

## SANCTIONS LAWS COMPLIANCE POLICY

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### INTRODUCTION

CSI Solar Co., Ltd. (“*CSI Solar*”) and the corporations, partnerships and other entities controlled, directly or indirectly, by CSI Solar (“*Subsidiary Entities*” and, together with CSI Solar, the “*Company*”) are committed to conducting business in accordance with all applicable laws, rules and regulations and the highest ethical standards. This commitment is embodied in the Company’s *Code of Business Conduct and Ethics* (the “*Code*”).

The purpose of this Sanctions Laws Compliance Policy (the “*Policy*”) is to supplement the Code by reiterating the Company’s commitment to full compliance with all laws, rules and regulations relating to export controls and trade and economic sanctions of the countries, territories and other jurisdictions in which the Company operates or carries on business, including those of Canada, the EU, Germany and the US, (“*Sanctions Laws*”), and to provide guidelines for such compliance.

This Policy applies to all directors, officers, employees, including temporary employees, and contract personnel of the Company, wherever located (together, the “*employees*”).

The Company’s Legal Department, in particular the CSI Solar EMEA Legal Department, is responsible for the administration and oversight of this Policy.

Compliance with Sanction Laws can be complex. This Policy is not intended to be a comprehensive rulebook and cannot address every situation that employees may face. If you are uncertain whether any transaction or business or other dealing may breach Sanctions Laws or this Policy, you should contact the CSI Solar EMEA Legal Department for advice and direction.

## DEFINITIONS

“*At Risk Countries*” means those countries, territories and other jurisdictions which are not Sanctioned Countries but which have been identified by the Company’s Legal Department as being at risk of economic or trade sanctions. Please see **Annex 1** to this Policy for a current list of the At Risk Countries and Regions.

“*CSI Solar EMEA*” means Canadian Solar EMEA GmbH, a wholly-owned German subsidiary of CSI Solar.

“*EU*” means the European Union.

“*OFAC*” means the Office of Foreign Assets Control of the US Department of the Treasury.

“*Sanctioned Activity*” means a transaction or business or other dealing with a Sanctioned Country or a Sanctioned Person.

“*Sanctioned Countries*” means those countries, territories and other jurisdictions which are, from time to time, the subject of sanctions under applicable Sanctions Laws. Please see **Annex 2** to this policy for a current list of the Sanctioned Countries.

“*Sanctioned Person*” means an individual or entity who is the subject of restrictions or sanctions under applicable Sanctions Laws, including:

- (a) an individual or entity designated on one of the US Government’s restricted party lists, such as OFAC’s Specifically Designated Nationals and Blocked Parties List or the US Department of State’s Nonproliferation Sanctions List,
- (b) an individual or entity on the Canadian asset freeze list,
- (c) an individual or entity on the EU’s Consolidated List of Asset Freeze Targets or the German Asset Freeze List,
- (d) an entity that is controlled by, or acting for or on behalf of, the Government of a Sanctioned Country, and
- (e) an SDN .

“*SDN*” mean an individual, group or entity designated on OFAC’s Specifically Designated Nationals and Blocked Parties List or by operation of law, and an entity that is owned fifty percent or more, in the aggregate, by one or more of such individuals, groups or entities.

“*SEC*” means the US Securities and Exchange Commission.

“**SEC Reportable Transactions**” means transactions and dealings with the Government of Iran and certain SDNs in Iran, including transactions and dealings:

- (a) with the Government of Iran, including its political subdivisions, agencies and instrumentalities, and entities owned or controlled by any of them; and persons acting on behalf of the Government of Iran;
- (b) with persons designated on the SDN and Blocked Parties List as representatives of the Government of Iran;
- (c) relating to Iran’s petroleum sector;
- (d) relating to the development of weapons of mass destruction (“**WMD**”);
- (e) with persons identified on the SDN and Blocked Parties List as supporters of terrorism or proliferators of WMD;
- (f) relating to the transfer to Iran, entities organized under the laws of Iran or nationals of Iran of goods, technologies, or services likely to be used to commit serious human rights abuses; or
- (g) involving the Iran Revolutionary Guard.

