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ABOUT THIS REPORT

Shoals Technologies Group, Inc. (Shoals, we, or the Company) presents its third annual ESG report, which describes our ESG approach, processes, programs, procedures, and metrics and the ways in which our products and solutions contribute to sustainable development and the energy transition. In preparing this report, Shoals has considered the IFRS Foundation’s Sustainability Accounting Standards Board (SASB) industry standard for Solar Technology and Project Developers and the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. Additionally, we identified the most relevant UN SDGs based on the Company’s strategic and operational objectives. Shoals seeks ways to further align our ESG reporting with industry-leading frameworks, standards, and regulatory requirements and develop transparent reporting of our ESG progress. Unless otherwise noted, this report addresses our ESG progress and performance from January 1, 2023, to December 31, 2023.

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Enabling the global clean energy transition is fundamental to our company's mission.

FROM THE CEO

I am thrilled to present Shoals Technologies Group's third annual ESG report. As I complete my first year as CEO, I'm excited to lead our company toward a future where ESG is not just a commitment, but a core component of our identity and strategy.

As the leading supplier of electrical balance of systems (EBOS) solutions that help power the shift to clean energy, we understand the significant contributions our products make toward the global energy transition. We take pride in developing innovative, high-quality solutions that are safe and reliable. Our products have been instrumental in reducing reliance on traditional energy sources, and in removing the operational and financial barriers within the solar, energy storage, and eMobility industries to enable widespread adoption of clean energy solutions.

In 2023, we set forth ambitious strategic goals for the company, and we made maturing our ESG program one of our key priorities in my first year of leadership. We've taken proactive steps by hiring key roles, including Director of Sustainability, Director of Supply Chain, and Director of Quality, to solidify our company-wide effort to integrate ESG principles into our operations. We also focused on expanding our health and safety programs by adding team members, rolling out our new safety vision statement, and regularly reporting on safety metrics in our town halls, executive team meetings, and Board meetings. Additionally, we've invested in robust data infrastructure and expanded our reporting capabilities to include Scope 1 and 2 greenhouse gas emissions, laying the foundation for a more data-driven ESG program. Lastly, we're making significant strides in our effort to become the employer of choice in our Portland community with the announcement of an \$80M investment in a new facility that is expected to create 500+ new jobs over the next five years.

We are proud of our progress so far and are excited to share our achievements with you in this report. As we continue to operate our business with a critical eye to ESG and climate-related risks and opportunities, we look forward to advancing our efforts in 2024 and beyond.

I'd like to thank our customers for their confidence in Shoals, our employees for allowing us to effectively serve our customers, and our shareholders for their continuous support.

Sincerely,

Brandon Moss
Chief Executive Officer

ABOUT US

Shoals is about simplifying the complexity of the energy transition. We are the largest supplier of EBOS solutions in the world with over 66 GW under contract, in construction, and operating. Innovation is in our DNA. Our industry-leading EBOS and wiring products are revolutionizing the way energy is transmitted from solar panels to the grid. Through disruptive design, manufacturing excellence, and collaborative partnerships, we break down barriers to renewable adoption by inventing solutions that are cost-effective, safe, accessible, and sustainable.

OUR PURPOSE

To positively impact the world by enabling global electrification and making the complex simple

We do this by:

- Creating products that can be installed by anyone with no specialized training required
- Moving assembly from the field to the factory
- Leveraging the factory environment to produce products with superior quality, reliability, and safety

WE ARE GUIDED BY OUR CORE VALUES:

Responsibility

We integrate quality and safety into everything

Integrity

We do the right thing, in the right way, for the right reason

Agility

We are quick and flexible at our core

Innovation

We lead from the front by simplifying the complex

Accountability

We win for our customers, shareholders, and each other

Commitment

We care for people and the planet by investing locally and globally



AT A GLANCE

AS OF DECEMBER 31, 2023

\$489M

FY Revenue

66 GW

Global Solar Systems
Deployed with Shoals Solutions

6

Office, Manufacturing, Warehouse,
and Shipping Locations¹

47

Global Patents
Issued²

13 of Top 15

Engineering, Procurement, and
Construction Partners³

1,200+

Full-Time Employees

Geographies Served



3

Sales and Business
Development
Team Bases

35 GW

Manufacturing
Capacity

50%

Year-Over-Year
Revenue Growth

28

Years Since Our Founding

OUR CONTRIBUTIONS TO THE ENERGY TRANSITION

Climate change is here. We are experiencing an increasing rate and severity of extreme weather events from rising temperatures, which is affecting water, food supply, human health, ecosystems, and physical infrastructure.⁶ The impacts are spurring governments to enact climate-related public policies and increase emissions regulations. At COP28, a historic agreement was made between almost 200 countries to accelerate efforts towards reaching global net zero emissions by 2050 by phasing out fossil fuels and tripling renewable energy capacity by 2030.⁷ Electrification of our global energy systems, which generate almost 75% of total global greenhouse gas (GHG) emissions, is critical to meeting climate goals in time to limit global warming.⁸



Banner Year for U.S. Solar

U.S. federal and state government action, such as Renewable Portfolio Standards, Clean Energy Standards, and the Inflation Reduction Act, was a significant contributor to making 2023 a record year for the U.S. solar industry.

Solar became the fastest-growing source of new electricity.⁴

Installed solar capacity increased year-over-year by 51%, and utility-scale solar increased 77%.⁵

SOLVING GLOBAL CHALLENGES BY INVENTING SIMPLE®

As the largest EBOS supplier worldwide, we are leading the way to the clean energy future, working alongside project owners, developers, engineering, procurement, and construction (EPC) contractors, subcontractors, and operations and maintenance (O&M) firms. Our products are uniquely positioned to overcome barriers to scaling solar by making the complex simple. Our patented solutions lead to easier, faster, and less expensive construction of solar fields, which avoid millions of tons of emissions; create more stable, flexible, and reliable energy sources; and contribute to cleaner air and healthier communities.

Our EBOS solutions encompass all the necessary components that facilitate the management of electricity between solar panels and its end use, whether the energy grid, battery storage, or electric vehicle (EV) charging stations. Regardless of size, location, or technology, Shoals EBOS solutions are mission critical for energy delivery projects.

Core to our value proposition is our engineering and design services, which provide plug-n-play solutions that are engineered to order. By delivering a custom-designed product built for each site and specific customer, we take project variability out of the field and into the factory.

Collaborative Community



The energy transition requires coordination among many stakeholders, including governments, financial institutions, and the private sector to achieve our collective aims. We are a member of Solar Energy Industry Association® (SEIA), a U.S. trade association providing research, education, and advocacy for the solar and storage industry. Through our involvement with SEIA, Shoals aims to ensure that we play a key role in shaping the regulatory environment and future standards of solar and energy storage project industries.

OUR COMPONENTS

We design, manufacture, and sell a variety of individual EBOS and other components used by the solar, battery storage, and EV charging industries.

Combiners

Enclosures that interconnect wire runs from multiple solar panel strings together so that their current can be fed into a single large cable

Recombiners

Enclosures that interconnect feeders from several combiner boxes into a smaller number of cables that run to the inverter

Wire management

System to secure photovoltaic wiring for safety and aesthetic purposes

Plug-n-play branch connectors and inline fuses

Plug-n-play connectors for small commercial and rooftop solar applications in inline fuse, fuse-T, dual inline fuse, T-shaped, X-shaped, Y-shaped, and U-shaped configurations

Wireless monitoring

Specialized devices that monitor current, voltage, temperature, tracker rotation, and other performance characteristics

EV power cabinets

Enclosures that provide power conversion and protection for EV power systems

AC disconnects

Specialized switches that allow the inverter to be isolated from the grid to enable repairs or in cases of emergency

Junction boxes

Electromechanical interface that provides connection points to collect power from a solar panel

BESS cabinets

Enclosures that contain batteries for utility-scale Battery Energy Storage Solutions (BESS) or EV charging sites that require BESS



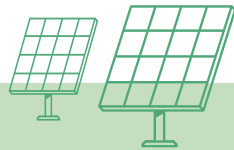
OUR SYSTEM SOLUTIONS

Our system solutions are complete EBOS systems that use multiple components and are designed and customized with our customers. We also provide technical support during installation and the transition to operations and maintenance.

SOLAR

Our proprietary, cutting-edge EBOS solutions seamlessly interconnect with solar panels, efficiently collecting electrical currents, aggregating power to the inverter, and ultimately channeling solar energy into the power grid. Through this process, our solutions contribute to greater renewable energy supply to meet the growing demand for energy capacity across critical power markets and communities. Our utility-scale solar energy solutions serve as catalysts for renewable opportunities and decarbonization practices. In 2023, we further expanded internationally, focusing on high-growth markets that support global electrification and are impacted by skilled labor shortages.

2023 Solar by the Numbers



420 GW

New Global Solar PV Installations⁹

50%

Year-Over-Year Decline in Cost of Solar PV Modules¹⁰

85%

Year-Over-Year Growth in Global Solar PV Additions¹¹

30%

Share Renewables in Electricity Generation¹²



Examples of Shoals Solar Solutions

Interconnect System is our proprietary EBOS solution for homerun architectures. Rather than the traditional approach of running a separate wire from each string to a combiner box, our interconnect system uses a Shoals interconnect harness to connect multiple strings together at each row with a single wire and simple push connector instead of a wire crimp. This reduces the number of wire runs made to Shoals combiner boxes and the number of connections made in each Shoals combiner box, which also minimizes the total number and/or size of combiner boxes required and the points of failure across the system.

