

Canadian Solar Inc

Canadian Solar Green Financing Framework

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www.canadiansolar.com



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1. Introduction

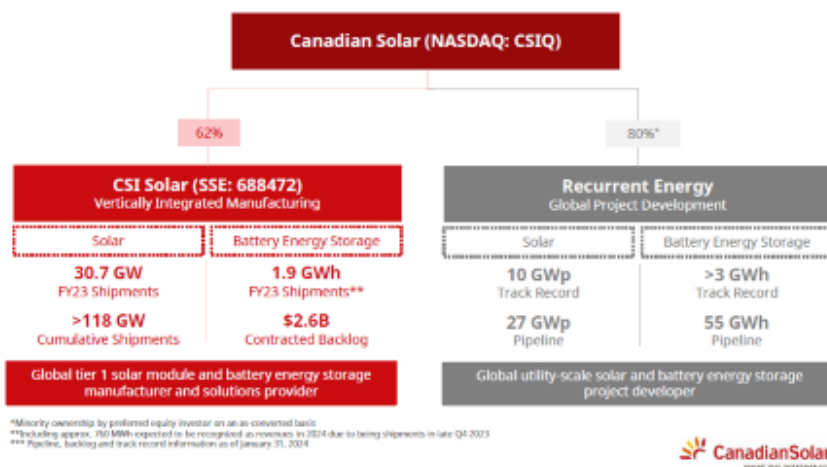
Canadian Solar Inc (“**Canadian Solar**” or the “**Group**”) is one of the world’s largest solar technology and renewable energy companies. It is a leading manufacturer of solar photovoltaic modules, provider of solar energy and battery energy storage solutions, and developer of utility-scale solar power and battery energy storage projects with a geographically diversified pipeline in various stages of development.

As part of its long-standing commitment to sustainability, Canadian Solar developed the Canadian Solar Green Financing Framework (“**Green Financing Framework**”) under which Canadian Solar, or any of its subsidiaries, will issue green financing instruments including green bonds, project finance, green loans, and other eligible financial instruments to finance and/or refinance investments made in renewable power generation, technology and/or storage assets or businesses and to support the ongoing development of clean energy technologies.

This framework is aligned to the International Capital Market Association (ICMA) Green Bond Principles (“GBP”), 2021 amended in June 2022, aiming to encompass future issuances in the capital markets, and the Green Loan Principles (“GLP”) updated in February 2023 published by the Loan Market Association (LMA), Loan Syndications and Trading Association (LSTA) and the Asia Pacific Loan Market Association (APLMA), aiming to encompass bilateral or syndicated loans with financial institutions and/or multilateral agencies.

Canadian Solar Profile

Canadian Solar (NASDAQ: CSIQ) was founded in 2001 and made its debut on the NASDAQ in 2006. Over the past two decades, Canadian Solar has become a global leader in solar energy and energy storage solutions. We have also ventured into the development of large-scale solar power plants and battery storage projects worldwide. As of the end of December 2023, our presence spans across more than 20 countries, with a dedicated workforce exceeding 22,000 employees.



The Company has two business segments: CSI Solar and Recurrent Energy (formerly Global Energy, until June 2023).

Canadian Solar holds a majority ownership stake of 62% in CSI Solar Ltd., which conducted its initial public offering on the Shanghai Stock Exchange in June 2023. CSI Solar encompasses solar module and battery storage manufacturing, as well as the provision of comprehensive system solutions, including inverters, solar system kits, and EPC services. By enhancing vertical integration within our manufacturing processes, we aim to exert greater control over technology, costs, and the supply chain, fortifying our long-term competitive edge. CSI Solar's battery storage division, e-STORAGE, encompasses turnkey utility-scale battery system solutions and residential battery storage services. These solutions are further enhanced by long-term service agreements, which include provisions for future battery capacity expansions. For more information, please visit the CSI Solar website.

