

Japan Credit Rating Agency, Ltd. (JCR) announces the following Green Finance Framework Evaluation Results.

Canadian Solar Project AKANE

Green Finance Framework Assignment



Issuer/Borrower	Canadian Solar Inc.
Subject	Canadian Solar Project AKANE Green Finance Framework

Evaluation Overview

▶▶▶ 1. Overview of Canadian Solar Inc.

Canadian Solar Inc. (hereinafter referred to as "CSI" or "the Company") (NASDAQ: CSIQ) is the holding company of the group, is one of the world's largest solar technology and renewable energy companies. Under its umbrella, it is a global leading manufacturer of solar photovoltaic modules, provider of solar power energy and battery storage solutions, and a clean energy project development platform of utility-scale solar power and battery storage projects.

The Company recorded sales of US 7.613 billion (approximately JPY 1.1 billion) for the fiscal year ended December 2023. CSI consists of two segments: CSI Solar Department, which manufactures/ sells photovoltaic system and modules and total system solution including inverter, photovoltaic power system kit and EPC (engineering, procurement and construction) services) and Recurrent Energy Department (former Global Energy Department), a clean energy project development platform, which develops, constructs, operates, manages and sells solar power projects. Such platform it is vertically integrated and has extensive expertise in greenfield

origination, development, financing, execution, operations and maintenance, and asset management. Shipment of solar panels by CSI solar is 30.7GW, Shipment of Energy Storage is 1.9GWh (as of December 2023). The pipeline for solar power plant project is 27GWp, the pipeline for Energy Storage development is 55GWh (as of January 31, 2024), one of the largest in the world.

▶▶▶ 2. CSI's Environmental/Social Initiatives

CSI, as a global manufacturer of photovoltaic modules, aims to support further development of clean energy technologies through financing and refinancing of investments in solar power/battery storage facilities or related businesses. CSI has formulated "Canadian Solar Environmental, occupational Health and Safety Policy," a policy on environmental and workplace safety and is working on pollution abatement and energy efficient waste reduction, and the management has declared to take specific measures.

The Company also emphasizes environmental impacts by its businesses and has announced that the electric power used by CSI will be fully covered by renewable energy by 2030, and additionally it is working to reduce greenhouse gas (GHG), manufacturing energy, water use and waste, and have set targets for each of these per production volume (MW) to be reduced by 20-30% in 2027 compared to 2022.

A materiality analysis is used to analyze ESG strategies and actions in CSI, which are reviewed by Chief Service Officer (hereinafter referred to as "CSO") in charge of sustainability strategies or the Sustainability Committee so as to have better opportunities, minimize risks and integrate ESG into businesses. The Sustainability Committee with three directors is established to address sustainability, analyze its related opportunities and risks and contribute to the long-term strategy and business development for CSI. The Sustainability Committee is held at least twice a year to review ESG issues.

Additionally, CSI has operation teams in respective regions as mentioned above and has personnel with environmental expertise, and it is firmed that external experts are involved in projects as needed.

▶▶▶ 3. About the Green Finance Framework

This evaluation target is Green Finance Framework (hereinafter referred to as "the Framework") established by CSI to limit the proceeds financed through Green Bonds/Green Loans only to the use with environmental benefits when CSI carries out Project AKANE's project. JCR evaluates whether the Framework conforms to with the Green Bond Principles¹, the Green Loan Principles², the Green Bond Guidelines³ and the Green Loan Guidelines⁴. These are principles and not

¹ ICMA(International Capital Market Association) (2021, with June 2022 Appendix 1) *Green Bond Principles*
<https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>

² LMA (Loan Market Association), APLMA (Asia Pacific Loan Market Association), LSTA (Loan Syndications and Trading Association) (2023) *Green Loan Principle*
<https://www.lma.eu.com/>

³ Ministry of the Environment (2022) *Green Bond Guidelines*
<https://www.env.go.jp/content/000062495.pdf>

⁴ Ministry of the Environment (2022) *Green Loan Guidelines*
<https://www.env.go.jp/content/000062495.pdf>

regulations with legal evidence; however, JCR evaluates it by referring to the said principles as internationally unified standards at the present moment.

CSI limits the use of proceeds in the Framework only to the photovoltaic project and the storage battery project acquired and developed by Project AKANE and establishes eligibility criteria to be obeyed for respective uses of proceeds. It is also stipulated that appropriate actions should be taken, considering negative environmental impacts when conducting eligible projects. Consequently, JCR evaluates that the use of proceeds in the Framework is expected to have environmental benefits.

