



2023 REPORT



2023 Report

This report has been prepared pursuant to the *Fighting Against Forced Labour and Child Labour in Supply Chains Act*, S.C. 2023, c. 9 (Canada).

This report relates to the financial reporting year ended December 31, 2023.

Introduction

Canadian Solar Inc. (the Company or Canadian Solar) was founded in 2001 and is headquartered in Guelph, Ontario, Canada. It is one of the world's largest solar component manufacturers and battery storage developers. Canadian Solar is one of the most bankable solar and renewable energy companies in the industry and has been publicly listed on the NASDAQ since 2006.

Canadian Solar is a leading manufacturer of solar photovoltaic modules and provides comprehensive solutions for solar energy and battery storage. It is also a developer of utility-scale solar power and battery storage projects with a geographically diversified pipeline in various stages of development. Canadian Solar has successfully delivered over 118 GW of premium-quality, solar photovoltaic modules to customers. Moreover, since entering the project development business in 2010, Canadian Solar has developed, built, and connected around 10 GWp of solar power projects and 3 GWh of battery storage projects across the world. As of the fourth quarter of 2023, the Company has approximately 1 GWp of solar power projects in operation, 7.4 GWp of projects under construction or in backlog (late-stage), and an additional 20 GWp of projects in advanced and early-stage pipeline. In addition, the Company has a total battery storage project development pipeline of 55 GWh, including 3.5 GWh under construction or in backlog and an additional 51 GWh at advanced and early-stage development.

We have significantly expanded our participation in international environmental, social, and governance (ESG) initiatives, and have achieved new recognitions and certifications. First, we are supporters of United Nations' Sustainable Development Goals (SDGs). Recently, we joined the United Nations Global Compact (UNGC), committing to support and adhere to the Ten Principles of the UNGC on human rights, labour, environment, and anticorruption. We have also submitted a commitment letter to Science Based Targets initiative (SBTi) indicating our intention to set the near-term and net-zero science-based climate targets. We received a Prime ESG rating from Institutional Shareholder Services (ISS), placing us among the top 5 percentile of the nearly 100 globally rated companies in our industry. We received an Excellent ESG rating from Achilles, a distinguished UK agency evaluating environmental, social and governance factors across supply chains. We received a Silver¹ ESG rating from EcoVadis, one of the world's largest and most trusted providers of business sustainability ratings, headquartered in Paris, France, placing Canadian Solar in the top 5% of companies rated by EcoVadis within the industry. We have also committed to provide climate disclosures through Carbon Disclosure Project (CDP). Furthermore, we have expanded our universe of certifications in ISO 9001, ISO 14001, ISO 45001, ISO 50001, covering a range of management systems. This is all in addition to the disclosures that we have been providing for three years in accordance with Sustainability Accounting Standards Board (SASB), Task Force on Climate-Related Financial Disclosures (TCFD) and Global Reporting Initiative (GRI).

¹ Silver ESG rating from EcoVadis received in April 2024.

We commit to continue to ensure ethical labour practices in our own operations and those of our suppliers. We conduct supplier ESG audits and initiate third-party assessments to evaluate the effectiveness of our Anti-Modern Slavery Policy, Supplier Code of Conduct (Code), and Human Rights Policy in preventing forced labour, among other initiatives. For example, we have engaged the Responsible Business Alliance (RBA) to conduct a Validated Assessment Program (VAP) audit, the gold standard, covering areas of labour practices, health and safety, environment, ethics, and management systems.

Steps taken during the previous financial year to prevent and reduce the risk that forced labour or child labour is used at any step of the production of goods in Canada or elsewhere by us or of goods imported into Canada by us

ESG Integration in Supply Chain Management Strategy

Our procurement management strategy utilizes a centralized approach, overseen at the group level and executed by individual divisions. Canadian Solar actively incorporates ESG considerations into our supply chain management. To ensure adherence to our high quality, cost, and ESG standards, we implement comprehensive supply chain-related policies and conduct rigorous supplier screenings. In addition, our supplier auditing program further aims to cultivate a sustainable, efficient, and robust supply chain that not only meets our company's development needs but also serves our stakeholders' interests.

Later in this report more detail is provided on the steps taken to prevent and reduce the risk that forced labour or child labour is used at any step of the production of goods.

Our structure, activities and supply chains

Governance

Canadian Solar's board of directors (Board) is responsible for managing or supervising the management of the business and affairs of the Company.

Our Board comprises eight directors, of which five are independent non-executive directors. There are seven male and one female director, bringing a diversity of skills and industry knowledge. Together, this collective expertise is critical in supervising, and overseeing management performance, and thus ensures our business' success and creates long-term value for our stakeholders. Each director is required to stand for election at Canadian Solar's Annual General Meeting (AGM). Our Corporate Governance Guidelines ([Corporate Governance Guidelines](#)), serve as the guiding framework for the Board to exercise its responsibilities, ultimately serving the interests of the Company and our shareholders.

