



Environmental, Social, & 2021 REPORT Governance

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**OUR COMMITMENT
TO SUSTAINABILITY
& RESPONSIBLE
BUSINESS
PRACTICES IS
FOUNDATIONAL
TO OUR COMPANY.**

To our stakeholders,

I am extremely proud to introduce Shoals Technologies Group's inaugural Environmental, Social, and Governance (ESG) report. This report marks our first year as a public company, following our IPO on January 27, 2021. Since our founding in 1996, Shoals has had an unwavering commitment to quality, reliability, and safety in the products we develop and deliver for our customers. As a tier-1 supplier to the solar, energy storage, and eMobility sectors, our commitment to sustainability and responsible business practices is foundational to our Company.

This year marks the first time we have considered the rigors of the Sustainable Accounting Standard Board (SASB) Standards and the specific lens of the United Nations Sustainable Development Goals (UN SDGs) to analyze our ESG approach, setting a first benchmark for our Company. We are proud of our initial ESG accomplishments and are excited to share them with you. We also expect our ESG performance to get even better in the coming years, as we continue to operate our business with a critical eye to these ESG metrics.

We invite you to learn more about our Company and our approach to sustainability in the following pages. Lastly, I wish to express my gratitude to our employees, customers, partners, shareholders, and other stakeholders for their ongoing support.

Sincerely,

Jason Whitaker
President & CEO



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Who We Are



Shoals Technologies Group, Inc. & its subsidiaries (Shoals or the Company) are a collection of engineers & solar evangelists, curious minds & collaborators, optimists & advocates of sunnier days.

In equal measures, we challenge and support each other to design, develop, and deliver solutions that have the potential to change the world.

Our Mission

Develop innovative solutions that make electrical balance of systems (EBOS) installation simpler, faster, safer, and more reliable to reduce the Levelized Cost of Energy (LCOE).

Our Vision

Continually drive to create a brighter future for our clients, our team, and the wider world of possibilities. Pursue simple ideas with a determination to make solar, storage, and electric vehicle (EV) charging a more affordable and viable choice for people and communities everywhere.

2021 HIGHLIGHTS

4

Plants

20

Cumulative Issued Patents

26

Years of Experience

~700

Employees

40+

Gigawatt Under Contract

Shoals is Inventing Simple[®]

We are the leading EBOS provider for solar, energy storage, and eMobility.



Our History

1996

Founded as an automotive industry component supplier.

From our early days meeting the exacting standards of the automotive industry, we developed a laser focus on quality and reliable processes.

2002

Pivoted to the nascent solar industry as a component supplier and expanded into cable harnesses for solar engineering procurement and construction (EPC) firms.

In a new market, our safer, faster, more reliable, and cost-effective patented technologies raised our stature to one of the leading suppliers of American-made EBOS solutions.

2021

Became an internationally operating public company with new value propositions in energy storage and EV charging infrastructure.

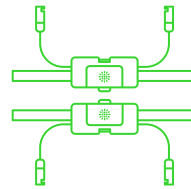
With a bright future ahead, we are delivering pioneering solutions that support the environment and sustainability.

OUR PASSION IGNITES CREATIVITY, OUR CREATIVITY DEMANDS RELIABILITY, AND OUR RELIABILITY DELIVERS THE ABSOLUTE BEST PRODUCTS ON THE GLOBE.

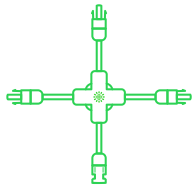
— DEAN SOLON, SHOALS FOUNDER

Our Products

Our wide range of industry-leading solar products are helping to efficiently harness the power of the sun.



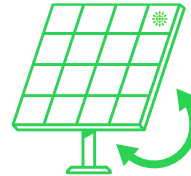
Big Lead Assembly



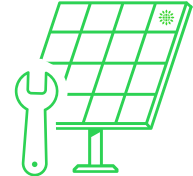
Interconnect System®



Combiner Box



Balance on Tracker®

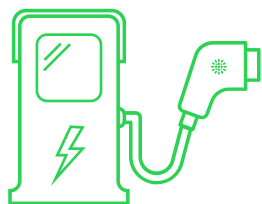


Service & Design



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

We offer custom energy storage solutions to fit a variety of needs. Distributed energy storage needs safe, reliable, and easily installed EBOS solutions. The Solutions must cost-effectively and quickly couple to utility scale solar, EV charging sites, and the existing electricity grid.



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

To meet ambitious EV deployment goals, charge point operators need to speed deployment while simultaneously reducing costs. Our electric vehicle charging balance of system (EV BOS) are easily installed and portable for wide application.

Our Impact

40%+

Reduction of On-site Labor Costs

20-30%

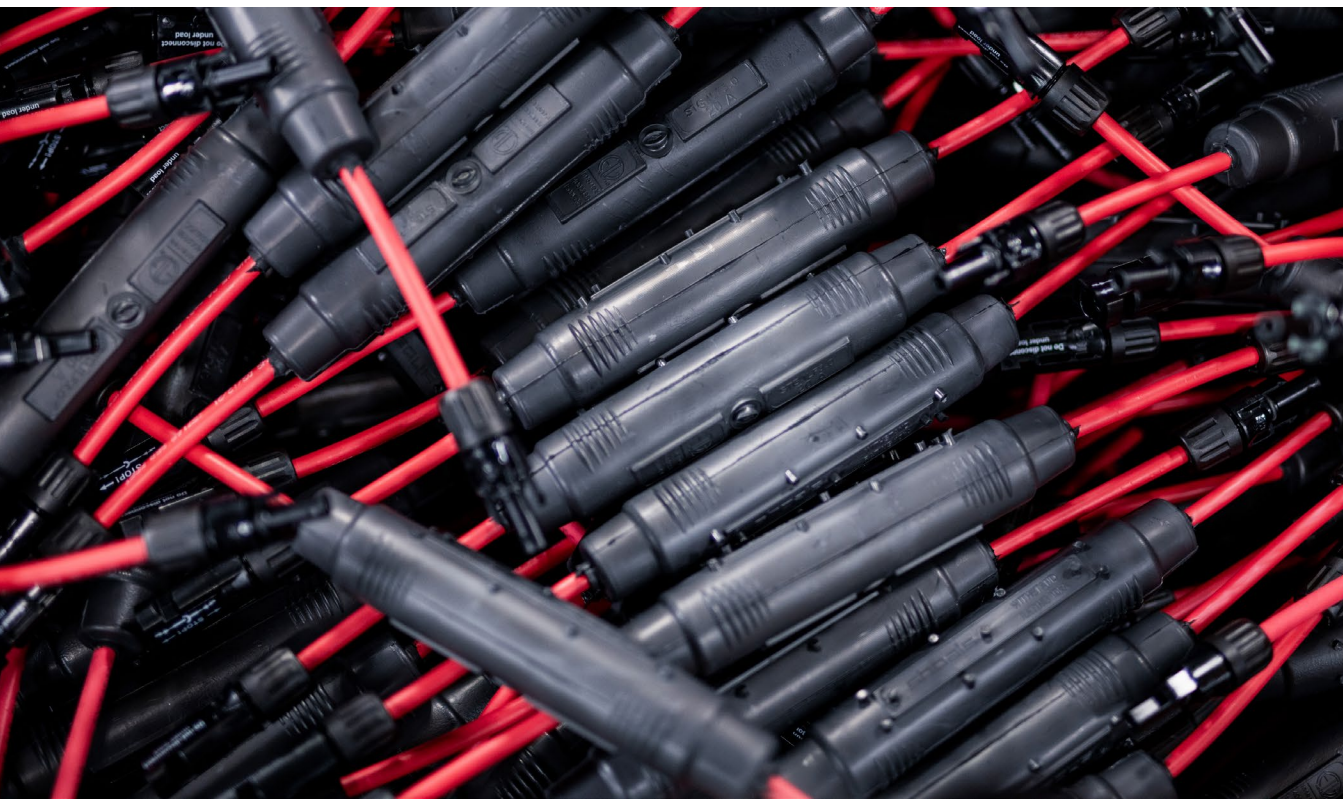
Decreased Material & Cable Cost

30%

Reduced Civil Costs in All Target Markets

1

Week or less for eMobility deployments which minimizes site disruption





3

Our Approach

Shoals' ESG Strategy

Integrating environmental, social, and governance (ESG) practices is core to the way we operate and approach our strategic goals. Whether creating opportunities for solar energy and eMobility or building an inclusive work environment, we are rising to the challenges of our collective environmental sustainability ambitions and the interests of the people and communities around us.

We took a strategic approach to developing our inaugural ESG report by creating a working group that engages both internal and external resources to identify and assess the ESG factors most relevant to our business.

