Second-Party Opinion

Canadian Solar EMEA Green Financing Framework

Evaluation Summary

Sustainalytics is of the opinion that the Green Bond Framework is credible and impactful and aligns to the four core components of the Green Bond Principles 2021 and the Green Loan Principles 2021. This assessment is based on the following:

USE OF PROCEEDS The eligible category for the use of proceeds, Renewable Energy, is aligned with those recognized by the Green Bond Principles. Sustainalytics considers that Canadian Solar Inc.'s investments in the eligible category will lead to positive environmental impacts and advance the UN Sustainable Development Goals ("SDGs"), specifically SDG 7.

PROJECT EVALUATION / SELECTION Canadian Solar Inc.'s Business Development department, along with the Legal, Project & Structured Finance, Mergers and Acquisitions, Power Purchase Agreement & Energy Trading, Tax, and Engineering, Procurement and Construction departments, will be responsible for the evaluation and selection of potentially eligible projects. The Risk & Investment Management department, and the Investment Committee will provide the final approval. Canadian Solar Inc. has a dedicated environmental and social risk management process that is applicable to all allocation decisions made under the Framework. Sustainalytics considers this process to be adequate and aligned with market practice.

MANAGEMENT OF PROCEEDS Canadian Solar Inc.'s Project & Structure Finance department will be responsible for the allocation of bond proceeds. The Finance and the Asset Management departments will oversee the proceed management process. Canadian Solar Inc. intends to fully allocate the net proceeds raised within 36 months of the date of each issuance and hold or invest the unallocated proceeds in cash or cash equivalents, including money market instruments, bank accounts, or other liquid financial instruments, according to its investment management policy.

REPORTING Canadian Solar Inc. intends to report on the allocation and the impact of proceeds to its investors on an annual basis until full allocation. The allocation reporting is expected to include project-wide details on the allocation of net proceeds, the balance of unallocated net proceeds, and the share of proceeds used for financing and refinancing. In addition, Canadian Solar Inc. is committed to reporting on relevant impact metrics wherever feasible. Sustainalytics views Canadian Solar Inc.'s allocation and impact reporting as aligned with market practice.

Evaluation Date	September 29, 2021
Issuer Location	Guelph, Canada

Report Sections

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Introduction

Canadian Solar Inc. ("Canadian Solar", or the "Company") is a solar module manufacturer and utility-scale solar developer headquartered in Guelph, Canada, operating in 23 countries.[1] Since its establishment in 2001, the Company's solar photovoltaic (PV) modules have generated a cumulative 55 GW of renewable energy power.[2] As of December 2020, the Company had 13,969 employees and reported approximately USD 3.45 billion in revenues.[3]

Canadian Solar has developed the Canadian Solar EMEA Green Financing Framework (the "Framework") under which it intends to issue green bonds, green loans, and other financial instruments (collectively, "Green Financing Instruments"), and use the proceeds to finance or refinance, in whole or in part, existing or future renewable energy generation and battery storage projects (the "Eligible Green Projects") that are expected to create positive environmental impact. The Framework defines eligibility criteria in one area:

1. Renewable Energy

Appendix 1 provides an indicative regional distribution for the identified Eligible Green Projects.

Canadian Solar engaged Sustainalytics to review the Canadian Solar EMEA Green Financing Framework, dated September 2021, and provide a second-party opinion on the Framework's environmental credentials and its alignment with the Green Bond Principles 2021 (GBP) and the Green Loan Principles 2021 (GLP).[4] The Framework has been published in a separate document.[5]

Scope of work and limitations of Sustainalytics' Second-Party Opinion

This Second-Party Opinion reflects Sustainalytics' independent[6] opinion on the alignment of the reviewed Framework with current market standards and the extent to which the eligible project categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework's alignment with the Green Bond Principles 2021, as administered by ICMA;
- The credibility and anticipated positive impacts of the use of proceeds; and
- The alignment of the issuer's sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.10, which is informed by market practice and Sustainalytics' expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of Canadian Solar's management team to understand the sustainability impact of its business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. Canadian Solar representatives have confirmed that: (1) they understand it is the sole responsibility of Canadian Solar to ensure that the information provided is complete, accurate and up to date; (2) they have provided Sustainalytics with all relevant information, and (3) any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics' opinion of the Framework and should be read in conjunction with that Framework.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and Canadian Solar.

