

News Release



Japan Credit Rating Agency, Ltd.

21-D-0330

July 12, 2021

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

Japan Credit Rating Agency, Ltd. (JCR) announces following the results of a green loan evaluation.

JCR Assigned Green1 to Canadian Solar Dual Tenor Green Project Bond Trust (Fukuoka) Trust ABL

Subject	:	Canadian Solar Dual Tenor Green Project Bond Trust (Fukuoka) (Trust ABL)
Type	:	Trust ABL
Issue Amount	:	JPY 2.63 billion
Trust Commencement Date	:	July 12, 2021
Trust Termination Date	:	April 2, 2040
Method of Redemption	:	Scheduled redemption
Use of Proceeds	:	Refinancing and new construction funds for the development of solar power facilities

<Green Loan Evaluation Results>

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

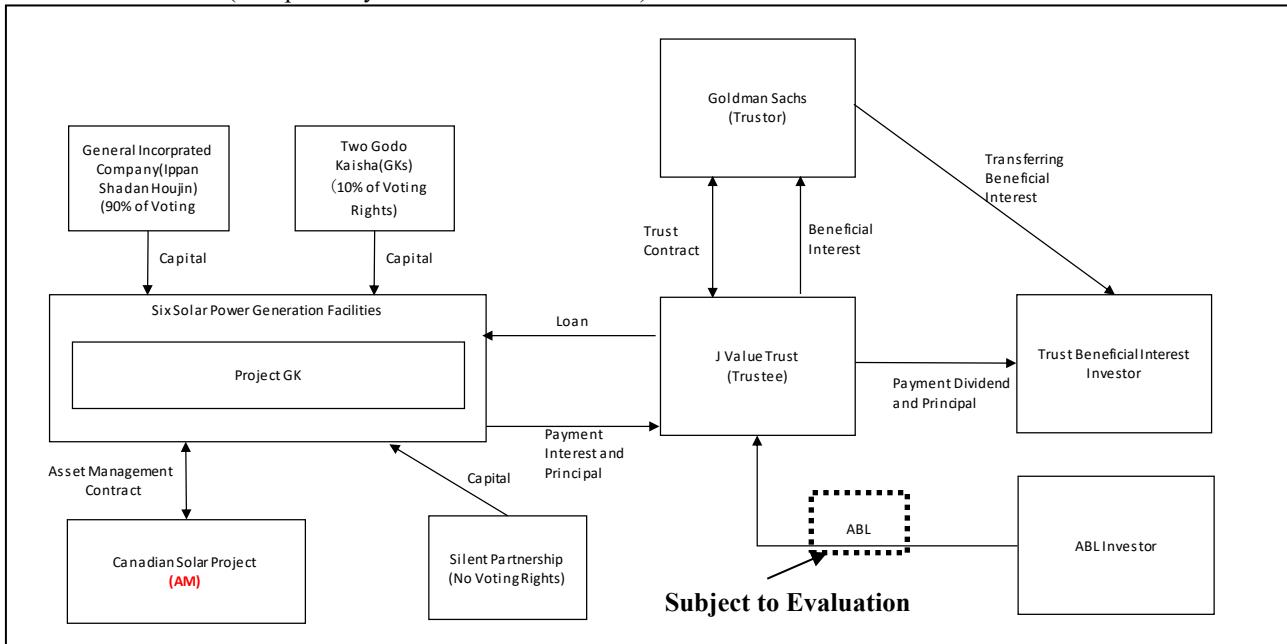
Chapter 1: Evaluation Overview

The Project Finance covers solar power generation projects (the "Project") conducted in Miyako Town, Fukuoka Prefecture. This project will be carried out in Miyako Town, Fukuoka Prefecture, and a Limited Liability Company (Godō Kaisha) (Project GK) will be established, and Project GK will carry out this project as an independent power producer.

