

AUDIT COMMITTEE CHARTER

Charter (the “*Charter*”) of the Audit Committee (the “*Committee*”) of the Board of Directors (the “*Board*”) of Canadian Solar Inc. (the “*Company*”)

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PURPOSE

The purpose of the Committee is to oversee the accounting and financial reporting processes of the Company and the audit of the financial statements of the Company.

The Committee will comply with all applicable provisions of the Sarbanes-Oxley Act of 2002 and the rules and regulations of the U.S. Securities and Exchange Commission (the “**SEC**”) and the Nasdaq Stock Market, including those related to independence.

In addition to the powers and responsibilities expressly delegated to the Committee in this Charter, the Committee may exercise such other powers and carry out such other responsibilities as may be delegated to it by the Board from time to time consistent with the Company’s articles and bylaws, as amended from time to time (the “**Constitutional Documents**”). The powers and responsibilities delegated to the Committee shall be exercised and carried out by the Committee as it deems appropriate without the requirement of Board approval. Any decision made by the Committee (including any decision to exercise or refrain from exercising any of the powers and responsibilities delegated to the Committee) shall be at the Committee’s sole discretion. While acting within the scope of the powers and responsibilities delegated to it, the Committee shall have and may exercise all the powers and authority of the Board. To the fullest extent permitted by law, the Committee shall have the power to determine which matters are within the scope of the powers and responsibilities delegated to it.

Notwithstanding the foregoing, the Committee’s responsibilities are limited to oversight. Management of the Company is responsible for the preparation, presentation and integrity of the Company’s financial statements, as well as the Company’s financial reporting process, accounting policies, internal audit function, internal accounting controls and disclosure controls and procedures. The independent auditor is responsible for performing an audit of the Company’s annual financial statements, expressing an opinion as to the conformity of such annual financial statements with generally accepted accounting principles, and reviewing the Company’s quarterly financial statements. The Committee does not have any responsibility for planning or conducting audits or for determining whether the Company’s financial statements and disclosure are complete and accurate and in accordance with generally accepted accounting principles and applicable laws, rules and regulations. These are the responsibilities of management of the Company and the independent auditor.

Each member of the Committee shall be entitled to rely on the integrity of those persons within the Company and of the professionals and experts, including the Company’s internal auditor (or others responsible for the internal audit function, including contracted non-employee or audit or accounting firms engaged to provide internal audit services) (the “**internal auditor**”) and the independent auditor, from which the Committee receives information and, absent actual knowledge to the contrary, the accuracy of the financial and other information provided to the Committee by such persons, professionals or experts.

The Committee believes that the Company’s policies and procedures and the Committee’s procedures in carrying out its responsibilities should remain flexible in order to best react to changing conditions and circumstances. The following paragraphs include the Committee’s main recurring processes in carrying out its responsibilities. These are intended as a guide, with the understanding that the Committee may supplement them as appropriate, consistent with the requirements of the SEC and the Nasdaq Stock Market.

Auditing literature, particularly Statement of Accounting Standards No. 100, defines the term “*review*” to include a particular set of required procedures to be undertaken by independent auditors. The members of the Committee are not independent auditors, and the term “*review*” as used in this Charter is not intended to have that meaning and should not be interpreted to suggest that the Committee members can or should follow the procedures required of auditors performing reviews of financial statements.

MEMBERSHIP

The Committee shall consist of at least three directors; subject to any applicable exceptions under the rules of the Nasdaq Stock Market and Rule 10A-3(b)(1) under the Securities Exchange Act of 1934, as amended (the “*Exchange Act*”).

Each Committee member must be able to read and understand fundamental financial statements, including a company’s balance sheet, income statement and cash flow statement. Committee members are not required to be engaged in the accounting and auditing profession and, consequently, some Committee members may not be expert in financial matters or in matters involving auditing or accounting. However, at least one Committee member must be an “*audit committee financial expert*” as defined in Item 407(d)(5)(ii) of Regulation S-K under the Securities Act of 1933. A person who satisfies this definition of audit committee financial expert will be presumed to have financial sophistication. Otherwise, the Company shall disclose in its annual report on Form 20-F required pursuant to the Exchange Act the reasons why the Committee does not have at least one member who is an “*audit committee financial expert*”. Each Committee member must satisfy the independence requirements of the Nasdaq Stock Market and Rule 10A-3(b)(1) under the Exchange Act, subject to any applicable exceptions under those rules.

