

CANADIAN SOLAR INC. Corporate Governance Guidelines

The Board of Directors (the “**Board**”) of Canadian Solar Inc. (the “**Company**”) has adopted the following Corporate Governance Guidelines (the “**Guidelines**”) to assist the Board in the exercise of its responsibilities and to serve the interests of the Company and its shareholders. These Guidelines should be interpreted in the context of all applicable laws and the Company’s Articles and Bylaws, as amended from time to time (the “**Constitutional Documents**”), and other corporate governance documents. These Guidelines acknowledge the leadership exercised by the Board’s standing committees and their chairs and are intended to serve as a flexible framework within which the Board may conduct its business and not as a set of legally binding obligations. These Guidelines are subject to modification from time to time by the Board as the Board may deem appropriate in the best interests of the Company and its shareholders or as required by applicable laws.

These Guidelines are available on the Company’s website at “www.canadiansolar.com” and to any shareholder who requests a copy.

The Board

Size of the Board

The Constitutional Documents provide that the number of directors will be fixed from time to time by the Board, but in no event will be less than three or more than ten. The Board may fix the number of directors within the minimum and maximum specified in the Constitutional Documents. The Nominating and Corporate Governance Committee will periodically review the size of the Board and recommend to the Board the size that is most effective based on the Company’s circumstances.

Independence of the Board

A majority of directors must qualify as independent directors (the “**Independent Directors**”) under the listing standards of the Nasdaq Global Market. The Board currently has a majority of Independent Directors.

The Nominating and Corporate Governance Committee will review annually the relationships that each director has with the Company (either directly or as a partner, shareholder or officer of an organization that has a relationship with the Company). Following such annual review, only those directors who the Board affirmatively determines have no material relationship with the Company (either directly or as a partner, shareholder or officer of an organization that has a relationship with the Company) will be considered Independent Directors, subject to additional qualifications prescribed under the listing standards of the Nasdaq Global Market. The basis for any determination that a relationship is not material will be published in the Company’s annual report on Form 20-F filed with the Securities and Exchange Commission.

The Independent Directors will appoint one Independent Director to be the lead independent director (the “**Lead Independent Director**”) based on the recommendation of the Nominating

and Corporate Governance Committee. The Lead Independent Director, along with the Chairman of the Board, establishes the agenda for regular Board meetings, serves as chairman of regular Board meetings when the Chairman is absent, presides at executive sessions of the non-executive Directors, serves as a liaison between the Chief Executive Officer and the independent directors, and encourages dialogue between the independent directors and management. The Lead Independent Director also establishes the agenda for meetings of the independent directors and performs such other duties as the Board may establish or delegate.

Separate Sessions of Non-Executive Directors and Independent Directors

The non-executive Directors will meet in executive session without executive directors or management present at least two times per year. The Lead Independent Director will chair such meetings. The non-executive Directors will review the Company's implementation of and compliance with these Guidelines and consider such matters as they may deem appropriate at such meetings. Formal deliberations or decisions concerning the business and affairs of the Company will occur only during regular or special meetings of the Board, and not at separate or committee sessions. Non-executive Directors are all Directors who are not company officers (as that term is defined in Rule 16a-1(f) under the Securities Act of 1933), including such Directors who are not independent by virtue of a material relationship, former status or family membership, or for any other reason.

If the non-executive Directors include Directors who are not also Independent Directors, the Independent Directors shall also meet separately at least once per year in executive session.

