

————— Green Bond Evaluation by Japan Credit Rating Agency, Ltd. —————

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

JCR Assigned Green1 to the Canadian Solar Securitized Green Equity Trust 1 Trust Beneficiary Rights

S u b j e c t	: Canadian Solar Securitized Green Equity Trust 1 Trust Beneficiary rights
T y p e	: Trust beneficiary rights
Dividend rate	: Actual dividends
Trust setup date	: August 6, 2018
Trust Expiration D a t e	: September 30, 2037
M e t h o d o f r e p a y m e n t	: By the method specified in the trust agreement
Use of proceeds	: Acquisition of Equity in Investment in Silent Partnership by Trustee

<Green Bond Evaluation Results>

Overall evaluation	Green 1
Evaluation of Greenness (use of proceeds)	g1
Evaluation on Management, Operation and Transparency	m1

Chapter 1: Evaluation Overview

Canadian Solar Projects K.K. (CSP) is a company specializing in the solar power plant business that was carved out from Canadian Solar Japan in 2014. The company mainly develops renewable energy power generation facilities (defined by the Japanese Act on Special Measures Concerning Procurement of Electricity from Renewable Energy Sources by Electricity Utilities, Article 2, Paragraph 3) and related renewable energy power generation facilities and real estate. Canadian Solar Asset Management K.K. (CSAM), CSP's subsidiary manages the asset that CSP have developed.

Both CSP and CSAM are group companies of Canadian Solar Inc. (NASDAQ: CSIQ).

JCR evaluates the trust beneficiary rights of the silent partnership in which CSP have developed and CSAM is the asset manager. The assets acquired through this fund consist of two solar power generation facilities developed in accordance with CSP's investment policy. JCR has confirmed technical due diligence reports and soil contamination

reports from third parties. JCR found that these projects have little possibilities that the negative impact on the environment that exceeds the environmental improvement effects and JCR has evaluated it as a green project that greatly contributes to reducing CO₂ emissions.

As was described in the next chapter, the trust beneficiary rights obtained an overall evaluation of “Green1” based on “JCR green bond evaluation methodology”, with the Trust beneficiary rights attaining both “g1” on “Greenness” and “m1” on “management, operation and transparency”. In addition, the trust beneficiary rights are considered to meet the criteria for the items required by the Green Bond Principles of ICMA and the Green Bond Guidelines issued by the Ministry of the Environment of Japan.¹²

¹ ICMA(International Capital Market Association's Green Bond Principles

² Ministry of the Environment of Japan Green Bond Guidelines 2017

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: 100% use of proceeds of the trust beneficiary rights are allocated to green projects, considering the factors described below.

(1) JCR's key consideration in this factor

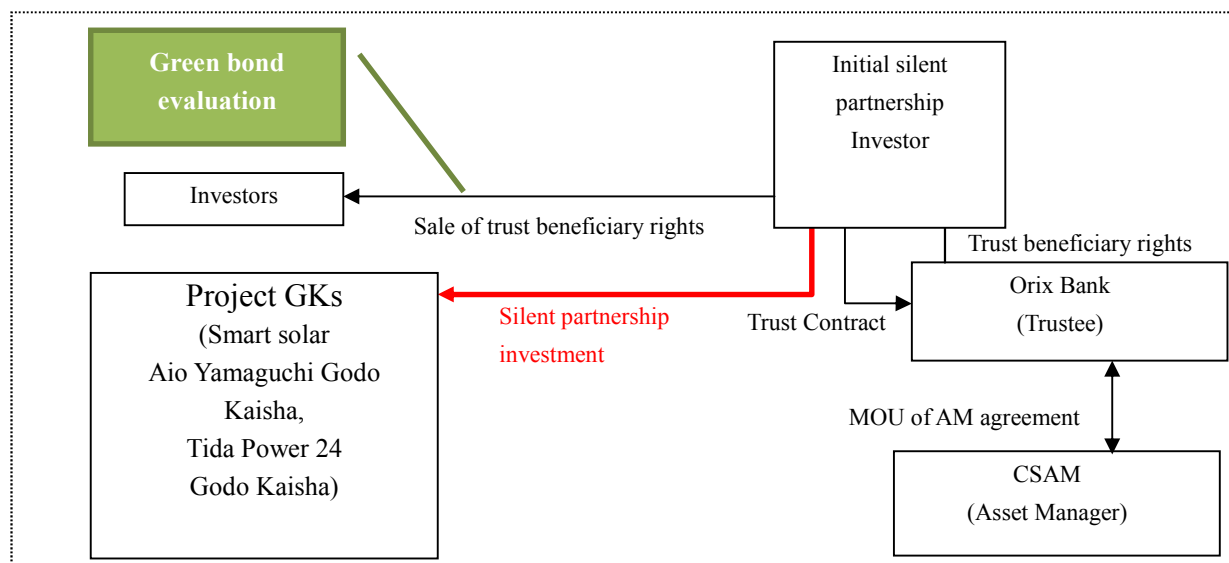
In this section, JCR first assesses whether the funding money will be allocated to green projects that have explicit improvement effects on the environment. Secondly, JCR assesses whether an internal department/division which is exclusively in charge of environment issues or a third party agency prove this satisfactorily, and in case of possibility that the use of proceeds have negative impact on the environment, necessary workaround or mitigation measures have been taken.

