

GREEN BOND / GREEN BOND PROGRAMME INDEPENDENT EXTERNAL REVIEW FORM

Section 1. Basic Information

Issuer name:	Canadian Solar Dual Tenor Green Project Bond Trust (Ibaraki/Hiroshima)
Green Bond ISIN or Issuer Green Bond Framework Name, if applicable:	Canadian Solar Dual Tenor Green Project Bond Trust (Ibaraki/Hiroshima) Beneficial Interest
Independent External Review provider's name:	Japan Credit Rating Agency, Ltd.
Completion date of this form:	March 24, 2021
Publication date of review publication:	March 24, 2021

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBPs:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting |

ROLE(S) OF Independent External REVIEW PROVIDER

- | | |
|--|--|
| <input type="checkbox"/> Second Party Opinion | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input checked="" type="checkbox"/> Scoring/Rating |
| <input type="checkbox"/> Other (please specify): | |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

The Project finance covers three solar power generation projects (the "Project") conducted in Kasama City, Ibaraki Prefecture, and Hiroshima City, Hiroshima Prefecture. The Project is carried out in Kasama City, Ibaraki Prefecture (Kasama site in Ibaraki Prefecture, and Kurusu site in Ibaraki Prefecture) and Hiroshima City, Hiroshima Prefecture (Suzuhari site in Hiroshima Prefecture). The main subject of the Project is each of project GKs for the Kasama site in Ibaraki Prefecture, the Kurusu site in Ibaraki Prefecture, and the Suzuhari site in Hiroshima Prefecture ("Project GKs"). The Project GKs receive investments from silent partnerships (without voting rights), general incorporated associations (90% of voting rights), and two limited liability companies (10% of voting rights). Due to the nature of the silent partnerships, no instructions are given to the Project GKs by the silent partnerships. The two Godo Kaisha have 10% of the voting rights in the Project and cannot affect their management. Therefore, general corporation associations (voting rights ratio: 90%) have management rights, but the employees of the general incorporated associations of the Project are assumed by a third party, such as a certified public accountant, who has no interest in the scheme of the Project. Thus, assets such as power generation facilities of the Project GKs are managed by Asset Manager ("AM"), Canadian Solar Project ("CSP"), a subsidiary of Canadian Solar, Inc. ("CSI"), which is headquartered in Canada. As mentioned above, since the investors cannot influence the Project under the scheme, the Project will actually be operated by CSP, which is the AM of the Project. The subject of this evaluation is the Beneficial Interest (the "Beneficial Interest") which is issued by Hitachi Capital Trust Corporation ("Hitachi Capital Trust") with loans for the Project set as an underlying asset. The Beneficial Interest's use of proceeds is to fund the refinancing of costs related to the acquisition of land in the construction of three solar facilities and to fund the construction cost of solar facilities. The funding ratio for refinancing and new construction is approximately 1:9. Solar power generation facilities, for which funds are to be used, have CO2 reduction effects, and can be expected to be highly effective in improving environmental conditions. JCR has confirmed in interviews that appropriate countermeasures and good post-practice measures were taken with regard to negative effects on the environment anticipated in the implementation of the Project and actual events occurring.

CSP is engaged in the development of solar power plants in throughout 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 with CSP that the construction of the three solar power generation facilities has been carried out in accordance with appropriate procedures, and that appropriate measures had been taken to deal with the impact on the surrounding areas that occurred during the construction stage. In addition, risks to earthquakes, windstorms, hazards, and other natural disasters are investigated, and JCR 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.

JCR confirmed that CSP, as a member of the CSI Group, is working on environmental issues with a higher level of priorities based on CODE OF BUSINESS CONDUCT AND ETHICS (Business Ethics Code of Conduct) and environmental policies formulated by CSI. In addition, JCR confirmed that the management and operation system for the green project, which will be use of funds of the Beneficial Interest, is stipulated in various contracts and is highly transparent.

As a result, based on the JCR Green Bond 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 Bond Evaluation."

The Beneficial Interest is considered to meet the standards for items required by the Green Bond Principles and the Ministry of the Environment's Green Bond Guidelines.

<https://www.jcr.co.jp/en/greenfinance/>

Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Overall comment on section (if applicable):

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

b. Negative impact on Environment

Regarding the planned sites for the Project, the Kurusu site and Kasama site in Ibaraki Prefecture used to be mountainous forests. The Suzuhari site in Hiroshima Prefecture has been a vacant land after development was discontinued.

