

PRINCIPAL ADVERSE IMPACT STATEMENT

The following is the adverse sustainability impact statement of Invincible Investment Corporation (“INV”) pursuant to Regulation (EU) 2019/2088 (“SFDR”). We have no employees in accordance with the prohibition on having employees under the Act on Investment Trusts and Investment Corporations of Japan, and rely 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”.

1. Summary

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, 2021 to December 31, 2021. 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.

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.

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 the Regulatory Technical Standard 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 2021	Impact in 2020	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, 2021, 100% of our properties are classified as energy-inefficient real estate assets.	As of December 31, 2020, 100% of our properties are classified as energy-inefficient real estate assets.	We have not obtained any certifications issued by third-party organizations to assess the environmental performance objectively.	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

Adverse sustainability impact	Adverse sustainability impact (qualitative or quantitative)	Metric
Indicators applicable to investments in real estate assets		
Climate change	<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) and 17 t-CO₂ (in FY2021). Scope 2 GHG emissions generated by real estate assets were 738 t-CO₂ (in FY2019), 706 t-CO₂ (in FY2020) and 702 t-CO₂ (in FY2021). Scope 3 GHG emissions generated by real estate assets were 30,645 t-CO₂ (in FY2019), 23,818 t-CO₂ (in FY2020) and 24,998 t-CO₂ (in FY2021). Total GHG emissions generated by INV's portfolio were 31,405 t-CO₂ (in FY2019), 24,545 t-CO₂ (in FY2020) and 25,718 t-CO₂ (in FY2021).</p> <p>The above portfolio is comprised of 95 properties that have been held from the beginning of FY2019 to the end of FY2021 and for which data that enables comparison under the same conditions can be obtained.</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

SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI- BRIBERY MATTERS		
Adverse sustainability impact	Adverse sustainability impact (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 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>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 have, to the best of our knowledge, been convicted of or fined for violations of anti-corruption and anti-bribery laws.</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.
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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/strategy/sustainability.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/strategy/sustainability.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 June 30, 2022, Green Lease provisions had been introduced in 65.6% 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

Not Available.