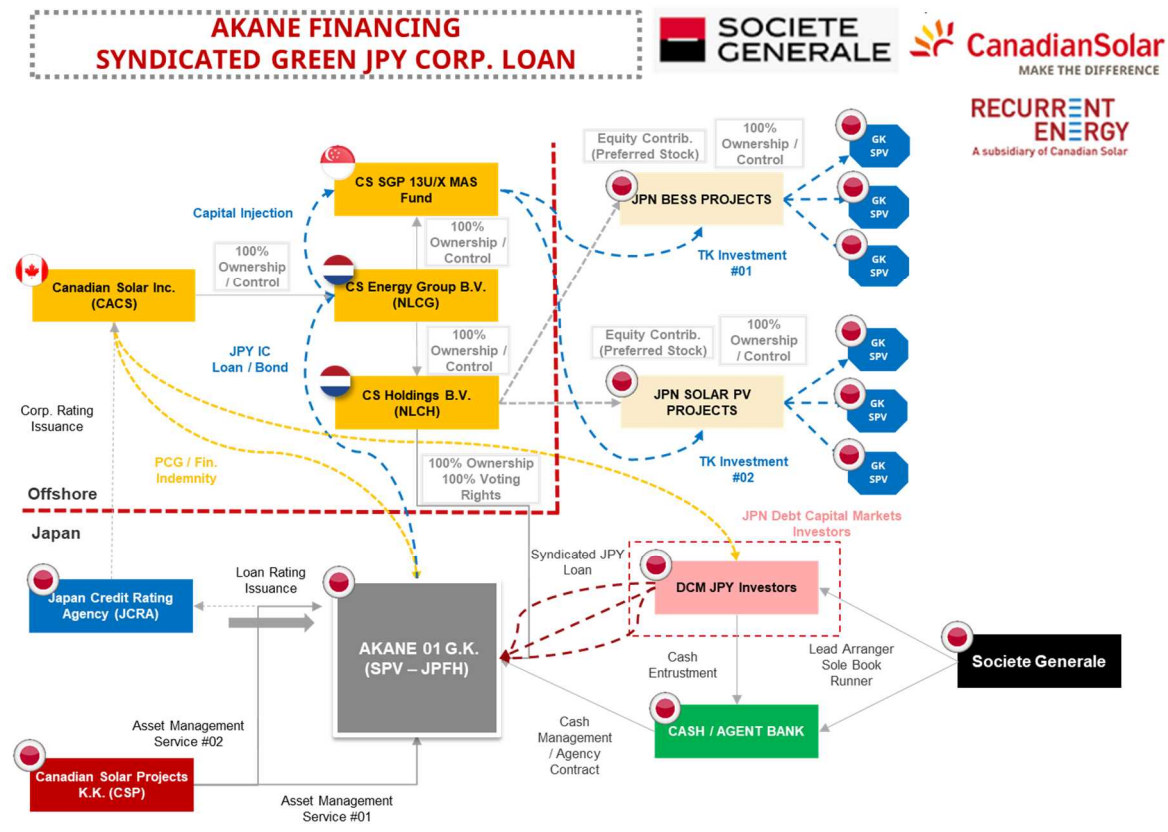


Figure 1: Scheme Chart⁵

CSI reviews and evaluates the photovoltaic project and storage battery project, which are subject to uses of proceeds in respective specialized departments. After the reviews and evaluations are carried out by specialized departments, Investment Committee that consists of Risk & Investment Management Department and senior executive officers reviews and evaluates whether projects are feasible or not, respectively and then approval is given as needed.

Proceeds are appropriately segregated and managed in cash or cash equivalents until full allocation. When proceeds are withdrawn, approval is needed by a financial manager, and additionally internal and external audits are made. The reporting details on proceeds allocated and environmental benefits are appropriate.

⁵ Source: Materials provided by CSI

Based on the aforementioned, JCR evaluates that the management/operation system is established in the CSI Group and the Company has transparency.

Based on JCR Green Finance Evaluation Methodology, JCR assigned "g1(F)" for "Greenness Evaluation (Use of Proceeds)" and "m1(F)" for "Management, Operation and Transparency Evaluation." As a result, JCR assigned "Green 1(F)" for the overall "JCR Green Finance Framework Evaluation."

The Framework meets the standards for the items required in the Green Bond Principles, the Green Loan Principles, the Green Bond Guidelines, and the Green Loan Guidelines.

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I. The Use of Proceeds

JCR's Key Consideration on This Factor

In this section, JCR first confirms whether the proceeds set out in the Framework is used for green projects that have clear environmental improvement effects. Then, in cases where the use of proceeds is expected to have a negative impact on the environment and society, JCR confirms whether the impact is fully examined by an internal specialist department or an external third party and whether necessary measures have been taken for its workaround and mitigation. Finally, JCR confirms the consistency with the Sustainable Development Goals (SDGs.)

▶▶▶ Current Status of Evaluation Targets and JCR's Evaluation

The photovoltaic project and the storage battery project, which are subject to use of proceeds determined by CSI in the Framework are key measures to achieve carbon neutral through expanding renewable energy and are expected to have environmental benefits.

The Framework for Use of Proceeds

<p>Summary Use of Funds</p>	<p>The net proceeds obtained will be used to finance or refinance, in whole or in part, the capital investment associated with the :</p> <ul style="list-style-type: none"> (i) acquisition, (ii) development (including real estate procurement, grid connection and securing permits & licenses), (iii) construction (iv) operation (v) maintenance (vi) refurbishment & repowering (vii) Group's overheads and (direct and indirect) operating costs as allocated to Eligible Projects, whose capital investment requirements related to items (i) to (vi) above shall be the main uses of funds under the Green Financing Framework, of new or existing <p>a) solar power generation projects (including component manufacturing, technical solutions procurement, research costs, and transmission and distribution infrastructure), b) energy storage projects (including utility-scale battery energy storage, R&D for Energy Storage System (ESS) design, component manufacturing, and transmission & distribution infrastructure)</p> <p>,which are managed and operated by the Group companies and are located in Japan.</p>
<p>Eligibility Criteria</p>	<p>Projects eligible for the allocation of funds shall be projects that are expected to have sound business operations, that have undergone risk verification in light of Recurrent Energy criteria, and must meet the following eligibility criteria:</p> <ul style="list-style-type: none"> • Risk management • Labor • Resource Efficiency • Community • Land Resettlement • Biodiversity

	<ul style="list-style-type: none"> • Indigenous People • Cultural Heritage <p>The Eligible Project Categories are intended to contribute the following main environmental objectives, namely:</p> <ul style="list-style-type: none"> i) climate change mitigation ii) avoiding CO2 emissions iii) connecting renewable energy production units to the general network, iv) improving networks in terms of demand-side management, balancing services, energy efficiency and access to electricity, and v) pollution prevention and control. <p>These benefits will be assessed and, where feasible, quantified by Recurrent Energy annually in the corresponding reporting, if required.</p>
<p>Financing methods and investment object</p>	<p><u>Funding methods:</u> Loan and / or bonds</p> <p><u>Investment Object:</u> Any Green Bond or Loan issued in Japan by Canadian Solar (or any of its subsidiaries) will be used to finance and/or refinance, in whole or in part, new or existing projects under development, construction and/or operation from any of the eligible project categories as defined above. The look-back period will be five (5) years, except that for eligible green projects with a Power Purchase Agreement ("PPA") in place, the look-back period for each project will be the length of the individual PPAs. For the avoidance of doubt, this includes any PPA extensions that have been executed.</p> <p><u>Eligible Projects:</u> Recurrent Energy's business and management is inherently aligned with the Green Bond and Green Loan Principles relevant to the eligibility category of Renewable Energy.</p>

