



Enphase Energy, Inc.

Environmental, Social, and Governance Report 2021





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A Letter from our President and CEO



Badri Kothandaraman
President and CEO

“I am proud of our employees around the world as they continue to work tirelessly to develop innovative products and services for our customers.”

I am pleased to share our 2021 Environmental, Social, and Governance (ESG) report, where we discuss ongoing efforts to realize Enphase’s purpose of advancing a sustainable future for all. Since the publication of our inaugural ESG report in 2020, we have made strides in measuring our carbon footprint, cultivating a diverse and inclusive workplace, and raising awareness of ESG issues across the business. We are committed to building on this foundation to establish long-term goals aligned with the needs of global sustainable development, and I remain optimistic for what the future holds as we continue our ESG journey.

Since Enphase was founded in 2006, we have developed five key elements to our value proposition: deliver products that are smart, simple, reliable, productive, and safe. We understand the threat with climate change and have been creating clean energy technologies needed to directly combat it, protect our environment, and enable sustainable development. The future relies on universal access to clean, reliable, and affordable energy. Our best-in-class energy management solutions include solar generation, battery storage, electric vehicle (EV) charging, smart load control, and cloud-based monitoring and control.

Over the course of the past couple of years, we took steps to manage our business through the challenges arising from the COVID-19 pandemic. Supporting our employees, customers, partners, and communities was the topmost priority for us. I am proud of our employees around the world as they continue to work tirelessly to develop innovative products and services for our customers. Our [culture playbook](#) provides both current and future employees with a blueprint of our purpose, our core values, and examples of how we work together to achieve results within Enphase.

The lessons we learned over the past few years and our ability to see the bigger picture helped us to enact transformative, sustainable growth. We remain the world’s leading supplier of microinverter-based solar and battery systems. We have cumulatively shipped more than 42 million microinverters, and more than 307 megawatt hours (MWh) of our Enphase® Energy Systems,¹ powered by Enphase IQ® Microinverters and IQ™ Batteries. Approximately 12 gigawatts (GW) DC of Enphase microinverters have been installed in solar systems since inception, reducing 31 million metric tons of carbon dioxide equivalent (MT CO₂e) - the equivalent of providing energy to 3.9 million homes for one year.¹

Sustainability is evident in every aspect of our operations – financial performance; products and services; manufacturing; supplier, customer, and partner relationships; employee relations; corporate social responsibility (CSR); and corporate governance. As you read this report, you will see several examples of our operational excellence; our ability to incorporate environmental safeguards into our practices; the care we take in

¹All data as of December 31, 2021; estimate based on Enphase managed systems data grossed up for non-managed systems based on cumulative sales records; CO₂e calculations based on [EPA GHG calculator](#)

hiring, training, and managing our global workforce; our commitment to expanding access to clean energy through our CSR initiatives; and the accountability of our governance and leadership.

Our strategy is simple. We focus on making best-in-class home energy systems that enable homeowners to make, use, save, and sell their own power. We are deeply committed to making these systems innovative, high-quality, and easy-to-use, helping millions of people gain access to cleaner, affordable, and more reliable energy while creating jobs and contributing towards a carbon-free future.

“Our company embraces the opportunity to create a future of sustainable prosperity for all our stakeholders, while reducing our environmental footprint.”

There have been many large-scale power outages that left communities in the U.S. without power for several days. The aging and overly-constrained grid has been struggling to manage the devastating impact of extreme weather caused by grid outages. Our IQ™ Batteries, powered by solar energy, provide resilience in the face of natural disasters and grid outages, ensuring that a home can be powered and delivering energy independence and peace of mind. This clean, free, abundant source of energy can power lives and ultimately help replace non-renewable energy altogether.

We started shipping our IQ8™ Microinverters to customers in North America in 2021. IQ8 fundamentally changes the paradigm for solar technology, which otherwise requires a grid connection to operate. IQ8 Microinverters can form a microgrid during a power outage, using only sunlight, providing backup power even without a battery. For homeowners who want battery backup, there are no sizing restrictions on pairing an Enphase IQ Battery with IQ8 Microinverters. In addition, with the Sunlight Jump Start™ feature, IQ8 Microinverters can restart a home energy system using sunlight only after prolonged grid outages that may result in a fully depleted battery. The innovation in IQ8 microinverters enables us to utilize the power of the sun better and provides increased resilience to homeowners.

Enphase was founded on three commitments that still guide us today: innovation, quality, and social responsibility. Our company embraces the opportunity to create a future of sustainable prosperity for all our stakeholders, while reducing our environmental footprint. We are making it possible for people to become producers and participants in a clean energy future—when people and the planet need it most.

We appreciate your continued interest in our ESG efforts and thank our employees, customers, partners, and shareholders for their dedication as we continue to embrace our core values.

Sincerely,



Badri Kothandaraman
President and CEO

About us



Enphase in numbers



2006

the year Enphase was founded



2,260

employees and key contributors across our global offices¹



5,315

installers worldwide¹



43.4 TWh

of cumulative shipments of microinverters²



1.9 million

systems deployed in more than 130 countries¹



42+ million

microinverters shipped¹



300+ MWh

of storage¹



31 million

metric tons of CO₂e prevented from entering the atmosphere, enough to power 3.9 million homes with energy for one year²



12 GW DC

cumulative shipments of microinverters¹



3.5 billion

gallons of gasoline not consumed²



76 billion

miles not driven by an average gas-powered passenger vehicle²

¹ As of December 31, 2021

² Estimate based on Enphase managed systems data as of December 31, 2021 grossed up for non-managed systems based on cumulative sales records; CO₂e calculations based on [EPA GHG calculator](#)

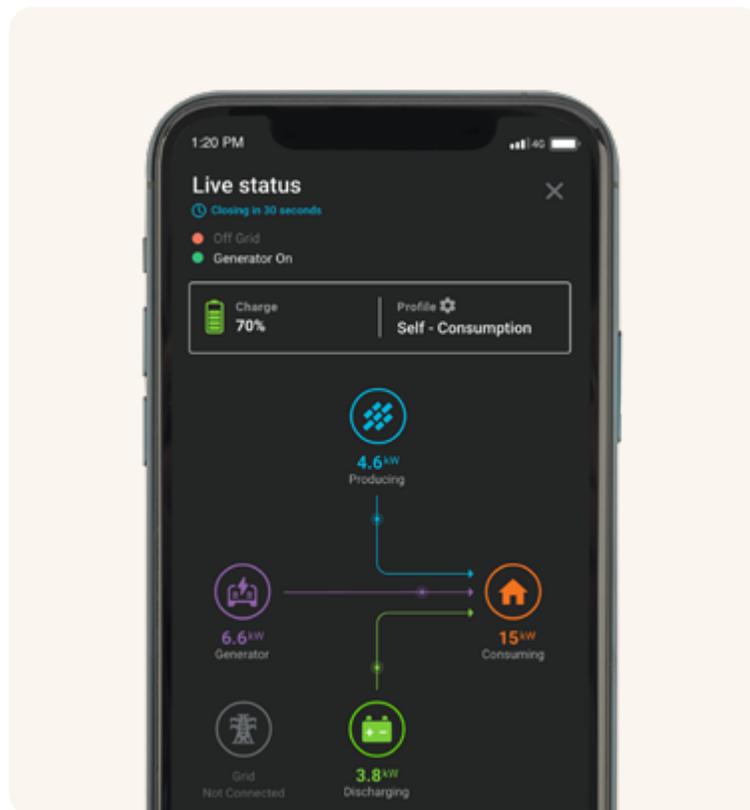
Our purpose

Enphase Energy has transformed the solar industry with our revolutionary microinverter technology which enables sunlight to be a safe, reliable, resilient, and scalable source of energy to power our lives. Today, our intelligent microinverters work with virtually every solar panel made, and when paired with our award-winning smart battery technology, we engineer one of the industry's best-performing clean energy systems.

“The Enphase® Energy System enables people to make, use, save, sell, and own their power.”

The Enphase® Energy System enables people to make, use, save, sell, and own their power. This includes our industry-leading app, which provides unprecedented data and control in the palm of their hand. For the first time in the evolution of the centuries-old electricity grid, people can get paid for the clean energy they produce and share with their communities - helping to build a new energy future that harnesses the sun. This clean, free, abundant source of energy can power our lives and ultimately help replace non-renewable energy altogether.

Our purpose is advancing a sustainable future for all. If you see a home in the U.S. with solar panels on it, there is a good chance it is an Enphase home. We're making it possible for people to become producers and participants in a clean energy future – when people and the planet need it most.



System owners can view and control their Enphase® Energy System through their mobile phone app

Our core values

Our company values are reflected in the way we work together, our performance, and how we are rewarded.

Customer first

We exist for our customers.

We listen to our customers and measure our success based on their feedback.

We take action to deliver the best customer experience.

Integrity

We tell the truth at all times, without making excuses.

We do what's best for the company.

We take ownership of our behaviors and results.

“We collaborate globally to achieve more together than we can on our own.”

Innovation

We value innovation and recognize that it is the cornerstone of our existence.

We encourage appropriate risk-taking and challenge the status quo to find solutions.

We actively promote innovation through curiosity and continuous learning.

Teamwork

We appreciate and respect different behavioral styles and perspectives.

We collaborate globally to achieve more together than we can on our own.

We actively work to break down silos.

Quality

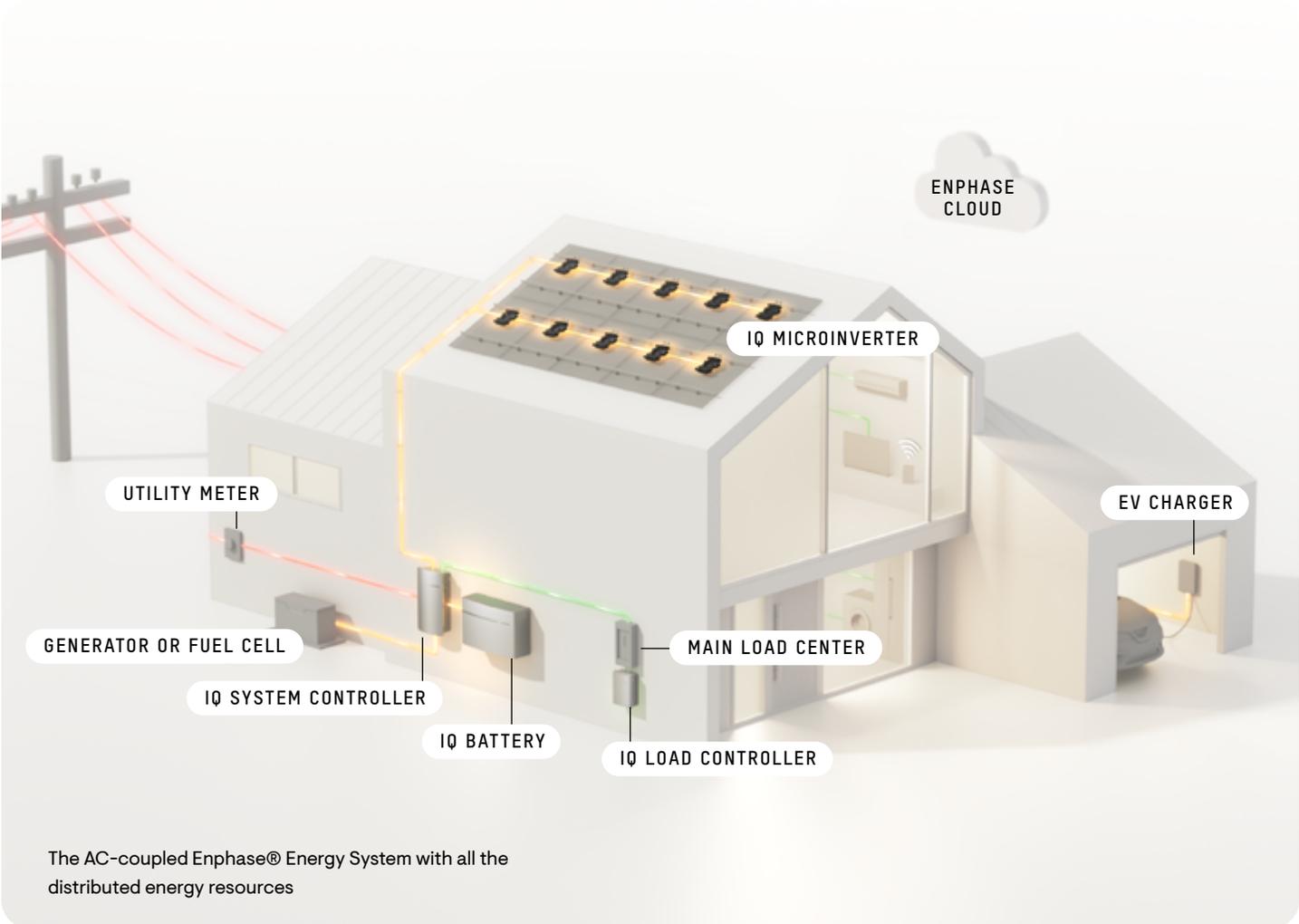
We place safety and quality above everything else.

We measure everything that matters and drive continuous improvement.