Director Qualification Standards

The Nominating and Corporate Governance Committee is responsible for reviewing with the Board, on an annual basis, the appropriate characteristics, skills and experience required for the Board as a whole and its individual members. The Nominating and Corporate Governance Committee, in evaluating the suitability of individual director candidates (both new candidates and current Board members) and recommending them for election, and the Board, in approving (and, in the case of vacancies, appointing) such candidates, will take into account many factors, including the candidate's ability to make independent analytical inquiries, general understanding of marketing, finance and other elements relevant to the success of a publicly-traded company in today's business environment, experience in the Company's industry and with relevant social policy concerns, understanding of the Company's business on a technical level, other board service and educational and professional background. Each candidate nominee must also possess fundamental qualities of intelligence, honesty, good judgment, high ethics and standards of integrity, fairness and responsibility. The Board evaluates each director candidate in the context of the Board as a whole, with the objective of assembling a group that can best perpetuate the success of the business and represent shareholder interests through the exercise of sound judgment using its diversity of experience in these various areas. In determining whether to recommend a director for re-election, the Nominating and Corporate Governance Committee also considers the director's past attendance at meetings and participation in and contributions to the activities of the Board.

Selection of New Directors

The entire Board will stand for election by the shareholders of the Company each year at the Company's annual shareholder meeting. Each year, at the annual shareholder meeting, the Board will recommend directors for election by the shareholders. In accordance with the Constitutional Documents and the corporate law statute governing the Company, the Board will be responsible for filling vacancies or newly-created directorships on the Board that may occur between annual meetings of shareholders. The Nominating and Corporate Governance Committee is responsible for identifying, screening and recommending candidates to the entire Board.

Election of Directors

Each director should be elected by the vote of a majority of the common shares represented in person or by proxy at any shareholder meeting for the election of directors. Accordingly, if any nominee for director receives, from the common shares voted at the shareholder meeting, in person or by proxy, a greater number of shares withheld than shares voted in favour of his or her election, the director must promptly tender his or her resignation to the Chairman of the Board, to take effect on acceptance by the Board. The Nominating and Corporate Governance Committee will expeditiously consider the director's offer to resign and make a recommendation to the Board on whether to accept it. In considering the director's offer to resign and making its recommendation, the Nominating and Corporate Governance Committee will evaluate the best interest of the Company and its shareholders and will consider a number of factors, including alternatives to cure the underlying cause of the votes withheld, the experience/expertise of the director, the overall composition of the Board and whether accepting the resignation would cause the Company to fail to satisfy any applicable listing or regulatory requirement. The Board will have 90 days after the date of the shareholder meeting to make a final decision and announce it by way of press release. A director who tenders his resignation may not participate in the deliberations of the Nominating and Corporate Governance Committee or the Board on whether to accept his resignation offer.

This policy does not apply to a contested election of directors (ie, where the number of nominees for election exceeds the number of directors to be elected). If any director fails to tender his or her resignation in accordance with this policy, the Board will not renominate the director. The Board is not limited in any action it may take if a director's resignation is accepted, including appointing a new director to fill the vacancy.

Selection of Chairman of the Board

The Board will select the Chairman of the Board in accordance with the Company's Bylaws.

No Specific Limitation on Other Board Service

The Board does not believe that its members should be prohibited from serving on boards of other organizations and has not adopted any guidelines limiting such activities, except with respect to members serving on the Audit Committee, as described below. However, the Nominating and Corporate Governance Committee and the Board will take into account the nature of and time involved in a director's service on other boards and/or committees in

evaluating the suitability of individual director candidates and current directors and making its recommendations to the Company's shareholders. Service on other boards and/or committees should be consistent with the Company's conflict of interest policies set forth below.

Directors Who Resign Their Current Positions With Their Company

If a director, including any director who is currently an officer or employee of the Company, resigns or materially changes his or her position with his or her employer, the director should submit his or her resignation to the Board, which the Board may accept or reject based on the recommendation of the Nominating and Corporate Governance Committee.

Term Limits

As each director is subject to election by shareholders on an annual basis, the Board does not believe it is in the best interests of the Company to establish term limits at this time. Additionally, such term limits may cause the Company to lose the contribution of directors who have been able to develop, over a period of time, increasing insight into the Company's business and therefore can provide an increasingly significant contribution to the Board.

