

For Immediate Release

Investment Corporation

Canadian Solar Infrastructure Fund, Inc.

Representative: Hiroshi Yanagisawa
Executive Officer
(Securities Code: 9284)

Asset Manager

Canadian Solar Asset Management K.K.

Representative: Hiroshi Yanagisawa
CEO & Representative Director

Inquiries: Yoshie Yoshioka
Financial Planning Department
TEL: +81-3-6279-0311

Notice concerning Disclosure of Information Based on TCFD Recommendations

Canadian Solar Infrastructure Fund, Inc. (“CSIF”) and Canadian Solar Asset Management K.K. (“CSAM”) have conducted " Disclosure of information on climate change initiatives based on the recommendations of TCFD (Task Force on Climate Related Financial Disclosure)(*) " as described below.

CSIF and CSAM, together with Canadian Solar Projects K.K. (“CSP”), a sponsor for CSIF, aim to contribute to building a sustainable economic society in local regions while paying attention to the global environment and therefore invest mainly in renewable energy power generation facilities and conduct business with a focus on the environmental aspect among ESG considerations.

Recognizing that climate change is an important environmental issue with potential risks and opportunities for business operations, we have decided to disclose information in line with the TCFD recommendations in the areas of governance, strategy, risk management, and metrics and targets.

(*) TCFD (Task Force on Climate-related Disclosures)

The initiative, established by the Financial Stability Board (FSB) at the behest of G20 finance ministers and central bank governors, recommends assessing and disclosing the financial implications of climate change risks and opportunities.

End

URL of CSIF : <https://www.canadiansolarinfra.com>

(Attachment)

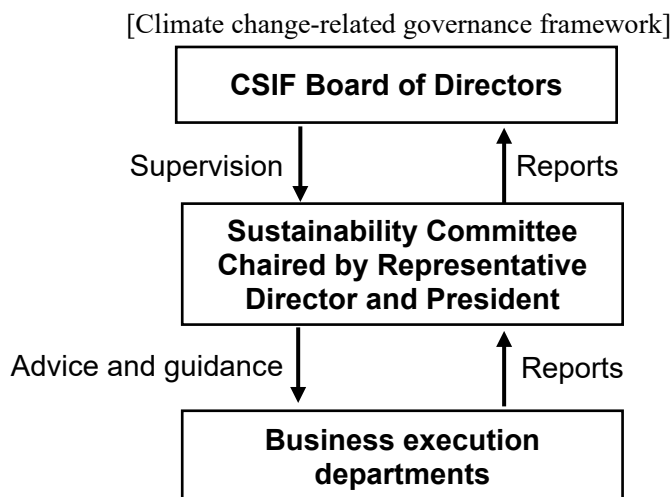
Disclosure of information on climate change initiatives based on the recommendations of TCFD



1. Governance

CSIF's Board of Directors supervises action on ESG issues including action on climate change by receiving reports twice a year from the Sustainability Committee to be established on March 1, 2022 by CSAM.

The Sustainability Committee is chaired by the Representative Director and President who is responsible for managing climate-related risks and opportunities. Leveraging the latest knowledge of renewable energy-related policy developments and climate-related disasters, etc., the committee identifies risks and opportunities based on the proposals of business execution departments and provides advice and guidance.



2. Strategies

(1) Identification of risks and opportunities

Risks and opportunities associated with climate change can be divided into “transition risks and opportunities” arising from the transition to a decarbonization society, such as the increased share of renewables in the electricity generation mix, and “physical risks and opportunities” arising from changes in the climate, such as the increased severity of climate-related disasters.

CSIF and CSAM recognize that these risks and opportunities will each materialize at different times and classified them into short, medium and long-term risks (0-5 years, 5-15 years and 15+ years) as shown in the table below.