Committee members, including the Chair of the Committee (the “*Chair*”), shall be appointed by the Board on the recommendation of the Nominating and Corporate Governance Committee. The Committee members shall serve for such term or terms as the Board may determine. Committee members may, at any time, resign or be removed from the Committee, with or without cause, by the Board. Any action duly taken by the Committee shall be valid and effective, whether or not the Committee members at the time of such action are later determined not to have satisfied the requirements for Committee membership provided herein.

The Board shall determine the amount of any fees payable to Committee members for their services. These fees may include a retainer and per meeting fees.

MEETINGS AND PROCEDURES

The Chair (or, in his or her absence, a member designated by the Chair) shall preside at each meeting of the Committee and set the agenda for Committee meetings.

The Committee shall have the authority to establish its own rules and procedures for notice and conduct of its meetings so long as they are not inconsistent with the Constitutional Documents applicable to the Committee.

The Committee shall meet at least once during each fiscal quarter or more frequently as the Committee deems desirable. The Committee shall meet separately, periodically, with management, with the internal auditor and with the independent auditor. Committee meetings

may be conducted in person or via teleconference where every member participating can hear each of the other members participating.

Non-management directors who are not Committee members may attend and observe Committee meetings, but may not participate in any Committee discussions or deliberations, unless invited to do so by the Committee, and in any event may not vote on any Committee matters. The Committee may, at its discretion, include in its meetings officers and employees of the Company, representatives of the independent auditor, representatives of the internal auditor and any other persons whose presence the Committee believes to be necessary or desirable. Notwithstanding the foregoing, the Committee may exclude from its meetings any persons it deems appropriate, including any non-management director who is not a Committee member.

The Committee may retain any independent counsel, experts and advisors (accounting, financial or otherwise) that the Committee believes to be necessary or desirable. The Committee may also utilize the services of the Company's external legal counsel and other advisors (accounting, financial or otherwise). The Company shall provide appropriate funding, as determined by the Committee, for payment of compensation to the independent auditor for the purpose of rendering or issuing an audit report or performing other audit, review or attestation services, for payment of compensation to any counsel, expert or advisor (accounting, financial or otherwise) employed by the Committee and for ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

The Committee may conduct or authorize investigations into any matters within the scope of the powers and responsibilities delegated to the Committee.

The Chair shall report the Committee's discussions and actions, including any significant issues or concerns that arise at its meetings, to the Board and shall make recommendations to the Board at appropriate times and as otherwise requested by the Chairman of the Board.

DUTIES AND RESPONSIBILITIES

Interaction with the Independent Auditor

Appointment and Oversight

The Committee shall be directly responsible for the appointment, compensation, retention, removal and oversight of the work of the independent auditor (including resolution of any disagreements between Company management and the independent auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or related work or performing other audit, review or attestation services for the Company, and the independent auditor shall report directly to the Committee.

Pre-Approval of Services

Before the independent auditor is engaged by the Company or its subsidiaries to render audit or non-audit services, the Committee shall pre-approve the engagement. Committee pre-approval of audit and non-audit services will not be required if the engagement for the services is entered into pursuant to pre-approval policies and procedures established by the Committee regarding the Company's engagement of the independent auditor, provided the policies and

procedures are detailed as to the particular service, the Committee is informed of each service provided and the policies and procedures do not include delegation of the Committee's responsibilities under the Exchange Act to the Company's management. The Committee may delegate to one or more designated members of the Committee the authority to grant pre-approvals, provided the pre-approvals are presented to the Committee at a subsequent meeting. If the Committee elects to establish pre-approval policies and procedures regarding non-audit services, the Committee must be informed of each non-audit service provided by the independent auditor. Committee pre-approval of non-audit services (other than review and attestation services) will not be required if the services fall within available exceptions established by the SEC.

Independence of Independent Auditor

The Committee shall, at least annually, review the independence and quality control procedures of the independent auditor and the experience and qualifications of the independent auditor's senior personnel who are providing audit services to the Company.

