



**SUNNOVA ENERGY INTERNATIONAL INC.**

# Green Financing Framework

**sunnova**<sup>TM</sup>

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# Introduction

## Background and Missions

Sunnova Energy International Inc. (“Sunnova or the “Company”) is a leading residential solar and energy storage service provider, serving over 116,000 customers in more than 25 United States (“U.S.”) states and territories. Our goal is to be the leading provider of clean, affordable and reliable energy for consumers, and we operate with a simple mission: **to power energy independence** so homeowners have the freedom to live life uninterrupted. We were founded to deliver customers a better energy service at a better price; and, through our solar and solar plus energy storage service offerings, we are disrupting the traditional energy landscape and the way the 21st century customer generates and consumes electricity.

We have a differentiated residential solar dealer model in which we partner with local dealers who originate, design and install our customers’ solar energy systems and energy storage systems on our behalf. Our focus on our dealer model enables us to leverage our dealers’ specialized knowledge, connections and experience in local markets to drive customer origination while providing our dealers with access to high quality products at competitive prices, as well as technical oversight and expertise. We believe this structure provides operational flexibility, reduces exposure to labor shortages and lowers fixed costs relative to our peers, furthering our competitive advantage.

The recently completed SunStreet acquisition provided Sunnova with a platform that focuses exclusively on solar and energy storage systems for homebuilders. The platform is expected to enhance our position in the new homebuilder segment. We believe it will provide us a new strategic path to further scale our residential solar business, allow Sunnova to continue executing on its mission, allow new homesites to be energy efficient through the development of solar communities and develop clean and resilient residential microgrids across the U.S.

We commenced operations in January 2013 and began providing solar energy services under our first solar energy system in April 2013. Since then, our brand, innovation and focused execution have driven significant rapid growth in our market share and in the number of customers on our platform. We operate one of the largest fleets of residential solar energy systems in the U.S., comprising more than 860 megawatts of generation capacity and serving more than 116,000 customers. We define number of customers to include each unique customer that is party to a solar service agreement or purchased a solar energy system from us outright, which we subsequently placed in service.



## Sustainability at Sunnova: Powering the Future

Sustainability is not only a core value at Sunnova, but a top priority. From driving innovation in residential solar and storage services to inspiring positive social change in our communities, we are committed to sustainable business practices and well-positioned to advance corporate social responsibility within the solar industry.

**John Berger, Founder and CEO**

At Sunnova, we believe in providing a better energy service at a better price, achieving more by working together, and doing well by doing good as we pursue our mission to power energy independence. Facing the impacts of the climate crisis and other social and environmental challenges, homeowners across the globe are looking for ways to improve their energy resilience. It is clear that the traditional energy service model, dependent entirely upon centralized electric grids that rely primarily on fossil fuels, is no longer working—we need a new energy paradigm of distributed solar and solar plus storage.

By utilizing the latest technologies in solar, storage, secondary generation, and demand control, we are working to turn our customers' homes into partially or even fully self-sufficient nano-grids called the "Sunnova Adaptive Home." This means our solar plus storage customers will no longer need to completely rely on centralized power. Sunnova will, in turn, aggregate these nano-grids into the Sunnova Network, which will create value for consumers, Sunnova stakeholders, and even the centralized grids, ultimately facilitating our long-term vision of becoming a global wireless power company. Beyond the impact of our core business, we focus our attention on areas where we believe we can make the biggest positive environmental impact. We are working to reduce the impact of our operations in order to reduce our carbon footprint and improve efficiency.

## **GOVERNANCE OF ESG & SUSTAINABILITY**

In April 2021, Sunnova launched its inaugural 2020 environmental, social, and governance (ESG) report. In this report, we aligned our reporting with leading ESG frameworks, including the Sustainable Accounting Standards Board (SASB) and the United Nations Sustainable Development Goals (UN SDG's).

At Sunnova, we are committed to leading with integrity, fostering a culture of honesty, maximizing performance, and embracing ethical business practices. Because ESG is a top priority, we formalized its oversight at the Board level through our Nominating and Corporate Governance Committee in October 2020. The Committee is responsible for overseeing our ESG approach, strategy, and performance, and has adopted these responsibilities as outlined in the Committee Charter (for more information on our corporate governance, please see the links below in "Additional Resources" at the end of this section). We conduct our business in a responsible manner with oversight by our Board of Directors and executive management in compliance with our ethics and compliance policies and programs.