JCR's Evaluation for the Framework

1. Environmental improvement effects of the project

The use of the proceeds financed through the Framework is used to finance or refinance for the acquisition, development, construction, operations, maintenance and repairing/repowering of the photovoltaic project and storage battery project.

(1) Use of proceeds 1: Solar power generation project

Use of proceeds 1 is for the solar power generation projects developed by CSI through Project AKANE. The photovoltaic project in Project AKANE covers such type of projects developed in Japan. This project falls under "Renewable energy" in the Green Bond Principles and the Green Loan Principles, and "Projects for renewable energy" in the Green Bond Guidelines and the Green Loan Guidelines.

Solar power generation refers to clean energy in place of fossil fuels by using solar power as energy sources, has GHG reduction effects and does not depend upon finite resources such as fossil fuels. Therefore; solar power generation is expected to play an important role in the 6th Strategic Energy Plan, which was approved by the Cabinet in October 2021. According to the aforementioned Plan, the government will make sure to use renewable energy as the main power source, prioritize to make efforts on renewal energy and promote its introduction to the maximum extent possible while minimizing the burdens on citizens and coexisting with communities on the premise that stable supply is ensured or energy costs is reduced (S+3E) in the renewable energy sector, aiming at "Carbon neutral declaration" in 2050, a 46% reduction in CO₂ emissions in 2030 and a new challenge that continuously aims at an even higher level of a 50% reduction in CO₂ emissions. In the Plan, the renewable energy has been positioned as the

main power source in FY 2030, and solar power generation accounts for the largest power production in renewable energy sources.

		(FY2019 ⇒ previous energy mix)	Energy mix in FY2030 (ambitious outlook)
Energy efficiency improvement		(16.55 million kl ⇒ 50.30 million kl)	62 million kl
Final energy consumption (without energy conservation)		(350 million kl ⇒ 377 million kl)	350 million kl
Power generation mix	Renewable energy	(18% ⇒ 22-24%)	36-38%
Electricity generated: 1,065 TWh ⇒ Approx. 934 TWh	Hydrogen/Ammonia	(0% ⇒ 0%)	※If progress is made in utilization and implementation of R&D of renewable energy currently underway, 38% or higher will be aimed at. (details of renewable) solar 14~16% wind 5% geothermal 1% hydropower 11% biomass 5%
	Nuclear	(6% ⇒ 20-22%)	
	LNG	(37% ⇒ 27%)	
	Coal	(32% ⇒ 26%)	
	Oil, etc.	(7% ⇒ 3%)	
(+ non-energy related gases/sinks)			
GHG reduction rate		(14% ⇒ 26%)	46%
			Continuing strenuous efforts in its challenge to meet the lofty goal of cutting its emission by 50%

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Figure 2: Overview of the 6th Strategic Energy Plan⁶

On one hand, the renewable energy (hydropower, solar, wind, geothermal and biomass) already accounted for roughly 21.7% of the total power generation in FY 2022, and solar power generation is made up of approximately 9.2% of the total power generation, a larger share than that of hydropower⁷. On the other hand, in order to achieve the aforementioned goal, the total solar power generation needs to increase to 14 to 16% by 2030, and further expansion of solar power generation has been continuously required. In light of the above, JCR evaluates that this use of proceeds will contribute to achieving carbon neutrality by playing a part in the expansion of renewable energy in Japan.

(2) Use of proceeds 2: Storage battery project

Use of proceeds 2 is for the storage battery project developed by CSI through Project AKANE. This project falls under "Renewable energy" in the Green Bond Principles and the Green Loan Principles, and "Projects for renewable energy" in the Green Bond Guidelines and the Green Loan Guidelines.

Renewable energy such as photovoltaic generation and wind power generation is also called Intermittent Energy Source, which is difficult to supply stable electricity since electricity generated varies depending upon meteorological conditions such as solar radiation and wind conditions. Storage batteries supplements this renewable energy's characteristics for power generation. When power generated by renewable energy is large in amount, the extra energy is stored and when power generated by renewable energy is small in amount and cannot meet the demand, stable power can be provided through converting the energy stored into electricity. According to World Energy Outlook 2023 published by the International Energy Agency (IEA),

⁶ Source: Agency for Natural Resources and Energy (2021) *The 6th Strategic Energy Plan*

⁷ Ministry of Economy, Trade and Industry, Agency for Natural Resources and Energy (published on November 29, 2023) *Energy Supply and Demand Results of FY2022 (Preliminary Report)*
https://www.enecho.meti.go.jp/statistics/total_energy/pdf/gaiyou2022fysoku.pdf

robust and digitalised grids needs to be accompanied by a role for batteries and demand response⁸ measures for short-term flexibility⁹ as well as low-emission technologies. Therefore, the capacity of storage batteries in the global electric power sector is expected to increase from 45 GW in 2022 to 1,018 GW in 2030 and 4,199 GW in 2050 in the IEA's NZE scenario¹⁰. Even in Japan, development of power grids that can respond to fluctuating output, vital for wider introduction of renewable energy is positioned as one pillar as future renewable energy policies in the Basic Policy for the Realization of GX, decided by the Cabinet in February 2022 in Japan and the introduction of storage batteries is expected to accelerate. The cumulative amount of grid storage batteries to be introduced in 2030 is expected to be around 14.1 to 23.8GWh in Sector-specific Investment Strategies (Batteries)¹¹. Based on the above, it is expected that the introduction of storage batteries will accelerate in the future. As mentioned above, expansion of storage battery facilities is essential for the expansion of renewable energy, so JCR evaluates the implementation of the storage battery project by Project AKANE as an initiative to support the expansion of solar power generation facilities mentioned above.