(2) Current status of evaluation targets and JCR's evaluation

Overview of Use of Proceeds

The subject of this evaluation is the trust beneficiary rights of the silent partnership's investment in the solar power generation facilities of the two projects. The schematic diagram of this case and the assets are shown in the following diagram.

(Scheme Diagram)



The initial Investor of the Silent Partnership shall entrust the Equity Investment in the Silent Partnership to the Trustee. The Trustee shall issue the trust beneficiary rights with respect to the trust portion of the Silent Partnership Investment Equity and shall initially deliver it to the Investor in the Silent Partnership. By transferring the trust beneficiary rights to the investors, the investors become the owner of the silent partnership investment. The subject of this evaluation is the trust beneficiary rights backed by this silent partnership.

A. Environmental benefits of the Projects

- i. **100% of the proceeds are allocated for solar power generation facilities, which will bring higher Co₂ reduction effect.**

The issue of the trust beneficiary rights will be fully allocated to the acquisition of the silent partnership investment of the two solar power generation facilities listed in the table below. All power generation facilities began commercial operations between November 2016 and January 2017. According to the estimation by CSP, the total annual average amount of electricity generated by the assets is 38,580 MWh as shown in the table below. When converted to the amount of CO₂ reduction, the annual average amount of CO₂ reduction is 25,441 t-CO₂.

(List of Subject Assets)

Project Name	Location	Output Capacity (dc)	Average power of generation (20 years) (estimate) (MWh)	Average CO ₂ reduction (estimate) (t-CO ₂)*
CSJ Kamikita District Rokunohe-Machi Power Station	Rokunohe, Aomori	10,204.48kW	11,139 MWh	6,104 t-CO ₂
Smart Solar Yamaguchi Aio Power Station	Yamaguchi, Yamaguchi	23,829.75kW	27,862 MWh	19,337 t-CO ₂

(Attribution Technical Due Diligence Reports, assumed annual power generation excluding power consumption in power plants)

*CO₂ Emission calculation method = Expected annual power generation × Coefficients after the adjustment (2016 basis (latest))

Coefficient after the adjustment is publicized by the Ministry of Environment by power producers and suppliers.

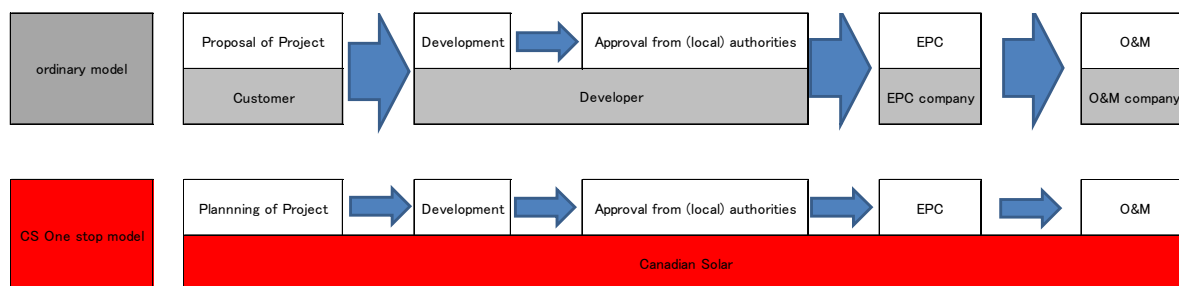
In the investment contract of the silent partnership that is the subject of the trust beneficiary rights, it is specified that the Smart Solar Yamaguchi Aio Godo Kaisha and Tida Power 24 Godo Kaisha, which are the operators, shall use the initial investment solely for the purpose of this project. In addition, JCR checked the related documents and confirmed that the initial investment in the silent partnership was fully allocated for the Green Project.

ii. The vertically integrated model enhances project sustainability.

