs and policies, and is in the process of expanding their analytics to enhance our oversight capabilities.

In the event of a data privacy or security event, the IT Director leads our Cyber Incident Response Team (IRT). The IRT is comprised of internal members from finance, legal, human resources, and operations, as well as external cybersecurity vendors and advisors.

Policies and Practices

Our data privacy and security program focuses on striking a balance between data barriers and access - our least privilege security strategy - and promoting vigilance among our employees, contractors, and business partners.

Information Security Policy

Defines our information security system’s configuration and hardening requirements, including requirements for password protection, system auditing, and information retention.

Cybersecurity Policy

Addresses appropriate preventative measures to avoid a cybersecurity incident, including data security procedures, communication, assessments, and awareness, among others.

Privacy Policies

Detail our practices for the collection, use, storage, and disclosure of information.

Ongoing Prevention

Control processes based on the National Institute Standards and Technology (NIST) guidance guard against any unusual or suspicious activity.

-  Service disruption monitors.
-  Weekly logs of firewalls.
-  Antivirus software.
-  Anti-malware and intrusions protection systems.
-  Penetration testing to identify potential security gaps.
-  Externally stored Personally Identifiable Information (PII) with robust security layers.
-  3-layer security approach to our internal data systems with immutable backup.

Business Continuity and Disaster Response

Enhance preparedness, coordination, and communication in the effective management of cybersecurity and data breach incidents through confirmation, containment, eradication, and communication via our Cybersecurity Incident Response Plan, with annual exercises conducted by our IRT.

Awareness and Training

Build knowledge and security oriented mindsets and actions among our employees.

- 🌱 Monthly online cybersecurity training for employees with network access.
- 🌱 Quarterly supplemental training on current and emerging threats.
- 🌱 Routine phishing exercises and remedial training, as needed.
- 🌱 Periodic awareness campaigns on best practices.
- 🌱 Ongoing improvements, including enhanced communication strategy with digital boards and newsletters.



Corporate Governance

Behind the culture of ingenuity and integrity that drives our business success is our commitment to good corporate governance.

Standards and Practices

Our Board has the principal responsibility of overseeing management, our business, and its affairs. Our Corporate Governance Guidelines provide the framework for how those duties are carried out. This is supplemented with our Committee Charters, which outline the roles and responsibilities of our three standing committees.

We annually review and update our governing documents. In 2022, those documents were updated to reflect our transition to a non-emerging growth company. Under this designation, we continue to enhance our disclosures to meet our listing requirements and drive transparency around our practices.

Audit Committee

Reviews risk policies, assessments, and management, including cybersecurity and financial exposures; oversees accounting-related controls, procedures, and audits; monitors compliance with the Company's Code of Ethics and advises on complaints and concern reports

Nominating and Corporate Governance Committee

Develops Board and committee membership criteria; reviews and monitors ESG; advises on corporate governance best practices and principles.

Compensation Committee

Reviews and approves enterprise-wide compensation-related policies and programs; establishes the overall executive compensation philosophy and practices.

Highlights

-  One Share-One Vote¹⁴
-  No designated directors
-  Independent Chair
-  Fully independent committees
-  No directors serving on more than 3 other public company boards
-  Annual performance evaluations
-  Succession Planning
-  Double trigger change of control

Board Composition

We believe an effective board is one comprised of people that possess a range of accomplishments, professional expertise, cultural backgrounds, and viewpoints. When identifying candidates, we seek out individuals who are dynamic, accountable, and demonstrate sound business judgment. We also expect a high degree of knowledge and exposure to the solar and energy industries.

Board Transitions

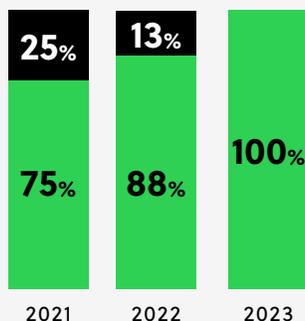
The past few years, we have refreshed our Board as part of our maturity as a public company. We ended our Stockholder Agreement with Oaktree, which led to three director changes, and our Founder stepped down. We also appointed two new independent directors. By 2022 year end, our Board was comprised of eight directors. Though as we headed into 2023, we were addressing another board change due the health-related resignation of our CEO.