ASSESSMENT

Over the past year, we initiated a three-step approach to identify, prioritize, and verify ESG risks and opportunities specific to Shoals. This process involved the consideration of widely accepted ESG frameworks including the Value Reporting Foundation's Sustainable Accounting Standards Board (SASB) Standards. We applied the United Nations Sustainable Development Goals (UN SDGs) as an essential guide for our approach. We are also reviewing our environmental impacts and exploring ways to align our practices to other climate-related disclosures in the future.

DIAGNOSTIC

Following our reporting framework review, we assessed the ESG topics that were of greatest interest to our business, customers, employees, shareholders, and other key stakeholders. This involved reviewing ESG issues prioritized by our current and prospective investors and evaluating factors referenced in ESG ratings reports. In addition, we researched our peer companies to compare practices on disclosures and communication of ESG policies, principles, and practices.

PRIORITIES

Based on our analysis, we identified the following as relevant ESG issues for our business and our stakeholders:

- Ecological Product Impacts
- Operational Sustainability / Energy Management
- Responsible Product Design and Lifecycle Management
- Human Capital Management
- Diversity, Equity, and Inclusion
- Occupational Health and Safety (OHS)
- Data Privacy and Security

Environmental



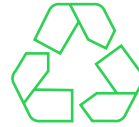
Greenhouse Gas Emissions Reduction

Innovative designs to help mitigate climate change.



Water Withdrawals Reduction

Manufacturing with closed-loop cooling systems.



Recycling

Recycling program includes substantially all waste from manufacturing inputs.

Social



ISO 9001:2015

Certified to rigorous quality management standards.



Safety is our First Priority

Proactive safety environment.

Governance



Shoals Commitment to Responsible Business Principles

Alignment with the UN SDGs

Our business success is intrinsically tied to how we impact all our stakeholders – customers, employees, communities, and shareholders. Our ESG working group, as well as our Board of Directors (Board) and management, believes that working to align our internal ESG framework with the UN SDGs will not only make the greatest impact on challenges facing our environment, but will also influence our efforts to promote solutions for sustainable development challenges in our society.

In 2015, the United Nations adopted a total of 17 Sustainable Development Goals to drive solutions to overcome global challenges such as climate change, hunger, poverty, and gender equality, among others. As a leader in providing solar energy-focused solutions and e-mobility, we want to ensure we are contributing to lasting commitments aligned with those aims. In our inaugural report, we have identified specific UN SDGs that align directly with Shoals’ ESG strategy and the solutions we provide our customers.



Shoals’ Commitments with the UN SDGs



UN SDG 7: Affordable and Clean Energy

Ensure access to affordable, reliable, sustainable, and modern energy for all.



UN SDG 8: Decent Work and Economic Growth

Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.



UN SDG 9: Industry, Innovation and Infrastructure

Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation.



UN SDG 11: Sustainable Cities and Communities

Make cities and human settlements inclusive, safe, resilient, and sustainable.



UN SDG 13: Climate Action

Take urgent action to combat climate change and its impacts.



5

Environmental Stewardship

We are building innovative quality solutions that are safer & more reliable for an electrified future, with a laser sharp focus on solving problems that promote the adoption of solar energy & energy delivery.



While Shoals and our stakeholders are intent on minimizing the impacts of climate change, we would be remiss to not also address the environmental impacts of our operations and products throughout the value chain.

By removing operational and financial barriers within the solar and e-mobility industries, Shoals products help produce secondary environmental benefits. For example, our above ground solar and EV charging installation allows our systems to be deployed faster, cheaper, and with a higher degree of reliability, while also reducing the ecological impacts that result from the soil disruption caused during excavation for conventional under-ground EBOS installation.

We also consider how we can best conserve natural resources and reduce waste during manufacturing and the rest of the product lifecycle. Our recognition of operational sustainability requires constant attention and continuous improvement.

Applicable UN SDGs:



Our Environmental Commitments

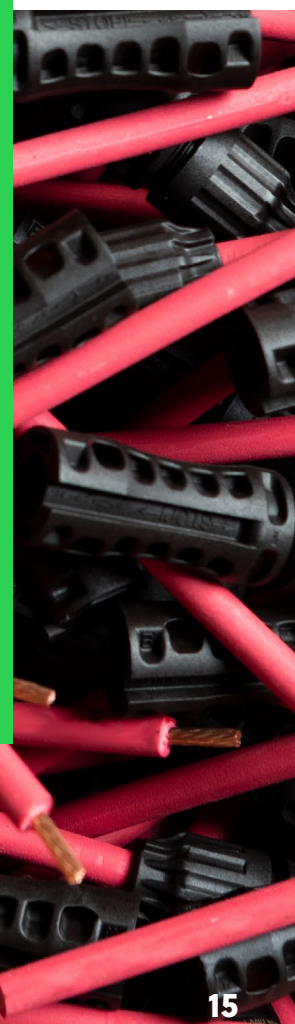
Shoals is committed to protecting public health and the planet by working to operate in an environmentally responsible manner that is aligned with our mission.

To achieve environmental excellence, we expect our employees to conduct themselves according to our guiding principles and practices:

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 and reuse materials and recycle waste.
-  Minimize the generation of waste.
-  Adopt green procurement practices.
-  Receive environmental awareness training.

We also aim to hold our contractors and others doing business at our facility to the same standards.



Enabling Greater Electrified Energy Adoption

Solar energy is key to the transition to a low carbon economy, but barriers continue to hinder the widespread use of solar to power our cities, businesses, and vehicles. Shoals seeks to overcome some of the core challenges to solar and eMobility technology adoption by focusing on reliability, safety, and quality, reducing costs, and eliminating the need for skilled labor.

Clean Technology American Assembly

Shoals is proud to contribute to domestic manufacturing and support the federal government’s pursuit of energy independence, with multiple manufacturing facilities in the U.S.

Twenty years after beginning our journey into solar, over 50 percent of current U.S. installed solar capacity² use at least one of our EBOS products.

U.S. solar projects shipped from January 2020 to the end of fiscal 2021 that use our products annually offset approximately³:

110m
MT CO₂

56.2k
MT NO_x

59.2k
MT SO₂

6.2k
MT Particulate

15t
Gallons Water

That’s the equivalent⁴ of annual carbon sequestered from 23.3 million acres of U.S. forests, and

1 year of greenhouse gas emissions from 4.2m gasoline-powered passenger vehicles.

2. Estimated based on 11.1 GWs of products shipped for the year ended September 30, 2021 and an estimate of 22.3 GWs of total utility scale solar installations over the same period per IHS Markit PV Installations Tracker Q4-2021, November 2021.

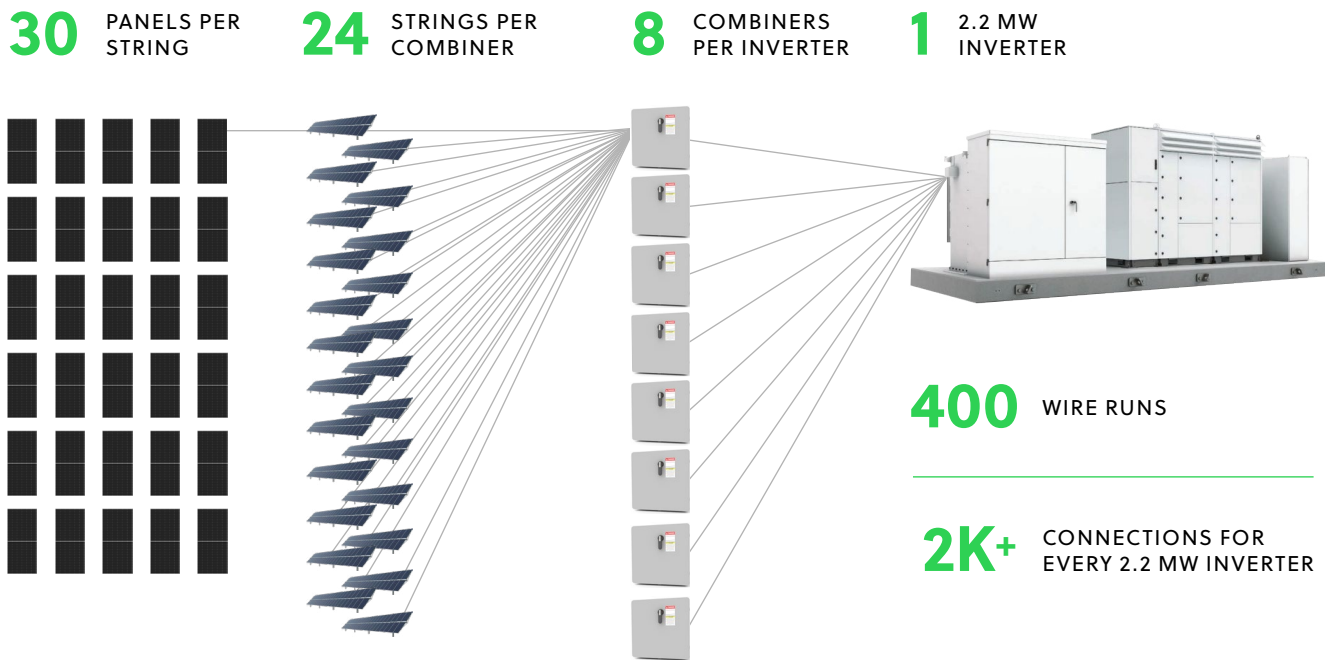
3. Annual offsets estimated based on the emissions avoided by generating electricity with solar PV projects with cumulative capacity equivalent to Shoals’ shipments of solar products and solutions from January 1, 2020 through December 31, 2021 as follows: (i) CO₂, sulfur dioxide, nitrogen oxides, and particulate matter from 2021 national emission factors in EPA AVERT v3.2 Avoided Emission Factors 2017–2021 (March 2022); Water withdrawals of solar PV compared to the weighted average of median natural gas and coal withdrawals per EIA 2019 data and “Operational Water Consumption and Withdrawal Factors for Electricity Generating Technologies: A Review of Existing Literature,” by Jordan Macknick et al., in Environmental Research Letters, Vol. 7, No. 4; December 20, 2012.