In the Project, the Kurusu site and Kasama site in Ibaraki Prefecture has cleared the mountainous forests and install solar power generation facilities. In terms of the development, JCR confirmed that the construction is properly carried out in accordance with laws and regulations that must be observed, such as the Forestry Law, and the development of the Project has already begun by signing an agreement in advance with the administrative district where the construction is to be carried out. In addition, several briefing sessions and meetings for neighboring residents were held prior to the start of construction, and JCR also confirmed that construction work had begun after briefing in advance.

Construction of the Suzuhari site in Hiroshima Prefecture is also carried out after obtaining the necessary development permits, as at the aforementioned two sites.

At the Kurusu site in Ibaraki Prefecture, in October 2019, Typhoon Hagibis, which caused a record-breaking heavy rainfall over a wide area including the Chubu, Kanto and Tohoku regions, caused some of the sediment at the construction site to flow into the premises (ponds, etc.) of neighboring residents. In regard to this matter, JCR confirmed from interviews with CSP and explanatory materials for neighboring residents that CSP was subsequently considering appropriate countermeasures as described below:

- Disposal of spilled soil
- Piping work that makes it easier to flow water
- Compensation for damage suffered by residents
- The contents of construction work will be changed so that similar events will not occur in the future
- Restoration of nature changed by sewage inflow

CSP complied with various laws and ordinances as mentioned above, but it was an event that occurred due to an unexpected amount of rainfall. CSP is proposing and implementing measures to prevent the recurrence of such an event after the CSP has responded to the inhabitants who suffered damage after the occurrence of the event, and after the measures mentioned above have been taken, CSP is expected to be equipped to withstand the rainfall that is one of the largest in the history of observation in Kasama City, where the Project site locates. Based on the foregoing, JCR evaluates that the assumed negative impact on the environment at the Kurusu site is identified, mitigated, and controlled.

In addition, at the Suzuhari site in Hiroshima Prefecture, there is a part of the site designated as a stream endangered by water on the hazard map of Hiroshima City by the Ministry of Land, Infrastructure,

Transport and Tourism. JCR confirms that there are no cases of sediment disasters occurring in the vicinity of the site, and that if a sediment disaster occurs, recovery costs such as repairs and purchases of the facility are scheduled to be covered by damage insurance and other means. Based on the above, it is evaluated that the negative impact on the environment anticipated at the Suzuhari site is also identified, mitigated, and managed.

Use of proceeds categories as per GBP:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Renewable energy | <input type="checkbox"/> Energy efficiency |
| <input type="checkbox"/> Pollution prevention and control | <input type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation | <input type="checkbox"/> Clean transportation |
| <input type="checkbox"/> Sustainable water and wastewater management | <input type="checkbox"/> Climate change adaptation |
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and | <input type="checkbox"/> Green buildings |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs | <input type="checkbox"/> Other (<i>please specify</i>): |

If applicable please specify the environmental taxonomy, if other than GBPs:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (*if applicable*):

The Company has established clear environmental objectives, project selection criteria, and processes for the use of proceeds.
Such matters are disclosed in the JCR's evaluation report.

Evaluation and selection

- | | |
|--|---|
| <input checked="" type="checkbox"/> Credentials on the issuer's environmental sustainability objectives | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Green Bond proceeds | <input checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input checked="" type="checkbox"/> Summary criteria for project evaluation and selection publicly available | <input type="checkbox"/> Other (<i>please specify</i>): |

Information on Responsibilities and Accountability

- ☐ Evaluation / Selection criteria subject to external advice or verification
- ☒ In-house assessment
- ☐ Other (please specify):

3. MANAGEMENT OF PROCEEDS

Overall comment on section (if applicable):

As previously discussed, the proceeds of the Beneficial Interest are expected to refinance the cost of related to the acquisition of land and the construction of the three solar facilities in the future through a loan to Project GKs. 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 Beneficial Interest will fund the refinancing of costs relating to land acquisition and future construction costs in connection with the construction of three solar facilities.