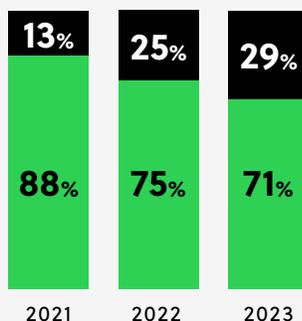
Management Succession

In 2022, our CEO, Jason Whitaker, stepped down for health reasons, which immediately prompted our CEO succession process. As a whole, the Board, along with the Nominating and Corporate Governance Committee and an executive search firm, identified potential candidates, and on June 16, 2023 Shoals announced the appointment of Brandon Moss as our new CEO, effective July 17, 2023. During this process, Mr. Jeffrey Tolnar, our President, assumed the Interim CEO position.

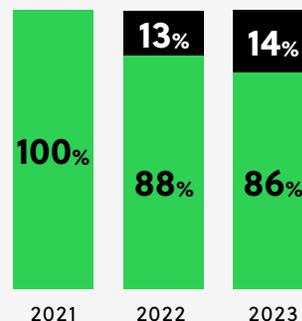
DIRECTOR INDEPENDENCE



GENDER DIVERSITY



RACE & ETHNICITY



NOT INDEPENDENT
 INDEPENDENT
 FEMALE
 MALE
 OTHER RACE / ETHNICITY
 WHITE

Values in the charts may not sum up to 100 due to rounding.

SASB Index – Solar Technology & Project Developers

This index includes Shoals information relevant to the SASB Solar Technology & Project Developers Standard, which we believe is most relevant to our operations. Data and descriptions as of December 31, 2022 unless otherwise noted. While we do not currently disclose all data and descriptions included in the applicable Standard, we will evaluate expanding our disclosures in future ESG Reports.

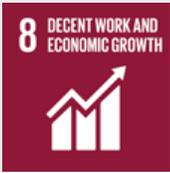
TOPIC	ACCOUNTING METRIC	SHOALS ALIGNMENT
Energy Management in Manufacturing	(1) Total energy consumed, (2) percentage grid electricity, (3) percentage renewable	
Water Management in Manufacturing	(1) Total water withdrawn, (2) total water consumed, percentage of each in regions with High or Extremely High Baseline Water Stress	Refer to Sustainable Operations Section.
	Description of water management risks and discussion of strategies and practices to mitigate those risks	Expansion of disclosures to be evaluated in future reports.
Hazardous Waste Management	Amount of hazardous waste generated, percentage recycled	
	Number and aggregate quantity of reportable spills, quantity recovered	
Ecological Impacts of Project Development	Number and duration of project delays related to ecological impacts	Refer to Reducing Environmental Impacts Through Design Section.
	Description of efforts in solar energy system project development to address community and ecological impacts	
Management of Energy Infrastructure Integration & Related Regulations	Description of risks associated with integration of solar energy into existing energy infrastructure and discussion of efforts to manage those risks	Refer to Environmental Solutions Section.
	Description of risks and opportunities associated with energy policy and its impact on the integration of solar energy into existing energy infrastructure	

SASB Index – Solar Technology & Project Developers

TOPIC	ACCOUNTING METRIC	SHOALS ALIGNMENT
Product End-of-life Management	Percentage of products sold that are recyclable or reusable	Refer to Reducing Environmental Impacts Through Design Section. Expansion of disclosures to be evaluated in future reports.
	Weight of end-of-life material recovered, percentage recycled	
	Percentage of products by revenue that contain IEC 62474 declarable substances, arsenic compounds, antimony compounds, or beryllium compounds	
	Description of the management of environmental risks associated with the polysilicon supply chain	
Materials Sourcing	Description of the management of risks associated with the use of critical materials	Refer to Sustainable Operations Section.
	Description of the management of environmental risks associated with the polysilicon supply chain	Our manufacturing does not involve the production of solar cells or modules.