[1] Canadian Solar report, "2020 ESG Sustainability Report" (p 63), at: https://csisolarweb.s3.ap-east-1.amazonaws.com/wp-content/uploads/2020/01/29180824/ESG-Report_July28e.pdf
[2] Canadian Solar report, "2020 ESG Sustainability Report" (p 7), at: https://csisolarweb.s3.ap-east-1.amazonaws.com/wp-content/uploads/2020/01/29180824/ESG-Report_July28e.pdf
[3] Canadian Solar report, "2020 Annual Report" (p 4), at: http://investors.canadiansolar.com/static-files/be40be13-7efb-4753-ad56-53aae8282efe
[4] The Green Bond Principles are administered by the International Capital Market Association and are available at https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/.
[5] The Canadian Solar EMEA Green Financing Framework is available as part of the offering document.
[6] When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics' hallmarks is integrity, another is transparency.

Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realised allocation of the bond proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument, either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that Canadian Solar has made available to Sustainalytics for the purpose of this Second-Party Opinion.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Canadian Solar EMEA Green Financing Framework

Sustainalytics is of the opinion that the Framework is credible and impactful and aligns to the four core components of the GBP and the GLP. Sustainalytics highlights the following elements of the Framework:

- Use of Proceeds:
  - The eligible category, Renewable Energy, is aligned with those recognized by the GBP and the GLP.
  - Canadian Solar has established a five-year lookback period for its refinancing activities. Sustainalytics notes that the average useful life for the refinanced solar photovoltaic assets may extend up to 25 - 40 years[7] and therefore considers this to be in line with market expectations.
  - Under the Renewable Energy category, Canadian Solar intends to finance solar PV energy generation projects and battery storage systems in the EMEA region and/or other OECD countries. Sustainalytics views the financing renewable energy and energy storage projects to be in line with market practice.
- Project Evaluation and Selection:
  - Canadian Solar's Business Development department, along with other internal departments, namely Legal, Project & Structured Finance, Mergers and Acquisitions, Power Purchase Agreement & Energy Trading, Tax, and Engineering, Procurement and Construction will be responsible for the evaluation and selection of potentially eligible projects that are shortlisted by the Company's regional teams.
  - The Company's Risk & Investment Management department and the Investment Committee, which comprises senior executives from various backgrounds will provide the final approval on Eligible Green Projects, following the criteria defined in the Framework.
  - Canadian Solar has adopted a broad Environmental and Social Management and Monitoring ("ESMM") plan to evaluate environmental and social ("E&S") risks, which applies to all allocation decisions made under the Framework. Sustainalytics considers this risk assessment and mitigation process to be adequate. For additional details, see Section 2.
  - Based on the clear delineation of responsibility, Sustainalytics considers this process to be in line with market practice.
- Management of Proceeds:
  - Canadian Solar's Project & Structured Finance department will be responsible for the allocation of net proceeds and ensuring compliance with all relevant financial, legal, and governance

