



# Sustainability Report

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**MORI TRUST Hotel Reit, Inc.**

(Asset Management Company)

**MORI TRUST Asset Management Co., LTD.**

July 2022

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## ■ Disclosure Policy on This Report

This report is prepared for the purpose of reporting regularly to stakeholders to deepen their understanding of the philosophy and initiatives of MORI TRUST Hotel Reit, Inc. ("MORI TRUST Hotel Reit") and its asset management company MORI TRUST Asset Management Co., Ltd. (the "Asset Management Company") regarding ESG. In preparing this report, efforts are made to proactively disclose information while taking into account the requests and expectations from stakeholders and considering the Sustainable Development Goals (SDGs), the international disclosure frameworks of ESG and ESG evaluations by external organizations.

## ■ Reporting Period

From April 1, 2021 to March 31, 2022 (some of the most recent activities after this period are also included)

## ■ Entities

MORI TRUST Hotel Reit, Inc.  
MORI TRUST Asset Management Co., Ltd.  
(information of its sponsor, MORI TRUST CO., LTD., is also included)

## ■ Date of Report Issued

July 1, 2022  
(Date of Last Report: December 6, 2021)

## ■ Reporting Cycle

Scheduled to be issued every July (annual)

## ■ Contact

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## ■ Disclaimer

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## ■ Overview of MORI TRUST Hotel Reit, Inc.

MORI TRUST Hotel Reit, Inc. ("MORI TRUST Hotel Reit") is a hotel-focused REIT that aims to achieve medium term to long term growth by leveraging the development capabilities of MORI TRUST CO., LTD. and the hotel operation and management capabilities of Mori Trust Hotels & Resorts Co., Ltd., both of which are sponsors of MORI TRUST Hotel Reit.

MORI TRUST Hotel Reit was listed on the Tokyo Stock Exchange's market for real estate investment trusts (J-REIT market) in 2017 and has since achieved steady growth by investing in carefully selected properties that will contribute to stable operations over the medium to long term.

<b>Name of Investment Corporation</b>	MORI TRUST Hotel Reit, Inc.
<b>Address</b>	3-1 Toranomom 4-chome, Minato-ku, Tokyo
<b>Representative</b>	Amane Sakamoto, Executive Director
<b>Date of foundation</b>	January 15, 2016
<b>Date of listing</b>	February 7, 2017
<b>Portfolio type</b>	Hotels
<b>Securities Code</b>	3478
<b>Fiscal period end</b>	February and August

## Features of MORI TRUST Hotel Reit

### 1 Focused Investment in Hotel Assets with "Asset Quality" "Stability" "Growth Potential"

- Investment in competitive, high-quality hotels with a focus on international hotel brands
- Emphasis on intrinsic real estate value such as location and building grade

### 2 Growth Strategies that Maximizes the Support of MORI TRUST Group

- Utilization of MORI TRUST Group's development and hotel operation/management capabilities
- Valid agreements concluded with MORI TRUST Group to provide real estate information, etc

### 3 Sound, Stable Financial Management

- Mitigation of refinancing risks through the best mix, etc. of short-term and long-term loans
- LTV control to increase unitholder value (aiming for maximum 50% in normal time)

## Chart of MORI TRUST Hotel Reit's Organization System

For more information about chart of MORI TRUST Hotel Reit's organization system, please refer to "Chart of MORI TRUST Hotel Reit's Organization System" in "6. Governance Initiatives" on p.30 of this report.

## ■ Overview of Asset Management Company

<b>Company Name</b>	MORI TRUST Asset Management Co., Ltd.
<b>Address</b>	3-1 Toranomon 4-chome, Minato-ku, Tokyo
<b>Established</b>	February 28, 2000
<b>Capital Stock</b>	400 million yen
<b>No. of Employees</b>	24 (as of May 30, 2022)
<b>Shareholders</b>	MORI TRUST CO., LTD. 95% Mori Trust Hotels & Resorts Co., Ltd. 5%
<b>Registration and Licenses</b>	Financial instruments business, Registration No.: Kanto Local Finance Bureau Director-General (Financial instruments business) No.407 Comprehensive real estate investment advisory business, Registration No.: Minister of Land, Infrastructure and Transportation No.000001 Building lot and building transaction business, License No.: Minister of Land, Infrastructure and Transportation (5) No.6009 Discretionary trading agent, etc. for building lot and building transaction business, Permission No.: Minister of Land, Infrastructure and Transportation No.4 Member of The Investment Trusts Association, Japan
<b>Directors</b>	Michio Yamamoto, President and Representative Director Masayuki Yagi, Representative Director, Chief Operating Officer (COO), Head of Sogo REIT Management Division Amane Sakamoto, Representative Director, Chief Operating Officer (COO), Head of Hotel REIT Management Division Corporate auditor, Seisaku Ito

## Corporate Philosophy

The Asset Management Company was founded as a member of MORI TRUST Group for the purpose of managing the assets of real estate investment corporations.

The inclusion of "Trust" in our company name conveys the idea that we serve society and are mandated by society to manage assets over the long term. We are, therefore, required to conduct business based on the fundamental management principles of providing high quality real estate management, increasing added value and contributing to social and economic development.

The concept of "Trust" is expressed more concretely in the following four qualities, which form our corporate philosophy.

**Reliability** Trust between the trustor and trustee will form the basis of everything we do.

**Continuity** We will prove ourselves worthy of the trust placed in us by operating and managing assets over the long run.

**Benefit Sharing** We will share any profits generated with society and stakeholders for our mutual development.

**Social Nature** We will contribute to society by conducting socially beneficial business activities.

Furthermore, the Asset Management Company has adopted four basic management principles for realizing this management philosophy: "Growth potential," "Profitability," "Stability" and "Transparency." Striking a balance between these requirements, we endeavor to achieve enduring corporate management in order to prove ourselves worthy of society's mandate and to live up to the expectations and trust of our shareholders, employees and other stakeholders.

To endure and survive as a company, above all else, it is essential to build a compliance structure based on high ethical standards and to ensure compliance. We are committed to doing this based on the strong awareness that it is imperative for us to conduct our day to day operations in strict compliance not only with laws and regulations but also with social norms and internal rules

# 1. Message from the Management

MORI TRUST Hotel Reit, Inc. believes that initiatives to improve sustainability are essential for enhancing unitholder value for the medium to long term. Also, MORI TRUST Asset Management Co., Ltd., to which MORI TRUST Hotel Reit entrusts the management of its assets, establishes a corporate philosophy of “Reliability,” “Continuity,” “Benefit sharing” and “Social nature,” and aims to improve unitholder value by contributing to social and economic development through cooperation and collaboration with various stakeholders.

As for the most recent initiatives on ESG (Environment, Social and Governance), MORI TRUST Hotel Reit clarified the expectations from stakeholders involved in MORI TRUST Hotel Reit and society, issues recognized in the REIT sector, etc., and identified the issues to be focused on by MORI TRUST Hotel Reit as materiality (important issues) in December 2021. MORI TRUST Hotel Reit aims to contribute to the achievement of “Sustainable Development Goals (SDGs)” through initiatives for the identified materiality.

Also, in December 2021, MORI TRUST Hotel Reit newly published the “Sustainability Report” for the purpose of reporting to stakeholders on the philosophy and various initiatives of MORI TRUST Hotel Reit and the Asset Management Company regarding ESG. The Sustainability Report is positioned as an important tool for proactive disclosure of ESG information in response to the requests and expectations from stakeholders for disclosure of ESG information, and is scheduled to be issued annually every July.

In March 2022, “Respect for Human Rights” was newly added to the “Sustainability Policy” of the Asset Management Company in response to the recent increase in interest in human rights in Japan and abroad, and the Asset Management Company expressed its support for the TCFD recommendations published by the Task Force on Climate-related Financial Disclosures (TCFD) established by the Financial Stability Board (FSB). MORI TRUST Hotel Reit promotes initiatives and discloses information in line with the TCFD recommendations based on the recognition that climate change is an important issue that brings about dramatic changes to the natural environment and social structures and has a serious impact on MORI TRUST Hotel Reit’s and the Asset Management Company’s operations as well as businesses overall.

MORI TRUST Hotel Reit will continue to promote various initiatives on issues regarding ESG and proactively disclose information in response to the expectations from various stakeholders.



July 2022

MORI TRUST Hotel Reit, Inc.

**Amane Sakamoto**, Executive Director

# 2. Policies and Management Structure

As MORI TRUST Hotel Reit's asset management company, we, MORI TRUST Asset Management Co., Ltd. (the "Asset Management Company") recognize that efforts to improve sustainability such as environmental consideration, contribution to society and strengthening corporate governance through our asset management operations are essential for growing unitholders' value in the medium to long term. We hereby establish the "Sustainability Policy" and aim to implement it.

## ■ Sustainability Policy

### **(1) Promoting Energy Saving and GHGs Emissions Reduction**

In our asset management operations, we make efforts to reduce CO2 emissions through energy conservation by promoting efficient energy use at our assets under management as well as introducing equipment and facilities that contribute to energy conservation and low carbonization.

### **(2) Contributing to Recycle-oriented Society**

We strive to contribute to realizing sustainable recycle-oriented society through implementing measures to make effective use of limited resources, such as water saving and "3Rs" for reducing wastes, i.e., reduce, reuse, recycle.

### **(3) Streamlining Internal Management System and Strengthening Compliance**

We establish internal management system to effectively promote initiatives based on this policy and strictly comply with laws and regulations including environmental and social matters. In addition, we promote sustainability initiatives by improving employees' awareness and performance by continually implementing educational and awareness-raising activities focused on environment, society, and governance (ESG).

### **(4) Respect for Human Rights**

We respect human rights in accordance with international principles such as the Universal Declaration of Human Rights and the ILO Declaration on Fundamental Principles and Rights at Work, and we conduct our business in compliance with the human rights laws of the countries and regions where our business activities are conducted.

