

SUSTAINABILITY-RELATED DISCLOSURE

Product name: Canadian Solar Infrastructure Fund, Inc.

Legal entity identifier: 353800VD8MHXRH4U3J38

Canadian Solar Infrastructure Fund, Inc. (“CSIF”) promotes environmental or social characteristics, but does not have as its objective a sustainable investment within the meaning of Article 9(1) of Regulation (EU) 2019/2088 (“SFDR”). CSIF has no employees in accordance with the prohibition on having employees under the Act on Investment Trusts and Investment Corporations of Japan and relies on Canadian Solar Asset Management K.K. (the “Asset Manager”), to manage and operate the projects in CSIF’s portfolio. CSIF and the Asset Manager are hereinafter referred to collectively as “we”, “us” or “our” unless noted otherwise.

Summary

No sustainable investment objective	The financial products offered by CSIF promote environmental or social characteristics, but do not have as its objective sustainable investment.
Environmental or social characteristics of the financial product	The Asset Manager serves as the asset manager of CSIF, which invests primarily in solar power generation facilities in Japan. Canadian Solar Project K.K. (“CSP”), the sponsor of CSIF and parent of the Asset Manager, is a developer of photovoltaic projects. In its effort to build a sustainable society and preserve the global environment, the Asset Manager, together with CSP, conducts its asset management business with a particular focus on the environment. In addition, the Asset Manager recognizes that consideration of social and governance characteristics in its asset management operations is important for a growing number of investors and fund managers in Japan and overseas. Accordingly, proactive disclosure of CSIF’s and the Asset Manager’s ESG-related initiatives is increasingly important, and the Asset Manager became a signatory to the United Nations Principles for Responsible Investment (“UN PRI”) in August 2019, incorporating UN PRI into our ESG policy. Accordingly, we implement various environmental or social initiatives, as described below.
Investment strategy	<p>CSIF invests directly or indirectly through trust beneficiary interests in real estate. Therefore, due diligence (including the assessment of good governance practices) in relation to investee companies is not applicable. The investment and due diligence policies as described below are related to real estate and real estate-related assets.</p> <p>Under our articles of incorporation, we are required to maintain a portfolio at least 90% of which constitutes solar power generation facilities, including trust beneficiary interests therein, and no more than 10% of which may constitute other renewable energy generation facilities (in each case based on acquisition price). We consider both solar power generation facilities and other renewable energy generation facilities as aligned with E/S characteristics.</p>
Proportion of investments	CSIF offers financial products which promote environmental or social characteristics, but does not have sustainable investments as its objective. As of December 31, 2022, 100% of the projects in CSIF’s portfolio based on acquisition price were solar power generation facilities (25 solar power generation facilities with a total installed capacity of 183.9MW per year), which we believe are all aligned with environmental or social characteristics. Under our articles of incorporation, we are required to maintain a portfolio at least 90% of which constitutes solar power generation facilities and trust beneficiary interests in renewable energy generation facilities, and no more than 10% of which may constitute other renewable energy generation facilities (in each case based on