4. US EPA Greenhouse Gas Equivalencies Calculator. <https://www.epa.gov/energy/greenhouse-gas-equivalencies-calculator>

EBOS is mission critical to utility-scale solar energy installations as they harness most of the parts of a solar photovoltaic (PV) panels, inverters, and trackers. EBOS solutions interface with the solar panels, the most expensive asset in the field. They carry the electric current produced by the solar panel down the backbone of the field, or the racking, to the inverter. From there, the current ultimately reaches the power grid.

A Conventional Homerun EBOS System

A 100 MW solar project uses approximately **18,000** individual wires runs and **100,000** connections.



Conventional Homerun EBOS present three main issues:

- 1** Installation methods that require electrician and special tools.
- 2** Redundant wiring that wastes time and material.
- 3** Significant in-field work with limitations on quality control.

The Conventional Homerun EBOS requires many time consuming, manual crimps that need to be performed in the field using licensed electricians with special tools. They also require in-array trenching of hundreds of wire runs completed manually on-site by skilled electricians, and the use of combiner boxes. This has burdened conventional systems with challenges to reliability and safety in addition to higher operations and maintenance (O&M) costs. For example, labor typically represents approximately 30 percent for solar installation spend. Additionally, existing labor scarcities for skilled electricians have posed further challenges, especially for solar projects in remote areas where utility-scale solar projects are often located.

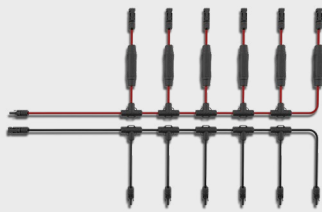
Shoal's BLA Combine-As-You-Go System

Big Lead Assembly ("BLA")



Proprietary above ground feeder cable eliminates underground conduits and combiner boxes and installs using general labor.

Interconnect Harness

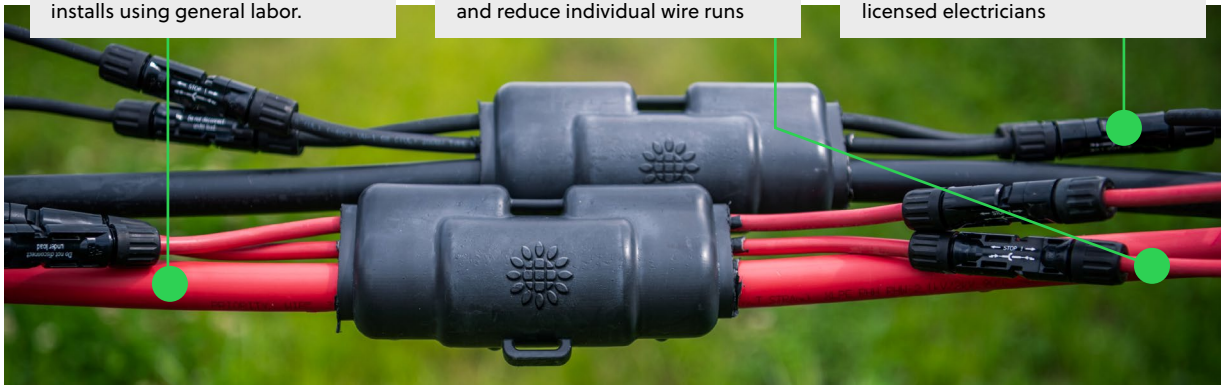


Pre-fabricated wire harnesses with inline fuses eliminate measuring, cutting and crimping in the field and reduce individual wire runs

Plug-n-Play Connectors



Simple push connectors speed installation, reduce errors and make the system installable by general labor rather than requiring licensed electricians

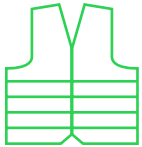


Our BLA combine-as-you-go solution replaces Homerun EBOS with:

- 1** A system that is pre-manufactured with highly calibrated equipment.
- 2** A system that transmits power from the solar panel to the inverter without combiner boxes.
- 3** A system that is an above ground, plug-n-play solution that can be installed by general labor.

Combined, these characteristics deliver social, economic, and environmental benefits:

Improved safety, quality, & reliability.



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.

Lower cost and time.



Above-ground and plug-and-play design combines the functionality of cable assemblies, combiner boxes, and fusing into one system, reduces labor hours required for installation and O&M, and allows general labor to be employed instead of higher cost, high demand electrician labor.

Combined with manufacturing efficiencies, it naturally increases the performance of the solar field throughout its design life with less resources required to operate and maintain the project.

Aerial drone flyovers can quickly detect the location of faults occurring on-site due to the above-ground design resulting in less wasted labor hours and resources used for truck rolls to remote locations to solve problems that were otherwise undetectable or underground.

It also allows easy portability to a new site, reducing stranded asset risks.

Above-ground installation eliminates the need for excavation, reducing the associated time and costs (e.g. labor, equipment, materials) for trenching.

Less environmental and ecological impacts.



Above-ground installation does not require site excavation, which impacts the local ecology by disturbing soil on large swaths of land needed for utility-scale solar.

This lessens system materials – and the water, energy, waste, and emissions from the product lifecycle – by eliminating underground conduit systems that use metal and PVC pipes.

Fewer wires and cables needed for our systems reduces material use. From our estimate there are ~48 copper cables per conductor in a conventional system compared to 2 copper cables in one set of Shoals conductors.

Replacing copper with aluminum lessens the weight of our materials thereby reducing the amount of fuel used for its transport.

FEWER WIRES AND CONNECTIONS = INCREASED RELIABILITY

Along with the time and costs for installation and O&M, every in-field connection for a conventional Homerun EBOS is a potential point of failure – each requires a solar installer using special tools to manually implement:

- ⊗ A 6-step process
- ⊗ Two wire runs for every string
- ⊗ On-site fabrication
- ⊗ Field crimped connections

Shoals' BLA has **95 percent fewer inverter runs** and **67 percent fewer string runs**, resulting in **83 percent fewer connection points** to install and maintain.

Our expertise in reducing costs and time for solar PV is now being applied to the electric vehicle (EV) charging market. In 2021, we launched eMobility Solutions that enable EV charge point operators to deploy systems faster, with lower cost, and higher quality as compared to conventional systems, including:

- Reducing on-site labor costs by more than 40 percent, material and cable costs by 20-30 percent, and civil costs by at least 30 percent.
- Reducing typical deployment times from more than six - eight weeks to a week or less.
- Reducing stranded asset risk with solutions that can be easily disconnected and moved to a higher utilization site.
- Increasing quality of deployment, which reduces failure of charging systems during operations, and related costs and consumer frustration.

We believe our technology will allow more chargers to be deployed faster with higher quality, and may accelerate the adoption of electric vehicles.

Our Customers' Outcomes



Elora, Tennessee

150 Mega-Watt, Alternating Current (MWAC) solar farm, one of the largest in the state, supplying the electric grid of the Tennessee Valley Authority, which is selling most of the output to Facebook to power a large data center located in nearby Huntsville, Alabama.



East Line, Arizona

100 MWAC solar farm to connect to NextEra's energy center, generating enough power to supply approximately 35,000 homes and displace nearly 200,000 metric tons of carbon dioxide emissions — the equivalent of removing 41,000 cars from roadways.



