

————— JCR Green Loan Evaluation by Japan Credit Rating Agency, Ltd. —————

Japan Credit Rating Agency, Ltd. (JCR) announces the Annual Review of its Green Loan Evaluation.

JCR Reviewed Green Loan Evaluation on Long-term debt of Canadian Solar Infrastructure Fund, Inc.

| | | |
|-------------------|---|---|
| Subject | : | loans borrowed by Canadian Solar Infrastructure Fund, Inc. |
| Type | : | Long-term loan |
| Lender | : | Syndication by Mizuho Bank, Ltd. and Sumitomo Mitsui Banking Corporation as an arranger. Shinsei Bank Limited as an arranger and book runner. |
| Total Borrowings | : | JPY 15.7 billion |
| Interest Rate | : | 0.845% |
| Date of Borrowing | : | October 31, 2017 |
| Repayment Date | : | Corresponding day of 10th year after the borrowing date |
| Repayment Method | : | Partial Loan Amortization |
| Use of Proceeds | : | Payment on acquiring renewable energy generation assets and other related costs. |

<Green Loan Review Results>

| Overall Evaluation | Green 1 |
|--|---------|
| Greenness Evaluation (Use of Proceeds) | g1 |
| Management, Operation and Transparency Evaluation | m1 |

1. Overview

On November 22, 2017, JCR announced its "Green 1" overall evaluation of long-term loan to finance investments in renewable energy generation facilities and associated renewable energy generation facilities of Canadian Solar Infrastructure Fund, Inc. (CSIF). The main summary is as follows.

(Excerpted from the Evaluation Report of November 22, 2017)

Canadian Solar Infrastructure Fund, Inc. (CSIF) is an investment corporation listed on the Infrastructure Fund Market of the Tokyo Stock Exchange on October 30, 2017. CSIF intends to invest primarily in renewable energy power generating facilities (defined by the Japanese act on Special Measures Concerning Procurement of Electricity from Renewable Energy Sources by Electric Utilities, Article 2, Paragraph 3), real estate and securities related to the renewable energy generating facilities. The sponsor and asset management company of CSIF are Canadian Solar Project K.K. and Canadian Solar Asset Management K.K., respectively.

JCR evaluates the long-term borrowings pursuant to the financial policy of CSIF. The assets acquired through proceeds from these borrowings are 13 solar power generating facilities selected in accordance with the investment policy of CSIF. JCR confirmed that the technical due diligence report, soil contamination report etc. were undertaken by third party companies. According to these reports, JCR found that these projects have little possibilities that the negative impacts on the environment may surpass the positive impacts and JCR considered it as a green project which largely contribute to CO2 emission reduction.

(End of excerpt)

JCR has confirmed that 13 CSIF solar power generating facilities acquired through this loan are doing operation without problems. JCR also reviewed the "Monthly Solar Power Generation and CO2 Reduction Data" released by the CSIF every month, and confirmed that the environmental improvement effect by generation from solar power stations continues.

As a result, JCR maintains "g1" for "Greenness Evaluation (Use of Proceeds)" and "m1" for "Management, Operation and Transparency Evaluation". Consequently, JCR maintains "Green1" as an overall evaluation result of the long-term Borrowings. Detailed evaluation results are discussed in detail in the next chapter. This loan is considered to meet the criteria for items in Green Loan Principle and MOE's Green Bond Guidelines.¹²

¹ LMA(Loan Market Association), APLMA(Asia Pacific Loan Market Association) Green Loan Principles 2018 Edition

² Ministry of the Environment Green Bond Guidelines 2017

2. Post-borrowings review items

In this section, JCR describes the items to be confirmed in the post-borrowings review. The review focuses on items whose content has changed compared with the previous evaluation periods.

(1) Use of Proceeds (Status of Appropriation)

JCR evaluates if the management of funds procured by the loan and the appropriation of funds procured for green projects has been properly carried out in a manner specified by the issuer at the time of assigning the Green Loan Evaluation.

(2) Appropriateness and Transparency concerning selection standard and processes of the use of proceeds

JCR evaluates if there are any changes to the objectives to be achieved through the loan, the criteria for selecting green projects, the adequacy of the process, and the series of processes to be implemented.

(3) Appropriateness and Transparency of management of the proceeds

JCR evaluates whether the proceeds have been certainly allocated for green projects or not. JCR also evaluates if there is a system and internal system in which the allocation status can be easily tracked and managed.

