

Green Bond / Green Bond Programme

Independent External Review Form

Section 1. Basic Information

Originator name:

Canadian Solar Inc.

Green Bond ISIN or Issuer Green Bond Framework Name, if applicable:

Canadian Solar Green Securitization Equity Trust 1 Trust Beneficiary rights

Independent External Review provider's name:

Japan Credit Rating Agency, Ltd.

Completion date of this form:

March 22, 2019

Publication date of review publication:

March 22, 2019

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.

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (if applicable)

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.

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.

<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. 100% of the proceeds are allocated for solar power generation facilities, which will bring higher CO₂ reduction effect.

ii. The vertically integrated model enhances project sustainability.

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 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.

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 processes | <input type="checkbox"/> Green buildings |

- ☐ Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs
- ☐ Other (please specify):

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

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

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.

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

3. MANAGEMENT OF PROCEEDS

Overall comment on section (if applicable):

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.

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.

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.

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:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Allocations to future investments only | <input type="checkbox"/> Allocations to both existing and future investments |
| <input type="checkbox"/> Allocation to individual disbursements | <input type="checkbox"/> Allocation to a portfolio of disbursements |
| <input type="checkbox"/> Disclosure of portfolio balance of unallocated proceeds | <input type="checkbox"/> Other <i>(please specify)</i> : |

4. REPORTING**Overall comment on section** *(if applicable)*:**a. Reporting on proceeds allocation**

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.

Use of proceeds reporting:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Project-by-project | <input type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other <i>(please specify)</i> : |

Information reported:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Allocated amounts | <input type="checkbox"/> Green Bond financed share of total investment |
| <input type="checkbox"/> Other <i>(please specify)</i> : | |

Frequency:

- | | |
|--|--------------------------------------|
| <input checked="" type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other <i>(please specify)</i> : | |

Impact reporting:

- | | |
|--|---|
| <input checked="" type="checkbox"/> Project-by-project | <input type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (please specify): |

Frequency:

- | | |
|--|--------------------------------------|
| <input checked="" type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (please specify): | |

Information reported (expected or ex-post):

- | | |
|---|---|
| <input checked="" type="checkbox"/> GHG Emissions / Savings | <input type="checkbox"/> Energy Savings |
| <input type="checkbox"/> Decrease in water use | <input type="checkbox"/> Other ESG indicators (please specify): |

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 type="checkbox"/> Other (please specify): |
| <input checked="" type="checkbox"/> Reporting reviewed | |

Impact reporting will be disclosed to investors. Both use of proceeds and impact reporting are subject to external review.

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.)

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 22, 2019

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.
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.