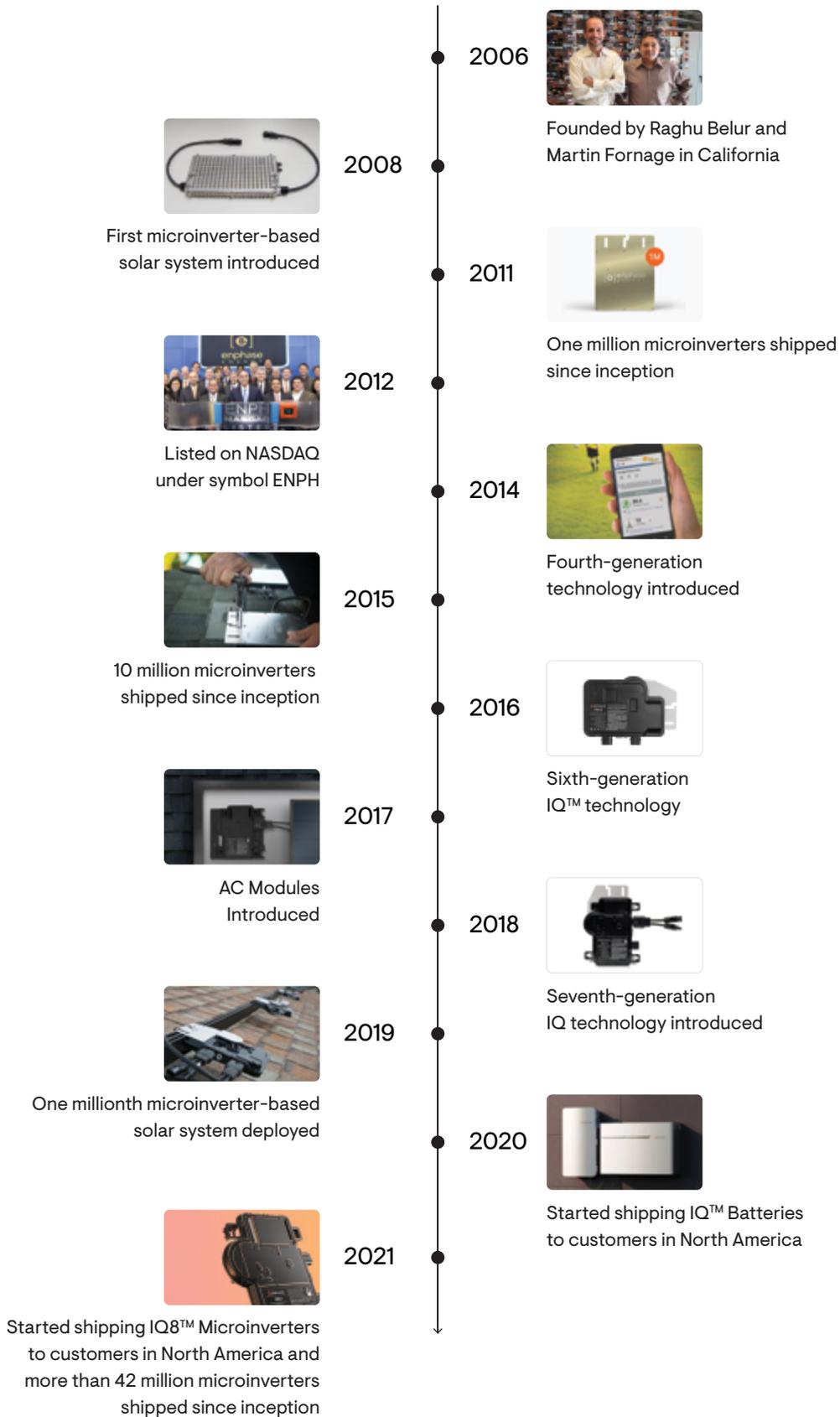
We make the highest quality products.

Our technology

Enphase was founded on the deep-rooted belief that an AC-coupled distributed architecture will always win in the long run on both cost and reliability. To build products based on this architecture, we have developed core competencies in semiconductor-based power conversion, software-defined Internet of Things (IoT) systems, and an energy management platform. Our homegrown high-speed digital ASIC, which is responsible for power control and power line communication, forms the brain of our microinverters. The microinverter, along with our battery, system controller, and cloud software form a true IoT system. Our Ensemble™ technology energy management system manages energy flows between the various distributed energy resources (DERs), the utility grid, and home loads, all with the aim of delivering the most reliable solution at the lowest available energy cost.



Start-up to industry leader



Enphase culture playbook

We abide by the Enphase [culture playbook](#) to define and socialize our purpose, core values, and relevant examples of how we collaborate to get results.

[Culture playbook →](#)

We promote and reinforce these five core values.



Six pillars of our culture

Pillars that are aligned to our purpose and values.

Our core values

High performance

Recruiting and retaining the best

Openness and transparency

Accountability and execution

Learning organization



Financial sustainability

78%

increased revenue in 2021

\$1.4 billion

revenue in 2021

10.4 million

microinverters shipped in 2021

40.7%

non-GAAP gross margin in 2021

Our solid financial performance enables us to advance our long-term commitment to sustainability. In 2021, our revenue increased 78% to \$1.4 billion, from \$774.4 million in 2020. We shipped 10.4 million microinverters in 2021, compared to 6.8 million microinverters in 2020. Our non-GAAP gross margin in 2021 was 40.7%¹ compared to 40.1%¹ in 2020, primarily due to disciplined pricing and cost management, despite inflation.

We have a very strong balance sheet that we believe will allow us to capitalize on future opportunities. We exited 2021 with \$1.0 billion in cash, cash equivalents, and marketable securities. In March 2021, we successfully completed the issuance of approximately \$1.2 billion in green convertible notes (the Green Bond Notes).

As part of the Green Bond Notes offering, we established a Green Financing Framework that reinforces our commitment to our planet and our communities. In 2021, we allocated a portion of the proceeds of the Green Bond Notes to finance a variety of environmentally impactful projects as summarized in the table below, which included research and development (R&D) for new products, capital expenditures to increase our manufacturing capabilities to support our global product portfolio, the cost of goods sold, and increased headcount. We intend to allocate the remaining funds during 2022. The terms of this capital raise were some of the most favorable to an issuer in history, and we were bestowed with an ESG Award and a Structured Equity Award from IFR in February 2022.

Green Bond Notes allocations

Eligible category	Amount allocated to date (\$000,000)
Renewable energy	\$754.14
Eco-efficient production technologies and processes	\$88.11
Total allocated	\$842.25
Net proceeds from Green Bond Notes	\$1,188.44
Proceeds remaining to be allocated	\$346.19

¹ See GAAP to non-GAAP reconciliation in the Appendix for a reconciliation of our most comparable U.S. GAAP measures to our non-GAAP measures

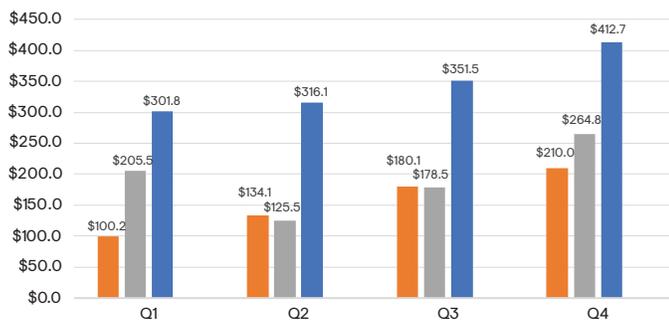
Our financial performance

Our focus on operational excellence has been important for our solid financial foundation. We had a record year in 2021 for profitability. We also generated a record \$352.0 million in cash flow from operations in 2021, compared to \$216.3 million in 2020.

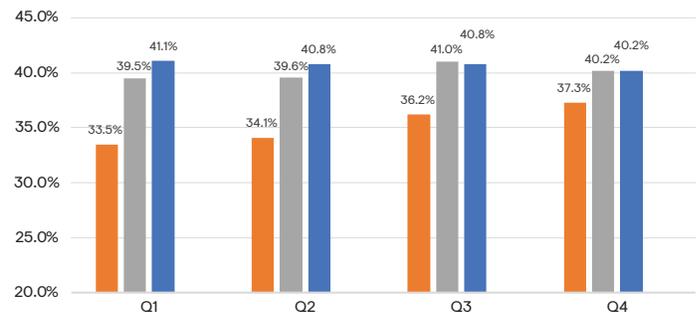
“Our focus on operational excellence has been important for our solid financial foundation.”

We introduced our 35-15-20 baseline financial model at our Investor Day in 2019. 35-15-20 stands for 35% gross margin, 15% operating expenses, and 20% operating income, all as a percentage of revenue on a non-GAAP basis. In 2021 our actual results were approximately 41-16-25, beating the baseline financial model in terms of gross margin and operating income. Our 2021 GAAP net income was \$145.4 million, resulting in diluted earnings per share of \$1.02. Non-GAAP net income was \$340.3 million, resulting in diluted earnings per share of \$2.41.¹

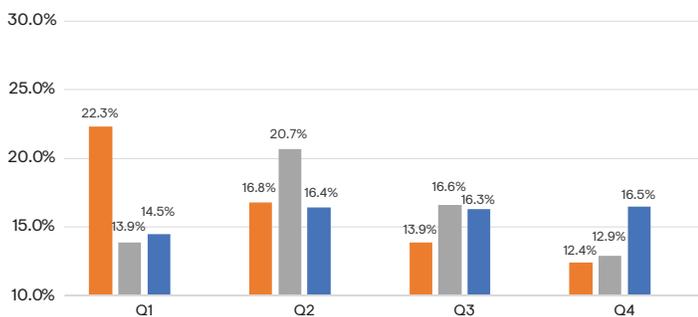
Quarterly revenue by year



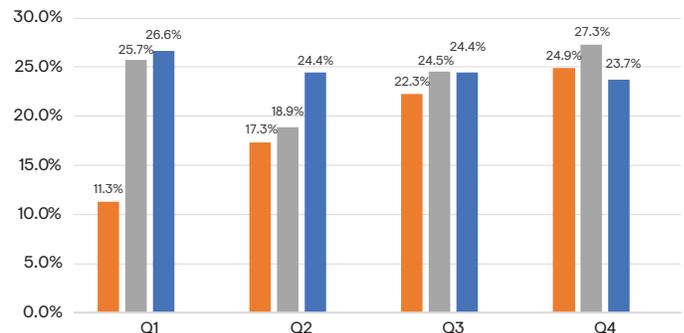
Quarterly gross margin % by year



Quarterly operating expenses % by year



Quarterly operating income % by year



2019 2020 2021

Quarterly revenue by year is in millions; Gross Margin, Operating Expenses and Operating Income are as a percentage of revenue. All numbers reflected other than revenue are on a non-GAAP basis. Refer to Appendix for reconciliation of our most comparable U.S. GAAP measures to our non-GAAP measures

¹See GAAP to non-GAAP reconciliation in the Appendix for a reconciliation of our most comparable U.S. GAAP measures to our non-GAAP measures

Environment

Our best-in-class energy management solutions include solar generation, battery storage, electric vehicle (EV) charging, smart load control, and cloud-based monitoring and control. While our products and services directly address the urgent challenges presented by climate change and the transition to a low-carbon economy, we appreciate that our ability to continue to do so rests in attending to, and taking accountability for, environmental impacts across the entire value chain.



E1. Global environmental policy

Environmental management system (EMS)

Enphase strives to achieve exceptional environmental performance, and 100% of our facilities are ISO 14001:2015 certified. Our EMS is continually improved to align with business strategy, promote positive environmental impacts, and minimize adverse ones. Through the EMS we proactively assess environmental risks and opportunities, define key performance indicators (KPIs) and targets, and evaluate progress toward environmental goals.

“Enphase strives to achieve exceptional environmental performance, and 100% of our facilities are ISO 14001:2015 certified.”

Auditing program

Our environmental audit program includes periodic and complete evaluations of our product development and R&D centers. Audits include air and water quality, waste management practices, spill prevention and control, hazardous materials management, and employee awareness.

Supplier expectations

Enphase works with suppliers who share our commitment to environmental stewardship. Suppliers are screened on specific criteria including the presence of an environmental policy, EMS or EMAS certification, RoHs and REACH compliance, conflict minerals reporting, as well as human rights and labor policies.

Legal compliance

Enphase complies in the areas where we operate with all applicable environmental, health, and safety laws, as well as all pertinent industry codes and standards, and we expect our suppliers, partners, and customers to comply with all applicable environmental laws and regulations as well.

Empowering employees

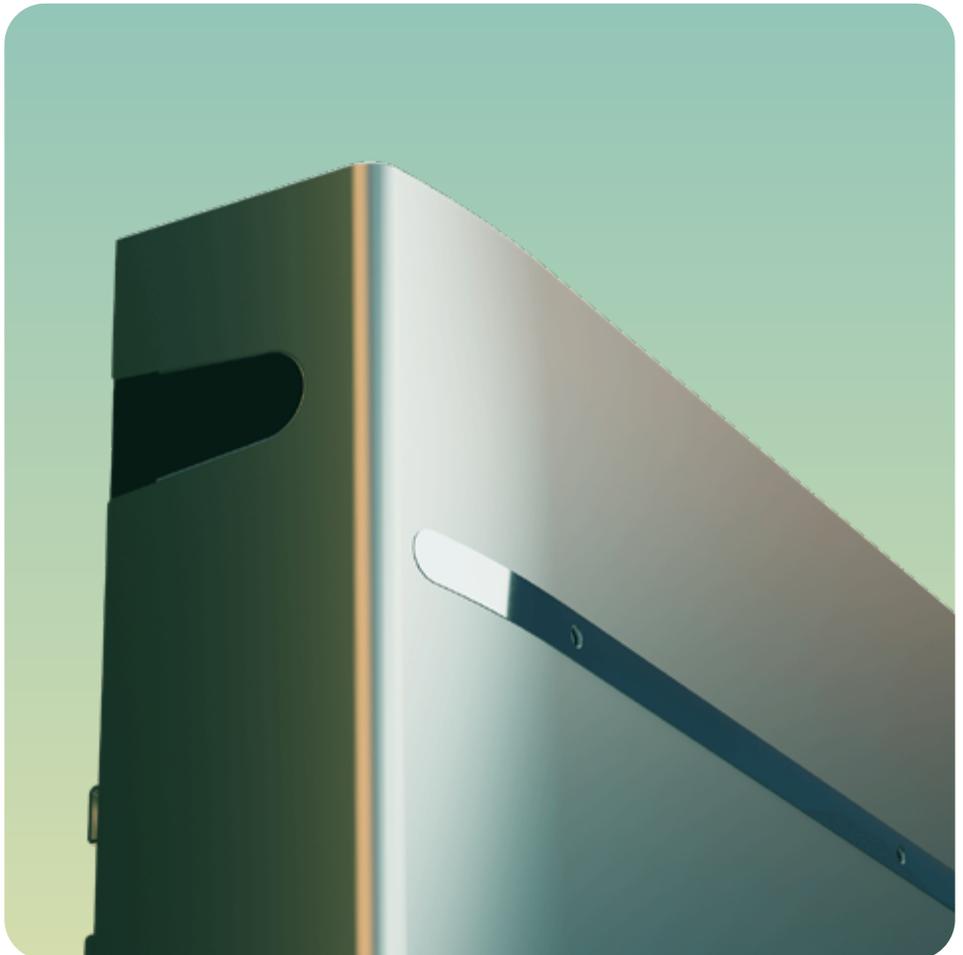
Employees at all levels actively participate in environmental goal-setting processes, allowing for important insights and innovation to be realized across the company. Employee bonuses are also tied to progress toward environmental-related goals, helping to ensure objectives are met.