	acquisition price). We aim to retain the current allocation of investments aligned with environmental or social characteristics.
Monitoring of environmental or social characteristics	In order to periodically monitor and track our performance on environmental or social characteristics, we use the initiatives and indicators such as (i) installed capacity and estimated reductions in CO ₂ ; (ii) ratifying and participating in UN PRI; and (iii) monitoring the allocation of funds under Green Finance Framework (as defined below).
Methodologies	The Asset Manager uses the methodologies as described below to monitor and track our ESG key performance indicators.
Data sources and processing	As further described below, the Asset Manager obtains certain ESG-related data from O&M contractors and third-party companies, depending on the type of data. In addition, the Asset Manager seeks to ensure data accuracy and quality by coordinating with relevant departments within the Asset Manager.
Limitations to methodologies and data	<p>While the Asset Management Department of the Asset Manager has an in-house monitoring system that can monitor the solar power generation output of all of the projects in CSIF's portfolio at a macro level, we primarily rely on the onsite O&M contractors and other third-party specialists to monitor and provide the raw data at the project level. Accordingly, the primary limitation to the methodology or data source is the necessity of our reliance on the O&M contractors and other third-party specialists for raw data at the project level. Independent verification of accuracy of such raw data provided by the O&M contractors and other third-party specialists presents challenges. In addition, certain data at the project level provided by the third-party specialists is updated on an as-needed basis, such as introduction of an output curtailment scheme to a project or increases in frequency of output curtailments. Accordingly, certain project-specific data will therefore not always be fully up-to-date.</p> <p>Data at the portfolio level are compiled internally at the Asset Manager. To ensure the accuracy of compiled data at the portfolio level, we review and double-check the accuracy of the data internally. However, the challenges associated with our reliance on the third-party companies for raw data at the project level remain.</p> <p>Limitations to the methodology and data are not expected to affect the attainment of the environmental or social characteristics promoted by CSIF in any material way.</p>
Due diligence	Before investing in a solar power generation facility or another asset, we conduct economic, physical and legal due diligence review, including review of negative environmental and social impact, such as soil contamination and seismic risk. We also verify that the facility would not pose any health hazard to nearby residents, and that there would be no negative impact on the local government or any violation of workers' rights.
Engagement policies	<p>CSIF does not generally consider investing in projects that are designated as contaminated areas that require government notification under the Soil Contamination Countermeasures Act of Japan or that do not otherwise meet our environmental standards based on their history of land usage and soil contamination assessment by experts and examination of presence of harmful substances.</p> <p>When investing in projects using proceeds from our Green Finance Framework, we do not consider projects that do not meet the criteria under our Green Finance Framework.</p>
Designated reference benchmark	CSIF has no benchmark index designated as a reference benchmark to meet the environmental or social characteristics promoted by CSIF.

No sustainable investment objective

The financial products offered by CSIF promotes environmental or social characteristics, but does not have as its objective sustainable investment.

Environmental or social characteristics of the financial product

The Asset Manager serves as the asset manager of CSIF, which invests primarily in solar power generation facilities in Japan. Canadian Solar Project K.K. (“CSP”), the sponsor of CSIF and parent of the Asset Manager, is a developer of photovoltaic projects. In its effort to build a sustainable society and preserve the global environment, the Asset Manager, together with CSP, conducts its asset management business with a particular focus on the environment. In addition, the Asset Manager recognizes that consideration of social and governance characteristics in its asset management operations is important for a growing number of investors and fund managers in Japan and overseas. Accordingly, proactive disclosure of CSIF’s and the Asset Manager’s ESG-related initiatives is increasingly important, and the Asset Manager became a signatory to the United Nations Principles for Responsible Investment (“UN PRI”) in August 2019, incorporating UN PRI into our ESG policy.

We are committed to promoting environmental and social characteristics through our investment in solar power and other renewable energy power generation facilities in accordance with the following policies.

- *Reduction of CO₂ emissions.* We believe CSIF’s solar power generation facilities contribute to reduction of CO₂ emissions and mitigation of environmental destruction as they generate power from solar irradiation, a renewable and clean energy source. We estimate the effect of reducing CO₂ emissions through CSIF’s solar power generation by using adjusted emissions coefficient published by the Ministry of Environment of Japan. We update this information on our website every month at <https://www.canadiansolarinfra.com/en/ir/index.html>.
- *Contribution to local communities.* The Asset Manager makes effort to establish sustainable long-term relationships with local municipalities, landowners and communities. To achieve this target, we endeavor to ensure that CSIF’s solar power generation facilities will not cause damage to the health and well-being of people in the neighborhoods or negatively impact the local communities through due diligence.
- *Training for employees.* We have established a training curriculum we call “CSI University” with CSI referring to Canadian Solar Inc., the parent of CSP, to support each employee’s acquisition of skills and knowledge with respect to various components of our business. CSI University supports our mission to bring solar power into every household and create a better and cleaner Earth for future generations, and our vision of becoming a global solar solution expert that works with our partners to create a bright future, while promoting innovation, integrity, efficiency, teamwork, and entrepreneurship as our core values. CSI University, available online to the Asset Manager’s employees, provides opportunities to acquire practical knowledge and study cases on a variety of topics, including development and disposal of power plants, storage battery technologies, EPC (engineering, procurement and construction) and asset management of power plants. In addition, the Asset Manager holds internal study sessions regularly as a part of its employee training program covering matters related to infrastructure asset management by inviting specialists from the “Canadian Solar Group”, a global group of companies that are subsidiaries and affiliates of Canadian Solar Inc., including the Asset Manager, and other third parties.
- *Establishing a comfortable workplace environment:* The Canadian Solar Group, to which the Asset Manager and CSP belong, aims to conduct its business without prejudice, including based on gender, nationality, age and appearance, and to maintain a workplace free from discrimination. Consistent with this aim, approximately half of the Asset Manager’s employees are women. In addition, the