Combine-as-you-go EBOS architecture, invented by Shoals, connects all strings in a project to “trunk” wires that feed directly into Shoals disconnect boxes connected to the inverter. It leverages the Shoals Big Lead Assembly (BLA), an above-ground aluminum trunk bus system that combines the functionality of cable assemblies, combiner boxes, and fusing all into one. This eliminates the need for standard combiner boxes, messy multiple conductor string wires, cable trays, trenching, and field crimping.

Cable Management Solution designed for the Shoals combine-as-you-go EBOS, includes a messenger wire and tensioning system and hangers designed to carry the BLA. This complete solution also utilizes the innovative wire clips and wire management used for Shoals interconnect harnesses. The Shoals Cable Management Solution offers the easiest installation, operation, and maintenance in the market, providing all the necessary components for a solar wiring system configuration suitable for any project.



ENERGY STORAGE

In the dynamic landscape of utility-scale energy storage, off-the-shelf solutions to connect, disconnect, and combine distributed energy sources remain a persistent challenge. Shoals bridges this gap by delivering bespoke and semi-customized products to interconnect Battery Energy Storage Solutions (BESS). These meticulously crafted solutions seamlessly integrate with utility-scale solar installations and the electric grid to offer cost-effective and rapid deployment for energy storage.

2023 Energy Storage by the Numbers



85 GW

Cumulative Global Installed Battery Capacity¹³

4X

Year-Over-Year Increase in Total Volume of Batteries Used in the Energy Sector¹⁴

40 GW

Global Battery Capacity Added in 2023¹⁵

8+ GW

Cumulative U.S. Installed Utility-Scale Battery Capacity¹⁶

Examples of Shoals Energy Storage Solutions

BESS Recombiner collects and combines inputs from solar arrays, wind turbines, BESS, and other DC (direct current) microgrid components. This allows customers to charge the BESS from renewable sources, as well as discharge from the BESS to complement the energy generated from renewables, providing consistent power to the grid. Using a recombiner optimizes site layouts, provides access to disconnects, and removes the single point of failure of an integrated BESS container.

BESS Disconnect Switches isolate and remove power from the BESS container. Using disconnects mounted away from the BESS containers allows for centralized location of disconnecting, reducing O&M time.

Wiring Solutions offer custom wire harnesses or jumpers, tailored to project specifications, simplifying wiring and installation tasks. Manufactured in a facility with stringent quality standards, these solutions minimize onsite labor, leading to reduced project expenses, faster deployment, and elimination of in-field wiring errors.

Expanding Access to Affordable Energy

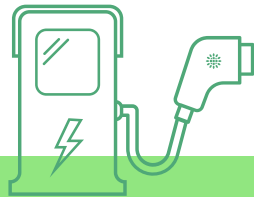
Our solutions are delivering lasting impacts to communities across the U.S., helping to deliver affordable energy, create clean energy jobs, and stimulate local economies. The Galloway 2 solar project in Concho County, a rural community in central Texas, is just one example. The project will create more than 250 peak construction jobs and generate more than \$18 million in property taxes that will support essential local services. This is in addition to the more than 147 MWdc/110 MWac of power provided to the grid and associated benefits of offering renewable energy credits.

EMOBILITY

As the demand for EV infrastructure grows, charge point operators face the dual challenge of expediting deployment while optimizing costs and maintaining superior quality. Our EV BOS solutions offer a transformative approach: they are permanent and portable. They are compatible with various chargers and offer rapid deployment times, measured in days rather than weeks or months. By facilitating the swift adoption and expansion of EV charging networks, we contribute directly to achieving ambitious EV deployment targets.

Our chargers are ideal for fleets, offices, and multi-unit dwellings.

2023 eMobility by the Numbers



18%

EV Share of Global Car Sales in 2023¹⁷

40%

Year-Over-Year Increase in Public Charging Infrastructure¹⁸

165,000

U.S. Public Charging Ports¹⁹

45M

Electric Cars, Buses, and Trucks on the Road²⁰

Examples of Shoals eMobility Solutions

Fuel Power Center steps down the incoming voltage to an appropriate level and provides a local distribution and disconnecting point for the EV chargers powered by Shoals eMobility solution.

EV BLA connects multiple chargers to a single circuit on the power center, reducing cabling, conduit, and installation time.

Raceway System provides code-required protection of the above-ground EV BLAs from pedestrians, vehicles, and other points of contact.

Quick Connect Bases couple any charger to our system, allowing for rapid deployment of any EV charger.



Shoals eMobility Partnership with the U.S. Air Force

Our innovations are supporting the U.S. Air Force's Climate Action Plan to achieve 100 percent carbon-free electricity by 2030 and net zero emissions at its facilities by 2046. Through a pilot project in partnership with Leidos, a Fortune 500 science and technology leader, we are deploying our Fuel by Shoals® eMobility EV Charging-as-a-Service (EVCaaS) solution across multiple locations in the U.S. The EVCaaS solution provides a modern, resilient, scalable, and secure power infrastructure to support the transition of the Air Force's fleet of over 49,000 non-tactical vehicles to zero-emissions vehicles.

ESG STRATEGY

Since launching our ESG program in 2021, our approach has been grounded in understanding the environmental, social, and governance factors that are integral to our business and the long-term value it creates. Building on this foundation, we have engaged internal team members and external advisors to identify our priorities and strengthen ownership and accountability in these areas.

SPOTLIGHT

“It is an honor to be a member of the Shoals team working with others to strengthen our sustainability initiatives and advance the energy transition.”

Andrew Ross, Director of Sustainability & Senior Counsel



In 2023, we made significant strides in maturing our ESG program. We committed resources to expand our in-house capabilities to further integrate ESG into our corporate strategy and operations. We appointed our first-ever Director of Sustainability to execute on strategic objectives and oversee the integration of ESG practices across our organization. We invested in technology with the implementation of an integrated software system that will modernize our data collection and reporting capabilities on ESG metrics.

2023 HIGHLIGHTS

New environmental disclosures



We conducted our first inventory of Scope 1 and 2 GHG emissions and are reporting aligned with TCFD recommendations for the first time.

Updated materiality assessment



We completed our second evaluation of ESG priorities via a third-party materiality assessment, identifying our top 10 priorities for 2024 and beyond.

Strengthened governance structures



We formalized a management-level sustainability committee comprised of subject matter experts from teams across the company and our Director of Sustainability to establish action items and work towards setting quantitative goals.

Enhanced data management



We implemented new software to systematically collect and track key ESG metrics, ensuring consistency, accuracy, and transparency for more informed decision-making and reporting.

As we develop a more centralized, integrated, and data-driven ESG approach, our next step is to set clear, quantifiable goals that will drive further progress in our ESG strategy. Our focus is on advancing our programs, governance structures, and procedures to align with our strategic goals and stakeholder expectations.

ESG GOVERNANCE

The execution of our ESG strategy relies on the concerted efforts of everyone at Shoals. From our Board of Directors and leadership team to our managers and employees, we all have a role to play.

BOARD

Our Nominating and Corporate Governance Committee reviews, monitors, and provides guidance on the development, implementation, and performance of our ESG strategy and programs, and presents updates to the full Board.

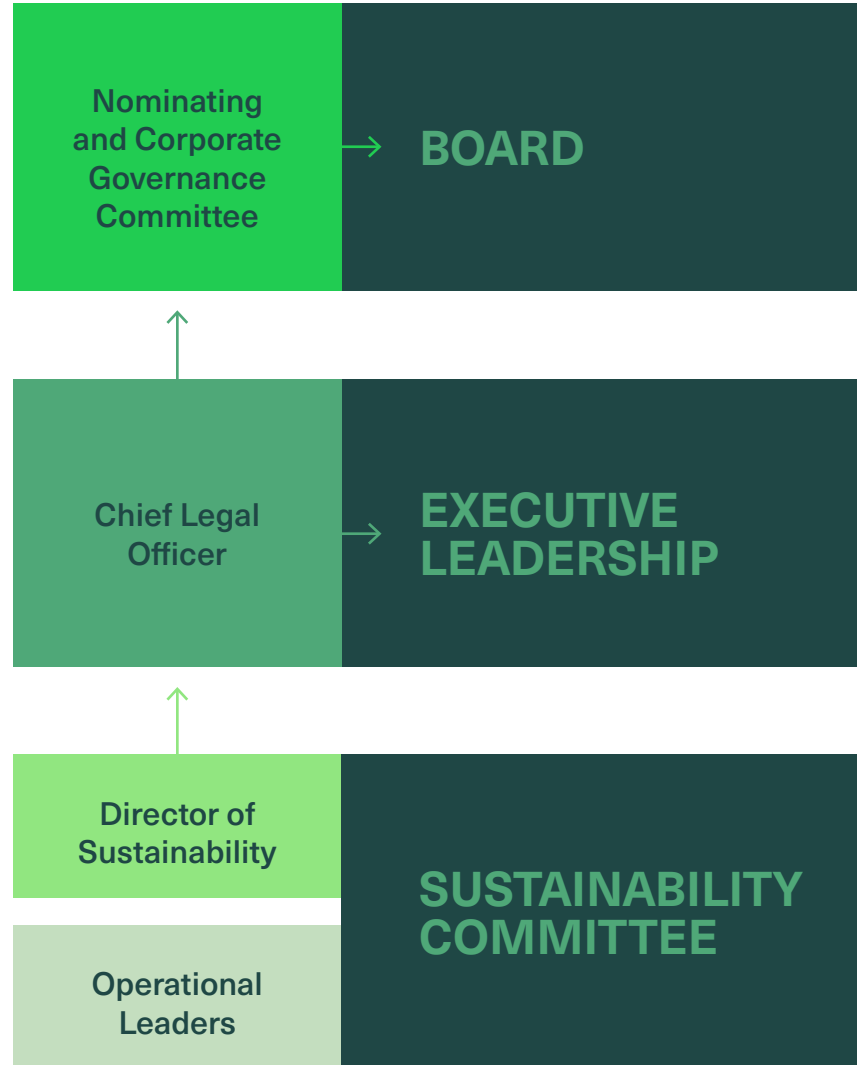
LEADERSHIP

Our executive team promotes the inclusion of ESG factors in decision-making by developing and overseeing the implementation of our ESG strategy. Our executive team reports on our strategy and performance around material ESG issues to the Board and its respective committees. Quarterly updates on our overall ESG strategy and performance are shared with the Nominating and Corporate Governance Committee.

