

STATEMENT ON PRINCIPAL ADVERSE IMPACTS OF INVESTMENT DECISIONS ON SUSTAINABILITY FACTORS

Product Name: Invincible Investment Corporation
Legal Entity Identifier: 353800JY6M2692VAV685

The following is the adverse sustainability impact statement of Invincible Investment Corporation (“INV”) pursuant to Regulation (EU) 2019/2088 (“SFDR”). INV 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 Consonant Investment Management Co., Ltd. (the “Asset Manager”) to manage and operate the properties in our portfolio. INV and the Asset Manager are hereinafter referred to collectively as “we”, “us” or “our”. References to “fiscal year” or “FY” are to the 12 months that began or beginning April 1 of the year specified, unless noted otherwise.

Please note that SFDR requirements, including the scope of their application to issuers outside the European Economic Area, continue to evolve. We are therefore taking a principles-based approach to compliance with the SFDR disclosure standards, which are subject to change.

1. Summary

Pursuant to Article 4 of the Delegated Regulation C(2022)1931 supplementing SFDR (the “SFDR Delegated Regulation”), INV is required to publish on its website the information referred to therein covering the period of one calendar year. INV is a Japanese real estate investment trust, commonly known as J-REIT, and has no employees, relying on the Asset Manager for the management and operation of its properties. The Asset Manager operates based on a calendar year (INV’s 6-month fiscal periods end on June 30 and December 31 of each year), but as for the calculation of the GHG emissions data, the Asset Manager collects and compiles such data based on fiscal year ending in March of every year. A recalculation and translation of the data into the reference period of one calendar year would most likely lead to inaccuracies and would therefore provide a potentially less accurate overview of the required information than using the approved and validated data for the period from April 1, 2023 to March 31, 2024. This reference period is sufficiently compatible with, and shows results that do not materially differ from, those that would be produced using the calendar year-based reference period noted in the SFDR Delegated Regulation.

We consider principal adverse impacts of our investment decisions on sustainability factors. The present statement is our consolidated statement of the principal adverse impacts on sustainability factors (“PAI”). The statement covers the reference period from January 1, 2023 to December 31, 2023 other than the GHG emissions data in Table 2. The statement will be reviewed at least once during every year.

We recognize the importance of environmental, social, and governance (“ESG”) considerations in real estate investment management from the viewpoint of sustainability such as economic and social development and contributing to global environmental conservation, and regard improvement of sustainability as an important management issue.

We have established the basic policies for sustainability such as promotion of energy conservation and reduction of greenhouse gas, adaptation to climate change, water consumption efficiency, effective utilization of resources and reduction of waste, improvement of health, safety and comfort of tenants and visitors, collaboration with tenants, supply chains and local communities and initiatives for employees on the belief that the incorporation of ESG considerations into the real estate investment management business, which is our primary business, is essential to maximizing unitholder value over the medium to long term.

We use the definition of PAI as described in Recital 20 of SFDR being “those impacts of investment decisions and advice that result in negative effects on sustainability factors,” with sustainability factors referring to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters as defined in article 2 (24) of SFDR.

We believe that investment decisions that negatively affect climate or other environment-related resources, or have

negative implications for society, can have a significant impact to risk and value creation for our unitholders. To this end, we consider PAI of our investment decisions throughout all major steps of the investment decision and property management process throughout the lifecycle of the properties in our portfolio.

2. Description of principal adverse sustainability impacts

Nearly all types of economic activity have the potential to impact various PAI indicators, both positively and adversely. We aim to manage the risk connected to PAI from our investment decisions in several ways, including general screening criteria, due diligence and our ESG initiatives. Some of the PAI indicators listed below are currently already being monitored and reported. As the availability of data improves, it is our intention that more indicators will be added.

Table 1

Principal adverse sustainability impacts statement

We do not invest in investee companies, but invest in real estate. As adverse sustainability indicators 1-16 as contained in Table 1 of Annex 1 of the SFDR Delegated Regulation pertain to investee companies, these are not included in this PAI statement, which pertains to real estate investments.