### **(5) Promoting Health and Comfort**

We conduct asset management that seeks improvement in health, safety, and comfort of tenants and facility users. Furthermore, valuing each and every employee, we strive to create a working environment that is healthy and conducive to work and enables each person to demonstrate his/her skills to their full extent.

### **(6) Responding to Climate Change and Improving Resilience**

We identify and evaluate risks and opportunities that arise from climate change and reflect them in our asset management operations, and by doing so, promote initiatives for adapting to and mitigating climate change to respond to risks and opportunities.

### **(7) Collaborating with External Stakeholders**

We make efforts to contribute to reducing environmental impact of our assets under management, improving tenants' satisfaction and developing sustainable local communities through engaging and collaborating with external stakeholders such as our tenants/occupiers, suppliers (e.g. property management companies) and local communities.

### **(8) Disclosing ESG Information**

We strive to proactively disclose ESG information such as this policy and status of sustainability initiatives to build good relationships and communicate with stakeholders such as our unitholders, tenants and suppliers.

## ■ Materiality

MORI TRUST Hotel Reit has identified the issues to be focused on as materiality while promoting various initiatives on issues regarding ESG based on the “Sustainability Policy” of the Asset Management Company, and has given priority to the identified issues. Also, MORI TRUST Hotel Reit aims to contribute to the achievement of “SDGs (Sustainable Development Goals)” adopted at the United Nations in 2015 through initiatives for the materiality.

### Materiality Identification Process

#### **(1) Clarification of Issues**

Clarified issues in consideration of the expectations from stakeholders involved in MORI TRUST Hotel Reit and society, issues recognized in the REIT sector, Sustainable Development Goals (SDGs) and ESG evaluations by external organizations, recent social trends and the Sustainability Policy of the Asset Management Company, etc.

#### **(2) Organization and Summarization of Identified Issues, Assessment of their Importance and Priority**







Organized and summarized the identified issues considering the major past and current initiatives, and then assessed the importance and priority of each issue.

#### **(3) Identification of Materiality**

Discussed the draft materiality prepared based on the assessment above at the Meeting for Promotion of Sustainability established at the Asset Management Company, and identified materiality of MORI TRUST Hotel Reit.

## Relevance of Materiality to SDGs

The relevance of the materiality of MORI TRUST Hotel Reit identified in accordance with the materiality identification process to the SDGs is as follows:

Field	Materiality	Main actions	Relevance to the SDGs	
E (Environment)	<b>Responding to climate change and improving resilience (Saving energy and reducing greenhouse gas (GHG) emissions)</b>	<ul style="list-style-type: none"> <li>- Operation of the environment management system</li> <li>- Establishment of environmental performance goals and disclosure of results</li> <li>- Reduction of waste (use of paper straws, discontinuation of individually packaged shampoo, reduction of food loss, etc.)</li> <li>- Introduction of highly energy-efficient equipment such as LED lighting, air-conditioning systems and kitchen equipment</li> <li>- Introduction of green leases</li> <li>- ESG surveys, etc. to monitor activities of partners such as property management companies</li> </ul>		
	<b>Contributing to a recycling-oriented society (Saving water, reducing waste, and so on)</b>			
	<b>Reducing environmental load of buildings through collaboration with tenants and suppliers</b>			
S (Society)	<b>Promoting the health and comfort of hotel users and operators</b>	<ul style="list-style-type: none"> <li>- Initiatives for hotel users (increased comfort, measures to prevent COVID-19 infection, introduction of Pure wellness rooms, etc.)</li> <li>- Initiatives for hotel operators (questionnaires, regular meetings, etc.)</li> <li>- Support for the acquisition of qualifications and the payment of expenses for employees participating in training programs and/or taking examinations to improve the skills that are required in their operations</li> <li>- Participation in sponsors' human resource programs</li> <li>- Introduction of personnel systems that enable employees to work in comfortable environments</li> <li>- Cooperation in a decarbonized regional transportation model through EV car sharing</li> <li>- Organization and participation in local events (hold charity events, participate in EDO ART EXPO, etc.)</li> <li>- Participation in "EARTH HOUR", a global event organized by the World Wide Fund for Nature (WWF)</li> <li>- Local volunteer activities by hotel operators (cleanups around stations, food distribution via food banks, etc.)</li> </ul>		
	<b>Creating comfortable workplace environments for employees</b>			
	<b>Contributing to local areas and communities</b>			
G (Governance)	<b>Ensuring full-scale implementation of compliance and risk management</b>	<ul style="list-style-type: none"> <li>- Establishment of a system to facilitate compliance (multi-layered system to facilitate compliance with laws and regulations through the leadership of Compliance Officers and the establishment and operation of a compliance committee, and regular implementation of compliance training programs)</li> <li>- Proper control of any conflict of interest (establishment of a policy and approval by outside committee members through multiple discussions regarding transactions with parties who have an interest in the company)</li> <li>- Timely and proper disclosure of information to stakeholders</li> <li>- Provision of information requiring timely disclosure, information on financial results, information on properties owned, progress in ESG initiatives, information on distribution, etc.</li> </ul>		
	<b>Initiatives for the disclosure of ESG information</b>			



### ■ Meeting for Promotion of Sustainability

Meetings for promotion of sustainability are held regularly to ensure that the Sustainability Policy is implemented and the sustainability goals are achieved.

#### Attendees

- President & Director (Chief Officer with the authority to make final decisions on matters related to promotion of sustainability)
- Other Directors
- General Manager of Strategic Management Departments and Investment Departments of each Management Division and General Manager of the Planning & Finance Department (Operating Officers of matters related to promotion of sustainability)
- Compliance Officer
- Other members whose attendance is considered necessary by operating officers

#### Details of Discussions and Reports, Frequency of Meetings and Examination Process

At meetings for promotion of sustainability, policies regarding sustainability are established, revised or abolished, and a range of measures that should be taken in line with the Sustainability Policy are discussed and reported.

Meetings for promotion of sustainability are held four times a year. We are working on continuous improvement through the repetition of the PDCA cycle, including the examination and planning of measures, the reporting and evaluation of progress, the analysis of results, and the examination and planning of improvement measures.

Matters discussed at the meetings for promotion of sustainability are to be decided upon and implemented according to the asset management company's Rules Regarding Administrative Authorities.

### ■ Employee Training on Sustainability

To spread the awareness of sustainability among employees, employee training on sustainability is provided periodically by inviting outside consulting companies as part of the environmental educational and awareness-raising activities.

## ■ Initiatives for Human Rights

Based on "Respect for Human Rights" in the Sustainability Policy, the Asset Management Company supports and respects the human rights policies stipulated in international principles such as the Universal Declaration of Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work, and the Guiding Principles on Business and Human Rights, and promotes measures to respect human rights.

The Asset Management Company has established the following rules to be complied with by the Asset Management Company. Such compliance rules apply to all officers and employees of the Asset Management Company involved in the asset management of MORI TRUST Hotel Reit. In addition, various stakeholders including our business contacts are also expected to respect human rights in their business related to MORI TRUST Hotel Reit.

### **(1) Prohibition of Discrimination and Harassment**

We respect the human rights and personality of individuals, and never engage in discriminatory behavior or conduct that leads to sexual or power harassment on the grounds of gender, age, nationality, race, ethnicity, creed, religion, sexual orientation, gender identity, social identity, physical disability, etc.

### **(2) Prohibition of Child Labor and Forced Labor**

We support and practice the effective abolition of child and forced labor. We also observe the minimum working age stipulated by law and do not force workers to work against their will.

### **(3) Respect for Freedom of Association and the Right to Collective Bargaining**

We support and respect the freedom of association and the right to collective bargaining in accordance with law, and do not discriminate in hiring, promotion, dismissal, or transfer decisions.

### **(4) Controlling Excessive Working Hours and Overtime**

We comply with labor-management agreements (36 employee-employer agreement) regarding overtime work and make efforts to control excessive working hours and overtime work.

### **(5) Payment of Wages Equal to or Above the Minimum Wage**

We pay our employees wages equal to or above the minimum wage stipulated by law to ensure the stability of their livelihood.

### **(6) Compliance with Equal Pay for Equal Work**

We prohibit unreasonable differences in treatment between regular and irregular workers in accordance with law.

The Asset Management Company identifies negative impacts on human rights in the asset management of MORI TRUST Hotel Reit, and continues to implement measures to prevent and improve various issues related to human rights.

In addition, there has been no material violation of laws and ordinances regarding the rules.

## ■ Information Disclosure and Communication

To build good relationships and communicate with stakeholders such as our unitholders, tenants and suppliers, the Asset Management Company widely disseminates information about the sustainability policy and the status of sustainability initiatives through MORI TRUST Hotel Reit's financial results presentation materials, asset management reports, its website and press releases.

## ■ GRESB Real Estate Assessment

GRESB Real Estate Assessment is an annual benchmarking assessment founded by a group of major European pension funds to measure ESG (Environmental, Social and Governance) integration of real estate companies and funds. The assessment is used by major institutional investors in Europe, the United States and Asia for selecting investment destinations and engaging with investees.

In the 2021 GRESB Real Estate Assessment, MORI TRUST Hotel Reit received “3 Stars” in GRESB Rating, which is based on GRESB Overall Score and its quintile position relative to global participants. It also won “Green Star” designation by achieving high performance both in “Management Component” that evaluates policies and organizational structure for ESG promotion, and “Performance Component” that assesses environmental performance and tenant engagement of properties owned.



G R E S B  
 ★ ★ ★ ☆ ☆ 2021

MORI TRUST Hotel Reit received the highest “A level” for the five-grade GRESB Public Disclosure, which assesses the width of ESG disclosure practices in connection with environmental and sustainability initiatives.