Category		Key risks and opportunities	Materialization timing
Transition risks	Regulations	Response to more rigorous assessment of environmental impacts	Short term
		Decrease in volume of electricity sales due to output curtailment	Short term

	Market	Decrease in electricity demand due to shrinking population	Long term
		Decrease in electricity demand due to decline of primary material industry	Long term
	Technology	Contraction of commercial market due to expansion of residential market resulting from widespread introduction of distributed energy systems	Medium Term
Physical Risks	Acute	Rising cost of tackling natural disasters due to increased severity of climate-related disasters	Short term
	Chronic	Decrease in volume of electricity sales due to changing weather patterns	Short term
Opportunities	Products and Services	Increase in volume of electricity sales as a result of growing demand for renewables	Medium Term
	Market	Increase in volume of electricity sales due to wider range of facilities including floating solar power generation systems and farming type photovoltaic generation systems	Medium Term
		Growth in electricity demand due to use of electricity in energy-intensive industries, etc.	Medium Term
	Technology	Decrease in capital expenditure due to increase in cumulative production volume of solar power generation facilities	Medium Term

(2) Implementation of scenario analysis

For climate-change related risks and opportunities that we identified and organized, we conducted scenario analysis on the following themes which were assessed as having a “high degree of importance,” taking into consideration factors such as impact on business, connection with business strategies, and level of stakeholder interest.

Analysis theme	Impact of increasing severity of climate-related disasters on power plants (flood, high tide, wind damage)
Scope	25 power plants in portfolio
Period	2030, 2050
Reference scenarios	RCP2.6, RCP4.5, RCP8.5
Analysis results	Analysis shows that if the Earth’s average surface temperature increases due to the buildup of CO ₂ and other greenhouse gases in the atmosphere, each of the climate-related disasters (flood, high tide, wind damage) may also become increasingly severe. Results showed that since most of the power plants owned by CSIF are located far from rivers and coasts, they are unlikely to suffer damage due to flood or high tide and that, even with climate change, the possibility of power plants being affected is low. Analysis also revealed that whilst certain power plants will be at higher risk of wind damage in the future, the impact will be limited and tolerable.

Future policies and initiatives	<p>CSIF has identified the “risk of destruction, loss or degradation of assets under management due to accident or disaster” in its existing risk management policy and, as risk mitigation measures, has appointed an O&M business operator which is capable of properly inspecting and maintaining renewable energy facilities, etc. and is developing and maintaining a proper maintenance framework to minimize damage in the event of destruction, loss or degradation of assets under management due to accident or disaster. The O&M business operator is also contractually obligated to respond in the event of an accident or disaster.</p> <p>As a means of understanding and recognizing risks when newly acquiring a power plant, CSIF verifies whether there is any risk of damage, etc. to assets under management in the event of disaster and, if so, the level of such risks, as part of due diligence.</p> <p>Based on the above risk management policy, we will continue developing a risk management framework in response to the increasing severity of natural disasters as a result of climate change.</p>
Analysis theme	<ul style="list-style-type: none"> • Increase in volume of electricity sales as a result of growing demand for renewables • Increase in volume of electricity sales due to wider range of facilities including floating solar power generation systems and farming type photovoltaic generation systems • Decrease in capital expenditure due to increase in cumulative production volume of solar power generation facilities
Scope	<ul style="list-style-type: none"> • 25 power plants in portfolio • Power plants expected to be acquired as a result of expansion in renewables for each scenario
Period	2030, 2050
Key reference scenarios*	IEA WEO 2021 STEPS, SDS PRI IPR 2021 FPS
Analysis results	<p>Japan’s power generation mix for 2030 (Fig. 1) shows that the share of solar power is much greater for the FPS scenario compared with the 6th Basic Energy Plan, the STEPS scenario, and the SDS Scenario. This is because, under the FPS scenario, after emissions have followed pathways that reflect current policies, as with the STEPS policy, until around 2025, urgent policy responses toward deep decarbonization in line with the SDS scenario will be required, suggesting that there will be greater reduction through readily available means such as solar power generation than through advanced technologies such as CCS which need to be developed over the long term.</p> <p>In the event of such an expansion, solar power generation systems are likely to be installed not only in conventional locations such as on golf course sites but also in more diverse locations. Although potential installation locations such as “space on top of water, agricultural land or abandoned agricultural land” will account for only a limited 13% share of total capacity in 2030, a long-term projection to 2050 showed that this share will increase to around 32%.</p> <p>If we acquire power plants both in conventional locations and such potential locations, the volume of CSIF’s electricity sales is also likely to increase.</p> <p>However, handling such new locations will likely necessitate various additional expenditure and we recognize that it is important to determine the extent to which solar power generation capital expenditure will decrease, in other words, the price trend.</p> <p>According to IEA forecasts (Fig. 2), unit capital costs will fall significantly over the period to 2030 and 2050, under both the STEPS scenario and the SDS scenario, due to future expansion in the production of power generation facilities, an increase in their cumulative production volume, and improvement in production technology.</p> <p>This suggests that less capital expenditure will be incurred on the acquisition of power plants or on the upgrading of existing power plants in the future.</p>
Future policies and initiatives	<p>Since the tariff for solar PV is determined by government policy, as under the current FIT scheme or the planned FIP scheme, government policy intentions, i.e. the extent to which the government intends to expand solar power generation, are a key indicator. Through this latest scenario analysis, it is clear that the positioning of solar power generation in Japan will also be affected by the status of development of advanced technologies such as CSS</p>