Reporting and stakeholder consultation

We transparently report our environmental performance in line with prevailing sustainability reporting frameworks on an annual basis. Stakeholders such as local communities, suppliers and contractors, government agencies, and other organizations focused on protecting the environment are allies and collaborators, and their priorities and feedback regarding our environmental performance are considered when assessing our environmental performance.

Product lifecycle stewardship

Our products are designed to be safe for the environment and their intended use. All hazardous waste generated across our operations is disposed of properly or recycled, and we comply with all applicable laws and directives regarding hazardous waste where we operate, including WEEE, RoHs, REACH, and the EU batteries directive. We support pollution prevention programs and use materials and energy efficiently to conserve natural resources, including measuring emissions and developing an emissions reduction regime.



E2. Climate change strategy

At Enphase, we have understood the climate change threat from the beginning and have been creating clean energy technologies needed to directly combat it, protect our environment, and enable sustainable development. We recognize our ability to do so rests on our capacity to understand, anticipate, and successfully navigate various types of climate risk. We align our risk assessment and climate strategy with the recommendations of the Taskforce for Climate-Related Financial Disclosures (TCFD) and emerging climate-risk disclosure recommendations from the International Financial Reporting Standards (IFRS) Foundation.

Governance

Our Board of Directors (Board) oversees climate risks and opportunities. Our products and services mitigate climate change, so the Board's actions in guiding strategy and assessing risks address a myriad of climate risks.

The Nominating and Corporate Governance and Audit Committees of the Board oversee the overall ESG program, which includes an annual update from the executive ESG team on climate risks, efforts, goals, and performance against targets.

Strategy

Our strategy is advancing solutions to meet any number of climate risk mitigation opportunities – solar energy equipment, battery storage, EV charging, smart load management, and integration with grid modernization efforts.

We plan to broaden our climate strategy to include a defined approach and roadmap for reducing our carbon footprint and reliance on non-renewable energy as a hedge against uncertainty in carbon markets, to enhance operational efficiency, and to support renewable energy deployments.

Risk management

We are currently developing scenario-based climate risk assessments over short-, medium-, and long-term time horizons and integrating results into existing enterprise risk management (ERM) practices. This will allow us to anticipate potential climate risk to our business, understand strategic implications, and estimate financial impacts.

We intend to incorporate climate risk assessments into the annual ERM process, which is reviewed by our senior management with oversight from the Audit Committee of the Board.

“Our strategy is advancing solutions to meet any number of climate risk mitigation opportunities – solar energy equipment, battery storage, EV charging, smart load management, and integration with grid modernization efforts.”

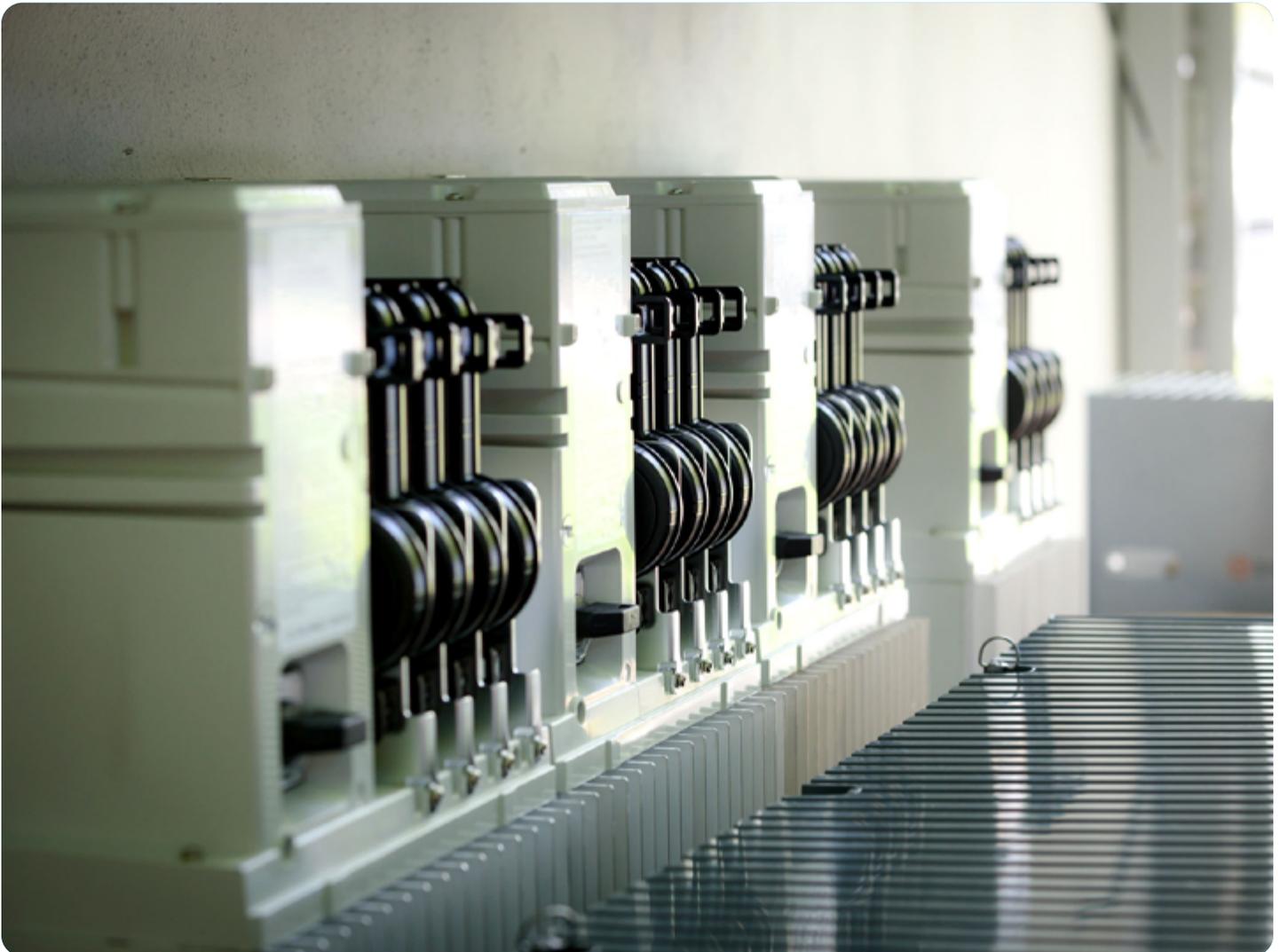
“Efficient and reliable microinverters and batteries deployed in the field can produce more clean energy over a longer time horizon, directly preventing harmful greenhouse gas (GHG) emissions.”

Metrics and targets

We measure the success of our climate strategy by how well we grow our business. Examples include the number of microinverters and batteries sold, new markets entered, market share captured, and kWh produced by the deployed microinverter fleet.

Our product development targets such as production cost, materials used, efficiency, reliability, and power output directly support our climate strategy. Efficient and reliable microinverters and batteries can produce more clean energy over a longer time horizon, directly preventing harmful greenhouse gas (GHG) emissions.

We are measuring and disclosing our emissions for the first time in this report and will be using this process to inform a low-carbon transition approach for the business going forward.



E3. Clean energy production

**During
2021**

11.3 billion

kilowatt-hours (kWh) were generated by Enphase microinverters¹

8 million

metric tons of carbon dioxide equivalent (MT CO₂e) were prevented from entering the atmosphere¹

**Since
2006**

43.4 billion

kilowatt-hours (kWh) were generated by Enphase microinverters²

31 million

metric tons of carbon dioxide equivalent (MT CO₂e) were prevented from entering the atmosphere²

¹ Estimate based on Enphase managed systems data for calendar year 2021 grossed up for non-managed systems based on cumulative sales records; CO₂e calculations based on EPA GHG calculator

² Estimate based on Enphase managed systems data as of December 31, 2021 grossed up for non-managed systems based on cumulative sales records; CO₂e calculations based on EPA GHG calculator



E4. Emissions and energy

We completed our first GHG emissions inventory in 2021. The calculations drew on the guidance provided in the GHG Protocol Corporate Standard, covering direct (scope one), electricity indirect (scope two), and business travel (scope three) categories. Given that our products were produced by third-party contract manufacturers, and we did not operate a company vehicle fleet, our scope one emissions for 2021 were considered negligible. Our scope two emissions attributed to the energy usage among our facilities were calculated by using a location-based method for electricity and heating across leased facilities.

We are continuing our characterization of scope two purchased electricity and heating to identify opportunities to reduce our footprint by increasing the proportion of renewable energy in our energy mix. We are also actively engaged with upstream and downstream entities to map scope three impacts and discover opportunities for energy conservation as we move forward.

A summary of our GHG inventory details can be found in the Appendix.

GHG emissions and intensity (2021)

Emissions type	Units
Direct + electricity indirect emissions (Scope 1 + Scope 2) (MT CO ₂ e)	9,240
Other indirect emissions (Scope 3) (MT CO ₂ e)	281
Total emissions (MT CO ₂ e)	9,521
Scope 1 + 2 emissions intensity (MT CO ₂ e/\$M revenue)	6.99

Energy use and intensity (2021)

Energy type	Units
Purchased electricity (kWh)*	12,560,067
Heating (kWh)**	1,801,127
Total energy consumption (kWh)	14,361,194
Energy Intensity (kWh / \$M revenue)	10,391

*Does not account for renewable energy generated at the Petaluma, Calif. office

**North America operations only




POWER
WIRING
CONTROL
PROTECTION
CHEVROLET
ELECTRIC VEHICLE
CHARGE STATION
HIGH POWER

E5. Energy efficiency

Given our structure, opportunities for efficiency improvements and reductions in emissions and energy intensity exist across scopes two and three. We are working to quantify the impacts of energy efficiency efforts so we can make informed decisions on energy reduction strategies and reduction targets, drawing on guidance provided in the ISO 50001 standard. We have taken a number of measures to date to reduce our energy intensity.

“We are working to quantify the impacts of energy efficiency efforts so we can make informed decisions on energy reduction strategies and targets, drawing on guidance provided in the ISO 50001 standard.”



Shifting to renewables

Shifting the energy mix to renewables across our leased facilities, including installing photovoltaic (PV) systems on all North America offices. Installing a 119KW PV system for our Petaluma office



EV Charger

Installing electric vehicle (EV) chargers at our North American offices



LED light fixtures

Installing motion-sensing LED light fixtures across all leased facilities



Education

Launching employee campaigns to turn off inactive equipment in our offices



Cost savings

Achieving cost savings through strategic siting of contract manufacturing and distribution facilities, which translates to scope three emissions reductions



Reduce data consumption

Transitioning to the cloud and SAAS applications for logistics, payroll, and most internal processes to reduce our data center energy consumption

E6. Product lifecycle and waste management

We understand our carbon footprint is embedded across the entire value chain from raw material extraction to product end-of-life and are committed to reducing the adverse environmental impacts to the fullest extent possible. We continually seek opportunities to reduce the inputs needed to build reliable, high-quality products; integrate recycled materials where possible; and design equipment that can be repurposed or recycled at the end of its designed lifespan. Designing products in this manner spurs innovation and positions us to compete in the nascent circular economy.

“We understand our carbon footprint is embedded across the entire value chain from raw material extraction to product end-of-life and are committed to reducing the adverse environmental impacts to the fullest extent possible.”

We are committed to reducing and properly disposing of hazardous waste across all our operations. We focus significant efforts on residential, commercial, and industrial battery disposal and recycling. Our recycling program covers e-waste and batteries of all types which are recycled through licensed vendors to the point of complete destruction, allowing for valuable components to be reused as material inputs for new products. In addition, products evaluated in our testing centers are disassembled and parts are collected for reuse. We design our batteries for long-term duration to decrease battery waste, using lithium iron phosphate (LFP) chemistry as the storage material.

We promote our company’s commitment to recycling and preventing products and materials ending up in landfills through our internal training and compliance with applicable federal, state, and local regulations. Employees working in our R&D labs undergo additional training annually to ensure they understand how to properly dispose of any hazardous materials that are not eligible for our recycling programs. Our efforts to educate our workforce have yielded positive results.

We conscientiously select supplies for our facilities that have a low environmental impact, including those with reusable and compostable materials where possible. Across our North America and New Zealand facilities, we have eliminated single-use cups and have provided employees with their own personal set of reusable dishware, utensils, and mugs to use in cafeterias. We plan to implement similar strategies at our other global sites.