CSI's track record of solar power generation projects and storage battery projects in Japan is shown in the table below. Since CSI is already working on multiple projects in Japan and is believed to have accumulated knowledge and know-how, JCR evaluates that the effectiveness of the use of funds specified in this framework is guaranteed.

Table 1 : CSI's track record in Japan regarding solar power generation projects and storage battery projects (as of September 30, 2023)¹²

	in Operation and sold	in Operation	Development ¹³
Solar power generation project	500MWp	63MWp	186MWp
Storage battery project	-	-	1,196MWh

2. Negative Impacts on the Environment and Society

CSI identifies the following items as negative environmental and social impacts exerted by the target projects:

- Land use (land degradation and habitat loss)
- CO2 emissions throughout the lifecycle (manufacture, transportation of raw materials, installation, maintenance, deactivation and dismantling)
- visual impact on land

⁸ A method of matching electricity demand to supply. Also called demand response. Specific methods include reducing power demand by adjusting or shutting down burdensome equipment such as air conditioning and lighting during times when power demand exceeds supply, and reducing power demand by adjusting or shutting down burdensome equipment such as air conditioning and lighting during times when power supply is lower than demand. There is a way to create electricity demand during that time by charging the battery.

⁹ The ability of an electric power system to respond reliably and cost-effectively to instantaneous, hourly, daily, weekly, or seasonal fluctuations in supply and demand.

¹⁰ IEA (2023) *World Energy Outlook 2023*

<https://iea.blob.core.windows.net/assets/86ede39e-4436-42d7-ba2a-edf61467e070/WorldEnergyOutlook2023.pdf>

¹¹ Ministry of Economy, Trade and Industry (2023) *Reference to the Sector-specific Investment Strategies (Batteries) (Japanese)*
<https://www.meti.go.jp/press/2023/12/20231222005/20231222005.html>

¹² Source: Materials provided by CSI

¹³ It includes the late-stage projects that have passed their risk cliff date and are expected to start construction in the next 1-4 years (backlog projects,) mid-stage projects that have secured or have more than 90% certainty of securing an interconnection agreement, and early-stage projects controlled by Recurrent Energy that are in the process of securing interconnection.

- construction noise
- waste generation
- toxic substance spill
- storm water pollution
- influence on existing wildlife / habitat disruption / biological resources
- effects on cultural and paleontological resources

For these risks, CSI deals with minimizing to change in landform (logging, landfill, landscape conservation and ecosystem maintenance) by complying with all applicable local and national environmental laws, laws and regulations and guidelines, by avoiding building photovoltaic facilities in dense forest areas and by supporting and leading forest regeneration activities. The Company also reduces CO2 emissions throughout the lifecycle by obeying the government e-waste management rules (EU Directive.)

CSI will explain local residents and obtaining their understanding about the project when the project is commenced. JCR confirms that unless those problems are not solved, CSI does not proceed the projects.

JCR evaluates the aforementioned efforts are appropriate.

3. Consistency with SDGs

JCR evaluated the use of proceeds set out in the Framework contributes to the following SDGs' goals and targets in reference to ICMA's SDGs mapping.



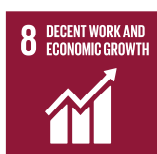
Goal 3: Good health and well-being

Target 3.9. By 2030, substantially reduce the number of deaths and illnesses from hazardous chemicals and air, water and soil pollution and contamination.



Goal 7: Affordable and clean energy

Target 7.2. By 2030, increase substantially the share of renewable energy in the global energy mix.
Target 7.3. By 2030, double the global rate of improvement in energy efficiency.



Goal 8: Decent work and economic growth

Target 8.4. By 2030, progressively improve resource efficiency in global consumption and production, and under the leadership of developed countries, work to segment economic growth and environmental deterioration in accordance with the 10-year planning framework for sustainable consumption and production.



Goal 9: Industry, Innovation and Infrastructure

Target 9.4. By 2030, to upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities



Goal 11: Sustainable cities and communities

Target 11.6. By 2030, to reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management



Goal 12: Responsible Consumption and Production

Target 12.4. By 2020, in accordance with an agreed international framework, achieve environmentally sound management of chemicals and all waste throughout the product lifecycle, and significantly reduce the release of chemicals and waste into the air, water and soil to minimize adverse impacts on human health and the environment



Goal 13: Climate Action

Target 13.1. To strengthen resilience and adaptive capacity to climate-related disasters and natural disasters in all countries.

Evaluation Phase 2: Management, Operation and Transparency Evaluation

m1(F)

I. Selection Standards and Processes for Use of Proceeds

JCR's Key Consideration on This Factor

In this section, JCR confirms that the objectives to be achieved through green financing, the appropriateness of green project selection standards and processes, and whether or not a series of processes are properly disclosed to investors/lenders and others.

▶▶▶ Current Status of Evaluation Targets and JCR's Evaluation

JCR evaluates that the goals, green project selection criteria and processes in the Framework are reviewed by Department with expertise familiar with circumstances in respective areas, and the management is appropriately involved in making decisions.

1. Goals

The Framework on the investment policy based on long-term vision

As one of the world's largest solar technology and renewable energy companies, Canadian Solar aims to power the world with solar energy and to create a cleaner Earth for future generations.