Retirement

It is the general policy of the Company that no director may stand for election to the Board after his or her 75th birthday. The Board may, however, make exceptions to this standard, based on the recommendation of the Nominating and Corporate Governance Committee, as it deems appropriate in the interests of the Company's shareholders.

Director Responsibilities

The Board will supervise the management of the business and affairs of the Company, including through one or more of its committees as set forth in the Bylaws and committee charters.

Each director is expected to spend the time and effort necessary to properly discharge his or her responsibilities. These include:

- (1) overseeing the conduct of the Company's business, to evaluate whether the business is being properly managed;
- (2) reviewing and, where appropriate, approving the Company's major financial objectives, plans and actions;
- (3) reviewing and, where appropriate, approving major changes in, and determinations of, other major issues respecting the appropriate auditing and accounting principles and practices to be used in the preparation of the Company's financial statements;
- (4) reviewing and, where appropriate, approving major changes in, and determinations under, the Company's Corporate Governance Guidelines, Code of Business Conduct and Ethics and other policies;

- (5) reviewing and, where appropriate, approving actions to be undertaken by the Company that would result in a material change in the financial structure or control of the Company, the acquisition or disposition of any business or asset material to the Company or the entry of the Company into any major new line of business;
- (6) with respect to the Independent Directors, and as directed by the Board, together with the Compensation Committee, regularly evaluating the performance and approving the compensation of the Chief Executive Officer;
- (7) with the input of the Chief Executive Officer and the Compensation Committee, regularly evaluating the performance of other senior executives;
- (8) planning for succession with respect to the position of Chief Executive Officer and monitoring management's succession planning for other senior executives;
- (9) ensuring that the Company's business is conducted with the highest standards of ethical conduct and in conformity with applicable laws and regulations; and
- (10) performing such other functions as the Board believes appropriate or necessary, or as otherwise prescribed by rules or regulations.

Compensation

The Company's executive officers shall not receive additional compensation for their service as Directors. Senior management of the Company will report once a year to the Compensation Committee regarding the status of the Company's non-executive Director compensation in relation to other U.S. listed companies of comparable size and the Company's competitors. Such report will include consideration of both direct and indirect forms of compensation to the Company's non-executive Directors, including any charitable contributions by the Company to organizations in which a non-executive Director is involved. Following a review of the report, the Compensation Committee will recommend any changes in non-executive Director compensation to the Board, which changes will be approved or disapproved by the Board after a full discussion.

Director fees, which include awards under the Company's Share Incentive Plan, are the sole form of compensation that members of the Audit Committee may receive from the Company.

Share Ownership

The Company believes that directors should be shareholders and have a financial stake in the Company. While the Board does not believe it appropriate to specify the levels of ownership for individual directors, it is anticipated that each director will develop a meaningful ownership position in the Company over time.

Conflicts of Interest

Directors are expected to avoid any action, position or interest that conflicts with the interests of the Company or gives the appearance of a conflict. If an actual or potential conflict of interest develops, the director should immediately report the matter to the Chairman of the Board. Any

significant conflict must be resolved or the director should resign. If a director has a personal interest in a matter before the Board, the director will disclose the interest to the Board, excuse himself or herself from discussion on the matter and not vote on the matter.

Board Orientation and Continuing Education of Board Members

The Company provides new directors with a director orientation program to familiarize them with, among other things, the Company's business, strategic plans, significant financial, accounting and management issues, compliance programs, conflicts policies, Code of Business Conduct and Ethics, these Guidelines, principal officers, internal auditors and independent auditors.

The Company will make available to directors continuing education programs, and each director is expected to participate in such programs, as management or the Board determines desirable.

Interaction with Institutional Investors, the Press and Customers

The Board believes that management speaks for the Company. Each director should refer all inquiries from institutional investors, the press or customers to management. Individual Board members may, from time to time at the request of the management, meet or otherwise communicate with various constituencies that are involved with the Company. If comments from the Board are appropriate, they should, in most circumstances, come from the Chairman of the Board.