System components for solar power generation facilities such as solar cell modules supplied by the subject property are manufactured by the Canadian Solar Group to which CSP belongs. The group has affluent of experience in manufacturing solar power generation facilities. In addition, the group has adopted a vertically integrated model that covers from the manufacture of solar modules to the development and operation of solar power generation facilities in an integrated fashion. It enables the control of system costs and cost-effective design, thereby reducing the cost of power generation. In Japan, all electricity users bear the “Renewable Energy generation promotion levy” to expand renewable energy under the feed-in tariff (FIT) system. In order to curb the increasing public burden, it is essential to reduce the tariff in the medium to long term. JCR believes that the long-term sustainability of the project is enhanced by the higher efficiency, cost-effective technology, and robust management capabilities of the solar power generation business, which are managed according to the actual conditions in Japan.

For the solar cell modules used in the projects, the Canadian Solar Group has been subjected to the quality inspections from TUV Rhineland.

(Business Streamline of Canadian Solar)



(Attribution: Canadian Solar Project's website)

iii. The use of proceeds falls under Renewable Energy project listed in ICMA Green Bond Principle and MOE Green Bond guidelines.

B. Negative impact on the environment

The Technical Due Diligence Report by an external organization shows that neither of the two Green Projects covered by the Trust beneficiary rights is expected to have a serious negative impact.

In general, the following situations may cause negative impacts on the environment through the installment of solar power generation facilities:

- i) Landslide disaster: in case of facilities' location on sloping land profiles.
- ii) Leakage and electrification: damages to facilities of solar panel or wiring and generation facilities by earthquake disaster.
- iii) Improper siting of solar project that result in aesthetic impact to the landscape and glare reflection from solar installations.

As part of the due diligence, environmental surveys are conducted by soil contamination reports and third-party evaluations of the site environment are conducted by environmental assessment companies.

As for the major environmental impacts, appropriate mitigation measures are taken as shown below, and it is not assumed that the effects will exceed the effects of environmental improvement.

Concerning i, the two green projects are located in plain areas and do not cause sediment-related disasters.

Concerning ii, Canadian Solar O&M Japan Co., Ltd. carries out O&M operation of the Green Project, are engaged in monitoring and inspection operations. In the event of equipment abnormalities, appropriate measures are taken.

Concerning iii, JCR confirmed that it is making efforts to comply with laws and ordinances of local governments in which two green projects are located, to provide explanations to local residents, and to build a system to obtain their understanding and cooperation.

C. Alignment with SDGs goals and target

The project is classified as a renewable energy and will contribute to the following SDGs goals and targets in light of ICMA's SDGs mapping.



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 pollution and 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 inclusive and sustainable economic growth, 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 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 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: Evaluation on Operation and Transparency

JCR assigns “m1”, the highest rating on JCR evaluation Phase 2: Evaluation on Management and Operation and Transparency.

Rationale: These projects have allocated the funding 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

JCR assesses whether the following information is appropriately disclosed to investors, such as the target through issuing a green bond, selection standard, and suitability of the processes and series of processes employed.

(2) Current status of the project on each evaluation factor and JCR’s evaluation.

A. Goal

Canadian Solar aims to contribute significantly to the maintenance of a sustainable environment as a pure player specializing in the renewable energy sector of solar power generation. JCR confirmed through interviews with senior management that the objective of the project is to contribute to the wider dissemination of renewable energy and the realization of a sustainable environmental society in Japan.

B. Selection criteria

JCR confirmed that CSP is working to mitigate negative environmental impacts and stably implement power generation projects over the long term by paying attention to the following points in planning and development of acquired assets.

i. Careful selection on facility location

Under the planning and basic design phase of solar power generation development projects the Corporation ensured that appropriate selection of facility locations are carried out prior to construction through adequate review of the following elements:

- (a) Environmental conditions
- (b) Interconnection with electricity off-taker
- (c) Ease of acquiring the site facility

ii. To ensure the robustness of facilities

In the development project of a photovoltaic power plant, the project manager's work is promoted by qualified engineers such as licensed electricity engineers. Under their supervision, experienced large scaled EPC contractors were engaged as main contractor. Canadian Solar performed an independent review of the design quality of the solar power facility. Further structural checks were carried considering the mechanical and geographical features of the facility site throughout construction by an independent engineering firm.

iii. Adoption of high-efficiency modules with stable output

The sponsor utilized high-efficiency solar PV modules with stable output that are produced by the Canadian Solar Group. Canadian Solar Group offers a 25 years output guarantee on its solar PV modules.

iv. Minimization against power generation loss

During the design phase of the solar power generation facility, optimization involving overall facilities, equipment and materials are planned to mitigate the loss of power generation output by shadow and power transmission losses.