Canadian Solar Group seeks to improve its employees' health, labor management, crisis management, and other working conditions by conducting employee satisfaction surveys at least once every two years and making necessary changes to address issues raised in the surveys as well as by offering stress checks and education regarding harassment to its employees. For the avoidance of doubt, CSIF is not a consolidated entity of the Canadian Solar Group, but the Asset Manager is a consolidated entity of the Canadian Solar Group, bound by the Canadian Solar Group's policy.

Investment strategy

CSIF invests directly or indirectly through trust beneficiary interests in real estate. Therefore, due diligence (including the assessment of good governance practices) in relation to investee companies is not applicable. The investment and due diligence policies as described below are related to real estate and real estate-related assets.

Under CSIF's articles of incorporation, CSIF is required to maintain a portfolio at least 90% of which constitutes solar power generation facilities, including trust beneficiary interests therein, and no more than 10% of which may constitute other renewable energy generation facilities (in each case based on acquisition price). We consider both solar power generation facilities and other renewable energy generation facilities as aligned with E/S characteristics.

- *Investment in clean energy.* CSIF invests in solar power generation facilities that contribute to (1) reduction of CO₂ emissions and (2) mitigation of environmental destruction, either directly or indirectly, as well as in clean energy power stations with no resource waste and a high probability of improving the environment.
- *Identifying risks before acquisition.* Before acquiring a solar power generation facility, the Asset Manager's departments with relevant expertise review its potential negative impact on environmental and social factors aspects after obtaining a soil contamination report, structural integrity report and technical due diligence report produced by a third party. If a facility is deemed to carry a material risk, the Asset Manager implements appropriate countermeasures so that any negative impact is unlikely to exceed the environmental improvement effect.
- *Establishing socially responsible investment selection process:* As part of due diligence review, the Asset Manager confirms that the solar power generation facility will (1) not damage the health of people in the neighborhood or negatively impact the local municipality, and (2) not result in engagement of forced labor in the supply chain or in its development. In addition, if a negative environmental impact has been identified, we adopt countermeasures to eliminate factors causing the impact with assistance from internal and external specialists. In addition, acquisition of a solar power generation facility from a related party is subject to review and approval by the Asset Manager's Compliance Committee.
- *Monitoring decision-making process.* The Asset Manager has established internal rules such as rules on segregation of duties, rules on authority, committee rules, and compliance rules to clarify the decision-making process for important matters related to asset management of the CSIF and to monitor legal compliance in the process. For each of real estate research, acquisition, operation and management, and other operations, objective operational procedures are established to manage risks.
- *Green Finance Framework.* In October 2017, we received an evaluation of Green 1 (g1/m1) from Japan Credit Rating Agency, Ltd. ("JCR") under JCR's green finance evaluation of our green finance framework ("Green Finance Framework"), which was used to conduct debt financing at the time of CSIF's initial public offering on the Tokyo Stock Exchange. In May 2020, our Green Finance Framework acquired an overall evaluation of Green 1(F) (g1(F)/m1(F)) under JCR's evaluation, an improvement from the initial evaluation at the time of CSIF's initial public offering in 2017. On January 26, 2021, we issued our first green bond (Green 1) under our Green Finance Framework to expand our investor base. A summary of JCR's evaluation of our Green Finance Framework is as follows:

- Evaluation Phase 1: Greenness Evaluation

Proceeds are used for green projects that contribute to decarbonization through renewable energy, with a high environmental improvement effect. When acquiring a solar power generation facility, the Asset Manager's Financial Planning Department, Acquisition Department and Asset Management Department review the facility's expected negative environmental and social impact after receiving a technical assessment report from a third party. If there is a material risk, the Asset Manager implements countermeasures. JCR concluded that it is highly unlikely that any negative impact will exceed the environmental improvement effect. As a result, JCR assigned "g1 (F)", the highest grade, on the use of proceeds component of our Green Finance Framework.

- Evaluation Phase 2: Management, Operations and Transparency Evaluation

We have established eligibility criteria and selection processes for green projects, and the proceeds from financing under our Green Finance Framework are allocated to eligible projects promptly. We disclose the funding allocation status and KPIs to track environmental improvement. JCR concluded that we have established an appropriate management and operation framework for green finance and practice a high degree of transparency, and assigned "m1 (F)", the highest grade, on the management, operation and transparency components of our Green Finance Framework.