To meet our company goals, we strive to "Make the Difference" in our work by cultivating a corporate culture of equity, diversity, and inclusion, and creating a lasting positive impact on society and the communities where we operate. Our culture and people are our most important assets and a key source of our competitive advantage.

- **Mission:** Lead the energy revolution and create a brighter future together
- **Vision:** Power the world with solar energy and create a better and cleaner Earth for future generations
- **Slogan:** Make the difference
- **Core Values:** Customer Success, Innovation, Grit, Excellence

As part of its long-standing commitment to sustainability, Recurrent Energy developed the Green Financing Framework under which the Group will issue green bonds (or will borrow green loans) to finance and/or refinance investments made in solar power generation and/or storage assets or businesses and to support the ongoing development of clean energy technologies.

JCR's Evaluation for the Framework

CSI, as a global manufacturer of photovoltaic modules, aims to support the further development of clean energy technologies through financing and refinancing to invest in solar power and storage battery facilities or related businesses.

JCR confirms that CSI aims to achieve the following ESG targets by implementing projects although Project AKANE is carried out its businesses in various regions.

- Decarbonize in regions (renewable energy power generation, air pollution reduction and energy efficiency)
- Diversify energy sources and be less dependent on imported fossil fuels
- Revitalize and develop regional economies

JCR also evaluates that Project AKANE contributes to achieving the CSI's sustainability goals described below.

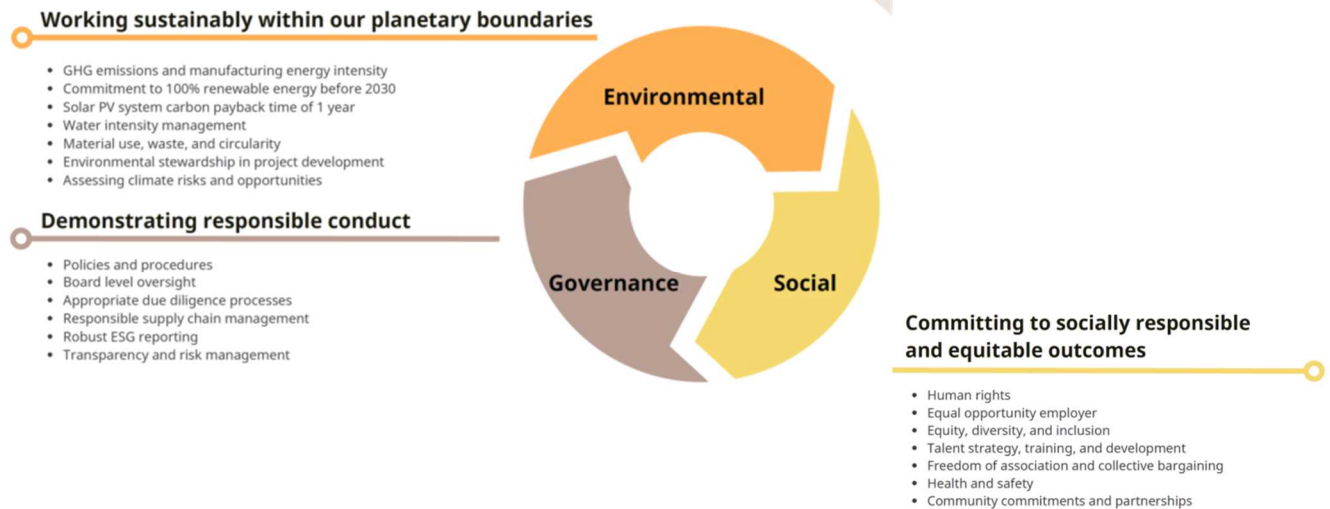


Figure 3: CSI Sustainability¹⁴

Consequently, JCR evaluates that construction/development of the photovoltaic project and the storage battery project by Project AKANE contribute to achieving the above-mentioned long-term visions, goals and sustainability.

2. Selection criteria

The eligibility criteria for this Framework are described in Evaluation Phase 1 of this report. JCR assesses that the selection criteria for the project are appropriate.

3. Processes

The Framework for Project Selection Criteria and Process

[Project selection Process]

1. Participant in project selection

Projects for which the proceeds will be used are evaluated and selected by our regional teams which is supported by 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. As such, eligibility of projects will be evaluated based on several criteria, including legal, social, environmental and governance

¹⁴ Source: Canadian Solar 2022 ESG Report

compliance, together with financial performance and legal, technical and operational feasibility.

2. Project selection process

Once a target project has been assessed and selected as being economically and environmentally viable by the regional team, the Risk & Investment Management Department (“**RIM**”) and Investment Committee (“**IC**”), which is formed by a panel of senior executives with extensive industry experience, will be reviewed and evaluated (based on a series of analysis and feasibility studies including but not limited to the environmental impact analysis, financial modeling and due diligence of the projects), and the result of approval, disapproval, or conditional approval will be fed back.

3. Documentation

Decisions by the IC are documented, and meetings held are recorded and filed.

4. Monitoring

RIM is in charge of follow up the project development activities to secure that the guidance and conditions (if any) provided by the IC committee are fulfilled in a timely manner.

JCR's Evaluation for the Framework

CSI reviews and evaluates the photovoltaic project and storage battery project, which are subject to the use of proceeds in respective Specialized Divisions in Japan.

After reviews and evaluations are made by Specialized Department in respective regions, discussions/assessments are conducted whether projects should be carried out or not, and final decision is made in RIM and IC that consists of senior executive officers.

Accordingly, JCR evaluates that the process on the implementation of green finance is appropriate since personnel with expertise in discussing projects and the management makes a decision when carrying out projects.

The Framework on the project goals, selection criteria and selection process will be disclosed to the target investors and lenders, and transparency to investors is considered to be ensured.

