

POLICY ON RELATED PARTY TRANSACTIONS

Policy on Related Party Transactions (the “Policy”) of Canadian Solar Inc. and its Subsidiary Entities

Table of Contents	
Heading	Page Number
INTRODUCTION	1
DEFINITIONS	1
POLICY AND PROCEDURES	3
Reporting a Related Party Transaction or Material Change	3
Committee Approval	3
Disclosure	5
Other Company Agreements	5

INTRODUCTION

Canadian Solar Inc. (“*CSI*”) is committed to maintaining the highest standards of conduct and ethics in the way that it conducts its business. The Code describes the standard of conduct and ethics required of all directors, officers and employees of CSI and its subsidiary entities (the “*Company*”).

The Board recognizes that related party transactions present a heightened risk of conflict of interest (or the perception thereof) and, as a result, has adopted this Policy.

DEFINITIONS

“*Board*” means the board of directors of the Company.

“*Code*” means the Code of Business Conduct and Ethics of the Company.

“*Committee*” means the Audit Committee of the Board.

“*Chief Compliance Officer*” means the person appointed by the Board from time to time as the Chief Compliance Officer of the Company.

“*Executive Officer*” means one of the following employees of CSI: the President and Chief Executive Officer, an Executive Vice-President, a Senior Vice President, the President of a Business Unit, a Corporate Vice-President and any other employee whose employment Band/Level within the Company is A, B or C2.

“*Exempt Transaction*” means a transaction or arrangement:

- (a) that involves the payment of compensation to, or the reimbursement of reasonable business and travel expenses incurred in the ordinary course of business by, a Related Party;
- (b) that involves the indemnification of, or advancement of expenses to, a Related Party made pursuant to the Company's articles or by-laws or an agreement between the Company and the director or Executive Officer approved by the Board or a committee of the Board;
- (c) in the ordinary course of business of the Company where the interest of the Related Party arises only because:
 - (1) the Related Party is a director of a corporation, or holds a similar position with another entity, that is a party to the transaction or arrangement;
 - (2) the Related Party holds an equity interest in a corporation or other entity (other than a partnership) that is a party to the transaction or arrangement, provided that the Related Party and all other Related Parties do not together hold, directly and indirectly, more than a 5% equity interest in the corporation or other entity;
 - (3) the Related Party holds a position described in (1) and an equity interest described in (2); or
 - (4) the Related Party is a limited partner in a partnership that is a party to the transaction or arrangement, provided that the Related Party and all other Related Parties do not together hold, directly or indirectly, more than a 5% equity interest in the partnership; or
- (d) in which the Related Party's interest arises solely from the ownership of securities issued by the Company and all holders of the securities receive the same benefits *pro rata* as the Related Party.

“Material Change” means any material change to a previously approved or ratified Related Party Transaction.

“Related Party” means:

- (a) a person who is or, at any time since the beginning of the Company’s last fiscal year, was:
 - (1) a director of the Company or a nominee to become a director of the Company, or
 - (2) an Executive Officer;
- (b) a person who is known to be the beneficial owner of more than 5% of any class of voting securities of the Company;
- (c) a child, stepchild, parent, stepparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law or sister-in-law of a person referred to in (a) or (b) and any person (other than a tenant or employee) sharing the household of a person referred to in (a) or (b); and

- (d) a firm, partnership, corporation, trust or other entity of which a person referred to in (a), (b) or (c):
 - (1) is an director, officer, employee, general partner, principal or trustee or holds a similar position; or
 - (2) beneficially owns a 5% or greater equity interest.

“*Related Party Transaction*” means a transaction, arrangement or relationship, other than a Exempt Transaction, in which:

- (a) the Company was, is or will be a participant;
- (b) a Related Party had, has or will have a direct or indirect interest; and
- (c) the amount involved is greater than US\$120,000.

“*Senior Management*” means the following employees of the Company: the President and Chief Executive Officer of the Company, an Executive Vice-President, a Senior Vice President, the President of a Business Unit and a Corporate Vice-President,

POLICY AND PROCEDURES

Reporting a Related Party Transaction

The directors of the Company, nominees to become directors of the Company and Executive Officers are responsible for identifying and informing Senior Management of persons and entities that are Related Parties.