for the achievement of decarbonization policies and targets and we will therefore carefully monitor developments in this regard.
 Meanwhile, given the potential for growth in new installation locations such as “space on top of water, agricultural land or abandoned agricultural land” and for reduction in capital expenditures in the longer term, we will also consider the possibility of acquiring new types of solar power generation facilities such as floating facilities and farm-type facilities.

* IEA (International Energy Agency), WEO (World Energy Outlook), STEPS (Stated Policies Scenario), SDS (Sustainable Development Scenario), PRI (Principles for Responsible Investment), IPR (Inevitable Policy Response), FPS (Forecast Policy Scenario)

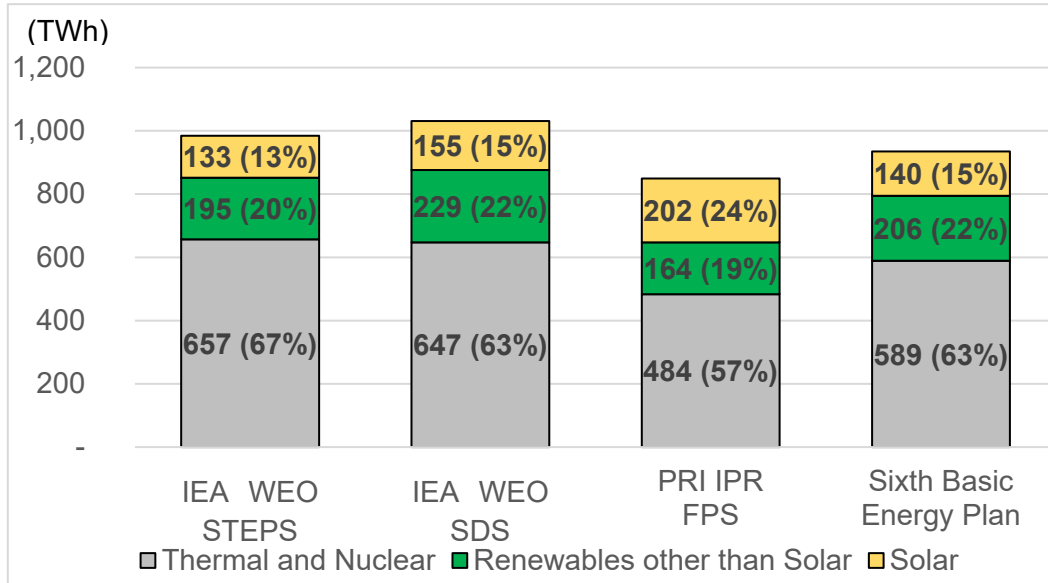


Fig. 1: Japan’s 2030 Generation Mix under Each Scenario and the 6th Basic Energy Plan

* Figures in parentheses indicate share.