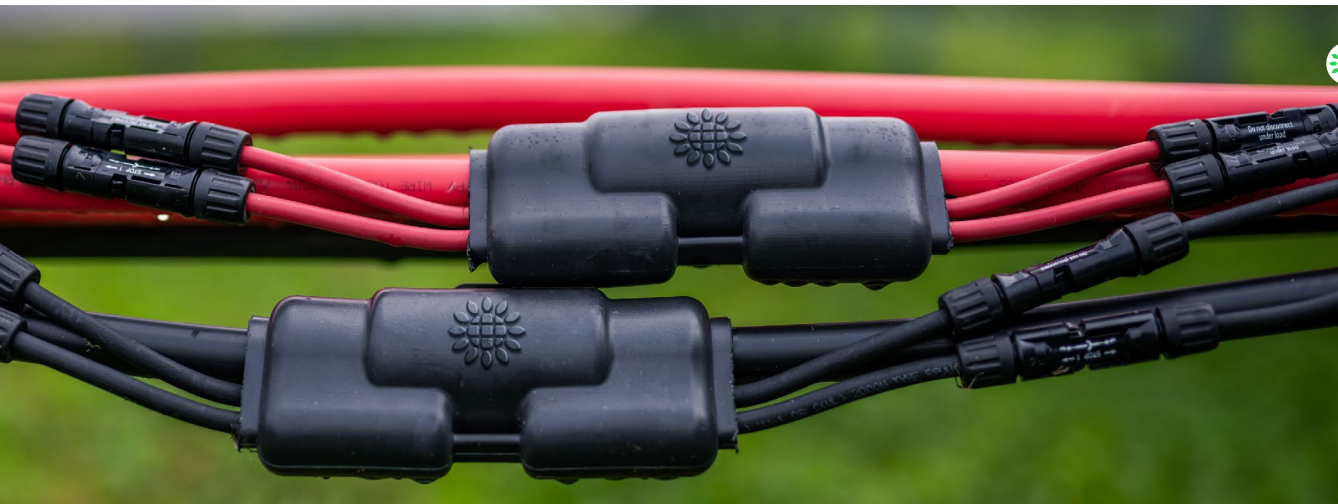
Harry Allen, Nevada

100 MWAC solar PV array developed by Invenergy and comprised of approximately 336,000 panels on 640 acres of land within the Dry Lake Solar Energy Zone. The project will power MGM Resorts International's 13 properties on the Las Vegas Strip, and support the company's 2030 emissions reduction goals.



Agnew Mine, WA; Australia



Australia's largest hybrid renewable energy microgrid and the first in the country to utilize wind generation on a large scale at a mine site; comprised of wind turbines delivering 18 MW, a 4 MW solar farm, a 13 MW battery system, and an off-grid 21 MW gas/diesel engine power plant.



Sustainable Operations

Waste & Wastewater

We seek to minimize and divert waste from landfills where possible by reducing, reusing, and recycling waste, including:

- 1 Plastic scraps are reground and reused in our manufacturing process.
- 2 E-waste and corrugated packaging are recycled.
- 3 Waste that requires special processing to reduce environmental impacts is managed by sustainability focused third-party vendors. This includes:
 -  **Batteries**
With recovery of precursor materials from lithium ion batteries, when feasible.
 -  **Waste Fluids**
including coolant, with ethylene glycol recovered to produce antifreeze and heat transfer products, and wastewater, except from sanitation facilities, processed to generate clean water.
- 4 Scrap material, including wires and metals (e.g., steel, copper) are recycled by local recycling companies, when applicable.

We have also replaced commonly used PVC cables with XLPE (cross-linked polyethylene) cables, which not only have higher quality electrical and physical properties, but also last longer due to higher UV stabilization, reducing waste from replacement materials.



Energy

We have focused our energy efficiency efforts on significant end uses of energy – lighting and HVAC systems – such as:

- 1** Installing more efficient LED lighting and motion sensors at our production facilities and offices to reduce energy waste.
- 2** Replacing aging HVAC units with those that are Energy Star certified and have high seasonal energy efficiency ratio (SEER) ratings for the level of needed BTUs, allowing us to improve energy efficiency while maintaining a comfortable temperature for our production teams.
- 3** Deploying EV charging systems at our plants to encourage evolution from internal combustion to EV vehicles.
- 4** Funding the energy for EV charging systems, which further drives adoption of EVs by our employees.

Additionally, we have an initiative to utilize electric mobile equipment (e.g. forklifts, box lifts) whenever possible. Currently, most of the mobile equipment is electric within our facilities.

Water

We are implementing and exploring opportunities to conserve water within our operations. Already, we have deployed a closed-loop cooling system within one of our plants and are looking to expand the capabilities to other facilities. During this process, water is reused to cool parts of our injection molding machines (e.g. plastic intake throats, motors). Water withdrawals are therefore needed only to replenish small amounts of evaporation, which we estimate to be less than five gallons a week.



6

Social Commitment

We have been operating in the U.S. for more than a quarter century, supporting the communities from which we have grown.

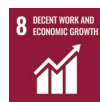


We have remained adaptive, resilient, and safety-first minded, and have stayed true to our family-business roots.

Just this past year, our founder – Dean Solon – retired from Shoals. The accomplishments we achieved during his tenure were borne from the ingenuity of everyone at Shoals. We entered new markets, grew our operations, and expanded our team.

As we continue to support the world’s transition to a brighter energy future, we are shining the light on ourselves to build a stronger and an ever more cohesive network where everyone may thrive.

Applicable UN SDG:



- CEO LETTER
- WHO WE ARE
- OUR APPROACH
- ENVIRONMENTAL
-  **SOCIAL**
- GOVERNANCE
- OUR FUTURE
- APPENDIX

Our People & Culture

We describe ourselves as a collection of engineers and problem solvers, solar innovators, e-mobility evangelists, curious minds, and collaborators, optimists, and advocates.

At Shoals, we believe our efforts are contributing to the mitigation of climate change and making the world a better place for future generations. We strive to achieve this not only with our products and services, but through our shared common values of quality, integrity, responsiveness, respect, innovation, and sustainability.

We surround ourselves with a diverse group of people who share our passion and have the knowledge and training to design and deliver innovative EBOS systems and components. Our strong research and development team has significant expertise in solar energy, electrical engineering, systems/control engineering, and power electronics. They actively collaborate with external stakeholders, including academia, national laboratories, and consultants, to further enhance our capabilities and independently verify our results. Our sales and marketing teams promote our simple, innovative solutions. Through direct engagements, independent third-party studies, thought-leadership marketing campaigns, training seminars, and industry conferences and events, they are educating industry participants on our solutions for the energy transition. Our production, safety, maintenance, and warehouse teams keep us moving forward, delivering the high-quality, reliable, and safe solutions our customers expect.

Over the past few years, our teams have grown tremendously. From 2019 to 2021, we experienced 102 percent growth in our full-time employee base. By 2021 year-end, we had nearly 700 full-time and temporary employees.

While on the path to becoming an industry leader, we have retained our family feel. Some of our team members have served with us from the beginning, over twenty years, and have witnessed our transformations firsthand.

In June 2021, we brought on board an experienced human resources (HR) professional to serve as our Senior Vice President of HR. Under her leadership, we are embarking on our newest chapter to grow our people and culture.

By focusing on the right team, technology, processes, and procedures, we are creating the next generation of Shoals built on a foundation of American manufacturing innovation and a team-oriented culture.

102%

Growth

~700

Employees

Shoals' Common Values

-  Make **quality** foremost in all we do, make, and sell.
-  Maintain **integrity** in how we act, make decisions, and hold ourselves accountable.
-  Be **responsive** to change, to each other, and to our partners, customers, and users.
-  Be **respectful** in how we treat all people.
-  Seek **innovation** in the way we approach challenges and build products.
-  Be **sustainable** in our approach to producing products and our operations.



Diversity, Equity, & Inclusion

We believe that an equitable and inclusive workplace reflects the diversity and values of our surrounding communities and of our customers. We strive to create a workplace where everyone is welcomed, valued, treated fairly, and respected.

We believe that 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.

We consider equity and inclusion as it relates to opportunity, access, and impact supported through Shoals' culture, products, services, and activities.

We are committed to diversity and inclusion because we believe it leads to better outcomes for our business and enables us to better meet the needs of our customers. One of the ways we recognize the importance of diversity is through the leadership roles within our Company.

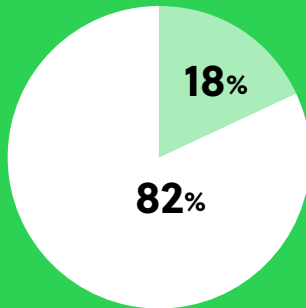
We continue to increase our outreach, recruitment, hiring, and retention of diverse groups at all levels of our workforce and to foster equity in leadership development. We also focus on listening, learning, and responding to our employees' concerns to help ensure that we can provide a diverse, equitable, and inclusive workplace today and into the future.