ACTIVITY METRIC	SHOALS ALIGNMENT
Total capacity of photovoltaic (PV) solar modules produced	Not Applicable.
Total capacity of completed solar energy systems	Not Applicable.
Total project development assets	Not Applicable.

United Nations Sustainable Development Goals Index

TOPIC	SHOALS ALIGNMENT
 <p>Affordable and Clean Energy: Ensure access to affordable, reliable, sustainable and modern energy for all.</p>	<p>Refer to Supporting the Clean Energy Transition Section.</p>
 <p>Decent Work and Economic Growth: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.</p>	<p>Refer to Human Capital Management and Occupational Health and Safety Sections.</p>
 <p>Industry, Innovation and Infrastructure: Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation.</p>	<p>Refer to the Environmental Solutions, Sustainable Operations, Intellectual Property, and Data Privacy and Security Sections.</p>
 <p>Sustainable Cities and Communities: Make cities and human settlements inclusive, safe, resilient, and sustainable.</p>	<p>Refer to the Environmental Solutions sections.</p>
 <p>Climate Action: Take urgent action to combat climate change and its impacts.</p>	<p>Refer to the Environmental Solutions and Sustainable Operations Sections.</p>



Endnotes

- 1 Levelized Cost of Energy (LCOE) is a calculation of the lifetime cost of building and operating a particular power source system. National Renewable Energy Laboratory. (n.d.). Simple Levelized Cost of Energy Calculator Documentation. <https://www.nrel.gov/analysis/tech-lcoe-documentation.html>
- 2 Estimated based 16.4GWs of total utility scale solar installations in the United States in 2022 per IHS Markit PV Installations Tracker Q4-2022, December 2022.
- 3 Cost savings and customer feedback based on GRAPH survey of 120 solar industry participants. Figures represent median of responses.
- 4 See endnote 3.
- 5 Lawrence Berkeley National Laboratory. (August 2022). Hybrid Power Plants: Status of Operating and Proposed Plants, 2022 Edition. <https://emp.lbl.gov/webinar/hybrid-power-plants-status-operating-and-proposed-plants-2022> Assumes EBOS for solar + storage requires an additional 3¢ per watt of solar capacity. Includes 2025 solar + storage projects which have interconnection agreements executed or in progress.
- 6 IEA. (2023). Global Energy Transitions Stocktake: Tracking progress toward the Paris Agreement. <https://www.iea.org/topics/global-energy-transitions-stocktake>; United Nations Climate Change. (n.d.). The Paris Agreement. <https://unfccc.int/process-and-meetings/the-paris-agreement>
- 7 White House. (February 15, 2023). FACT SHEET: Biden- Harris Administration Announces New Standards and Major Progress for a Made-in-America National Network of Electric Vehicle Chargers. <https://www.whitehouse.gov/briefing-room/statements-releases/2023/02/15/fact-sheet-biden-harris-administration-announces-new-standards-and-major-progress-for-a-made-in-america-national-network-of-electric-vehicle-chargers/>;

