

ESG Initiatives

Message from Executive Director

We are seriously committed to the environment, society and governance (ESG). An ESG policy has been formulated and the structure for encouraging it has been developed so that our business operations remain sustainable for the long term.

For the environment, we will endeavor to reduce the environmental impact of the real estate we possess and improve our environmental performance.

For society, we seek to encourage ESG management by properly understanding the impact of our business on local communities and building good relationships and collaborating with external stakeholders.

For governance, we promise to make decisions in a fair and highly transparent manner. We behave ethically, observe rules and regulations, conduct in-house auditing and are transparent in our reporting.

Lastly, we consider ESG issues in our efforts to increase value for investors over the medium to long term.

Executive Director, Nippon Hotel & Residential Investment Corporation
Takeshi Kirihara

ESG Policy

As an asset manager for the investment corporation, we established the ESG policy to maximize value for investors based on the understanding that in profitable, stable and sustainable real estate operations, ESG considerations are necessary.

1. Addressing climate change and reducing the environmental impact of the real estate we operate

We discuss and implement proper measures and pursue the conservation of the global environment. To this end, we, for example, streamline energy consumption in the assets under management, conserve water, efficiently use water resources and reduce waste. We define the environmental targets in terms of, for example, GHG emissions, energy consumption, water consumption and waste emissions for the assets under management and initiatives for achieving the targets to reduce environmental impact.

2. Consideration of employees

We seek to build a good work environment and develop human resources so that the employees are able to fully demonstrate their capabilities. To increase employee awareness and elevate their practical abilities regarding ESG issues, we continue to educate employees and engage in activities to increase their awareness.

3. Collaboration with external stakeholders

We will strive to encourage ESG management by building good relationships and collaborating with PM companies, BM companies, tenants, subcontractors, local communities and other external stakeholders.

4. Compliance with laws and regulations and development of organizational structure

We will comply with laws, regulations and other rules relating to ESG issues and build an organizational structure appropriate for that purpose.

5. Easy-to-understand disclosure of ESG information

We work to disclose ESG-related information appropriately and in a timely manner and to make it easy to understand from the investor's standpoint.

ESG Structure

Chief Sustainability Officer

President and Representative Director

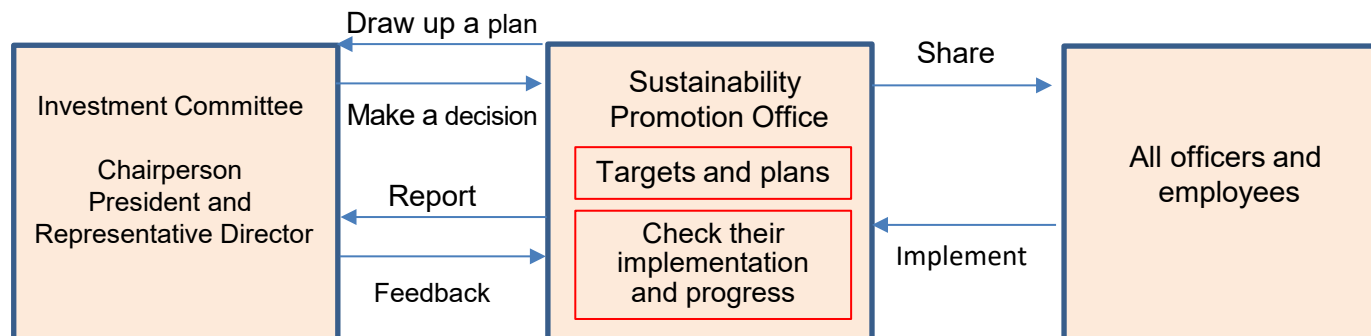
We build the ESG structure and supervise the formulation and implementation of the ESG promotion policy, targets and plans.

Sustainability Promotion Office

In principle, the office has four regular meetings annually and formulates and implements targets and plans.
The targets and plans formulated by the office are deliberated by the Investment Committee which makes decisions regarding them.
The office reports the progress of the targets and plans to the Investment Committee twice a year or more often.

Members

- Chief Sustainability Officer
- Sustainability Manager
- Chief Compliance Officer
- Chief Investment Officer
- Chief Financial Officer
- Chief Planning & Coordination Officer



ESG Initiatives : Environment

Initiatives for improvement of our environmental performance and reduction of environmental impact

- Conclude a memorandum on green leases
The memorandum between Nippon Hotel & Residential Investment Corporation, APA Investment Management Co., Ltd., Oedo-Onsen Monogatari Hotels & Resorts Co., Ltd. and Reoma Unity Co., Ltd. was concluded on May 31, 2023.
- Collect environmental performance data
- Set and achieve targets for the improvement of environmental performance
- Hold regular Environment and Energy Saving Measures Council meetings
- Replace lighting in common areas and guestrooms with LEDs and reuse well water and recycled water to control the consumption of clean water.
- Acquisition of environmental certification

ESG Initiatives : Social

Build a collaboration system with tenants, property managers and operators

- Share the ESG policy
- Have regular meetings with operators
- Hold Environment and Energy Saving Measures Council meetings

Contributions to Local Communities and Society

Participate in and co-sponsor local events

Consideration of employees

- Support the acquisition of qualifications to improve employees' expertise
- Health-related actions
- Fair evaluation based on the evaluation system
- Regular interview with business managers

Actions for investors and lenders

- Communicate information at results briefings and via the website
- Directly communicate with domestic and overseas investors and financial institutions we transact with to facilitate their understanding

Signatory to the Principles for Financial Action for the 21st Century

Signed the Principles for Financial Action toward a Sustainable Society (popular name: Principles for Financial Action for the 21st Century) advocated by the Ministry of the Environment in June 2023.

ESG Initiatives : Governance

Decision-making process

Build a process for observing laws and ensuring the high transparency of decision making.

For more information, please visit the investment corporation's website.

<https://nhr-reit.com/en/feature/governance.html>

Same-boat investment

Apa Holdings Corporation owns investment units, ensuring that the interests of sponsors and investors are aligned.

Policy on efforts concerning customer-oriented business operations

We have enacted and published seven basic policies for customer-oriented business conduct, which lead to specific action plans, in line with the Principles for Customer-Oriented Business Conduct publicized by the Financial Services Agency on March 30, 2017.

Conducting training sessions, etc.

Compliance training is provided to all employees of Apa Investment Management Co., Ltd., the asset manager.

Monitoring of outside subcontractors

Continuous monitoring of outside subcontractors based on evaluation items including the level of operations, commitment to ESG management, observance of laws, management of information and other items.