



April 28, 2022

Re: Omission of shareholder proposal by Canadian Solar Inc.

Dear shareholder of Canadian Solar Inc.,

We write to make you aware of the decision by Canadian Solar Inc. ("Canadian Solar" or "the Company") (CSIQ) to omit a shareholder proposal submitted, received, and acknowledged by senior management in advance of the required deadline before the Company's AGM.

The shareholder proposal – which we have enclosed for your reference – calls on the Board of Directors to oversee a third-party assessment of the effectiveness of the Company's policies and procedures in protecting against forced labour, including in the Xinjiang Uyghur Autonomous Region.

In light of:

- (i) what the Solar Energy Industries Association (SEIA) refers to as "numerous credible reports" of human rights abuses against Uyghur minorities living in the Xinjiang region¹;
- (ii) a 2021 report that specifically identifies Canadian Solar's exposure to these risks through its supply chains and business relationships²;
- (iii) reports of Company shipments being detained by U.S. Customs Officials on suspicion of such links³ and new rules that give Canadian customs officials similar powers to stop shipments⁴; and
- (iv) significant negative media coverage of the Company on this topic⁵

we believe the objective of the proposal is material to the company and merits urgent shareholder consideration. Climate action and human rights are not mutually exclusive. The transition to a low-carbon economy cannot come at the expense of worker and human rights.

Unlike the U.S. Securities and Exchange Commission's "no-action" system for staff review and decisions on such challenges under Rule 14a-8, the *Business Corporations Act* (British Columbia)

¹ <https://www.seia.org/initiatives/supply-chain-ethics-sustainability>

² <https://www.shu.ac.uk/helena-kennedy-centre-international-justice/research-and-projects/all-projects/in-broad-daylight>

³ <https://www.washingtonpost.com/business/2021/08/27/customs-detains-chinese-solar-panels/> / <https://www.pv-tech.org/us-begins-wro-enforcement-in-earnest-with-solar-modules-detained-by-customs-officials-say-reports/>

⁴ <https://www.cbsa-asfc.gc.ca/publications/dm-md/d9/d9-1-6-eng.html>

⁵ <https://www.theglobeandmail.com/world/article-canadian-solar-denies-use-of-forced-labour-at-its-solar-farm-in/>; <https://www.thestar.com/local-guelph/news/2021/07/22/guelph-solar-panel-company-has-ties-with-chinese-firm-sanctioned-over-forced-labour.html>; <https://www.thestar.com/local-guelph/news/2021/01/23/feds-warning-guelph-company-with-chinese-solar-power-plant-of-human-rights-abuses-in-region.html>

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(BCBCA), the governing statute for the Company, provides virtually no recourse for shareholders in this situation – barring a court order.

- The company argues that under the BCBCA, it may exclude the proposal because it was not properly received by the company, and because the subject of the proposal has been substantially implemented. Both the Company's SVP & General Counsel and Director of Investor Relations acknowledged, on multiple occasions and in multiple instances, receiving our proposal by email before the filing deadline. The company later claimed it didn't "receive" the proposal because the address line on the PDF referred to the company's principal executive office (in Ontario), rather than its registered office, at a B.C. law firm.

Further, the company claims the proposal should be omitted because it has been substantially implemented, while simultaneously stating that it has not actually been able to find any third party that is able to perform the work in question.

- Were this debate happening in the US, the outcome would be clear: the SEC recently overruled attempts to exclude a similar proposal at Apple Inc. and obligated the company to include the proposal in its proxy circular after the company proposed to exclude the proposal on grounds of substantial implementation.⁶ The argument of substantial implementation is no more credible just because it is occurring north of the border.

In order to restore shareholder trust and confidence, and allow for the exercise of proper human rights due diligence in accordance with fiduciary duty, we urge the Company to include the Proposal in its 2022 management proxy circular for a vote at the upcoming AGM.

We encourage shareholders to contact the Company with this request, as soon as possible. Should you have any questions, please don't hesitate to contact me.