[7] US Department of Energy website, "Useful Life", at: https://www.nrel.gov/analysis/tech-footprint.html

obligations of the Company. The Company's Finance and Asset Management departments will oversee the management of net proceeds[8]
  - The Company intends to achieve full allocation of an amount equal to the net proceeds within 36 months of the date of each issuance. Unallocated proceeds may be held or invested in cash and/or cash equivalents including money market instruments, bank accounts and/or any other liquid financial instruments, according to the Company's investment management policy.
  - Based on the management of proceeds and the disclosure on the temporary use of unallocated proceeds, Sustainalytics considers this process to be in line with market practice.
- Reporting:
  - Canadian Solar intends to report on the allocation of the proceeds, and where feasible, the impact of financed Eligible Green Projects to the investors on an annual basis until full allocation.
    - The allocation reporting is expected to include project-wide details on the allocation of net proceeds, the balance of unallocated net proceeds, and the share of proceeds used for financing and refinancing.
    - The impact reporting is expected to provide project-level impact of the investments against respective key performance indicators including (i) total capacity of renewable energy production (MW), (ii) annual renewable energy generation (MWh), and (iii) estimated CO_2 avoided (tCO_2e).
  - Based on the Company's commitment to allocation reporting and, where feasible, impact reporting, Sustainalytics considers this process to be in line with market practice.

Alignment with Green Bond Principles 2021

Sustainalytics has determined that the Framework aligns to the four core components of the GBP and the GLP. For detailed information please refer to Appendix 2: Green Bond/Green Bond Programme External Review Form.

Section 2: Sustainability Strategy of Canadian Solar

Contribution of framework to Canadian Solar's sustainability strategy

Sustainalytics is of the opinion that Canadian Solar demonstrates a commitment to sustainability with a focus on four key environmental areas: (i) greenhouse gas emissions; (ii) energy intensity in manufacturing; (iii) water use in manufacturing; and (iv) manufacturing waste.[9]

Canadian Solar has demonstrated and reported on its commitments to these environmental areas with the following five-year (2021-2025) targets, which it intends to update on a rolling basis:

- Greenhouse gas emissions – Achieve a 37% reduction in its GHG emission intensity from 2020 levels to 92 tCO_2e/MW. The Company intends to achieve this target by procuring more renewable energy in its operations, aiming to achieve 100% renewable energy before 2030. Between 2017 and 2020 (the "Reporting Period"), the Company reported a 20% reduction in its GHG emission intensity from 182 tCO_2e/MW to 145 tCO_2e/MW.[10]
- Energy intensity in manufacturing – Reduce energy intensity levels by 36% to 116 MWh/MW, compared to 2020 levels. The Company aims to achieve this target by adopting more energy-efficient processes, especially for wafer slicing and module manufacturing, and by scaling up investments in

[8] In terms of the proceed allocation mechanism, Sustainalytics notes that the Company intends to credit an amount equal to the net proceeds to Canadian Solar EMEA Capital Markets, S.A.'s (subsidiary of the Company) general account, and then make transfers to the respective subsidiaries of the Company associated with Eligible Green Projects, in the form of intercompany loans, equity capital, among other relevant transfer mechanisms. Sustainalytics further notes that the Company may also use the net proceeds to refinance debt instruments, granted by the Company´s subsidiaries, affiliates and/or external parties initially used for financing of existing or ongoing Eligible Green Projects, per the eligibility criteria defined in the Framework.
[9] Canadian Solar report, "2020 ESG Sustainability Report" (p15), at: https://csisolarweb.s3.ap-east-1.amazonaws.com/wp-content/uploads/2020/01/29180824/ESG-Report_July28e.pdf
[10] Canadian Solar report, "2020 ESG Sustainability Report" (p16), at: https://csisolarweb.s3.ap-east-1.amazonaws.com/wp-content/uploads/2020/01/29180824/ESG-Report_July28e.pdf

high-efficiency cell manufacturing technologies. During the Reporting Period, the energy intensity of the Company's manufacturing operations decreased by 19%, from 224 MWh/MW to 181 MWh/MW.[11]

- Water use in manufacturing – Reduce its water-use intensity by 45% to 697 t/MW[12] from a 2020 baseline. To achieve this target, Canadian Solar has adopted water conservation and recycling measures and a strategic approach to selecting locations for certain projects, intending to reduce water withdrawals from high baseline water stress locations. The Company reported a 44% reduction in the water-use intensity for its manufacturing operations, from 2,249 t/MW to 1,261 t/MW, in the Reporting Period.[13]
- Manufacturing waste – Achieve a 49% reduction to 6.9 t/MW, from a 2020 baseline. The Company intends to achieve this target through partnership-based recycling and waste reduction programs. The Company reduced its manufacturing waste intensity from 16.5 t/MW to 13.5 t/MW, a decrease of 18% during the Reporting Period.[14]

Sustainalytics is of the opinion that the Framework is aligned with the Company's overall sustainability strategy and initiatives and will further the Company's action on its key environmental priorities.