MANAGEMENT

Our Director of Sustainability reports directly to our Chief Legal Officer and manages the development and execution of our ESG strategy, programs, and reporting. The Director of Sustainability also manages climate-related risks and opportunities, supported by other internal team members and external advisors.

Our management-level sustainability committee, established in 2024, consists of cross-functional members charged with integrating ESG principles into their respective team functions. The sustainability committee meets bi-monthly to track progress on existing ESG initiatives and discuss future projects. The committee reports quarterly to the executive leadership team.



ESG PRIORITIES

In 2023, we engaged an external third party to conduct a materiality assessment to re-evaluate the ESG issues most relevant to our business.

The assessment benchmarked ESG topics based on peer disclosures, leading ESG reporting frameworks, surveys, ratings, and market indices, from which 19 ESG topics relevant to Shoals were identified. The degree of importance of the ESG topics was further explored through interviews with executive leaders and surveys administered across various divisions and roles within the company. The results and insights from the survey and interviews were used to establish our 10 highest priority ESG issues. These issues will drive our ESG strategy, risk management, and reporting going forward, while we continue to monitor the other identified ESG topics.



GLOBAL COMMITMENT

We are a company dedicated to positively impacting the world by enabling global electrification and making the complex simple. From this foundation, we recognize the interrelationship between our actions and broader international efforts to address social, environmental, and economic issues. We align our actions with the UN SDGs to demonstrate how our business directly contributes to the world at large.



We have identified three primary SDGs that are inextricably linked to our core business where we can make the most significant contribution.

7 AFFORDABLE AND CLEAN ENERGY



9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



13 CLIMATE ACTION



We have identified four secondary SDGs where we believe we make a positive contribution through our products and practices.

3 GOOD HEALTH AND WELL-BEING



8 DECENT WORK AND ECONOMIC GROWTH



10 REDUCED INEQUALITIES



11 SUSTAINABLE CITIES AND COMMUNITIES



ENVIRONMENTAL

At Shoals, we challenge and support each other to design, develop, and deliver solutions that positively impact the world by enabling global electrification. As a leading supplier of products that support the clean energy transition, we strive to be conscientious of our environmental impacts from the resources we use, the places we operate, and the decisions we make.

7 AFFORDABLE AND CLEAN ENERGY



9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



13 CLIMATE ACTION



11 SUSTAINABLE CITIES AND COMMUNITIES



PRODUCT DESIGN

We design and manufacture simple, innovative, and customizable EBOS solutions and components that are safe, reliable, easy to install, and cost-effective. From material selection and quality checks to efficient installation systems, we address a multitude of factors across the product lifecycle, designing products to last the lifetime of the solar field while minimizing the ecological impacts of utility-scale solar.

2023 Design by the Numbers²¹

67%

Fewer String Runs

83%

Fewer Connection Points

95%

Reduction in Inverter Runs

ADVANCEMENTS IN RESEARCH & DEVELOPMENT

Our R&D process is dedicated to Inventing Simple[®]. We embrace creativity and curiosity as we explore new ways to use our industry-leading solutions to accelerate the transition to electrification. We consider global market differences, including regulations, so we can design for market-specific customizations across the world. We initiated a *Voice of the Customer* program to systemically integrate our customers' feedback into our designs. And we frequently engage in discovery sessions with academics, national laboratories, and other solar module and tracker manufacturers to design optimized solutions.

Inventing Simple[®]

We are optimizing utility-scale solar asset health and performance management with our patent-pending Snapshot I-V Solar PV Health Monitoring Solutions. We have developed continuous remote monitoring solutions that deliver real-time site data to monitor performance, and eliminate labor-intensive panel-by-panel auditing.



SUSTAINABLE DESIGN

Our industry-leading solutions lessen the environmental impacts of installation and maintenance, reduce waste materials, and are built to last the lifetime of a solar project.



Supporting Local Economic Growth and Domestic Manufacturing



Built on the bedrock of American ingenuity, Shoals has manufactured high-quality products domestically for almost three decades. We are a proud member of the Made in Tennessee program.

The program celebrates the Tennessee manufacturing community and fosters growth, innovation, and job creation within the Volunteer State.

Minimized Environmental Impact of Installation

Renewable energy is core to combatting climate change, but there can also be trade-offs, particularly for utility-scale solar, which can require trenching that causes potential impacts to soil, water, vegetation, and wildlife.

Our BLA solution is installed above ground, thus eliminating the need for excavation to install wiring. This significantly reduces the environmental impacts of installing a utility-scale solar field. This benefit is sustained throughout the life of the installation because operators do not have to dig into the soil for wire maintenance and repairs.

Increased Energy Efficiency

Solar installations cannot deliver 100% of the energy produced due to energy leakage, but Shoals solutions offer the most cost effective, highest efficiency EBOS solution on the market. The design of our interconnect harness and BLA reduces electrical resistance, thereby reducing energy loss and providing greater electricity output than conventional systems.

Reduced Resource Use

Shoals solutions, like BLA, require significantly less materials than traditional homerun systems. Our BLA system eliminates 75% of the wire runs and has 18% fewer connections than traditional homerun systems, significantly reducing material resource use, particularly copper, aluminum, and plastics. In addition, our custom-design process removes variability and material waste by taking the design process from the field to the factory.

Enhanced Product Life

Shoals products are built to last the lifetime of the solar field. Every one of our over molds is made from our custom blend of UV-resistant plastic material that helps protect from failures due to radiation exposure. Our junction boxes are also specifically designed to last. Where many competitors use metal boxes that are susceptible to rust and corrosion, Shoals uses fiberglass junction boxes that better withstand the elements.

SUSTAINABLE OPERATIONS

At Shoals, we are committed to environmental sustainability through the solutions we develop and the operational choices we make. We consistently review our business and manufacturing practices to understand our resource use and potential environmental impacts and improve the efficiency of our actions.

Our Environmental, Health and Safety (EHS) policy outlines the guiding principles and practices we expect from our employees, visitors, contractors, and business partners. Our EHS policy requires compliance with environmental laws, promotes activities that minimize the impact of climate change, and acknowledges our shared natural resources.

ENVIRONMENTAL MANAGEMENT OVERSIGHT

Our EHS team, with the support of the facilities and warehouse teams, helps ensure that all our facilities adhere to our EHS policies, designed to minimize our environmental footprint. Through continuous improvement, the team strives to further integrate reduce, reuse, and recycle practices across our operations and manufacturing process. See more about EHS oversight in the [Health and Safety](#) section of this report.



Driving Operational Efficiency through Automation

We are increasing the efficiency of our manufacturing operations by deploying production automation and carefully reviewing every step in our manufacturing process, establishing process-level performance metrics and using that data to identify areas where we can increase throughput or reduce waste. As we prepare to open our new manufacturing facility, we are well positioned to operationalize lessons learned from driving deeper automation and process efficiencies at our current plants.

CLIMATE CHANGE AND EMISSIONS

In 2023, we engaged an accounting firm to assist in completing our inaugural GHG inventory. This entailed defining clear organizational and operational boundaries; ensuring accurate data collection; establishing data governance procedures that adhere to the GHG Protocol; and conducting a GHG emissions analysis to support the development of an Inventory Management Plan (IMP). The IMP helps ensure that we maintain a repeatable and consistent approach to entity-wide GHG accounting and outlines next steps for reporting in alignment with internal needs and external stakeholder expectations.

Completion of the 2022 and 2023 GHG inventory allows us to establish a baseline from which to begin monitoring our performance, identifying trends, and assessing potential focus areas for emissions reductions. We implemented new software that streamlined the data collection process for our emissions calculations. This system will allow us to efficiently and reliably track emissions and energy data across the company, helping ensure compliance readiness, enhance reporting accuracy and transparency, and enable data-driven decision-making in our future ESG initiatives.

Our absolute emissions and energy consumption increased in 2023 as compared to 2022. This increase was largely due to a new facility being operational for a full reporting year, contributing to a larger overall footprint compared to the previous year. However, with a focus on operational efficiency and increasing our production we have been successful in reducing our emissions and energy intensities on a revenue basis. Our strategy remains focused on reducing our direct emissions intensity through operational efficiency and strategic sourcing of renewable energy.

In 2023, as part of our enterprise risk management assessment process, we identified physical risks to our facilities from extreme weather events as an important operational risk. In 2024, we will begin further evaluating these risks and develop mitigation strategies and plans that help ensure business continuity and resilience.