Canadian Solar's other business division, Recurrent Energy stands as one of the world's premier clean energy project developers, boasting 15 years of experience in delivering nearly 10 GW of solar power projects and >3 GWh of battery storage projects. As of January 31, 2024, Recurrent Energy maintains a substantial solar project development pipeline of 27 GWp, comprising approximately 2 GWp under construction, 6 GWp in backlog, and 20 GWp in advanced and early-stage development stages. Additionally, the company possesses a significant battery storage project development pipeline totaling 55 GWh, including approximately 3.5 GWh under construction or in backlog, and an additional 51 GWh at advanced and early-stage development. In January 2024, Recurrent Energy secured a \$500 million preferred equity investment commitment from BlackRock, representing 20% of the outstanding fully diluted shares of Recurrent Energy on an as-converted basis. Canadian Solar continues to own the remaining majority shares of Recurrent Energy after the closing of the investment. To learn more, please visit the Recurrent Energy website to know more.

The solar PV technologies developed by Canadian Solar have greatly improved the efficiency and durability of solar modules while lowering the manufacturing cost. As a result, the Levelized Cost of Energy (LCOE) of solar energy continues to decline, further improving energy affordability for end consumers. Battery energy storage has emerged as a crucial component for the integration of intermittent renewables such as solar energy into the grid.

Canadian Solar has unparalleled expertise across the entire solar development value chain and is committed to investing in R&D to deliver the best possible value to its customers. As the No.1 Top bankable manufacturer (source: BNEF, 2022), Canadian Solar was also included within the Top 3 Global Developer Ranking for Utility-Scale Solar PV (source: GTM Research). Canadian Solar was also awarded the Best Structured Project Bond award by Environmental Finance 2018 and it received the highest rating of Green 1 from the Japan Credit Rating Agency, Ltd for the project Green Finance Framework developed to finance the publicly listed Canadian Solar investment vehicle in Japan. Canadian Solar's Azuma Kofuji project in Japan received an Asset Triple A deal award under the Renewable Energy Deal of the Year Category. Recently, Canadian Solar won the 2023 Environmental Finance Sustainable Company Award

for Sustainability Reporting of the Year, recognizing Canadian Solar's efforts in providing transparent, comparable, and comprehensive sustainability reporting.

The Company's battery storage division, e-STORAGE, encompasses its battery energy storage solutions business for utility-scale applications, and announced a contracted backlog of \$2.6 billion in its fourth quarter 2023 earnings announcement on March 14, 2024. Canadian Solar is building a leadership position in the battery storage market thanks to its superior product solution, competitive advantage in identifying storage market opportunities, and its understanding of power grids and markets in order to select markets and locations that maximize the value of storage.

Solar market overview and expected growth

The deployment of renewable energy has been growing at a rapid pace in recent years. As of the end of 2023, the annual global capacity installed is estimated to reach 443 GW, representing approximately 76% growth compared to 2022 (252 GW) and a compound annual growth rate (CAGR) of 27% since 2021.

As estimated by IRENA, to achieve the 1.5 °C Paris Agreement goal, solar PV's global installed capacity needs to reach 18,200 GW by 2050, implying approximately 615 GW of average annual installations up to 2050².

Canadian Solar's sustainability strategy³

At Canadian Solar, we embed Environmental, Social and Governance considerations into our business and strategic decisions, continuously striving to improve our practices to ensure long-term sustainability. Canadian Solar is looking at connecting our corporate strategy locally to sustainable goals. To do so we are basing ourselves on the United Nation's Sustainable Development Goals (SDGs), which address the global challenges we face, including those related to climate change, environmental degradation, inequality, peace and justice. In June 2023, Canadian Solar joined the United Nations Global Compact (UNGC), the world's largest corporate sustainability initiative. By joining the UNGC, Canadian Solar demonstrated its commitment to supporting and adhering to the Ten Principles of the UNGC on human rights, labor, environment, and anticorruption, and taking actions to contribute to the SDGs.

To govern sustainability within Canadian Solar at the highest level, the Board of Directors has established the Sustainability Committee that meets biannually to scrutinize ESG matters⁴. The Committee's responsibilities encompass reviewing sustainability risks and opportunities, inclusive of climate-related factors, as they pertain to strategy and business development, and oversee the implementation and progress of ESG plans.