Well-positioned to address common environmental and social risks associated with the projects

Sustainalytics recognizes that the net proceeds from the Green Financing Instruments issued under the Framework will be directed towards Eligible Green Projects that are expected to have positive environmental impact. However, Sustainalytics is also aware that such eligible projects could lead to negative E&S outcomes. Relevant E&S risks include from project development and construction activities, land use and biodiversity issues, stakeholder participation, occupational health and safety, water management, and waste generated during manufacturing processes.

Sustainalytics is of the opinion that Canadian Solar is able to manage and/or mitigate potential risks through implementation of the following:

- Canadian Solar has developed an ESMM plan across applicable regions to address the E&S risks associated with the financed projects, in particular, land use and associated ecological impacts, stakeholder management, and environmental health and safety.[15] In addition, the projects based in the European Union must comply with the EU's Environmental Impact Assessment Directive (the "EIA-Directive") for development projects within the EU. The EIA Directive is aimed at ensuring that projects which are likely to have a significant impact on the environment are adequately assessed before approval. With respect to biodiversity considerations under the EIA Directive, measures must be taken to "avoid, prevent, reduce and, if possible, offset significant adverse effects on the environment, in particular on species and habitats". Concerning land use, the EIA Directive notes that the "EIA shall identify, describe and assess land use related impacts".[16]
- To manage occupational health and safety-related risks, the Company has adopted an Occupational Health and Safety Policy[17] and the ISO 45001 standards[18], which guide its operational strategy.[19] Furthermore, EU-based projects are expected to comply with the EU Directive on Worker Health and Safety which ensures optimal safety and health requirements throughout the European Union, requiring employers to "ensure the safety and health of workers in every aspect related to the work",

[11] Canadian Solar report, "2020 ESG Sustainability Report" (p21), at: https://csisolarweb.s3.ap-east-1.amazonaws.com/wp-content/uploads/2020/01/29180824/ESG-Report_July28e.pdf
[12] Canadian Solar reports on water-use intensity in its 2020 ESG Sustainability Report in terms of tons of water used per megawatt of power capacity. One ton of water = ~1,018 liters. More details here: http://conversion.org/volume/ton-water/litre
[13] Canadian Solar report, "2020 ESG Sustainability Report" (p23), at: https://csisolarweb.s3.ap-east-1.amazonaws.com/wp-content/uploads/2020/01/29180824/ESG-Report_July28e.pdf
[14] Canadian Solar report, "2020 ESG Sustainability Report" (p26), at: https://csisolarweb.s3.ap-east-1.amazonaws.com/wp-content/uploads/2020/01/29180824/ESG-Report_July28e.pdf
[15] Canadian Solar report, "2020 ESG Sustainability Report" (p30), at: https://csisolarweb.s3.ap-east-1.amazonaws.com/wp-content/uploads/2020/01/29180824/ESG-Report_July28e.pdf
[16] EU, "Directive 2014/52/EU on the assessment of the effects of certain public and private projects on the environment", (2014), at: https://eurlex.europa.eu/legal-content/EN/TXT/?uri=celex%3A32014L0052.
[17] Canadian Solar document, "Canadian Solar Environment, Occupational Health and Safety Policy", at: https://static.csisolar.com/wp-content/uploads/2020/01/28090633/Canadian-Solar-EHS-Policy.pdf
[18] ISO website, "ISO 45000 Family — Occupational Health and Safety", at: https://www.iso.org/iso-45001-occupational-health-and-safety.html
[19] Canadian Solar, "2020 ESG Sustainability Report" (p12), at: https://csisolarweb.s3.ap-east-1.amazonaws.com/wp-content/uploads/2020/01/29180824/ESG-Report_July28e.pdf

including "prevention of occupational risks and provision of information and training, as well as provision of the necessary organization and means".[20]