“**US**” means the United States of America and its territories and possessions.

“**US Person**” means:

- (a) a US citizen or a lawful US permanent resident, wherever located;
- (b) anyone physically present in the US, regardless of nationality and duration of presence (eg, on business or for personal pleasure);
- (c) an entity legally organized under US law and its employees, wherever located;
- (d) a foreign branch of a US company (ie, an entity located outside the US that is not separately incorporated); and
- (e) under the Sanctions Laws of the US relating to Cuba and Iran, a non-US entity that is “owned or controlled” by a US person.

“**US Regulated Item**” means any commodity (including components and raw materials), software, technology, technical data or services originating or derived from the US, or otherwise subject to US law (eg, items manufactured entirely outside the United States but comprising certain threshold percentages of US-origin content).

## **IMPACT OF SANCTIONS LAWS**

Sanctions Laws impact the Company in a variety of ways. The following are examples of the impact that Canadian, EU, German and US Sanctions Laws can have on the Company. **Please note** that the Company may also be subject to other Sanctions Laws not described in this Policy.

### **Canadian Sanctions Laws**

Depending on the circumstances, Canadian Sanctions Laws may apply to the Company, Canadian citizens and residents and persons physically present in Canada, regardless of nationality.

As they apply to the Company, Canadian Sanctions Laws impose two primary types of restrictions and prohibitions: those restricting or prohibiting the provision of certain goods and services to Sanctioned Countries and those restricting or prohibiting a transaction or business or other dealing with Sanctioned Persons.

Apart from arms embargoes (and related military goods or services sanctions), Canadian Sanctions Laws currently apply to the following countries, territories and other jurisdictions: Iran, North Korea, Russia, Syria, and Ukraine (including sanctions relating to dealings in Crimea) and include restrictions and prohibitions against the following:

- transactions involving property with individuals and entities who are subject to asset freezes;
- making any goods, wherever situated, available to a Sanctioned Person or a person acting on behalf of a Sanctioned Person;
- exporting, selling, supplying or shipping certain goods to a Sanctioned Country, a person in a Sanctioned Country or a person for the purpose of a business carried on or operated in a Sanctioned Country; and
- transferring, providing or disclosing technical data related to certain goods to a Sanctioned Country or a person in a Sanctioned Country.

Solar modules manufactured in China are not subject to Canadian Sanctions Laws. Canadian Sanctions Laws may, however, apply to other goods being shipped out of Canada.

### **EU Sanctions Laws**

Depending on the circumstances, EU Sanctions Laws apply to CSI Solar EMEA, EU nationals (ie, citizens of an EU member state) and business activities that occur in whole or in part within the territory of the EU.

As they apply to CSI Solar EMEA, EU Sanctions Laws impose two primary types of restrictions and prohibitions: those restricting or prohibiting the provision of certain goods and services to Sanctioned Countries and those restricting or prohibiting a transaction or business or other dealing with Sanctioned Persons.

The EU Sanctions Laws include:

- asset freeze measures that, among other things, prohibit, directly or indirectly, making funds or economic resources available to certain individuals and entities, including those identified on the EU's Consolidated List of Asset Freeze Targets and the equivalent German list: the German Asset Freeze List;
- targeted sanctions that restrict or prohibit certain activities in or with Sanctioned Countries, primarily: Iran, Russia, and Syria; and
- restrictions on the export of certain military and dual-use goods and technology.

Although the majority of the EU Sanctions Laws pertaining to Iran were lifted following the implementation of the Joint Comprehensive Plan of Action on January 16, 2016, certain restrictions and prohibitions remain intact, including asset freeze measures against various Iranian individuals and entities and various export restrictions on dual-use goods and technology.

### **German Sanctions Laws**

German Sanctions Laws apply to CSI Solar EMEA. Compliance with applicable EU Sanctions Laws generally assures compliance with applicable German Sanctions Laws.