¹ BloombergNEF

² [World Energy Transitions Outlook 2023: 1.5°C Pathway \(azureedge.net\)](https://www.azureedge.net/energyoutlook/World-Energy-Transitions-Outlook-2023-1.5C-Pathway)

³ Please refer to the latest Canadian Solar Sustainability Report for further details

⁴ [Canadian Solar 2022 ESG Report \(csisolar.com\)](https://www.csisolar.com/2022-esg-report)

As a global leading renewable energy company, Canadian Solar aims to power the world with solar energy and to create a cleaner Earth for future generations. The total electricity generated by the 94 GW of cumulative solar modules shipped until December 2022 is equivalent to displacing approximately 240 million tons of CO₂ emissions or powering over 23 million households.

To provide customers with low-carbon module products, we have been pursuing the Evaluation Carbone Simplifiée (ECS) certification following the requirements of the French Energy Regulation Committee (CRE) solar tender since 2015. The ECS certification follows the ISO 14040 and ISO 14044 Life Cycle Assessment standards and calculates the unit carbon emissions of our products from cradle to gate, as shown in the following chart on the right. According to the ECS certification, our high-efficiency N-type HJT HiHero module's carbon emissions are below 400 kgCO₂e/kWp, and that of our mono-PERC solar modules using 182mm and 210mm silicon wafers are below 500 kgCO₂e/kWp. These figures are significantly lower than the industry average of approximately 500-550 kgCO₂e/kWp, highlighting our commitment to low-carbon solar products. We have established a roadmap to further bring down our modules' carbon footprint based on French CRE methodology as shown in the following chart. N-type HJT and N-type TOPCon have distinct advantages due to thinner wafers and a higher efficiency compared to PERC.

In addition to helping our customers and other partners reduce their carbon emission and environmental impact, we also continue to reduce the environmental impact from our own operations. Our sustainability strategy includes a comprehensive set of targets addressing our environmental impact across the areas of emissions, waste, water, energy consumption and renewable energy use. Canadian Solar strictly complies with e-waste management laws and regulations in countries where we operate and advocates the recycling and reuse of end-of-life products, partnering with recycling service providers in several geographies to ensure the responsible reuse and disposal of solar module materials. Environmental stewardship is carefully considered in all project development and operation activities. Evaluation of environmental, ecological and biological impacts, regulatory requirements, and community engagement takes place for all project developments, followed by the development of a project execution plan to minimize any potential impacts. Canadian Solar has also undertaken a comprehensive assessment of our exposure to physical and transition climate risks and opportunities in accordance with the recommendations of the Task Force on Climate-Related Disclosures (TCFD).

In 2022, we implemented several enhancements to our greenhouse gas inventory, expanding the depth and breadth of our reporting. The intensity for every MW produced (including our scope 1 and scope 2 GHG emissions) for all our global manufacturing operations, was reduced to 123 tCO₂eq/MW, better than our goal of 124 tCO₂eq/MW. Our objective is to reduce our GHG emissions intensity across Scopes 1 and 2 by 28% by 2027 compared to 2022 levels. We intend to achieve this target by continuing to increase product wattage and taking further energy-saving measures. Moreover, we are increasing capacity in high efficiency N-type TOPCon modules and lowering silicon usage, such as using thinner wafers to minimize silicon

grams per watt. We are making progress towards a more holistic measure of climate impact, broadening the scope of our emissions reporting in 2022 to include certain Scope 3 categories, primarily focusing on value chain transportation and purchased goods and services. In July 2023, Canadian Solar submitted a commitment letter indicating our intention to set near-term and net-zero science-based climate targets with the Science Based Targets initiative⁵. The SBTi is a global body enabling businesses to set ambitious emissions reduction targets in line with the latest climate science. The SBTi's goal is to accelerate companies across the world to support the global economy to halve emissions before 2030 and achieve net-zero before 2050.

Whilst pursuing a cleaner planet for future generations, Canadian Solar aims to nurture a supportive and diverse corporate culture and generate a lasting positive impact on both societies at large and the specific communities where we operate. We continue to ensure ethical labor practices are followed in our own operations and those of our suppliers. As of December 31, 2023, we had 22,234 employees, including 21,948 full-time employees and 286 part-time staff, including trainees. Of this, 21,375 were employed by CSI Solar, while 859 were part of our Recurrent Energy division. Canadian Solar is committed to providing competitive benefit plans and training programs for employees, focused on developing technical and professional skills, including areas such as project development, asset management, PPA, storage, or project finance, while building a culture of equity, diversity, and inclusion.