100%

of e-waste generated across operations in North America, India, and New Zealand are recycled

100%

of our facilities are ISO 14001 certified

Compliance

with RoHs, REACH, and the EU Battery Directive

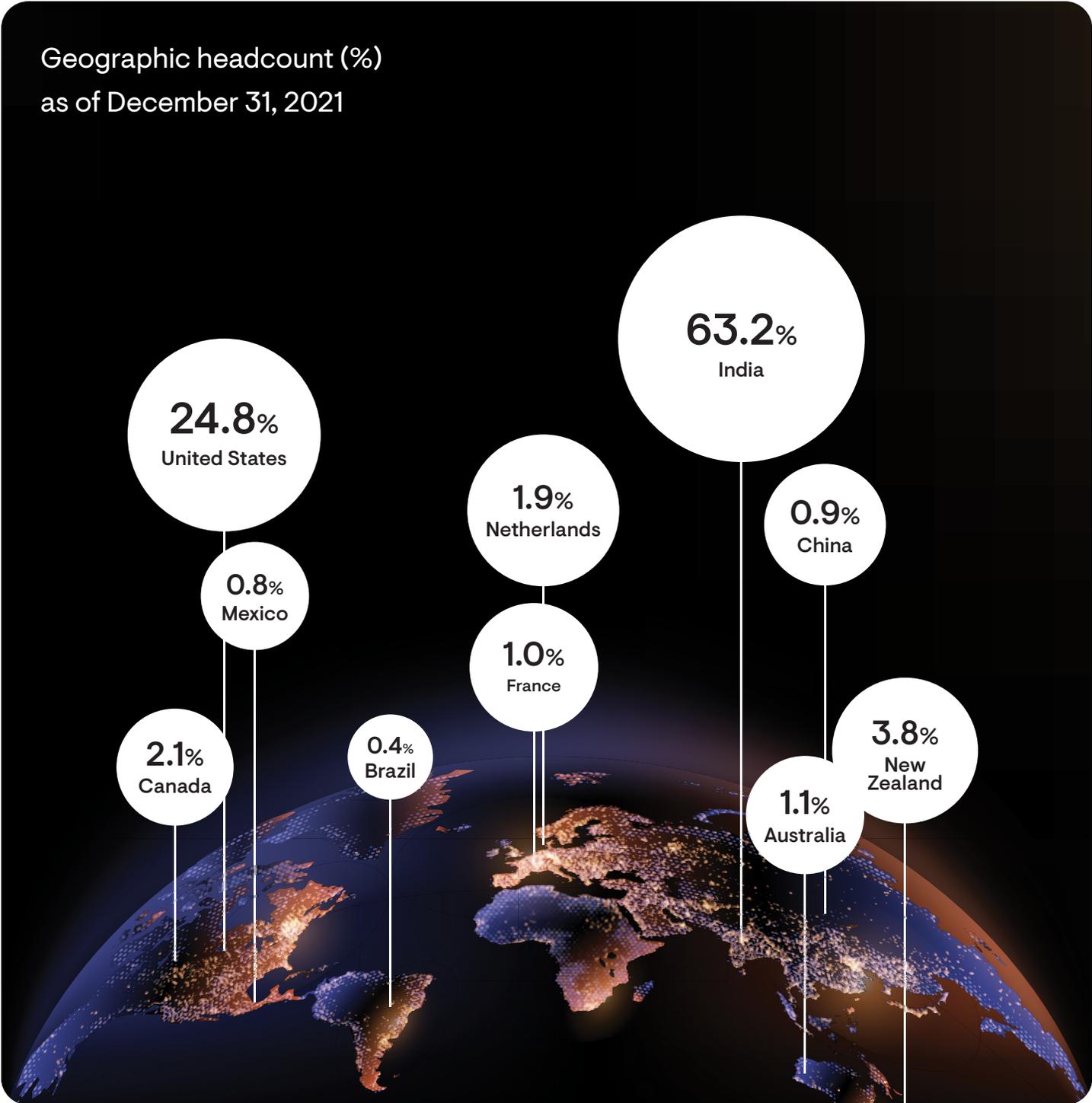
People

We are building a community where everyone feels valued and treated equally at Enphase. We encourage employee wellbeing by offering facilities and incentives. We have laid the foundation for a robust talent management program covering recruitment, career progression pathways, and global leadership development - empowering employees, both new and existing, to reach their full potential and find satisfaction in their work.



P1. Company demographics

Geographic headcount (%)
as of December 31, 2021



P2. Health and wellness

COVID-19

In 2021, we continued to assist our employees through the challenging times of the COVID-19 pandemic. We adapted to this new “normal” with protocols and decisions made by a dedicated task force that had regular communications with all employees. We offered support and guidance to our employees with suspected COVID-19 cases. We continued our adherence to working remotely as required or desired, social distancing, mask-wearing, and temperature screening at all our offices in compliance with the local rules, ordinances, and regulations.

Newly expanded workspaces and fitness center

We encourage our employees to focus on their health and to take breaks. In 2021, we added a 1,500 square foot break room at our headquarters in Fremont, California, which offers: 1) healthy choice snacks and branded reusable water bottles containing purified pH-balanced water through a clean water partnership; 2) multiple seating areas for employee engagement; 3) the use of assorted entertainment, including a ping pong table and related accessories. Standing desks were added in the corporate office space to promote physical movement and ergonomics. We also built a fully-functioning 1,000 square foot employee gym, and employees may use private showers after a workout. Our Fremont office is also near outdoor walking trails.

“In 2021, we continued our adherence to working remotely, social distancing, mask-wearing, and temperature screening at all our offices in compliance with the local rules, ordinances, and regulations.”



BurnAlong corporate wellness platform

To further our employees' overall health, especially during a pandemic, we began a partnership with BurnAlong, a health and fitness company. This health and wellbeing program provides each employee with a complimentary membership plus four family and friend memberships. The course offerings range from beginner to advanced levels and include a wide variety of activities such as yoga, meditation, cardiovascular fitness, dance, and weightlifting. There are also fun challenges for employees and their families, allowing for healthy competition in areas unrelated to work.

P3. Diversity, equity, and inclusion

“We are committed to filling our talent pipeline with a range of candidates representing a broad spectrum of cultural backgrounds, work experience, and technical expertise.”

We are building a community where everyone feels valued and treated equally at Enphase. As an Equal Opportunity Employer (EOE), we are committed to diversity and inclusion in the workplace, and do not tolerate discrimination and harassment of any kind based on race, color, sex, gender, gender expression, religion, sexual orientation, national origin, ancestry, disability, medical condition, genetic information, marital status, pregnancy, military or veteran status, or any other protected characteristic as outlined by federal, state, or local laws. This policy applies to all employment practices within our organization, including hiring, recruiting, promotion, termination, layoff, recall, leave of absence, compensation, benefits, training, and apprenticeship.

We have set a company goal to increase the number of females that are recruited and interviewed, including at the manager level or higher. In addition, we set a goal to increase the number of female candidates in the U.S. who are new college graduates.

We are committed to filling our talent pipeline with a range of candidates representing a broad spectrum of cultural backgrounds, work experience, and technical expertise. Enphase leverages diverse employee referral programs, seeks talent from specialized conferences, such as the Grace Hopper Conference, and requires recruiting agencies to supply a diverse slate of candidates for each job placement search. In addition, our talent acquisition department sponsors events and partners with diverse student organizations on university campuses, makes certain all published job descriptions contain inclusive language, and ensures that interview teams are broadly represented.



Gender diversity (globally)

Workforce	Women	Total	Percentage (rounded)
Executives	5	34	15%
Managers	41	296	14%
Employees	300	1,930	16%
Total	346	2,260	15%



Ethnic diversity* (U.S.)

Ethnicity	Employees	Percentage
Asian	118	21%
Black or African American	18	3.2%
Caucasian	334	59.5%
Hispanic or Latino	47	8.4%
Native American, Alaskan Native, Hawaiian Native	6	1.1%
Two or More Races	19	3.4%
Declined to disclose	19	3.4%
Total	561	100%



Age diversity (globally)

Age Group	Employees	Percentage
Less than 30 Years of Age	1,120	49.6%
30-50 Years of Age	920	40.7%
More than 50 Years of Age	217	9.6%
Not Specified / Not Disclosed	3	0.1%
Total	2,260	100%

Enphase works with outside organizations to promote diversity, equity, and inclusion in the workplace.



Women in Cleantech & Sustainability

In 2021, we launched a partnership with Women in Cleantech & Sustainability (WCTS), an organization that fosters an influential network of professionals to further the roles of women in growing the green economy and making a positive impact on the environment. By joining WCTS, we are helping to shine a light on the need for more women in cleantech and fostering support for clean energy with participation in events and mentorship opportunities.



ParityPledge

In 2021, Enphase joined a significant number of established corporations by signing the corporate “ParityPledge” in support of women and people of color in the workplace. The pledge goal requires a commitment to interview and consider at least one qualified woman and person of color for every open role, vice president and higher, including c-suite and the Board.



CEO Action for Diversity & Inclusion

In 2021, our CEO joined more than 2,000 other CEOs by signing the CEO Action for Diversity & Inclusion pledge to act on supporting more inclusive workplaces. We pledged to promote diversity in our leadership team and began to implement changes focused on attracting more qualified and diverse talent into the company. We also pledged to make positive changes in our hiring process, including rewriting job postings to appeal to women, requiring that qualified diverse candidates must be interviewed for all new executive-level and Board positions, and ensuring a diverse representation of interviewers are always included in the process.

P4. Talent

We are committed to attracting and developing a strong, diverse group of employees. Our robust talent management includes global recruitment, career progression goals, and leadership development - empowering employees to reach their full potential and find satisfaction in their work.

70-20-10 learning model

Our learning model is designed to enable 70 percent of knowledge from job-related experiences, 20 percent from interactions with others, and 10 percent from formal learning events. This model reinforces our belief that learning is not just a result of functional responsibility as it goes beyond formal training. Learning and development are therefore embedded into daily work, interactions, informal mentoring, and stretch assignments at Enphase.

Blended model of new employee onboarding

We have built a world-class, scalable, and blended model for new employee onboarding. New employees can learn about Enphase, its products, and business units at a self-paced mode, anytime, anywhere. Additionally, new employees have “connect” sessions with local human resources and regional leaders to ensure face time with other team members and company leadership, even during situations that make in-person interactions prohibitive.

“We are committed to attracting and developing a strong, diverse group of employees.”

Enphase Learning Academy

In 2021, we built our learning wing, named Enphase Learning Academy. The Academy utilizes EdCast’s Learning Experience Platform (LXP) and has a long-term goal of creating a centralized learning hub for our employees. The LXP brings together internal, external, formal, and informal sources of learning and knowledge in a simple, easy-to-use interface. The platform uses artificial intelligence and machine learning to personalize the content, driving an intuitive user experience for our employees.

Apart from self-paced learning, we offer tech talks on niche technical topics, webinars on wellness and work-life balance, short management development modules, solar industry orientation, and functional product and technical training programs.

Upskilling and reskilling for existing employees

The Enphase Learning Academy also offers a range of training programs for existing employees focused on topics from leadership development and technology to risk and compliance and business processes. We encourage our employees to evaluate their abilities and identify development opportunities as part of their career goals.

Benefits

We believe our employees are our most valuable asset. Providing a competitive benefit package to them and their families is critical to ensuring their continued success with the company. The physical, mental, and financial well-being of our employees is very important to us, and we make a concerted effort to continue to provide a holistic benefit offering.

Employee engagement

We conduct an annual Employee Net Promoter Score (eNPS) and employee engagement survey, with a goal of achieving at least a 30% eNPS score. This survey drives our employee engagement plans and activities for the upcoming year. Each function and business unit also prepares its own action plans for the year based on the survey results.

In 2019, we launched our “Culture Revitalization” plan, which includes facilitated “Unfreezing Workshops” conducted worldwide for all employees. These workshops are intended to produce healthy, high-performance leaders, teams, and organizational cultures. Due to the global health crisis in 2020 and 2021, our trained facilitators had to pivot to “Virtual Unfreezing Workshops,” which we continue to offer quarterly so that new employees can engage with the content.

We also introduced our Culture Playbook in 2019 that reflects our purpose and values, and we continue to refine it annually each September. The current version, updated in 2021, can be found on the Enphase website.

[Culture playbook →](#)

“We encourage our employees to evaluate their abilities and identify development opportunities as part of their career goals.”



P5. Human rights and responsible supply chain

Our commitment to human rights

We acknowledge and take seriously our responsibility to protect, preserve, and promote human rights around the world. As we expand our global reach and impact, the need for vigilance and due diligence regarding human rights issues throughout our operations will grow, and we are committed to ensuring that the people and communities impacted by our business are able to live a life of liberty, dignity, and respect. Our internal codes and policies on human rights are rooted in established frameworks and conventions including:

“We acknowledge and take seriously our responsibility to protect, preserve, and promote human rights around the world.”

- United Nations Declaration on Human Rights
- The Code of Conduct of the Responsible Business Alliance (RBA)
- The United Nations Guiding Principles for Business and Human Rights (UNGPs)
- OECD Guidelines for Multinational Enterprises
- International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work

Beyond the fundamental rights defined in these instruments, we also consider access to clean, reliable, and affordable energy as a basic human right and prerequisite for achieving the 2030 United Nations Sustainable Development Goals (UN SDGs). Access to energy helps to reduce poverty, improve health, reduce inequality, and raise standards of living.

Business relationships

We seek to do business with those who share our values and commitment to human rights and expect all business partners to abide by our codes of conduct. We promote awareness and respect for human rights across the value chain, including the adoption of legal contractual clauses and supplier screening measures. Grievance mechanisms are available, including the use of an anonymous third-party whistleblower hotline available, when instances of non-compliance with the [Enphase Energy Code of Conduct \(Code of Conduct\)](#) or our [Supplier Code of Conduct](#) are observed or reported. Corrective actions are taken involving managers, executive sponsors, and the Audit Committee of the Board when appropriate.

At minimum, we expect our business partners to uphold basic human rights pertaining to minimum wage, maximum working hours, freedom of association and the right to collective bargaining, corporal punishment and disciplinary practices, acceptable living conditions, non-discrimination, and compliance with health and safety laws as defined in domestic and international conventions and frameworks.

Eradicating forced labor and human trafficking in supply chains

We take the issues of slavery and human trafficking very seriously and will continue doing our part by responsibly managing our supply chain to eradicate human trafficking and slavery.

As stated in Section 15 of our [Supplier Code of Conduct](#) our suppliers must not support, promote, or engage in the practice of forced labor, child labor, slavery, or human trafficking. The Supplier Code of Conduct requires our suppliers, its next tier suppliers, and subcontractors to comply with all international standards and applicable laws regarding slavery and human trafficking and to conduct due diligence of their operations to verify compliance that the materials used in our products comply with laws regarding human trafficking and slavery. Also see our [California Transparency in Supply Chains Disclosure](#).

Materials sourcing and conflict minerals

We are committed to following all materials guidance and environmental regulatory compliance requirements in all the countries in which we operate and sell. We do not use cobalt in our batteries as this mineral represents an increased risk of being sourced from the Democratic Republic of the Congo (DRC) and other conflict-affected areas associated with unfair labor practices. We expect our suppliers to source materials and operate in a responsible manner consistent with the Organization for Economic Cooperation and Development's Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas. Our SEC conflict minerals disclosure on responsible sourcing is updated annually on our website. For additional information, please refer to our most recent [conflict minerals report](#) and [conflict minerals policy](#).

“We are committed to following all materials guidance and environmental regulatory compliance requirements in all the countries in which we operate and sell.”

We expect our suppliers to acknowledge and agree to the following terms with respect to conflict minerals:

- Acknowledge that Enphase is required to meet the requirements of the Dodd-Frank Wall Street Reform and Consumer Protection Act
- Agree to provide Enphase with conflict mineral content and country of origin information on products supplied to Enphase
- Agree to cooperate in Enphase or independent third-party auditing of supply chain and procurement process, conflict mineral audits, and due diligence on its suppliers, and
- Agree to collaborate with Enphase in developing a chain of custody for conflict minerals in the supply chain and identifying and sourcing conflict-free sources for minerals used in Enphase products.