To provide greater transparency to our stakeholders, we are aligning our disclosures with the TCFD recommendations and will continue to report our progress on evaluating and mitigating climate-related risks and opportunities, as well as our GHG emissions inventory and related performance over time.

Emissions and Energy

	2022	2023
Total Scope 1 and 2 (MT CO2e)*	2,388	3,122
Scope 1	607	766
Scope 2 (Location-based)	1,781	2,356
Scope 1 and 2 Intensity (MT CO2e/\$M)	7.3	6.4
	2022	2023
Total Energy Consumption** (MWh)	6,340	8,542
Electricity (MWh)	4,253	5,599
Natural Gas*** (MWh)	2,087	2,943
Energy Intensity (MWh/\$M)	19.4	17.5

*Scope 1 and 2 emissions were calculated consistent with the GHG Protocol's Corporate Accounting Standards. Reasonable assumptions and estimations were used for calculation of fugitive emissions and mobile combustion emissions in our Scope 1 calculations.

**Total energy consumption is comprised of currently available activity data used in the direct calculation of Scope 1 and 2 emissions and does not include other energy sources that rely on estimations (ex. diesel and propane). We will work to quantify these energy sources in future reporting.

***Natural gas consumption was converted from cf to MWh utilizing NRG's [energy conversion calculator](#).

WASTE AND WATER MANAGEMENT

We have implemented several waste- and water-related processes that support our efforts to conserve resources and operate responsibly.

WASTE

- Regrinding and reusing plastic scraps from our manufacturing process
- Recycling scrap material, including wires and metals (e.g., steel, brass, and copper), through local recycling companies
- Compacting and recycling cardboard
- Engaging waste management third parties to sustainably recover materials from lithium-ion batteries and waste fluid
- Upgrading to a higher-grade coolant for our computer numerical control machines to increase product manufacturing efficiency, accuracy, consistency, and durability

WATER

- Installing a closed-loop cooling system that reuses water 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 external chemical efficiency review
- Efficiently allocating water-based processes to select facilities

Creating Healthy Gardens from Factory Waste

In 2023, we partnered with a local recycling company to ensure our Portland, TN production facilities recycle ~100% of our wooden spools. Through this partnership, our spools are returned to suppliers for reuse or recycled into mulch used for garden purposes.



2023 Waste by the Numbers

~100%

Cardboard Recycled²²

~100%

Plastic Scraps Reground and Reused

~100%

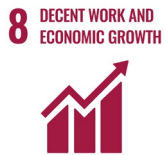
Scrap Metal Recycled

~15%

Scrap Plastic Reused in Products²³

SOCIAL

Our commitment to social responsibility is deeply ingrained in our corporate ethos and business practices. We incorporate safety, quality, sustainability, and other responsible business principles into our operations and across our value chain. To foster an inclusive, collaborative, and innovative workplace, we strive to continuously invest in our people and contribute to the communities where we work.



HEALTH AND SAFETY

Responsibility is one of our core values. To us, it means that we integrate quality and safety into everything we do. Our leadership team is actively engaged in overseeing our health and safety strategy and performance. They receive regular safety updates and review safety metrics at monthly leadership meetings and townhalls. Their attention to safety sets the tone for the rest of the company and contributes to our interdependent safety culture where employees feel responsible for each other's safety.

In 2023, we strategically transitioned from an Occupational Health and Safety (OHS) program to an EHS program, recognizing that protecting the health and safety of our employees and our environment are interconnected. In addition, we continue to improve our EHS programs in alignment with ISO 14001 and ISO 45001 standards. As we work towards developing a more robust management system for minimizing health, safety, and environmental impacts, our integrated EHS programs will lead to better overall performance through harmonizing policies and practices, reducing redundant systems and effort, and creating more efficient reporting mechanisms, among other benefits.

EHS OVERSIGHT

Our EHS program is led by two EHS managers who report to the Senior Vice President of Operations. The EHS managers are supported by four team members responsible for developing, maintaining, and improving our EHS management system and ensuring compliance with EHS laws and regulations. Our executive team provides quarterly updates to the Board on key EHS metrics.

EHS PRINCIPLES

- Maintain or surpass all pertinent EHS obligations through recurring metric reviews
- Strengthen and encourage strong principles and responsible workplace policies that enhance EHS integrity
- Encourage the implementation of sensible EHS standards for contractors, vendors, and suppliers on Shoals properties
- Convey EHS 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 aware of their responsibility and obligation to abide by our EHS management systems and policy

2023 Safety by the Numbers²⁴

199
Safety Improvements Implemented

63
Employees Trained in CPR, First Aid, and Bloodborne Pathogens

29%
Year-Over-Year Reduction in DART

24%
Year-Over-Year Reduction in LTIR

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2023 SAFETY HIGHLIGHTS

We developed a new company-wide EHS manual, which was a critical component in advancing our EHS strategy and goals. The manual helps to identify and control workplace and environmental hazards, outlines EHS protocols and procedures, and helps ensure we meet legal and regulatory EHS requirements. Beginning in 2024, the EHS manual will be attached to our human resources manual, and all Shoals employees will be required to review and sign both documents during onboarding.

Injury prevention was front-and-center in 2023. The EHS team made 199 safety improvements during the year, the majority of which came from employee-based hazard reporting. The safety improvements were also informed by evaluations such as internal audits, job hazard assessments, and third-party ergonomic risk assessments conducted at our Tennessee and Alabama facilities. Both process-oriented and physical workspace improvements were implemented, and include:

Process Improvements

- Creating a management safety committee
- Establishing bi-weekly Gemba workplace walkthroughs at all locations
- Formalizing personal protective equipment standards
- Initiating daily inspections and monthly extensive inspections at warehouse locations

Workspace Improvements

- Expanding machine guarding to shelter all moving and rotating parts
- Installing dome mirrors to increase visibility
- Introducing ceramic blades and glove use to prevent lacerations
- Reducing pedestrian-forklift interactions
- Replacing stairs with ramps at workstations to prevent trips and falls
- Reducing the weight of pin-carts to reduce fatigue from moving carts

Safety Vision Statement

Safety is front-and-center at Shoals.

During National Safety Awareness Month, we reinforced one safety topic every week to employees at all of our plants.

On the final week, we rolled out our new Safety Vision Statement at a special event where employees signed the vision statement banner to demonstrate their commitment to safety.

Here at Shoals, safety isn't just a priority... it's our way of working. Together, we stay safe!

Our Safety Vision Statement is posted on banners at all locations and reinforced through our daily awareness practices and routine training events.

SAFETY TRAINING AND AWARENESS

Clear, consistent, and frequent safety communication is the cornerstone of our safety culture. Safety information is incorporated into meetings at all levels of the organization, including our daily “What’s Important Now” (WIN) meetings, monthly town halls, monthly business review meetings, and quarterly Board meetings. At our daily WIN meetings, department heads from all plants gather in the morning to discuss topics such as quality assurance, warehouse safety, incident management, and follow-up status of employee-reported observations and suggestions. This cross-departmental communication helps ensure safety is ingrained in daily operations and serves as an opportunity for different teams across our organization to connect on safety matters.

In 2023, we reinforced and enhanced safety initiatives that empower our employees to stop work in potentially unsafe conditions and speak up on ways to keep our workplace injury-free. While continuing to provide Stop Work Authority for any employee who considers conditions to be unsafe, we also introduced a Safety Catch program and near miss reporting and assessments. The Safety Catch program allows employees to submit feedback through a drop box. Our EHS team regularly reviews the feedback for corrective actions and analyzes them for factors that could contribute to a recordable incident.

Employees receive onboarding training, topic-specific training, and role-specific safety training. In 2023, we also implemented new EHS- and HR-based trainings for all our floor supervisors. These trainings help to ensure the routine promotion and communication of safety competencies and insights. By the end of 2023, all our locations were up to date on CPR, first aid, and bloodborne pathogen trainings. In addition, we trained several members of our warehouse and facilities teams to become forklift instructors so that forklift training for new team members can be completed internally.

Safety Incident Rates²⁵

	2022	2023
DART	1.22	0.87
Industry Benchmark ²⁶	0.9	0.9
LTIR	0.33	0.26
Industry Benchmark	0.6	0.4
TRIR	1.33	1.31
Industry Benchmark	1.5	1.7



PEOPLE AND CULTURE

At Shoals, we are a dynamic team of engineers, problem solvers, and innovators, united by a passion for leadership in the energy transition and commitment to serve one another and our partners.

Our collective expertise in designing and delivering innovative EBOS systems is driven by our core values of responsibility, integrity, agility, innovation, accountability, and commitment. We're not just creating products—we're actively fostering a better world for future generations, with every team member embodying our entrepreneurial spirit and shared purpose.

HR APPROACH AND STRATEGY

In 2023, we invested in strengthening our human resources (HR) capabilities to support our people, connect to our communities, and build organizational capacity to prepare for our future growth. As we position ourselves to become an employer of choice in our communities, we announced moving to a new facility, an \$80M investment expected to create 500+ new jobs over the next 5 years.

We are building a culture designed to foster collaboration, strengthen connections, and create a foundation of operational excellence, while evolving the HR function to deliver strategic value to the business. We created a first-class talent acquisition team, added total rewards skills, and built a robust HR operations presence in our production facilities.