Canadian Solar is committed to responsible procurement of materials in all parts of our business, from manufacturing to project development, by actively incorporating ESG considerations into our supply chain management. We maintain comprehensive supply chain-related policies covering Anti-Modern Slavery, Supplier Code of Conduct and Human Rights, and conduct rigorous supplier screenings, audits and third-party assessments to evaluate the effectiveness of these policies⁶.

Canadian Solar is committed to complying with anti-modern slavery laws and regulations in every jurisdiction in which it conducts business, including compliance with disclosure obligations under applicable legislation, and to acting ethically and with integrity in all its business dealings and relationships. Consequently, Canadian Solar is committed to ensuring that modern slavery does not take place anywhere in its business, including through its supply chain. In October 2021, our Anti-Modern Slavery Task Force was established to fortify our group-wide initiatives against modern slavery, including forced labor.

As a responsible company with a global footprint, Canadian Solar supports the goal of the Dodd-Frank Act of preventing armed groups in the Democratic Republic of the Congo and adjoining countries from benefitting from the sourcing of Conflict Minerals from that region. Such groups are believed to be responsible for serious human rights abuses, and Canadian Solar stands strongly against such abuses. We are committed to keeping our supply chain

⁵ [Ambitious corporate climate action - Science Based Targets](#)

⁶ Canadian Solar's sustainability policies can be found on the corporate website

free of these conflict minerals, as formalized in our Conflict Minerals Policy.

Canadian Solar has contributed to society through initiatives to revitalize local communities, providing them with disaster aid and making strategic investments to promote equal employment opportunities, discrimination-free workplaces, and universal access to electricity:

- ❖ When the Kumamoto earthquakes occurred in April 2016, construction of the CS Mashiki-machi Power Plant, which was being undertaken by CSP in Mashiki Town, Kumamoto, was suspended because the construction workers were residents of the town. CSP also provided the town with solar-power- rechargeable LED lights as relief goods. The Company offered consolatory donations to the Marumori-machi Town Government.
- ❖ Canadian Solar constructed the Daisen Canadian Garden and donated it to the Daisencho Town Government in commemoration of the completion of the CS Daisencho Power Plant and as part of its contribution to local communities. In addition, the Company repaired the Hima Jinja Shrine in the same town and made other significant donations.
- ❖ In 2019, Canadian Solar donated solar modules for a new solar power plant at the Evans Medical Center at Kirma, Lungi, Sierra Leone. The solar power system will help improve the quality of medical care in the region.
- ❖ The Company's teams initiated a campaign to procure and donate medical supplies to hospitals across the world treating COVID-19 patients. For example, in Spain, 100,000 masks were sent to the southern Andalucía government, while it also donated high-resolution multi-parameter monitors to the La Paz hospital in Madrid. In Italy, 6,000 masks were donated to the Red Cross and a monetary donation was made to the Luigi Sacco hospital, which was one of the public hospitals at the epicenter of a COVID outbreak. In Germany, colleagues in the Munich office physically delivered 14,000 masks to the München Klinik Schwabing hospital. The Company also donated 60,000 medical masks to the Ministry of Health in Ontario, Canada.
- ❖ Canadian Solar is partnering with the BlackOak Collective, an association to promote employment and career development of Black Americans through mentorship, institutional knowledge sharing, and employment and members of the Society of Entrepreneurs & Ecology (SEE), an environmental conservation NGO in China dedicated to restoring the ecologies of deserts and major water bodies.
- ❖ In 2020, the Company invested in SolarWorX, a Berlin-based start-up developing off-grid solar plus storage solutions for Africa.

Canadian Solar has been named as one of the Best 50 Corporate Citizens in Canada. The ranking is conducted by Corporate Knights, a specialized media and investment research firm. The ranking is meant to be representative of business sustainability in the current socio-economic context. The methodology KPIs included the management of resources, financials, employees, and clean revenue. The ranking shows Canadian Solar has strived to implement emission reductions in production and management. Canadian Solar will continue to create

green energy and clean revenue for its customers, partners and stakeholders.

2. Principles of the Green Financing Framework

The (ICMA) Green Bond Principles and the Green Loan Principles by the LMA, LSTA and APLMA are voluntary guidelines that recommend transparency and disclosure and promote integrity in the development of the Green Financing market by clarifying the approach for issuing Green Financing Instruments (collective term for bonds, loans and other financing instruments). The Canadian Solar Green Financing Framework addresses the four components (shown below) of the GBP and GLP, and their recommendations on the use of External Review.

