

Invincible Investment Corporation Green Finance Framework

August 2023



1. Purpose and Background of Green Finance Framework Development

Invincible Investment Corporation ("INV") making focused investments in hotels and residential properties as Core Assets, shall manage its assets in an aim to guarantee sound growth of its assets and secure stable profits over the medium and long term.

INV and Consonant Investment Management Corporation ("CIM"), the asset manager of INV, 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 the improvement of sustainability as an important management issue.

INV and CIM believe that incorporating ESG factors into the overall business in the real estate investment management business, which is their main business, is essential for maximizing unitholder value over the medium to long term and will contribute to maximizing INV's investment returns.

As a part of this effort, INV has established the Green Finance Framework (the "Framework") to procure funds necessary to realize a sustainable environment and society through Green Bonds and Green Loans.

With respect to the eligibility of the Framework, INV has obtained "Green1 (F)" rating, the highest rating in the "JCR Green Finance Framework Evaluation", from Japan Credit Rating Agency, Ltd.

1.1 Sustainability Policy

INV and CIM have established the following basic policies for sustainability and will put them into practice in our daily operations.

1. Promotion of Energy Conservation and Reduction of Greenhouse Gas

INV and CIM make efforts to reduce energy consumption and greenhouse gas emission by introducing energy-efficient equipment and promoting energy-saving measures in operations. INV and CIM also contribute to building a carbon-free society and mitigating climate change by considering opportunities to utilize renewable energy.

2. Adaptation to Climate Change

INV and CIM have strengthened the disaster and environmental resilience of investment properties to respond to the direct physical risks caused by disasters due to climate change and the transition risks associated with tightening regulations and social changes. INV and CIM curb these risks and aim to create business opportunities that adapt to climate change.

3. Water Consumption Efficiency

INV and CIM strive to reduce water consumption by introducing water-efficient equipment and promoting water-saving measures in operations. INV and CIM also consider expanding the reuse of water in their facilities.

4. Effective Utilization of Resources and Reduction of Waste

INV and CIM work on reducing waste in our operations and encourage stakeholders to cooperate and sort waste, with the aim of contributing to the realization of a resource-saving and recycling-oriented society.

5. Improvement of Health, Safety and Comfort

INV and CIM strive to ensure the health and safety of tenants and visitors by thoroughly cleaning and sanitizing our properties and conducting appropriate air conditioning. In addition, by improving the comfort provided by INV's properties, INV and CIM aim to improve tenant satisfaction, retain and attract prime tenants, and increase real estate value.

6. Collaboration with Tenants, Supply Chains and Local Communities

INV and CIM recognize tenants, supply chains such as PM/BM and local communities as major stakeholders and strive to realize sustainability in real estate management by building good relationships with such stakeholders and acting proactively to collaborate with them.

7. Initiatives for Employees

INV and CIM strive to employ and evaluate employees in a fair manner, respecting human rights and diversity. In addition, INV and CIM provide a workplace environment that gives consideration to the health, safety, and comfort of employees, and in order to improve them, INV and CIM develop a work system that gives consideration to welfare and work-life balance. Furthermore, in addition to providing opportunities for skill development, such as specialized training and support for obtaining qualifications, INV and CIM make efforts to raise employee awareness of sustainability and conduct education and awareness-raising activities.

8. Compliance

INV and CIM not only comply with laws and regulations, but also strive to prevent corruption and conflicts of interest, properly manage information, and prohibit improper conduct. INV and CIM establish an appropriate organizational structure to properly manage and prevent these risks.

9. Ensuring of Transparency

INV and CIM fulfill our accountability for stakeholders by actively disclosing ESG related information. INV and CIM also consider the use of external evaluations and

third-party certification to visualize the results of our environmental and social initiatives.

1.2 Promotion Structure of Sustainability

CIM has established the "Sustainability Committee" to implement the "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 involved in promoting sustainability. The Committee meeting is held at least four times a year. The committee deliberates and decides on specific sustainability goals and measures, and such decisions and the status of progress will be reported to INV's Board of Directors. The same information will be shared with all officers and employees of CIM as well.

CIM will conduct sustainability-focused training for all officers and employees, including temporary staff, at least once a year. The purpose of this training is to help officers and employees acquire knowledge and raise awareness of sustainability considerations in line with business practices, such as trends of market and regulations related to ESG investment and environmental real estate.

1.3 Support for the TCFD Recommendations

In February 2023, CIM has expressed its support for the TCFD recommendations in order to officially announce its support for the international goals set forth in the Paris Agreement and its willingness to continue to promote efforts to reduce greenhouse gas emissions in order to contribute to climate change mitigation.