II. Management of the Proceeds

JCR's Key Consideration on This Factor

It is usually assumed that the management of the proceeds varies widely depending on issuers/borrowers. JCR confirms whether the proceeds are surely appropriated to the green project and whether a mechanism and internal system are in place to make tracking easy.

JCR also focuses on whether the proceeds are scheduled to be used for green projects at an early stage and the management and operation methods for unallocated proceeds.

▶▶▶ Current Status of Evaluation Targets and JCR's Evaluation

JCR evaluates that CSI's cash management system is appropriately established and the management method of proceeds is disclosed in this Evaluation Report; therefore, it has a high level of transparency.

The Framework for Management of Proceeds

[Method of linking funds and assets]

Bonds and loan proceeds will be fully tied to pre-selected individual projects (as defined above) and to the projects selected as meeting eligibility criteria separately. Recurrent Energy assigns and dedicates appropriate and specialized financing, treasury and accounting human resources to the green financial instrument.

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.

- For the avoidance of doubt, each green financial instrument issued will be deposited until full allocation and earmarked for allocation in accordance with this Green Financing Framework.
- Recurrent Energy intends to fully allocate the proceeds within thirty (36) months from the date of the bond issuance or loan agreement.

[How to track and manage raised funds]

- An amount equal to the net proceeds of the green bond / green loan will be credited to the bank amount of AKANE 01 GK, which was established under Japanese law for the procurement of financing means under the Green Financing Framework, and then will be transferred to the operating subsidiaries of Recurrent Energy in charge of the eligible projects in the form of intercompany loans, equity capital or any other eligible form.

- The net proceeds may also 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 proceeds will be allocated and managed by the Finance and Project& Structured Finance Departments.
- 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 at each relevant corporate level. The Group will monitor and track the net proceeds through its internal accounting system at each relevant corporate level.
- Until the green bond proceeds are allocated, the proceeds will be managed in cash or cash equivalents, as per the company's investment management policy.

[Internal Controls and External Audits for Tracking Management Internal Controls and External Audits for Tracking Management]

- Regarding the tracking and management of the green bond/green loan proceeds, the Group plans to obtain the approval of the department head.
- It is planned to be subject to internal and external audits.
- Documents or electronic files related to fund management are preserved until redemption/repayment deadline.

[How to manage unappropriated funds]

Until the allocation of the proceeds is decided, the fact that the proceeds of the green bond / green loan will be managed in cash or cash equivalents, as per the company's investment management policy, will be disclosed in relevant Group statutory and / or financing contracts or documents.

If there are unallocated funds, new projects (subject to section 2 of this Green Financing Framework¹⁵) may be selected.

Bond proceeds will be kept as cash or cash equivalents until alternative eligible projects are selected.

JCR's Evaluation for the Framework

Proceeds financed through green finance are managed by linking to respective individual projects. CSI manages a flow of proceeds in respective subsidiaries in the Group with the accounting system. The intercompany loans to respective subsidiaries in CSI from AKANE 01GK¹⁶ or equity capital require approval by Financial Officer. Remittances from respective subsidiaries

¹⁵ Refers to "2. Project selection criteria and process" described on pages 13-14 of this evaluation report.

¹⁶ Application for Registration of Establishment of AKANE 01GK was filed on April 24, 2024. It is expected to be completed in early May 2024

to SPV that conducts the photovoltaic project or the storage battery project are also approved by Financial Officer.

Tracking and managing proceeds appropriated will be also carried out under supervision of Department Head.

CSI is regularly audited by its internal independent department and an external audit firm since the Company is subject to the U.S. Sarbanes-Oxley Act because it listed on the NASDAQ market in the United State.

It is stipulated by the Framework that proceeds are managed in cash or cash equivalents until full allocation after financing, and an alternative project is selected in cases where there is any unappropriated proceeds due to sale of properties or others.

Based on the above, JCR evaluates that the proceed management system is appropriately in place in Project AKANE, and the proceed management method is disclosed in this Evaluation Report; therefore, CSI has a high level of transparency.

III. Reporting

JCR's Key Consideration on This Factor

In this section, JCR evaluates whether the disclosure system for investors/lenders before and after financing based on the Framework, is planned in detail and in an effective manner.

▶▶▶ Current Status of Evaluation Targets and JCR's Evaluation

JCR evaluates that the Company plans to properly disclose the CSI reporting about both of the appropriation of proceeds and the environmental benefits to investors.

The Framework for Reporting

[Disclosure method regarding allocation of funds]

- Recurrent Energy intends to report on the allocation of proceeds to its investors on an annual basis until full allocation.
- The allocation report will disclose information on the Eligible Green Projects per asset type, comprising detailed examples such as:
 1. Allocated amount per Eligible Green category vs. total amount (%)
 2. Geographic split per region
 3. Weighted average age of the project being financed or refinanced by the green financial instrument issuance with information related to the phase (development, construction or operation)
 4. Total projects size (MW) per asset category
 5. Total annual operating hours
 6. Example of projects financed by the proceeds, including their description (date, location, category, progress)
 7. balance of unallocated net proceeds
 8. the share of proceeds used for refinancing vs. financing.
- If the target assets are sold before the green bond / green loan is redeemed and reappropriation is necessary, the entire amount of the proceeds from the green bond / green loan will be posted on the Company's website until it is appropriated to projects that meet the eligibility criteria. The Group plans to disclose this on an annual basis.
- Until the green bond / green loan is redeemed, JCR plans to review the green bond / green loan evaluation, mainly focusing on the allocation of funds and the reporting status of the disclosure of environmental improvement effects.

[Disclosure method and frequency of impact reporting]

It will be disclosed annually on our website.

Until the green bond / green loan is redeemed, JCR plans to review the green bond / green loan evaluation, mainly focusing on the allocation of funds and the reporting status of the disclosure of environmental improvement effects.