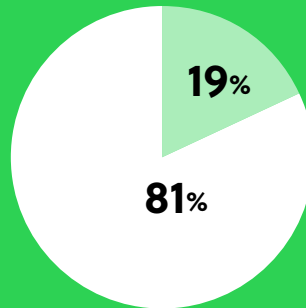
Diversity by the Numbers*

GENDER

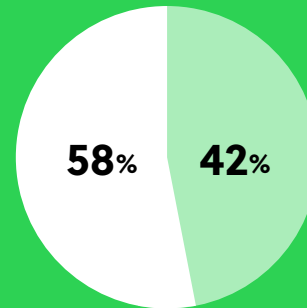
 FEMALE  MALE



Executive Management



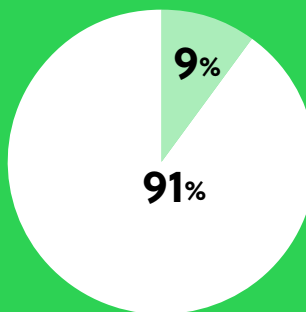
Managers



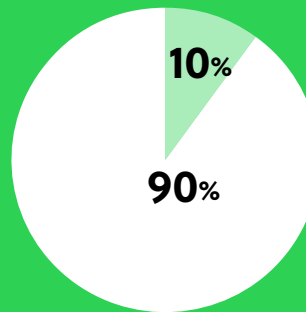
All Other Employees

RACE & ETHNICITY

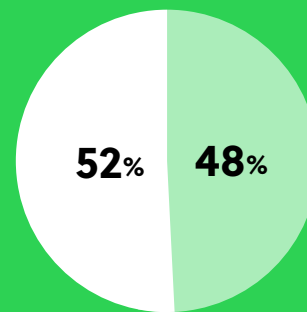
 OTHER RACE/ETHNICITY  WHITE



Executive Management



Managers



All Other Employees

1. * Diversity data reflective of EEO-1 Report data as of October 2021 and reflect our full-time employee base, which consist of 400 individuals. Executives include 11 members of our leadership team and Managers consist of 31 individuals with management responsibilities.

Human Capital Management

Shoals' people journey is just getting started. The same passion and creativity we bring to our products and manufacturing are being directed to the growth and development of our team members.

Prior to becoming a publicly traded company, our HR department was primarily administrative in nature. Now, we are evolving our HR role to be a strategic business partner, one that not only serves as a resource for our people, but also supports the growth of their talents and the growth of Shoals.

- CEO LETTER
- WHO WE ARE
- OUR APPROACH
- ENVIRONMENTAL
-  **SOCIAL**
- GOVERNANCE
- OUR FUTURE
- APPENDIX



Recruitment

We continuously strive to be an employer of choice in our surrounding areas by identifying and recruiting the best talent available. As a company in a high-growth phase, we are taking deliberate actions to attract people with the right skill set and cultural fit. We seek talent that is entrepreneurial and agile, experienced and technical, process-oriented and flexible, adaptive and honest, optimistic and enthusiastic.

We continue to develop our talent acquisition strategy and build a successful pipeline of candidates by fostering a work environment where Shoals is viewed as a destination employer.

We often compete with several other manufacturing and agricultural employers for our non-exempt workforce in our rural locations. To address this challenge, we encourage our current employees to recommend potential candidates through our employee referral program. We have also established strategic partnerships with local staffing resources. They help to identify talent who may supplement our workforce during increases in production and to assist with the screening of potential full-time employees.

As part of our HR strategy, we are prioritizing full-time talent acquisition and the development of retention-building opportunities.

Talent Development

We recognize the benefits that training and career planning can have on building and growing our workforce. Throughout our history and now, we seek to promote from within Shoals, while at the same time expanding our capabilities by hiring externally.

Once at Shoals, we encourage our employees to participate in continuing education and to pursue professional certifications. For certain roles, we provide the required or necessary training and certifications. We also provide opportunities for job-specific training to new and seasoned employees.

We believe that performance management and leadership skills training are key components for personal career growth. Among our employees, we encourage continuous guidance and feedback with their leaders. We believe it is the responsibility of every person in leadership – be it a Team Lead, Supervisor, or Manager – to serve as a resource and support for each of our team members. In everything we do, our philosophy is to promote an open environment.

As part of our HR strategy, we plan to cascade our performance management framework from our executive team to our mid-level managers and to train them on its implementation as we proceed to roll it out companywide.

Employee Engagement

We believe that candor among our employees helps us to succeed and drives operational excellence. Our family feel and open environment provide the space for team members to express themselves and share their thoughts and perspectives. In 2023, we intend to expand our feedback opportunities with the launch of an employee engagement survey, the first since becoming a public company.

Compensation & Benefits

At Shoals, we strive to provide our team members with a comprehensive suite of rewards and benefits.

Over the past year, we enhanced our compensation programs throughout Shoals. In our Tennessee locations, we integrated a two-dollar an hour COVID-19 premium into our base hourly rate and included an additional one-dollar increase in 2021. By 2022, we raised our hourly rate by an additional two dollars, accounting for a five dollar increase within the year for our Tennessee employees.

In 2021, all employees benefited from the Company’s public listing. Each of them received restricted stock units, which gave them an opportunity to become owners in the Company (once vested).

Our benefits program is designed to provide coverage for our employees’ overall health and wellbeing. They include medical and dental coverage, life, and disability insurance. We also offer retirement saving plans through our 401(k), which is available to all our full-time employees. In 2021, we expanded the benefit with the inclusion of a company matching contribution.





Occupational Health & Safety

Safety is at the forefront of everything we do. It is the guiding principle in our product development and a constant focus for our people.

Our occupational health and safety (OHS) program is designed to achieve safe outcomes. It is built on a commitment to provide a workplace where the risks of illness or injury to our workers, local community, and customers are minimized. Increasingly, our safety program is aligning with the ISO 45001 standards, for which we seek to pursue certification once our management system is fully developed.

By relying on the contributions of everyone at Shoals, we have devised programs, including safety initiatives and evaluations, that increase our awareness, improve our ability to act on the effectiveness of the program, and encourage constant review and improvement.

Shoals' OHS Guiding Principles



Maintain or surpass all pertinent health, safety, and environmental obligations through recurring metric reviews.



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.



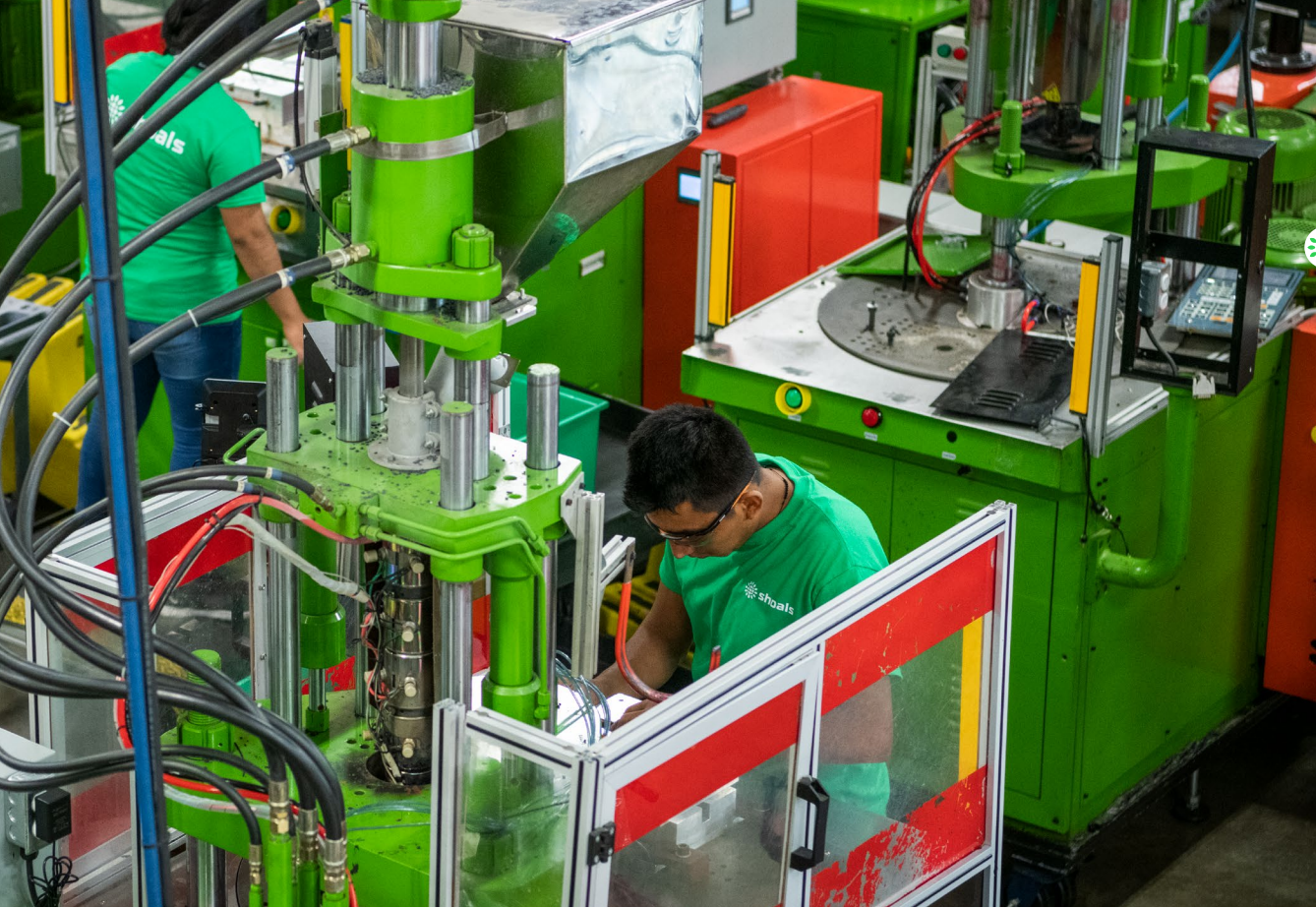
Convey health, safety, and environmental strategies and systems to Shoals employees and shareholders.



