

Promotion Foundation

# Management Structure

The Nomura Real Estate Group is aware that reinforcing compliance and implementing risk management and corporate governance are key management issues for establishing a sustainable society, continuing business activities, and increasing corporate value. Accordingly, we undertake these activities. Further, the Group conducts its business activities while respecting the human rights of all people including customers, local communities, employees, and suppliers.

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# Compliance

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## Approach and Policies

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The Nomura Real Estate Group has positioned compliance with laws, regulations, corporate codes of conduct, and so on as a key management issue and formulated the Nomura Real Estate Group Code of Action as a compliance guide. In addition, Nomura Real Estate Holding established a Risk Management Committee and Group Legal/Compliance Department, conducts ongoing education and training for officers and employees throughout the Group, and provides advice, guidance, and support to Group companies.

## The Nomura Real Estate Group Code of Action

The Nomura Real Estate Group has formulated a Code of Action to define fundamental rules that Group officers and employees must adhere to.

### Ethical codes of Nomura Real Estate Group

#### Chapter 1 General provisions

- Article 1 (Purpose)
- Article 2 (Positioning)
- Article 3 (Definitions)
- Article 4 (Revision or abolition)

#### Chapter 2 Basic position

- Article 5 (Awareness and behavior as a member of society)
- Article 6 (Respect for basic human rights)
- Article 7 (Observance of compliance)
- Article 8 (Consideration for the global environment)
- Article 9 (Corporate social responsibility)

#### Chapter 3 Behavior that gains customer trust

- Article 10 (Providing highly safe, high-quality products and services)
- Article 11 (Description of and risks relating to goods and services)
- Article 12 (Customer consultation, response to complaints)
- Article 13 (Appropriate disclosure to customers and provision of information)
- Article 14 (Management of customer information)

#### Chapter 4 Maintaining a fair relationship with business partners

- Article 15 (Implementation of fair competition and fair trade)
- Article 16 (Implementation of highly transparent transactions)
- Article 17 (Offering moderate entertainment or gifts for business partners)
- Article 18 (Infringement of intellectual property rights and prohibition of unauthorized use)
- Article 19 (Management of information on business partners)

#### Chapter 5 Relationship with officers and employees

- Article 20 (Respect for human rights of officers and employees)
- Article 21 (Maintenance and improvement of work environment)
- Article 22 (Prohibition of insider trading)
- Article 23 (Sincere business activities)
- Article 24 (Operational records and reports)
- Article 25 (Management of company assets and information)
- Article 26 (Reporting illegal or unethical behavior)

#### Chapter 6 Relationship with society

- Article 27 (Disclosure of corporate information)
- Article 28 (Offering entertainment or gifts to public officials etc.)
- Article 29 (Exclusion of anti-social forces)
- Article 30 (Construction, operation, improvement of internal control for proper business execution)