- Given that the manufacturing of solar components is a water-intensive process, the Company has adopted a water management risk mitigation strategy that includes water recycling and conservation measures aimed at optimizing water use in the manufacturing process.[21]
- For waste management, Canadian Solar complies with the EU's REACH Regulation[22] for managing chemical waste, and the RoHS Directive[23] for managing electronic waste across the Company's product lines and all manufactured solar PV modules.[24] The Company also follows other regional regulations for e-waste management[25] and is certified with ISO 14001:2015 standards[26] for environmental management, which informs its waste management process across the markets it operates.[27]
- All three countries where most of the Eligible Green Projects are expected to be based – Spain, Italy, and the UK – are classified as "Designated Countries" under the Equator Principles, a system for environment and social governance, legislation, and institutional capacity aimed at protecting the environment and communities.[28]

Based on these policies, standards and regulations, Sustainalytics is of the opinion that Canadian Solar has implemented adequate measures and is well-positioned to manage and mitigate E&S risks commonly associated with the eligible categories.

Section 3: Impact of Use of Proceeds

The use of proceeds category is aligned with those recognized by the GBP and the GLP. Sustainalytics has focused below on where the impact is specifically relevant in the local context.

Impact of financing renewable energy projects in Spain, Italy, and the UK

According to a World Bank analysis, global CO_2 emissions from electricity and heat production make up 49% of all emissions from fuel combustion, a figure that has been increasing steadily since 1960.[29] A joint study by the International Energy Agency and the International Renewable Energy Agency shows that low-carbon energy sources will need to provide 65-70% of the worldwide primary energy demand by 2050 in order to meet the 2°C target of the Paris Agreement.[30]

In the case of the EU, the energy sector presents a significant opportunity for climate action as it currently accounts for more than 75% of the region's GHG emissions.[31] In 2021, the EU set forth an updated target to achieve at least a 55% reduction in net GHG emissions (replacing an earlier target of a 40% reduction) and a 40% share of renewables in the EU's overall energy mix by 2030.[32]

[20] EU, "Directive 89/391/EEC on the introduction of measures to encourage improvements in the safety and health of workers at work", (1989), at: https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:31989L0391&from=FR
[21] Canadian Solar report, "2020 ESG Sustainability Report" (p24), at: https://csisolarweb.s3.ap-east-1.amazonaws.com/wp-content/uploads/2020/01/29180824/ESG-Report_July28e.pdf
[22] European Chemical Agency, "Understanding REACH", at: https://echa.europa.eu/regulations/reach/understanding-reach
[23] EU, "Restriction of Hazardous Substances in Electrical and Electronic Equipment (RoHS)", at: https://ec.europa.eu/environment/topics/waste-and-recycling/rohs-directive_en
[24] Canadian Solar report, "2020 ESG Sustainability Report" (p13), at: https://csisolarweb.s3.ap-east-1.amazonaws.com/wp-content/uploads/2020/01/29180824/ESG-Report_July28e.pdf
[25] Canadian Solar report, "2020 ESG Sustainability Report" (p28), at: https://csisolarweb.s3.ap-east-1.amazonaws.com/wp-content/uploads/2020/01/29180824/ESG-Report_July28e.pdf
[26] ISO website, "ISO 14001:2015 Environmental management systems — Requirements with guidance for use", at: https://www.iso.org/standard/60857.html
[27] Canadian Solar report, "2020 ESG Sustainability Report" (p42), at: https://csisolarweb.s3.ap-east-1.amazonaws.com/wp-content/uploads/2020/01/29180824/ESG-Report_July28e.pdf
[28] The Equator Principles, "Designated Countries", at: https://equator-principles.com/designated-countries/
[29] The World Bank, "CO2 Emissions from electricity and heat production", at: https://data.worldbank.org/indicator/EN.CO2.ETOT.ZS
[30] IRENA, "Perspectives for Energy Transition (2017)", at: https://www.irena.org/-/media/Files/IRENA/Agency/Publication/2017/Mar/Perspectives_for_the_Energy_Transition_2017.pdf
[31] Climate Action Tracker, "EU", available at: https://climateactiontracker.org/countries/eu/
[32] European Commission, "Commission presents Renewable Energy Directive revision", July 2021, at: https://ec.europa.eu/info/news/commission-presents-renewable-energy-directive-revision-2021-jul-14_en