G R E S B<sup>®</sup>  
 Public Disclosure 2021

# 3. Climate Change Initiatives

## ■ Views and Policies on Climate Change

Climate change is an important issue that brings about dramatic changes to the natural environment and social structures and has a serious impact on MORI TRUST Hotel Reit's and the Asset Management Company's operations as well as businesses overall. The background to taking on climate change as an important issue is global trends in greenhouse gas emissions regulations, such as the Paris Agreement adopted in 2015, and the progress of climate change as a scientific fact presented in reports such as the IPCC Special Report (in 2018) (Note). The Paris Agreement aims to limit global average temperature increase to below 2°C compared with pre-industrial levels and below 1.5°C as an effort target. International frameworks and domestic regulations to reduce greenhouse gas emissions are expected to be toughened in the future as a result of this. The Asset Management Company also recognizes climate change as a scientific fact and believes that measures to address the spread of natural disaster damage caused by climate change, such as intensifying typhoon damage, frequent heat waves, and a rise in global sea levels, are essential.

MORI TRUST Hotel Reit and the Asset Management Company are promoting initiatives to address climate change issues, with "Addressing climate change and improving resilience" as one of the Asset Management Company's Sustainability Policies and the MORI TRUST Hotel Reit's materiality.

(Note) The IPCC Special Report on Global Warming of 1.5 °C published in 2018 by the Intergovernmental Panel on Climate Change (IPCC).

## ■ Declaration of Support for the TCFD Recommendations

Based on the recognition that climate change is a serious risk that threatens financial stability, the Asset Management Company expressed its support for the Task Force on Climate-related Financial Disclosures (TCFD) recommendations in March 2022, and discloses information on climate change-related risks and opportunities in the four areas of "Governance," "Strategy," "Risk Management," and "Metrics and Targets," in line with the TCFD recommendations.

MORI TRUST Hotel Reit believes that in order to secure its sustainable and stable profitability in the medium to long term, it is essential to enhance the resilience of its businesses in line with TCFD recommendations by identifying, assessing and managing risks and opportunities that may be brought about by climate change.



## ■ Governance on Climate Change

The Asset Management Company has established the following organizational governance system to respond to climate change-related risks and opportunities and promote and supervise initiatives related to climate change.

### Chief Executive Responsible for Response to Climate Change

President & Director (Chief Officer with the authority to make final decisions on matters related to promotion of sustainability)

### Executive Officer Responsible for Response to Climate Change

General Managers of the Strategic Management Department and Investment Management Department of Hotel REIT Management Division and General Manager of Planning & Finance Department (Operating Officers of matters related to promotion of sustainability)

### Matters for Discussion and Reporting at the Meetings for Promotion of Sustainability

- Identification and assessment of impacts of climate change
- Managing risks and opportunities
- Progress of adaptation and mitigation initiatives
- Climate change responses such as setting metrics and targets

For more information about the Meetings for Promotion of Sustainability, please refer to "Meeting for Promotion of Sustainability" in "2. Policies and Management Structure" on p.9 of this report.

## ■ Strategies

The Asset Management Company conducted a scenario analysis of climate change for MORI TRUST Hotel Reit's portfolio to determine which climate-related risks and opportunities could have material financial impacts and to assess the financial impacts.

### Reference Scenarios Used in the Scenario Analysis

	1.5-2°C Scenario	4°C Scenario
Transition Risks	IEA NZE2050 Scenario	IEA STEPS Scenario
Physical Risks	IPCC RCP4.5 Scenario	IPCC RCP8.5 Scenario

(Note) IEA: International Energy Agency, IPCC: Intergovernmental Panel on Climate Change

## Determined Climate-related Risks/Opportunities and Assessment of the Financial Impacts

Category	Risk and Opportunity Factors	Financial impact						Risk management, countermeasures and initiatives		
		Changes in Cash Flow	Risks / Opportunities	4°C Scenario		2-1.5°C Scenario				
				Medium term	Long term	Medium term	Long term			
Transition Risks	Policy and Law	Toughening taxation on GHG emissions by introducing a carbon tax	Increase in tax burden on properties with respect to GHG emissions	Risks	Low	Low	Medium	High	<ul style="list-style-type: none"> <li>-Introduce renewable energy</li> <li>-Introduce energy-saving equipment</li> <li>-Promote efforts/measures to achieve CO2 emission targets</li> <li>-Replace existing properties with properties with high environmental performance</li> <li>-Manage energy consumption by EMS</li> <li>-Acquire environmental certification / energy-saving ratings</li> <li>-Strengthen external appeal of sustainability relating to owned properties</li> </ul>	
		Toughening of energy conservation standards leading to obligations to report emissions	Increase in renovation costs due to toughening of energy conservation standards, increasing business expenses related to emissions reporting	Risks	Low	Low	Medium	Medium		
	Increase in income due to improvement of property competitiveness and added value of properties through response to environmental policy measures		Opportunities	Low	Low	Low	Medium			
	Technology	Evolution and widespread adoption of renewable energy and energy-saving technologies	Increase in cost of introducing new technologies	Risks	Low	Low	Medium	Medium		<ul style="list-style-type: none"> <li>-Promote shift of portfolio to ZEB properties</li> <li>-Introduce energy-saving equipment</li> </ul>
			Reduction in utility costs by improving environmental performance	Opportunities	Low	Low	Low	Low		
	Markets and Reputations	Change in social values relating to environmental performance	Decline in property ratings (prices) due to poor environmental performance	Risks	Low	Medium	Medium	Medium		<ul style="list-style-type: none"> <li>-Introduce energy-saving equipment</li> <li>-Acquire environmental certifications and energy-saving ratings</li> <li>-Improve competitiveness by introducing ESG evaluation standards at the time of property acquisition</li> <li>-Strengthen information linkage with hotel operators and PM in relation to market trends</li> <li>-Strengthen external appeal of sustainability relating to owned properties</li> <li>-Improve ESG ratings</li> </ul>
Change in demand from hotel guests and tenants (increase in needs for environmental performance)		Decrease in rental income due to relatively poor environmental performance	Risks	Low	Low	Low	Medium			
		Increase in rental income of properties with superior environmental performance	Opportunities	Low	Low	Low	Medium			
Physical Risks	Acute Risks	Damage to properties caused by wind and flood damage from typhoons	Increase in repair costs and insurance premiums, decrease in hotel guests, etc.	Risks	Medium	Medium	Low	Medium	<ul style="list-style-type: none"> <li>-Monitor risks of property locations</li> <li>-Implement disaster countermeasures in terms of both hardware and soft (human) aspects</li> <li>-Implement disaster countermeasures in terms of both tangible and intangible (human) aspects</li> <li>-Consider disposition of properties in areas with large impact, and acquire new properties based on the impact</li> <li>-Consider disposition of properties in areas with large impact, and acquire new properties based on the impact</li> <li>-Switch to high-efficiency air conditioning system</li> <li>-Implement cost countermeasures in terms of both tangible and intangible (human) aspects</li> </ul>	
		Inundation and sediment disaster due to intensive heavy rainfall and flooding of nearby rivers		Risks	Medium	Medium	Low	Medium		
	Chronic Risks	Progressive rise of sea levels and increase in disaster-prone areas in the mountains and along the coast	Large-scale renovation (level raising) costs of properties at low elevation relative to sea level Decrease in travel demand due to impact on transportation infrastructure such as airports	Risks	Low	Medium	Low	Low		
		Impacts of climate change on resort hotels (Decrease in snow cover: snow resorts, Rise of temperature: summer resorts, Rise of sea levels: beach)	Decrease in travel demand and property value	Risks	Low	Medium	Low	Low		
		Increase in extreme climatic conditions such as extremely hot and cold days	Increase in air conditioning operation, maintenance and repair costs due to increase in demand for air conditioning	Risks	Low	Low	Low	Low		

(Note) Timeline: medium term (-2030), long term (-2050)

The Asset Management Company believes that climate change, while carrying medium- to long-term risks, can also be viewed as a chance to create new business opportunities.

Based on this scenario analysis, MORI TRUST Hotel Reit will continue its efforts to improve its resilience.

For more information on each individual case study of climate change initiatives, please refer to "Examples of Environmental Initiatives" in "4. Environmental Initiatives" on p.18 of this report.

### ■ Climate Change Risk Management

The Asset Management Company identifies, assesses, and manages climate-related risks under the following framework to reduce climate-related risks.

#### Process for Identifying and Assessing Climate-Related Risks

The Asset Management Company will conduct a scenario analysis of climate change for MORI TRUST Hotel Reit's portfolio to determine which climate-related risks could have material financial impacts, and to assess the financial impacts. The contents of these analyses will be finalized after discussion at the Meetings for Promotion of Sustainability.

#### Processes for Managing Climate-Related Risks

Progress on initiatives related to identified risks is regularly reported at the Meetings for Promotion of Sustainability.

#### Integration into Company-Wide Risk Management Processes

Based on the matters related to climate change discussed or reported at the Meeting for Promotion of Sustainability and in accordance with the "Risk Management Regulations" of the Asset Management Company, a company-wide risk assessment including risk items other than climate change is conducted every year, and a "Risk Management Plan" is formulated. The "Risk Management Plan" is formulated by resolution of the Board of Directors, and its progress is regularly reported to the Board of Directors. Through this process, climate change risk management is integrated into the company-wide risk management process.

For more information on company-wide risk management at the Asset Management Company, please refer to "Risk Management" in "6. Governance Initiatives" on p.35 of this report.

### ■ Metrics and Targets

The Asset Management Company sets metrics and targets to monitor its efforts to reduce the impact of climate-related risks and actualize opportunities to create new business chances.

For information on the goals and performance currently set by the Asset Management Company in relation to climate change issues, please refer to "Environmental Performance Data" in "4. Environmental Initiatives" on p.17 of this report.