Supplier selection and auditing

The success of our products would not be possible without positive and long-lasting relationships with suppliers and partners that share our values of quality, design, and sustainability. We work closely with all our contract manufacturers, from onboarding to customer delivery, to ensure that our products are made while adhering to the highest ethical, environmental, and socially responsible standards.

“Potential suppliers are rigorously screened for quality, including performance on environmental and social factors.”

We provide a Supplier Quality Assurance Manual that outlines our expectations of new and existing partners. We are committed to producing high quality, reliable, and cost effective products that are shipped on time, provide customer value, and conform to national and international requirements. We, along with our customers demand and expect defect-free products and services.

Potential suppliers are rigorously screened for quality, including performance on environmental and social factors. We began incorporating environmental and social factors in our supplier quality assessment surveys in 2020, and during 2021 we screened 42% of new suppliers for quality, including environmental and social criteria, and are preparing to increase coverage to 100% of new suppliers over time. Our screening criteria includes:

- Presence of certified ISO 9001 or ISO/TS 16949 Quality Management System (QMS)
- Presence of certified ISO 14001 Environmental Management System (EMS)
- Presence of environmental policy, and
- Published REACH and RoHs compliance.

Due diligence and risk impact assessments

Enphase is committed to protecting human rights, enforcing fair labor practices, and addressing the potential risks of forced labor, child labor, human trafficking, and slavery across our operations and supply chain. We are strengthening our processes for assessing supply chain risk exposure, with director-level oversight of developing a risk impact assessment to monitor and report the impact to human rights which will be reported annually to the Board.



P6. Global occupational health and safety

Our Occupational Health and Safety (OH&S) approach and Injury and Illness Prevention Program (IIPP) are overseen by our Global Head of Environmental Health and Safety. They are designed to anticipate and prevent occupational illness and promote an injury-free workplace, while preparing a quick response to potential emergencies. We take a proactive approach to health and safety management and are designing our systems on the guidance provided in global standards such as ISO 14001 and ISO 45001. Our global senior leadership is ultimately responsible for the safety and health commitments outlined below.

2021 Health and safety figures*

“We take a proactive approach to health and safety management and are designing our systems on the guidance provided in global standards such as ISO 14001 and ISO 45001.”

Year	2021
Lost time incident rate (LTIR)	0
Total recordable incident rate (TRIR)	0
Near-miss frequency rate (NMFR)**	0
Fatality rate	0

* North America and New Zealand facilities only

** New Zealand facility only



We operate in a manner that protects the health and safety of our employees, visitors, and communities. This is rooted in maintaining compliance with regulations and laws in the areas that we operate. Beyond compliance, we will implement more stringent internal requirements to protect our employees when existing regulations and laws may not address specific internal risks that we have identified.



Health and safety are critical considerations during the design of our products and processes. Through the development of a management system approach, we will evaluate existing and potential hazards and risks and strive to eliminate them to prevent occupational injuries and illnesses.



We openly communicate the opportunity for employees to participate in the development of health and safety programs and processes, including encouraging suggestions and requesting insight regarding hazards, risks and concerns. We are proud of our health and safety record, with zero recordable incidents over the last year in our North America and New Zealand locations and are committed to tracking and reporting safety figures across all our global facilities.



Society

We take seriously our responsibility to help expand access to clean energy. We support a more clean, reliable, and better-performing grid, and we collaborate with a wide range of stakeholders to advance policy outcomes in support of clean energy across the world.



S1. Enphase corporate social responsibility initiatives



GRID Alternatives

We have been partnering with [GRID Alternatives \(GRID\)](#), a national non-profit leader, for over a decade. GRID's mission is to build community-powered solutions to advance economic and environmental justice through renewable energy. GRID works towards this mission by handling solar installations and providing job training in low-income communities. GRID has installed nearly 9,000 systems in low-income communities across the United States using Enphase technology, which is the equivalent of more than 33 megawatts (MW) of solar power. These homes in the aggregate can enjoy an estimated lifetime savings of more than \$235 million and help prevent nearly 531,000 tons of greenhouse gas emissions. Through our association, we have donated our industry-leading microinverter products and our employees have volunteered more than 3,000 labor hours for the installation of solar on dozens of low-income homes and community buildings over the past decade. GRID's work has helped provide job trainees and volunteers with more than 500,000 hours of solar education and training.



Children's Haven + Solar Austin

In 2021, we collaborated with [Solar Austin](#) in a project to provide an Enphase® Energy System, powered by IQ® Microinverters and IQ™ Batteries, at [The Children's Haven Association](#), a nonprofit organization that provides increased opportunities to underprivileged children and families in the Austin community of Travis County, Texas. Through the collaboration, our technology will provide Solar Austin with reliable and affordable power, enabling them to deliver more services and act as a resilient hub for their community.



Let's MOD

We partnered with [Let's MOD](#), formerly PolyUp, in 2021 to support its online program that encourages kids to use innovation and science, technology, engineering, and mathematics (STEM) skills for problem solving. We helped Let's MOD create a digital library of energy management tools to encourage students to learn more about the sector. In addition, we supported a scholarship program for financially challenged students interested in participating with this educational platform in India.



YMCA Camp Cory

We partnered with Everybody Solar and Paradise Energy Solutions to help bring a solar energy system to Camp Cory, a YMCA division camp in the state of New York that serves youth, adults, families, and seniors. We donated our IQ® Microinverters to support the project, which ultimately decreases the operating costs of the camp and allows it to serve more children and families at the camp.



The Living Room Project

In 2021, we partnered with Taylor Energy to develop a large solar energy system for The Living Room Project, a shelter that services over 1,200 women and children each year in the Sonoma County region of California. The shelter provides housing, food, and outreach to those in need. The solar energy system, powered by Enphase IQ Microinverters, is projected to save The Living Room Project more than \$150,000.



Semper Cares

We partnered with leading California solar installer, Semper Solaris, to support the company's Semper Cares Initiative. The initiative provides help to veterans and their families in need of energy independence and security. Enphase donated solar energy system equipment to help complete the project and give back to the U.S. Military veteran community with more affordable and reliable power.



The Footprint Project

After the disaster of Hurricane Ida in 2021, we donated to The Footprint Project, supporting the construction of solar-powered microgrids in areas of New Orleans, Louisiana without power. The Footprint Project's mission is to provide clean energy for communities in crisis. The organization was able to play a role in providing power to those in need by using microgrids at community centers, hospitals, and other sites.



Solar in the regions

We partnered with RACV Solar, one of Australia's oldest and most trusted member-based organizations, for its Solar in the Regions investment program. The initiative is designed to improve safety for regional towns in Victoria by adapting community buildings and installing solar power and battery storage to give them a reliable power supply when the grid goes down, such as during extreme weather events and bushfires. The first of three Enphase systems to be donated was installed at Yea Showgrounds and Recreation Reserve.



BuildHer Collective

BuildHer Collective is an organization committed to supporting women to build and renovate their own homes, focusing on promoting diversity and sustainability. We partnered with RACV Solar, the solar installation arm of the RACV, to install solar with donated equipment on a key project called BuildHer8, which includes two new, architecturally designed, all-electric homes in Fairfield, Victoria, Australia.



Stokes Bay Community Hall

We donated microinverters for the \$1.3 million rebuilding of the Stokes Bay Community Hall, destroyed by catastrophic Australian bushfires in 2020. Located on the northern coast of Kangaroo Island, Stokes Bay has a population of more than 200 people, for whom the 60-year-old hall is the heart of the community. The donation was made through the Enphase Giveawatt social impact program and in partnership with Adelaide-based Enphase Platinum installer partner, Energy SA.



The S-Series Microinverter repurposing program

In partnership with Solar Lifeline in Southeast Queensland, Australia, we donated more than 300 S-Series microinverters to support the installation of solar systems for Cleveland City Council’s low-income households and government housing programs in Australia.



Stokes Bay Community Hall

S2. Enphase grid services

Adding value to customers and society with home batteries

In 2021, for the first time, we offered customers with IQ™ Batteries the chance to participate and earn money in a grid services program. These programs, also known as “virtual power plants” (VPPs), create a network of home batteries that are managed by utilities and grid operators. The programs pay homeowners for the stored energy in their home batteries when the grid needs it the most. As a result, utilities do not need to turn to the kinds of expensive, polluting power plants that traditionally address peak power demand. A stable grid, powered by sustainable energy, and extra money for homeowners – a win-win-win situation.

“A stable grid, powered by sustainable energy, and extra money for homeowners – a win-win-win situation.”

In many grid services programs, customers can sign up, monitor, and control participation using our Enphase App right from the palm of their hand. The incentives reduce the cost of the home energy system and make home batteries more accessible and affordable to more people. As these programs scale, we will have cleaner, more affordable, and more reliable energy for everyone.

We are now participating in four different grid services programs across the United States, with plans to expand in the coming years. The following describes three of the utility programs launched in 2021.

Arizona Public Service

We teamed up with Arizona Public Service (APS) for the utility’s residential battery pilot grid services program. The program offers homeowners with Enphase IQ Batteries in APS’s service territory two ways to participate and earn money through one-time, upfront incentives. Customers who sign up for the program and simply share their data with APS, including basic information about them and their Enphase® Energy System, will earn \$500 per installed kilowatt of battery capacity with a cap of \$2,500 per home.

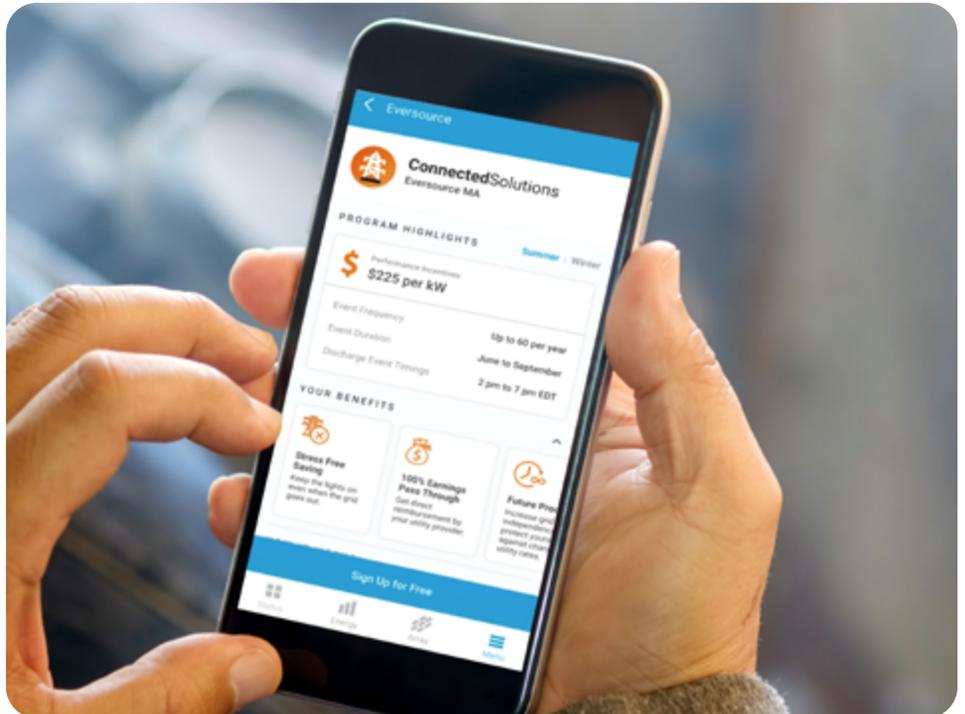
Alternatively, homeowners can enroll in the program, share their data with APS, and allow the utility to use the stored energy from their batteries on demand. These customers may be eligible to earn the same \$500 per installed kilowatt of battery capacity (up to \$2,500 per home), plus an additional one-time payment of up to \$1,250, for a total maximum incentive of \$3,750 per home.

ConnectedSolutions

Enphase customers with IQ Batteries in select utilities across Connecticut, Massachusetts, and Rhode Island can participate and earn money through the ConnectedSolutions program, a utility-run incentive program to reduce electrical demand during high-use periods.

Once an Enphase battery is commissioned, homeowners may be eligible to enroll their battery in the program. The utility will send a signal to the battery telling it to discharge during “peak demand events.” These events occur when the grid is stressed from high demand and can be expected up to 60 times every year. Discharging energy during these times helps stabilize the grid all while using clean, sustainable energy.

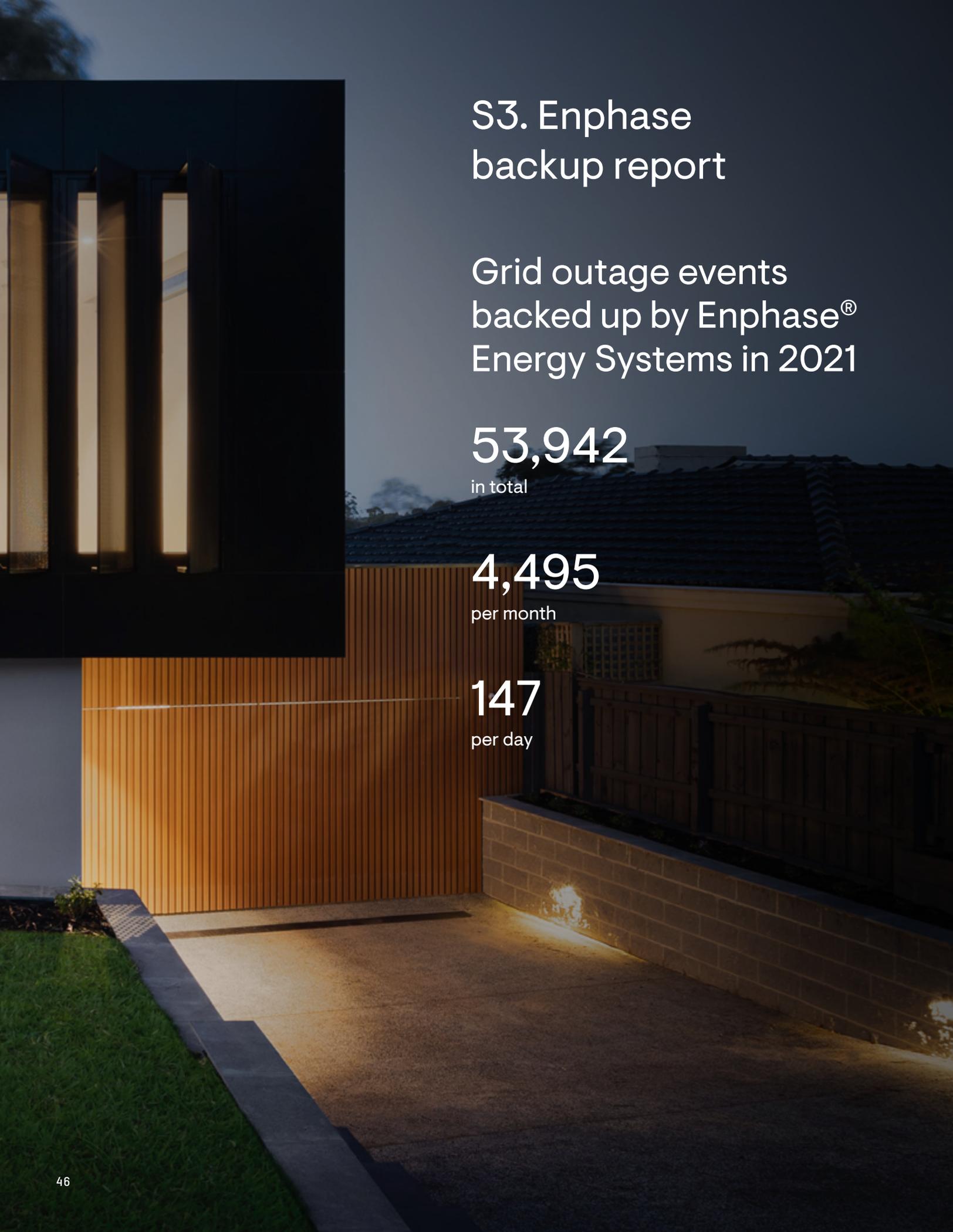
Participating in these peak demand events is 100% optional for homeowners. But the more they participate, and the more energy they make available, the more money they can earn.



