

# GREEN BOND / GREEN BOND PROGRAMME INDEPENDENT EXTERNAL REVIEW FORM

## Section 1. Basic Information

Issuer name:	Canadian Solar Infrastructure Fund, Inc.
Green Bond ISIN or Issuer Green Bond Framework Name, if applicable:	Canadian Solar Infrastructure Fund, Inc. 1st Investment Corporation Bonds
Independent External Review provider's name:	Japan Credit Rating Agency, Ltd.
Completion date of this form:	January 20, 2021
Publication date of review publication:	January 20, 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.*

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 generation facilities (defined by the Japanese act on Special Measures Concerning Procurement of Electricity from Renewable Energy Sources by Electric Utilities, Article 2, paragraph (3) and related renewable energy power generation facilities and real estate, etc., as well as securitized renewable energy power generation facilities and real estate. CSIF's sponsor is Canadian Solar Project K.K. (CSP) and the asset management company is Canadian Solar Asset Management K.K. (CSAM), respectively.

As of September 2020, CSIF had 23 photovoltaic power generation facilities throughout Japan with a capacity of 123.1MW (panel-output). CSIF aims to contribute to the global environment by expanding the introduction of renewable energy in Japan and to contribute to realizing a sustainable society and revitalization of local communities through collaboration with the Canadian Solar Group, centered on the Canadian Solar Inc. (CSI), a sponsor that covers a wide range of business fields in the solar power generation business under a vertically integrated model. This will be achieved through the creation of a value chain for renewable energy. The scope of evaluation covers the investment corporation bonds (the Investment Corporation Bonds) issued by CSIF. The proceeds of the Bonds will be used to refinance the funds for acquiring four solar power generation facilities, which CSIF has already acquired. JCR has confirmed through the data provided by CSIF, that these four plants in total have CO2 emissions effects of about 8,750 tons per year. JCR also confirmed that appropriate measures are taken to avoid the possible negative environmental impacts given by the four solar power generation facilities.

In CSIF, the eligibility criteria and selection processes for green projects were appropriately established, and the proceeds will be allocated to the four solar power generation facilities acquisitions by the end of May at the latest. Until the allocation, the funds are treated as cash or cash equivalents, and it plans to report the status of fund appropriations and environmental improvement effects annually. KPIs on environmental improvement effects are also appropriately determined. CSIF's organizational environmental efforts are being actively undertaken as a member of the Canadian Solar Group. As a result of above assessments, JCR found that CSIF has established an appropriate management and operation system and has high transparency in green finance for procurement.

Based on the JCR Green Bond Evaluation Methodology, JCR assigned "g1" for the evaluation of the "Greenness Evaluation (Use of Proceeds)" and "m1" for the evaluation of the "Management, Operation and Transparency Evaluation". Consequently, JCR assigned "Green1" for the overall "JCR Green Bond Evaluation." The evaluation results are described in detail in the next chapter. JCR also evaluates the Investment Corporation Bonds to meet the standards for the items required in the Green Bond Principles and the Green Bond Guidelines 2020.

<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. The proceeds will be used 100% to refinance the funds for acquiring the four solar power generation facilities, and environmental improvement effects can be expected.
- ii. The use of proceeds falls under the "renewable energy" among the green projects defined in the "Green Bond Principles," and "Green Bond Guidelines 2020 Edition."

#### **b. Negative impact on Environment**

CSIF identifies business risks when acquiring solar power generation facilities. In the process, it carries out due diligence on the "risk of damage, loss or deterioration of assets under management due to accidents or disasters", which is considered to have a negative impact on the environment. CSIF obtains technical reports, reports on soil surveys, earthquake risk analysis reports, etc., and it conducts risk verification on assessments of earthquake resistance performance and other situations of damage to assets in accidents or disasters.