Project GK receives capital contribution from silent partnership investors (no voting rights), General Incorporated Company (Ippan Shadan Houjin) (90% of voting rights), and Godō Kaisha (10% of voting rights). Due to the nature of the Silent Partnership, no instructions are given to Project GK by the Silent Partnership Investors. The percentage of voting rights of the Godō Kaisha with the project is 10%, and it cannot affect management. Therefore, Ippan Shadan Houjin (90% of voting rights) will have management control. The representative partner of the Ippan Shadan Houjin in

the project is a third party with no interest in the scheme of this project. Project GK's generation facilities and other assets are managed by the Asset Manager (AM) and Canadian Solar Project (CSP), a subsidiary of Canadian Solar, Inc. (CSI), which is headquartered in Canada. As mentioned above, since the investor cannot influence the project under the scheme, the project will actually be operated by CSP, which is the AM of the project.

Chart: Scheme Chart (Composed by JCR from the Term Sheet)



The subject of the evaluation is the Trust ABL (the Trust ABL) issued by the J Value Trust backed by the loan for the project. The main use of proceeds for the Trust ABL are the refinancing funds for land acquisition costs and for the construction of a solar power generation facility in Miyako Town, Fukuoka Prefecture. The funding ratio for refinancing and new construction is approximately 1:9. The solar power generation facilities is effective in reducing CO₂ and can be expected to improve the environment. Regarding the negative impact on the environment expected in the implementation of the project, JCR confirmed that appropriate countermeasures were taken.

CSP, the AM of this case, is a group company of CSI, and is engaged in the development of solar power plants in various parts of Japan as a developer of solar power plants. As a CSI group company, CSP conducts the development business of solar power generation facilities with the aim of contributing to the expansion of the popularization of renewable energy in our country and the realization of a sustainable environmental society.

As mentioned above, JCR confirmed that the construction of the project by CSP was being developed based on appropriate procedures, and that appropriate measures were taken by the construction of the project for which there were concerns about negative impacts related to the environment caused by the landscape. Risks to earthquakes, windstorms, hazards, and other natural disasters are investigated, and it is confirmed that insurance is scheduled to be provided for anticipated risks. Consequently, the possibility of serious negative environmental impacts that exceed the benefits of environmental improvements is small, and JCR has evaluated it as a green project that greatly contributes to reducing CO₂ emissions.

As a group company of CSI, CSP confirms that it has a high-priority approach to environmental issues based on CODE OF BUSINESS CONDUCT AND ETHICS and environmental policies formulated by CSI. JCR also confirmed that the management and operation system for the Green Project, which will be the use of proceeds for the Trust ABL, is stipulated in various contracts and is highly transparent.

As a result, based on the JCR Green Finance Evaluation Method, JCR assigns "g1" for the "Greenness Evaluation (Use of Proceeds)" and "m1" for the "Management, Operation and Transparency Evaluation" for the Trust ABL. Consequently,

JCR assigns "Green 1" for the "JCR Green Loan Evaluation." Details of the evaluation results are discussed in the next chapter.

The Trust ABLs are considered to meet the criteria for items required in the Green Loan Principles and the Green Loan and Sustainability Linked Loan Guidelines stipulated by the Ministry of the Environment.¹²

¹ LMA(Loan Market Association), APLMA (Asia Pacific Loan Market Association) and LSTA (Loan Syndication and Trading Association) Green Loan Principle 2021
<https://www.lsta.org/content/green-loan-principles/>

² Ministry of the Environment Green Loan and Sustainability Linked Loan Guidelines 2020 <https://www.env.go.jp/press/files/jp/113511.pdf>

Chapter 2: Current Status of the Project on Each Evaluation Factor and JCR's Evaluations

Evaluation Phase 1: Greenness Evaluation

JCR assigns “g1”, the highest grade, to “Evaluation Phase 1: Greenness Evaluation.” Rationale: use of proceeds of the Trust ABL will be allocated 100% to a green project, considering the factors described below.

