CanadianSolar

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# 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, the UK, 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 Legal Department of CSI Solar MSS EMEA is responsible for administration and oversight of this Policy.

Compliance with Sanction Laws can be complex and Sanctions Laws may change from time to time. 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 Legal Department of CSI Solar MSS EMEA for advice and direction.

**DEFINITIONS**

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

"***CSI Solar MSS 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.

"***OFSI***" means the Office of Financial Sanctions Implementation of His Majesty's Treasury in the United Kingdom.

"***Sanctioned Activity***" means a relevant transaction or business or other dealing with an Excluded Territory or a Sanctioned Person.

"***Excluded Territories***" means certain countries, territories and other jurisdictions which ***CSI Solar*** has chosen not to deal with for multiple reasons including that some such territories are, from time to time, the subject of sanctions under applicable Sanctions Laws**.** Please see **Annex 2**[2] to this policy for a current list of the Excluded Territories.

"***Sanctioned Person***" means, for the purposes of this Policy, 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 Persons List ("***SDN***") or the US Department of State's Nonproliferation Sanctions List;

[1] Please note that this Annex 1 can and will be updated periodically, with reference to changing international conditions.

[2] Please note that this Annex 2 can and will be updated periodically, with reference to changing international conditions.

(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, the UK's Consolidated List of Financial Sanctions Targets or the German Asset Freeze List;

(d) an individual or entity that is operating, organized or resident in an Excluded Territory;

(e) the government of an Excluded Territory or the Government of Venezuela, or an entity that is controlled by, or acting for or on behalf of, the Government of an Excluded Territory or Venezuela; or

(f) fifty percent or more owned or controlled by a person in limbs (a)-(e).

"***SDN***" mean an individual, group or entity designated on OFAC's Specifically Designated Nationals and Blocked Persons 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 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 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 manufactured in or sourced 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, UK, 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 Excluded Territories 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: Belarus, Iran, Libya, North Korea, Palestine (including sanctions relating to dealings in Gaza), Russia, Somalia, Syria, and Ukraine (including sanctions relating to dealings in Crimea), the so-called Donetsk People's Republic, the so-called Luhansk People's Republic 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 an Excluded Territory, a person in an Excluded Territory or a person for the purpose of a business carried on or operated in an Excluded Territory; and
- transferring, providing or disclosing technical data related to certain goods to an Excluded Territory or a person in an Excluded Territory.

Solar modules manufactured in China are not specifically 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 MSS EMEA, EU nationals (i.e. 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 MSS EMEA, EU Sanctions Laws impose two primary types of restrictions and prohibitions: those restricting or prohibiting the provision of certain goods and services to Excluded Territories 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 certain countries, primarily: Belarus, Iran, North Korea, Russia, certain areas of Ukraine 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.

The scope of EU laws with respect to Russia and Belarus has expanded significantly since 2022. For both countries, the EU imposes significant export and import restrictions affecting wide ranges of goods and technologies. In certain cases, this includes restricting the import into the EU or goods produced with Russian-origin "inputs". Presently, these are focused on items made of iron-and-steel, diamonds and gold. However, these may change with time, so if a Russian entity exists in the supply chain, this should be escalated for review.

Both Russia and Belarus now have significant numbers of legal and natural persons on the EU's asset-freeze lists. These include large numbers of banks. If a non-sanctioned person has a bank account in a frozen bank, then dealing in payments in and out of that bank account can nevertheless violate EU sanctions. The EU also imposes certain sanctions which affect Russian nationals. Presently, these sanctions are not in areas relevant to the Company's business. However, taken together, the web of sanctions forms a reason why this Policy treats Russia and Belarus as Excluded Territories.

**German Sanctions Laws**

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

**UK Sanctions Laws**

Until "Brexit", the United Kingdom ("UK") was an EU Member State and followed EU Sanctions Laws. Since the completion of the transition period for the UK's withdrawal from the EU (31 December 2020), the UK has operated an autonomous sanctions regime.

Presently, UK Sanctions Laws in large part continue to align in substance with EU Sanctions Laws – especially concerning sanctions that restrict or prohibit certain activities with certain countries (primarily Iran, North Korea and Syria) and restrictions on the export of certain military and dual-use goods and technologies.

Following Brexit, UK Sanctions Laws diverged most obviously from the EU Sanctions Laws with regard to the persons targeted for asset freeze sanctions. The UK's sanctions regulator, OFSI, maintains a regularly updated Consolidated List of Financial Sanctions Targets[3]. That contains an increasing number of persons affected by UK asset-freeze sanctions who are not on equivalent EU lists.

UK sanctions on Russia and Belarus echo the EU's in many respects – in particular with respect to imports and export bans affecting large numbers of goods and sanctions on large numbers of banks. However, there are some significant divergences. Most notably, UK sanctions contain the concept of a "person connected with Russia" (PCWR). This has a statutory definitions which essentially means: (a) legal persons incorporated or domiciled in Russia or Belarus; and/or (b) natural persons located in Russia or Belarus. UK laws prohibit dealings in new transferable securities (such as shares) or money market instruments (such as bonds) when issued by any PCWR. In many circumstances, UK laws also prohibit granting new loans to PCWRs. UK laws target Belarus with many of the same sanctions applied to Russia. This provides a further reason for treating Russia and Belarus as Excluded Territories and escalating the issue if Russian or Belarus-connected persons appear involved in the supply chain or wider transaction.