The Investment Management Department of CSAM, the asset management company, identifies risks. For the four solar power generation facilities, for which proceeds of the Investment Corporation Bonds will be used, the department verified negative impacts concerning the four solar power generation facilities. For risk of potential impacts given to environment including damage to the solar power facilities given by flood, etc., JCR has confirmed that they were appropriately treated by insurance coverage, etc. Investment Management Department verified the negative impact on the environment, and that it properly responded to risks that could potentially impact the environment, such as the damage to solar power generation facilities due to flood damage, by insuring them with insurance and taking care of them.

#### **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 | <input type="checkbox"/> Other (please specify) :  |

areas not yet stated in GBPs

*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 (please specify) :   |

### Information on Responsibilities and Accountability

- |   |   |
|---|---|
| <input type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input checked="" type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other (please specify) :   |   |

## 3. MANAGEMENT OF PROCEEDS

### Overall comment on section (if applicable) :

a. The use of proceeds of the Investment Corporation bonds is to refinance the funds for acquiring the four solar power generation facilities, and it will not be used for other purposes.

b. The proceeds are managed in a particular bank account of CSIF and allocated immediately to eligible projects. At the time of the withdrawal, the approval of the general manager of the Financial Planning Department and the president of CSAM is made. These deposit and withdrawal procedures are subject to internal and external audits, and audits on the deposit and withdrawal will be carried out appropriately.

c. CSIF plans to carry out audits on the funds raised through the Investment Corporation Bonds by internal and external auditors.

d. The proceeds of the Investment Corporation Bonds will be expected to be fully allocated to refinance of funds for the acquisition of the four solar power generation facilities by the end of May. Until the time of refinance, the funds are managed as cash or cash equivalent... If the solar power generation facilities are damaged due to natural disasters before the redemption, the facilities will be restored through insurance money, etc.

Based on the above, JCR evaluates that CSIF's fund management is appropriate and disclosures to investors are appropriate.

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

**4. REPORTING**

**Overall comment on section (if applicable):**

**a. Reporting on proceeds allocation**

The use of proceeds of the Investment Corporation Bonds will be disclosed to investors through this Evaluation Report. The status of allocation of the procured funds will be regularly disclosed on CSIF website (on a fiscal term basis) together with the target projects.

Where CSIF sells the target assets before the redemption of the green bonds and reallocation of funds is required, it will disclose the status on its website regularly until the entire amount is reallocated to eligible projects.

JCR evaluates that the above disclosure items are appropriate.

**b. Impact reporting for environmental benefits**

CSIF makes monthly reporting on environmental improvement effects on its website as volume of power generated in its owned solar power generation facilities and its panel-output capacity. JCR evaluates it appropriate since these disclosure items include quantitative indicators.

**Use of proceeds reporting:**

- ☒ Project-by-project
- ☐ Linkage to individual bond(s)
- ☐ On a project portfolio basis
- ☐ Other (please specify):

**Information reported:**

- ☒ Allocated amounts
- ☐ Other (please specify):
- ☐ Green Bond financed share of total investment

**frequency:**

- ☐ Annual
- ☒ Semi-annual
- ☐ Other (please specify):

**Impact reporting:**

- ☒ Project-by-project
- ☐ Linkage to individual bond(s)
- ☐ On a project portfolio basis
- ☐ 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 and Capacity

**Means of Disclosure**

- ☐ Information published in financial report ☐ Information published in sustainability report
- ☐ Information published in ad hoc documents ☒ Other (please specify):  
Show on the website
- ☐ 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.)

ESG initiatives by CSIF	<a href="https://www.canadiansolarinfra.com/en/esg/external.html">https://www.canadiansolarinfra.com/en/esg/external.html</a>
JCR's website about green bond evaluation methodology	<a href="https://www.jcr.co.jp/en/greenfinance/">https://www.jcr.co.jp/en/greenfinance/</a>

**SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE**

**Type(s) of Review provided:**

- ☐ Second Party Opinion ☐ Certification
- ☐ Verification ☒ Scoring/Rating
- ☐ Other (please specify):

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

**Date of publication:** January 20, 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.