In line with these targets, Spain has established the Integrated National Energy and Climate Plans aiming to achieve 74% electricity generation from renewables by 2030.[33] To achieve this objective, the country requires an additional installed renewable energy capacity of 59 GW by the end of 2030.[34] Similarly for Italy, a recent report states that the country will need to generate more than 70% of its electricity from renewable energy sources by 2030, primarily from solar and wind power, for it to reach the EU emission-reduction target of 55% by that year.[35] In the case of the UK, as of the first quarter of 2021, the country achieved a 41.6% share of electricity generation from renewable sources, its third-highest quarterly share on record.[36] In the same period, the cumulative installed capacity consisted of over 13 GW of solar energy.[37] However, an analysis by the Climate Change Committee and other independent bodies shows that the country will need to deploy at least 40 GW of solar capacity by 2030 if it is to achieve its target of becoming a net-zero economy by 2050.[38]

Based on the above context, Sustainalytics is of the opinion that the renewable energy projects financed under the Framework are expected to contribute towards the achievement of regional renewable energy targets and generate positive environmental impact.

Alignment with contribution to SDGs

The SDGs were set in September 2015 by the United Nations General Assembly and form an agenda for achieving sustainable development by the year 2030. The Green Financing Instruments issued under the Framework advances the following SDG and target:

Use of Proceeds Category	SDG	SDG target
Renewable Energy	7. Affordable and clean energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix

Conclusion

Canadian Solar has developed the Canadian Solar EMEA Green Financing Framework, under which it intends to issue Green Financing Instruments, and use the proceeds to finance or refinance renewable energy generation and battery storage projects that are expected to create positive environmental impact.

The Framework outlines a process by which proceeds will be tracked, allocated and managed, and commitments have been made for reporting on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that the Framework is aligned with the overall sustainability strategy of the Company and that the use of proceeds will contribute to the advancement of the UN SDGs, in particular SDG 7. Additionally, Sustainalytics is of the opinion that Canadian Solar has adequate measures to identify, manage or mitigate environmental and social risks commonly associated with the eligible projects funded by the use of proceeds.

Based on the above, Sustainalytics is confident that Canadian Solar is well-positioned to issue Green Financing Instruments and that the Framework is robust, transparent and in alignment with the four core components of the GBP 2021 and GLP 2021.

[33] European Commission, "Integrated National Energy and Climate Plan 2021-2030- Spain", (2020), at: https://ec.europa.eu/energy/sites/ener/files/documents/es_final_necp_main_en.pdf
[34] European Commission, "Integrated National Energy and Climate Plan 2021-2030- Spain", (2020), at: https://ec.europa.eu/energy/sites/ener/files/documents/es_final_necp_main_en.pdf
[35] EQ International report, "Italy to produce 70-72 per cent of power from renewables in 2030 to reach EU targets", at: https://www.eqmagpro.com/italy-to-produce-70-72-per-cent-of-power-from-renewables-in-2030-to-reach-eu-targets/
[36] Government of the UK website, "Energy Trends: UK renewables", at: https://www.gov.uk/government/statistics/energy-trends-section-6-renewables
[37] *Ibid.*
[38] Solar Energy UK website, "Lighting the way: Making net zero a reality with solar energy", at: https://solarenergyuk.org/resource/lighting-the-way-making-net-zero-a-reality-with-solar-energy/?cn-reloaded=1