In conducting its review:

- (a) The Committee shall obtain and review a report prepared by the independent auditor describing:
 - the auditing firm's internal quality-control procedures, and
 - any material issues raised by the most recent internal quality-control review, or peer review, of the auditing firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the auditing firm, and any steps taken to deal with any such issues.
- (b) The Committee shall ensure that the independent auditor prepares and delivers, at least annually, a written statement delineating all relationships between the independent auditor and the Company, consistent with Independence Standards Board Standard 1. The Committee shall actively engage in a dialogue with the independent auditor with respect to any disclosed relationships or services that, in the view of the Committee, may impact the objectivity and independence of the independent auditor. If the Committee determines that further inquiry is advisable, the Committee shall take appropriate action in response to the independent auditor's report to satisfy itself of the auditor's independence.
- (c) The Committee shall confirm with the independent auditor that the independent auditor is in compliance with the partner rotation requirements established by the SEC.
- (d) The Committee shall consider whether the Company should adopt a rotation of the annual audit among independent auditing firms.
- (e) The Committee shall, if applicable, consider whether the independent auditor's provision of any permitted information technology services or other non-audit services to the Company are compatible with maintaining the independence of the independent auditor.

Annual Financial Statements and Annual Audit

Meetings with Management, the Independent Auditor and the Internal Auditor

The Committee shall meet with Company management, the independent auditor and the internal auditor in connection with each annual audit to discuss the scope of the audit, the procedures to be followed and the staffing of the audit.

The Committee shall review and discuss with Company management, the independent auditor and the internal auditor:

- (a) major issues regarding accounting principles and financial statement presentations, including any significant changes in the Company's selection or application of accounting principles;
- (b) major issues as to the adequacy and effectiveness of the Company's financial reporting processes and internal control over financial reporting, including any significant deficiencies or material weaknesses in the design or operation of, and any material changes in, the Company's processes, controls and procedures and any special audit steps adopted in light of material control deficiencies, and any fraud involving management or other employees with a significant role in such processes, controls and procedures;
- (c) any analyses prepared by Company management or the independent auditor setting out significant financial reporting issues and judgments made in connection with the preparation of the Company's financial statements, including analyses of the effects of alternative U.S. GAAP methods on the Company's financial statements;
- (d) the effect of regulatory and accounting initiatives on the Company's financial statements; and
- (e) any material off-balance sheet transactions, arrangements, obligations (including contingent obligations) and other relationships of the Company with unconsolidated entities of which the Committee is made aware that do not appear on the financial statements of the Company and that may have a material current or future effect on the Company's financial condition, results of operations, liquidity, capital expenditures, capital resources or significant components of revenues or expenses.

The Committee shall review and discuss the annual audited financial statements (including the related notes) and the form of audit opinion to be issued by the independent auditor with Company management and the independent auditor, including the Company's disclosures under "Operating and Financial Review and Prospects" included in the Company's annual report on Form 20-F.

Separate Meetings with the Independent Auditor

The Committee shall review with the independent auditor any problems or difficulties that the independent auditor may have encountered during the course of the audit work, including any restrictions on the scope of activities or access to required information or any significant disagreements with Company management and Company management's responses to such matters. Among the items that the Committee should consider reviewing with the independent auditor are:

- (a) any accounting adjustments that were noted or proposed by the independent auditor but were “passed” (as immaterial or otherwise);
- (b) any communications between the independent auditor’s audit team and national office respecting auditing or accounting issues presented by the engagement; and
- (c) any “management” or “internal control” letter issued, or proposed to be issued, by the independent auditor to the Company.

The Committee shall obtain from the independent auditor assurances that the independent auditor did not detect or otherwise become aware of any illegal acts at the Company that the independent auditor would have been required to investigate pursuant to Section 10A(b) of the Exchange Act.

The Committee shall discuss with the independent auditor the report that such auditor is required to make to the Committee regarding:

- (a) all accounting policies and practices to be used that the independent auditor identifies as critical;
- (b) all alternative treatments within U.S. GAAP for policies and practices related to material items that have been discussed between Company management and the independent auditor, including the ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditor; and
- (c) all other material written communications between the independent auditor and Company management, such as any management letter, management representation letter, reports on observations and recommendations on internal controls, independent auditor’s engagement letter, independent auditor’s independence letter, schedule of unadjusted audit differences and a listing of adjustments and reclassifications not recorded, if any.