WE DEVELOPED THREE OVERARCHING HR GOALS FOR 2024:

- Establish an approach to organizational design and implement the design structure to accelerate performance
- Support organizational design through operating standards and structure
- Become the employer of choice by fostering an inclusive, engaging, and rewarding culture that attracts and retains top talent

Strategic Leadership

This year marked a significant advancement in our HR organization and people focus with the appointment of four new senior HR leaders. These appointments include James Hart who joined as Chief People Officer December 2023. Through his leadership, Shoals will continue to advance our efforts in fostering a positive and inclusive workplace culture, driving employee and community engagement, and attracting top-tier talent.

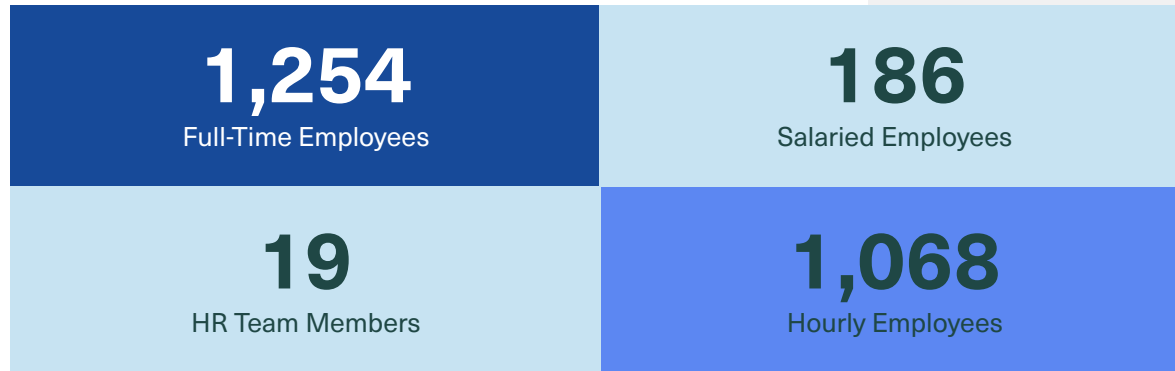
SPOTLIGHT

"I'm excited to join Shoals during this transformative time and lead our team of dedicated professionals as we serve each other, our communities, and the global community in the energy transition."



James Hart,
Chief People Officer

2023 People by the Numbers



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TOTAL REWARDS

We made great strides in our formal total rewards strategy in 2023, reinforcing our commitment to our team members' personal and professional growth. This included establishing a market-leading compensation strategy for production employees. Our Vice President of Total Rewards, who is both a Certified Benefits Professional® and Certified Compensation Professional®, conducted a market pay analysis resulting in a series of wage increases. Looking ahead, we are working to develop a formal job architecture that places emphasis on a job value hierarchy. We are also building additional recognition programs that elevate the contributions of our employees and reward performance.



OUR TOTAL REWARDS STRATEGY

Career Pathing and Leadership Development

- Goals development through performance management plans
- End-of-year reviews for salaried employees
- Leadership and development training
- Off-site executive leadership sessions
- On-the-job skills training



Fair and Competitive Compensation

- Total cash compensation benchmarking
- Wage increases to ensure competitiveness with labor market



Incentives

- Annual and long-term incentive plans
- Sales-based plans for commissioned employees and bonuses for non-commissioned employees



Recognition

- Accolades given during monthly town halls
- WIN meetings for production floor leaders



Benefits and Wellbeing

- Employee Assistance Program (EAP)
- Medical, vision, and dental coverage
- FSA and HSA
- Employer-paid long-term disability insurance
- Two floating holidays and paid vacation days based on tenure
- 401(k) matching contribution
- Formal Leave of Absence program

EMPLOYEE ENGAGEMENT

We value open and honest communication and seek to provide opportunities for our team members to share their thoughts and perspectives. In 2023, we conducted our first employee engagement survey, which had an 83% participation rate. The top three areas in which employees indicated Shoals needed further improvements were pay, communication, and recognition. We are working on strategies to act on this feedback, showing our employees that their opinions matter. Another engagement survey is planned for 2024.

To improve communication throughout the organization, particularly for hourly employees who do not have access to a Shoals computer and email, we created “Shoals Speak.” Through this platform, we send company-wide and team-specific text messages to communicate everything from change of hours, shift changes, emergency measures, open enrollment periods, and birthdays. For new hires and offboarded employees, Shoals Speak automatically sends feedback surveys to drive our continuous improvement efforts. The platform also has a built-in translation function to better accommodate employees whose native language is not English.

In 2023, we increased the cadence of our employee town hall meetings from quarterly to monthly. A week before each meeting, we send a Shoals Speak text to employees, reminding them that they may anonymously submit any questions they have for executive management.



Community Impact

From our employees and our stakeholders to our solutions and our actions, we understand how small acts can generate big impacts.

Over the years, we have supported our communities by being an active member of our regional chambers of commerce and supporting local nonprofits. We have participated in and donated to events including the Nashville Strawberry Festival, Portland Trick or Treat in the Park, back-to-school supply drives, and charity golf outings. We also supported The EPIC Foundation of South Florida and their mission of educating and mentoring disadvantaged youth.

In 2024, Shoals plans to launch a Give Back initiative to enhance our community engagement and volunteer involvement. Our mission is to build lasting relationships and foster positive change by investing in the wellbeing and prosperity of the neighborhoods that our customers and employees call home. Through our efforts, we aspire to cultivate a vibrant and interconnected community where individuals are actively engaged, supported, and empowered to create a brighter future together.



DIVERSITY, EQUITY, AND INCLUSION

At Shoals, we are committed to fostering a culture of diversity, equity, and inclusion (DE&I) where every individual is valued, respected, and empowered to thrive. Our mission is rooted in the belief that diversity in all its forms enriches our workplace, enhances innovation, and drives long-term success.

To achieve our goal of being the employer of choice in the communities where we operate, we need to attract, develop, and retain talent from diverse backgrounds. We actively seek to recruit individuals with varied experiences, perspectives, and talents. Through equitable practices and inclusive policies, we strive to create opportunities for all employees to grow, advance, and succeed.

DE&I IN ACTION

In 2023, our internal DE&I efforts focused on enhancements to our policies, training, and communication. These included:

Enhanced Policies

Developed a stand-alone equal employment opportunity (EEO) policy to ensure fair treatment in all areas of employment, reinforcing our zero tolerance for harassment, discrimination, and retaliation

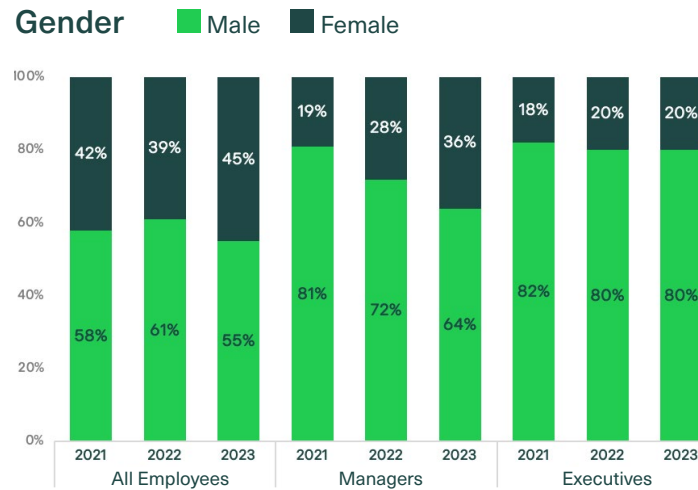
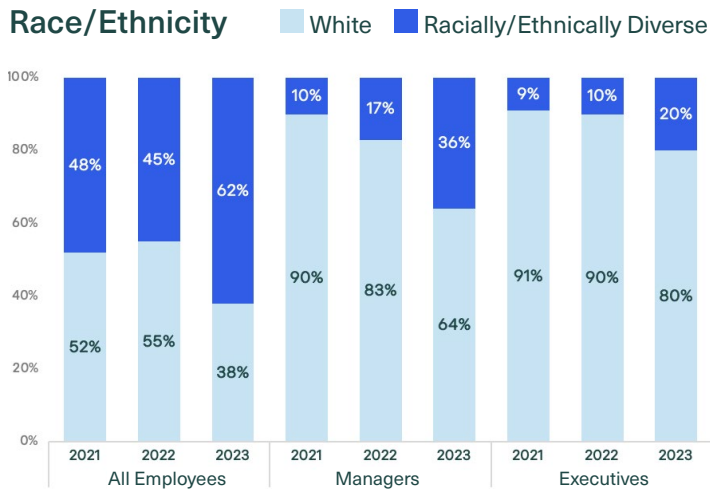
Expanded Training

Held training sessions on the new EEO policy and enrolled salaried employees in preventing harassment and discrimination training

Multilingual Communication

Broke down language barriers with Shoals Speak, translating our employee communications into five languages

Employee Diversity²⁷



Proud Partners

In 2024, Shoals expanded its DE&I partnerships by joining Women in Manufacturing® (WiM), a nonprofit trade association empowering female workers in the manufacturing sector. By the end of 2024, we aim to have more than 200 employees actively engaging with WiM through events, educational programs, and networking opportunities.



SUPPLY CHAIN MANAGEMENT

As a Tier 1 supplier, we focus on developing and maintaining procurement approaches that uphold our commitment to responsible business practices across our value chain. The cultivation of strategic partnerships, along with the implementation of compliance standards programs with our critical suppliers, are important elements of this process.