[KPI (key performance indicator) in impact reporting]

Where feasible, the report will include qualitative and quantitative impact indicators.

For each impact metric which is reported, the underlying calculation methodology and assumptions will be detailed as part of the report.

Examples of the indicators that may be included as an environmental improvement effect are as follows;

- i) CO2 emissions reduced by eligible green projects (theoretical value based on output standards)
- ii) Power generated by eligible green projects (theoretical value based on output standards)
- iii) Total capacity of renewable energy production (MW) installed by eligible green projects

JCR's Evaluation for the Framework

Reporting on the allocation status of the proceeds

CSI will disclose use of proceeds to investors with loan contracts or facility agreements. The Company will also annually disclose the appropriation of proceeds financed through green finance to investors until full allocation. In cases where an unexpected event occurs after proceeds are fully appropriated, the Company will announce the situation and contact relevant lenders depending upon their agreements.

Reporting on environmental improvement effects

CSI will disclose the aforementioned contents as impact reporting in the solar project and storage battery project. JCR evaluates that the detailed reporting refers to CO2 emissions reduced and the total capacity of electricity generated in the solar project and capacity of storage batteries, which are appropriate as an indicator of the eligible project.

Based on the above, JCR evaluates that the reporting system on Project AKANE is appropriate.

IV. Organization's Sustainability Initiatives

JCR's Key Consideration on This Factor

In this section, JCR evaluates whether the management of the issuer/borrower positions sustainability issues as a high priority for management and whether the sustainability policy, process and selection criteria for green projects are clearly positioned through the establishment of a department specializing in environmental issues or in collaboration with external organizations.

▶▶▶ Current Status of Evaluation Targets and JCR's Evaluation

JCR confirmed that CSI regards sustainability issues as a key management issue, has a meeting body on sustainability issues to address them from a practical and managerial perspective, and carries out the eligible project's process described in the Framework while incorporating department in charge of the environment in operational teams and external experts' knowledge.

In order to carry out Project AKANE, the CSI Group has established "Canadian Solar Environmental, occupational Health and Safety Policy," a policy covering the environmental and workplace safety and strives to conduct pollution abatement, energy efficiency and waste reduction. The goals in this policy are as follows:

Canadian Solar Environmental, Occupational Health and Safety Policy

- Ensure compliance with all EHS laws wherever Canadian Solar conducts business.
- Provide a safe and healthy work environment for our employees, contractors, visitors, customers and the community.
- Relentlessly pursue an EHS incident-free workplace through hazard identification and risk reduction.
- EHS is the responsibility of all. Demonstrate leadership and commitment, and encourage employee involvement in creating a safe workplace, free of occupational injuries and illness; emphasize individual responsibility for safety by all employees, supported at all levels of management.
- Monitor, measure and assess the Company's EHS performance and management system on a regular and continuing basis in order to continuously improve EHS policies, procedures and implementation.
- Management is responsible for providing training, systems and resources to ensure a safe, healthy and environmentally sound workplace.
- All EHS incidents will be reported and major incidents investigated.

The management in the CSI Group has declared efforts to achieve the policies and objectives mentioned above.

CSI also emphasizes environmental impacts by its businesses and has announced that the electric power used by CSI will be fully covered by renewable energy by 2030, and additionally

it is working to reduce greenhouse gas (GHG), manufacturing energy, water use and waste, and have set targets for each of these per production volume (MW) as described below.

Table 2 : the targets about CSI's sustainability¹⁷

	targets in 2027	reduction rate compared to 2022
GHG emission	89t-CO _{2eq} /MW	Δ28%
manufacturing energy,	121MWh/MW	Δ29%
water use	554t/MW	Δ26%
waste	7.0t/MW	Δ23%

CSI aims to expand photovoltaic generation worldwide as a global player in the solar power generation business. JCR confirms that CSI emphasizes ESG factors when making decisions on businesses and strategies, and it continues to improve practices to achieve a long-term sustainability.

CSI is currently identifying materiality that is significant issues and gathering opinions from the management such as directors or executives and employees all over the world, as well as customers, suppliers, investors, lenders, local communities, trade associations, NGO, the media and the scientific community as external stakeholders. The materiality analysis is used to analyze ESG strategies and actions in CSI, which are reviewed by CSO in charge of sustainability strategies or the Sustainability Committee so as to have better opportunities, minimize risks and integrate ESG into businesses.

The Sustainability Committee with three directors is established to address sustainability, analyze sustainability related opportunities and risks and contribute to long-term strategies and business development for CSI. The Sustainability Committee holds at least twice a year to review ESG issues. Furthermore, CSI has operational teams in various regions as mentioned above and personnel with specialized knowledge on the environment, and it is confirmed that external experts are involved in the project as needed.

CSI discloses sustainability initiatives in accordance with international frameworks such as the Task Force on Climate-related Financial Disclosures (TCFD), the Sustainability Accounting Standards Board (SASB), and the Global Reporting Initiative (GRI). In October 2023, the Company was awarded the "Sustainability Reporting of the Year-Global" by Environmental Finance for its transparency, comparability, and comprehensiveness in reporting on sustainability¹⁸.

Based on the above, JCR confirms that CSI, as its Group, positions not only environmental issues but also social issues as a key management issue, has a meeting body to addresses sustainability issues such as the Sustainability Committee and carries out the eligible projects described in the Framework while incorporating personnel with environmental special knowledge or external experts with insight in operational teams in respective regions.

¹⁷ Created by JCR from CBI published materials

¹⁸ Environmental Finance is a global environmental finance magazine in the UK. CSI's Sustainability Reporting of the Year Award (Global) is one of the Sustainable Company Awards, which aims to recognize companies from all industries that are transforming their business practices to pave the way for a sustainable future.