In addition, we monitor the use of proceeds for the funds raised under our Green Finance Framework and disclose the status:

- *Transparency of fund management.* Projects eligible for green finance are selected in advance, and the Financial Planning Department of the Asset Manager monitors allocation of funds raised. Any withdrawal of funds from a bank account managed under our Green Finance Framework is subject to approval of the Chief Financial Officer and the Chief Executive Officer of the Asset Manager. Account activities are subject to internal approvals and external audits. Funds are maintained in the form of cash or cash equivalents, and disbursement from accounts is disclosed as necessary.
- *Reporting structure.* Details of disbursement from accounts managed under our Green Finance Framework are disclosed as appropriate on our website on a regular basis. We also disclose the allocation of procured funds to projects eligible for green finance and the rules on disbursement and repayment of funds borrowed from financial institutions on a timely basis on our website and through other media and in our financial presentation materials and asset management reports. On a monthly basis, we disclose on our website (<https://www.canadiansolarinfra.com/en/ir/index.html>) information on environmental improvement effects, including the solar power generation output and the amount of estimated reduction in CO₂ emissions.
- *Audit structure.* The Chief Compliance Officer of the Asset Manager conducts an internal audit, prepares an internal audit report, and reports to the Representative Director, the Board of Directors and the Compliance Committee. An external audit is performed once every six months.

In addition, the Asset Manager monitors operators, operation and management ("O&M") contractors, and other service providers of CSIF's projects, and in general reviews, once a year, the status of the outsourced operations.

With respect to any acquisition or disposition, the Asset Manager's Acquisition Department prepares a proposal for the Chief Compliance Officer's review, and following the Chief Compliance Officer's approval, the Investment Management Committee deliberates on and approves the proposal. Any acquisition or disposition of assets between CSIF and an interested party as defined in our Related Parties Transaction Rules is subject to the resolution of the Asset Manager's Board of Directors if the transaction

amount is 5 billion yen or more. Such a transaction proposal is also subject to approval of CSIF's Board of Directors.

Proportion of investments

CSIF offers financial products which promote environmental or social characteristics, but does not have sustainable investments as its objective. As of December 31, 2022, 100% of the projects in CSIF's portfolio based on acquisition price were solar power generation facilities (25 solar power generation facilities with a total installed capacity of 183.9MW per year), which we believe are all aligned with environmental or social characteristics. Under our articles of incorporation, we are required to maintain a portfolio at least 90% of which constitutes solar power generation facilities and trust beneficiary interests in renewable energy generation facilities, and no more than 10% of which may constitute other renewable energy generation facilities (in each case based on acquisition price). We aim to retain the current allocation of investments aligned with environmental or social characteristics.

Monitoring of environmental or social characteristics

We use the following indicators to measure the attainment of the environmental or social characteristics CSIF promotes:

- *Installed Capacity and Estimated Reductions in CO₂ emissions.* We believe that the installed capacity of CSIF's solar power generation facilities and the estimated reductions in CO₂ emissions based on our solar power generation output are the best indicators to measure the attainment of the environmental characteristics promoted by CSIF. We estimate the effect of reducing CO₂ emissions through our solar power generation by using the adjusted emissions coefficient published by the Ministry of Environment of Japan.
- *UN PRI.* In August 2019, the Asset Manager became a signatory to the UN PRI. The Asset Manager regularly reports the Asset Manager's and our ESG-related activities, such as our achievement in reduction of CO₂ emissions, in accordance with UN PRI.
- *Green Finance Framework.* As describe above, we proactively monitor the allocation of funds raised under our Green Finance Framework and disclose the details of disbursement from accounts managed under our Green Finance Framework as appropriate on our website on a regular basis. In addition, we close and review our accounts under our Green Finance Framework on a monthly basis.