SUPPLY CHAIN OVERSIGHT

Our supply chain and quality assurance teams are dedicated to helping ensure that our material procurement processes and practices meet our quality standards and regulatory compliance requirements. The teams oversee our raw material categories and cultivate supplier partnerships to help ensure they are operating in accordance with our Supplier Code of Conduct. To support the coordination among the teams, our Director of Supply Chain oversees sourcing and vendor management across our wide network of suppliers.

SUPPLIER COMPLIANCE

We expect our suppliers to adhere to the same regulatory and ESG standards to which we hold ourselves. We require our suppliers to be in compliance with our Supplier Code of Conduct, which outlines our expectations for workplace standards and business practices, including issues related to wages and benefits, human rights, conflict minerals, business ethics, health and safety, and environmental management, among others. Our suppliers are responsible for ensuring their employees, representatives, agents, and subcontractors understand and adhere to the principles addressed in our Supplier Code of Conduct. We also expect our suppliers to comply with the laws, rules, regulations, and standards in the countries in which they operate. We inform each of our suppliers of our expectations through statements of requirements delivered in the contracting process.

This past year, we began to develop a critical supplier scorecard to assess supplier quality performance. In addition, we are exploring opportunities to enhance our program with a centralized and systematic vendor audit and management program. These will further bolster our objectives of ensuring compliance with our Supplier Code of Conduct along with identifying cost-saving opportunities, quality improvements, and operational efficiencies within our procurement program.

SUPPLY CHAIN TRAINING

Our teams are routinely trained on and informed of our supply chain management policies and procedures. During the past year, we reviewed our current training curriculum and identified new courses on procurement analytics, supply chain contracting procedures, new vendor engagements, and contractual negotiations. We have rolled out the program to a select group of employees with expected training completed in 2024.

PRODUCT QUALITY

A key priority in our product development and assembly process is our quality standards. These standards help us manage the performance of the materials supplied to us and those we supply to our customers. Our products are mission-critical components for solar, EV charging, and energy storage and our commitment to quality is paramount. As part of our continuous improvement efforts, in 2023, we continued to strengthen our quality control standards and procedures for monitoring our materials and solutions and established review processes to identify opportunities to enhance our quality management approach.

Quality Focus

We strengthened our commitment to quality and efficient customer service by appointing a Director of Quality. Taking immediate action, she conducted gap analyses and program assessments, guiding our strategic initiatives and driving firm-wide process enhancements to promote vigilance in our day-to-day operations.

SPOTLIGHT

“Throughout my 20+ year career in quality, I’ve been passionate about managing and implementing processes to deliver high quality products. I look forward to bringing this passion to Shoals.”

Johnnjalyn Gilliam,
Director of Quality



QUALITY OVERSIGHT

Our quality assurance team drives our quality assurance practices and outcomes. During the past year, we enhanced the team’s organizational management with the appointment of a Director of Quality. The Director oversees our quality systems for existing and prospective suppliers’ process specifications and our incoming and outgoing materials. The Director reports to the Senior Vice President of Operations and is supported by our quality assurance team. The team is primed for growth and is comprised of site quality managers, quality engineers, and a quality system manager, who all play a vital role in advancing our quality outcomes.

QUALITY PROCEDURES AND PRACTICES

Our aim is to receive and deliver materials of the utmost quality. We employ a centralized approach to quality management and sourcing procedures guided by our quality manual, quality policy, and management teams. Our approach to quality management has been designed in alignment with the ISO 9000 standards and its seven principles. Our Alabama facility received ISO 9001:2015 recertification in 2023.

We are focused on continuously monitoring, evaluating, and enhancing our approach to quality. During the past year, we created a Material Review Board (MRB) comprised of quality, engineering, sourcing, customer care, and warehouse team members. The MRB meets twice weekly to review and make decisions on issues related to field replacement repairs and non-conforming materials. Outcomes of the MRB meetings include immediate responses to address supplier accountability strategies and process enhancements.

In the event of a quality issue, we take action to identify the source of the issue and develop and implement a remediation program, as appropriate. During the past year, we leveraged insights from our process reviews to enhance the inspection and testing of incoming materials for certain wires and EV and combiner box materials.

QUALITY TRAINING

We believe it is important to continually reinforce our commitment to quality with all our employees. We rely on our policies and procedures to guide our actions, which are supplemented with training. During the past year, we implemented Quality Clinics at each of our manufacturing plants to improve our cross-functional approach to incoming quality inspections, investigations, training, and orientations.

PRODUCT SAFETY

At Shoals, product safety has always been our unwavering priority. In our industry, EBOS components are mission-critical products that have a high consequence of failure, including lost revenue, equipment damage, fire damage, and unforeseen serious injuries or deaths. Our dedicated R&D team strives to create innovative products that enhance reliability and safety while our quality assurance team helps to ensure our products meet our standards as they leave our factory.



PRODUCT SAFETY PROCEDURES AND PRACTICES

Our meticulously designed and manufactured solutions surpass the safety and reliability of conventional EBOS systems. Our factory assembly of connectors reduces system failures and arc-fault fires caused by installation errors, mechanical damage, or faulty components. Our products come with a warranty covering material defects and workmanship under normal conditions.

Quality assurance and safety are paramount across all our manufacturing facilities. Rigorous testing ensures our products withstand challenging conditions, including high winds and storms. All Shoals products are listed to or comply with the relevant UL and IEC standards, enabling installations to be completed in accordance with National Electric Codes.



GOVERNANCE

Our careful consideration of business challenges, along with our proactive approach to assessing risks and opportunities, is central to our decision-making process and future success. This approach encompasses each factor of our core values and underpins our commitment to promoting responsible business practices. By prioritizing responsibility and transparency, we work to meet the expectations of our customers, our employees, our shareholders, and all our stakeholders.

CORPORATE GOVERNANCE

Strong corporate governance practices are a key component of our ESG strategy and our long-term business success. We strive to incorporate corporate governance best practices that serve our shareholders' interests and ensure our Board is effectively overseeing management and the company's business.

Enhanced Accountability

As part of our commitment to corporate governance best practices, we are transitioning to the annual election of directors, and away from a classified Board. This provides shareholders with the opportunity to assess each director yearly rather than after their three-year terms. Our shareholders approved our declassified Board in 2024, and as a result, we will begin phasing in the annual election of directors in 2025.



CORPORATE GOVERNANCE STANDARDS AND PRACTICES

Our Board oversees our management, business operations, and overall affairs. Our Corporate Governance Guidelines establish the structure for executing these responsibilities, which is further supported by our standing committee charters. These charters, reviewed annually, detail the functions and duties of our three standing committees, including:

Audit: Reviews our policies, guidelines, and processes by which management assesses and manages risk; reviews the adequacy of our internal controls over financial reporting

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

Nominating and Corporate Governance: Develops Board and committee membership criteria; reviews and monitors ESG strategy and programs; advises on corporate governance best practices

KEY ELEMENTS OF OUR CORPORATE GOVERNANCE PRACTICES INCLUDE:

- One vote per share of common stock
- No designated directors
- Independent Chair of the Board
- Fully independent committees
- No directors serving on more than three other public company boards
- Annual performance evaluations
- Succession planning
- Double-trigger change-in-control vesting of equity awards

BOARD COMPOSITION

The success of our Board hinges on the caliber of our directors, who embody a spectrum of personal attributes and professional qualifications vital for the Board’s operation and protection of our shareholders’ interests. Our selection process, guided by our Corporate Governance Guidelines, targets individuals who demonstrate ethical integrity, accountability, sound business judgement, and risk management expertise. The directors are responsible for setting the strategic direction of the company and ensuring that management achieves its objectives. They must be well-versed in our business, the regulatory landscape, and the societal context we operate within.

On November 30, 2022, Shoals announced that its Chief Executive Officer, Jason Whitaker, had informed the Board that he intended to step down from his role as Chief Executive Officer in early 2023. On February 23, 2023, the Board made the decision to terminate the employment of Mr. Whitaker, due to disability, effective as of March 15, 2023. Following Mr. Whitaker’s departure, the Board, in collaboration with the Nominating and Corporate Governance Committee and a recruitment agency, conducted a search for a suitable successor. During this transition period, Shoals’ President Jeffrey Tolnar was appointed as interim CEO. In June 2023, Brandon Moss was appointed as CEO, effective July 17, 2023, and in February 2024, he was appointed to the Board of Directors.

Board Composition²⁸

	2021	2022	2023
INDEPENDENCE			
Independent	6	7	7
Non-Independent	2	1	0
GENDER			
Male	7	6	5
Female	1	2	2
RACE AND ETHNICITY			
White	8	7	6
African American or Black	0	1	1



BUSINESS ETHICS AND INTEGRITY

At Shoals, we strive to maintain the highest ethical standards and accountability. Our Code of Ethics serves as the cornerstone of our guiding principles, outlining the expected actions and behaviors throughout our operations. We communicate our standards and expectations to our employees annually, and we continuously seek ways to enhance their understanding of ethics and compliance through regular education and training. Our legal team helps ensure our adherence to applicable laws and regulations.



Cultivating a Speak-Up Culture

Integrity is one of our core values. Any Shoals employee or third party who suspects a violation of our Code of Ethics or another policy is encouraged to report that violation through our 24/7 hotline (available in both English and Spanish), our dedicated reporting website, our HR team, a direct supervisor, or a designated executive. In certain circumstances, our employees must report suspected violations as outlined in our whistleblower and EEO policy. We are committed to maintaining a “speak-up culture” where employees feel comfortable raising concerns to management. We do not tolerate retaliation against an employee who makes a good-faith report of a known or suspected violation of a policy or our Code of Ethics.