In addition, we established an internal ESG Steering Committee that is comprised of a diverse group of Sunnova employees representing a variety of departments and including an executive vice president, a senior vice president, and 3 vice presidents. This ESG Committee is focused on implementing ESG and sustainability strategy and reporting initiatives across relevant departments and stakeholder groups.

## **OUR CLEAN ENERGY IMPACT**

As of December 31, 2020, our systems generated 2.4 billion kilowatt-hours (kWh) of clean energy, avoiding 1.7 million metric tons of CO<sub>2</sub>e. Over their lifetime, our solar systems will help generate nearly 24.7 billion kWh of clean energy, the equivalent of carbon sequestered from nearly 22 million acres of U.S. forest.<sup>1</sup>

## **OUR OPERATIONAL IMPACT**

Sunnova recognizes the climate crisis as one of the most pressing challenges of our time, and we are committed to addressing it as part of our business purpose. As a clean energy company, positive environmental impact is in our DNA, and so is a perpetual effort to further reduce any negative direct and indirect impacts; we do this by focusing on our climate strategy and environmental policies' key areas of impact:

<sup>1</sup>U.S. forest acreage and tree planting sourced by entering 24,713,725,268 KWH into the EPA Equivalencies Calculator: <https://www.epa.gov/energy/greenhouse-gas-equivalencies-calculator>

**Waste Reduction Policy:** promote, develop, and implement waste prevention, reduction, reuse, and recycling in a systematic and responsible manner

**E-Waste Policy:** dispose of our e-waste in a responsible way through partnerships with third-party recycling and refurbishment vendors

**Fleet Vehicle Electrification:** add electric vehicles to our service fleet while simultaneously retiring internal-combustion-powered vehicles

**Green Building Policy:** prioritize buildings that have environmental accreditations and performance, including those with (i) Energy Star certifications (ii) Corporate HQ LEED Designations (iii) Zoning for onsite solar + battery storage and (iv) Stormwater mitigation elements

As part of our efforts to address the climate crisis, we are committed to:

- Measuring, monitoring, and reporting our direct emissions each year through Scope 1 and 2 greenhouse gas inventory
- Using natural resources and energy more efficiently throughout our operations
- Purchasing and sourcing renewable energy where possible
- In addition to our existing environmental programs and policies, we are working to enhance our environmental strategies, particularly in the area of climate risk and opportunity, as this is an area we have identified as highly material to our business. In 2020, we set a strong foundation by reporting our direct corporate emissions (Scope 1 and 2) and the avoided emissions from our solar energy assets. To enhance our climate reporting, we are working to build an emissions inventory for our supply chain (Scope 3) and to be able to disclose our climate risks and opportunities under the TCFD framework. We believe this is a critical step to better articulating our current climate impacts, demonstrating the full benefits and opportunities inherent to our business, and providing certainty to our stakeholders that we are managing climate risks. We look forward to reporting on these initiatives in our 2021 ESG Report.

## **DEALER AND VENDOR ENVIRONMENTAL POLICY**

Our Dealer Code of Conduct outlines our shared goal of ethical and environmental compliance, in addition to our expectations for minimizing our environmental impact. Where possible, we expect our dealers to consider their climate and energy impacts, as well as their efforts to reduce waste, the collection of pertinent environmental data for continuous improvement, and our shared due diligence requirements.

Our Vendor Code of Conduct outlines our expectations for our suppliers to operate in an ethical and safe manner. We expect our suppliers to mitigate their climate impacts and reduce waste in their operations and to adhere to our standards of quality requirements. Sunnova encourages our suppliers to recycle and reuse their own waste whenever

possible. We will continue to search for ways to quantify and track our suppliers' environmental performance in the hopes of reducing our value chain impact. We expect all of our partners to comply with the requirements outlined in our Vendor Code of Conduct, including stringent requirements for respecting human rights and acknowledging that their operations do not violate human rights protections, as outlined in the Code.

We recognize that solar energy and storage supply chains have risk exposures to Conflict Minerals, as defined under Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010. These Conflict Minerals are characterized as tin, tantalum, tungsten, and gold sourced from the "Conflict Region" of the Democratic Republic of Congo and neighboring regions. Sunnova condemns violations of human rights related to Conflict Minerals and is committed to ensuring our systems do not contain these materials. We work with our supply chain partners to verify that they provide components that do not contain these materials. We expect suppliers to provide accurate information about their products so that, if necessary, the origin of their materials can be determined with reasonable assurance that these materials are conflict-free.