Appendices

Appendix 1: Regional distribution of the identified Eligible Green Projects[39]

Country	Indicative number of projects	Estimated PV generation capacity (MWp)	Estimated storage (MWh)
Spain	>10	877	804
Italy	>35	1,056	135
UK	>15	1,548	1,048
Other	>60	3,051	0
Total	**>120**	**6,532**	**1,987**

[39] Sustainalytics notes that this is an indicative list and that the Company may finance additional/other renewable energy projects primarily in the EMEA region, based on the criteria defined in the Framework.

Appendix 2: Green Bond / Green Bond Programme - External Review Form

Section 1. Basic Information

Issuer name:	Canadian Solar Inc.
Green Bond ISIN or Issuer Green Bond Framework Name, if applicable:	Canadian Solar EMEA Green Financing Framework
Review provider's name:	Sustainalytics
Completion date of this form:	September 29, 2021
Publication date of review publication:	

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBP:

☒	Use of Proceeds	☒	Process for Project Evaluation and Selection
☒	Management of Proceeds	☒	Reporting

ROLE(S) OF REVIEW PROVIDER

☒	Consultancy (incl. 2nd opinion)	☐	Certification
☐	Verification	☐	Rating
☐	Other *(please specify)*:		

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW *(if applicable)*

Please refer to Evaluation Summary above.

Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Overall comment on section *(if applicable)*:

The eligible category for the use of proceeds, Renewable Energy, is aligned with those recognized by the Green Bond Principles. Sustainalytics considers that Canadian Solar Inc.'s investments in the eligible category will lead to positive environmental impacts and advance the UN Sustainable Development Goals ("SDGs"), specifically SDG 7.

Use of proceeds categories as per GBP:

☒ Renewable energy	☐ Energy efficiency
☐ Pollution prevention and control	☐ Environmentally sustainable management of living natural resources and land use
☐ Terrestrial and aquatic biodiversity conservation	☐ Clean transportation
☐ Sustainable water and wastewater management	☐ Climate change adaptation
☐ Eco-efficient and/or circular economy adapted products, production technologies and processes	☐ Green buildings
☐ Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBP	☐ Other *(please specify)*:

If applicable please specify the environmental taxonomy, if other than GBP:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

Canadian Solar Inc.'s Business Development department, along with the Legal, Project & Structured Finance, Mergers and Acquisitions, Power Purchase Agreement & Energy Trading, Tax, and Engineering, Procurement and Construction departments, will be responsible for the evaluation and selection of potentially eligible projects. The Risk & Investment Management department, and the Investment Committee will provide the final approval. Canadian Solar Inc. has a dedicated environmental and social risk management process that is applicable to all allocation decisions made under the Framework. Sustainalytics considers this process to be adequate and aligned with market practice.

Evaluation and selection

☒ Credentials on the issuer's environmental sustainability objectives	☒ Documented process to determine that projects fit within defined categories
☒ Defined and transparent criteria for projects eligible for Green Bond proceeds	☒ Documented process to identify and manage potential ESG risks associated with the project
☒ Summary criteria for project evaluation and selection publicly available	☐ Other *(please specify):*

Information on Responsibilities and Accountability

☒ Evaluation / Selection criteria subject to external advice or verification

☐ In-house assessment

☐ Other (please specify):

3. MANAGEMENT OF PROCEEDS

Overall comment on section *(if applicable)*:

Canadian Solar Inc.'s Project & Structure Finance department will be responsible for the allocation of bond proceeds. The Finance and the Asset Management departments will oversee the proceed management process. Canadian Solar Inc. intends to fully allocate the net proceeds raised within 36 months of the date of each issuance and hold or invest the unallocated proceeds in cash or cash equivalents, including money market instruments, bank accounts, or other liquid financial instruments, according to its investment management policy.