(1) JCR's key consideration in this factor

In this section, JCR first assesses whether the funding money will be allocated to green projects that have explicit improvement effects on environment. Next, JCR assesses whether an internal department/division which is exclusively in charge of environment issues or a third party agency prove it sufficiently and have taken necessarily workaround or mitigation measures, in case of possibility on use of proceeds have negative impact on the environment. Finally, JCR confirms consistency with the Sustainable Development Goals (SDGs).

(2) Current Status of evaluation targets and JCR evaluation

Overview of use of proceeds

a. On the environmental improvement effects of the Project

i. A substantial CO2 reductions can be expected as 100% of the proceeds will be used to finance the construction of new solar facilities and the refinancing of related funds.

The proceeds are used to the refinance of the cost of acquiring the land for the construction of the solar power facilities (generating capacity: approximately 13,011 MW) (in total) described below and to finance new construction of the solar power facilities. Five power generation facilities have already been completed, and the remaining one will soon be completed. According to the technical assessment report submitted by the CSP, the annual average power generation volume for the 20 years after the start of commercial operation of solar power facilities is about 14,700MWh, which is a project that is expected to reduce CO2 by about 5,100 tons. JCR evaluates this project as being a project that can be expected to have a strong environmental improvement effect.

ii. The use of proceeds corresponds to "renewable energy" among the green businesses defined in the Green Loan Principles, and "renewable energy projects" among the green projects exemplified in the Ministry of the Environment's and Green Loan and Sustainability Linked Loan Guidelines.

(Use of Proceeds) (Total)

Address	Panel output (kW)(*)	Estimated annual power generation (20-annual average) (MWh)	Annual CO2 savings (t-CO2)(**)	Start of operation month (***)
Miyako, Fukuoka	13,011	14,709	5,104	Jul. 2021
Total	13,011	14,709	5,104	

* : Describes the sum of the power output on a scale-based basis for the six power plants.

**: Methods of calculating CO2 reductions = Assumed annual power generation × Adjusted emission factor (FY2018 (latest figures))

***: Month of operation of the last completed solar power plant out of the six power plants is scheduled to commence.

b. Negative impact on the environment

The planned site of this project is the land that was previously used as trees, fields, houses, quarry sites, etc.

Construction work has been completed in the development of the project. In addition, an explanatory meeting has been held for local residents in the construction process, and CSP, the sponsor, has confirmed that the understanding

of this project has been sufficiently obtained from local residents at this point in time. JCR confirmed that a part of the planned site of this project was designated as the soil and sand disaster special warning area and the soil and sand disaster warning area, but in the preparation of the site, it was banked and reinforced at the designated steep slope.

In the event of a sediment-related disaster, JCR confirmed that restoration costs, such as repairing and purchasing facilities, are scheduled to be covered by damage insurance and other means. Thus, the project site has been identified, mitigated, and managed for possible negative environmental impacts.

c. Consistency with SDGs Goals and Targets

This project is a project categorized as a renewable energy business among projects exemplified in the Green Loan Principles and the Green Loan and Sustainability Linked Loan Guidelines of the Ministry of the Environment. In light of SDGs mapping of ICMA, it contributes to the following SDGs targets and targets.



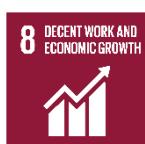
Goal 3: Ensure healthy lives and promote well-being for all at all ages

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



Goal 7: Ensure access to affordable, reliable, sustainable and modern energy for all

Target 7.2. By 2030, increase substantially the share of renewable energy in the global energy mix



Goal 8: Promote sustained inclusive and sustainable economic growth, full and productive employment and decent work for all

Target 8.2. Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value added and labour-intensive sectors



Goal 9: Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation

Target 9.1. Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all

Target 9.4. By 2030, 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: Make cities and human settlements inclusive, safe, resilient and sustainable