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.



Incident Prevention

Over the years, we have elevated hazard identification to the forefront of our safety program.

By doing so, we are proactively identifying sources or situations that have the potential to cause the most harm. These include:



Day-to-day human error injuries



Machine injury during operation



Chemical hazards

With knowledge of our hazard sources, engagement from each of our team members, and a commitment from management to implement and reinforce our OHS guiding principles, we are delivering our safety-first approach.

The critical points within our operational processes are of the greatest concern. We aim to reduce incidents and injuries by safeguarding our machines and protecting against preventable events.

To reduce and avoid incidents, we deploy a series of safety management procedures and programs, which address proactive, responsive, and preventative improvement processes. These include:

- 1 Engineering-out causes of injury during the machining process by adding a safety layer to eliminate the contributor.
- 2 Adding sizing controls to reduce and prevent finger pinch-points.
- 3 Monitoring our employees that operate the machines through a preventative maintenance tracker and deploying a trend analysis tool for reporting.

We encourage our employees to activate our Stop Work Authority when there is a perceived unsafe condition or behavior that may result in an undesirable event. In addition, we use PPE hazard assessments, preventative maintenance, audits, and inspections to further curtail any occurrence of a health or safety incident.

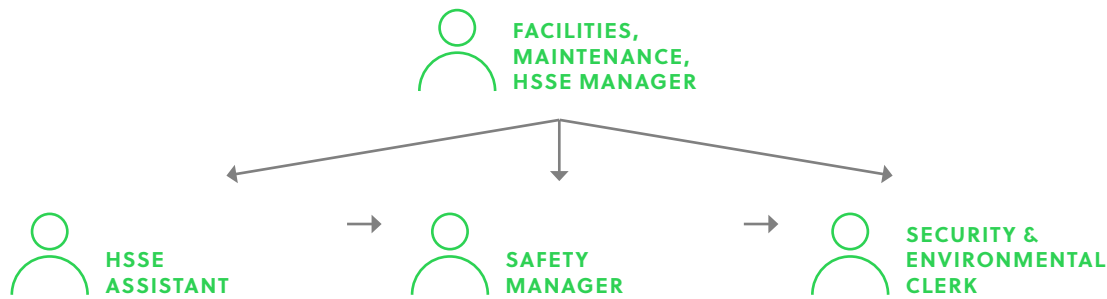
We reinforce these safety behaviors through the application of our policies and regulatory frameworks and the actions of our leadership. Through our Safety Discipline Policy and our Employee Safety Warning Notice, we have developed procedures designed to provide a structured corrective action process to improve and prevent recurring undesirable employee safety behaviors or issues.



OHS Oversight

Our Health and Safety Team is the primary unit in our organization that oversees, maintains, and improves OHS. The team meets on a weekly basis to discuss safety, maintenance, and the overall health of our employees as well as improvement measures to upgrade or correct machinery and other building securities.

Shoals' Health & Safety Leadership



Furthermore, due to the regulated nature of our industry, we are required by law to perform audits of our health and safety procedures, policies, and programs.

When incidents occur, all reports are treated with urgency. Our policy requires that any machine that has caused harm is shut down immediately and insights be delivered from inspections, repairs, and cleaning with a single head of oversight to ensure improvements are handled correctly and efficiently.

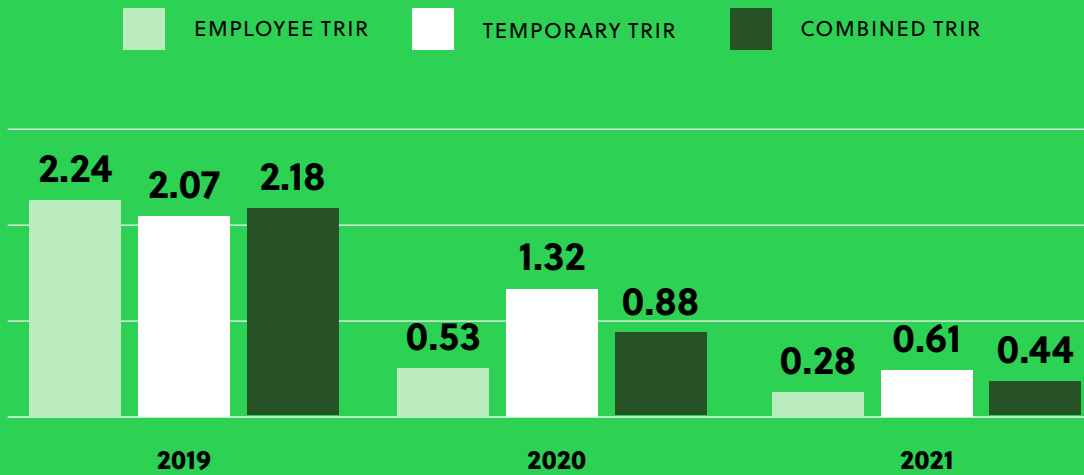
Our primary goal is for all employees to have the proper training and awareness of the health and safety policies in place. New hires are provided health and safety training during orientation on the tools and resources to maintain safety throughout their day-to-day as well as evacuations and other emergency procedures. Refresher training sessions are conducted annually and typically coincide with any new training programs.

We strive to use our employees' day-to-day knowledge and personal insight to drive best practices and safety improvements.

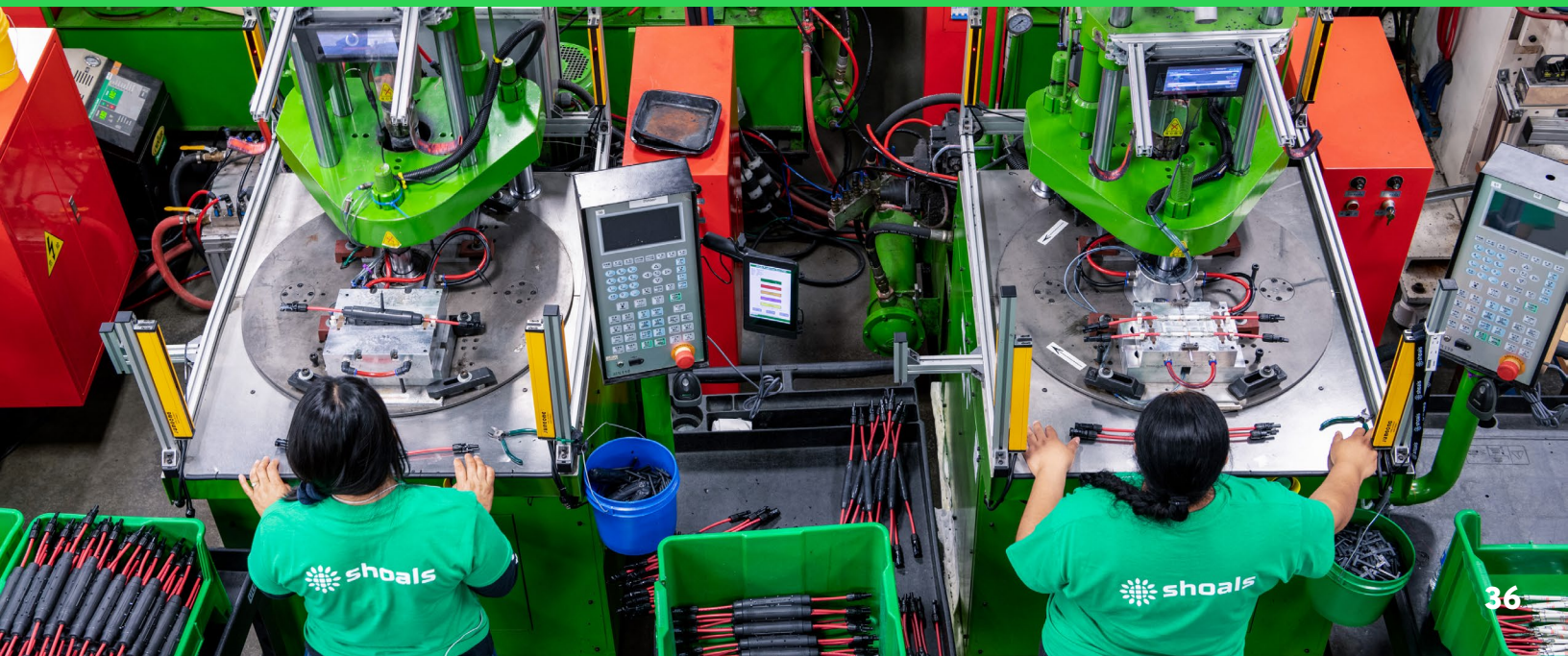
To that end, we launched an individual incentive program in 2022 designed for workers to receive benefits as they bring awareness to any outstanding hazards that may have otherwise gone unaddressed. Rewards are provided through Shoals’ “incentive bucks” that can be used to purchase prizes from our on-site store.