Methodologies

- *Installed Capacity and Estimated Reductions in CO₂ Emissions.* We define the installed capacity of a project as the maximum output of solar panel modules installed at the project, as described in a technical report prepared by a third-party technical advisory firm. We estimate the effect of reducing CO₂ emissions through our solar power generation at a project on a monthly basis by multiplying (i) the applicable adjusted emissions coefficient as published by the Ministry of Environment of Japan of the electric utility operator operating at the project by (ii) the actual solar power generation output for the project during the relevant monthly. We compile and disclose this information on our website every month at <https://www.canadiansolarinfra.com/en/ir/index.html>.
- *UN PRI.* PRI has regular meetings, which we attend and report on our latest ESG related activities. The Financial Planning Department of the Asset Manager assesses and reports our implementation of various ESG initiatives by engaging a third-party consulting firm to advise on actions to be taken going forward. Through the Sustainability Committee of the Asset Manager, the Representative Director of the Asset Manager overviews the actual implementation status, and if there are any problems, the Representative Director will engage with the Asset Manager's employees to resolve them.

- *Green Finance Framework.* Prior to acquisition of a renewable energy power generation project, the Asset Manager first conducts due diligence of risk of damage, loss or deterioration of the facilities resulting from accidents or disasters by engaging third-party specialists and then the Financial Planning Department, the Acquisition Department and the Asset Management Department of the Asset Manager review the risks and expected negative environmental and social impact of the project based on technical assessment report, soil investigation report, seismic risk analysis report and other ESG-related reports received from such third-party specialists. Afterwards, the Compliance Committee and the Investment Management Committee of the Asset Manager (and, if the transaction amount is over five billion yen, the Board of Directors of the Asset Manager) reviews the eligibility of the target project as a green project under the Green Finance Framework and submits to the Board of Directors of CSIF for the final investment decision. After a project is acquired and if there is any material incident or risk related to ESG, the Asset Manager implements countermeasures by engaging the relevant O&M contractor and other service providers at the project to inspect and minimize damages caused by such incident or risk.
 - *Transparency of fund management.* The Financial Planning Department of the Asset Manager monitors allocation of funds raised under the Green Finance Framework. Any withdrawal of funds from a bank account managed under our Green Finance Framework is subject to approval of the Chief Financial Officer (“CFO”) and the Chief Executive Officer (“CEO”) of the Asset Manager. Expenditures exceeding a certain amount must be submitted to the Board of Directors in advance. In addition, the Asset Manager’s internal control procedures require that separate approvals from the head of the relevant department, the Chief Compliance Officer (“CCO”), and the CEO must be obtained when placing construction orders or other work orders. Each invoice must also be approved by the CFO, the CCO and the CEO prior to issuance. Account activities are also subject to external audits.
 - *Reporting structure.* The Financial Planning Department of the Asset Manager is responsible for disclosing the funds appropriation status including details of disbursement and the allocation of procured funds, and the disbursed funds’ impacts on environmental improvement effects, including the solar power generation output and the amount of estimated reduction in CO₂ emissions on our website and other publicly available documents. The Asset Management Department of the Asset Manager collects and compiles data for solar power generation output and the amount of estimated reduction in CO₂ emissions, and the Financial Planning Department prepares reports and discloses the data after approval by the Representative Director.
 - *Audit structure.* The Chief Compliance Officer of the Asset Manager conducts an internal audit, prepares an internal audit report, and reports to the Representative Director, the Board of Directors and the Compliance Committee of the Asset Manager. In addition, an external audit firm conducts the audit of the accounts once every six months.

Data sources and processing

We use the following data sources:

- *Installed Capacity and Estimated Reductions in CO₂ Emissions.* At the project level, raw data for the solar power generation output is collected and calculated by the O&M contractors. The Asset Management Department collects and compiles the monthly solar power generation output and the estimated effect of CO₂ reduction based on the raw data provided by the O&M contractors, which is in turn reviewed against invoices issued to the electric utility operators to whom we sell the electricity generated at the project by the Financial Planning Department of the Asset Manager. The Asset Management Department of the Asset Manager compiles the monthly project-level data into the portfolio-level data on a monthly, semi-annual and annual basis, and submits them to the Financial Planning Department, which in turn reviews and discloses them on our website and in publicly available documents.
- *UN PRI.* The Asset Management Department and the Financial Planning Department of the Asset Manager collect and compile relevant environmental data used in the PRI report, and the Financial

Planning Department of the Asset Manager collects and compiles relevant employee and human resources-related data provided by the Human Resources Department of CSP. The data is reviewed internally for inconsistency and discrepancy with past results.