The Committee shall discuss with the independent auditor any other matters required to be discussed by PCAOB Auditing Standards No. 1301, “Communication with Audit Committees,” as then in effect, including the independent auditor’s evaluation of the quality of the Company’s financial reporting, information relating to significant unusual transactions and the business rationale for such transactions and the independent auditor’s evaluation of the Company’s ability to continue as a going concern. The Committee shall also review and discuss with the independent auditor the nature of each identified critical audit matter, the auditor’s basis for identifying a matter as a critical audit matter and how each such identified matter will be described in the auditor’s report.

Recommendation to Include Financial Statements in Annual Report

Based on the review and discussions in the preceding paragraphs and the disclosures received from the independent auditor regarding its independence and discussions with the auditor regarding such independence pursuant to the preceding paragraphs, the Committee shall determine whether to recommend to the Board that the audited financial statements be included in the Company’s annual report on Form 20-F for the fiscal year subject to the audit.

Quarterly Financial Results

The Committee shall review and discuss the quarterly financial results with Company management and the independent auditor.

Internal Audit

Appointment

The Committee shall oversee the appointment, compensation, retention and replacement of the internal auditor.

Separate Meetings with the Internal Auditor

The Committee shall meet periodically with the internal auditor to discuss the responsibilities, budget and staffing of the Company's internal audit function and any issues that the internal auditor believes warrant audit committee attention. The Committee shall discuss with the internal auditor any significant reports to Company management prepared by the internal auditor and any responses from Company management.

Other Powers and Responsibilities

Non-GAAP Information

The Committee shall discuss with Company management and the independent auditor the Company's earnings press releases (with particular focus on any "pro forma" or "adjusted" non-GAAP information) and any financial information and earnings guidance provided to analysts and rating agencies. The Committee's discussion in this regard may be general in nature (i.e., discussion of the type of information to be disclosed and the type of presentations to be made) and need not take place in advance of each earnings release or each instance in which the Company may provide earnings guidance.

Related Party Transactions

The Committee shall review all related party transactions on an ongoing basis. All related party transactions must be approved by the Committee.

Correspondence with Regulators and Governmental Agencies

The Committee shall discuss with Company management and the independent auditor any correspondence from or with regulators or governmental agencies, any employee complaints or any published reports that raise material issues regarding the Company's financial statements, financial reporting process, accounting policies or internal audit function.

Legal and Regulatory Matters

The Committee shall review and discuss with the Company's internal legal counsel and other appropriate external legal counsel any legal and regulatory matters brought to the Committee's attention that could reasonably be expected to have a material impact on the Company's financial statements.

Foreign Subsidiaries, etc.

The Committee shall request assurances from Company management, the independent auditor and the internal auditor that the Company's foreign subsidiaries and foreign affiliated entities, if any, are in conformity with applicable legal requirements, including disclosure of affiliated party transactions.

Risk Assessment

The Committee shall discuss with Company management the Company's policies with respect to risk assessment and risk management. The Committee shall discuss with Company management the Company's significant financial risk exposures and the actions Company management has taken to limit, monitor or control such exposures.

Hiring of Independent Auditor Employees

The Committee shall set clear hiring policies for employees or former employees of the Company's independent auditor.

Complaint Procedures

The Committee shall establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters. The Committee shall also establish procedures for the confidential and anonymous submission by employees regarding questionable accounting, internal accounting controls or auditing matters.

Reports to Board

The Committee, through its Chair, shall report regularly to, and review with, the Board any issues that arise with respect to the quality or integrity of the Company's financial statements, the Company's compliance with legal or regulatory requirements, the performance and independence of the Company's independent auditor, the performance of the Company's internal audit function and any other matter the Committee determines is necessary or advisable to report to the Board.

Evaluation

The Committee shall evaluate its own performance on an annual basis, including its compliance with this Charter, and provide any written material with respect to such evaluation to the Board, including any recommendations for changes in procedures or policies governing the Committee. The Committee shall conduct such evaluation in such manner as it deems appropriate.

Charter Review

The Committee shall at least annually review and reassess this Charter and submit any recommended changes to the Board for its consideration.