Before the Company and a Related Party enter into a Related Party Transaction or a Material Change:

- (a) Senior Management and the Related Party shall notify the Chief Compliance Officer of the facts and circumstances of the proposed Related Party Transaction or Material Change; and
- (b) the Chief Compliance Officer shall carry out an evaluation of the proposed Related Party Transaction or Material Change and, if the evaluation indicates that the proposed Related Party Transaction or Material Change requires the approval of the Committee, the Chief Compliance Officer will report the proposed Related Party Transaction or Material Change, together with a summary of the material facts and circumstances, to the Committee for its review at its next regularly scheduled meeting.

Committee Review and Approval

The Committee shall review all relevant facts and circumstances of each proposed Related Party Transaction or Material Change, including:

- (a) whether the proposed Related Party Transaction or Material Change is on terms and conditions which are comparable to those that could be obtained in an arm’s length transaction with a third party who is not a Related Party;

- (b) whether the proposed Related Party Transaction or Material Change was undertaken in the ordinary course of business of the Company;
- (c) whether the proposed Related Party Transaction or Material Change was initiated by the Company or the Related Party;
- (d) the purpose, and the potential benefits to the Company, of the Related Party Transaction or Material Change;
- (e) the approximate dollar amount involved in the Related Party Transaction or Material Change, particularly as it relates to the Related Party, and the extent of the Related Party's interest in the Related Party Transaction or Material Change, and
- (f) any other information regarding the Related Party Transaction or Material Change that is relevant in light of the circumstances of the particular Related Party Transaction or Material Change or that may be material to investors, taking into account the conflict of interest and corporate opportunity provisions of the Code.

The Committee may approve a Related Party Transaction or Material Change only if the Committee determines in good faith that, in all of the circumstances, the Related Party Transaction or Material Change is in the best interests of the Company and its shareholders.

In approving a Related Party Transaction or Material Change, the Committee may impose such conditions as it deems appropriate on the Company or the Related Party or the terms of the Related Party Transaction or Material Change as it considers necessary or desirable in the circumstances.

A Related Party Transaction or Material Change shall not be effective unless the Committee has approved or ratified the Related Party Transaction or Material Change in accordance with this Policy.

If it is not practicable for the Committee to approve a Related Party Transaction or Material Change in advance, the Company and the Related Party may enter into the Related Party Transaction or Material Change on the express condition that the Related Party Transaction or Material Change is subject to and will be effective only upon the ratification thereof by the Committee.

If the Company becomes aware of a Related Party Transaction or Material Change that has not been approved under this Policy, the Related Party Transaction or Material Change shall be reviewed and, if appropriate, ratified by the Committee in accordance with the procedures set forth in this Policy. If the Committee determines not to ratify a Related Party Transaction or Material Change that has been entered into without approval, the Committee may require the Company to take such action in relation to the Related Party Transaction or Material Change as it deems necessary or desirable in the circumstances, including immediate discontinuance or rescission of the Related Party Transaction or Material Change or changes to the Related Party Transaction or Material Change to make it acceptable for ratification.

Senior Management shall provide a status report to the Committee of all current Related Party Transactions on a regular basis but no less frequently than annually. The Committee shall

review and assess, no less frequently than annually, ongoing Related Party Transactions to ensure that they continue to comply with any terms and conditions the Committee imposed when approving the Related Party Transactions and that they remain in the best interests of the Company and its shareholders.

No director of the Company may participate in the approval or ratification of a Related Party Transaction or Material Change in which he or she was, is or will be a Related Party.

Disclosure

All Related Party Transactions and Material Changes shall be disclosed in the applicable filings made by the Company pursuant to the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended, and the rules thereunder.

All Related Party Transactions and Material Changes shall be disclosed to the Board.

Other Company Agreements

Senior Management shall ensure that all Related Party Transactions and Material Changes are not in violation of, and are approved in accordance with, the requirements of all financing and other agreements to which the Company is a party or otherwise bound.