Target 11.3. By 2030, enhance inclusive and sustainable urbanization and capacity for participatory, integrated and sustainable human settlement planning and management in all countries



Goal 12: Ensure sustainable consumption and production patterns

Target 12.4. By 2020, achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international

frameworks, and significantly reduce their release to air, water and soil in order to minimize their adverse impacts on human health and the environment



Goal 13: Take urgent action to combat climate change and its impacts

Target 13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries

Evaluation Phase 2: Management, Operations and Transparency Evaluation

JCR assigned "m1", the highest rating on JCR evaluation Phase 2: Evaluation on Management, Operation and Transparency. Rationale: The Project has allocated the funds and implemented the businesses as planned through a firmly equipped management and operation system and high transparency as described below.

1. Appropriateness and Transparency Concerning Selection Standard and Processes of the Use of Proceeds

(1) JCR's key consideration in this factor

This section confirms that the objectives to be achieved through the Green Loan, the criteria for selecting green projects, the appropriateness of the process, and the series of processes are appropriately disclosed to investors.

(2) Current status of evaluation targets and JCR evaluation

a. Goal

CSP's parent company, Canadian Solar, aims to contribute significantly to the maintenance of a sustainable environment as a so-called pure player specializing in the renewable energy field of solar power generation facilities. Through interviews with the management, JCR confirmed that it aims to contribute to the expansion of the dissemination of renewable energy in our country and the realization of a sustainable environmental society through the Projects covered by the Trust ABL.

b. Selection criteria

JCR confirmed that CSP, which is engaged in development as an AM, is striving to mitigate the negative impact on the environment and to implement stable power generation projects over the long term by paying attention to the following points in the planning and development of the three solar power generation facilities.

i. Careful selection of land for facility construction

In the planning and basic design stages of development projects for photovoltaic power plants, the site for facility construction is selected after careful consideration of the following items.

(a) Environmental conditions

(b) Cooperation with interconnected electric utilities

(c) Easiness of securing premises

ii. Ensuring robustness of facilities

In the development project of solar power plants, business engineers such as second-class and third-class chief electricity engineers and first-class electricians are in charge of the promotion of project manager work. Under the supervision of these qualified engineers, prime contractors are placed with major EPCs with a wealth of track record.

In addition to structural checks by partnering engineering companies that take into account the structure and geology of facilities construction sites, design checks are conducted by CSI.

iii. Adoption of highly efficient and stable output modules

This project adopts modules made in Jinko Solar, which has the No. 1 global market share. For Jinko Solar products, a 12-annual product warranty and a 25-year performance warranty are provided.

Iv. Minimization of power generation loss at facilities

In the design of development projects for photovoltaic power plants, efforts are being made to optimize the composition of equipment and materials to be procured and the design of equipment, etc., in order to control the loss of facility power generation due to external factors such as shadow effects and transmission loss.

JCR evaluates that the above selection criteria are appropriate.

c. Processes

With regard to the selection of the Project, CSP made the final decision on the investment after confirming the above selection criteria and consultation with CSI whose investment committee decide the allocation of funds with respect to project size, finance structure.

The selection criteria and process described above are outlined in this evaluation report to ensure transparency to investors.

2. Appropriateness and Transparency of Management of the Proceeds

(1) JCR's key consideration in this factor

The management method of the procured funds is usually assumed to be diverse by the borrower. JCR assesses whether the proceeds funded through implementation of the Green Loan are firmly allocated to the green project and a structure and internal system to easily track the allocation of the proceeds are in place.

JCR also attaches importance to confirming that the funds procured from the implementation of the Green Loan will be allocated to the green project promptly, as well as evaluating the management and operation methods of the unallocated funds.

(2) Current status of evaluation targets and JCR evaluation

As previously discussed, the proceeds of the Trust ABL are expected to refinance the cost of related to the acquisition of land and the construction of the solar facilities in the future through a loan to Project GK. The ratio of refinancing and new construction is planned to be about 1:9.