- *Green Finance Framework.* Prior to acquisition of a renewable energy power generation project, the Asset Manager engages third-party specialists to procure technical assessment report, soil investigation report, seismic risk analysis report and other ESG-related reports, and utilizes such reports in reviewing and assessing the risks and expected negative environmental and social impact of the project. The O&M contractors regularly conduct onsite inspection and report any material incidents or risks, including those related to ESG, to the Asset Manager.
 - *Transparency of fund management.* The Financial Planning Department of the Asset Manager collects and compiles the account activity data which is subject to external audit by an external audit firm once every six months.
 - *Reporting structure.* The Financial Planning Department of the Asset Manager collects and compiles data on the funds appropriation status and confirms the accuracy of the information internally. As described above, the Asset Management Department of the Asset Manager obtains the information on impacts on environmental improvement effects such as raw data for solar power generation output from the O&M contractors, and collects and compiles the data on a monthly basis. The Financial Planning Department prepares reports and discloses the data after approval by the Representative Director.
 - *Audit structure.* The Financial Planning Department of the Asset Manager collects and compiles data subject to internal audit and confirms the accuracy of the data before such data is submitted to the Chief Compliance Officer of the Asset Manager for internal audit. In addition, an external audit firm conducts the audit of the accounts once every six months

Limitations to methodologies and data

While the Asset Management Department of the Asset Manager has an in-house monitoring system that can monitor the solar power generation output of all of the projects in CSIF's portfolio at a macro level, we primarily rely on the onsite O&M contractors and other third-party specialists to monitor and provide the raw data at the project level. Accordingly, the primary limitation to the methodology or data source is the necessity of our reliance on the O&M contractors and other third-party specialists for raw data at the project level. Independent verification of accuracy of such raw data provided by the O&M contractors and other third-party specialists presents challenges. In addition, certain data at the project level provided by the third-party specialists is updated on an as-needed basis, such as introduction of an output curtailment scheme to a project or increases in frequency of output curtailments. Accordingly, certain project-specific data will therefore not always be fully up-to-date.

Data at the portfolio level are compiled internally at the Asset Manager. To ensure the accuracy of compiled data at the portfolio level, we review and double-check the accuracy of the data internally. However, the challenges associated with our reliance on the O&M contractors and other third-party specialists for raw data at the project level remain.

Limitations to the methodology and data are not expected to affect the attainment of the environmental or social characteristics promoted by CSIF in any material way.

Due diligence

Before investing in a solar power generation facility or another asset, we conduct economic, physical and legal due diligence review, including review of negative environmental and social impact, such as soil contamination and seismic risk. We also verify that the facility would not pose any health hazard to nearby residents, and that there would be no negative impact on the local government or any violation of workers' rights.

Engagement policies

CSIF does not generally consider investing in projects that are designated as contaminated areas that require government notification under the Soil Contamination Countermeasures Act of Japan or that do not otherwise meet our environmental standards based on their history of land usage and soil contamination assessment by experts and examination of presence of harmful substances, unless appropriate measures are taken under the Soil Contamination Countermeasures Act or we conclude, after appropriate due diligence review, that any health or other ESG risk is limited. We also review whether the project we may acquire is compliant with applicable law.

When investing in projects using proceeds from our Green Finance Framework, we do not consider projects that do not meet the criteria under our Green Finance Framework.

Designated reference benchmark

CSIF has no benchmark index designated as a reference benchmark to meet the environmental or social characteristics promoted by CSIF.

REMUNERATION AND SUSTAINABILITY RISKS (SFDR ARTICLE 5 DISCLOSURE)

The Asset Manager has a remuneration policy in place, which aims to support its strategy, values and long-term interest, including its interest in sustainability. The Asset Manager's remuneration policy is consistent with the integration of sustainability risks, as follows:

- Each employee's remuneration is determined based on several factors including (i) importance, difficulty and liability of the job, (ii) experience and ability of the employee and (iii) performance and work attitude of the employee.
- Employees receive remuneration that consists of base salary, overtime allowance, commutation allowance and other adjustments.
- The base salary range is established for each job rank, and each employee's base salary is determined within the range established based on the employee's comprehensive evaluation, including evaluation of employee's self-set annual goals, which may include contribution to and participation in sustainability-related initiatives. Each employee's base salary and job rank are reviewed based on the employee's comprehensive quarterly evaluation by the employee's superior and annual self-evaluation.
- Each employee's bonus is determined based on the ability and performance of the employee, including evaluation of employee's self-set annual goals, which may include contribution to and participation in sustainability-related initiatives, as well as the performance of the Asset Manager. Starting in 2022, the Asset Manager changed the frequency of bonus payments from once a year to once a quarter.