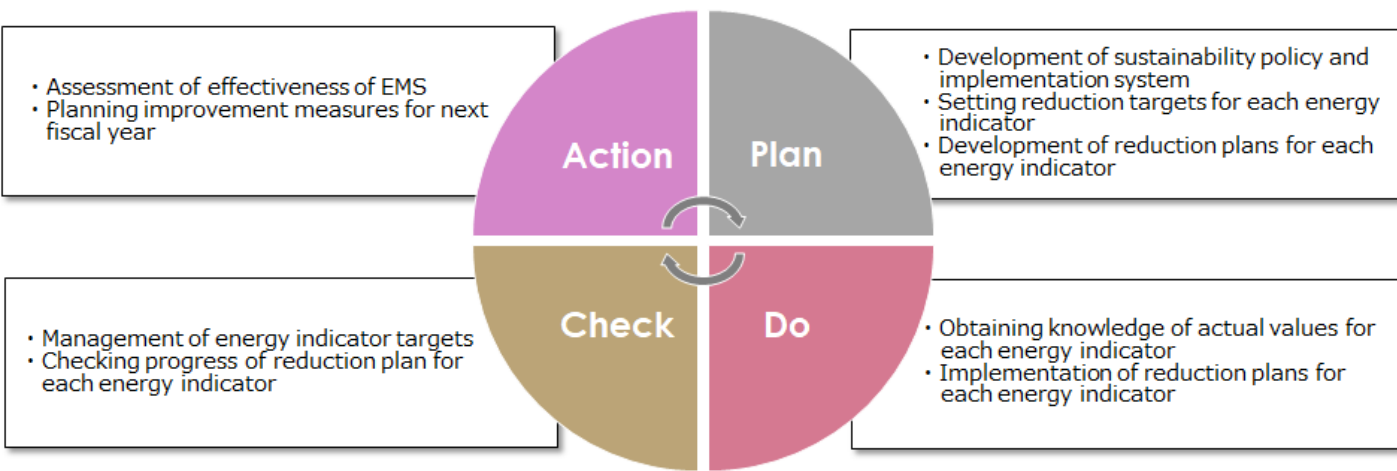
# 4. Environmental Initiatives

The Asset Management Company is working to reduce the environmental impact of the portfolio of properties held by MORI TRUST Hotel Reit in accordance with “Promoting energy saving and GHGs emission reduction,” “Contributing to recycle-oriented society” and “Responding to climate change and improving resilience” which form part of the Sustainability Policy.

## ■ Environmental Management System (EMS)

The Asset Management Company has built an environmental management system to promote energy saving, reduction of greenhouse gas (GHG) emissions, and effective use of resources.

The Asset Management Company sets targets for energy consumption, GHG emissions, water consumption, and amount of waste generation, observes the results, carries out plan-and-result management, and takes measures to contribute to the creation of a sustainable recycling society through the reduction of the environmental burden.



(Note) Third-party confirmation (Yasui Architects & Engineers, Inc.) has been obtained for all portfolio energy consumption, GHG emissions, water consumption, and amount of waste generation data.



## Environmental Performance Data

### Environmental Performance Targets

The Asset Management Company has set reduction targets for total energy consumption, GHG emissions, water consumption and waste generation across the portfolio, as shown below.

	Short Term	Medium-to-Long Term (For 5 Years from 2019)
<b>Energy</b>	Annual average reduction of 1% in intensity throughout period covered by medium-to-long term target	5% reduction in intensity from baseline
<b>GHG</b>		
<b>Water</b>	Maintain previous year's level	Maintenance of status quo
<b>Waste</b>		

(Note 1) Energy: Electricity, gas, fuel, DHC, etc./Water: Water supply and recycled water

(Note 2) Baseline: The actual values in 2018

(Note 3) Intensity is consumption rate or emissions rate per unit leased area.

### Environmental Performance Results

		2018 (Baseline)	2020	2021	Increase/ Decrease (From Baseline)
<b>Energy</b>	Consumption (MWh)	30,930	20,864	25,471	-
	Consumption intensity (MWh/m <sup>2</sup> )	0.349	0.236	0.288	-17.6%
<b>GHG</b>	Emissions (t-CO <sub>2</sub> )	11,403	7,222	8,580	-
	Emissions intensity (t-CO <sub>2</sub> /m <sup>2</sup> )	0.129	0.082	0.097	-24.8%
<b>Water</b>	Consumption (m <sup>3</sup> )	305,892	143,094	201,246	-
	Consumption intensity (m <sup>3</sup> /m <sup>2</sup> )	3.456	1.617	2.274	-34.2%
<b>Waste</b>	Waste generation (t)	1,165	414	578	-
	Waste generation intensity (t/m <sup>2</sup> )	0.013	0.005	0.007	-50.4%

(Note 1) Aggregation period is one year from April 1 each year to March 31 of the following year.

(Note 2) For each year, actual figures are based on the five properties owned as of March 31, 2022. Each of the above figures is the total portfolio amount and is based on a comparison of the same conditions.

## Examples of Environmental Initiatives

### Upgrading of Equipment and Installation of LED Lighting

MORI TRUST Hotel Reit is moving forward with energy-saving activities aimed at reducing our environmental load, such as upgrading to highly energy-efficient air-conditioning systems and kitchen equipment and installing LED lighting in guest rooms and common areas.



upgrading of air-conditioning systems  
(Courtyard by Marriott Shin-Osaka Station)



upgrading of kitchen equipment  
(Hilton Odawara Resort & Spa)

As initiatives for the period covered by this report, equipment upgrades were conducted to improve environmental performance.

### Major Upgrades

- Oct. 2021 Renewal of centralized monitoring system (Hilton Odawara Resort & Spa)
- Feb. 2022 Installation of smart meters (Shangri-La Tokyo)

### ESG Awareness-Raising in Backyards

The hotel operator of Courtyard by Marriott Tokyo Station educates hotel employees on energy conservation and other ESG issues, for example displaying posters in the backyard.



Posters in cargo elevator hall and inside elevator  
to raise sustainability awareness

### Site Greening

At KYOBASHI TRUST TOWER (Courtyard by Marriott Tokyo Station), abundant greenery has been arranged along the approach on the Tokyo Station side and on the rooftop, etc. Approximately 50% of the open spaces is greened (excluding the pilotis area).

In addition, MARUNOUCHI TRUST TOWER (Shangri-La Tokyo) plants trees outside to mitigate the heat island effect and reduce CO<sub>2</sub> emissions (greened area: approximately 1,650 m<sup>2</sup>).

## Water Reuse

Some portfolio properties such as MARUNOUCHI TRUST TOWER reuse hotel wastewater as grey water.

## Waste Reduction

Hotel operators are striving to reduce waste and be environmentally conscious by using paper straws, discontinuing the use of individually packaged shampoo and reducing food loss at the hotels we manage.

## Properly Dealing with Environmental Issues such as Contamination

When acquiring real estate, assessing beforehand whether there are harmful substances such as PCBs or asbestos, soil contamination or other environmental issues is an integral part of the process.

We deal with any issues with real estate held such as the presence of harmful substances through appropriate measures, management or treatment in accordance with laws and regulations.

## Introduction of Green Lease

MORI TRUST Hotel Reit concluded a memorandum for a green lease for the purpose of reducing the environmental burden with the tenants of some of the properties it held. Information sharing about electricity, gas and water consumption and discussions on the improvement of environmental performance will be conducted on a regular basis.

## Investment in Properties with Higher Environmental Performance

MORI TRUST Hotel Reit conducts risk evaluation and obtains engineering reports, etc. when acquiring properties.

The below property has been recognized by a third party as a property with high environmental performance.

### KYOBASHI TRUST TOWER (Courtyard by Marriott Tokyo Station)



Tokyo Metropolitan Government's Energy  
Performance Certificate Program  
**Acquired the highest rating of  
AAA**

Acquired the highest rating of AAA in Tokyo Metropolitan Government's Energy Performance Certificate Program with achievement of "ERR(Energy Reduction Ratio) 35.24%" and "PAL (Perimeter Annual Load) reduction rate 27.98%" in the hotel area.

The "Tokyo Metropolitan Government's Energy Performance Certificate Program" is a system by which energy performance of a building is evaluated based on the description in the building environment plans submitted to the Tokyo Metropolitan Government by the construction contractor.

# 5. Social Initiatives

Based on the "Collaboration with External Parties" in the Sustainability Policy, by building good relationships with external parties related to the properties owned and cooperating and collaborating with them, the Asset Management Company strives to contribute to social and economic development through such efforts as improving the satisfaction level of hotel management parties and hotel users and contributing to the sustainable development of local communities.

## ■ Stakeholder Engagement

MORI TRUST Hotel Reit and the Asset Management Company strive to build relationships with each stakeholder as described below as well as engage in interactive communication. The following section introduces each of the initiatives taken by MORI TRUST Hotel Reit and the Asset Management Company for each stakeholder.

Stakeholders	Relationship with MORI TRUST Hotel Reit and the Asset Management Company	Major Initiatives of MORI TRUST Hotel Reit and the Asset Management Company
<b>Hotel Management Parties and Other Business Partners (Suppliers)</b> (Note)	<ul style="list-style-type: none"> <li>• Sustainability-conscious collaboration systems</li> </ul>	<ul style="list-style-type: none"> <li>• Conduct detailed communication with tenants and hotel operators</li> <li>• Hold ESG Seminars with the Participation of Hotel Management Parties</li> <li>• Building collaboration systems with hotel management parties and other business partners (suppliers)</li> </ul>
<b>Hotel Users</b>	<ul style="list-style-type: none"> <li>• Responding to the needs of hotel users</li> <li>• Ensuring a safe and comfortable hotel stay</li> </ul>	<ul style="list-style-type: none"> <li>• Safety and comfort initiatives for hotel users</li> </ul>
<b>Local Communities</b>	<ul style="list-style-type: none"> <li>• Contribution to local communities</li> </ul>	<ul style="list-style-type: none"> <li>• Organization and participation in local events</li> <li>• Local volunteer activities</li> <li>• Cooperation with local communities</li> <li>• Disaster response</li> </ul>
<b>Employees</b>	<ul style="list-style-type: none"> <li>• Human resource development to realize more sophisticated asset management operations</li> <li>• Provide a healthy, comfortable and pleasant work environment</li> </ul>	<ul style="list-style-type: none"> <li>• Initiatives for human resource development</li> <li>• Initiatives for Well-Being (health and comfort)</li> <li>• Securing highly specialized human resources</li> </ul>
<b>Investors and Lenders</b>	<ul style="list-style-type: none"> <li>• Proactive information disclosure</li> <li>• Communication through IR activities</li> </ul>	<ul style="list-style-type: none"> <li>• Implement timely and appropriate information disclosure, including ESG information</li> <li>• Hold financial results briefings and individual meetings with domestic and overseas institutional investors</li> </ul>

(Note) "Hotel management parties" include, for example, tenants, hotel operators and property management companies, etc.  
 "Other business partners (suppliers)" include, for example, construction companies.