| Indicators applicable to investments in real estate assets | | | | | | |
|--|---|--|---|---|--|---|
| Adverse sustainability indicator | | Metric | Impact in 2023 | Impact in 2022 | Explanation | Actions taken |
| Fossil fuels | 17. Exposure to fossil fuels through real estate assets | Share of investments in real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels | N/A | N/A | We do not invest in real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels. | N/A |
| Energy efficiency | 18. Exposure to energy-inefficient real estate assets | Share of investments in energy-inefficient real estate assets | As of December 31, 2023, 77.9% of our properties are classified as energy-inefficient real estate assets. | As of December 31, 2022, 87.1% of our properties are classified as energy-inefficient real estate assets. | To track the environmental performance of our properties, we rely on certifications issued by third party organizations, such as the Building Housing Energy efficiency Labeling System ("BELS") Evaluation, and other equivalent certifications. With respect to BELS certifications, we consider a property to have sufficient environmental certification if it received 2 stars or higher out of BELS' five-star ranking system. | We implement as appropriate measures to reduce their environmental impact of our properties. Also, we set Key Performance Indicators ("KPIs") and targets regarding energy efficiency and monitor through the Sustainability Committee. |

Table 2

Additional climate and other environment-related indicators

INV does not invest in investee companies, but invests in real estate. As additional climate and other environment-related indicators 1-17 as contained in Table 2 of Annex 1 of the SFDR Delegated Regulation pertain to investee companies, these are not included in this PAI statement, which pertains to real estate investments.

| Adverse sustainability impact | Adverse sustainability impact (qualitative or quantitative) | Metric |
|---|---|---|
| Indicators applicable to investments in real estate assets | | |
| Greenhouse gas emissions | <p>18. GHG emissions</p> <p>Scope 1 GHG emissions generated by real estate assets were 21 t-CO2 (in FY2019), 21 t-CO2 (in FY2020), 17 t-CO2 (in FY2021), 17 t-CO2 (in FY2022) and 12 t-CO2 (in FY2023).</p> <p>Scope 2 GHG emissions generated by real estate assets were 738 t-CO2 (in FY2019), 706 t-CO2 (in FY2020), 702 t-CO2 (in FY2021), 659 t-CO2 (in FY2022) and 633 t-CO2 (in FY2023).</p> <p>Scope 3 GHG emissions generated by real estate assets were 30,645 t-CO2 (in FY2019), 23,818 t-CO2 (in FY2020), 25,003 t-CO2 (in FY2021), 25,801 t-CO2 (in FY2022) and 25,908 t-CO2 (in FY2023).</p> <p>Total GHG emissions generated by INV's portfolio were 31,405 t-CO2 (in FY2019), 24,546 t-CO2 (in FY2020), 25,722 t-CO2 (in FY2021), 26,477 t-CO2 (in FY2022) and 26,553 t-CO2 (in FY2023).</p> <p>We aim to reduce GHG emissions intensity (aggregate amount of Scope 1 and 2) of our portfolio by 5% over five years from FY2019. Furthermore, we aim to reduce GHG emissions intensity (Scope 3 and aggregate amount of Scope 1, 2 and 3) of our portfolio by 1% over five years from FY2019.</p> | Scope 1 GHG emissions generated by real estate assets |
| | | Scope 2 GHG emissions generated by real estate assets |
| | | Scope 3 GHG emissions generated by real estate assets |
| | | Total GHG emissions generated by real estate assets |

Table 3

Additional indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters

INV 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 the Asset Manager to manage and operate the properties in our portfolio. Accordingly, additional indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters in this PAI statement pertain to the Asset Manager and the tenants of the properties in our portfolio, to the extent available.

| SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS | | |
|--|---|---|
| Adverse sustainability impact | Adverse impact on sustainability factors (qualitative or quantitative) | Metric |
| Indicators applicable to investments to CIM or tenants | | |
| Social and employee matters | <p>6. Insufficient whistleblower protection</p> <p>The Asset Manager has established whistleblower protection rules that allows its officers and employees (including temporary employees) to report or consult about potential harassment, fraud or other inappropriate acts. In accordance with the Whistleblower Protection Act of Japan, our rules protect whistleblowers by prohibiting mistreatment upon whistleblowing, allowing anonymous reports and keeping whistleblowers' reports confidential, and stipulate procedures, including investigation methods and disciplinary actions for those who are found to have engaged in inappropriate behavior, to find and correct the reported acts. In addition to an in-house contact, a whistleblower may consult an outside attorney who has no business relationship with the Asset Manager.</p> | <p>Share of investments in entities without policies on the protection of whistleblowers</p> <p>All of the Asset Manager's officers and employees are provided whistleblower protection.</p> |
| Anti-corruption and anti-bribery | <p>15. Lack of anti-corruption and anti-bribery policies</p> <p>The Asset Manager has established the Code of Compliance and Compliance Manual, the Asset Manager stipulates in them that all of its officers and employees are prohibited from providing favors or benefits to civil servants of Japan or other countries or persons deemed as such, in accordance with Japanese and international laws. Furthermore, provision or acceptance of favors or benefits that exceed the scope of courtesy that would be ordinary course based on socially accepted conventions is prohibited whether any business-related transaction takes place as a result or not.</p> | <p>Share of investments in entities without policies on anti-corruption and anti-bribery consistent with the United Nations Convention against Corruption</p> <p>The Asset Manager has compliance policies addressing anti-corruption and anti-bribery that apply to all of its officers and employees.</p> |
| | <p>17. Number of convictions and amount of fines for violation of anti-corruption and anti-bribery laws</p> <p>For tenants of our hotel properties, we conduct due diligence review when entering into lease agreements and reject those found to have been fined for violations of anti-corruption and anti-bribery laws.</p> <p>Based on internal audits and other reviews that has been conducted</p> | <p>Numbers of convictions and amount of fines for violations of anti-corruption and anti-bribery laws by investee companies</p> <p>None of the tenants of our hotel properties</p> |

| | | |
|--|--|--|
| | <p>to date, the Asset Manager has not found any favors or gifts that contravene relevant laws. Moreover, there have been no violations of corruption-related laws or administrative sanctions.</p> | <p>have, to the best of our knowledge, been convicted of or fined for violations of anti-corruption and anti-bribery laws.</p> <p>None of the Asset Manager or its officers and employees have been convicted or fined for violations of anti-corruption or anti-bribery laws.</p> |
|--|--|--|

For description of actions which INV takes and will take with respect to the PAI indicators, please refer to our ESG website: <https://www.invincible-inv.co.jp/en/sustainability/index.html>

3. Description of policies to identify and prioritize principal adverse sustainability impacts

Subject to data availability, we monitor the selected PAI indicators for the existing properties in our portfolio.

Prior to our investment in a property, we conduct due diligence review of the property, including ESG due diligence, which includes selected PAI indicators. The due diligence findings related to selected PAI indicators are reported and reviewed prior to the investment decision.

In order to conduct ESG-friendly management while maximizing the value of our properties, we have taken into consideration ESG factors in our investment and asset management processes. The Asset Manager tracks and monitors the property-level environmental performance indicators of our properties to assess the environmental performance of our portfolio appropriately. The Asset Manager’s Sustainability Committee, which generally meets at least four times a year, uses the data of environmental performance to assess progress made against sustainable targets, and deliberates on necessary action plans in order to implement initiatives continuously and systematically based on our Sustainability Policy. The Sustainability Committee consists of (i) the President and CEO, who is the final decision-maker, (ii) the general manager of the Asset Management Department and the general manager of the Planning Department, who are responsible for executing sustainability initiatives, and (iii) officers and employees that engage in promoting sustainability.

For further information, please refer to our ESG website:
<https://www.invincible-inv.co.jp/en/sustainability/index.html>

4. Engagement policies

Due diligence and screening

Prior to our investment in a property, the Asset Manager conducts due diligence review of the property, including the assessment of compliance with applicable environmental laws and regulations, environmental performance and disaster risks, as well as investigation into hazardous substances and soil contamination by obtaining environmental assessment from third parties. We also do not consider investing in properties that do not meet the standards for soil contamination and other environmental contamination in accordance with the related environmental laws and ordinances. However, from time to time we invest in properties not meeting the standards as long as they are deemed fixable promptly after the investment.

Engagement

We have introduced environmental provisions, which we refer to as “Green Lease” provisions, in our leases with our tenants, under which tenants are required to collaborate on environmentally conscious measures and share various environment-related data with us. As of December 31, 2023, Green Lease provisions had been introduced in 60.8% of our portfolio based on gross floor area.

We provide our hotel assets’ operators with documentation regarding sustainable hotel operations. We conduct such education efforts and cooperate with them in order to decrease the burden on the environment caused by hotel operations and improve hotel users’ consciousness about environmental issues.

5. References to international standards

We became a signatory as a supporter to the Financial Stability Board’s Task Force on Climate-related Financial Disclosures (“TCFD”) established by the Financial Stability Board. We will provide disclosures in alignment with TCFD’s core elements in due course.

6. Historical comparison

See Table 1 and Table 2 above.