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

Green Financing instruments should not be considered fungible with other financing instruments that are not aligned with the four core components outlined above.

This Framework may be updated from time to time to implement any future changes in the ICMA GBP and LMA, LSTA and APLMA GLP, and continuously respond to changes in the industry and best market practices. Any Framework update will replace any prior versions of the Framework, please refer to Section 8 for further details.

3. Use of Proceeds


Canadian Solar and its subsidiaries intend to use this Framework to issue Green Financing Instruments including, but not limited to debt instruments in the capital market (using bonds and any other type of security), bilateral or syndicated loans with financial institutions and/or multilateral agencies, private placements, commercial papers, and other financing instruments aligned with the group’s sustainability priorities. For the avoidance of doubt, a Green Loan can be a loan instrument under a Green Loan Facility or a Green Tranche of a Loan Facility that also considers conventional (not Green labelled) tranches. Where a facility includes a Green Tranche, only the labelled ‘Green’ loan tranche will be used to finance and/or refinance assets or projects under the Eligible Green Categories of this Framework; designation of the ‘Green’ label will be made clear in the facility documentation.

The net proceeds obtained from Canadian Solar’s Green Financing Instruments will be used to finance and/or refinance, in whole or in part, “Eligible Green Projects”, in the Eligible Category of Renewable Energy, as identified by the GBP and GLP, and will support specific UN Sustainable Development Goals (SDGs), as specified in the table below. The goal is to allocate funds for the development and/or the acquisition of the permits necessary to build solar energy and battery storage facilities connected to solar projects, and to fund the construction, maintenance, refurbishment and/or repowering of those solar energy and battery storage facilities and to fund the development of solar energy generation technologies and assets.

The (re)financing of Eligible Green Projects can be measured through asset value, capital expenditure (“Capex”) or operating expenditure (“Opex”). A look-back period of up to 36 months prior to the issue date of the relevant green financing instruments will apply for Opex activities. There will be no limit on lookback of Capex activities.

The following table outlines the Eligible Green Projects that address or mitigate specific environmental issues and/or seek to achieve positive environmental outcomes. Projects are considered eligible if they meet the defined Eligibility Criteria.

Eligible Green Category (aligned to GLP / GBP)	Eligibility Criteria	Example Use of Proceeds	Link to Canadian Solar’s Sustainability Strategy	UN SDG alignment
Renewable Energy	Investment in the acquisition, construction, operation & maintenance of electricity generation facilities that produce electricity from solar	❖ Identify, study and analyze the feasibility to develop or acquire PV/Storage projects under development or in later stages;	Canadian Solar’s mission is to power the world with solar energy, delivering groundbreaking innovations that reinforce the	

	<p>power;</p> <p>Investments in acquisition, construction, operation & maintenance of manufacturing facilities and equipment that produces renewable energy technology components and equipment, including PV silicon, ingot, wafer, cells and modules;</p> <p>Investment in acquisition, construction, operation & maintenance of energy storage facilities, that can support and enhance the energy grid performance and resilience and provide a long-term solution for electrification of the economy.</p>	<ul style="list-style-type: none"> ❖ Perform permit applications to grant the licenses for building and operate PV/Storage projects; ❖ Perform other development activities, including payments to advisors and other third parties to secure the permits to build and operate PV/Storage projects; ❖ Construction of new PV/Storage projects and/or acquisition of operational assets; ❖ Other related costs necessary to operate and maintain PV/Storage projects. 	<p>contribution of solar PV and battery energy storage to global decarbonization goals;</p> <p>Canadian Solar aims to develop solar PV technologies that improve the efficiency and durability of solar modules;</p> <p>Canadian Solar seeks to provide energy storage solutions and facilities (such as electrochemical batteries) that are crucial for the integration of intermittent renewables such as solar energy into the grid.</p>	
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Based on Canadian Solar's current pipeline, the Group has identified the following Eligible Green Projects outlined below by regions.