Board Access to Senior Management

The Board will have complete access to Company management in order to ensure that directors can ask any questions and receive all information necessary to perform their duties. Directors should exercise judgment to ensure that their contact with management does not distract managers from their jobs or disturb the business operations of the Company. Such contact, if in writing, should be copied to the Chief Executive Officer of the Company.

Board Access to Independent Advisors

The Board committees may hire independent advisors as set forth in their applicable charters. The Board as a whole shall have access to such advisors as the Company retains and such other independent advisors as the Board considers necessary to discharge its responsibilities.

Annual Self-Evaluation

Following the end of each fiscal year, the Nominating and Corporate Governance Committee will oversee an annual assessment by the Board of the Board's performance. The Nominating and Corporate Governance Committee will be responsible for establishing the evaluation criteria and implementing the process for such evaluation, as well as considering other corporate governance principles that may, from time to time, merit consideration by the Board.

The assessment should include a review of any areas in which the Board or management believes the Board can make a better contribution to the governance of the Company, as well as a review

of the committee structure and an assessment of the Board's compliance with the principles set forth in these Guidelines. The purpose of the review will be to improve the performance of the Board as a unit, and not to target the performance of any individual Board member. The Nominating and Corporate Governance Committee will utilize the results of the Board evaluation process in assessing and determining the characteristics and critical skills required of prospective candidates for election to the Board.

Board Meetings

Frequency of Meetings

The Board will meet at least five times annually. In addition, special meetings may be called from time to time as determined by the needs of the business. It is the responsibility of the directors to attend meetings.

Director Attendance

A director is expected to spend the time and effort necessary to properly discharge his or her responsibilities. Accordingly, a director is expected to regularly prepare for and attend meetings of the Board and all committees on which the director sits (including separate meetings of non-executive Directors and the Independent Directors), with the understanding that, on occasion, a director may be unable to attend a meeting. A director who is unable to attend a meeting is expected to notify the Chairman of the Board or the Chairman of the appropriate committee in advance of such meeting, and, whenever possible, participate in such meeting via teleconference.

Attendance of Non-Directors

The Board encourages the Chairman of the Board or of any committee to bring Company management and outside advisors or consultants from time to time into Board and/or committee meetings to (i) provide insight into items being discussed by the Board which involve the manager, advisor or consultant, (ii) make presentations to the Board on matters which involve the manager, advisor or consultant, and (iii) bring managers with high potential into contact with the Board. Attendance of non-directors at Board meetings is at the discretion of the Board.

Agendas

The Chairman establishes the agenda for each Board meeting with input from the management and, as necessary or desired, from the other directors.

Advance Receipt of Meeting Materials

Information regarding the topics to be considered at a meeting is essential to the Board's understanding of the business and the preparation of the directors for a productive meeting. To the extent feasible, the meeting agenda and any written materials relating to each Board meeting will be distributed to the directors sufficiently in advance of each meeting to allow for meaningful review of such agenda and materials by the directors. Directors are expected to have reviewed and be prepared to discuss all materials distributed in advance of any meeting.

Committee Matters

Number, Name, Responsibilities and Independence of Committees

The Board currently has three committees. Each member of the Audit Committee, the Compensation Committee and the Nominating and Corporate Governance Committee is required to be an Independent Director. Currently, all of the members of the Audit Committee, the Compensation Committee and the Nominating and Corporate Governance Committee are Independent Directors.