We also celebrate Safety Mondays where coffee is provided by the Health and Safety team. In addition, if no recordable injuries are incurred before the month of June each year, a free lunch is provided to everyone.

Total Recordable Incidence Rate*



1. * Data provided in the chart reflects TRIR stats for Shoals’ full-time and temporary employees for fiscal year 2021, with the exclusion of ConnectPV which was acquired in August 2021.



Data Privacy & Security

We strive to create a robust ecosystem that protects any information we hold, especially sensitive content such as our intellectual property. At the same time, we aim to be flexible so that good data can drive good decisions.

Our approach to data privacy and security focuses on finding the balance between data access and security. This involves protections against both internal and external exposure events, permissions on content access and use, and upgrades to security perimeters and resiliency, among other measures.

To protect the privacy and security of our data, we have active monitoring and logging systems, IT business continuity plans, antivirus software, and multifactor authentication. We conduct periodic penetration testing and performance audits. In addition, we assess our critical systems infrastructure to identify more resilient and redundant practices to ensure continuous operation.

Our data privacy and security program is overseen by our Chief Operating Officer and a team of information technology experts. They report directly to our Chief Executive Officer and provide periodic updates to our Board’s Audit Committee.

The effectiveness of our systems is dependent on the people who use them. We educate our employees on best practices through awareness campaigns and phishing exercises.

Intellectual Property Protections

One of our primary security considerations is our intellectual property. We rely on patents, trademarks, copyrights, and trade secrets to protect our innovative technology. Ensuring we have a robust IT system is a critical feature to safeguarding our proprietary know-how.

As of January 31, 2022

25 U.S. Trademark Registrations	20 Issued Patents
11 Pending U.S. Trademark Applications	12 Pending U.S. Patent Applications

As of January 31, 2022

30 U.S. Trademark Registrations	33 Issued Patents
29 Pending U.S. Trademark Applications	7 Pending U.S. Patent Applications

Community Engagement & Giving

Shoals serves and participates in the same communities where we live and work. Through active memberships, contributions, and collaborations, Shoals engages in community service and outreach.

Whether it's giving opportunities to those most in need, providing funding or resources to those less fortunate, or building partnerships with local businesses and charities, Shoals is committed to helping our neighbors flourish.

Some of the charities and organizations we support through donations include:

- ☼ American Heart Association
- ☼ Hands of Hope
- ☼ Leukemia & Lymphoma Society
- ☼ Make a Wish
- ☼ Moss Foundation
- ☼ Nashville Rescue Missions
- ☼ Navy Seal Foundation
- ☼ Portland Chamber of Commerce
- ☼ Portland Preservation Society
- ☼ Portland Public Schools
- ☼ Second Harvest Food Bank
- ☼ St. Jude Children's Research Hospital
- ☼ Wounded Warrior Project
- ☼ ZOE for Life!





7

Governance Responsibility



Our dedication to ingenuity and integrity has allowed us to thrive as a company and gain the confidence of the public markets.

From the automotive industry to electrified technology, we are known as a company to rely on. Our products are simple and innovative. They are designed to be safer, faster, and more cost-effective. And our actions are aimed to uphold and deliver on our common set of values and Code of Ethics. Through our inspired and principled approach, we are and will continue to be a leading trusted EBOS solutions partner.

Business Ethics & Integrity

Everyone at Shoals from our Board and our management team to our temporary and contract employees is expected to conduct themselves with the highest degree of ethics and accountability.

Our Code of Ethics is our guiding policy, which applies to everyone. It details the actions, behaviors, and compliance expectations across our business activities. In addition, we have our common set of values (see [Our People and Culture](#) section). These are the guiding principles that govern all our interactions.

We encourage anyone to report a suspected violation of our Code. In addition, our Whistleblower Policy addresses any auditing or financial complaints or concerns, including fraud, deliberate errors, or noncompliance. Any incident may be reported through a direct supervisor or designated executive.

Each report is investigated and escalated for the appropriate internal review by the Audit Committee, Chief Executive Officer, Chief Financial Officer, Chief Legal Officer, SVP of Human Resources, or applicable supervisor to determine the appropriate course of action. No matter the incident, we do not tolerate any acts of retaliation.

Oversight is the principal responsibility of our Board. They advise and counsel our executive leadership team, who focus on Shoals' day-to-day operations. Our independent auditor examines our financial statements. It is our internal and outside counsel who assure we are operating in compliance with all applicable laws, regulations, and best policies and practices. The combination of each of their actions helps ensure we are upholding the highest standards of ethics and integrity.

Enterprise Risk Management

Our Board oversees an enterprise-wide approach to risk management. The program is designed to support the achievement of organizational objectives, to improve long-term organizational performance, and to enhance shareholder value.

Fundamental to our risk management approach is the understanding of what our most significant risks are and the necessary steps to appropriately mitigate them. Our Board and its committees play an integral role in assessing this risk profile. The committees' responsibilities include:

AUDIT COMMITTEE

Review of policies on risk assessment and risk management including cybersecurity and financial exposures; establishment of policies and procedures for the receipt and retention of accounting-related complaints and concerns; discussion of the scope and result of the audits with our independent registered public accounting firm.

NOMINATING & CORPORATE GOVERNANCE COMMITTEE

Development of board and committee membership criteria; review and monitoring of ESG; advisement on best practices and corporate governance principles.

COMPENSATION COMMITTEE

Annual review and approval of compensation-related corporate goals and objectives; establishment of overall management compensation philosophy, and policy.

ESG Oversight

At Shoals, we believe it is the responsibility of all of us to act in a way that protects the environment, health, and safety of our employees, customers, and local communities. Our Health, Safety, and Environmental Policy Statement encapsulates our commitment to incorporate good management processes into our business, so that we may offer pioneering electrified technology solutions that help preserve and enhance resources for future generations.

Our leaders are champions of these commitments within their respective divisions, and our executive leadership sets the tone and guides our actions. At the Board-level, the Nominating and Corporate Governance Committee is responsible for reviewing, monitoring, and providing guidance on the development and implementation of our ESG programs and goals.

Board Composition

Critical to the success of our Board is ensuring we have the right individuals serving as our directors. They ought to possess personal qualities and attributes deemed essential for the proper functioning of the Board and the fulfillment of duties to our shareholders.

Directed by our Corporate Governance Guidelines, we seek out candidates who are accountable, ethical, have sound business judgment, and risk management experience. In their roles, they should be confident to assess and challenge the way things are done and present alternative solutions. They should be knowledgeable of our business and regulatory environment and the social realities in which we operate. We further believe that diversity, including gender, race, ethnicity, age, sexual orientation, experience, and background, brings a range of viewpoints to the Board that is important to the effectiveness of its oversight responsibilities.

Our directors embody these characteristics. They have a diversity of accomplishments, professional expertise, cultural backgrounds, and viewpoints. They are current and former executives or directors of public companies. Some have expertise in the energy and/or utility industry, while others have expertise in human resources management. Each offers perspectives that will contribute to the advancement of our strategic initiatives.