## ■ Measures for Dealing with Complaints

The Asset Management Company has set forth the Regulations for Dealing with Complaints and Disputes, and strives to deal sincerely and promptly with complaints and other requests from customers or others and to show them understanding.

## ■ Initiatives for Hotel Management Parties and Other Business Partners (Suppliers)

### Conduct Satisfaction Surveys of Tenants/Hotel Operators

The Asset Management Company regularly conducts satisfaction surveys of tenants and hotel operators regarding the operation of the properties. The results of the survey are used as reference for the Asset Management Company's property management and also shared with property management companies, etc. for the purpose of improving property management.

### Hold Regular Meetings with Tenants/Hotel Operators

Regular meetings are held with tenants and hotel operators regarding hotel operations, etc. At the regular meetings, hotel operation and property management policies are shared among the parties concerned, and progress management is regularly implemented to optimize hotel operations.

### Hold ESG Seminars with the Participation of Hotel Management Parties

For the purpose of deepening the knowledge of ESG to promote the Sustainability Policy to all parties concerned, ESG seminars are held by external lecturers with the participation of hotel management parties.

### Building Collaboration Systems with Hotel Management Parties and Other Business Partners (Suppliers)

In selecting and assessing hotel management parties and other business partners (suppliers), the Asset Management Company considers the status of their sustainability initiatives as one of the criteria and confirms their systems for environmental considerations and community contributions, as well as their cooperation with the sustainability initiatives of the Asset Management Company.

## ■ Initiatives for Hotel Users

### Hotel User Comfort Initiatives

In cooperation with hotel operators and property management companies, we are responding to new customer needs such as converting some guest rooms into working spaces, while also implementing initiatives for health, safety and hygiene, barrier-free access, etc.

### COVID-19 Prevention Measures

Each hotel is taking measures to prevent COVID-19 infection based on hygiene management programs formulated by each hotel chain. For example, Courtyard by Marriott Shin-Osaka Station is implementing the following measures.

#### Public Space Measures

- Installation of hand disinfectant
- Reinforcement of regular disinfection
- Social distancing
- Masks when serving customers
- Regular ventilation
- Change in how food is served

#### Staff Measures

- Masks and hand sanitization before and after work
- Physical condition checks
- Encouragement of hand washing, gargling, and coughing etiquette
- Increased hand sanitizers in back areas
- Hand washing/sanitization every 20 minutes for service staff
- No necessary business trips or overseas travel



## Introduction of Pure Wellness Rooms

In response to social needs amid the COVID-19 pandemic, in addition to measures taken by each hotel, Hilton Odawara Resort & Spa, Courtyard by Marriott Tokyo Station and Courtyard by Marriott Shin-Osaka Station have made some guest rooms “Pure wellness rooms” which provide a high-quality clean air environment and have been introduced in hotels around the world.

## Initiatives for Local Communities

Centering on hotels operated by the sponsor company, we have participated in/supported community events and organized community clean-up campaigns as contribution to local communities.

### Cooperation in a Decarbonized Regional Transportation Model through EV Car Sharing

Hilton Odawara Resort & Spa installed a station for eemo, an eco-friendly electric vehicle car-sharing service. The eemo service supports not only transportation but the community by running mainly on locally generated electricity in normal times and serving as emergency power sources during disasters.



eemo Station  
(Hilton Odawara Resort & Spa)

### Support for Local Elementary School Children in Leaving School

Hilton Odawara Resort & Spa provides free hotel shuttle bus service on days when local elementary school has morning classes as an alternative means of transportation for children in leaving school in place of the reduced public bus service.

### Organization and Participation in Local Events

Hilton Odawara Resort & Spa organizes “Christmas Train” as a charity event every year, in 2020, part of the sponsorship money was donated to each elementary and junior high school in Odawara City as well as orphanages, their supporting NPOs and elderly welfare facilities.

In addition, the Courtyard by Marriott Tokyo Station participated in the EDO ART EXPO, a local event.



Hold a charity event " Christmas Train"  
(Hilton Odawara Resort & Spa)



Participated in local event “EDO ART EXPO”  
(Courtyard by Marriott Tokyo Station)

## Participation in "EARTH HOUR2022"

Courtyard by Marriott Tokyo Station, Courtyard by Marriott Shin-Osaka Station and Hilton Odawara Resort & Spa participated in EARTH HOUR 2022, a global event organized by WWF (World Wide Fund for Nature) to demonstrate the will to prevent global warming.

## Local Volunteer Activities

Hilton Odawara Resort & Spa carried out the following local volunteer activities.

- Cleanups on the road from the nearby train station to the hotel
- Food bank distribution to single-parent families in Odawara City five times a year
- Material support for areas affected by the Atami-Izusan landslide

## Disaster Response

### Implementation of Disaster Drills

We regularly conduct disaster drills in collaboration with Hotel operators at properties owned by MORI TRUST Hotel Reit in an effort to increase disaster prevention awareness.

### Stranded Commuter Acceptance

At MARUNOUCHI TRUST TOWER, MORI TRUST Reit's sponsor MORI TRUST CO., LTD. has signed an agreement with the Tokyo Metropolitan Government and Chiyoda Ward to help commuters stranded by a disaster. In such an event, it will coordinate a response with the sponsor group.

## (Reference) Initiatives for Local Communities by Mori Trust Group

Our sponsor MORI TRUST CO., LTD. has formulated the Kamiyacho God Valley Vision as its vision for new urban development in the Kamiyacho area of Toranomom in Minato Ward, which is being development as a new international hub of Tokyo.

Through initiatives such as the promotion of the SDGs in urban development, the creation of areas that will encourage creativity, the adoption of the technologies of the future and next-generation services, the formation of a diverse community and the staging of collaborative events in the area, MORI TRUST CO., LTD. is working with the people of Kamiyacho to create the future.



### SDGs -Realization of a Sustainable Society-

Our sponsor has adopted the SDGs-realization of a sustainable society, as one of the four pillars for achievement of its Kamiyacho God Valley vision and, through initiatives with individual companies and groups for achievement of the SDGs, it is pushing ahead with urban development in each area and collaborating with local stakeholders to solve social issues.

For further details on the Kamiyacho God Valley Vision, please visit the URL below.

[https://www.mori-trust.co.jp/co-creation/area\\_kamiyacho.html](https://www.mori-trust.co.jp/co-creation/area_kamiyacho.html) (Japanese only)

## SUSTAINABLE DEVELOPMENT GOALS





## ■ Initiatives for Employees

In accordance with the provisions of the Act on Investment Trusts and Investment Corporations, MORI TRUST Hotel Reit is not allowed to recruit employees and the officers and staff of the Asset Management Company are responsible for its operation to all intents and purposes. Entrusted with asset management by MORI TRUST Hotel Reit, the Asset Management Company develops human resources through initiatives such as those shown below in order to achieve a high level of asset management.

### Initiatives for Human Resource Development

#### The Asset Management Company's Employee Training

The Asset Management Company bears the cost of participation in training and examinations and other activities to support employees in gaining qualifications and developing necessary business skills in order to improve their professional skills.

The Asset Management Company's employees also take part in diverse human resource development programs prepared by MORI TRUST CO., LTD., which is the Asset Management Company's sponsor.

#### Sponsor's Human Resource Development Programs

- |          |                          |   |
|----------|--------------------------|---|
| <b>1</b> | <b>MT TALK</b>           | As a means of creating company-wide change and reform, all employees reflect seriously on the future vision of MORI TRUST and engage in lively debates and communications on its ideal form.  |
| <b>2</b> | <b>MT ACADEMY</b>        | Graded training programs, global training programs dedicated career advancement programs for female staff, MORI TRUST holds regular training sessions and workshops related to new business knowledge and techniques. These training sessions provide opportunities for mutual stimulation and promote the growth of each and every employee. |
| <b>3</b> | <b>MT SOCIAL MEETING</b> | An opportunity for various employees from different departments to meet together and communicate across departments to share information and better understand each other.  |
| <b>4</b> | <b>MT MEETUP FUTURE</b>  | By the periodical holding of the lecture of the well-informed people such as executives or the researchers playing an active part in various fields, we stimulate the creative idea beyond the frame of the business.   |

#### Training Program

Officers and employees are regularly provided with training on themes such as sustainability, compliance and protection of personal information.

#### Personnel Evaluation and Feedback

We conducts performance evaluations and reviews of all employees on a regular basis. Through regular appraisal and feedback, we accelerate employees' career development and build a transparent personnel evaluation framework.

## Initiatives for Well-Being (Health and Comfort)

### Creation of Comfortable and Healthy Workplace Environment

We endeavor to create a healthy and comfortable workplace environment where employees can reach their full potential.

#### Specific Examples

- Leave and work restriction systems for maternal health management (special leave, restriction of overtime and holiday work)
- Spouse's childbirth leave system
- Maternity leave system
- Childcare leave system
- Childcare time system (short working hour system, slide work system, restriction of overtime and holiday work)
- Response to COVID-19
  - Implementation of work from home (with the recommendation of commuting outside rush hour if it is necessary to come to the office)
  - Implementation of infection prevention measures (alcohol disinfectant and face masks are always in stock at offices)
  - Shift to online meetings, etc.
- Child nursing care leave system
- Family care leave system
- Congratulation and condolence allowance system
- Mental health support
- Periodic health examinations
- Use of Group hotels by members
- Hourly leave system, etc.