ETHICS AND INTEGRITY POLICIES

Our business practices are supported by policies and procedures that reinforce responsible behavior and promote ethics and integrity. These practices include:

Core Values

Guides our interactions with each other and focuses our attention on achieving our mission and vision

Code of Ethics

Outlines the conduct, actions, and compliance expectations for engaging in business interactions and activities with honesty, integrity, and fairness

Human Rights Policy

Underscores our dedication to respecting human rights, as defined by the Universal Declaration of Human Rights and the International Labour Organization’s Declaration on Fundamental Principles and Rights at Work

Supplier Code of Conduct

Details the ethical and compliance standards we expect our suppliers and business partners to maintain, concerning: Health, Safety, and the Environment; Workplace, Labor, and Human Rights; and Business Conduct and Ethics

Anti-Bribery and Anti-Corruption Compliance Policy

Guides our compliance with relevant anti-corruption laws, including, but not limited to, the U.S. Foreign Corrupt Practices Act (FCPA) by preventing corruption and promoting ethical business practices in international commerce

Clawback Policy

Provides for the recoupment of certain executive compensation in particular circumstances, including a required restatement of our financial statements due to the material noncompliance with any financial reporting requirement under federal securities law

Insider Trading Policy

Offers detailed guidance on identifying material non-public information and outlines prohibited transactions, disclosure policy, and training and education, ensuring strict compliance and adherence to ethical standards

ENTERPRISE RISK MANAGEMENT

Enterprise risk management (ERM) at Shoals is designed to support the achievement of organizational objectives, improve long-term organizational performance, and enhance shareholder value. ERM plays a pivotal role in ensuring our success and continuity as a company that strives to enable global electrification by making the complex simple. Our ERM process goes beyond mere risk avoidance—it's about identifying and preparing for the most impactful risks while also seizing opportunities to improve and create stakeholder value.

ERM OVERSIGHT

Our Board oversees an enterprise-wide approach to risk management. The Board encourages management to promote a corporate culture that incorporates risk management into our corporate strategy and day-to-day operations. A fundamental part of risk management is not only understanding the most significant risks a company faces and what steps management is taking to manage those risks, but also understanding what level of risk is appropriate for a given company. The involvement of our full Board in reviewing our business is an integral aspect of its assessment of our risk profile and its determination of what constitutes an appropriate level of risk.

While our full Board has overall responsibility for risk oversight, it has delegated primary oversight of certain risks to its committees.

Audit Committee

- Monitors our major financial risk exposures and cybersecurity risks and the steps our management has taken to monitor and control these exposures, including guidelines and policies to govern the process by which risk assessment and management is undertaken

Compensation Committee

- Oversees the design and implementation of our compensation and benefits programs and policies and monitors the incentives created by these programs and policies to determine whether they encourage excessive risk-taking

Nominating and Corporate Governance Committee

- Oversees our major corporate governance risks, including advising on best practices and corporate governance principles. In connection with its reviews of the operations of our business, our full Board addresses the primary risks associated with our business, such as regulatory and legal risks and strategic planning. Our Board appreciates the evolving nature of our business and industry and is actively involved with monitoring new threats and risks as they emerge.

We are committed to ensuring our Board and its committees are consistently updated on threats to our business and receive consistent updates on risk mitigation processes. At periodic meetings of our Board and its committees, management reports to and seeks guidance from our Board and its committees with respect to what we believe are the most significant risks that could affect our business.

In January 2024, we hired a Vice President of Internal Audit to manage and formally execute our ERM program and to focus on risk analyses.

IDENTIFYING AND MANAGING OUR ENTERPRISE RISKS

We initiated our ERM assessment in 2023, conducted by a third-party consultant. The process involved in-depth interviews with Board members, executives, and key internal stakeholders who were identified by the executive leadership team. Additionally, surveys were distributed to individual stakeholders to further analyze the identified risks. These efforts collectively helped identify a list of potential internal and external risks relevant to the company. The executive leadership team then distilled this list of risks into key thematic areas, prioritizing critical areas for 2024. Additional risk assessment reviews will be conducted in 2024 to identify focus areas for 2025. We have designated risk owners for each risk and established an ERM framework, complete with regular governance meetings.

INTELLECTUAL PROPERTY

Our commitment to Inventing Simple® is not just a tagline. It is ingrained in our ethos and influences our technologies, information, processes, and know-how. Each of our patents carries a rich backstory—a tale of conception, exploration, trial and error, hard work, and collaborative ingenuity. For Shoals, we seek out novel ways to enhance our solar, energy storage, and eMobility solutions that make them safer, more reliable, and universally accessible in support of the energy transition.

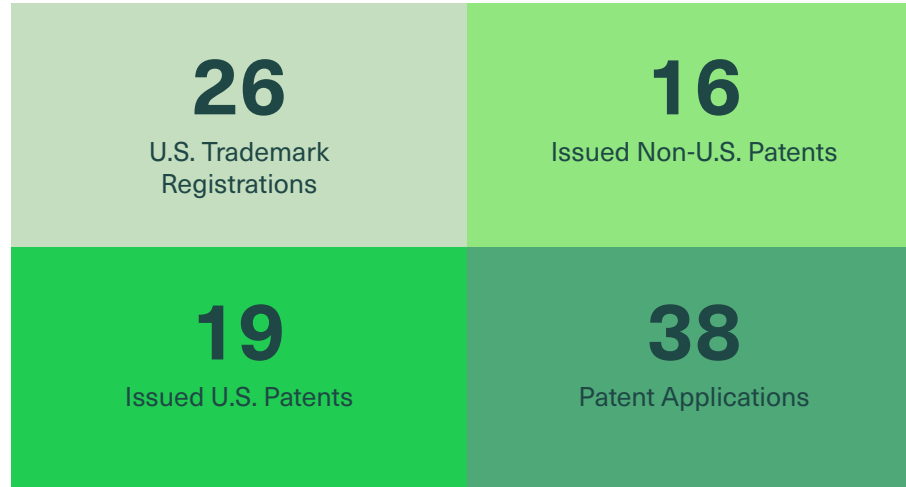
IP OVERSIGHT

This year, we strengthened and formalized our IP program by adding the role of IP Counsel to our legal team. We also conducted quarterly IP Committee meetings with members across our legal, finance, engineering, and marketing teams to discuss program updates including pending patent applications and Invention Disclosure Statements.

IP APPROACH AND STRATEGY

Many of our patents directly relate to electrical wiring and power transmission—from solar panels to power inverters at solar fields. Safeguarding our proprietary technologies, information, processes, and ideas is integral to our company’s continued success as the leading provider of EBOS solutions. We rely on a robust combination of patents, trademarks, copyrights, trade secrets, confidentiality agreements and procedures, and other contractual arrangements to shield our innovative solutions. Our patents are more than mere intellectual property—they embody the exceptional engineering talent within Shoals along with our unwavering commitment to solving the most complex energy issues of society.

2023 IP by the Numbers



Proudly Protecting Our IP

We are a company that gladly welcomes healthy competition, especially within the clean energy economy. We also take our patents seriously and filed a patent infringement complaint in 2023 with the U.S. International Trade Commission (ITC) against two companies and their related foreign entities. The complaint requests an investigation into the unlawful import into the U.S. of certain photovoltaic connectors and components that Shoals alleges infringe on two valid and enforceable patents owned by us related to improved connectors for solar panel arrays, among other things. An evidentiary hearing for the ITC case took place during the week of March 18, 2024, and the ITC plans to complete their investigation in November 2024.

DATA PRIVACY AND INFORMATION SECURITY

We are committed to safeguarding the privacy and security of the information entrusted to us from our employees, customers, suppliers, and other business partners. We have implemented robust cybersecurity procedures to ensure a high level of privacy and security within our systems.

DATA PRIVACY & SECURITY OVERSIGHT

Our Information Technology (IT) Director oversees our data privacy and security program. The IT Director has a direct line to our President and reports to our Board’s Audit Committee, which has been delegated primary oversight over cybersecurity risks and the steps our management takes to monitor and control these exposures. The IT Director leads our dedicated information technology team responsible for implementing our data privacy and security programs and policies. Additionally, the IT Director oversees our cyber incident response team (IRT) that executes our incident response procedures in the event of a data privacy or security event and conducts annual exercises simulating cybersecurity and data breach incidents. The IRT is comprised of internal members from finance, legal, human resources, and operations; and external cybersecurity vendors and advisors. With this organizational structure, we strive to embed data privacy and security vigilance across all our departments.

We recognize that cybersecurity threats are growing in frequency and complexity across the globe, and we committed additional resources to address that threat in 2023. We added a Security Engineer to the IT team, responsible for the security and stability of our networks and data enterprise-wide. We put in place a detection and response system that helps detect and automatically respond to anomalous network activity. Our IT team also undertook a strategic partnership with our HR team to review their systems and implement improved governance of our security controls during employee onboarding and offboarding.



