

PROMOTION OF ENVIRONMENTAL AND/OR SOCIAL CHARACTERISTICS (SUMMARY OF SFDR ARTICLE 8 PRE-CONTRACTUAL DISCLOSURE)

What environmental and/or social characteristics are promoted by Japan Hotel REIT Investment Corporation?

Japan Hotel REIT Investment Corporation (“we”, “us” or “our”) and Japan Hotel REIT Advisors (the “Asset Manager”) are making efforts to enhance the sustainability of our business through consideration of ESG (Environment, Social & Governance) issues, on the belief that sound management, which enables us to co-exist in harmony with society and our environment, will improve unitholder value over the medium to long term. We and the Asset Manager established a Sustainability Policy in December 2017 and are pursuing a series of ESG measures, including reduction of our environmental impact in consideration of all of our stakeholders. In December 2021, in order to further enhance our ESG initiatives, we identified the ESG issues that we consider to be most material to us and are promoting measures to address those issues.

What sustainability indicators are used to measure the attainment of the environmental or social characteristics promoted by Japan Hotel REIT Investment Corporation?

We use the following indicators to measure the attainment of the E/S characteristics we promote:

- *Environmental Certification.* In order to ensure the credibility of our initiatives aimed at reducing our environmental impact, we have obtained green building certifications from third-party experts such as the Comprehensive Assessment System for Built Environment Efficiency (“CASBEE”) for Buildings and Building-Housing Energy-efficiency Labeling System (“BELS”) Evaluation. As of December 31, 2022, we had acquired “B+: Good” from CASBEE for two of our properties as well as two stars out of BELS’ five-star ranking system for one of our properties and its highest rating, five stars, for one of our properties (“Green Certified Assets”).
- *GRESB Real Estate Assessment.* The GRESB, established in 2009, validates ESG performance data and provide benchmarks for measuring real estate companies’ and institutional investors’ commitment to sustainability. Leading European, U.S., and Asian institutional investors use these benchmarks in selecting investment targets. We have participated in the GRESB Real Estate Assessment since 2018 and have acquired “Green Star,” which is given based on evaluation of the management component, which evaluates policies and organizational structure for ESG promotion, and the performance component, which assesses environmental performance and tenant engagement of properties owned, for five consecutive years. We were also selected as “Sector Leader” in the Asian Hotel Sector for three consecutive years since 2020.
- *SMBC Environmental Assessment Loan.* The SMBC Environmental Assessment Loan is a loan provided by Sumitomo Mitsui Banking Corporation based on environmental assessment conducted by the Japan Research Institute, Limited, which reviews the borrower’s environmental management comprehensively based on four criteria: (i) awareness of environmental load; (ii) extent of environmental conservation measures and results; (iii) its environmental management system; and (iv) initiatives for environmental communication and environmental business. We received an “A” grade under the SMBC Environmental Assessment in March 2018.
- *Task Force on Climate-related Financial Disclosures (“TCFD”):* The TCFD was established by the Financial Stability Board (FSB) to develop recommendations for more effective climate-related disclosures. In November 2021, the Asset Manager expressed support for the TCFD recommendations, which are designed to help companies provide better information to support informed capital allocation, and joined the TCFD Consortium, an organization comprised of Japanese companies that support the recommendations and discuss initiatives aimed at effective information disclosure by companies and linking of disclosed information to appropriate investment decisions by financial institutions. In August 2022, we disclosed the initiatives for the four disclosure themes recommended by the TCFD, including the degree of financial impact based on climate change-related scenario analysis.

- *Tracking of environmental performance data.* The Asset Manager tracks and monitors data on energy consumption, CO2 emissions, water use and generated waste of our HMJ Group hotels.

What investment strategy does Japan Hotel REIT Investment Corporation follow?

We are a J-REIT that specializes in investment in hotels. Our basic investment thesis is to achieve steady growth and stable revenue over the medium to long term. We aim to maximize unitholder value by acquiring highly competitive hotels in areas with strong demand from both domestic and inbound leisure customers.

We may issue green bonds in accordance with the Green Bond Principles (2018) established by the International Capital Markets Association, which are intended to support issuers in financing environmentally sound and sustainable projects that foster a net-zero emissions economy and protect the environment, as well as the Green Bond Guidelines (2017) established by the Ministry of the Environment of Japan aiming at maintaining credibility in the environmental effects of green bonds. We issued our twelfth unsecured investment corporation bonds in July 2019 under this framework (“2019 Green Bond Framework 2019”). We and the Asset Manager believe that continued issuances of green bonds will not only lead to strengthen our financing base, but also will contribute to the expansion of ESG investment opportunities.

What is the policy to assess good governance practices of the investee companies and Japan Hotel REIT Investment Corporation?

We invest directly or indirectly through trust beneficiary interests in real estate. Therefore, due diligence (including the assessment of good governance practices) in relation to investee companies is not applicable to us.

We, along with the Asset Manager, have introduced the following measures to assess and enhance our governance systems: adoption of a decision-making process in conflict-of-interest transactions; risk management; internal audit; and the transparent and appropriate information disclosure.

What is the asset allocation planned for Japan Hotel REIT Investment Corporation?

We use BELS and CASBEE for the environmental certification of the properties in our portfolio. We call our property that receives any such certifications as “Green Certified Asset”. As of December 31, 2022, 17.2% of the properties in our portfolio were Green Certified Assets, and 82.8% were noncertified assets based on gross floor area. The percentage of Green Certified Assets in our portfolio is not high mainly due to a limited number of green certification organization in Japan that review and issue green certifications to hotel properties. We track and monitor the property-level environmental performance indicators of our properties leased to HMJ Group (60.5% of our portfolio based on gross floor area) including the Green Certified Assets, to assess the environmental performance of our portfolio. Our climate change-related targets are as follows: reduce GHG emission intensity by 30% per floor area in our portfolio compared to FY2017 until 2050.

REMUNERATION AND SUSTAINABILITY RISKS (SFDR ARTICLE 5 DISCLOSURE)

The Asset Manager has a remuneration policy in place which aims to support its strategy, values and long-term interest, including its interest in sustainability. The Asset Manager’s remuneration policy is consistent with the integration of sustainability risks, as follows:

- Remuneration, methods of calculation and payment and timing of payment are determined according to the Asset Manager’s compensation rules.
- Base salary for each employee of the Asset Manager is determined every year on January at the Asset Manager’s discretion, considering factors such as performance of and economic conditions surrounding the Asset Manager, and such employee’s duties/ position, performance, ability, achievement and contribution, which may include those with respect to ESG, and years in service.

- Employees may receive various allowances such as those for housing, unemployment insurance, commutation, retirement, and overtime and day-off work charge.
- Employees may receive bonuses, which amount is determined by the Asset Manager considering the performance and profits of the Asset Manager and the achievement and contribution of each employee, which may include those with respect to ESG; provided, however, that the Asset Manager may decide not to pay bonuses depending on the above factors. Methods of calculation and timing of payment are determined according to compensation rules.