(4) Reporting

JCR evaluates if the environmental improvement effects resulting from the green project financed by the funds procured by the loan are appropriately calculated according to the method stipulated by the borrower at the time of assigning the Green Loan Evaluation.

(5) Organization's Environmental Activities

JCR evaluates if the borrower's management is continuing to regard environmental issues as a high priority issue.

3. Contents of Review

(1) Use of Proceeds (Status of Appropriation)

- a. The assets to be evaluated in this subject were 13 solar power generating facilities (CS Minamishimabara-shi Power Plant (East) and (West) are counted as a single power plant).

Summary of the Use of Proceeds (List of Acquisition Asset)

| Project Name | Location | Output Capacity | Annual Power Generation (estimate) (2nd year) | Annual Power Generation (actual) (18/11~19/10) |
|--|----------------------------------|-----------------|---|--|
| CS Shibushi-shi Power Plant | Shibushi-shi, Kagoshima | 999.00kW | Approx. 1,424MWh | Approx. 1,341MWh |
| CSS Isa-shi Power Plant | Isa-shi, Kagoshima | 910.00kW | Approx. 1,072MWh | Approx. 1,049MWh |
| CS Kasama-shi Power Plant | Kasama-shi, Ibaraki | 1,965.60kW | Approx. 2,435MWh | Approx. 2,426MWh |
| CS Isa-shi Dai-ni Power Plant | Isa-shi, Kagoshima | 1,861.20kW | Approx. 2,457MWh | Approx. 2,293MWh |
| CS Yusui-cho Power Plant | Aira-gun, Kagoshima | 1,500.00kW | Approx. 2,103MWh | Approx. 1,897MWh |
| CS Isa-shi Dai-san Power Plant | Isa-shi, Kagoshima | 1,907.01kW | Approx. 2,654MWh | Approx. 2,475MWh |
| CS Kasama-shi Dai-ni Power Plant | Kasama-shi, Ibaraki | 1,965.60kW | Approx. 2,404MWh | Approx. 2,361MWh |
| CS Hiji-machi Power Plant | Hayami-gun, Oita | 1,900.80kW | Approx. 3,153MWh | Approx. 3,019MWh |
| CS Ashikita-machi Power Plant | Ashikita-gun, Kumamoto | 1,462.00kW | Approx. 2,741MWh | Approx. 2,589MWh |
| CS Minamishimabara-shi Power Plant (East) | Minamishimabara-shi, Nagasaki | 1,890.50kW | Approx. 4,853MWh | Approx. 4,682MWh |
| CS Minamishimabara-shi Power Plant (West) | Minamishimabara-shi, Nagasaki | 1,455.00kW | | |
| CS Minano-machi Power Plant | Chichibu-gun, Saitama | 1,990.00kW | Approx. 3,114MWh | Approx. 2,764MWh |
| CS Kannami-cho Power Plant | Tagata-gun, Shizuoka | 1,330.00kW | Approx. 1,593MWh | Approx. 1,515MWh |
| CS Mashiki-machi Power Plant | Kaminashiki-gun Kumamoto | 34,000.00kW | Approx. 55,668MWh | Approx. 52,775MWh |

(Source: CSIF Security Report and press releases)

- b. All assets acquired are in operation. In the current fiscal year (18/11-19/10), the actual annual power generation volume was lower than that anticipated in the Technical Due Diligence Report, mainly for solar power plants located in Kyushu Electric Power's service area, due to bad weather including typhoons. However, the environmental improvement impact of power generation has generally continued. JCR confirmed through an interview with the asset management company that there was no disruption to the power generation business, despite the landslide in near the certain solar power plants caused by the typhoon.
- c. Since the previous evaluation in January 2019, output control has been carried out within the Kyushu area. Some solar power plants which CSIF owns have been affected by output control. Through press releases and interviews with CSIF, JCR has confirmed that the impact of output control on CSIF is minimal.

- d. No serious negative environmental impacts have been identified, including sediment-related disasters, electric shocks and complaints from local residents.

(2) Appropriateness and Transparency concerning selection standard and processes of the use of proceeds

At the time of the initial evaluation and review, JCR evaluated the criteria for selecting the uses of proceeds and the process as appropriate. At the time of this review, JCR evaluates that there is no changes from the time of the previous review through the interviews with CSIF and confirmation of financial statements. JCR also evaluates that transparency is ensured through the inclusion of such information in its financial statements.