Sources: IEA WEO 2021, PRI IPR 2021, and Agency for Natural Resources and Energy data

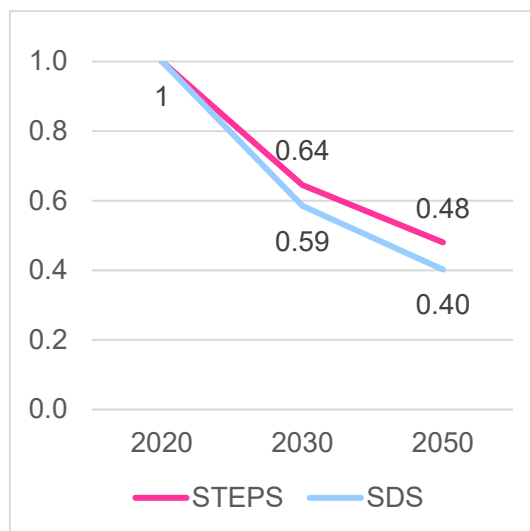


Fig. 2: Forecasts for Solar Power General Capital Cost per 1 kW under each Scenario (2020 = 1)

Source: IEA WEO 2021

3. Risk Management

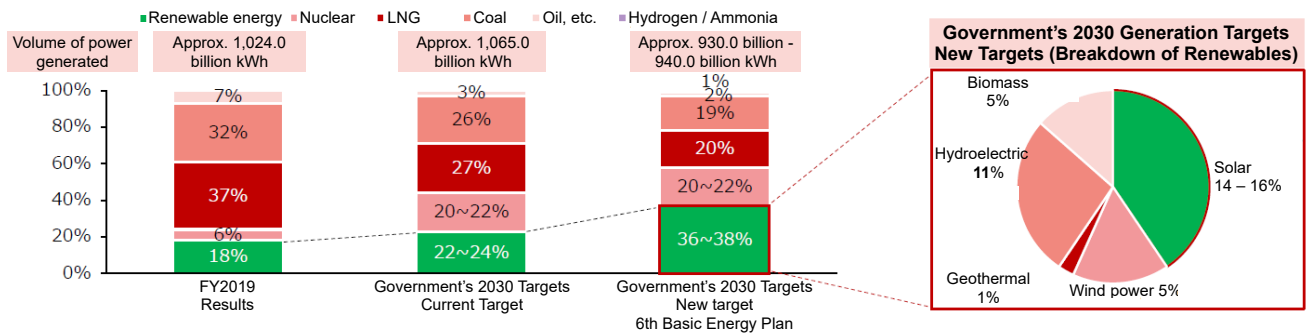
CSIF and CSAM evaluate the importance of solar power generation climate related risks and opportunities, taking factors such as impact on business, probability of occurrence, connection with business strategies, and level of stakeholder interest into consideration.

The management process for climate-related risks is integrated into the Risk Management Regulations and Risk Management Policy established under the existing Risk Management Framework and identified material risks are managed from diverse perspectives including risk understanding and awareness methods, risk limits, risk mitigation measures (methods for addressing risk), and risk reduction methods on risk discovery.

4. Metrics and targets

CSIF and CSAM recognize that government decarbonization and energy policy measures are important for investment in and operation of solar power generation facilities, which are their core business. The 6th Basic Energy Plan identifies renewable energy as a major power source and plans to increase the national target for renewable energy in Japan’s power mix to between 36% to 38% by 2030. This is double the FY2019 share (18%). Solar power is expected to be the largest renewable energy source, accounting for between 14 to 16% share of Japan’s power mix.

Using changes in the solar power share of Japan’s power mix as a indicator for managing future investment policy and risks and opportunities, we will contribute to the creation of a sustainable economy and society.



We also recognize that reduction of electricity sales loss through output curtailment is also important to ensure stable revenue from sales of electricity from solar facilities. To this end, we have been installing online output curtailment systems and we will continue considering gradually shifting to online output curtailment based on an assessment of cost-effectiveness.

Time of introduction	Shifted power plants
By 8th fiscal period	CS Mashiki-machi Power Plant, CS Shibushi-shi Power Plant, CS Minami Shimabara-shi Power Plant (East), CS Minami Shimabara-shi Power Plant (West)
9th Fiscal period	Power plants under the jurisdiction of Kyushu Electric Power except the three power plants listed above and CS Hiji-machi Dai-ni Power Plant
10th fiscal period (planned in February)	CS Hiji-machi Dai-ni Power Plant