#### Chapter 7 Miscellaneous provisions

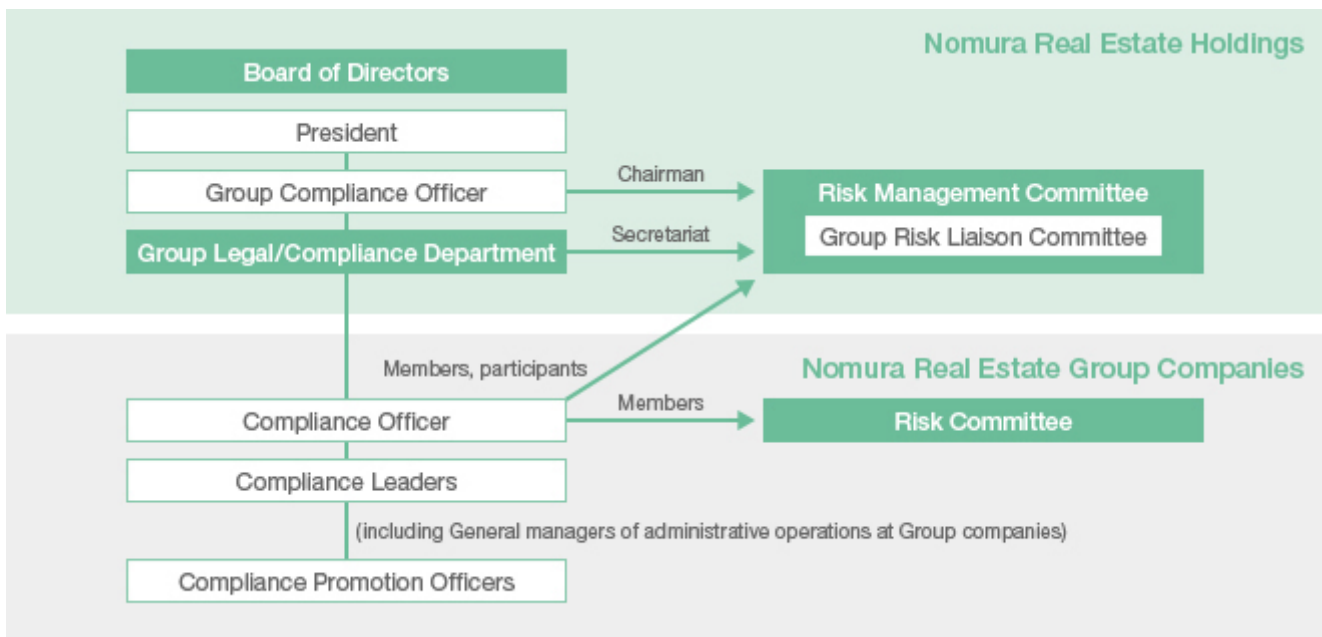
- Article 31 (Preparation of guidelines)
- Article 32 (Use of guidelines)
- Article 33 (Application to overseas subsidiaries and affiliates)

## Management

### Compliance Promotion Framework

Nomura Real Estate Holdings has established a Risk Management Committee and Group Legal/Compliance Department to develop and implement a framework for compliance. In addition, Compliance Officers, Compliance Leaders, and Compliance Promotion Officers have been appointed at Group companies to ensure compliance throughout the Group.

The Nomura Real Estate Group Compliance Structure



### Policy on Political Participation

In cases where the Group supports the activities of a political organization or makes political contributions, we act in compliance with relevant laws and regulations such as the Political Funds Control Law and the laws and regulations of each country and check our actions under the Group Code of Action.

## ■ Policies on the Preventing Bribery and Corruption

The Group Code of Action provides, with regard to receipt or provision of entertainment or gifts from or to business partners, “Nomura Real Estate Group officers and employees shall not request, provide, or receive entertainment or gifts incompatible with sound business practices or common sense” and “the details of entertainment, money, or goods given or received shall be reported and documented.” The Code further provides, “No officer or employee shall use their professional position to request or accept benefits or favors from a business partner.”

The Group complies with the Guidelines for the Prevention of Bribery of Foreign Public Officials established by the Ministry of Economy, Trade and Industry and formulated its own Policy on the Prevention of Bribery of Foreign Public Officials, which can be found on the Group website. In accordance with this policy, the Group formulated the Regulations on the Prevention of Bribery of Foreign Public Officials and the Anti-Bribery Guidelines and has established specific internal procedures relating to the provision of entertainment, gifts, invitations, and donations to foreign public officials and the use of agencies and so on. The Group also conducts periodic training on the prevention of bribery for officers and employees in overseas business units.

## ■ Policy on Fair and Open Competition and Appropriate Transactions

The Nomura Real Estate Group Code of Action sets forth rules on maintaining fair relationships with business partners. The areas covered by the rules include fair competition and transactions as well as transparency. Moreover, in the selection of business partners we strive to comprehensively and fairly assess a wide range of factors, including quality, price, track record, and reliability.

## ■ Guidelines on Social Media

The Nomura Real Estate Group's Guidelines on the Use of Social Media state that use of social media must exhibit an awareness of the individual's position as a member of society and exemplify a high level of ethics following the norms of society at all times when posting, regardless of whether such posting is for personal or professional reasons.

As a part of our compliance training program, we implement periodic measures intended to raise awareness and provide information on areas of caution and risks relating to the posting information on social media.

## Excluding Anti-Social Forces from Business Relationships

The Nomura Real Estate Group has established a provision within its Code of Action that prohibits business transactions with anti-social forces or related organizations. It is our strict policy to exclude anti-social forces from our business relationships.