(3) Appropriateness and Transparency of management of the proceeds

JCR evaluated cash management as appropriate at the initial valuation and review. Since the entire amount of the loan has already been allocated to acquire solar power generation equipment, no tracking management is required.

(4) Reporting

a. Reporting on the proceeds allocation

JCR confirmed that the status of acquired assets is periodically disclosed in the semi-annual securities report, and that at the time of the previous evaluation, the entire amount of borrowings will be allocated to acquire solar power-related facilities, as confirmed at the hearing with the CSIF. JCR also reviewed the financial statements regarding CSIF reporting and confirmed that this loan was used to finance the acquisition of solar power generation facilities on October 31, 2017.

b. Reporting on environmental improvement effects

As for the environmental improvement effects, the "Monthly Solar Power Generation and CO2 Reduction Data" is released on a monthly basis, and it is confirmed that periodic reporting is conducted, such as the disclosure of the CO2 reduction of the entire portfolio held by CSIF in the report.

(5) Organization's environmental activities

a. Canadian Solar Inc.'s Environmental Initiatives

Canadian Solar Inc. (CSI), CSIF's parent company, has made a broader and deeper contribution to environmental and social considerations. According to the 2018 Sustainability Report released in October 2019, CSI achieved the following results in terms of environmental and social considerations.

- i. Over the past year, CSI's PV plant output has increased by 46%. (December 2017: 3,149MW, March 2019: 4,600MW)
- ii. Water consumption was reduced by approximately 42.8% per 1MW compared to 2017.
- iii. CO2 emissions per manufacturing 1KW were reduced by about 19% compared to 2017.

CSI has also achieved excellent performances in terms of social considerations.

- i. CSI has engaged in social project over the six continents. CSI supported Thailand's Buddhist International Solidarity Conference as installing 12kW solar power facility and also supported medical center as installing solar power facility in Sierra Leone.
- ii. In 2018, 43,266 training programs were implemented for all employees (approximately 13,000).
- iii. CSI has fair trade principles and provides a comfortable working environment for its employees and stakeholders by not doing business with mines that have labor issues or companies that engage in forced labor.

The top management of CSI has expressed their intention to make a clear commitment to environmental and social considerations.

Chairman and CEO Dr. Shawn Qu describe environmental and social considerations as follows.

"Our goal is to promote solar energy across the globe and ensure that more and more people will reap the benefits of clean air, decreased pollution, and sustainable economic development."

b. Environmental Initiatives of CSIF

CSIF complies with CSI's environmental and social policies. In August 2019, CSAM became the first domestic asset management company of Infrastructure Fund to sign the United Nations Principles for Responsible Investment (UN PRI). JCR evaluates that this is one of the signs of CSAM's stance of taking into account ESG factors in its operations.

Specifically, in addition to donating funds from CSP and CSAM to Marumori Town in Miyagi Prefecture, which was severely damaged by Typhoon Hagibis, in Daisen Town, Tottori Prefecture, where the CS Daisen-cho Power Plant is located, the company is also donating funds related to the renovation of the Hima Shrine and the incense holder made of White Mikageishi (granite) of Shinpukuji. CSP also donated the Daisen Canadian Garden to Daisen Town. Company involved in CSIF and CSIF are engaged in ESG initiatives and social contributions as members of the CSI Group.

JCR evaluates that these are indicative of the high-priority environmental issues that management has made in CSIF as well, and that specific efforts are being made to address these issues.

4. Conclusion

As a result of examining the matters described in the previous section, JCR confirmed that 100% of the long-term borrowings subject to the evaluation were allocated to the Green Project, which was originally expected to be used for the funds, and that the assets subject to the funding had generally produced the expected environmental improvement effects.

[JCR Green Loan Evaluation Matrix]

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

■ Subject

Borrower: Canadian Solar Infrastructure Investment Fund, Inc. (Security code: 9284)

[Review]

| Subject | Borrowing Amount | Date of Borrowing | Repayment Date | Interest Rate | Evaluation |
|----------------|------------------|-------------------|--|---------------|---|
| Long-term loan | JPY 15.7 billion | October 31, 2017 | The corresponding date ten years after the execution date of the Borrowing | 0.845% | JCR Green Loan Evaluation Green1 Greenness Evaluation g1 Management, Operation and Transparency Evaluation m1 |

(Responsible analysts for this evaluation) Atsuko Kajiwara and Kosuke Kajiwara

Important explanation of the Green Loan Evaluation

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

JCR Green Loan Evaluation, which is granted and provided by the Japan Credit Rating Agency (JCR), is a comprehensive expression of JCR's current opinion on the extent to which the funds procured green loans, which are subject to evaluation, are allocated to green projects defined by JCR and the extent to which the management, operation, and transparency of the use of green loans are ensured. The JCR Green Loan Evaluation does not fully indicate the extent to which the funds procured from such green loans are allocated and the management, operation, and transparency of the use of the funds are ensured.