## **SUNNOVA'S SOCIAL SUSTAINABILITY**

Our success has been made possible due to strong partnerships. Empowering our employees, dealers, customers, vendors, and communities strengthens our business and speaks to one of our core values: synergy. These partnerships have resulted in engaged and productive employees and dealers, deep-rooted trust with our customers, and a culture of consistent improvement and innovation within our Company. In 2020, we focused our efforts on critical and timely issues such as diversity, human rights, and community impact. Key elements of our social efforts include:

**Diversity, Equity, and Inclusion:** We are committed to respecting all individuals, regardless of race, gender identification, age, religion, or sexual orientation. We believe that differences must be celebrated, and that a diverse and inclusive culture is essential to innovation, a thriving workplace, a healthy society, and long-term responsible growth

**Addressing Gender Pay Equality:** Sunnova is committed to gender pay equality. We periodically review salaries for potential inequalities, and are scheduling a global gender pay gap audit and compensation review, following which we will implement measures to close any gaps that may exist. This will include ongoing monitoring and measurement and quantitative targets and deadlines for improvement

**Solution Design-as-a-Service:** Sunnova's in-house engineers specifically design every solar system for each respective home to optimize energy efficiency on a customer-by-customer basis. This includes evaluating potential sites for safety purposes as well as customized designs, to ensure each customer is able to take full advantage of generating clean, solar electricity that is in line with Sunnova's mission.

**Supporting the Clean Energy Job Transition:** Our home, Houston, TX—the energy capital of the world—gives us access to a large energy-centric workforce from which to recruit displaced workers. We recruit individuals with STEM and engineering backgrounds, as well as workers with expertise in the corporate side of energy, including accounting, finance, human resources, and legal. In 2020, we hired over 174 employees across all disciplines, and approximately 25 of those new hires were former oil and gas workers.

**Creating Safe and Healthy Work Environments:** We are committed to the safety of all employees, dealers, customers, and the public at large. Our objective is for all employees and dealers to be free of injury and illnesses brought about by incidents that are costly and preventable. It is our goal that every person goes home each day free from accidents and injuries. Our technicians are on the front lines of helping our customers achieve energy independence. While these employees are distributed in communities across the country, we fly every new technician to our headquarters in Houston to complete a specialized safety training. In 2020 Sunnova had 6 safety incidents, a 1.4 Total Recordable Injury Rate, and 0 fatalities

**Saving Lives with Solar in Puerto Rico:** In 2017, a deadly Category 5 hurricane devastated Puerto Rico. Hurricane Maria, regarded as the worst natural disaster in recorded history to affect those islands, knocked out 80% of Puerto Rico’s electrical grid and sent the island into darkness. A year and a half following the hurricane, many communities in Puerto Rico still lacked access to power. In 2019, Sunnova partnered with The Solar Foundation’s “Solar Saves Lives” initiative and other non-profits in Puerto Rico to power critical energy projects on the island. As part of our commitment to rebuild Puerto Rico after Hurricane Maria, Sunnova donated approximately \$200,000 worth of repurposed solar panels that provided urgently needed electricity to communities and individuals throughout the island.

### **Additional Resources**

ESG: <https://investors.sunnova.com/ESG/default.aspx>

Governance Documents: <https://investors.sunnova.com/governance/governance-documents/default.aspx>

Environmental Policies: [https://s23.q4cdn.com/546214306/files/doc\\_downloads/governance/2021/Sunnova-Environmental-Policy-Outline-vFINAL-\(2\)-\(1\).pdf](https://s23.q4cdn.com/546214306/files/doc_downloads/governance/2021/Sunnova-Environmental-Policy-Outline-vFINAL-(2)-(1).pdf)

Code of Conduct: [https://s23.q4cdn.com/546214306/files/doc\\_downloads/governance/2020/07/GC-POL-0001-Code-of-Conduct-July-2020-\(1\).pdf](https://s23.q4cdn.com/546214306/files/doc_downloads/governance/2020/07/GC-POL-0001-Code-of-Conduct-July-2020-(1).pdf)

E-Waste Policy: <https://investors.sunnova.com/ESG/default.aspx>



# Green Financing Framework



## Scope

In accordance with our strategy, Sunnova has designed this Green Financing Framework (“the Framework”) under which it will continue to finance or refinance new and/or existing projects, in whole or in part, that have environmental benefits. This Framework details which project types are eligible for financing / refinancing with the net proceeds of various types of financing the Company elects to use (e.g., bond issuances, convertible notes, securitizations, term loans, commercial paper, preferred stock, among other options (each, a “Green Financing”).

This Framework addresses the four core components (shown below) of the International Capital Markets Association (ICMA) Green Bond Principles (2021) and their recommendations on the use of external review and impact reporting.