Solar Project Development Pipeline (as of January 31, 2024) – MWp*					
Region	In Construction	Backlog	Advanced Pipeline	Early-Stage Pipeline	Total
North America	424	212	1,467	4,343	6,446
Latin America	1,188**	867	83	2,954	5,092
Europe, the Middle East, and Africa ("EMEA")	51**	2,300	2,361	5,203	9,915
Japan	32	135	14	32	213
China	200	1,845**	-	1,260	3,305
Asia Pacific excluding Japan and China	-	173	708	1,430	2,311
Total	1,895	5,532	4,633	15,222	27,282

*All numbers are gross MWp.

**Including 594 MWp in construction and 741 MWp in backlog that are owned by or already sold to third parties.

Battery Energy Storage Project Development Pipeline (as of January 31, 2024) – MWh					
Region	In Construction	Backlog	Advanced Pipeline	Early-Stage Pipeline	Total
North America	-	1,600	2,180	15,284	19,064
Latin America	-	965	1,000	-	1,965

EMEA	-	110	5,943	17,334	23,387
Japan	-	-	776	600	1,376
China	400	-	-	6,500	6,900
Asia Pacific excluding Japan and China	8	440	400	1,240	2,088
Total	408	3,115	10,299	40,958	54,780

In addition to the pipeline described above, the Group may analyze other opportunities in which the net proceeds obtained from the green financing instruments might be allocated within the category of renewable energy and storage investments.

All Eligible Green Projects are deemed to provide environmental benefits that contribute to:

- (i) avoiding CO2 emissions;
- (ii) connecting renewable energy production units to the general network; or
- (iii) improving networks in terms of demand-side management, balancing services, energy efficiency and access to electricity.

These benefits will be assessed and, where feasible, quantified by Canadian Solar annually in the corresponding reporting, if required. Please see Section 6 for further detail on Impact Reporting.

Excluded activities:

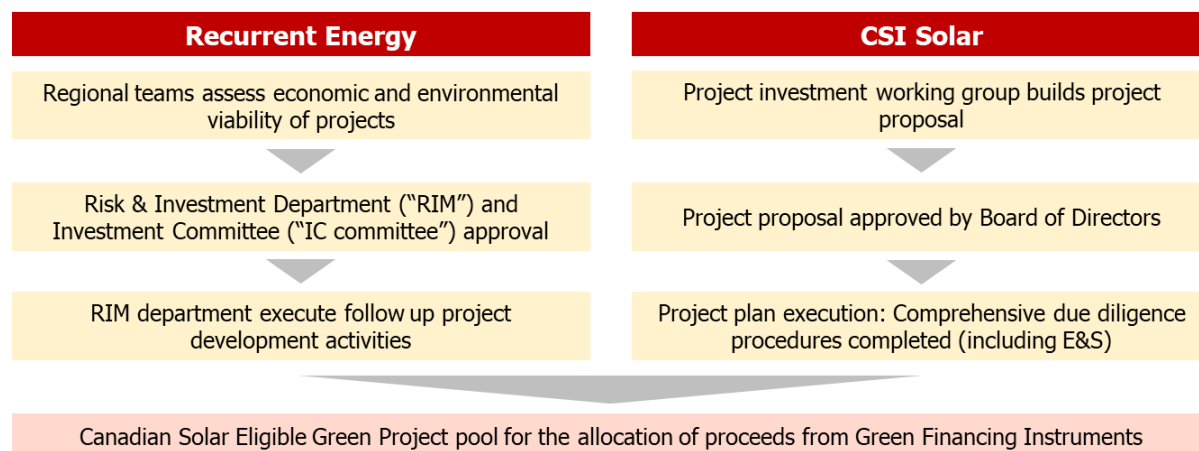
The Group will not knowingly allocate proceeds from any issuance of green financing instrument to the following activities:

- (i) projects related to the acquisition or generation of electricity based on fossil fuel or coal and oil heating systems;
- (ii) activities involving exploitation of human rights, modern slavery (e.g., forced labor or human trafficking) or child labor;
- (iii) production or sale of any product or activity that may relate to importers and exporters with misconduct, such as illegal natural extraction, or;
- (iv) any other activity that we determine is ineligible for allocation of proceeds at the time of allocation.