JCR Green Loan Evaluation evaluates the planning and status of the appropriation of funds at the time of the green loan procurement plan or procurement, and does not guarantee the appropriation of funds in the future. In addition, the JCR Green Loan Evaluation does not prove the environmental effects of green loans and is not responsible for their environmental effects. JCR confirms that the effects of the funds procured from the issuance of green loan on the environment are measured quantitatively and qualitatively by the borrower or by a third party requested by the borrower, but in principle it does not directly measure the effects.

2. Methods used in the conduct of this evaluation

The methods used in this evaluation are listed on JCR website (Sustainable Finance and ESG in <https://www.jcr.co.jp/en>) as JCR Green Finance Evaluation Method.

3. Relationship with Acts Related to Credit Rating Business

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

4. Relationship with Credit Ratings

The Assessment differs from the Credit Rating and does not promise to provide or make available for inspection a predetermined Credit Rating.

5. Third-Party Evaluation of JCR's Green Loan

There are no conflicts of interest related to capital or human resources relationships between the subject of this evaluation and JCR.

■Disclaimers

The information contained in this document has been obtained by JCR from the Issuer and from accurate and reliable sources. Provided, however, that such information may be erroneous due to human, mechanical or other reasons. Accordingly, JCR makes no representation or warranty, express or implied, as to the accuracy, results, accuracy, timeliness, completeness, marketability, or fitness for a particular purpose of such information, and JCR assumes no responsibility for any error, omission, or result of using such information. In no event shall JCR be liable for any special, indirect, incidental or consequential damages of any kind, including opportunity loss, monetary loss, which may arise from any use of such information, whether contractual, tort, negligence or other cause of liability, and whether or not such damages are foreseeable or unforeseeable. The JCR Green Loan Evaluation does not express any opinion on the various risks (credit risk, price fluctuation risk, market liquidity risk, price fluctuation risk, etc.) associated with the green loan subject to the evaluation. The JCR Green Loan Evaluation is a comprehensive statement of opinion at the present time of the JCR and is not a statement of fact and does not make any recommendations regarding risk judgment or the decision to purchase, sell or hold individual bonds, commercial paper, etc. JCR Green Loan Evaluations may be changed, suspended, or withdrawn due to changes in information, lack of information, or other reasons. All rights to this document, including data from the JCR Green Loan Assessment, are held by JCR. Reproduction, adaptation, modification or alteration of this document, in whole or in part, including data from the JCR Green Loan Assessment, without the permission of JCR is prohibited.

■Glossary

JCR Green Loan Evaluation: The JCR Green Loan Evaluation evaluates the extent to which the funds procured from the Green Loan are allocated to the Green Project as defined by JCR, and the extent to which the management, operation, and transparency of the Green Loan are ensured. Evaluations are graded on a scale of 5, beginning with the top, using the Green1, Green2, Green3, Green4, and Green5 symbols.

■Status of registration as an external assessor of green finance

- Ministry of the Environment's external green bond reviewer registration
- ICMA (registered as an observer with the International Capital Markets Association)
- Members of the Working Group on UNEP FI Positive Impact Finance Principles
- CBI Approved Verifier

■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 Securities and Exchange Commission's NRSRO(Nationally Recognized Statistical Rating Organization. (1)Financial institutions, broker dealers, (2) insurance companies, (3) general business corporations, and (4) government and local governments. If the disclosure is subject to Section 17 g-7(a) of the Securities and Exchange Commission Rule, such disclosure is attached to the news releases posted on the JCR website (<https://www.jcr.co.jp/en/>).

■ For further information, contact

Information Service Dept. TEL: :03-3544-7013 FAX: :03-3544-7026

Japan Credit Rating Agency, Ltd.

Jiji Press Building, 5-15-8 Ginza, Chuo-ku, Tokyo 104-0061, Japan
Tel. +81 3 3544 7013, Fax. +81 3 3544 7026

Copyright © Japan Credit Rating Agency, Ltd. All rights reserved.