Corporate Governance Practices

At the time of our IPO, we qualified as an emerging growth company, which permitted us to defer certain metrics on internal controls and executive-compensation related matters. However, we continued to follow many listing exchange requirements and market best practices for public companies, including:

- 1 Independent Chair
- 2 >75% Independent Directors
- 3 Fully Independent Committees
- 4 Annual Board and Committee Self-Evaluations
- 5 Hedging Prohibitions
- 6 Management Succession Planning



Our Board Transformations

During our first year as a public company, our Board experienced its own transition.

In March 2021, we appointed three new directors. By July 2021, six-months following our IPO, directors Frank Cannova and Jason Lee stepped down as Oaktree director representatives, pursuant to a Stockholder Agreement. Upon their departure, our board size declined to eight, our Board’s independence increased, and it remained as such through the end of fiscal 2021.

In 2022, our founder and board member, Dean Solon, stepped down from the Board, which ended a life-long chapter.

By August 2022, Peter Jonna, the last of the original Oaktree director appointments, left the Board and two new independent directors were appointed.

Board of Directors

Brad Forth:
Independent Chair

Jason Whitaker:
President and CEO

Peter Wilver:
Independent Director

Ty Daul:
Independent Director

Toni Volpe:
Independent Director

Lori Sundberg:
Independent Director

Jeanette Mills:
Independent Director

Robert Julian:
Independent Director

JULY 2021

Left the Board

- ✗ **Frank Cannova:** Non-Independent Oaktree Director Representative
- ✗ **Jason Lee:** Non-Independent Oaktree Director Representative

FEBRUARY 2022

Left the Board

- ✗ **Dean Solon:** Founder and employee

AUGUST 2022

Left the Board

- ✗ **Peter Jonna:** Independent Director*

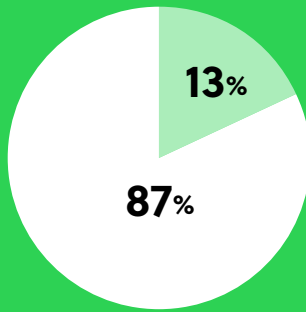
Joined the Board

- + **Jeanette Mills:** Independent Director
- + **Robert Julian:** Independent Director

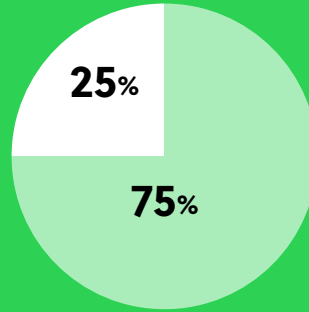
* Peter Jonna was a Non-Independent Director prior to 2022.

Board Diversity by the Numbers*

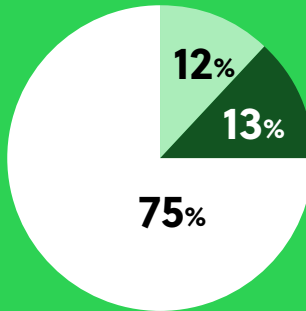
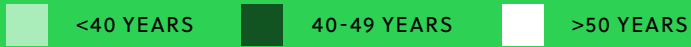
GENDER DIVERSITY



INDEPENDENCE



AGE DIVERSITY



1. * As of December 31, 2021.



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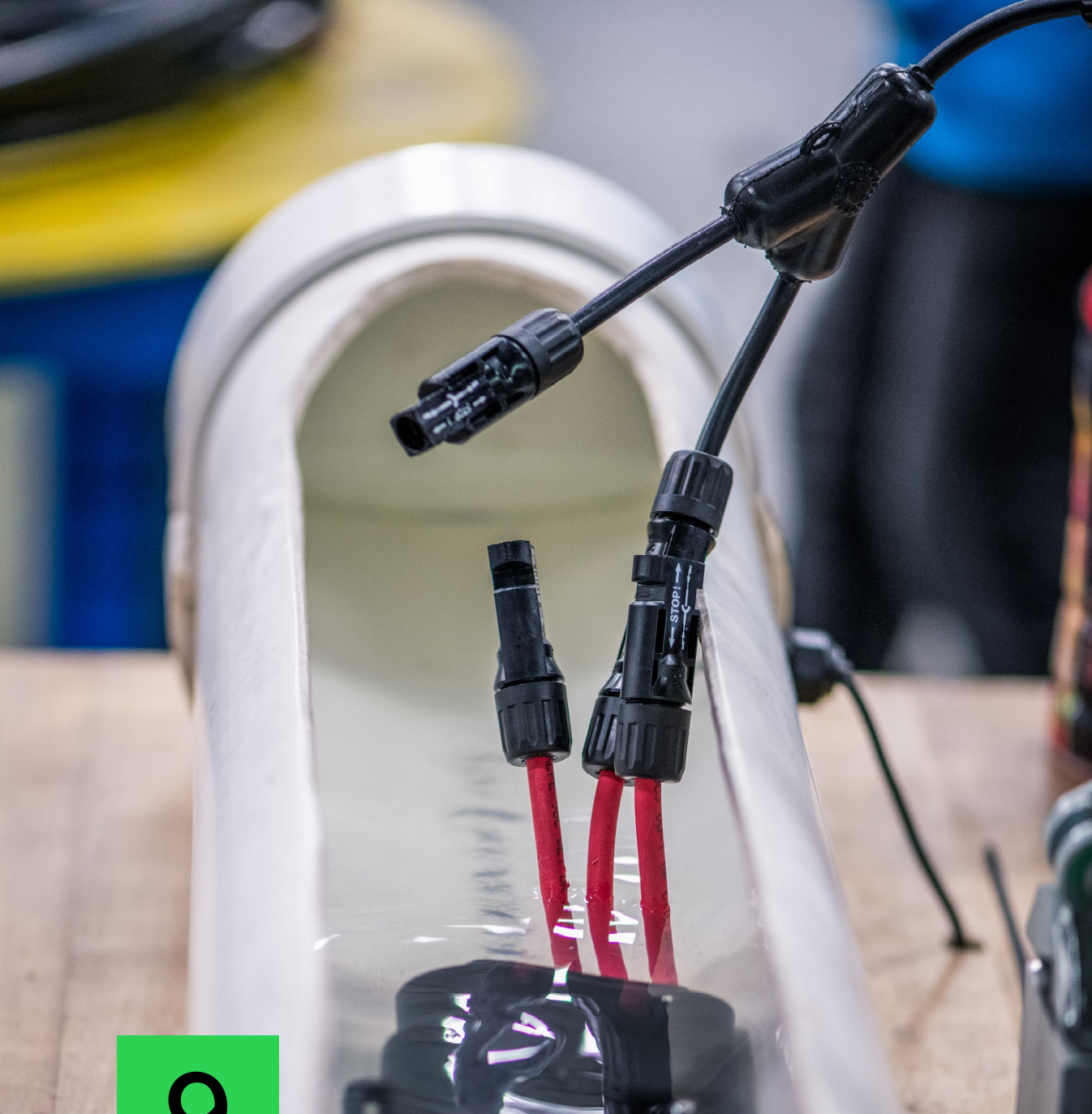
Our Future Commitment

At Shoals, our future is bright.

We are leading the way in simple, innovative EBOS solutions that will transition energy use to cleaner, safer, and more reliable systems. Along the way, we are optimistic and enthusiastic.

In our inaugural ESG report, we shared how we have evolved over the past quarter century. We recognize our growth potential and look forward to sharing future progress and disclosure enhancements.





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Appendix

SASB Index – Solar Tech & Project Development



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, 2021 unless otherwise noted 2. 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	To be evaluated for expansion in future reports.
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	
Hazardous Waste Management	Amount of hazardous waste generated, percentage recycled	Refer to Sustainable Operations Section.
	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 Enabling Greater Electrified Energy Adoption Section.
	Description of efforts in solar energy system project development to address community and ecological impacts	

SASB Index – Solar Tech & Project Development



TOPIC	ACCOUNTING METRIC	SHOALS ALIGNMENT
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 Enabling Greater Electrified Energy Adoption Section.
	Description of risks and opportunities associated with energy policy and its impact on the integration of solar energy into existing energy infrastructure	
Product End-of-life Management	Percentage of products sold that are recyclable or reusable	To be evaluated for expansion 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	

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.

ABOUT THE REPORT

Reporting year: Except where specifically noted otherwise, the reporting period for this ESG report focuses primarily on fiscal year 2021 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 on December 14, 2022.

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. These risks and uncertainties include changes to Jason Whitaker's, our Chief Executive Officer, circumstances, inability to find a new Chief Executive Officer, the impact of the announcement of the Chief Executive Officer succession and other officer appointments or departures on the Company's stock and its employees, suppliers and customers, and other risks and uncertainties described in the Company's most recent Annual Report on Form 10-K and subsequent filings with the Securities and Exchange Commission. 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.