In line with this policy, we issued a manual that details specific responses and have designated responsible departments and appointed personnel responsible for preventing improper requests to ensure organizational responses by Nomura Real Estate Holdings and each Group company. In addition, we consult and coordinate with legal counsel, the police, and other specialized external organizations to ensure that anti-social forces are excluded from involvement in our business activities and to prevent any harm caused by such anti-social forces.

## Complying with Regulatory Requirements and Raising Awareness

In order to comply with all regulatory requirements and raise awareness, the Group formulated the Compliance Program and conducts training and other measures throughout the year.

### 【Main Programs】

- Compliance Hour: Distributed online every other month. In fiscal 2017, the attendance rate was 100%.
- Compliance Training: Group training for different professional ranks. In fiscal 2017, training was conducted 34 times.

## Compliance Violation Results

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In fiscal 2017, there was one serious violation relating to compliance in the Group.

# Risk Management

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## Approach and Policies

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The Nomura Real Estate Group is aware that establishing a basic policy on risk management and ensuring the soundness of management through appropriate risk management and operations are key management issues.

Accordingly, the Group established a basic policy and specifies risk categories and management and operational structures in its Risk Management Regulations. In addition, the Risk Management Committee was established in accordance with these regulations. The Committee conducts regular risk monitoring, assessment and analysis, takes preventive measures, responds at the time of occurrence, and implements countermeasures to prevent reoccurrence after the occurrence of a risk.

## Management

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### Risk Management Regulations

The Group established the Risk Management Regulations to set forth fundamental matters relating to risk management and perform appropriate risk control and operations. The Regulations set forth the basic policy on risk management, identify key risks, and specify management and operational structures and so on.

#### 【Key Risks】

- Risks likely to have a major impact on Group management
- Risks likely to have a major impact on society
- Risk of litigation or other serious problems
- Other major risks that should be managed by the Group
- Risks relating to changes in the business environment
- Risks relating to changes in financial markets
- Risks relating to natural disasters
- Risks relating to compliance
- Risks relating to governmental responses

- Risks relating to reputation
- Risks relating to quality
- Risks relating to Internet and Intranet
- Risks relating to data breaches
- Risks relating to information systems
- Risks relating to anti-social forces
- Risks relating to labor management
- Risks relating to human rights and harassment
- Risks relating to fraud by employees, and other compliance matters

## **Risk Management Committee**

To deliberate on key risks, Nomura Real Estate Holdings established the Risk Management Committee, which comprises directors, executive officers, and others from the Company and Group companies designated by the Board of Directors. The Committee meets monthly and monitors, assesses, and analyzes risks in accordance with the Risk Management Regulations and Regulations on Deliberative Bodies. The Committee also deliberates on preventing the occurrence of risks that the Group encounters in conjunction with corporate management and business development and on responses and countermeasures for the prevention of reoccurrence when risks do occur.

In addition, the Group Risk Liaison Committee, made up of directors, executive officers, and others of Group companies appointed by the chairman of the Risk Management Committee, shares information on intra-Group risks and response policies.

The Risk Management Committee and Group Risk Liaison Committee each meet, in principle, every other month and at other times as necessary and report on the details of their deliberations to the Board of Directors at least once every three months.

Individual Group companies have also established committees on risk management and conduct appropriate risk management according to the details of their particular business operations.

## **Risk Management Relating to Society and the Environment**

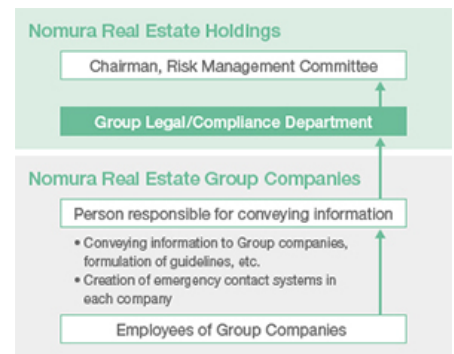
The Group is also aware of risks relating to social and environmental issues. The Risk Management Committee deliberates on significant events and issues relating to society and the environment as well as countermeasures and reports on the details of its deliberations to the Board of Directors at least once every three months.

The Committee also reports on the details of its deliberations to the CSR Committee, which is made up of directors and others from Nomura Real Estate Holdings and Group companies and is chaired by the Executive Vice President of Nomura Real Estate Holdings.