Sincerely,



Anthony Schein
Director of Shareholder Advocacy

Copies to: Board of Directors, Canadian Solar, Hon. Selina Robinson, Minister of Finance, British Columbia, Enver Fitch Vice President, Environmental, Social, & Governance (ESG) Research, Institutional Shareholder Services, Eric Shostal, Senior Vice President, Research and Engagement, Glass Lewis, Catherine McCall, Executive Director, Canadian Coalition for Good Governance, Robert Hornung, President & CEO, Canadian Renewable Energy Association

THE FOREGOING INFORMATION MAY BE DISSEMINATED TO SHAREHOLDERS VIA TELEPHONE, U.S. MAIL, EMAIL, CERTAIN WEBSITES AND CERTAIN SOCIAL MEDIA VENUES, AND SHOULD NOT BE CONSTRUED AS INVESTMENT ADVICE OR AS A SOLICITATION OF AUTHORITY TO VOTE YOUR PROXY. THE COST OF DISSEMINATING THE FOREGOING INFORMATION TO SHAREHOLDERS IS BEING BORNE ENTIRELY BY THE FILERS. PROXY CARDS WILL NOT BE ACCEPTED BY ANY FILER. PLEASE DO NOT SEND YOUR PROXY TO ANY FILER. TO VOTE YOUR PROXY, PLEASE FOLLOW THE INSTRUCTIONS ON YOUR PROXY CARD.

⁶ <https://www.sec.gov/divisions/corpfin/cf-noaction/14a-8/2021/saksapple122021-14a8.pdf>

RESOLVED: Shareholders request the Board of Directors oversee a third-party party assessment and report to shareholders, at reasonable cost and omitting proprietary information, on the extent to which Canadian Solar Inc.'s (Canadian Solar) policies and procedures effectively protect against forced labour in its operations, supply chains, and business relationships, including in the Xinjiang Uyghur Autonomous Region. The report should:

- Draw upon international standards such as the *UN Guiding Principles on Business and Human Rights*, *ILO Declaration on Fundamental Principles and Rights at Work* and *ILO Forced Labour Convention, 1930 (No. 29)*;
- Explain how Canadian Solar identifies actual or potential adverse human rights impacts and how, once identified, the company prevents, mitigates and accounts for such impacts;
- Explain the extent to which Canadian Solar has identified suppliers and sub-suppliers that are at significant risk for forced labour violations;
- Disclose the number of suppliers against which Canadian Solar has taken corrective action due to such violations;
- Be posted on Canadian Solar's website.

Supporting Statement:

There is a significant gap between the policies Canadian Solar has adopted to address human rights and credible allegations of forced labour in the company's supply chains. This gap creates material, regulatory and reputational risks for the company and investors. Investors seek independent analysis of the company's policies and oversight regarding human rights and forced labour.

According to the [Solar Energy Industries Association \(SEIA\)](#), "there are numerous credible reports linking the Chinese government to human rights abuses against Uyghurs, an ethnic minority living in the Xinjiang region". The SEIA further states that, "an estimated 50% of the global supply of polysilicon – a critical component of solar modules – is produced in the Xinjiang region."

Canadian Solar is directly implicated in these reports. A May 2021 [report](#) specifically names Canadian Solar's exposure to forced labour risks in Xinjiang through one of its major polysilicon suppliers. Another 2021 [report](#) raised concerns over Canadian Solar's operation of a solar farm in Xinjiang proximate to several detention facilities. The company has been subject to significant [negative media coverage](#) as a result.

Over the course of 2021, it was reported that Canadian Solar had shipments of [materials detained](#) by [U.S. Customs Officials](#). The U.S. [Uyghur Forced Labour Prevention Act](#) could lead to further shipment seizures for Canadian Solar.

To date, and despite these credible allegations, management has maintained that "[there is no forced labour in our supply chain](#)" and that it, "[doesn't believe there is forced labour in our industry](#)". Canadian Solar has also lagged behind its peers by not joining more than 300 companies signing the SEIA's [Solar Industry Forced Labour Prevention Pledge](#).

While Canadian Solar has a [Labor & Human Rights Policy](#) and [Anti-Modern Slavery Policy](#), it has failed to provide adequate assurances to shareholders that these commitments are translating into meaningful action.

For shareholders to perform due diligence in accordance with their fiduciary duty, it is essential that Canadian Solar account for how it is effectively implementing its policies against forced labour.

We urge shareholders to vote for this Proposal.