DATA PRIVACY & SECURITY POLICIES AND PRACTICES

Our policies and procedures guide our actions to ensure we secure our systems and continuously monitor our environments for potential threats. Our comprehensive approach includes:

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 Policy

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

Ongoing Prevention Practices

Prevents disruptions within our operations including service disruption monitors, weekly logs of firewalls, antivirus software, anti-malware and intrusion protection systems, penetration testing, externally stored personal identifiable information (PII) with robust security layers, 3-layer security approach to our internal data systems with immutable backup, and tailgate entrances prevention at physical locations

Zero Trust Model

Helps ensure a protection-first mindset with access and verification processes for all information types

BUSINESS CONTINUITY AND DISASTER RESPONSE

Our Disaster Recovery Plan (DRP) enhances preparedness, coordination, and communication in the management of cybersecurity and data breach incidents. Our cyber incident response team conducts routine exercises to monitor our performance and identify potential threats. In 2023, we initiated regular tabletop scenario exercises that included real-world scenarios to assess the state of disaster preparedness for each of our departments.

DATA PRIVACY AND SECURITY TRAINING AND AWARENESS

We are committed to building cybersecurity awareness and increasing the knowledge of our security protocols through proactive programs and resources for all our employees with network access. These efforts include:

- Monthly online cybersecurity training
- Routine phishing exercises with supplemental remedial training as needed
- Periodic awareness campaigns on data privacy and security best practices
- Improved communications with digital boards and newsletters



APPENDIX

TCFD INDEX

This index provides links to ESG Report sections where information can be found on climate-related risks and opportunities, as recommended by the Task Force on Climate-related Financial Disclosure (TCFD). Our existing alignment is outlined below, and we eagerly anticipate further enhancing our alignment over time, with a commitment to transparently report on our progress annually.

TCFD RECOMMENDATIONS	SHOALS ALIGNMENT AND REFERENCE
<p>GOVERNANCE</p> <p>Disclose the organization’s governance around climate-related risks and opportunities.</p>	<p>See ESG Governance.</p>
<p>STRATEGY</p> <p>Disclose the actual and potential impacts of climate-related risks and opportunities on the organization’s businesses, strategy, and financial planning where such information is material.</p>	<p>See Climate Change and Emissions.</p>
<p>RISK MANAGEMENT</p> <p>Disclose how the organization identifies, assesses, and manages climate-related risks.</p>	<p>See Climate Change and Emissions and Enterprise Risk Management.</p>
<p>METRICS AND TARGETS</p> <p>Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities, where such information is material.</p>	<p>See Climate Change and Emissions.</p>

SASB INDEX (1/2)

This index includes Shoals information relevant to the SASB industry standard for Solar Technology & Project Developers, which we believe is most relevant to our operations. Data and descriptions are as of December 31, 2023, unless otherwise noted.

SASB TOPIC	SASB ACCOUNTING METRIC	SHOALS ALIGNMENT AND REFERENCE
ENERGY MANAGEMENT IN MANUFACTURING	Total energy consumed	8,542 MWh
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	1. 3,996,073 gallons ²⁹ 2. Do not track
	Description of water management risks and discussion of strategies and practices to mitigate those risks.	Our production processes are not water intensive. Water is only used to cool parts of our injection molding machines, which draw from a closed loop system that allows us to reuse water. More than 98% of water withdrawn by Shoals is for non-production uses, such as sanitation. See Sustainable Operations .
HAZARDOUS WASTE MANAGEMENT	Amount of hazardous waste generated; percentage recycled	Our manufacturing does not produce any wastes that are qualified as hazardous.
	Number and aggregate quantity of reportable spills, quantity recovered	Our manufacturing does not produce any wastes that are qualified as hazardous.
ECOLOGICAL IMPACTS OF PRODUCT DEVELOPMENT	Number and duration of project delays related to ecological impacts	Not applicable. Shoals provides products to EPCs who develop and manage projects.
	Description of efforts in solar energy system project development to address community and ecological impacts	Our products allow EPCs to lower environmental and ecological impacts, improve safety, and reduce costs and installation time as compared to conventional homerun EBOS systems. For example, the Shoals BLA eliminates the need for trenching, which can cause harm to soil, water, vegetation, and wildlife. See Sustainable Design .

SASB INDEX (2/2)

This index includes Shoals information relevant to the SASB industry standard for Solar Technology & Project Developers, which we believe is most relevant to our operations. Data and descriptions are as of December 31, 2023, unless otherwise noted.

SASB TOPIC	SASB ACCOUNTING METRIC	SHOALS ALIGNMENT AND REFERENCE
MANAGEMENT OF ENERGY INFRASTRUCTURE INTEGRATION AND RELATED REGULATIONS	Description of risks associated with integration of solar energy into existing energy infrastructure and discussion of efforts to manage those risks	Shoals solutions are uniquely designed to support clean energy while minimizing risks associated with conventional EBOS systems. Our products meet or exceed relevant safety standards and our design process considers the risks associated with integrating solar energy into existing infrastructure—such as high labor costs, safety concerns, and environmental damage. See Our Contributions to the Energy Transition .
	Description of risks and opportunities associated with energy policy and its impact on the integration of solar energy into existing energy infrastructure	With the growing importance of mitigating climate change alongside U.S. legislative actions like the Infrastructure Investment and Jobs Act, we are proud to contribute to domestic manufacturing and support the federal government’s pursuit of energy independence. See Our Contributions to the Energy Transition .
PRODUCT END-OF-LIFE MANAGEMENT	Percentage of products sold that are recyclable or reusable	While we currently do not yet have a formal end-of-life program in place, our products use highly recyclable materials, like aluminum and copper.
	Weight of end-of-life material recovered; percentage recycled	In consideration for future reporting.
	Percentage of products by revenue that contain IEC 62474 declarable substances, arsenic compounds, antimony compounds, or beryllium compounds	Our manufacturing does not involve the use of IEC 62474 declarable substances, arsenic compounds, antimony compounds, or beryllium compounds.
	Description of the management of environmental risks associated with the polysilicon supply chain	Our manufacturing does not involve the use of polysilicon.
MATERIALS SOURCING	Description of the management of risks associated with the use of critical materials	Our quality assurance department employs a centralized testing approach for critical materials, ensuring adherence to our Supplier Code of Conduct, which has both environmental and human rights considerations, among others. See Supply Chain Management .
	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.

ENDNOTES

1. Our facility count includes those in Tennessee (TN), Alabama, and California. The California facilities were closed in May 2024 as part of a production and performance efficiency strategy, which includes expansion and consolidation to a 638,000 ft² facility in Portland, TN expected to be completed by 2025.
2. The number of global patents includes U.S. and non-U.S. patents issued.
3. We believe that as of December 31, 2023, we have worked with 13 of the top 15 solar EPCs, per Wood Mackenzie data from 2019-2023, and 11 of those EPCs used our combine-as-you-go system on their projects.
4. U.S. Energy Information Administration, [U.S. electric power sector reported fewer delays for new solar capacity projects in 2023](#), May 8, 2024
5. Solar Energy Industries Association, [Solar Market Insight Report 2023 Year in Review](#)
6. U.S. National Oceanic and Atmospheric Administration, [Climate Change Impacts](#)
7. UNFCCC, [Outcome of the First Global Stocktake](#), December 13, 2023
8. International Energy Agency, [Climate Change: The energy sector is central to efforts to combat climate change](#)
9. International Energy Agency, [Clean Energy Market Monitor](#), March 2024
10. International Energy Agency, [Renewables 2023](#), January 2024
11. International Energy Agency, [Clean Energy Market Monitor](#), March 2024
12. International Energy Agency, [Electricity 2024](#), January 2024
13. International Energy Agency, [Batteries and Secure Energy Transitions](#), April 2024
14. Ibid
15. Ibid
16. Ibid
17. International Energy Agency, [Global EV Outlook 2024](#), April 2024
18. International Energy Agency, [Batteries and Secure Energy Transitions](#), April 2024
19. U.S. White House, [Full Charge: The Economics of Building a National EV Charging Network](#), December 11, 2023
20. International Energy Agency, [Batteries and Secure Energy Transitions](#), April 2024
21. Product-design related statistics refers to Shoals solar products as compared to conventional EBOS.
22. Cardboard recycled refers only to our Portland, TN facilities.
23. Up to 15% recycled plastic can be mixed with virgin material and still maintain the same product quality standards.
24. Incident rate abbreviations are defined as follows: DART (Days Away, Restricted, and Transfer Rate), LTIR (Lost Time Incident Rate), and TRIR (Total Recordable Incident Rate).
25. Incident rates are calculated using OSHA-defined formulas.
26. Benchmarking data is from U.S. Bureau of Labor Statistics, U.S. Department of Labor, Survey of Occupational Injuries and Illnesses, "Table 1. Incidence rates of nonfatal occupational injuries and illnesses by industry and case types," using NAICS Code 334419 Other electronic component manufacturing. Data is released each year for the previous year—benchmarking data therefore lags one year with Shoals' fiscal year data.
27. All employees" refers to our full-time employee base. "Managers" includes full-time employees with management responsibility, and "Executives" are full-time employees who are members of the executive management team, including the CEO and direct reports. For 2023, "All Employees," "Managers," and "Executives" represented 1,254; 55; and 10 individuals, respectively.
28. Board composition data is as of the end of Shoals' fiscal year, December 31, for the corresponding year.
29. Total water withdrawn does not include one of our California facilities, which represented less than 3% of our total facility square footage in 2023.

DISCLAIMER

Reporting year: Except where specifically noted otherwise, the reporting period for this ESG report focuses primarily on fiscal year 2023 activities. All references to a year throughout the ESG report refer to Shoals' fiscal years, unless another period is specified. This ESG report was published in August 2024.

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. These forward-looking statements include, among other things, expectations, projections and assumptions about our ESG program and goals and business outlook, priorities, expectations and intentions. 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.