CIM also participates in the TCFD Consortium, an organization of supporting companies in Japan. Through communication with supporting companies, CIM will deepen its knowledge on effective information disclosure and utilization of information, etc., and apply this knowledge to our efforts to address climate change-related issues.



2 Overview of the Green Finance Framework

INV has formulated the Framework in accordance with the “Green Bond Principles 2021” established by the International Capital Markets Association (ICMA), “Green Bond Guidelines 2022” established by the Ministry of the Environment of Japan, “Green Loan Principles 2023” established by the Loan Market Association (LMA), the Asia-Pacific Loan Market Association (APLMA), and the Loan Syndications and Trading Association (LSTA), as well as “Green Loan and Sustainability Linked Loan Guidelines 2022” established by the Ministry of the Environment of Japan, and it consists of the following four elements.

1. The Funds Procured through the Green Finance
2. Project Evaluation and Selection Process
3. Management of Proceeds
4. Reporting

2.1 The Funds Procured through the Green Finance

INV will appropriate all the funds procured through the Green Bonds or Green Loans for the acquisition or renovation of green buildings that meet eligibility criteria, or for the refinance of those funds used for the acquisition or renovation of green buildings. The eligibility criteria are as follows:

<Eligibility Criteria>

Eligibility Criteria-1: Green Building

Properties that have or will have one of the following third-party certifications in effect as of the date of payment of the Green Bond or as of the date of the Green Loan.

- (i) BELS Certification: five stars, four stars or three stars
- (ii) CASBEE Appraisal: rank S, A, or B+
- (iii) DBJ Green Building Certification: five stars, four stars or three stars
- (iv) LEED Certification: Platinum, Gold or Silver

Eligibility Criteria-2: Renovation

Renovation of facilities that meets either of the following (i) or (ii).

- (i) Renovation work intended to improve the number of stars or the rank by one or more for properties that have or will have one of the third-party certifications listed in Eligibility Criteria-1.
- (ii) Renovation work that is expected to reduce either energy consumption, greenhouse gas emissions, or water consumption by 30% or more.

2.2 Project Evaluation and Selection Process

The Finance Department and Asset Management Department of CIM will select the eligible projects for which funds will be appropriated, and the Sustainability Committee will make the final decision. The President and CEO of CIM is the final decision-maker for the Sustainability Committee.

2.3 Management of Proceeds

<Plan for Appropriation of Proceeds>

Proceeds will be appropriated promptly after confirming that the use is tied to the acquisition or renovation of green buildings, or refinance of debt required for the acquisition or renovation of green buildings.

<System and Method of Tracking and Managing Procured Funds>

CIM's Finance Department will track the appropriation of funds procured through Green Bonds and Green Loans using a management sheet for ESG finance.

<Internal Controls and External Audits on Tracking Management>

CIM conducts the internal audits for all operations, including fund-raising. In addition, the general accounting operations are audited by an external auditor.

<Methods of managing unappropriated funds>

Until the proceeds are appropriated, they will be managed in cash or cash equivalents as unappropriated funds.

Even after the full amount has been allocated, in the case of the assets for which the funds were intended to be used are sold or damaged before the redemption, the temporary unallocated funds will be managed through portfolio management (Note).

(Note) Portfolio management is a management method that confirms that the total amount of green finance balance does not exceed the amount of green-eligible liabilities each fiscal period. The amount of green eligible debt is calculated as the sum of the total acquisition price of green buildings multiplied by the ratio of the interest-bearing debt and the amount invested in the Eligibility Criteria-2. This shall be the maximum amount that can be raised through Green Finance.

2.4 Reporting

(1) Fund Allocation Status Reporting

Until the proceeds are allocated to eligible projects, the following will be reported on INV's website to the extent practically possible.

- (i) Total amount of proceeds appropriated
- (ii) Balance of unappropriated funds

- (iii) If there are unappropriated funds, the planned allocation timing and method of fund management during the unallocated period

In addition, if there is a material change in the funding situation after the amount of the procured funds has been allocated, we will disclose it in a timely manner.

(2) Impact Reporting

To the extent practicable, the following information will be disclosed on an annual basis on INV's website.

(a) Green Building

- (i) Type and level of environmental certifications obtained by the subject property
- (ii) Greenhouse gas emissions of the subject property
- (iii) Energy consumption of the subject property
- (iv) Water consumption of the subject property

(b) Renovation

In the case of renovation work intended to improve the number of stars or rank by one or more for any of the green building certifications set forth in the Eligible Criteria-1, the following indicators:

- (i) Environmental certification obtained and rank

In the case of renovation work that can reduce energy consumption, greenhouse gas emissions, or water consumption by 30% or more, the pre- and post-renovation values or reduction ratios for one of the following indicators:

- (i) Energy consumption
- (ii) Greenhouse gas emissions
- (iii) Water consumption