### Implementation of Employee Satisfaction Surveys

To ensure that each employee is respected and each individual can maximize their potential, the Asset Management Company conducts an annual employee satisfaction survey to identify employees' opinions and requests. The Asset Management Company is also working to provide a healthier and more comfortable working environment by formulating action plans to resolve areas for improvement based on the results of employee satisfaction surveys.

### Scheme for Listening to Complaints

We listen carefully to the complaints and frustrations of our employees in each workplace and take appropriate steps through the whistleblowing system that is available to all its officers and employees (including temporary employees, contract employees, and employees on loan or dispatched from other companies). We take measures to ensure that no whistleblowers suffers retaliatory dismissal, disciplinary measures, or other detrimental treatment because of their whistleblowing.

## Other Initiatives

### Human Resources with High Levels of Expertise

We seek to achieve even more sophisticated asset management operations by accepting human resources with extensive experience and high levels of expertise from our sponsor and the sponsor group and leveraging their specialist skills.

#### Status of Employees

<b>Male/female employees ratios</b>	Male	78%	Female	22%
<b>Regular/non-regular employees ratios</b>	Regular employees	78%	Non-regular employees	22%

(Note) As of March 31, 2022. Regular employees consist of employees seconded from sponsor group.

### Employment System for Older Persons

A system has been introduced to rehire employees who have reached retirement age and wish to continue working until the age of 65 in order to take advantage of their wealth of knowledge and experience.

## (Reference) Initiatives for Employees by Mori Trust Group

MORI TRUST, the sponsor of the Asset Management Company, considers the work-life balance of its employees to help maximize each employee's abilities and strives to create a comfortable environment for them to work.

(Note) The Asset Management Company are comprised of personnel seconded from MORI TRUST CO., LTD.

### Promotion of Work-Life Balance and Women's Participation

MORI TRUST has introduced various programs, such as childcare leave, to help employees manage both their work and childcare.

(1) Female employment rate		33.3%
(2) Female employee rate		27.7%
(3) Female management position rate		6.8%
(4) Rate of taking childcare leave	Male	90.0%
	Female	100.0%
(5) Rate of paid leave taken		79.1%

((1)(4)(5): FY2021, (2)(3): as of March 31, 2022)

(Note) Figures shown in (1), (2) and (3) are calculated for employees employed by MORI TRUST CO., LTD. and figures shown in (4) and (5) are calculated for employees assigned to MORI TRUST CO., LTD.

#### Systems to Support Work-Life Balance

- Leave and work restrictions for maternal health management
- Spouse's childbirth leave
- Maternity leave
- Childcare leave
- Childcare time
- Child nursing care leave
- Family care leave

### Certification as a Childcare Supporting Company and Start of Childcare Business

MORI TRUST is recognized as a company supporting childcare and promoting women's activities by the Ministry of Health, Labour and Welfare (MHLW) and certified Kurumin and Eruboshi (two stars).

MORI TRUST opened a company-sponsored nursery, Nursery Room Mirai's, in Shiroyama Trust Tower in November 2019, which is available for use of the building's tenants and employees.



### Implementation of Work-Style Reforms

- Participation in "Time Difference Biz" led by the Tokyo Metropolitan Government
- Uses telecommuting and mobile workplace
- Introduction of "workations"

### Health and Productivity Management

The company, employees, their families, and the health insurance society work together on health management-related initiatives. These initiatives have been favorably received, and MORI TRUST was certified as a "Health and Productivity Management Organization" in 2022 (Ministry of Economy, Trade and Industry).

## ■ Initiatives for Investors and Lenders

### Information Disclosure

We seek to protect investors, etc., by setting forth policies and procedures to ensure that MORI TRUST Hotel Reit and the Asset Management Company disclose information in a timely and appropriate manner in accordance with relevant laws and regulations. We have also set out the Information Disclosure Regulations to help maintain and improve public trust in MORI TRUST Hotel Reit and the Asset Management Company.

In accordance with the Companies Act, the Act on Investment Trusts and Investment Corporations, the Financial Instruments and Exchange Act, the Tokyo Stock Exchange regulations, and other applicable laws and regulations, we endeavor to disclose to the public in a timely and appropriate fashion information requiring disclosure in relation to MORI TRUST Hotel Reit and the Asset Management Company and other information that will help investors make investment decisions.

### IR Activities

We communicate various useful information for investors via MORI TRUST Hotel Reit's website including timely disclosure information, financial information, portfolio information, and information about ESG initiatives and distributions.

We also hold briefing sessions on financial results for each fiscal period (mainly for securities analysts and institutional investors)(Note) and provide explanations about MORI TRUST Hotel Reit's operations and forecasts. We video the briefing sessions and post the video on MORI TRUST Hotel Reit's website to keep investors informed.

In addition, we conduct individual interviews with institutional investors in Japan and overseas to give them a better understanding of MORI TRUST Hotel Reit's operations.

(Note) In order to prevent the spread of COVID-19, financial results briefings were not held after the fiscal period ended February 2020.

# 6. Governance Initiatives

## ■ Corporate Governance

### MORI TRUST Hotel Reit's Organization System

The organization of MORI TRUST Hotel Reit consists of the General Meeting of Unitholders comprised of unitholders, one Executive Director, two Supervisory Directors, the Board of Directors comprised of the Executive Director and the Supervisory Directors, and the Accounting Auditor.

#### (1) General Meeting of Unitholders

Certain matters concerning MORI TRUST Hotel Reit as set forth in the Act on Investment Trusts and Investment Corporations ("Investment Trusts Act") or the Articles of Incorporation are decided by a resolution of the General Meeting of Unitholders, which shall be composed of unitholders.

Unless otherwise stipulated in laws or the Articles of Incorporation, a resolution at the General Meeting of Unitholders will be made by the majority of the voting rights of the unitholders present. However, certain important matters, including amendments to the Articles of Incorporation, require a resolution made by two-thirds or more of voting rights of unitholders present, provided that unitholders holding investment units equivalent to majority of total investment units issued are present (special resolution).

With regard to all investment units issued, each unitholder holds voting rights at a ratio of one voting right for each investment unit held by the unitholder.

#### (2) Executive Director, Supervisory Directors and the Board of Directors

The Executive Director executes the business of MORI TRUST Hotel Reit and also has the authority to take any judicial or extra-judicial acts related to the business of MORI TRUST Hotel Reit on behalf of MORI TRUST Hotel Reit. The Supervisory Directors have the authority to supervise the conduct of business by the Executive Director. The Board of Directors has the authority to approve the execution of specific responsibilities as well as the authority set forth in the Investment Trusts Act and the Articles of Incorporation and the authority to supervise the execution of duties by the Executive Director.

The appointment and dismissal of Executive Directors and Supervisory Directors is determined by resolution of a General Meeting of Unitholders in accordance with the provisions of the Act on Investment Trusts and Investment Corporations and the Articles of Incorporation.

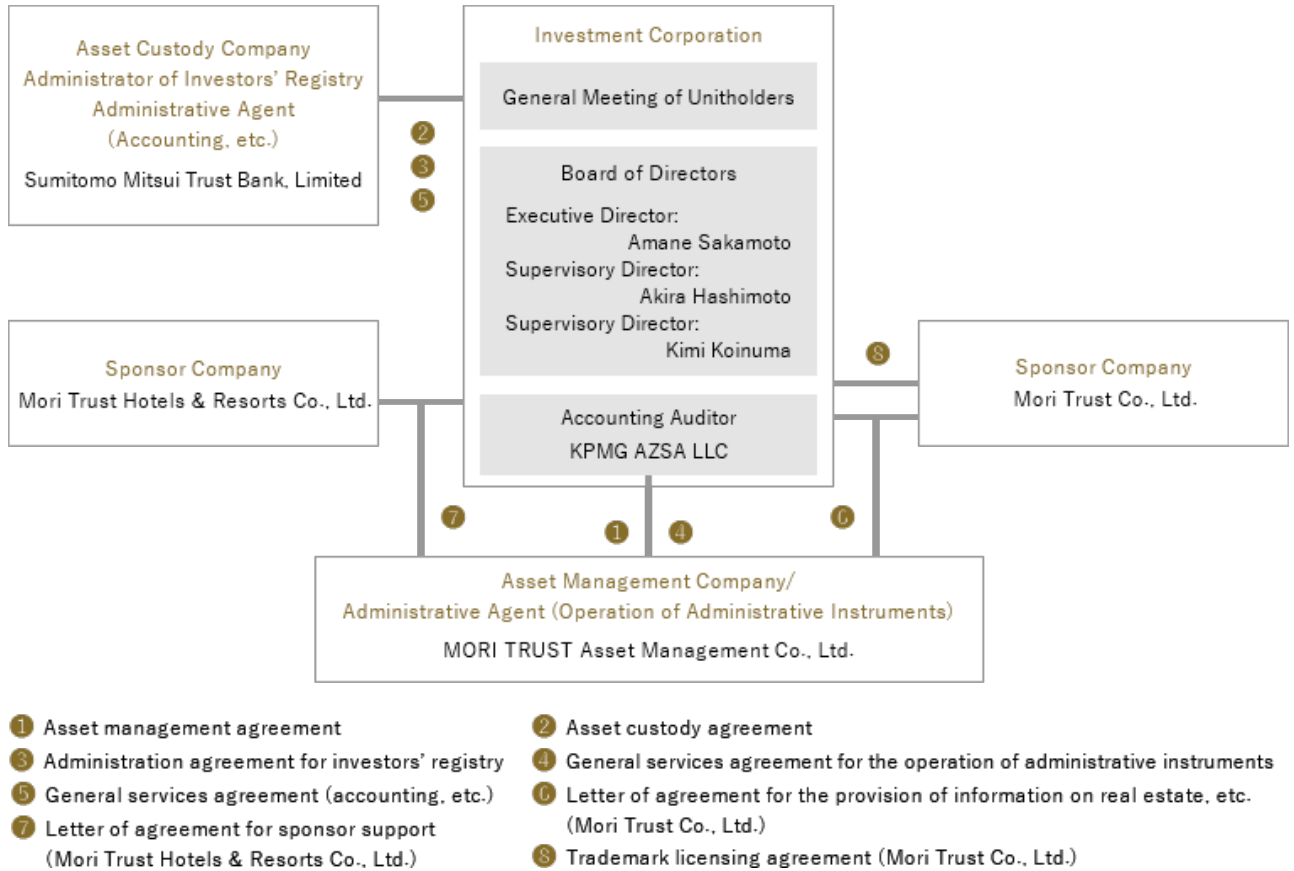
#### Status of the Board of Directors

Title	Name	Attendance (From April 2021 to March 2022)
Executive Director	Amane Sakamoto	12 meetings/12 meetings (100%)
Supervisory Director	Akira Hashimoto	12 meetings/12 meetings (100%)
	Kimi Koinuma	12 meetings/12 meetings (100%)

#### (3) Accounting Auditor

MORI TRUST Hotel Reit has elected KPMG AZSA LLC as the Accounting Auditor. The Accounting Auditor will audit MTH's financial statements and other relevant material, report to Supervisory Directors in the event of detection of a fraudulent act or material fact violating any law or the Articles of Incorporation concerning execution of duties of the Executive Director and perform other duties stipulated in laws.