Tracking of proceeds:

☒ Green Bond proceeds segregated or tracked by the issuer in an appropriate manner

☒ Disclosure of intended types of temporary investment instruments for unallocated proceeds

☐ Other *(please specify)*:

Additional disclosure:

☐ Allocations to future investments only

☒ Allocations to both existing and future investments

☒ Allocation to individual disbursements

☐ Allocation to a portfolio of disbursements

☒ Disclosure of portfolio balance of unallocated proceeds

☐ Other *(please specify)*:

4. REPORTING

Overall comment on section (if applicable):

Canadian Solar Inc. intends to report on the allocation and the impact of proceeds to its investors on an annual basis until full allocation. The allocation reporting is expected to include project-wide details on the allocation of net proceeds, the balance of unallocated net proceeds, and the share of proceeds used for financing and refinancing. In addition, Canadian Solar Inc. is committed to reporting on relevant impact metrics wherever feasible. Sustainalytics views Canadian Solar Inc.'s allocation and impact reporting as aligned with market practice.

Use of proceeds reporting:

☒ Project-by-project

☐ On a project portfolio basis

☐ Linkage to individual bond(s) ☐ Other *(please specify):*

Information reported:

☒ Allocated amounts ☐ Green Bond financed share of total investment

☐ Other *(please specify):*

Frequency:

☒ Annual ☐ Semi-annual

☐ Other (please specify):

Impact reporting:

☒ Project-by-project ☐ On a project portfolio basis

☐ Linkage to individual bond(s) ☐ Other (please specify):

Information reported (expected or ex-post):

☒ GHG Emissions / Savings ☐ Energy Savings

☐ Decrease in water use ☒ Other ESG indicators (please specify): Installed renewable energy generation capacity; and total renewable energy production

Frequency

☒ Annual ☐ Semi-annual

☐ Other (please specify):

Means of Disclosure

☐ Information published in financial report ☐ Information published in sustainability report

☐ Information published in ad hoc documents ☒ Other (please specify): Standalone reports made available to investors

☐ Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review):

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

☐ Consultancy (incl. 2nd opinion) ☐ Certification

☐ Verification / Audit ☐ Rating

☐ Other *(please specify):*

Review provider(s): **Date of publication:**

ABOUT ROLE(S) OF INDEPENDENT REVIEW PROVIDERS AS DEFINED BY THE GBP

i. Second-Party Opinion: An institution with environmental expertise, that is independent from the issuer may issue a Second-Party Opinion. The institution should be independent from the issuer's adviser for its Green Bond framework, or appropriate procedures, such as information barriers, will have been implemented within the institution to ensure the independence of the Second-Party Opinion. It normally entails an assessment of the alignment with the Green Bond Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability, and an evaluation of the environmental features of the type of projects intended for the Use of Proceeds.

ii. Verification: An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or environmental criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Green Bond proceeds, statement of environmental impact or alignment of reporting with the GBP, may also be termed verification.

iii. Certification: An issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against a recognised external green standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.

iv. Green Bond Scoring/Rating: An issuer can have its Green Bond, associated Green Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental performance data, the process relative to the GBP, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material environmental risks.

Disclaimer

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Sustainalytics, a Morningstar Company, is a leading ESG research, ratings and data firm that supports investors around the world with the development and implementation of responsible investment strategies. The firm works with hundreds of the world's leading asset managers and pension funds who incorporate ESG and corporate governance information and assessments into their investment processes. The world's foremost issuers, from multinational corporations to financial institutions to governments, also rely on Sustainalytics for credible second-party opinions on green, social and sustainable bond frameworks. In 2020, Climate Bonds Initiative named Sustainalytics the "Largest Approved Verifier for Certified Climate Bonds" for the third consecutive year. The firm was also recognized by Environmental Finance as the "Largest External Reviewer" in 2020 for the second consecutive year. For more information, visit www.sustainalytics.com.