### **US Sanctions Laws**

US Sanctions Laws prohibit a US Person from, directly or indirectly, engaging in any transactions, business or other dealings in or with a Sanctioned Country or a involving certain Sanctioned Persons (eg, SDNs).

**Please note** that US Persons include US banks and financial institutions. As a result, US banks and financial institutions are generally prohibited from providing services to or otherwise supporting transactions or dealings involving Sanctioned Countries or certain Sanctioned Persons (eg, SDNs).

In certain circumstances, US Sanctions Laws can apply to, or have implications for, non-US Persons. For example, a non-US Person, like the Company, that engages in significant transactions<sup>1</sup> with SDNs could be denied access to, or the benefits of, the US market. In addition, a non-US Person, like Canadian Solar, which is listed on the NASDAQ Exchange, is required to report to the SEC its SEC Reportable Transactions.

Separately, US export control laws and regulations apply to US Regulated Items. Any person, including both a US Person and a non-US Person, who deals with US Regulated Items must comply with these laws and regulations, even if such dealings occur outside of the US.

## **POLICY AND PROHIBITIONS**

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<sup>1</sup> A number of factors will be considered in determining whether a particular transaction is "significant." Such factors include the size, number, and frequency of the transaction(s), the purpose of the transaction(s), the nexus between the transaction(s) and sanctioned parties and the involvement of deceptive practices.

## **Policy**

The Company and its employees shall comply with all applicable Sanctions Laws and this Policy. In addition, all employees shall comply with the Company's US Person Recusal Policy.

## **Prohibitions**

This Policy specifically prohibits the following:

**Transactions or Dealings Involving Sanctioned Countries:** Transactions or dealings, direct or indirect, involving a Sanctioned Country, even where such transactions or dealings are permissible under applicable laws and regulations.

If the Company changes this policy in the future, transactions and dealings involving Sanctioned Countries will be subject to the *POLICY COMPLIANCE PROCEDURES – Sanctions Screening* requirements described below and must comply fully with this Policy and all applicable Sanctions Laws.

Any transaction or dealing involving a Sanctioned Country must be referred to the CSI Solar EMEA Legal Department as soon as possible.

**Transactions or Dealings with Sanctioned Persons:** Transactions or dealings, direct or indirect, with a Sanctioned Person, any individual or entity identified on the EU's Consolidated List of Asset Freeze Targets or the German Asset Freeze List, and entities owned or controlled by a Sanctioned Person.

**US Person Involvement in or Facilitation of Prohibited Transactions and Dealings:** Transactions or dealings, direct or indirect, by a US Person involving a Sanctioned Country or certain Sanctioned Persons (eg, SDNs).

See the Company's US Person Recusal Policy.

**Support from US Bank and Financial Institutions Involvement in Transactions:** Transactions or dealings, direct or indirect, involving a Sanctioned Country or an SDN and denominated in US dollars or involving a US bank or other financial institution.

**SEC Reportable Transactions:** Transactions or dealings which are or may be SEC Reportable Transactions.

**Restricted Items:** Transactions or dealings which involve the export, re-export, transfer, release, shipment, transmission or other provision of goods, technology, technical data, software or services without the requisite authorization of the relevant governmental authority (eg, an export license).

***Please Note:*** Solar modules are certified according to International Standard CEI IEC 61215 for crystalline silicon terrestrial photovoltaic modules. These items do not originate in the US and are not otherwise US-regulated (unless these items come into US territory). Accordingly, these items do not require licensing under US export controls laws and regulations. US Persons are,

however, prohibited under US Sanctions Laws from supporting or facilitating, directly or indirectly, transfers of these items to Sanctioned Countries or certain Sanctioned Persons (eg, SDNs). See the Company's US Person Recusal Policy.