## Risk Management Process

The Group established the Risk Occurrence Information Transmission Guidelines in accordance with the Risk Management Regulations and has established procedures for promptly conveying information relating to unforeseen events to management.



## Inquiries Desks

Inquiries Desks have been set up at Nomura Real Estate Holdings and at each Group company in order to respond quickly and appropriately when a problem with a product or service is found. Significant information gathered by the Inquiries Desks is reported to the Risk Management Committee and shared within the Group, and measures to prevent reoccurrence are implemented.

## Business Continuity Plan Established for Emergencies, Confirming Officer and Employee Safety

### BCP Formulation

The Group formulated a business continuity plan (BCP) and in anticipation of a major earthquake in the Tokyo Metropolitan region. The plan provides for the chain of command during an emergency and the allocation of duties for the continuation of business as well as the establishment of structures that can respond even at night and on days off and holidays so that the impact of a disaster can be minimized.

In addition, a disaster response headquarters establishment drill is conducted once a year with the president of Nomura Real Estate Holdings as the head and other members of the Disaster Response Headquarters participating. During the drills, implementation of initial responses specified in the business continuity plan (ensuring the safety of officers and employees, establishing a chain of command, and restoring business) is confirmed and other actions are taken to prepare for a disaster or other emergency.

### Confirming the Safety of Officers and Employees

The Group introduced a safety confirmation system that uses the Internet and email to rapidly determine the status of harm to and safety of officers and employees during an emergency. Safety confirmation drills for Group officers and employees are conducted four times a year. In fiscal 2017, the participation rate in these drills was 100%.

# Human Rights

## Approach and Policies

The Nomura Real Estate Group conducts business while respecting the dignity and fundamental human rights of all stakeholders including employees. In addition to complying with the laws and regulations of all countries in which we conduct business activities, we strive to engage in business while supporting and respecting international norms on human rights including the International Bill of Human Rights, which sets forth common standards to be achieved by all people, the Declaration on Fundamental Principles and Rights at Work of the International Labor Organization (ILO), which specifies fundamental rights in labor (the freedom of association, the right to collective bargaining, prohibition of compulsory labor, effective elimination of child labor, and elimination of discrimination in hiring and employment), and the United Nations Guiding Principles on Business and Human Rights.

## Management

### Management Structure

The Nomura Real Estate Holdings executive vice president and Group COO has been put in charge of this issue for the Group and carries out measures regarding respect for human rights.

In addition, the CSR Committee, which comprises Nomura Real Estate Holdings and Group company directors and others and is chaired by the Nomura Real Estate Holdings executive vice president, deliberates on and decides related policies and action plans.

Starting in fiscal 2018, targets were set regarding respect for human rights, and the Committee is monitoring progress.

### Human Rights Due Diligence Study Group Created

Nomura Real Estate Holdings participates in the Human Rights Due Diligence Study Group, which is made up of three general contractors, which are suppliers to the Group, and five real estate developers (including Nomura Real Estate Holdings).

The group was established to fulfill the responsibility of companies to “avoid infringing on the human rights of others and address adverse human rights impacts with which they are involved” required by the Guiding Principles of Business and Human Rights. The group plans to exchange

information with experts from NGOs and other organizations, study international human rights standards and the human rights initiatives expected of business enterprises, and conduct surveys and researches on methods of identifying and addressing impacts on human rights.

## Targets

The Group conducts human rights training to disseminate its thinking on respect for human rights.

## ■ Responses to Human Rights Issues

The Group set up the Nomura Real Estate Group Human Rights Desk as a point of contact for consultation on human rights issues and the Sexual and Power Harassment Hotline as an external point of contact for consultations on issues of harassment, and the Group takes appropriate action with regard to these issues.

In fiscal 2017, there were 42 consultation matters relating to human rights.

## ■ Human Rights Training

To deepen understanding on human rights, the Group makes use of opportunities such as rank-specific training to conduct human rights education. The human rights training conducted in fiscal 2017 is described below. A total of 2,467 persons participated in this training.

In addition, the Harassment Prevention Guide is distributed to all employees to inform personnel about the prohibition of discrimination and harassment and other matters. The Guide contains provisions requesting understanding of and consideration for LGBT individuals.

\* LGBT: An initialism that stands for lesbian, gay, bisexual, and transgender. A general term for sexual minorities.