C. Process

Process of selling the trust beneficiary rights is determined by the board of directors of the silent partnership investor. The above selection criteria and processes are explained to investors.

2. Appropriateness and Transparency of Management of the proceeds

(1) JCR's key considerations

Management of the funding money varies with the issuer. In this section, JCR assesses whether the proceeds firmly allocated to the green project, the projects have internal systems to easily track the allocation of the proceeds and the money funded by the issuing the green bond will be allocated to the green bond at once. JCR also considers the evaluation of asset management of any unallocated money.

(2) Current status of the project on each evaluation factor and JCR's evaluation.

- a. The use of proceeds in lieu of the issuance of the trust beneficiary rights is the acquisition of the shares in the silent partnership that have been invested in the Project, and there is no plan to apply them for any other purpose.
- b. There are no unallocated proceeds in exchange for the issuance of the trust beneficiary rights as the full amount is immediately allocated for the acquisition of the shares in the silent partnership.
- c. JCR confirmed that the amount of the trust beneficiary rights in the silent partnership was set after the CSE calculated the cash flow forecast to be generated in the future. In addition, JCR also confirmed that the proceeds obtained by Initial investor of silent partnership (CSE Japan Investment Company Limited, a subsidiary of CSI) through the issuance of the trust beneficiary rights are planned to be reinvested in new solar power generation facilities.

3. Reporting

(1) JCR's key considerations

In this factor, JCR assesses whether the disclosures to investors before and after the bond issuance or disbursement of the loans are effectively planned in detail, at the timing of issuing green bonds or disbursing the loans.

(2) Current status of the project on each evaluation factor and JCR's evaluation.

A. Reporting on the allocation of proceeds

As the proceeds of the trust beneficiary rights are fully allocated in acquiring the share in the silent partnership immediately, it is not anticipated that the company will report the unused proceeds during the ongoing term. It is explicitly stated in the trust agreement that the sale of the equity investment in the silent partnership, which is backed by the trust beneficiary rights, may not be in effect until six months prior to the trust expiration date set at the September 30th, 2037.

B. Impact reporting for environmental benefits

The environmental improvement effects, such as the reduction of CO₂ emissions from acquired assets, are calculated in the process of this evaluation. (JCR confirms the calculation formulas and other premises for calculation.) In the future, the Company plans to regularly disclose the amount of CO₂ reduction calculated using the prescribed calculation method based on the measured amount of electricity generated to investors once every December. CSAM is scheduled to receive a third party review of the accuracy of the reporting status once a year until the trust expiration date.

4. Efforts taken by the organization

(1) JCR's key considerations

In this factor, JCR assesses whether the issuer put a high priority on environmental issues or not, whether the policy for financing green projects and its process, criteria to choose the projects are clearly important, in cooperation with the department which is responsible for environmental issues or external institutions.

(2) Current status of the project on each evaluation factor and JCR's evaluation.

Canadian Solar, Inc.(CSI), the parent company of asset managers, is contributing more broadly and deeply to environmental and social considerations. According to the 2016 Sustainability Report published in December 2017, CSI's achievements in environmental and social considerations are as follows.

- I. CSI increased the power generation of its PV plants (photovoltaic power plants) by about 20 times over a two-year period.
- ii. Compared to 2014, water consumption was reduced by approximately 52% per MW in two years.
- iii. Drainage decreased by approximately 65% per MW in two years compared to 2014.
- Iv. Compared to 2011, CO₂ emissions per kilowatt were reduced by approximately 41%.

CSI has a good track record in terms of social considerations.

- I. Third-party organizations conducted the world's largest survey under universal standards and were selected as Canadian's most attractive employer at the 2016 Randstad Awards to honor companies with a high employer brand.³
- ii. Randstad Award ranks first in social responsibility.
- iii. In 2016, CSI trained a total of more than 11,000 employees.

There is a clear commitment by management to environmental and social considerations.