Responsible Supply Chain

Canadian Solar is committed to responsible procurement of materials in all parts of our business, from manufacturing to project development. The Company has two business segments: CSI Solar and Recurrent Energy.

CSI Solar, our majority-owned subsidiary, is responsible for manufacturing solar modules and battery energy storage products. CSI Solar works with third-party suppliers to ensure a responsible, reliable, and sustainable supply of raw materials and components. These include solar silicon, ingots, wafers, cells, photovoltaic (PV) glass, aluminum, silver metallization paste, back sheets, and ethylene vinyl acetate (EVA) encapsulants for solar modules, as well as lithium iron phosphate battery cells for our battery energy storage products. CSI Solar is committed to expanding our in-house manufacturing capabilities for ingots, wafers, cells, modules, and battery storage products. This expansion is integral to increasing the control over our supply chain and our costs, ensuring product quality, and solidifying our industry-leading position in the solar and battery storage sectors.

Recurrent Energy, formerly Global Energy and a wholly owned subsidiary of Canadian Solar, develops utility-scale solar and battery energy storage projects worldwide. Capitalizing on our scale of operations, Recurrent Energy applies centralized procurement strategies to secure a stable, adequate, and cost-effective supply of essential equipment. This includes solar modules, inverters, trackers, mounting hardware, grid interconnection and power stability equipment, and other crucial components for our global development projects. These procurement strategies support a robust supply chain, optimize project performance, and enhance our competitiveness.

Our policies and due diligence processes in relation to forced labour and child labour

Policy Development, Communication, Training, and Compliance

Canadian Solar has developed the following anti-modern slavery policies and processes:

- Anti-Modern Slavery Policy ([Anti-Modern Slavery Policy](#))
- Labor and Human Rights Policy ([Labor and Human Rights Policy](#))
- Supplier Code of Conduct ([Supplier Code of Conduct](#))
- Code of Business Conduct and Ethics ([Code of Business Conduct and Ethics](#))
- Environmental, Occupational Health and Safety Policy ([Environment, Occupational Health and Safety Policy](#))
- Conflict Minerals Policy ([Conflict Minerals Policy](#))

Canadian Solar has formed teams dedicated to enforcing policies and processes, including the following:

- Internal Audit, led by the Global Director of Internal Audit
- Global Compliance, led by the Compliance Officer
- Legal Department, led by the Lead General Counsel
- Human Resources, led by the Group Head of Human Resources
- Group Procurement, led by the Vice President, Strategic Procurement

The parts of our business and supply chains that carry a risk of forced labour or child labour being used and the steps we have taken to assess and manage that risk

Anti-Modern Slavery Efforts in Our Own Operations

All our global manufacturing entities are required to sign a Statement of Anti-Modern Slavery Risk Management (Statement) on an annual basis. As part of this process, our human resources directors or managers are required to confirm that their respective manufacturing entities comply with all applicable laws and regulations and company policies related to forced labour, and they must explicitly affirm that their respective factories are not involved in any activities associated with forced labour.

The Statement was developed based on the key internationally recognized principles and guidance in this respect, including the Ten Principles of the United Nations Global Compact (UNGC) ([Ten Principles of the UN Global Compact](#)) and the International Labour Office (ILO) Indicators of Forced Labour from which UNGC Principles are in part derived. Furthermore, we administer mandatory training on anti-modern slavery, both as part of our employee onboarding process and in annual training sessions. These programs aim to heighten our employees' awareness of anti-modern slavery initiatives, with a particular emphasis on combating forced labour.

Modern Slavery Risk Assessment and Contractual Assurance from Suppliers

We extend our anti-modern slavery initiatives to encompass our supply chain. Prior to engaging with any new manufacturing supplier, our central procurement division conducts a modern slavery risk assessment. We also require our suppliers to provide contractual assurances, verifying that they are not involved in any form of modern slavery, which requires them to investigate their supply chain to ensure their suppliers do not engage in modern slavery.

Supplier Code of Conduct

We require our suppliers to adhere to Canadian Solar's Supplier Code of Conduct ([Supplier Code of Conduct](#), the Code) to maintain a responsible supply chain. This Code transcends the basic requirement of prohibiting modern slavery, extending to broader issues such as human rights, environmental protection, health, safety, and business ethics. Our Code, primarily derived from the Responsible Business Alliance (RBA) Code of Conduct ([RBA Code of Conduct](#)), serves as an integral part of our due diligence process for assessing new suppliers, who are required to adhere to it. Furthermore, we require our suppliers to ensure that their own suppliers to operate in compliance with the Code. In this way, we ensure that not only our direct suppliers but also our indirect suppliers - that is, our suppliers' suppliers - uphold the obligations set forth in the Code.