## Chart of MORI TRUST Hotel Reit's Organization System



## Status of Directors

The status of the Executive Director and Supervisory Directors is as shown on the next page.

In addition, the payment standards for Executive and Supervisory Directors' remuneration are stipulated in the Articles of Incorporation as follows, and any changes require a resolution of a General Meeting of Unitholders.

- (Executive Director) Up to 800,000 yen per person per month as determined by the Board of Directors
- (Supervisory Director) Up to 500,000 yen per person per month as determined by the Board of Directors

Title	Name	Gender	Career Summary		Directors' remuneration (Note)	Number of investment units owned
Executive Director	Amane Sakamoto	Male	Apr. 1993 Mar. 2000 May 2001 Apr. 2002 Apr. 2011 Apr. 2015 Apr. 2016 Jun. 2017 Jul. 2017 Nov. 2017 Mar. 2019	Joined the Long-Term Credit Bank of Japan, Ltd. Joined the Industrial Bank of Japan Limited Seconded to Mizuho Securities Co., Ltd. Joined Mizuho Securities Co., Ltd. Deputy General Manager, Real Estate Finance Department I, Mizuho Securities Co., Ltd. General Manager, Markets Solutions Department, Mizuho Securities Co., Ltd. Seconded to MORI TRUST Hotel Asset Management Co., Ltd.(now MORI TRUST Asset Management Co., Ltd.) Managing Director, MORI TRUST Hotel Asset Management Co., Ltd.(now MORI TRUST Asset Management Co., Ltd.) Seconded to MORI TRUST Hotel Asset Management Co., Ltd.(now MORI TRUST Asset Management Co., Ltd.) President and CEO, MORI TRUST Hotel Asset Management Co., Ltd.(now MORI TRUST Asset Management Co., Ltd.) President and CEO, MORI TRUST Hotel Asset Management Co., Ltd.(now MORI TRUST Asset Management Co., Ltd.) Executive Director of MORI TRUST Hotel Reit, Inc. (present post) Representative Director, Chief Operating Officer (COO), Head of Hotel REIT Investment Division, MORI TRUST Asset Management, Co., Ltd. (present post)	-	0
Supervisory Director	Akira Hashimoto	Male	Oct. 1990 Jun. 1997 Jan. 2000 Nov. 2001 Jul. 2011 Dec. 2013 Jan. 2016	Showa Ota & Co. (now ERNST & YOUNG SHINNIHON LLC) Representative of Hashimoto Public Accounting Firm (present post) Director of Consulting Firm Co., Ltd. Partner of Chiyoda CPA Firm (present post) Representative Director of Strategic CFO Service Co., Ltd. (present post) Member of Chiyoda Tax Accountant Corporation (present post) Supervisory Director of MORI TRUST Hotel Reit, Inc. (present post)	¥3,600,000	0
	Kimi Koinuma	Female	Apr. 1991 Jan. 2016 Jun. 2018	Registration of attorney (Daini Tokyo Bar Association) Joined Masuda Ejiri Law Office (now Asahi Law Offices) (present post) Supervisory Director of MORI TRUST Hotel Reit, Inc. (present post) Outside Director of Central Glass Co., Ltd.(present post)		0

(Note) Directors' remuneration for the fiscal period ended February 2022 (6 months).  
The entire amount is fixed remuneration and there is no variable remuneration.

## Status of Accounting Auditor

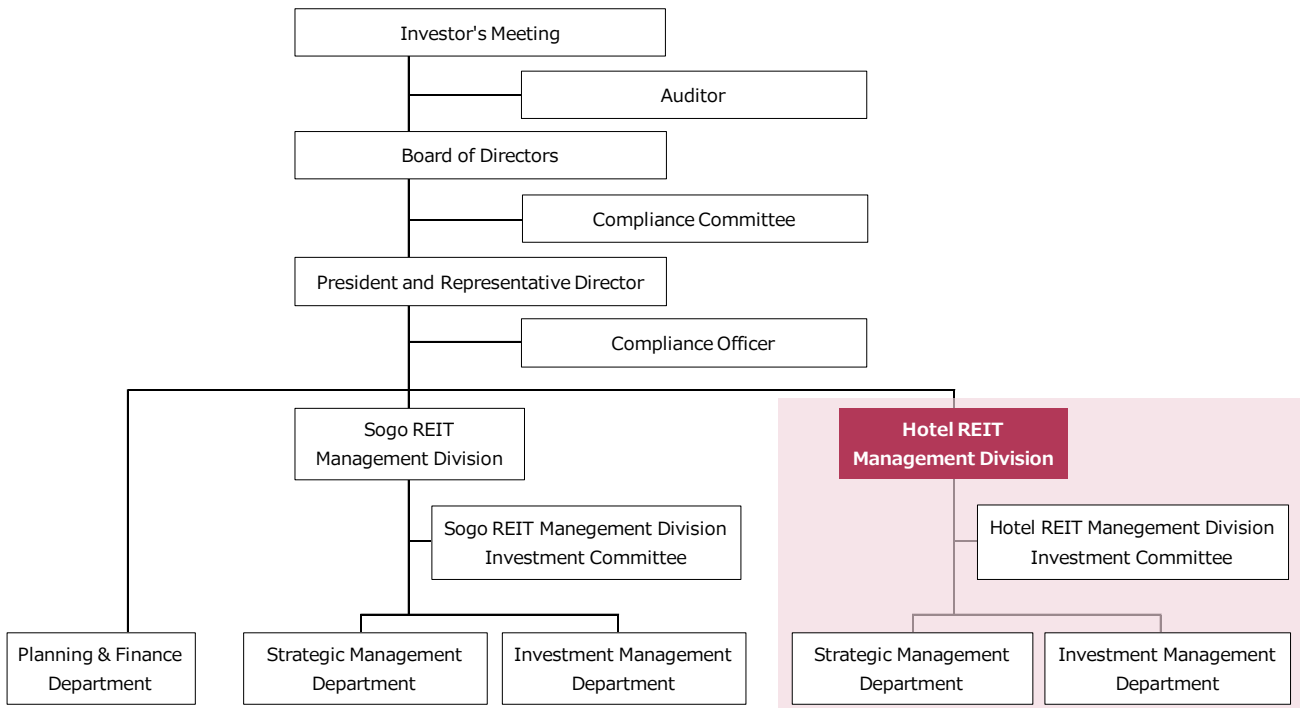
The status of the Accounting Auditor is as shown below.

Title	Name	Remuneration (Note)
Accounting Auditor	KPMG AZSA LLC	¥5,400,000

(Note) Accounting Auditor's remuneration is for the fiscal period ended February 2022 (6 months).  
All remuneration consists of audit remuneration, and there is no non-audit remuneration.

## The Asset Management Company's Organizational Structure

MORI TRUST Hotel Reit entrusts asset management to the Asset Management Company. The Asset Management Company's organizational structure is as shown below.



## Compliance Structure

### Basic Compliance Policy and Structure

The Asset Management Company has set compliance with laws, regulations and other rules as one of its management priorities and the Asset Management Company's management is actively working to develop and strengthen the compliance structure and internal control structure. To establish an appropriate operational structure, the Asset Management Company has appointed a compliance officer as the person responsible for compliance-related matters at the Asset Management Company to ensure that internal checks and balances on other departments function effectively. Furthermore, through the establishment and operation of the Compliance Committee, the Asset Management Company has established a multi-tiered structure for ensuring MORI TRUST Hotel Reit's compliance with laws, regulations and other rules.

#### (1) Board of Directors

The Board of Directors seeks to ensure compliance as the organization with ultimate responsibility for the execution of business and, besides receiving reports on matters approved by the Compliance Committee, also makes resolutions on important compliance-related matters at the Asset Management Company, including formulation and amendment of the basic policy on compliance and compliance program, formulation of the risk management plan and internal audit plan, as well as appointment and dismissal of Compliance Committee members and the Compliance Officer.

#### (2) Compliance Committee

The Compliance Committee is responsible for execution of the duties set forth in the Compliance Committee Rules in cooperation with the Board of Directors and Compliance Officer.



### (3) Compliance Officer

As the person responsible for compliance at the Asset Management Company, the Compliance Officer works to establish an internal compliance structure and to raise awareness of norms for compliance with laws, regulations and other rules within the company. The Compliance Officer, therefore, constantly monitors whether the Asset Management Company executes asset management business in accordance with laws, regulations and other rules, and also monitors and supervises the status of compliance in the execution of day-to-day operations.

