



# ESG POLICY

*(Environmental, Social and Governance)*

LAST UPDATED November 20, 2020  
PROPRIETARY - DO NOT SHARE WITHOUT CONSENT



## POLICY

### I. BACKGROUND

As a private equity owned company, Sunlight Financial (“Sunlight” or the “Company”) understands its responsibility to align itself through its practices with the long-term interests of its investors, and consistent with the fiduciary obligations that its investors have to their fund investors that participate in the ownership of the Company. Sunlight is committed to providing strong risk adjusted returns to its investors and other business partners and stakeholders. Sunlight believes that adopting environmental, social and governance standards and developing robust practices to operate within those standards will limit Sunlight business risk and deliver better value to its investors.

### II. SCOPE OF POLICY

In developing this ESG policy, Sunlight acknowledges that while not participating in the manufacture or sale of a physical product which are the types of businesses involved in labor and health and safety issues often at the core of ESG measures, Sunlight’s business platform and operations do have aspects that create the potential for ESG business risk if not thoughtfully monitored and addressed. Therefor the scope of this Policy and actions taken pursuant to this Policy covers all aspects of ESG. Some examples of potential ESG business risk to Sunlight include the following:

- Sunlight’s revenue is principally derived from the solar industry. Sunlight could suffer reputational harm either if Sunlight chooses to not participate in efforts of business to reduce carbon footprints as well as if Sunlight appears unconcerned with the accessibility to solar in disadvantaged communities.
- Sunlight facilitates consumer loans and, in the process, stores a substantial level of sensitive consumer data. Failing to maintain systems and processes designed to ensure this data is not breached or, if breached, damage is contained could cause irreparable harm both financially and reputationally.
- Sunlight outsources functions to offshore entities and could be put at risk financially and reputationally if the employee practices within such entities do not meet acceptable employment standards (e.g., paying a livable wage or safety principles).
- Sunlight believes that diversity leads to better decision making, which leads to growth. Sunlight’s failure to maintain a diverse staff, management and Board could impact the variance of perspectives available to the Company as initiatives get identified or other key decisions get made, which could lead to missed opportunities.

Beyond the potential for ESG related business risk that Sunlight actively seeks to identify and address, Sunlight also believes that focus on ESG standards will create opportunities to build value in the Company aside from risk mitigation. The scope of this Policy is therefor to establish practices designed to identify and manage risks as well as to take advantage of opportunities presented.

### III. ACTIONS TO MANAGE ESG ISSUES AND OPPORTUNITIES.

In light of the foregoing, Sunlight will use commercially reasonable efforts to perform the following actions to appropriately identify and manage ESG issues and opportunities:

- Perform an annual risk assessment to identify areas in Sunlight operations, product or partnerships that



have the potential to pose ESG business risk and that could cause material harm, and to evaluate potential mitigants and/or controls and make recommendations to the ESG Committee (defined below).

- Include ESG risk assessments in the diligence processes of Sunlight’s vendor management program and avoid engaging service providers where material concerns are identified.
- Include ESG risk assessments in the commercial underwriting practices applied to Sunlight installer and contractor partners and avoid engaging in or continuing with partners where material concerns are identified.
- Seek to include ESG best practices into Sunlight’s policies and procedures as applicable.
- Seek to remain informed of ESG developments and best practices and periodically consider changes and additions to this Policy in response to those developments.
- Establish carbon neutrality by December 31, 2021 and maintain ongoing certification.
- Maintain state of the art cyber security practices to protect consumer information and robust consumer protection compliance.
- Maintain efficacious practices to encourage diversity, equality and inclusion in all aspects of Sunlight’s operations.
- Adopt executive compensation strategies and equity ownership that aligns key management with investor interests.



#### IV. ESG COMMITTEE AND OVERSIGHT

Oversight of the execution of the requirements of this Policy shall be invested in an ESG Committee as described below.

- Sunlight’s ESG Committee shall meet on a quarterly basis to:
  - Ensure the Company’s ESG policies and procedures are current
  - Report to Committee members on the status of any pending ESG initiatives
  - Prepare the ESG quarterly report for the Sunlight Board of Directors (the “Board”)
  - Evaluate results of ESG risk assessments and related recommendations
  - Incorporate new and evolving issues identified by relevant industry groups or other sources impacting industry perspectives on ESG considerations
  - Establish new ESG initiatives as applicable



- Sunlight’s ESG Committee is comprised of senior members of the firm and includes:
  - Nora Dahlman, General Counsel (Chair)
  - Tim Parsons, COO
  - Scott Mulloy, CIO
  - Marnie Woodward, Head of HR
  
- Reporting:
  - Sunlight’s ESG Committee will report to the Board on a quarterly basis related to the results of the Company’s ESG risk assessment, status of initiatives in process or to be initiated, new areas of ESG concerns under consideration by the Company, as applicable, and such other matters as deemed advisable by the ESG Committee.
  - The Chair of the ESG Committee shall report any Material Incident and proposed resolution promptly to the Board. “Material Incident” is defined as any ESG related issue or concern that could have a direct material impact on Sunlight’s ability to create or preserve economic value for its investors.

## RESPONSIBLE PARTIES

The Board is responsible for approving and enforcing this policy and will review and approve, as appropriate, updates to this Policy that are recommended by the Company’s General Counsel.

The General Counsel is responsible for overseeing the day-to-day implementation of this Policy, as well as the procedures and controls established by the Company to implement this Policy. These responsibilities include, among others, training Company teammates about this Policy and the teammates’ responsibilities under this Policy.

The executive managers are accountable for making certain that the teammates in their respective groups have reviewed this Policy and are aware of its requirements.