From time to time, the Board may form a new committee or disband a current committee, depending upon the circumstances. Each committee will perform its duties as assigned by the Board in compliance with the Company's Bylaws and the committee's charter. The current committees are:

- (1) Audit Committee. The Audit Committee consists of at least three members and reviews the work of the Company's internal accounting and audit processes and independent auditors. The committee has sole authority to appoint and fire the Company's independent auditors and to approve any significant non-audit relationship with the independent auditors.
- (2) Compensation Committee. The Compensation Committee consists of at least two members and reviews and approves the Company's goals and objectives relevant to compensation, stays informed as to market levels of compensation, determines and approves the compensation of the Chief Executive Officer based upon the Company's goals and objectives and, based on evaluations submitted by management, recommends to the Board compensation levels and systems for Board members and senior officers other than the Chief Executive Officer that correspond to the Company's goals and objectives.
- (3) Nominating and Corporate Governance Committee. The Nominating and Corporate Governance Committee consists of at least two members and is responsible for recommending to the Board individuals to be nominated as directors and committee members. This includes evaluation of new candidates as well as evaluation of current directors. This committee is also responsible for developing and recommending to the Board these Guidelines, as well as reviewing and recommending revisions to these Guidelines on a regular basis. This committee also performs other duties as are described in these Guidelines and prepares any disclosure of the nominating process required by applicable rules and regulations.

Assignment and Rotation of Committee Members

Based on the recommendations of the Nominating and Corporate Governance Committee, the Board appoints committee members and committee chairs according to criteria set forth in the applicable committee charter and such other criteria that the Board determines to be appropriate in light of the responsibilities of each committee. Committee membership and the position of committee chair will not be rotated on a mandatory basis unless the Board determines that rotation is in the best interest of the Company.

Each member of the Audit Committee must satisfy the independence requirements of Rule 10A-3 under the Securities Exchange Act of 1934 and must be able to read and understand fundamental financial statements, including a company's balance sheet, income statement and cash flow statement. In addition, at least one member of the Audit Committee must be an "audit committee financial expert" within the definition adopted by the U.S. Securities and Exchange Commission or the Company must disclose in its periodic reports required pursuant to the Securities Exchange Act of 1934 the reasons why at least one member of the Committee is not an "audit committee financial expert."

Frequency of Committee Meetings

The Audit Committee will meet at least four times annually. The Compensation Committee and the Nominating and Corporate Governance Committee will each meet at least two times annually. In addition, special meetings may be called by the Chairman of the committee from time to time as determined by the needs of the business of the Company. It is the responsibility of the directors to attend the meetings of the committees on which they serve.

Committee Agendas

The Chairman of each committee, in consultation with the appropriate members of the Committee, will develop his or her committee's agenda.

Committee Self-Evaluations

Following the end of each fiscal year, each committee will review its performance and compliance with its charter and recommend to the Board any changes to its charter it deems necessary.

Leadership Development

Annual Review of Chief Executive Officer

The Compensation Committee, with input from the Chief Executive Officer, will annually establish the performance criteria (including both long-term and short-term goals) to be considered in connection with the Chief Executive Officer's next annual performance evaluation. At the end of each year, the Chief Executive Officer will make a presentation or furnish a written report to the Compensation Committee indicating his or her progress against such established performance criteria. Thereafter, with the Chief Executive Officer absent, the Compensation Committee will meet to review the Chief Executive Officer's performance. The results of the review and evaluation will be communicated to the Chief Executive Officer by the Chairman of the Compensation Committee.

Succession Planning

The Nominating and Corporate Governance Committee works on a periodic basis with the Chief Executive Officer to review, maintain and revise, if necessary, the Company's succession plan upon the Chief Executive Officer's retirement and in the event of an unexpected occurrence. The Chief Executive Officer will report annually to the Board on succession planning for the

Chief Executive Officer and senior management positions, including a discussion of assessments, leadership development plans and other relevant factors. There should also be available to the Nominating and Corporate Governance Committee, on a continuing basis, the Chief Executive Officer's recommendations regarding his or her successor should he or she be unexpectedly disabled.

Management Development

The Board will determine that a satisfactory system is in effect for the education, development and orderly succession of senior and mid-level managers throughout the Company.

APPENDIX A

FORM OF AUDIT COMMITTEE CHARTER

APPENDIX B

FORM OF COMPENSATION COMMITTEE CHARTER

APPENDIX C

FORM OF NOMINATING/CORPORATE GOVERNANCE COMMITTEE CHARTER