1. Use of Proceeds
2. Process for Project Evaluation and Selection
3. Management of Proceeds
4. Reporting

## Use of Proceeds

For each Green Financing under this Framework, we intend to allocate an amount equal to the net proceeds (“Available Funds for Eligible Green Projects”) to finance or refinance, in whole or in part, existing or new Eligible Green Projects. “Eligible Green Projects” include investments and expenditures by Sunnova and its subsidiaries related to one or more of the criteria listed in the table below (“Eligibility Criteria”). Eligible Green Projects will include those for which Sunnova has commenced operations or placed-in-service within the 3 years prior to the applicable Green Financing, unless otherwise noted in the respective financing documents. We may allocate to a single Eligible Green Project, in whole or in part, or any combination of Eligible Green Projects, and no assurances can be provided that any amount will be allocated to fund any particular category of Eligible Green Projects. We intend to allocate the proceeds from any Green Financing within 36 months of the respective issuance date.

We will not knowingly allocate proceeds from any Green Financing to investments which received an allocation of proceeds under any other Green Financing.

GBP Eligible Project Category	Eligibility Criteria and Example Projects	UN SDG Alignment <sup>2</sup>
Renewable Energy and Energy Services	<p>Expenditures related to the capital investment, research, development, acquisition, manufacturing, distribution, maintenance and operation of solar energy and storage systems and enabling technologies for solar energy storage and optimization.</p> <p>Examples of current core offerings:</p> <ul style="list-style-type: none"> <li>- Retrofit solar systems and/or energy storage systems</li> <li>- New home solar systems and/or energy storage systems</li> <li>- Services related to solar systems and/or energy storage systems</li> </ul> <p>Examples of growth offerings:</p> <ul style="list-style-type: none"> <li>- Grid services</li> <li>- Microgrids</li> <li>- Community solar</li> <li>- Electrical Panels</li> <li>- Load controllers</li> <li>- Energy management devices and services</li> <li>- Electric vehicle charging</li> <li>- Development of the Sunnova network of aggregated nano-grids</li> </ul>	7, 11, 13

<sup>2</sup><https://sdgs.un.org/goals>

## Process for Project Evaluation and Selection

We have assembled a Green Finance Committee to evaluate and select the projects that meet the above listed criteria and that will have the most impact from an ESG perspective. The Green Finance Committee is comprised of one representative from each of the following disciplines, with the ESG Steering Committee having two representatives.

- Finance
- Treasury
- Operations
- Legal
- Internal Audit
- ESG Steering Committee

The Green Finance Committee will meet on a regular basis to review the Eligible Green Projects. The Green Finance Committee will use financial and risk-based metrics as well as review the impact the projects will have on various ESG metrics and determine how much of available funds should be allocated to each project. If Sunnova has multiple Green Financings outstanding, the Green Finance Committee will perform a review to ensure that no

investments are double counted (i.e. allocated to more than one Green Financing). The Green Finance Committee will also collaborate with internal experts and various stakeholders as needed. We have formal risk management policies, procedures and other processes (such as our Dealer Code of Conduct, Vendor Code of Conduct and the Enterprise Risk Management program) in place to identify, assess and mitigate risks related to all expenditures, including those that would be considered Eligible Green Projects. Our Code of Conduct and other policies establish our parameters for ethical behavior. The Green Finance Committee will arrive at an allocation recommendation using a modified super majority voting procedure, such that at least 5 of 7 members – including at least one member of the ESG Steering Committee – are in agreement.

The Green Finance Committee will present the allocation recommendations to the Executive Leadership Team (ELT), made up of the CEO and 9 EVPs (CFO, Co-COOs, GC, HR, Marketing, CIO, Government Affairs and Chief of Staff), for approval. Once approved by the ELT, the funds will be allocated in accordance with the recommendation. The Green Finance Committee will meet on a regular basis, generally during the Company's re-forecast cycles (which currently occurs on a quarterly basis).

## Management of Proceeds

We will monitor and account for the Available Funds for Eligible Green Projects to ensure the allocation of such amounts to Eligible Green Projects using existing internal systems. Pending the allocation of any amounts to any Eligible Green Projects, we will temporarily manage funds according to our normal liquidity practices, consistent with our investment policy and capital allocation framework. Furthermore, if projects become ineligible or are refinanced with other Green Financings, such as securitizations, we intend to reallocate the proceeds in line with the Eligibility Criteria.