## Performance

### Promotion Measures

In fiscal 2017, human rights training was conducted a total of 12 times throughout the Group, with 5,877 persons attending.

#### Training Conducted

Training Type	Target Participants	Participation Rate (Participants/Target Participants)	Human rights topics covered
Group-wide training			
Group training for new employees	New employees	100% (268/268 persons)	Solving assimilation problems
Group-wide training for newly-appointed Group managers	Newly-appointed managers	98% (148/151 persons)	Solving assimilation problems
Nomura Real Estate Development			
Human Rights Training	Management positions	83% (273/327 persons)	Solving assimilation problems
Human Rights Training	Management positions	83% (273/327 persons)	Understanding of and consideration for LGBT individuals
Human Rights Training	Newly-appointed leaders	94% (58/62 persons)	Understanding of and consideration for LGBT individuals

<b>Training Type</b>	<b>Target Participants</b>	<b>Participation Rate (Participants/Target Participants)</b>	<b>Human rights topics covered</b>
Human Rights Training	New employees	100% (58/58 persons)	Preventing harassment
Nomura Real Estate Life & Sports			
Human Rights Training	Newly-hired recent graduates	100% (21/21 persons)	Preventing harassment
Human Rights Training	Newly-appointed managers	95% (18/19 persons)	Preventing harassment
Human Rights Training	All employees and part-time workers	94% (1,642/1,738 persons)	Preventing harassment
Human Rights Training	All employees and part-time workers	97% (1,736/1,789 persons)	Preventing harassment
Nomura Real Estate Amenity Service			
Human Rights Training	Employees and temporary personnel	85% (60/71 persons)	Preventing power harassment
Human Rights Training	Cleaning staff	100% (1,322/1,322 persons)	General human rights and preventing harassment

# Improving Supplier Management

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## Approach and Policies

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The Nomura Real Estate Group conducts its business in cooperation with various suppliers including design and construction companies and construction contractors in all business areas. Because of this, the Group believes that initiatives throughout the supply chain are essential for implementing effective measures to address social and environmental issues, and we established the Nomura Real Estate Group CSR Procurement Guidelines (the “CSR Procurement Guidelines”). We request that suppliers apply the Guidelines to their business activities with regard to eight topics: compliance, respect for human rights, fair business activities, consideration for the environment, ensuring and improving quality, ensuring information security, whistleblowing systems, and creating business continuity plans. Going forward, we will continue to improve supplier management in accordance with the Guidelines.

## Management

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### ■ Management Structure

The Nomura Real Estate Holdings executive vice president and Group COO have been put in charge of this issue for the Group and carries out measures to improve supplier management. In addition, the CSR Committee, which comprises Nomura Real Estate Holdings and Group company directors and others and is chaired by the Nomura Real Estate Holdings executive vice president, deliberates on and decides related policies and action plans. Starting in fiscal 2018, targets were set regarding improvement of supplier management, and the Committee is monitoring progress.

## Targets

The Group seeks to improve CSR procurement and supplier management in accordance with the CSR Procurement Guidelines.

### Nomura Real Estate Group CSR Procurement Guidelines

#### **I . Establishment of Compliance Structures**

①Respect all social norms and relevant regulations, as well as agreements and promises, in all countries and regions where business activities are carried out, and understand the requirements of the international community and conduct corporate activities based on appropriate business practices and corporate ethics.

#### **II . Respect for Human Rights**

②Respect the dignity and basic human rights of all people, including customers, suppliers and employees, and do not engage in discrimination or harassment for reasons of race, ethnic group, age, religion, beliefs, gender, nationality, social status, existence of disability, gender or sexual orientation, gender identity, physical features, existence of illness, or any other reason.

③In addition to ensuring equal employment opportunities, comply with labor-related laws and regulations and rules of employment, implement appropriate labor management, and work to maintain and improve sound and pleasant working environments.

④Along with carefully managing safety and health and preventing industrial accidents, endeavor to maintain physical and mental health and create well-ordered workplaces.

⑤Do not engage in unfair labor practices such as forced labor and child labor, and endeavor to take appropriate care to ensure that such unfair labor practices do not occur in suppliers.

⑥Give consideration to culture and customs as well as local residents and communities in regions where business activities are conducted.