**Evaluation phase 3 :
Evaluation result(Conclusion)**
Green 1(F)

Based on its JCR Green Finance Evaluation Methodology, JCR assigned "g1(F)" for the "Greenness Evaluation (Uses of Proceeds)" and "m1(F)" for the "Management, Operation and Transparency Evaluation." As a result, JCR assigned "Green 1(F)" for the "JCR Green Finance Framework Evaluation." The Framework meets the standards for the items required in the Green Bond Principles, the Green Loan Principles, the Green Bond Guidelines and the Green Loan Guidelines.

		Management, Operation, and Transparency Evaluation				
		m1(F)	m2(F)	m3(F)	m4(F)	m5(F)
Greenness Evaluation	g1(F)	Green 1(F)	Green 2(F)	Green 3(F)	Green 4(F)	Green 5(F)
	g2(F)	Green 2(F)	Green 2(F)	Green 3(F)	Green 4(F)	Green 5(F)
	g3(F)	Green 3(F)	Green 3(F)	Green 4(F)	Green 5(F)	Not qualified
	g4(F)	Green 4(F)	Green 4(F)	Green 5(F)	Not qualified	Not qualified
	g5(F)	Green 5(F)	Green 5(F)	Not qualified	Not qualified	Not qualified

(Responsible analysts for this evaluation) Atsuko Kajiwara, Haruna Goto

Important explanations of this Evaluation

1. Assumptions, Significance and Limitations of JCR Green Finance Framework Evaluation

JCR Green Finance Framework Evaluation, which is determined and provided by Japan Credit Rating Agency, Ltd. (JCR), covers the policies set out in the Green Finance Framework, and expresses JCR's comprehensive opinion at this time regarding the appropriateness of the Green Project as defined by JCR and the extent of management, operation and transparency initiatives related to the use of funds and other matters. Therefore, JCR Green Finance Framework Evaluation is not intended to evaluate the effects of specific environmental improvements and the management, operation and transparency of individual bonds and borrowings, etc. to be implemented based on these policies. In the event an individual bond or individual borrowing based on this Framework is subject to a green finance evaluation, a separate evaluation is needed. JCR Green Finance Framework Evaluation does not prove the environmental improvement effects of individual bonds or borrowings implemented under this Framework, and does not assume responsibility for their environmental improvement effects. JCR confirms the environmental improvement effects of funds procured under the Green Finance Framework measured quantitatively and qualitatively by the issuer/borrower or by a third party nominated by the issuer/borrower, but in principle it does not directly measure such effects.

2. Method used to conduct this evaluation

The methodologies used in this assessment are described in "JCR Green Finance Evaluation" on the "Sustainable Finance ESG" section of the JCR website (<https://www.jcr.co.jp/en>).

3. Relationship with Acts Concerning Credit Rating Business

JCR Green Finance Framework Evaluation is determined and provided by JCR as a related business, which is different from its activities related to the credit rating business.

4. Relationship with Credit Ratings

The Evaluation is different from the Credit Rating and does not assure to provide or browse a predetermined credit rating.

5. Third-Party Evaluation of JCR Green Finance Framework Evaluation

There are no capital and/or personnel relationships that may result in a conflict of interests between the subject of this evaluation and JCR.

■Matters of Attention

The information contained in this document was obtained by JCR from the issuer/borrower and from accurate and reliable sources; however, such information may be mistaken for human and/mechanical errors or other reasons. Therefore, JCR makes no representation or warranty, whether express or implied, as to the accuracy, result, appropriateness, timeliness, completeness, marketability or fittingness for any particular purpose of such information, and assumes no responsibility for any errors, omissions or consequences of using such information. JCR shall not be liable for any loss of opportunity and extraordinary, indirect, incidental or consequential damages of any kind, including any loss of money, which may result from any use of such information under any circumstances, whether contractual liability, tort liability, negligence or other causes of liability, and whether or not such damages are foreseeable or unforeseeable. JCR Green Finance Framework Evaluation does not express any opinion on various risks (credit risk, price fluctuation risk, market liquidity risk, price fluctuation risk, etc.) related to green finance based on the green finance framework, which is the target of the evaluation. Furthermore, it is an expression of JCR's opinion at the present time and does not represent facts nor does it make any recommendation regarding risk assessment or decisions on the purchase, sale or holding of individual bonds, commercial paper, etc. JCR Green Finance Framework Evaluation may be modified, suspended or withdrawn due to changes in information, lack of information or other reasons. All rights pertaining to this document, including data from JCR Green Finance Framework Evaluation, are held by JCR. All or part of this document, including data from JCR Green Finance Framework Evaluation, is prohibited from being reproduced, modified or otherwise altered without the permission of JCR.

■ Glossary

JCR Green Finance Framework Evaluation: This evaluates the extent to which the funds procured through Green Finance are appropriated for green projects as defined by JCR and the degree to which the management, operation and transparency of the Green Finance are ensured. Evaluations based on a 5-point scale are given from top to bottom using the Green 1(F), Green 2(F), Green 3(F), Green 4(F), and Green 5(F) symbols.

■ Status of Registration as an External Evaluator of Sustainability Finance

- Registered as an External Reviewer of Green Bonds by the Ministry of the Environment
- ICMA (registered as an observer with the Institute of International Capital Markets)

■ Status of registration as a credit rating agency, etc.

- Credit Rating Agency: the Commissioner of the Financial Services Agency (Rating) No.1
- EU Certified Credit Rating Agency
- NRSRO: JCR has registered with the following four of the five credit rating classes of the U.S. Securities and Exchange Commission's Nationally Recognized Statistical Rating Organization (NRSRO): (1) financial institutions, broker-dealers, (2) insurance companies, (3) general business corporations and (4) governments and municipalities. If the disclosure is subject to Section 17g-7 (a) of the Securities and Exchange Commission Rule, such disclosures are attached to the news releases appearing on the JCR website (<https://www.jcr.co.jp/en/>).

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