4. Process for Project Evaluation and Selection

The CSI Solar and Recurrent Energy businesses operate separate governance processes, which in turn impacts to the precise Eligible Green Project evaluation and selection under each. For each business, the internal processes for evaluating and selecting projects are managed by the regional teams, led by the Business Development department which is supported by senior executives from several other departments/functions including, among others, the Legal Department, EPC Department, Project & Structured Finance Department, M&A Department, PPA & Energy trading Department and Tax Department where appropriate. As such, eligibility of projects will be evaluated based on several criteria, including legal, overarching corporate view of social, environmental and governance compliance, together with financial performance and legal, technical and operational feasibility.

For any project allocated to a Green Financing Instrument labeled using this Framework, the Eligibility Criteria defined in the Use of Proceeds section above will also form part of the evaluation process.



At Recurrent Energy, once a project is identified and assessed as economically and environmentally viable by the regional team, this is presented to the Risk & Investment Management Department (hereinafter, "**RIM**") and to the Investment Committee, (hereinafter, "**IC**"), which is formed by a panel of senior executives with extensive industry experience. Once a project is presented to RIM and IC, they provide their feedback approving, disapproving, or approving with conditions the relevant project and related investment. The decisions made by the IC are documented and meetings held are recorded and filed. RIM department is in charge of follow up the project development activities to secure that the guidance and conditions (if any) provided by the IC are fulfilled in a timely manner. As part of the overall project approval process within RE, the IC will also be in charge of determining approval for eligibility of Projects against the Use of Proceeds criteria of this Framework.

At CSI Solar, project evaluation and selection is conducted by a working group set up to govern investment decision-making. The working group is led by senior executives and is comprised of subject matter experts from various disciplines across the business, including

but not limited to Business Development, Finance, Legal, EHS and Engineering & Technology. The working group initiates the investment cycle by convening to build a project proposal, incorporating site selection analysis (including environmental, social risk analysis and regulatory considerations), financial modelling, contract negotiations and financial risk review. Proposals are then presented to the CSI Solar Board of Directors for review and approval. Following Board approval of the proposal, CSI Solar's comprehensive project due diligence procedures are conducted, including detailed assessment of environmental and social impacts and risks and consequent mitigation plans devised to ensure project success. As part of the overall project approval process within CSI Solar, the Board of Directors will also be in charge of determining approval for eligibility of Projects against the Use of Proceeds criteria of this Framework.

The IC at Recurrent Energy and CSI Solar's working group are each responsible for:

- Selecting Eligible Green Projects for any green financing instrument issued under this Framework based on the Eligibility Criteria defined in the Use of Proceeds section above (subject to approval from Board of Directors in case of CSI Solar);
- Monitoring the Eligible Green Projects and throughout the life of the outstanding Green Financing Instrument;
- Removing any projects that no longer meet the Eligibility Criteria, have been disposed of, reach the end of its lifetime, or definitively stop operations during the period of financing, and replacing them with new Eligible Green Projects, on a best effort basis, as soon as feasible once an appropriate substitution option has been identified and internally approved (ideally within a 12-month period).

Due to the distinct separation of Recurrent Energy and CSI Solar's business activities and investment parameters; the business activities of each entity represent different stages in the renewable energy value chain, therefore Eligible Green Projects originating from the businesses do not encounter overlap, the risk of Eligible Green Projects being funded by both businesses, therefore double counted between these businesses is avoided.

Each Eligible Green Project can however be allocated to one or more Green Financing Instruments within Canadian Solar's scope depending on financing size and timing. If multiple Green Financing Instruments are outstanding, Canadian Solar will implement a control system to ensure that Eligible Green Projects are not double counted across instruments.

When a Green Financing instrument is matured, allocated eligible projects can be refinanced and re-allocated into new Green Financing instruments.

5. Management of Proceeds

Canadian Solar's Project & Structured Finance department will manage the first stage, which is to secure that the relevant financial arrangements comply with the financial, legal, and governance guidelines of the Group and the relevant local regulations. Once the financial settlements are in place, the Finance Department and the Asset Management department will manage the treasury allocated for the Eligible Green Projects and perform the follow-up activities related to the control, monitoring, reporting, accountancy and tax matters for each project and market active in, making sure that each project is aligned with the relevant budget.