Tracking management is not required because it is explicitly specified in the trust agreement for this matter that the proceeds of the Trust ABL will fund the refinancing of costs relating to land acquisition and future construction costs in connection with the construction of the solar facilities.

The deal until the Trust ABL has been issued and transferred to the investors are clearly defined in the trust agreement and the Trust ABL purchase and sales agreement. Therefore, JCR considered that controls are secured as long as businesses are conducted in accordance with the agreements.

The proceeds of the Trust ABL is expected to be used to refinance of land acquisition costs and new construction cost related to the solar facilities through Project GK, with the entire amount paid to the Trustee, J Value Trust, on the date of transfer of the Trust ABL. Loans from J Value Trust to Project GK are not made until the condition precedent are satisfied, and until then they are properly managed by J Value Trust. In addition, if the solar facilities subject to funding are repaid prior to the final repayment date, the Trust ABL is also redeemed in accordance with the pre-determined waterfall in the loan agreements and trust agreements to the Project GK. There is no required to be re-appropriated.

3. Reporting

(1) JCR's key consideration in this factor

In this section, JCR assesses that, at the time of implementation of the Green Loan , whether the disclosure system to investors and others before and after the implementation of the Green Loan is planned in detail and in an effective manner.

(2) Current status of evaluation targets and JCR evaluation

a. Reporting on the proceeds allocation

The Proceeds are expected to be used to refinance the cost of acquiring land for the construction of the three solar facilities and to make new investments for the construction of the solar facilities. Funds raised in the Trust ABLs are expected to be appropriated by September 2021. In advance, Goldman Sachs Securities Co., Ltd., the arranger, will explain the use of proceeds to investors through explanations of product content and other means.

With regard to the status of appropriation of funds, the total amount of funds raised by the entire project, the total amount of trust beneficiary rights and trust ABL, and the amount appropriated therefor, will be announced on the website and other pages on an annual basis. In the event of a major change in circumstances, such as the suspension or termination of a solar power project, which is subject to the use of funds prior to the end of the trust period for the Trust ABLs, disclosure is scheduled to be made to investors by J Value Trust, the lender to Project GK and the trustee for the Trust ABLs.

b. Reporting on environmental improvement effects

The following items are scheduled to be disclosed on the website, etc. for reporting on the target assets of solar power generation facilities.

- Amount of power generated by the solar power project
- Reduced CO2 Emissions from solar power projects

JCR evaluates that the above reporting content is appropriate.

4. Organization's environmental activities

(1) JCR's key consideration in this factor

This section assesses whether the management team, the core of the Project, considers environmental issues to be of high priority in management, whether the Green Loan implementation policy and process, criteria for selecting green projects, etc. are clearly positioned by establishing a department that specializes in the environmental field or through collaboration with external organizations, etc.

(2) Current status of evaluation targets and JCR evaluation

a. CSI's Environmental and Social Initiatives

CSI, CSP's parent company, is contributing more extensively and deeply to environmental and social considerations. According to the 2019 sustainability report published in September 2020, the Company's achievements in terms of environmental and social considerations are shown below:

- i. Power Generation at CSI's holding PV plants has increased 19% over the past year. (December 2017: 3149 MW, June 2019: 4700 MW, June 2020: 5600 MW)
- ii. Water consumption was reduced by about 10% per MW compared to 2018.
- iii. As of 2020, CO2 emissions per manufacturing 1 KW were reduced by about 7% compared to 2018.

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

- i. CSI has been engaged in social projects on six continents in the world, such as supporting Thailand's Buddhist International Solidarity Conference as installing 12kW solar power facility and the installation of solar power generation facilities at a medical center in Sierra Leone.
- ii. In 2019, an average of 14.89 hours a year of training programs were provided for the total number of employees (14,346).
- iii. CSI has principles on fair trade and provides a pleasant working environment for its employees and stakeholders through, for example, not doing business with mines with labor problems or with corporates that are engaged in forced labor.