INTEGRATION OF SUSTAINABILITY RISKS IN THE INVESTMENT DECISIONS, AND THE IMPACT OF SUCH RISKS ON THE RETURNS OF CSIF (SFDR ARTICLE 6 DISCLOSURE)

We consider, both at the entity-level (i.e., the Asset Manager) and at the fund-level (i.e., CSIF), principal adverse impacts of CSIF's investment decisions on sustainability factors. Under the Act on Investment Trusts and Investment Corporations of Japan, we are prohibited from having any employees and are required to outsource asset management to a third party. Accordingly, as discussed in detail elsewhere, any consideration at the fund-level of principal adverse impacts of CSIF's investment decisions on sustainability is principally conducted by the Asset Manager, subject to approval of CSIF's Board of Directors. In addition to the Asset Manager's contractual obligations to us under the asset management agreement, the Financial Instruments and Exchange Act of Japan provides that the Asset Manager owes us a fiduciary duty in conducting its activities, including making investment decisions informed by sustainability considerations.

For example, in CSIF's projects, the Asset Manager has investigated and complied with the necessary permits and approvals for the construction of solar power generation facilities. In addition, the Asset Manager consults with local residents to ensure that the use of the land by the projects will not be detrimental to the lives of local residents.

Physical risks

The assets in which we invest are exposed to physical climate risks, which can materialize through, for example, floods, storms, heat and limited access to natural resources, which in turn can cause the value of CSIF's assets to decline. The following risks are particularly relevant for us.

- *Flood risk:* Although we are subject to a flood risk, we assess such risk to be low because most of CSIF's solar power plants are located away from rivers and coasts. We appoint an O&M contractor capable of properly inspecting and maintaining renewable energy generation facilities, and maintain a system to minimize damage, with the assistance of O&M contractors, in the event of an accident or disaster. We identify and assess any flood risk as part of due diligence process when acquiring a new renewable energy generation facility.
- *Storm risk:* Although we are subject to a storm risk, we assess such risk to be low because its effect is limited due to our Group's 24-hour, 365-days-a-year monitoring system that ensures prompt response in the event of a disaster. In addition, the Group inspects power plant facilities, ground and drainage equipment, and the surrounding environment to be prepared for potential disasters, and maintains power plant facilities so that they are disaster-resistant. We appoint an O&M contractor capable of properly inspecting and maintaining renewable energy generation facilities, and maintain a system to minimize damage, with the assistance of O&M contractors, in the event of an accident or disaster. We identify and assess any storm risk as part of due diligence process when acquiring a new renewable energy generation facility.

Transition risks

- *Strict environmental impact assessment:* We are subject to a medium-level environmental impact assessment risk, because stricter environmental impact assessments will increase construction costs due to increased compliance costs. For example, a typical construction period may become longer or we may lose certain development opportunities. We intend to address this risk by ensuring, based on periodic review, that our internal rules and due diligence checklist as well as our disclosure practice are in line with the most up-to-date standards, and by obtaining environmental impact assessments from third-party experts.
- *Decrease in electricity sales:* Significant growth in solar power generation under the Feed-in Tariff (FIT) system may result in output curtailment, thereby reducing the amount of electricity we sell. To address this risk, we have been upgrading our system to gain better remote control over electricity supply. In addition, we will consider use of storage batteries to store and sell electricity under the Feed-in Premium (FIP) system, although revision to the current regulatory framework is needed to make that possible.

- *Decrease in demand for electric power due to population decline:* We are subject to a medium-level risk that demand for electric power will decrease due to declining population. To address this risk, we will consider measures to reach new markets for electricity with demand that is not being met and to cultivate new business partners to enter into corporate power purchase agreements.
- *Decrease in demand for electric power due to decline of the materials industry:* We are subject to a medium-level risk that demand for electric power will decrease as a result of a decline in materials industry, which is a significant user of electric power. To address this risk, we will consider measures to reach new markets for electricity with demand that is not being met.
- *Shrinking commercial market:* We are subject to a medium-level risk that the business user market will shrink due to spread of distributed energy (e.g., residential rooftop solar panels, BTM storage batteries, and electric vehicles). To address this risk, we will consider measures to reach new markets with demand for electricity that is not being met.