The jurisdictional scope of UK Sanctions Laws is the whole of the UK's territory, and it applies of UK persons – both nationals and corporate bodies – inside or outside of the UK.

**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 an Excluded Territory or 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 Excluded Territories or certain Sanctioned Persons (e.g. SDNs).

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[3] The OFSI list is available here: https://www.gov.uk/government/publications/financial-sanctions-consolidated-list-of-targets/consolidated-list-of-targets

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[4] with SDNs could be denied access to, or the benefits of, the US market.

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

### *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 Sanctions Laws Recusal Policy.

### *Prohibitions*

This Policy specifically prohibits the following:

**Transactions or Dealings Involving Excluded Territories:** Transactions or dealings, direct or indirect, involving an Excluded Territory, even where such transactions or dealings are permissible under applicable laws and regulations.

Any transaction or dealing involving an Excluded Territory must be referred to the Legal Department of **CSI Solar MSS EMEA** as soon as possible.

**Transactions or Dealings with Sanctioned Persons**: Transactions or dealings, direct or indirect, with 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 an Excluded Territory or certain Sanctioned Persons (eg, SDNs).

See the Company's US Person Sanctions Laws Recusal Policy.

**Support from US Bank and Financial Institutions Involvement in Transactions**: Transactions or dealings, direct or indirect, involving an Excluded Territory 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

[4] 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.

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. Our solar modules are not on the US Commercial Control List and, as such, are not subject to the Export Administration Regulations. US Persons are, however, prohibited under US Sanctions Laws from supporting or facilitating, directly or indirectly, transfers of these items to Excluded Territories or certain Sanctioned Persons (eg, SDNs). See the Company's US Person Sanctions Laws 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, at a minimum on any new transactions or dealings involving an **At Risk Country Region**. Such diligence shall include screening counterparty names, including, where relevant, the names of customers and other third parties, for Sanctioned Persons ("***Sanctions Screening***"). Any business unit within the Company may also conduct Sanctions Screening for additional transactions to ensure compliance with this Policy as it sees fit.

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

In order to facilitate the Sanctions Screening, a **Questionnaire for Business Partners** shall be completed and sent to the Legal Department of CSI Solar MSS EMEA for each transaction or dealing involving, at a minimum, an At Risk Country or Region or an Excluded Territory.

Sanctions Screening shall be conducted against the following parties, where relevant and/or practicable, taking into account risk-based factors such as the regularity and reputation of the customer and whether there are connections to At Risk Countries or Regions:

- the potential customer;
- the end-user;
- shipping companies and/or logistics providers involved in delivering the goods to the customer;
- other third parties (i.e. , a vendor, consultant, sales agent, distributor, contractor or subcontractor) involved as a party to the transaction;
- suppliers; and

- banks or other financial institutions involved the transaction or dealing, including where possible a correspondent bank or financial institution. This is particularly significant with respect to dealings involving At Risk Countries or Regions.

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 Legal Department of CSI Solar MSS EMEA. **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, the proposed transaction may proceed with CSI Solar or the relevant Subsidiary Entity, who will be the contractual party for the proposed transaction or dealing unless the Legal Department of CSI Solar MSS EMEA advises differently.

***Other Checks***

The Legal Department of CSI Solar MSS EMEA may create further guidance documents that set out more rigorous procedures to be followed in respect of particular jurisdictions. Such documents may, by way of non-exhaustive example, set out contractual terms that may need to be inserted into contracts or outline further checks that must be undertaken before transactions in that jurisdiction may proceed.

Where a country is added to the At Risk Countries and Regions list, existing transactions in that jurisdiction should be subject to a sanctions screening as soon as possible, and at least within 30 days.

***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 Legal Department of CSI Solar MSS EMEA or CSI Solar 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 Legal Department of CSI Solar MSS EMEA or CSI Solar 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**
**Burundi**
**Central African Republic**
**Democratic Republic of the Congo**
**Iraq**
**Kazakhstan**
**Kyrgyzstan**
**Lebanon**
**Libya**
**Mali**
**Myanmar**
**Nicaragua**
**Palestine (excluding Gaza region)**
**Republic of Guinea**
**Republic of Guinea-Bissau**
**Somalia**
**South Sudan**
**Sudan**
**Tajikistan**
**Turkey**
**Turkmenistan**
**Ukraine**
**Uzbekistan**
**Venezuela**
**Yemen**

## ANNEX 2

## Excluded Territories

The Company is committed to the highest standards of Environmental and Social Governance (ESG) and Corporate and Social Responsibility (CSR). This includes minimizing the risks of assisting state sponsors of terrorism or being involved in states where potentially oppressive political apparatuses are highly integrated into many facets of business.

Accordingly, the Company has developed this list of territories in which the Company will not operate. This policy refers to these as the "Excluded Territories". Due to multiple factors, including money-laundering threats, the risk of inadvertently supporting state sponsors of terror and/or indirectly assisting a state-system that connives at serious abuses of human rights, the Company's policy is not to conduct business with persons or entities located or resident in, operating from, or incorporated under the laws of the Excluded Territories.

The Company may update this list from time to time. In the event that it does, the Legal Departments in the regions where the Company operates will alert Employees as appropriate.

The following is a list of Excluded Territories:

**Belarus**

**Cuba**

**Gaza region of Palestine**

**Iran**

**North Korea**

**Russia**

**Syria**

**Crimea region of Ukraine**

**The so-called Donetsk People's Republic**

**The so-called Luhansk People's Republic**