In addition, there are clear indications of management's commitment to environmental and social considerations.

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

"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 17 sustainable development goals, which address the global challenges we face, including those related to poverty, inequality, climate change, environmental degradation, peace and justice."

In addition, CSI has the health and safety department as an environmental department and implements ISO14001 and other environmental management. In addition, when acquiring ISO14001, CSI conducts its operations in collaboration with outside experts such as TÜV Rhineland.

b. Environmental initiatives of CSP

As a subsidiary of CSI, CSP complies with CSI's environmental and social policies and conducts operations, based on CSI's "CODE OF BUSINESS CONDUCT AND ETHICS" (Business Ethics Code) and environmental policies.

As concrete initiatives, CSP and Canadian Solar Asset Management, the asset manager of Canadian Solar Infrastructure Investment Corporation ("CSIF"), donated to Marumori Town, Miyagi Prefecture, which was

severely damaged by Typhoon Hagibis, CSIF currently owns the CS Marumori-machi Power Plant developed by CSP. In addition, CSP donated Daisen Canadian Garden to Daisen Town, Tottori Prefecture, where CS Daisen-cho Power Plant developed by CSP is located. Shown by these, CSP and other CSP-related companies such as CSAM are engaged in ESG initiatives and social contributions as members of the CSI Group.

JCR evaluates these as indications of the fact that management has positioned environmental issues as high priority management matters and is undertaking specific initiatives in the CSP.

(Reference) AM and AM Group Parent Company Overview

<Canadian Solar Project (CSP)>

Established in 2014, CSP is a group company of CSI listed on the U.S. NASDAQ market, a global manufacturer of photovoltaic modules and developer of photovoltaic power plants. CSP is engaged in the development of photovoltaic power plants in various places of Japan as a developer of photovoltaic power plants.

On its own website, CSP states: "CSP will be the first to link advanced technologies for solar modules that continue to be developed by group company CSI in order to power generation businesses in Japan, and provide a stable supply of environmentally friendly and safe energy in Japan."

<Canadian Solar, Inc. (CSI)>

Established in Canada in October 2001, CSI is a global manufacturer of solar modules and the parent company of a sponsor and asset management company. It is oriented toward a vertical integration model in which the Group handles not only integrated production in manufacturing but also from development through operation of mega-solar power plants.

CSI have acquired the EMS certification of "ISO14001:2004" which specifies the specifications of the environmental management system in 2010.

In addition, the Company has established an Environmental Policy as one of its management policies, and CSP, as a CSI Group, conducts operations in compliance with the Environmental Policy.

The Environmental Policy stipulates that employees should be engaged in businesses to achieve and maintain the highest environmental standards. It also sets out, among other things, recognizing the importance of the surrounding environment and striving to provide projects and services that actually improve the environment.

Furthermore, the appropriateness and effect of environmental targets and performance, etc. are reviewed annually and reviewed, and the Environmental Policy is also reviewed periodically to ensure continuous conformity and performance. As a corporate group engaged in renewable energy business, management is conducted with an emphasis on the environment.

■Evaluation result

As a result, based on the JCR Green Finance Evaluation Methodology, JCR assigned "g1" for the "Greenness Evaluation (use of proceeds)" and "m1" for the "Management, Operation and Transparency Evaluation." Consequently, JCR assigned "Green 1" for overall "JCR Green Loan Evaluation."

The Trust ABL is considered to meet the standards for items required by the Green Loan Principles and the Ministry of the Environment's Green Loan and Sustainability Linked Loan Guidelines.

		[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

[New]

Subject	Issue Amount	Trust setup date	Trust termination date	Evaluation
Canadian Solar Dual Tenor Green Project Bond Trust (Fukuoka) (Trust ABL)	JPY 2.63 billion	July 12, 2021	April 2, 2040	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 Character 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

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■ 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/>).

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