Hawaiian Electric

Hawaiian Electric’s Battery Bonus grid services program offers incentives to homeowners who install a new IQ Battery on the island of Oahu. The first customers accepted by the utility into the Battery Bonus program will be eligible to receive \$850 per kW that they commit to make available to HECO during a fixed two-hour period each day — for example, qualified new IQ Battery 10 owners may be eligible to earn up to \$3,264.

Adding more battery capacity onto the grid will help manage the retirement of a coal plant and support Hawaii’s goal of 100 percent clean energy by 2045.



S3. Enphase backup report

Grid outage events
backed up by Enphase[®]
Energy Systems in 2021

53,942

in total

4,495

per month

147

per day

Giving families peace of mind with home batteries

In 2021, we witnessed more large-scale power outages that left communities without power for days and even weeks at a time. Our aging and overly constrained grid is struggling to deal with the increasingly devastating impacts of extreme weather caused by climate change.

With more than 300 MWh of home batteries deployed by the end of 2021, we are a leader in giving homeowners peace of mind and energy security as they navigate uncertain times. Enphase IQ™ Batteries and IQ® microinverters can be paired together to back up just the essentials or an entire home. We have even made it possible for homeowners to integrate existing home generators and power through even longer, more severe power outages.



S4. Enphase innovation

Supporting a more clean, reliable, and
better performing grid

Enphase Energy and the U.S. Department of Energy

In 2021, the Biden Administration released a plan to produce almost half of the nation's electricity from solar energy by 2050 as part of its effort to decarbonize and modernize the grid. The Solar Futures Study by the U.S. Department of Energy (DOE) included a significant focus on the study of storage and advanced inverter technology as a catalyst for supporting a more reliable, better-performing grid with significant renewable energy deployment. We are proud to be supporting two DOE projects that received a total of \$31 million in funding to support this research.

Universal Interoperability for Grid-Forming Inverters (UNIFI) Consortium

We are part of the UNIFI consortium, which was formed by the National Renewable Energy Laboratory, the University of Washington, and the Electric Power Research Institute. UNIFI brings together leading researchers, industry stakeholders, utilities, and system operators to advance grid-forming inverter technology and has been awarded \$25 million from the DOE's Solar Energy Technologies Office. UNIFI is focused on integrating these inverters into electric grids at any scale to enable high penetration of inverter-based resources like solar and battery storage.

We have a leadership role in the Consortium and will be leveraging its expertise and industry-leading microinverter technology for research and development to support the project. Ultimately, our systems will be part of a 20 MW demonstration project with select utilities that will showcase the group's efforts to create a more modern, smart, clean energy grid for everyone.

GridBright and the University of Pittsburgh

We also support GridBright and the University of Pittsburgh on a research project to advance the integration of local solar into the existing electrical grid by providing data and in-kind technical support. The project was awarded \$6 million by the DOE.

Building the 21st Century Electricity System

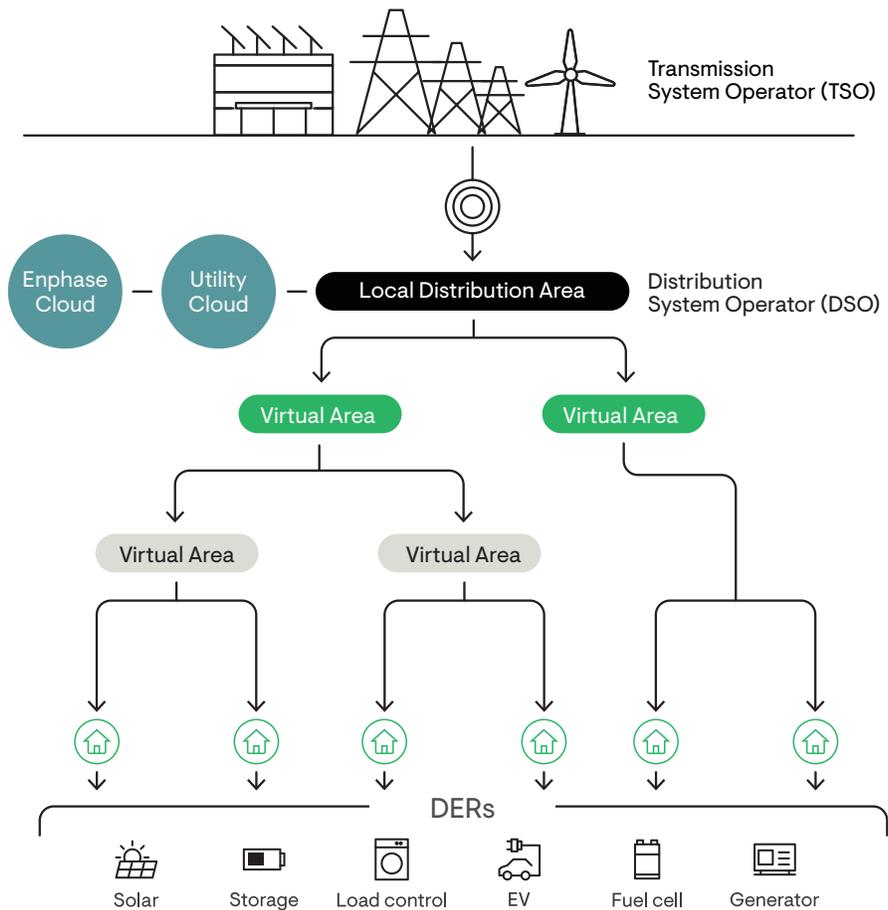
“We worked with industry experts in 2021 to outline and advocate for this transformed future.”

The electricity system in the United States today stands at the threshold of a bottom-up transformation, in which customers of all types become network participants, local energy resources power electrification of buildings and transportation, and all communities enjoy the resilience, economic, and health benefits of local clean energy. New technologies are offering these possibilities just when we urgently need to change our energy practices to meet the challenges of climate disruption.

We worked with industry experts in 2021 to outline and advocate for this transformed future. In partnership with well-known electric power system reform and market design expert, Lorenzo Kristov, we endorsed a white paper titled “Building the 21st Century Electricity System.” The white paper sets forth the strategies and policies for moving to a decarbonized, resilient, equitable, and customer-focused electric power system.

You can read the paper here:

[Building the 21st century electricity system →](#)



S5. Promoting clean energy policy

We collaborate with a wide range of stakeholders to advance policy outcomes in support of clean energy across the world. Working with policymakers, public advocacy groups, and industry partners, we help drive meaningful progress toward the fair valuation of local solar and battery technology, while expanding access to more people.

In the U.S., we strengthened our leadership role by joining the Solar Energy Industry Association's Board of Directors, as well as taking on leadership positions in various committees and subcommittees. We also joined the Board of Directors for the California Solar and Storage Association, which represents the largest state-affiliated solar and battery industry association in the US.

“We collaborate with a wide range of stakeholders to advance policy outcomes in support of clean energy across the world.”

We are a leading advocate for both the production tax credit for solar inverter manufacturing, as well as the investment tax credit for solar and batteries. Our Chief Operating Officer, Jeff McNeil, has presented alongside the United States Secretary of Energy, Jennifer Granholm, advocating for domestic manufacturing and clean energy jobs. Investments in advanced energy can bolster U.S. manufacturing, create good jobs, and expand business opportunities for companies in our industry.

In Australia, we actively participate in various working groups and elected committees representing the distributed energy industry. These groups include Standards Australia, Smart Energy Council, Clean Energy Council, Master Electricians Association, and more.

Through our local team, we are also participating in working groups and offering formal submissions with key market bodies such as the Australian Energy Market Operator (AEMO), the Australian Energy Market Commission (AEMC), the Australian Energy Regulator (AER), and the Electricity Networks Association (ENA). These advocacy efforts aim to demonstrate what is possible with advanced energy management and remove functionality to appropriately define the future energy network in Australia.

Advancing local solutions



Illinois

We worked with industry stakeholders to help shape policy at the Illinois Commerce Commission aimed at assigning more value to behind-the-meter solar and batteries. Through working sessions and official comment submissions, we helped advance conversations to bring grid services programs to Illinois. Grid services will provide additional value to homeowners that install solar and batteries, while reducing the need for expensive and polluting fossil fuels across the state.



Washington

Working with the Washington Utilities and Transportation Commission and Puget Sound Energy, we helped create additional value streams for local solar and batteries. This industry-backed policy effort drove policymakers to allow behind-the-meter batteries to export energy, creating clean energy VPPs that will help the state meet its renewable energy goals.



Arizona

We are one of only three companies participating in the State's "Bring Your Own Device" battery program. We have led discussions with the Arizona Corporation Commission and Arizona Public Service Company to advocate for the utility to implement new demand response programs and a new distributed demand-side resource (DDSR) tariff that will ultimately compensate homeowners for a multitude of services their behind-the-meter solar and battery assets can bring to the grid in a simple and predictable way.



California

Starting in 2021, we collaborated with industry stakeholders to begin working with policymakers across California to develop advanced energy policy that will shape the state's new grid services program aimed at preventing utility blackouts caused by weather-related surges in energy demand. The Emergency Load Reduction Program was created, which is a new "demand response" approach to help avoid rotating outages during peak summer electricity usage periods. We continue to advocate for state officials to modernize the way they measure home battery discharge, ensuring maximum value for homeowners that provide critical support to the overall grid.

Corporate governance



We regularly evaluate a myriad of risks associated with climate change, governance, human rights, integrity, employee satisfaction, finance, information technology, and other business processes to ensure a strong internal governance with clear communication. We participate in the development of policies and regulations around the world as part of our core governance principles.

G1. ESG governance and leadership

Board oversight of ESG

The Board is presided over by a Lead Independent Director. We believe that having a Lead Independent Director creates an environment that is more conducive to objective evaluation and oversight of management’s performance, increasing management accountability and improving the ability of the Board to monitor whether management’s actions are in the best interests of our company and our stockholders.

Our governance framework is firmly rooted in risk management and compliance, which serves as the foundation for additional voluntary sustainability and ESG efforts at Enphase. We appreciate the importance of ESG risks and opportunities, and the Board and its committees are responsible for directing our overall ESG strategy.

The Nominating and Corporate Governance Committee oversees ESG matters including strategy, initiatives, and policies, communication with employees, investors, and other interested stakeholders. Our cross-functional ESG executive leadership team updates the Nominating and Corporate Governance Committee on at least an annual basis on emerging ESG trends, reporting and regulations, and assessment of strategic objectives over the short-, medium-, and long-term on climate and emissions, diversity, human rights, and other material ESG topics.

The Audit Committee annually identifies and assesses all key company risks and monitors our risk mitigation efforts. The annual ERM program incorporates material ESG risk factors and is reviewed formally by our management and executives with oversight from the Audit Committee of the Board. This process includes reviewing potential financial impacts of transition and physical climate risks outlined in the TCFD.