In light of the importance of the Compliance Officer's responsibilities, the Asset Management Company elects as Compliance Officer an individual who is sufficiently capable of examining and supervising business execution to achieve compliance with laws, regulations and norms.

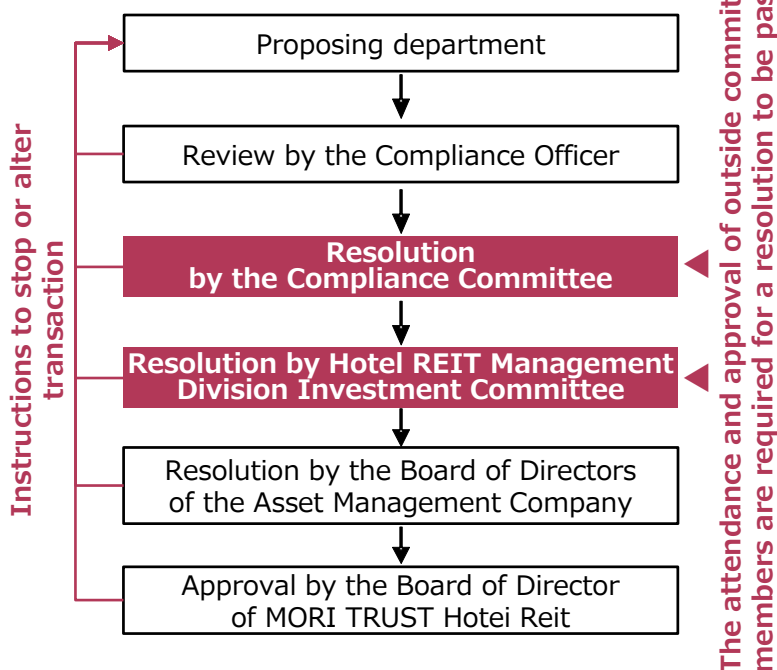
The Asset Management Company has put in place a structure such that any act pertaining to the Asset Management Company's business operations that violates or is likely to violate laws and regulations discovered by any officer or employee is reported immediately to the Compliance Officer.

### Appropriate Management of Conflicts of Interest

To prevent the Asset Management Company from engaging in transactions with interested parties sharing certain interests with the Asset Management Company which may be harmful to the interests of MORI TRUST Hotel Reit, the Asset Management Company has identified types of interested party transactions and set forth interested party transactions standards and comprehensively judges whether to conduct a transaction through deliberation by more than one body. The Asset Management Company elects outside specialists as committee members to both the Compliance Committee and the Investment Committees that hold such deliberations.

If the acquisition of an asset or other transaction by an investment corporation which entrusts its asset management to the Asset Management Company constitutes an interested party transaction, the approval of the outside committee members of the Compliance Committee and Investment Committees as well as the approval of the investment corporation's Board of Management are required. Details of this decision-making process are as shown below.

#### Decision-Making flow of the Asset Management Company in Transactions with Interested Parties



#### Preventing Conflicts of Interest among Management Entrusting Investment Corporations

The Asset Management Company is entrusted with the management of the assets of MORI TRUST Hotel Reit and MORI TRUST Sogo Reit, Inc. (In this paragraph, both investment corporations are referred to as the "Management Entrusting Investment Corporations.") The "Standards Concerning Prevention of Competition among Clients for Property Acquisition, Etc.," which set forth the order of priority, etc. concerning the consideration of acquiring hotel properties for the purpose of preventing arbitrary allocation of information and conflicts of interest among Management Entrustment Investment Corporations, have been established.

## Exclusion of Antisocial Forces

The Asset Management Company has formulated the Basic Policy to Prevent Damages Caused by Antisocial Forces in order to exclude antisocial forces and groups that threaten public order or stability and obstruct the economic activity of companies and individuals.

The Policy sets out that the organization as a whole will deal with unjust demands by antisocial forces, that the Asset Management Company will establish close and cooperative relationships with external specialist organizations such as the competent police, the National Center for Removal of Criminal Organizations, and legal practitioners, that it have no relations with antisocial forces including business relations, and that it will refuse any unjust demands by antisocial forces.

## Prohibition of Insider Trading

MORI TRUST Hotel Reit and the Asset Management Company established respectively its Corporate Information Management Rules to prohibit MORI TRUST Hotel Reit's officers and the Asset Management Company's all its officers and employees (including temporary employees, contract employees, and employees on loan or dispatched from other companies) from engaging in transactions such as trading securities including MORI TRUST Hotel Reit's investment units, based on corporate information or other special information that they have obtained in the course of operations by taking advantage of their titles and positions.

## Relations with Politicians and Governments

The Asset Management Company's Basic Policy on Compliance stipulates that it shall maintain transparent and sound relations with politicians and governments. It has never made any political donations in the past.

## Prevention of Bribery and Corruption

The Asset Management Company set out in its Rules of Employment and its Basic Policy on Compliance that its officers and employees will not engage in an acts of fraud or corruption including bribery such as offering or accepting gifts, entertainment and/or other benefits beyond socially accepted limits, and money laundering and that the Asset Management Company will take strict disciplinary action against any officer or employee who violates these rules.

There has been no material violation of laws and ordinances around these matters, and nor has there been any record of paying penalties, surcharges or settlement money in relation to any acts of corruption.

In addition, no employee has been subject to reprimand or dismissal due to acts in relation to bribery or corruption.

## Establishment of Whistleblowing System

The Asset Management Company has a whistleblowing system in place for all its officers and employees (including temporary employees, contract employees, and employees on loan or dispatched from other companies).

In this system, a whistleblower can make a report anonymously. In addition, in accordance with the Whistleblower Protection Act, it is prohibited to carry out dismissal, disciplinary measures, retaliation or any other treatment that is disadvantageous to a whistleblower on account of such whistleblowing.

## Provision of Regular Compliance Training

The Asset Management Company provides all its officers and employees (including temporary employees, contract employees, and employees on loan or dispatched from other companies) with training mainly aimed at raising compliance awareness on a regular basis.

## Risk Management

### Basic Risk Management Policy and Structure

The Asset Management Company positions risk management as one of its management policies and has established "Risk Management Regulations" for the purpose of ensuring the survival and stable growth of its business and soundness of its management, and promotes risk management.

The Asset Management Company has also established the following risk management system.

#### (1) Board of Directors

The Board of Directors makes decisions on the formulation and revision of plans for risk management (Risk Management Plan) and receives regular reports from the Compliance Officer on the progress of the plan.

#### (2) Compliance Officer

The Compliance Officer, as the Chief Risk Management Officer, establishes and maintains the risk management framework of the Asset Management Company and controls operations related to risk management.

#### (3) General managers of each department

The general managers of each department as risk management managers establish and maintain a risk management framework for the department under their jurisdiction, and control and execute operations related to risk management for the department under their jurisdiction.

### Risk Management Process

In accordance with the "Risk Management Regulations," the Asset Management Company practices company-wide risk management by conducting risk assessments and formulating a "Risk Management Plan" every fiscal year, as well as by regular checking on the progress of the plan. The risk management process is as follows:

- (1) Identify risk items in each department by risk category
- (2) Assessment of "frequency of occurrence (possibility of occurrence)" and "scale of damage (impact)" of each risk.
- (3) Based on the results of the above assessment, determine which risk items could be material risk items.
- (4) Set management targets and formulate response measures for each determined material risk item.
- (5) Assessment of the implementation status of response measures, and report on the results of the assessment and corrective/improvement matters based on the assessment.

## Other Initiatives

### Information Security

The Asset Management Company enacted the Information Management Rules with the aim of properly utilizing company information and preventing information incidents including unauthorized access and the loss or leak of company information.

The rules aim to ensure information management by providing for training and audits on the management of confidential information, restriction of unauthorized access, prevention of information leaks, maintenance of information systems and information system.

## Same Boat Investment by Sponsor Group

MORI TRUST Hotel Reit aims to improve unitholder value by aligning sponsor interests with those of unitholders.

Percentage of investment units owned by MORI TRUST Group

**36.8%** (As of end of February 2022)

## Customer-Oriented Business Conduct

The Asset Management Company adopted the Principles for Customer-Oriented Business Conduct announced by the Financial Services Agency on March 30, 2017 and set forth a Policy on Customer-Oriented Business Conduct as set out below.

### 1. Formulation and Announcement of Policies regarding Customer-Oriented Business Conduct

We have formulated and announced this Policy and we publish the status of the Policy's implementation and also revise this Policy as appropriate.

### 2. Pursuit of the Customers' Best Interest

As a financial service provider, we maintain a high level of expertise and professional ethics, conduct business with customers in a faithful and fair manner, and pursue customers' best interests. The Asset Management Company also endeavors to ensure that such business conduct becomes firmly established as its corporate culture.

### 3. Appropriate Management of Conflicts of Interest

To accurately understand and manage potential conflicts of interests in transactions, we have established rules such as the Rules for Transactions with Interested Parties and Compliance Rules as voluntary rules in addition to the provisions of relevant laws and regulations, and we have established a policy for dealing with transactions involving conflicts of interest and an operating structure to ensure high independence.

### 4. Clarification of Various Fees and Commissions

The Asset Management Company properly provides information to help customers understand details of various fees and commissions paid to us by investment corporations which entrust their asset management to us, including details of the kind of services provided in exchange for these fees and commissions.

### 5. Providing Important Information in an Easy-to-understand Manner

The Asset Management Company provides important information which might affect customers' investment decisions in an easy-to-understand manner through statutory disclosure, timely disclosure, voluntary disclosure and other means.

### 6. Providing Suitable Service to Customers

We endeavor to understand customers' needs and conduct asset management based on an awareness of these needs. We also provide easy-to-understand information that helps customers understand the status of operations of investment corporations who entrust their asset management to us.

### 7. Framework for Adequate Motivation of its Employees

To further promote customer-oriented business conduct, the Asset Management Company raises awareness of its Corporate Philosophy and its Basic Policy on Compliance as well as of the importance of this policy among individual employees through compliance training, etc.