An amount equal to the net proceeds of any Green Financing will be credited to Canadian Solar, or any of its subsidiaries (including Canadian Solar EMEA Capital Markets, S.A.) general account, and then will be transferred to the operating subsidiaries of Canadian Solar in charge of the Eligible Green Projects in the form of intercompany loans, equity capital or any other eligible form, with the purpose to finance or refinance the disbursements in connection with the Eligible Green Projects. The net proceeds also shall be used to refinance shareholders loans, which includes for the avoidance of doubt financial assistance in any form from affiliates and/or bank debt initially used for financing of existing or ongoing Eligible Green Projects.

All relevant information regarding the issuance of any green financing instrument dedicated to Eligible Green Projects, will be monitored, and kept in respective management tools and treasury and finance systems.

Canadian Solar commits on a best effort basis to reach full allocation within three years following financial close. The Group will monitor and track the net proceeds through its internal accounting system.

Pending the allocation or reallocation, Canadian Solar will invest the balance of the net proceeds, at its discretion, in cash and/or cash equivalents (money market instruments, bank accounts) and/or any other liquid financial instruments, as per the company's investment management policy.

6. Reporting

Allocation Reporting

Canadian Solar intends to report on the allocation of proceeds on an annual basis, starting a year after each instrument's issuance, until full allocation, and as necessary thereafter, in the event of any material developments.

For any Green Bonds issued, the allocation and impact reporting will be disclosed in the Green Finance Report, which will be published and kept readily available on Canadian Solar's website.

For any other Green Financing Instruments, the allocation and impact reporting will be provided via the Agent directly to lenders, and might be made public at Canadian Solar's discretion. For any Green labelled Revolving Credit Facilities (RCFs), Canadian Solar commits to report on the allocation and impact until the maturity of the RCF as aligned with the updated guidance on reporting under the GLP 2023.

Allocation reporting will include:

- ❖ The list of Eligible Green Projects financed and/or refinanced by outstanding Green Financing Instruments;
- ❖ The net proceeds allocated to each Eligible Green Project;
- ❖ The proportion of allocation to new and existing Eligible Green Projects (share of financing and refinancing);
- ❖ The balance of unallocated net proceeds;
- ❖ Where possible, the age and remaining useful life of the refinanced Eligible Green Projects.

Updates going forward might contain information on the green financing evolution, including amounts allocated to Eligible Green Projects and the balance of unallocated proceeds. Where feasible, we will provide examples of investments being financed with green financing proceeds until all proceeds have been allocated.

Impact Reporting

Where feasible, Canadian Solar will report on the environmental impact of the Eligible Green projects funded with the Green Financing Instruments. Examples of quantitative impact indicators are detailed below. The accounting methodology and assumptions used to calculate the Eligible Green Projects' impacts will be referenced in the respective annual reports; in particular, when internal methodologies are used, this will be communicated to

investors/lenders.

- ❖ Total installed capacity of renewable energy production (MW);
- ❖ Annual renewable energy generation (MWh);
- ❖ Estimated CO₂ avoided (tCO₂eq);
- ❖ Total capacity of renewable energy storage (MWh);
- ❖ Total number of solar PV cells/modules/other components manufactured;
- ❖ Total manufactured capacity of renewable energy production (MW) – not yet installed.

The impact reporting may be supplemented by qualitative and/or case study information on outcomes and impacts of the projects funded.

7. External Review

Canadian Solar has obtained and made publicly available on its company website a “second-party opinion” from a consultant with renowned environmental and social expertise on the alignment of this Framework with the relevant Principles.

As described above, the Group will provide an assertion by management that an amount equal to the net proceeds was allocated considering the Eligibility Criteria at least annually. The Group may nominate an external auditor or other independent third party to conduct an External Review that all allocations satisfy the Eligibility Criteria in accordance with Canadian Solar stated Use of Proceeds.

8. Revision

The Group will review this Framework from time to time, including its alignment with updated versions of the relevant Principles as and when they are released, for the purpose of adhering to the best practices in the market. Canadian Solar will also review this Framework in the event of material changes in the perimeter and categories selected. Such review may result in this Framework being updated and amended. The updates, if not minor in nature, will be subject to the prior approval of a qualified second-party opinion provider.

Any future updated version of this Framework that may exist will either keep or improve the current levels of transparency and reporting, including the corresponding review by an external verifier. The updated Framework, if any, will be published on Canadian Solar website and will replace this Framework.

9. Disclaimer

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