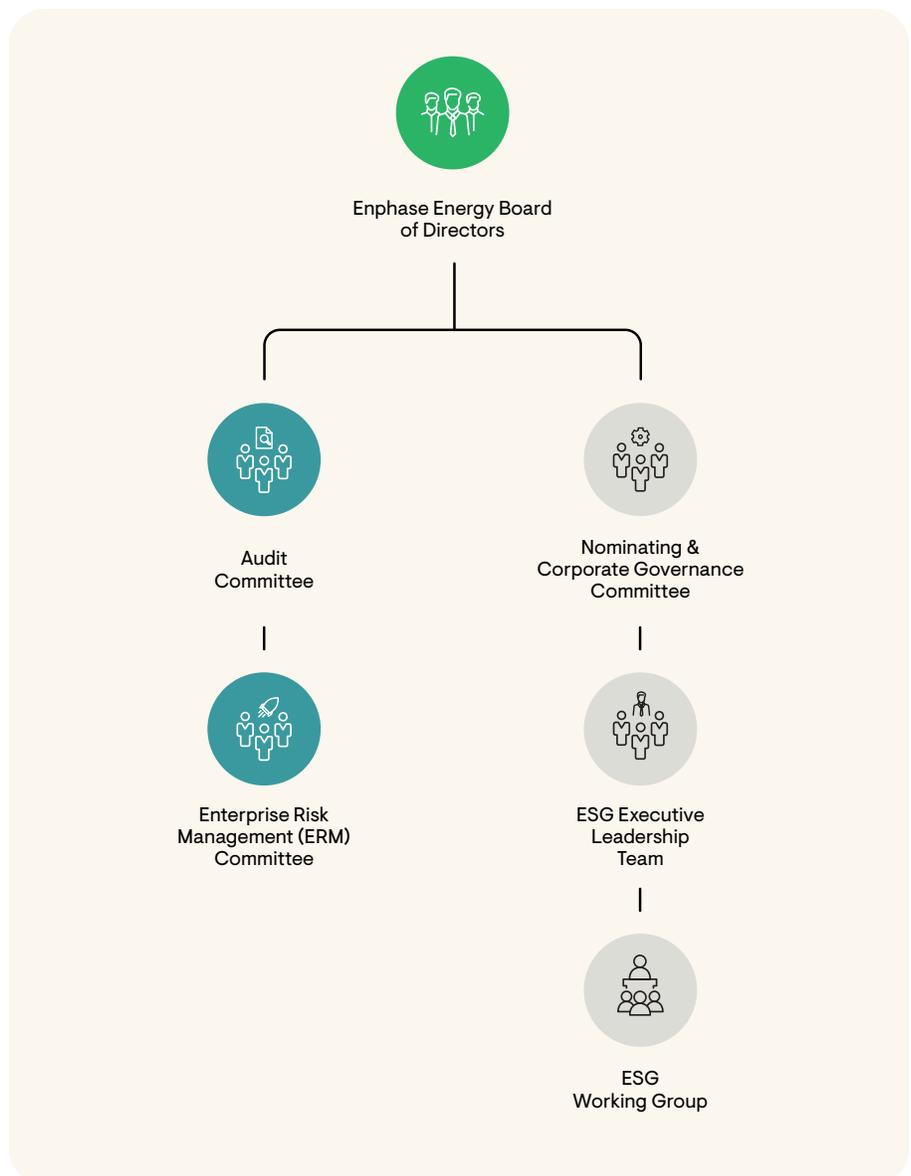
The Compensation Committee oversees matters related to human capital management, including inclusion and diversity initiatives, leadership development and talent assessments. The Committee is also responsible for executive compensation and pay metrics.

Additional information about the role of the Board and its various committees is available in our Corporate Governance Guidelines.

“We appreciate the importance of ESG risks and opportunities, and the Board and its committees are responsible for directing our overall ESG strategy.”

ESG management structure

Our cross-functional ESG executive team led by our General Counsel and the supporting working groups manage and operationalize the ESG program across the company. The ESG team is comprised of executive management representatives and meets at least quarterly to review ESG risks and opportunities, develop ESG goals and targets, and allocate the necessary resources to achieve company-wide ESG objectives. The supporting ESG working groups include senior leaders and key internal stakeholders representing legal, investor relations, global policy and government affairs, facilities, procurement, supply chain, manufacturing, human resources, compliance, and risk management. Progress toward ESG goals and targets is incentivized through our quarterly bonus system accessible to all employees and executives.



Board diversity and independence

“We believe that our Board should represent diversity of thought, background, skill, experience, and expertise.”

We take seriously our longstanding and continuing commitment to effectiveness in the boardroom. We believe that our Board should represent diversity of thought, background, skill, experience, and expertise. We recognize that enhancing demographic diversity on the Board, through the representation of women and underrepresented groups, encourages a thoughtful decision-making process that is important to effective corporate governance. Consistent with our philosophy, we have codified a version of the Rooney Rule in our Corporate Governance Guidelines, which states that, "the Nominating and Corporate Governance Committee will ensure each pool of qualified candidates for additional or vacant Board positions from which Board nominees are chosen includes candidates who bring racial and/or gender diversity." In 2020, we implemented this provision in our director search and as a result appointed our first female member, Jamie Haenggi, to our Board. The composition of our seven-person board reflects a variety of backgrounds, experiences, and tenures, and we continue to seek opportunities to enhance the diversity and effectiveness of our Board.

Gender diversity

1

Female

6

Male

Demographic background

1

Asian

1

Hispanic
or Latinx

3

White

2

Did not
disclose

Age diversity

1

between ages of
30–40

3

between ages of
41–55

1

between ages of
56–70

2

over the age of
70

G2. Business ethics and compliance

Enphase Energy code of conduct

At Enphase, we believe that all people should be treated with dignity and respect. The Code of Conduct applies to all officers, directors and employees, contractors, and consultants. It provides general guidelines to ensure proper and ethical behavior, compliance with laws, and compliance with our standards, policies, and procedures. We are committed to complying with all applicable laws and regulations everywhere we operate.

Clawback policy

Our clawback policy applies to all employees and allows us to recover any incentive-based compensation that was paid based on erroneous financial information reported under securities laws. Specifically, we may recoup any incentive compensation from any employee if: (i) he or she engages in intentional misconduct pertaining to any financial reporting policy; (ii) there is a material negative revision of a financial or operating measure on the basis of which incentive compensation was awarded or paid to the employee; or (iii) he or she engages in any fraud, theft, misappropriation, embezzlement or dishonesty. Any recoupment will be made irrespective of whether the employee's conduct contributed to the need for the restatement and/or revision. For additional information, please refer to our 2022 Proxy Statement.

Supplier conduct

We choose business partners who share our mission and intend to only work with those who agree that our shared success is based on acting ethically and lawfully. We expect our business partners to adhere to our Supplier Code of Conduct, which includes (a) conducting business with high ethical standards; (b) complying with applicable laws; (c) supporting the human rights of workers and treat their employees with dignity; (d) adhering to anti-slavery and human trafficking principles; and (e) maintaining safe and healthy working conditions.

Whistleblower policy

We take matters of ethics and integrity seriously at all levels of our organization and provide an anonymous platform to report violations of the Code of Conduct. Concerns may be reported anonymously through a third-party, independent whistleblower service, available 24 hours a day, seven days a week, and are investigated promptly with the highest degree of confidentiality. Retribution or retaliation against whistleblowers is strictly prohibited, and employees are also empowered to report any suspicious or unethical activity directly to their manager, human resources, legal, or our Compliance Officer. For additional information, please refer to our Code of Conduct.

G3. Risk management

We regularly evaluate a myriad of risks associated with climate change, governance, human rights, integrity, employee satisfaction, finance, information technology, and other business processes through our ERM program. Our ERM Committee annually identifies and assesses all key company risks and monitors risk mitigation efforts.

“We collaborate with national labs, government agencies, and university research groups to develop innovative solutions that enable more efficient and sustainable products.”

To determine risks year-over-year, the employee population is stratified. Select employees representing various functions at all levels across all geographies and cost centers - executive, operations, finance, sales, engineering, IT, etc. - respond to an extensive risk questionnaire encompassing regulation, health and safety, human resources, integrity, and other factors.

The ERM program is designed to deliver knowledge sharing from our employees on specific risk topics and to accumulate information on opportunities and actions to be taken by leadership. Risk events are assessed by cross functional employees each year. Participants are given absolute assurance that their responses are anonymous and individual survey responses are held in confidence. A robust methodology then combines risk responses and evaluates risk likelihood, impact, and velocity to rank risks for priority treatment by functional leaders. Top risks are identified for every business unit and presented to our Board. We then work collectively to mitigate and address all top risks affecting our company’s ability to meet its stated objectives.

We also track market and regulatory requirements that impact our business and play an active role in the development of new standards for the solar industry. We collaborate with national labs, government agencies, and university research groups to develop innovative solutions that enable more efficient and sustainable products.

G4. Cybersecurity and data privacy

We believe that cybersecurity and privacy is a basic right that should apply globally, regardless of where someone resides and what laws may apply, and whether they are an employee, customer, or general consumer. This approach is part of our daily practices and in nearly everything we do, including new product features, management of data subject access requests, how we treat our employees, and in our relationships with partners.

“We believe that cybersecurity and privacy is a basic right that should apply globally, regardless of where someone resides and what laws may apply, and regardless of whether they are an employee, customer, or general consumer.”

In implementing this unified approach, we look to the world’s strictest laws, regulations, and rules, including the EU’s General Data Protection Regulation (GDPR), and California’s Consumer Privacy Act (CCPA) and California Privacy Rights Act (CPRA), while also staying abreast of many other federal, state, and local laws and proposed laws. We adhere to these stringent regulations in all processing of personal information, including collection, use, storage, retention, security, disclosure, and transfer. The details disclosed in our privacy policy demonstrate our commitment and serve as a frequent source of truth for ongoing business operations. We continue to review and update our [privacy policy](#) as our business evolves and expands.

We recognize that enterprise and product security is a backbone of sound privacy practices. We have implemented a combination of organizational, technical, and physical safeguards designed to ensure the confidentiality, integrity, and accuracy of information, including personal information. Our security programs include:

- Enterprise-wide security initiatives designed to constantly adapt to the evolving threat landscape
- Cybersecurity Training and Awareness Program that includes new employee training, annual risk-relevant refresher trainings for all employees, quarterly penetration exercises, just-in-time training assignments, and secure coding training for software developers, and
- Next-generation product architectures are designed specifically with security in mind

Our executive staff and Audit Committee are also engaged in periodic reporting and improvement in our security posture.



Appendix



Carbon and emissions calculation methodology

Prevented metric tons of carbon dioxide equivalent (MT CO₂e) figures are derived from actual kilowatt-hour (kWh) production of our deployed microinverter fleet from company inception through December 31, 2021 as recorded in our Enlighten™ monitoring database, including a gross up factor of 1.2 to account for deployed systems which are not monitored in the Enlighten database because the system owner has not chosen to connect to the Enlighten system. The conversion of actual kWh production to carbon dioxide equivalent figures was made using the [Environmental Protection Agency \(EPA\) Greenhouse Gas Equivalencies Calculator](#).

The GHG emissions inventory follows the guidance provided in the GHG Protocol Corporate Standard, covering direct (scope one), electricity indirect (scope two), and business travel (scope three) categories. Our scope one emissions for 2021 are considered negligible given that our products are assembled by third-party contract manufacturers and we do not operate a company vehicle fleet.

Our scope two emissions are calculated using a location-based method for electricity and heat consumption across leased facilities, globally. Note that heat consumption was only gathered for facilities located in North America for the 2021 GHG emissions inventory. Electricity and heat consumption were converted to MT CO₂e using emission factor data provided in the [Emissions Factors for Greenhouse Gas Inventories](#) provided by the U.S. EPA and information provided in the [Emission Factors 2021](#) data set made available by the International Energy Agency (IEA). Emissions calculations cover those emissions attributable to CO₂, N₂O, CH₄ from electricity and heat generation, as well as those resulting from transmission and distribution losses. Gases are converted to CO₂e by multiplying by their global warming potential (GWP), referencing default factors provided by the Intergovernmental Panel on Climate Change (IPCC). Scope three emissions attributable to business travel were provided by our third-party travel agency.

GRI index

GRI Standard	Disclosure	Location
GRI 2: General disclosures	2-1 Organizational details	See About Us section; Back cover
	2-3 Reporting period, frequency, and contact point	2021, annually, ir@enphaseenergy.com
	2-6 Activities, value chain and other business relationships	See About Us and Environment sections; See 2021 Report on Form 10-K (Business Section)
	2-7 Employees	See People Section
	2-9 Governance structure and composition	See Corporate Governance Section; See 2022 Proxy Statement
	2-10 Nomination and selection of the highest governance body	See Corporate Governance Section (Board Diversity and Independence); See 2022 Proxy Statement
	2-11 Chair of the highest governance body	See Corporate Governance Section (ESG Governance and Leadership); See 2022 Proxy Statement
	2-12 Role of the highest governance body in overseeing the management of impacts	See Corporate Governance Section (ESG Governance and Leadership); See 2022 Proxy Statement
	2-13 Delegation of responsibility for managing impacts	See Corporate Governance Section (ESG Governance and Leadership); See 2022 Proxy Statement
	2-14 Role of the highest governance body in sustainability reporting	See Corporate Governance Section (ESG Governance and Leadership)
	2-15 Conflicts of interest	See 2022 Proxy Statement
	2-17 Collective knowledge of the highest governance body	See Board of Directors information on Enphase company website
	2-18 Evaluation of the performance of the highest governance body	See 2022 Proxy Statement
	2-19 Remuneration policies	See 2022 Proxy Statement
	2-20 Process to determine remuneration	See 2022 Proxy Statement
	2-22 Statement on sustainable development strategy	See 2022 CEO Letter
	2-25 Processes to remediate negative impacts	See Enphase Code of Conduct
	2-26 Mechanisms for seeking advice and raising concerns	See Corporate Governance Section (Business Ethics and Compliance)
	2-27 Compliance with laws and regulations	See Enphase Code of Conduct
	2-29 Approach to stakeholder engagement	p. 66
2-30 Collective bargaining agreements	See 2021 Report on Form 10-K (Business Section)	
GRI 3: Material topics	3-1 Process to determine material topics	p. 66
GRI 201: Economic performance	201-1 Direct economic value generated and distributed	pp. 14-15
	201-2 Financial implications and other risks and opportunities due to climate change	See Climate Change Strategy Section, p. 19
GRI 203: Indirect economic impacts	203-1 Infrastructure investments and services supported	pp. 40-51, 64-65
GRI 302: Energy	302-1 Energy consumption within the organization	p. 22
	302-3 Energy intensity	p. 22
	302-4 Reduction of energy consumption	p. 24
GRI 305: Emissions	305-1 Direct (Scope 1) GHG emissions	p. 22
	305-2 Energy indirect (Scope 2) GHG emissions	p. 22
	305-3 Other indirect (Scope 3) GHG emissions	p. 22
	305-4 GHG emissions intensity	p. 22
	305-5 Reduction of GHG emissions	pp. 22-24
GRI 306: Waste	306-1 Waste generation and significant waste-related impacts	p. 25
	306-2 Management of significant waste-related impacts	p. 25