Ernst and Young (November 15, 2022). 3 Key Attributes of the US Renewable Landscape. [https://www.ey.com/en_us/energy-resources/3-key-attributes-of-the-us-renewables-landscape?WT.mc_id=10821197&AA.tsrc=paidsearch&s_kwcid=AL!10073!3!648300728123!p!!g!!energy%20storage&gad=1&gclid=CjwKCAjwvdajBhBEEiwAeMh1U0j5xsDy69r4LthEu28O2QrPzmDSG7H6zZNLcXw8rDzMRZ55UG6TRoC-71YQAvD_BwE](https://www.ey.com/en_us/energy-resources/3-key-attributes-of-the-us-renewables-landscape?WT.mc_id=10821197&AA.tsrc=paidsearch&s_kwcid=AL!10073!3!648300728123!p!!g!!energy%20storage&gad=1&gclid=CjwKCAjwvdajBhBEEiwAeMh1U0j5xsDy69r4LthEu28O2QrPzmDSG7H6zZNLcXw8rDzMRZ55UG6TRoC-71YQAvD_BwE;);
- McGuireWoods. (February 6, 2023). Inflation Reduction Act Extends and Modifies Tax Credits for Solar Projects. <https://www.mcguirewoods.com/client-resources/alerts/2022/12/inflation-reduction-act-creates-new-tax-credit-opportunities-for-energy-storage-projects>
- 8 IEA. (2023). Solar PV: Technology Deep Dive. <https://www.iea.org/reports/solar-pv>
- 9 Wang, M., Mao, X., Xing, Y., Lu, J., Song, P., Liu, Z., Guo, Z., Tu, K., & Zusman, E. (2021). Breaking down barriers on PV trade will facilitate global carbon mitigation. Nature Communications, 12(1), 6820. <https://doi.org/10.1038/s41467-021-26547-7>
- 10 U.S. Energy Information Administration (December 8, 2022). U.S. Battery Storage Capacity Will Increase Significantly by 2025. EIA. <https://www.eia.gov/todayinenergy/detail.php?id=54939>
- 11 IEA. (2023). Grid-Scale Storage: Infrastructure Deep Dive. <https://www.iea.org/reports/grid-scale-storage>
- 12 International Council on Clean Transportation. (June 2023). Annual update on the global transition to electric vehicles: 2022. https://protect-us.mimecast.com/s/VpQnC82oMRFnOwOqT1__l6?domain=theicct.org
- 13 Kampshoff, P., Kumar, A., Peloquin, S., & Sahdev, S. (April 18, 2022). Building the Electric-Vehicle charging infrastructure America needs. McKinsey & Company. <https://www.mckinsey.com/industries/public-and-social-sector/our-insights/building-the-electric-vehicle-charging-infrastructure-america-needs>
- 14 Shoals has both Class A and Class B common stock. In March 2023, all of our Class B common stock were converted to Class A. Currently, there are no outstanding Class B common stock. See the Shoals Parent LLC Agreement section in our March 2023 Proxy Statement.



Disclaimer

Reporting year: Except where specifically noted otherwise, the reporting period for this ESG report focuses primarily on fiscal year 2022 activities. All references to a year throughout the ESG report refer to Shoal's fiscal years, unless another period is specified. This ESG report was published in July 2023.

Data assurance: Data in this ESG report reflects estimates using methodologies and assumptions believed to be reasonable and accurate. Those estimates, methodologies and assumptions may change in the future as a result of new information or subsequent developments.

Forward-looking statements: The inclusion of information in this ESG report should not be construed as a characterization regarding the materiality or financial impact of that information. This ESG report contains forward-looking statements that are based on our management's beliefs and assumptions and on information currently available to our management. Forward-looking statements include statements that are not historical facts and can be identified by terms such as "anticipate," "believe," "could," "estimate," "expect," "intend," "may," "plan," "potential," "predict," "project," "seek," "should," "will," "would" or similar expressions and the negatives of those terms. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Given these uncertainties, you should not place undue reliance on forward-looking statements. Also, forward-looking statements represent our management's beliefs and assumptions only as of the date of this ESG report. You should read this ESG report with the understanding that our actual future results may be materially different from what we expect. More information on risks, uncertainties, and other potential factors that could affect our business and performance is included in our filings with the SEC, including in the "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" sections of Shoals' most recently filed periodic reports on Form 10-K and Form 10-Q and subsequent filings. Except as required by law, we assume no obligation to update these forward-looking statements, or to update the reasons actual results could differ materially from those anticipated in these forward-looking statements, even if new information becomes available in the future. Additionally, terms such as "ESG," "impact" and "sustainability" can be subjective in nature, and there is no representation or guarantee that these terms will reflect the beliefs or values, policies, principles, frameworks or preferred practices of any particular investor or other third-party or reflect market trends. Any ESG, climate or impact goals, commitments, incentives and initiatives outlined in this ESG report are, unless explicitly stated otherwise in this ESG report, purely voluntary, are not binding on our business and/or management and do not constitute a guarantee, promise or commitment regarding actual or potential positive impacts or outcomes. Investors should read this ESG Report in conjunction with our reports we file with the SEC and our financial statements. Statistics and metrics relating to ESG matters are estimates and may be based on assumptions or developing standards.