Dr. Shawn Qu, Chairman and Chief Executive Officer, commented on environmental and social considerations as follows:

"As one of the leading global PV industry players, we are committed to sustainable development in every aspect of our daily business operations. Smart development that takes a big-picture outlook will lead us well into the future."

CSP and CSAM comply with Canadian Solar Inc.'s environmental and social policies.

Each acquired asset is checked by an external organization. For example, as part of due diligence, environmental surveys such as soil contamination reports, technical reports, etc. are mentioned.

³ In Japan, Nissin Foods Holdings, Toyota Motor, and Suntory Holdings are among the winners.

<Canadian Solar Projects K.K. (CSP)>

CSP was established in 2014. CSP is a group company of Canadian Solar Inc.(CSI) which is a global manufacturer of photovoltaic modules and develops photovoltaic power plants. As a developer of photovoltaic power plants, CSP is developing photovoltaic power plants throughout Japan.

CSP states on their website: "We will quickly connect the advanced technologies of photovoltaic modules developed by our group company, Canadian Solar, to the power generation business in Japan to provide a stable supply of environment-friendly and safe energy to Japan."

<Canadian Solar Asset Management K.K. (CSAM)>

CSAM was established in 2016. CSAM is a group company of CSI and subsidiary of CSP. CSAM was established to mainly manage the assets of Canadian Solar Infrastructure Fund, Inc. which owns renewable energy facilities.

<Canadian Solar, Inc. (CSI)>

CSI was founded in Canada in 2001 and is one of the world's largest and leading solar power companies. CSI is listed on the U.S. NASDAQ exchange.

CSI is a leading vertically integrated provider of manufacturing and sales of solar power modules and development, sale and operation of mega solar power plants. CSI registered its quality control system according to the requirements of EMS "ISO14001:2004", which prescribes environmental management systems in 2010.

CSI also established an "Environmental Policy". The aforementioned CSP shall comply with this policy in the course of their business operation as a member of the Group. CSI's "Environmental Policy" advocates that the Group companies be fully committed to undertaking their works in a manner that achieves and maintains the highest environmental standards. CSI values the importance of the environmental impact as it conducts its business, and makes effort to deliver projects and services that reduces the environmental impact sustainably.

CSI operates environment-oriented management and conducts continuous monitoring and performs annual review on the appropriateness and effectiveness of its environmental objectives, including performance measurement against its Key Performance Indicators. In addition, it periodically reviews its Environmental Policy in order to ensure the applicability and adherence to environmental performance standards.

■ Evaluation result

This trust beneficiary rights obtained overall evaluation of "Green1" based on "JCR green bond evaluation methodology", as the project obtained both "g1" on "Greenness" and "m1" on "Management, Operation and Transparency". The trust beneficiary rights are considered to qualify the standards which were required to be determined as a Green Bonds, etc. in Green Bond Principle of ICMA and Green Bond Guidelines by Ministry of the Environment of Japan.

[JCR Green Bond Evaluation Matrix]

		Management, Operation and Transparency				
		m1	m2	m3	m4	m5
Greenness	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

Assignment

Subject	Trust setup date	Trust Expiration Date	Dividend rate	Evaluation
Trust beneficiary rights in the silent partnership investment	August 6, 2018	September 30, 2037	Actual dividends	JCR Green Bond Evaluation Greenness Evaluation Management, Operation, and Transparency Green1 g1 m1

Analysts in charge of this evaluation: Rieko Kikuchi and Kosuke Kajiwara

Important explanation of the Green Bond Evaluation

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

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

JCR Green Bond Evaluation assesses the plan or status of the appropriation of funds at the time of the green bond issuance plan or at the time of issuance, and does not guarantee the status of the appropriation of funds in the future. In addition, JCR Green Bond Evaluation does not prove the environmental effects of green bonds and is not responsible for their environmental effects. JCR confirms that the effects of the funds procured from the issuance of green bonds 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 & ESG in <https://www.jcr.co.jp/en>) as JCR Green Finance Evaluation Method.

3. Relationship with Acts Related to Credit Rating Business

JCR Green Bond 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

There is no conflict 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 Bond Evaluation: JCR Green Bond Evaluation evaluates the extent to which the funds procured from the Green bond 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 reviewer of green finance

- Ministry of the Environment's external green bond reviewer registration
- ICMA (registered as an observer with the International Capital Markets Association)

■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 17g-7(a) of the Securities and Exchange Commission Rule, such disclosure is attached to the news releases posted on JCR website (<https://www.jcr.co.jp/en/>).

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