GRI Standard	Disclosure	Location
GRI 308: Supplier environmental assessment	308-1 New suppliers that were screened using environmental criteria	p. 36
	308-2 Negative environmental impacts in the supply chain and actions taken	pp. 34-36
GRI 403: Occupational health and safety	403-1 Occupational health and safety management system	pp. 38-39
	403-2 Hazard identification, risk assessment, and incident investigation	pp. 25, 38-39
	403-4 Worker participation, consultation, and communication on occupational health and safety	pp. 38-39
	403-5 Worker training on occupational health and safety	pp. 38-39
	403-6 Promotion of worker health	pp. 28-29
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	pp. 38-39
	403-8 Workers covered by an occupational health and safety management system	100%
	403-9 Work-related injuries	pp. 38-39
	403-10 Work-related ill health	pp. 38-39
	GRI 404: Training and education	404-2 Programs for upgrading employee skills and transition assistance programs
404-3 Percentage of employees receiving regular performance and career development reviews		100%
GRI 405: Diversity and equal opportunity	405-1 Diversity of governance bodies and employees	pp. 30, 55
	405-2 Ratio of basic salary and remuneration of women to men	p. 31
GRI 408: Child labor	408-1 Operations and suppliers at significant risk for incidents of child labor	pp. 34-36; Also see Enphase Code of Conduct
GRI 409: Forced or compulsory labor	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	pp. 34-36; Also see Enphase Code of Conduct
GRI 414: Supplier Social Assessment	414-1 New suppliers that were screened using social criteria	p. 36
GRI 416: Customer health and safety	416-1 Assessment of the health and safety impacts of product and service categories	p. 25
GRI 417: Marketing and Labeling	417-2 Incidents of non-compliance concerning product and service information and labeling	Zero
	417-3 Incidents of non-compliance concerning marketing communications	Zero
GRI 418: Customer Privacy	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	Zero

SASB index

Topic	Accounting Metrics	Code	Location
Hazardous Waste Management	Amount of hazardous waste generated	RR-ST-150a.1	2.24 metric tons RCRA and non-RCRA (CA)
	Number and aggregate quantity of reportable spills, quantity recovered	RR-ST-150a.2	Zero, n/a
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	RR-ST-410a.1	pp. 44-51
	Description of risks and opportunities associated with energy policy and its impact on the integration of solar energy into existing energy infrastructure	RR-ST-410a.2	pp. 44-51
Product End-of-life Management	Description of approach and strategies to design products for high-value recycling	RR-ST-410b.4	p. 25
Materials Sourcing	Description of the management of risks associated with the use of critical materials	RR-ST-440a.1	pp. 34-36
Total Project Development Assets	Reporting currency	RR-ST-000.C	pp. 7-8, 14-15, 68-69

Contributing to the UN Sustainable Development Goals

GOAL	DESCRIPTION	TARGETS	ENPHASE CONTRIBUTION
 <p>1 NO POVERTY</p>	End poverty in all its forms everywhere	1.5	Enphase directly reduces exposure and vulnerability to extreme climate events and other economic, social, and environmental shocks and disasters by deploying renewable energy generation and management systems across the globe. The renewable energy directly reduces GHG emissions and mitigates climate risk.
 <p>3 GOOD HEALTH AND WELL-BEING</p>	Ensure healthy lives and promote well-being for all at all ages	3.9	Renewable energy generation and management promotes environmental justice, good health, and well-being by avoiding the release of hazardous chemicals and air, water, and soil pollution associated with traditional forms of energy production.
 <p>4 QUALITY EDUCATION</p>	Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all	4.3, 4.4, 4.5	We promote technical and vocational education in the renewable energy industry through our company learning platform and non-profit partnerships. As our geographic reach continues to grow, we will expand opportunities for men, women, and children to learn about the renewable energy industry and create opportunities to contribute to global deployment of renewable energy technologies.
 <p>5 GENDER EQUALITY</p>	Achieve gender equality and empower all women and girls	5.1, 5.2, 5.5	We do not tolerate discrimination in any form, including against women. We are committed to eliminating human trafficking, slavery, and any type of human rights abuses across our supply chain. We have a woman on our Board of Directors and women are represented in managerial positions throughout the Company.
 <p>7 AFFORDABLE AND CLEAN ENERGY</p>	Ensure access to affordable, reliable, sustainable, and modern energy for all	7.1, 7.2, 7.3, 7.a, 7.b	Access to reliable, affordable, and modern energy services is what Enphase offers its customers. Enphase microinverters boast the highest levels of reliability, and our next generation off-grid solutions are paving the way for further access. As Enphase continues to grow globally and gain market share, it accelerates its positive impact and contributes to the goal of increasing the global renewable energy mix.

8 DECENT WORK AND ECONOMIC GROWTH



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

8.2, 8.3, 8.7, 8.8

Through our work in deploying renewable energy systems in emerging markets, we are supporting economic growth in developing countries. We employ local leaders and attract talent from local markets, helping to provide decent work globally. We are committed to eradicating forced child labor and ending modern slavery and human trafficking of children, including the use of child soldiers.

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



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

9.2, 9.4, 9.5

Our core business contributes directly to the “adoption of clean and environmentally sound technologies and industrial processes.” We have expanded our manufacturing footprint globally, accelerating our ability to upgrade infrastructure to be more sustainable, particularly regarding clean and environmentally-sound renewable energy generation and management technologies.

10 REDUCED INEQUALITIES



Reduce inequality within and among countries

10.1, 10.2

We are creating opportunities for economic growth and social inclusion as we expand our operations across the world. Over the past five years we have expanded our operations in India from 20 to over 1500 employees, and look forward to our continued growth and impact in developing countries.

11 SUSTAINABLE CITIES AND COMMUNITIES



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

11.3

Sustainable urbanization is a priority for both residential and small commercial applications of our products and services. Additionally, we support this goal through our long-standing philanthropic activities that help to provide solar energy for low-income communities through our partnership with GRID alternatives.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION



Ensure sustainable consumption and production patterns

12.2, 12.4, 12.5, 12.6, 12.7, 12.8, 12.a

Advancing a sustainable future for all includes taking responsibility for managing natural resources efficiently, especially with respect to product life cycle and waste streams. We are committed to environmental stewardship, responsible resource use, and contributing to the development of a circular economy.

13 CLIMATE ACTION



Take urgent action to combat climate change and its impacts

13.1

The Enphase® Energy System helps communities be more resilient in the face of climate-related hazards and natural-disasters through its grid-agnostic and energy storage capabilities; allowing homeowners and businesses to stay safe and connected even when grid services are interrupted or when there is extensive damage to energy infrastructure due to natural disasters.

About this report

We referenced the Sustainability Accounting Standards Board (SASB) to identify material financial ESG metrics for the investor community and referenced the Global Reporting Initiative (GRI) standards to report on additional material sustainability issues. We drew upon subject matter expertise of our colleagues throughout Enphase to collect and organize the content relative to the areas we identified for disclosure. Additionally, we provided disclosures aligned with the four key themes of the Taskforce for Financial-Related Climate Disclosure (TCFD). Lastly, we compared our activities to the United Nations Sustainable Development Goals (SDGs) to assess and convey how we are contributing to these important goals.

For specific information about this report or our sustainability program overall, please contact us at ir@enphaseenergy.com. We intend to issue this report on an annual basis.

All information included in this report is for the twelve-month period ended December 31, 2021, unless otherwise stated.

References to “we,” “us,” “our,” “Enphase” or “Enphase Energy” throughout this report pertain to Enphase Energy, Inc.

Forward-looking statements and other important legal information

This report and the materials or websites cross-referenced contain statements that are aspirational or reflective of our views about our future performance that constitute “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,” “aspire,” “believe,” “commit,” “endeavor,” “estimate,” “expect,” “goal,” “intend,” “may,” “plan,” “seek,” “strive,” “target,” “projection,” “will,” and “work,” or similar statements or variations of such terms and other similar expressions. The forward-looking statements in this document and the materials or websites cross-referenced concern our goals, progress or expectations with respect to corporate responsibility, sustainability, employees, environmental matters, policy, and business risks and opportunities. Forward-looking statements inherently involve risks and uncertainties that could cause actual results to differ materially from those predicted in such statements. These statements are based on numerous assumptions that we believe are reasonable, but are open to a wide range of uncertainties and business risks. In addition, these statements may be based on standards for measuring progress that are still developing, controls and processes that continue to evolve, and assumptions that are subject to change in the future. Consequently, actual results may vary materially from what is contained in a forward-looking statement.

For a further description of the risks and uncertainties that could cause actual results to differ from those expressed in these forward-looking statements, as well as risks relating to our business in general, see our Annual Report on Form 10-K filed with the Securities and Exchange Commission (SEC) on February 11, 2022 and our subsequent periodic reports filed with the SEC from time to time. Copies of these filings are available on the Enphase website at <http://investor.enphase.com/sec.cfm>, or on the SEC website at www.sec.gov. All forward-looking statements in this report are based on information currently available to us, and we assume no obligation to update these forward-looking statements in light of new information or future events.

The information included in, and any issues identified as material for purposes of, this document may not be considered material for SEC reporting purposes. In the context of this report, the term “material” is distinct from, and should not be confused with, such term as defined for SEC reporting purposes. Website references and hyperlinks throughout this document are provided for convenience only, and the content on the referenced third-party websites is not incorporated by reference into this report, nor does it constitute a part of this report. We assume no liability for the content contained on the referenced third-party references. This report contains non-GAAP financial measures relating to our performance. You can find the reconciliation of these measures to the most directly comparable GAAP financial measures on the next page.

GAAP to Non-GAAP reconciliation

Enphase Energy, Inc. reconciliation of Non-GAAP financial measures

In millions, except percentages	Q1'19	Q2'19	Q3'19	Q4'19	Q1'20	Q2'20	Q3'20	Q4'20	FY'20	Q1'21	Q2'21	Q3'21	Q4'21	FY'21
Gross profit (GAAP)	\$33.4	\$45.3	\$64.7	\$77.9	\$80.7	\$48.4	\$95.0	\$121.9	\$346.0	\$122.9	\$127.8	\$140.4	\$163.3	\$554.4
Stock-based compensation	0.2	0.4	0.5	0.5	0.6	1.3	1.2	0.5	3.7	1	1.1	2.9	2.4	7.4
Tariff refunds	-	-	-	-	-	-	(23.0)	(15.9)	(38.9)	-	-	-	-	-
Acquisition related amortization	-	-	-	-	-	-	-	-	-	-	-	-	0.2	0.2
Gross profit (Non-GAAP)	33.6	45.7	65.2	78.4	81.3	49.7	73.2	106.5	310.8	123.9	128.9	143.3	165.9	562
Gross margin (GAAP)	33.3%	33.8%	35.9%	37.1%	39.2%	38.5%	53.2%	46.0%	44.7%	40.7%	40.4%	39.9%	39.6%	40.1%
Stock-based compensation	0.2%	0.3%	0.3%	0.2%	0.3%	1.1%	0.7%	0.2%	0.5%	0.4%	0.4%	0.9%	0.6%	0.6%
Tariff refunds	-%	-%	-%	-%	-%	-%	-12.9%	-6.0%	(5.1%)	-%	-%	-%	-%	-%
Acquisition related amortization	-%	-%	-%	-%	-%	-%	-%	-%	-%	-%	-%	-%	-%	-%
Gross margin (Non-GAAP)	33.5%	34.1%	36.2%	37.3%	39.5%	39.6%	41.0%	40.2%	40.1%	41.1%	40.8%	40.8%	40.2%	40.7%
Operating expenses (GAAP)	26.2	27.9	31	33.4	36	37.5	43.2	42.8	159.5	61.5	68.4	103.1	105.6	338.6
Stock-based compensation	(3.0)	(4.2)	(5.0)	(5.6)	(6.9)	(11.0)	(13.1)	(7.8)	(38.7)	(13.8)	(14.2)	(44.2)	(34.7)	(106.9)
Restructuring and asset impairment charges	(0.4)	(0.7)	(0.5)	(1.1)	-	-	-	-	-	-	-	-	-	-
Acquisition related expenses and amortization	(0.5)	(0.5)	(0.5)	(0.6)	(0.6)	(0.5)	(0.5)	(0.8)	(2.5)	(4.0)	(2.5)	(1.6)	(2.7)	(10.8)
Operating expenses (Non-GAAP)	22.3	22.5	25	26.1	28.5	26	29.6	34.2	118.3	43.7	51.7	57.3	68.2	220.9
Income from operations (GAAP)	7.1	17.4	33.7	44.4	44.7	10.9	51.8	79.1	186.4	61.4	59.4	37.3	57.7	215.8
Stock-based compensation	3.3	4.6	5.5	6.2	7.5	12.3	14.4	8.3	42.5	14.8	15.3	47.1	37.1	114.3
Tariff refunds	-	-	-	-	-	-	(23.0)	(15.9)	(38.9)	-	-	-	-	-
Restructuring and asset impairment charges	0.4	0.7	0.5	1.1	-	-	-	-	-	-	-	-	-	-
Acquisition related expenses and amortization	0.5	0.5	0.5	0.6	0.6	0.5	0.5	0.9	2.5	4	2.5	1.6	2.9	11.0
Income from operations (Non-GAAP)	11.3	23.2	40.2	52.3	52.8	23.7	43.7	72.4	192.5	80.2	77.2	86	97.7	341.1

Enphase Energy, Inc. reconciliation of Non-GAAP financial measures (continued)

In millions, except per share data	FY'21
Net income (GAAP)	\$145.4
Stock-based compensation	114.3
Acquisition related expenses and amortization	10.9
Non-cash interest	44.4
Loss on partial settlement of convertible notes	56.5
Non-GAAP income tax adjustment	(31.2)
Net income (Non-GAAP)	\$340.3
Net income per share, diluted (GAAP)	\$1.02
Stock-based compensation	0.81
Acquisition related expenses and amortization	0.08
Non-cash interest expense	0.32
Loss on partial settlement of convertible notes	0.40
Non-GAAP income tax adjustment	(0.22)
Net income per share, diluted (Non-GAAP) (1)	\$2.41
Shares used in per share calculation GAAP	142.9
Shares used in per shares calculation Non-GAAP (2)	141.8

1. Calculation of non-GAAP diluted net income per share for the year ended December 31, 2021, excludes convertible notes due 2023 interest expense, net of tax of less than \$0.1 million from non-GAAP net income.

2. Effect of dilutive in-the-money portion of convertible senior notes and warrants are included in the GAAP weighted-average diluted shares in periods where the Company has GAAP net income. The Company excluded the in-the-money portion of convertible notes due 2024 totaling 0.8 million for the year ended December 31, 2021, from non-GAAP weighted-average diluted shares as the Company entered into convertible note hedge transactions that reduce potential dilution to the Company's common stock upon any conversion of the notes due 2024. The Company excluded the in-the-money portion of convertible notes due 2025 totaling 0.9 million shares for the year ended December 31, 2021, from non-GAAP weighted-average diluted shares as the Company entered into convertible note hedge transactions that reduce potential dilution to the Company's common stock upon any conversion of the notes due 2025.



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