## Reporting

Beginning at the time of the publication of our 10-K for the fiscal year ended December 31, 2021, until all of the Available Funds for Eligible Green Projects have been allocated, we will include on our [Investor Relations website](#), subject to any confidentiality considerations, (i) the amount of

Available Funds for Eligible Green Projects allocated to each Eligible Green Project by general category, (ii) any amounts pending allocation, and, (iii) where feasible, (a) case studies with additional information on highlighted projects, and (b) reporting focusing on sustainable impacts of our Eligible Green Projects such as:

- number of customers with installed systems, if applicable,
- MW of solar capacity installed
- MW and MWh of energy storage capacity installed
- kWh generated by our systems and resulting metrics tons of CO<sub>2</sub>e avoided

We intend to update our reporting annually at the time of the publication of our 10-K, until all Available Funds for Eligible Green Projects have been fully allocated, and in the event of material updates thereafter.



# External Review

## Second Party Opinion

Sunnova has commissioned Cicero to conduct an external review of its Green Financing Framework, and to issue a Second Party Opinion (“SPO”) on the Framework’s environmental credentials, and its alignment with the Green Bond Principles. The SPO will be made available on Cicero’s website.

## Assurance

Each allocation report will be accompanied by a report from an independent registered public accounting firm in respect of its examination of management’s assertions conducted in accordance with attestation standards established by the American Institute of Certified Public Accountant.

## Disclaimer

The information and opinions contained in this Sustainability Financing Framework (the “Framework”) are provided as of the date of this Framework and are subject to change without notice. Sunnova Energy International Inc and its subsidiaries (“Sunnova”), do not assume any responsibility or obligation to update or revise any such statements, regardless of whether those statements are affected by the results of new information, future events or otherwise. This Framework represents current Sunnova policy and intent and is not intended to, nor can it be relied on, to create legal relations, rights or obligations. This Framework may contain or incorporate by reference public information not separately reviewed, approved or endorsed by Sunnova and accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by Sunnova as to the fairness, accuracy, reasonableness or completeness of such information. This Framework may contain statements about future events and expectations that are “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are generally identified through the inclusion of words such as “aim,” “anticipate,” “believe,” “drive,” “estimate,” “expect,” “goal,” “intend,” “may,” “plan,” “project,” “strategy,” “target” and “will” or similar statements or variations of such terms and other similar expressions. Forward-looking statements inherently involve risks and uncertainties that could cause actual results to differ materially from those predicted in such statements. None of the future projections, expectations, estimates or prospects in this document should be taken as forecasts or promises nor should they be taken as implying any indication, assurance or guarantee that the assumptions on which such future projections, expectations, estimates or prospects have been prepared are correct or exhaustive or, in the case of assumptions, fully stated in the Framework. Actual results and capital and other financial conditions may differ materially from those included in these statements due to a variety of factors, including without limitation the factors and uncertainties summarized under “Forward-Looking Statements” and “Risk Factors” in Sunnova’s most recent Annual Report on Form 10-K and Quarterly Reports on Form 10-Q, which are filed with the SEC and available on the SEC’s website at [www.sec.gov](http://www.sec.gov) and available on our website at <https://investors.Sunnova.com>. Any such forward-looking statements in these materials speak only as of the date of these materials and Sunnova does not undertake to update forward-looking statements to reflect the impact of circumstances or events that arise after the date the forward-looking statements were made. This Framework is provided for information purposes only and does not constitute a recommendation regarding the purchase, sale, subscription or other acquisition or disposal of any debt or other securities of Sunnova, its subsidiaries or any of its affiliates (“securities”). This Framework is not and is not intended to be, and does not form part of or contain an offer to sell or an invitation to buy, or a solicitation of any offer or invitation to buy, any securities issued by Sunnova or its subsidiaries. If any such offer or invitation is made, it will be done so pursuant to separate and distinct documentation in the form of a prospectus supplement, an accompanying prospectus or other equivalent document and a related pricing term sheet (the “Offering Documents”) and any decision to purchase or subscribe for any securities pursuant to such offer or invitation should be made solely on the basis of such Offering Documents and not these materials. In particular, investors should pay special attention to any sections of the Offering Documents describing any risk factors. The merits or suitability of any securities or any transaction described in these materials to a particular person’s situation should be independently determined by such person. Any such determination should involve, inter alia, an assessment of the legal, tax, accounting, regulatory, financial, credit or other related aspects of the securities or such transaction and prospective investors are required to make their own independent investment decisions. Neither this document nor any other related material may be distributed or published in any jurisdiction in which it is unlawful to do so, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession such documents may come must inform themselves about, and observe, any applicable restrictions on distribution.