The deal until the Beneficial Interest has been issued and transferred to the investors are clearly defined in the trust agreement and the beneficial interest 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 Beneficial Interest is expected to be used to refinance of land acquisition costs and new construction cost related to three solar facilities through Project GKs, with the entire amount paid to the Trustee, Hitachi Capital Trust, on the date of transfer of the Beneficial Interest. Loans from Hitachi Capital Trust to Project GKs are not made until the condition precedent are satisfied, and until then they are properly managed by Hitachi Capital Trust. In addition, if the solar facilities subject to funding are repaid prior to the final repayment date, the Beneficial Interest is also redeemed in accordance with the pre-determined waterfall in the loan agreements and trust agreements to the Project GKs. There is no required to be re-appropriated.

Tracking of proceeds:

- ☒ Green Bond proceeds segregated or tracked by the issuer in an appropriate manner
- ☒ Disclosure of intended types of temporary investment instruments for unallocated proceeds
- ☐ Other (please specify):

Additional disclosure:

- ☐ Allocations to future investments only
- ☐ Allocations to both existing and future investments
- ☒ Allocation to individual disbursements
- ☐ Allocation to a portfolio of disbursements
- ☐ Disclosure of portfolio balance of unallocated proceeds
- ☐ Other (please specify):

4. REPORTING

Overall comment on section (if applicable):

a. Reporting on 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 three solar facilities. The drawdown of the loan to project GKs will be implemented in multiple times until August 2022. To investors, Goldman Sachs (Japan) Ltd., arranger on this matter, will in advance display its financial model through a product explanatory document, cash flow statement.

Regarding the status of appropriation of funds, the total project amount, fund amount procured from Trust Beneficial Interests and Trust ABL, and appropriated amount will be announced annually on the website. In the event of a material change in circumstances, such as the suspension or termination of the solar project prior to the end of the trust period of the Beneficial Interest, Hitachi Capital Trust is going to make disclosure to investors.

b. Impact reporting for environmental benefits

The following items are scheduled to be disclosed on the website for reporting on the three solar power generation facilities.

- Amount of power generated by the three solar power projects
- Reductions in CO2 emissions from the generation of three solar power projects

Use of proceeds reporting:

☐ Project-by-project

☒ On a project portfolio basis

☐ Linkage to individual bond(s)

☐ Other (please specify):

Information reported:

☒ Allocated amounts

☐ Green Bond financed share of total investment

☐ Other (please specify):

frequency:

☒ Annual

☐ Semi-annual

☐ Other (please specify):

Impact reporting:

☐ Project-by-project

☒ On a project portfolio basis

☐ Linkage to individual bond(s)

☐ Other (please specify):

frequency:

☒ Annual

☐ Semi-annual

☐ Other (please specify):

Information reported (expected or ex-post):

☒ GHG Emissions / Savings

☐ Energy Savings

☐ Decrease in water use

☒ Other ESG indicators (please specify):
Power Output

Means of Disclosure

- | | |
|--|--|
| <input type="checkbox"/> Information published in financial report | <input type="checkbox"/> Information published in sustainability report |
| <input type="checkbox"/> Information published in ad hoc documents | <input checked="" type="checkbox"/> Other (please specify):
Show on the website |
| <input type="checkbox"/> Reporting reviewed | |

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)

In the Community with CSP	https://canadiansolar-energy.co.jp/en/social/
JCR's website about green bond evaluation methodology	https://www.jcr.co.jp/en/greenfinance/

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

- | | |
|--|--|
| <input type="checkbox"/> Second Party Opinion | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input checked="" type="checkbox"/> Scoring/Rating |
| <input type="checkbox"/> Other (please specify): | |

Review provider(s): Japan Credit Rating Agency, Ltd.

Date of publication: March 24, 2021

ABOUT ROLE(S) OF INDEPENDENT REVIEW PROVIDERS AS DEFINED BY THE GBP

1. **Second Party Opinion:** An institution with environmental expertise, that is independent from the issuer may issue a Second Party Opinion. The institution should be independent from the issuer's adviser for its Green Bond framework, or appropriate procedures, such as information barriers, will have been implemented within the institution to ensure the independence of the Second Party Opinion. It normally entails an assessment of the alignment with the Green Bond Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability, and an evaluation of the environmental features of the type of projects intended for the Use of Proceeds. 1.
2. **Verification:** An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or environmental criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Green Bond proceeds, statement of environmental impact or alignment of reporting with the GBP, may also be termed verification.
3. **Certification:** An issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against a recognised external green standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
4. **Green Bond Scoring/Rating:** An issuer can have its Green Bond, associated Green Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental performance data, the process relative to the GBP, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material environmental risks.