**Other:** Any other activity, transaction or dealing which violates applicable Sanctions Laws.

## **POLICY COMPLIANCE PROCEDURES**

### ***Sanctions Screening***

In furtherance of this Policy, the Company shall conduct due diligence, sufficient to meet the requirements of this Policy and applicable Sanctions Laws, on any new transactions or dealings involving: (1) an **At Risk Country**; or (2) if and to the extent that this Policy is changed to allow transactions and dealings with a Sanctioned Country, the applicable **Sanctioned Country**. Such diligence shall include screening counterparty names, including, where relevant, the names of customers and other third parties, for Sanctioned Persons ("***Sanctions Screening***").

Sanctions Screening shall occur ***before*** the Company begins any transaction or dealing involving an At Risk Country or a Sanctioned Country and at regular intervals thereafter to assess changed legal or other circumstances. The CSI Solar EMEA Legal Department shall be responsible for conducting the Sanctions Screening.

A **Questionnaire for Business Partners** shall be completed and sent to the CSI Solar EMEA Legal Department for each transaction or dealing involving a Sanctioned Country.

Sanctions Screening shall be conducted against the following parties, where relevant:

- the potential customer;
- any shipping company and/or logistics provider involved in delivering the goods to the customer;
- any other third party (eg, a vendor, consultant, sales agent, distributor, contractor or subcontractor) involved in the transaction or dealing; and
- any bank or other financial institution involved the transaction or dealing, including a correspondent bank or financial institution.

If Sanctions Screening identifies a positive match against an individual or entity, any further activity with respect to the proposed transaction or dealing shall be suspended pending further review by the CSI Solar EMEA Legal Department. **Transactions or dealings with individuals or entities confirmed to be Sanctioned Persons are prohibited.**

If Sanctions Screening does not identify a positive match against an individual or entity, CSI Solar EMEA will be the contractual party for the proposed transaction or dealing unless the CSI Solar EMEA Legal Department advises differently.

### ***Other Checks***

If and to the extent that this Policy is changed to allow transactions and dealings with a Sanctioned Country, the Company shall ensure that, before exporting any solar modules to a Sanctioned Country:

- the solar modules are sourced from China (any solar modules sourced from any other country will require additional approval from the CSI Solar EMEA Legal Department) and confirmed not to be prohibited under applicable Sanctions Laws from being exported or transferred to the Sanctioned Country or the intended or end-user;
- none of the parts of the solar modules are US Regulated Items; and
- as required, all export licenses have been secured and all other applicable regulatory requirements have been met.

In implementing the compliance procedures set forth above, please refer to the attached **Sanctions Laws Compliance Policy Flowchart**.

### ***Record Keeping***

The Company shall keep and maintain records pertaining to Sanctions Screening for a period of six years. Such records shall include, where relevant, a completed Questionnaire for Business Partners, copies of any export licenses or other required regulatory authorizations and any additional materials generated in connection with Sanctions Screening.

### **LIABILITY**

Violations of Sanctions Laws could result in substantial liability for the Company and its employees, including significant monetary penalties, criminal prosecution, imprisonment, loss of licensing privileges and reputational damage.

Any indications of possible non-compliance with this Policy must be reported to the Company's Legal Department as soon as possible.

Any employee who violates this Policy or has knowledge of a possible violation of this Policy and fails to report it to the Company's Legal Department or mislead or hinders any investigation of a possible violation of this Policy will be subject to disciplinary action, including termination of employment.

## **ANNEX 1**

### **At Risk Countries and Regions**

The following is a list of the At Risk Countries and Regions:

**Afghanistan**

**Balkans**

**Burma**

**Burundi**

**Central African Republic**

**Democratic Republic of the Congo**

**Eritrea**

**Iraq**

**Lebanon**

**Libya**

**Mali**

**Nicaragua**

**Republic of Guinea**

**Republic of Guinea-Bissau**

**Russia**

**Somalia**

**Tunisia**

**Turkey**

**Ukraine**

**Venezuela**

**Yemen**

**Zimbabwe**

## **ANNEX 2**

### **Sanctioned Countries**

The following is a list of Sanctioned Countries and Regions:

**Belarus**

**Cuba**

**Iran**

**North Korea**

**South Sudan**

**Sudan**

**Syria**

**Crimea region of Ukraine**