Third Party Audit of our Operations and Supply Chain

Our Board passed a resolution mandating a third-party assessment, on the extent to which Canadian Solar's policies and procedures effectively protect against forced labour in its operations, supply chains, and business relationships. The assessment was to draw upon international standards such as the UN Guiding Principles on Business and Human Rights, ILO Declaration on Fundamental Principles and Rights at Work, and ILO Forced Labour Convention, 1930 (No. 29).

As a result, the Company engaged the RBA to conduct a Validated Assessment Program (VAP) audit at our module manufacturing facility in Thailand earlier in 2023. The VAP audit is an extensive on-site review carried out by an RBA-accredited auditing firm, verifying a company's compliance with the RBA Code of Conduct ([RBA Code of Conduct](#)) through document reviews, facility tours, and employee interviews. This on-site audit covers labour practice (including no force labour), health and safety, environment, ethics, and management systems. The RBA audit is an industry gold standard in manufacturing facility on-site evaluations.

Any measures taken to remediate any forced labour or child labour

We have not identified any forced labour or child labour in our activities and supply chains. Therefore, we have not had to take any measures to remediate such practices.

Any measures taken to remediate the loss of income to the most vulnerable families that results from any measure taken to eliminate the use of forced labour or child labour in our activities and supply chains

We have not identified any loss of income to vulnerable families as we have not had to take any measures to eliminate the use of forced labour or child labour in our activities and supply chains.

Training provided to employees on forced labour and child labour

Anti-Modern Slavery Initiatives

Canadian Solar does not tolerate forced labour or any form of modern slavery and is committed to ensuring that modern slavery does not take place anywhere in our business, including our supply chain. To achieve this goal, we have established anti-forced labour measures, including policy development, training, execution, and compliance, to prevent modern slavery in our operations and supply chain.

We have developed and disseminated anti-modern slavery policies and procedures. We conduct due diligence to ensure the efficacy of our anti-slavery efforts. Furthermore, we administer mandatory training on anti-modern slavery, both as part of our employee onboarding process and in annual training sessions. These programs aim to heighten our employees' awareness of anti-modern slavery initiatives, with a particular emphasis on combating forced labour.

How we assess our effectiveness in ensuring that forced labour and child labour are not being used in our business and supply chains

Supplier ESG Audits

To ensure our suppliers align with our ESG standards and effectively mitigate ESG risks within our supply chain, we actively oversee our suppliers through an ESG auditing program. This program incorporates both onsite and desktop audits of our suppliers. Our supplier audits examine a range of areas, including human rights, environment, health, safety, business ethics, quality control, and other sustainability facets, all in accordance with our Supplier Code of Conduct (Code). Noncompliance or failure to meet Canadian Solar's Code and other standards will result in the termination of the business relationship, particularly if issued warnings are not adequately addressed. To support our suppliers, we provide training on compliance with the Code and consultations on enhancing their practices in line with ESG priorities.

We map our supplier base annually to identify critical suppliers, factoring in purchase expenditures and potential ESG risks associated with a supplier's industry sector, size, and type of work. Based on these criteria, we classify our critical suppliers into three groups, considering both our purchase spend and the supplier's ESG risks. On-site and desktop ESG audits are conducted through supplier questionnaires supported by evidentiary documentation. Canadian Solar reviews the responses and associated documents, on-site or remotely.

The audits assess suppliers based on an array of criteria divided into "veto" and "scored" categories. The veto criteria are evaluated on a binary "yes or no" basis, wherein any negative response automatically disqualifies a supplier from conducting business with Canadian Solar. For instance, the potential presence of forced or child labour identified through our audit would immediately deem the supplier ineligible to partner with Canadian Solar.

The scored criteria necessitate that suppliers meet the requirements in our Code and other standards to qualify for collaboration with us. We issue warnings to those who fall short of this requirement and provide consultations to help address the identified issues. The business relationship will be terminated with any supplier who fails to meet our Code and other standards after such consultations.

About this report

This report was produced as a collective effort across various departments in Canadian Solar. Any party, including personnel, vendors, suppliers, partners, and others with whom we conduct business, can make requests or report concerns through a variety of channels, including through the email addresses below and the other reporting channels referred to in our Whistleblower Policy ([Whistleblower Policy](#)).

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Attestation

In accordance with the requirements of the Fighting Against Forced Labour and Child Labour in Supply Chains Act, S.C. 2023, c. 9 (the Act), and in particular section 11 thereof, I attest that I have reviewed the information contained in the report for the entity listed above (Canadian Solar Inc.). Based on my knowledge, and having exercised reasonable diligence, I attest that the information in this report is true, accurate and complete in all material respects for the purposes of the Act, for the reporting year listed above. This report was approved pursuant to section 11(4)(a) of the Act, being approval by the entity's governing body.


Signed: _____
Name: Huifeng Chang
Title: Director
Date: May 24, 2024

As a member of its Board of Directors, I have the authority to bind Canadian Solar Inc.