#### **III . Fair Business Activities**

⑦In relationships with public employees and the like (including deemed public employees and foreign public employees), maintain sound relationships and do not provide entertainment or exchange gifts in ways that conflict with the National Public Service Ethics Act and Regulations and related national and local laws and regulations, etc.

⑧Do not request, give, or receive from suppliers entertainment or gifts that deviate from sound business customs and social norms.

⑨Exclude all relationships with anti-social forces and groups that pose a threat to social order and security or obstruct fair economic activities. Also, resolutely challenge and totally reject any transactions with or unreasonable demands by such forces or groups.

⑩ Comply with anti-monopoly, prevention of unfair competition and intellectual property rights legislation and related laws and regulations, and endeavor to treat suppliers, competitors, and others fairly, without engaging in acts constituting abuse of a dominant market position, blocking of transactions or other such conduct.

⑪ Do not infringe or improperly use copyright, patents, trademark rights, design rights, or other intellectual property rights.

⑫ Do not participate in money laundering, embezzlement, fraud or any other form of corrupt conduct.

⑬ Carry out appropriate disclosure to customers and society and also endeavor to provide necessary information in an appropriate manner.

#### **IV. Consideration for the Environment**

⑭ Endeavor to make continuous improvements for reducing environmental impacts in order to build a sustainable society.

⑮ Comply with environmental laws and regulations in the countries and regions where business activities are carried out.

⑯ Endeavor to reduce emissions of greenhouse gases and contaminants and conserve resources through the life cycles of goods, products, and services.

⑰ Endeavor to appropriately manage hazardous chemicals and reduce the amounts used.

⑱ Endeavor to reduce and appropriately manage waste.

⑲ Endeavor to implement development and greening, taking into consideration the surrounding environment and biodiversity.

⑳ When procuring raw materials, take into consideration the conservation of biodiversity and sustainable use of resources. In particular, when procuring wood and wood products, take due care not to use illegal logged timber and endeavor to use wood that has been produced by sustainable methods, such as recycled wood and certified wood.

#### **V. Ensuring and Improving Quality**

㉑ Create appropriate quality management and quality assurance systems for the goods, products and services provided, and in addition to ensuring the required quality, work to constantly improve quality.

㉒ Correctly identify diverse needs and endeavor to provide goods and services that are friendly and beneficial to societies seeking safety and quality.

㉓ In providing goods, products and services, take into consideration the convenience and comfort of users through universal design and other such measures.

㉔ In keeping with the demands of society in relation to ethical procurement, recognize the impact that business activities in the supply chain have on the environment and society, and endeavor to disclose that information as necessary.

#### **VI. Ensuring Information Security**

㉕ Give careful consideration to the handling of personal, private and confidential information, and establish management systems to enable the appropriate management and



protection of such information. Also, avoid improper and unauthorized use and disclosure of information by taking thorough measures to prevent the leakage of information.

#### **VI. Whistleblowing Systems**

㊦ In addition to creating whistleblowing structures for the prevention or early detection of problems, protect whistleblowers' confidentiality and seek to make it widely known to employees that whistleblowers will be protected from retaliation and other disadvantageous treatment.

㊧ Make the significance and methods of use of the Suppliers' Helpline established by the Nomura Real Estate Group widely known to all employees involved in the Group's business.

#### **VII. Creating Business Continuity Plans**

㊨ Endeavor to establish risk management systems in preparation for the occurrence of disasters by creating business continuity plans (BCPs) and other measures.

## **Improving Supplier Capabilities and Enhancing Quality**

The Group works to enhance quality throughout the supply chain by holding Safety Conferences and study groups for suppliers that address issues such as quality and the environment.

Nomura Real Estate Development distributes Design and Construction Standards and Quality Manuals to construction companies and designers and provides information relating to them by holding periodic briefings and so on in order to achieve safety and security through appropriate quality control.

In addition, Nomura Real Estate Partners holds annual meetings of the East Japan Supplier Council Meetings on Health & Safety and West Japan Supplier Council Meetings on Health & Safety where it presents commendations to excellent companies and conducts training on health and safety.

## **Performance**

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### **Promotion Measures**

The Group formulated the CSR Procurement Guidelines (Japanese and English versions) in April 2018. Since fiscal 2018, we have conducted briefings for domestic and overseas suppliers regarding the Guidelines and have confirmed the status of responses through questionnaire surveys and other means.