



Environment



Social



ESG REPORT



SEKISUI HOUSE REIT, INC.

2021



Governance



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Editorial Policy

This document is issued to help readers understand the efforts of Sekisui House Reit, Inc. (hereinafter referred to as the "SHR") and Sekisui House Asset Management, Ltd. (hereinafter referred to as the "SHAM") toward the realization of a sustainable society and to engage with stakeholders.

This report is compiled based on GRI Standards (2016) as reference.

Scope of Report

Sekisui House Reit, Inc. and Sekisui House Asset Management, Ltd. (Sekisui House, Ltd. [hereinafter referred to as "Sekisui House"], the parent company of SHAM, is partially included.)

Reporting Period

Sekisui House Reit Inc.

May 1, 2020 to April 30, 2021

(Some details include information before and after the relevant period.)

Sekisui House Asset Management, Ltd.

February 1, 2020 to January 31, 2021

(Some details include information before and after the relevant period.)

Issue Cycle

Published annually as an annual report

Issue Data

December 2021 (Previous Data: December 2020)

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(Disclaimer)

The forward-looking statements in this document, including earnings forecasts, are based on the judgment of SHAM in light of the information available at the time of preparation and are subject to potential risks, uncertainties and other factors. Therefore, actual results may differ significantly from the forecasts due to changes in various factors.

Organization Overview

Sekisui House Reit, Inc. (“SHR”) is sponsored by Sekisui House, Ltd. (“Sekisui House”), a leading homebuilder representing Japan with an established development and management track record also in the property development business.

SHR invests in residential and office building as major investment targets and also invests in hotels. SHR designates “high quality” residential and commercial properties located in “strategic location”, which are expected to secure stable earnings over the medium to long term as “Prime Properties” and prioritize investments in Prime Properties.

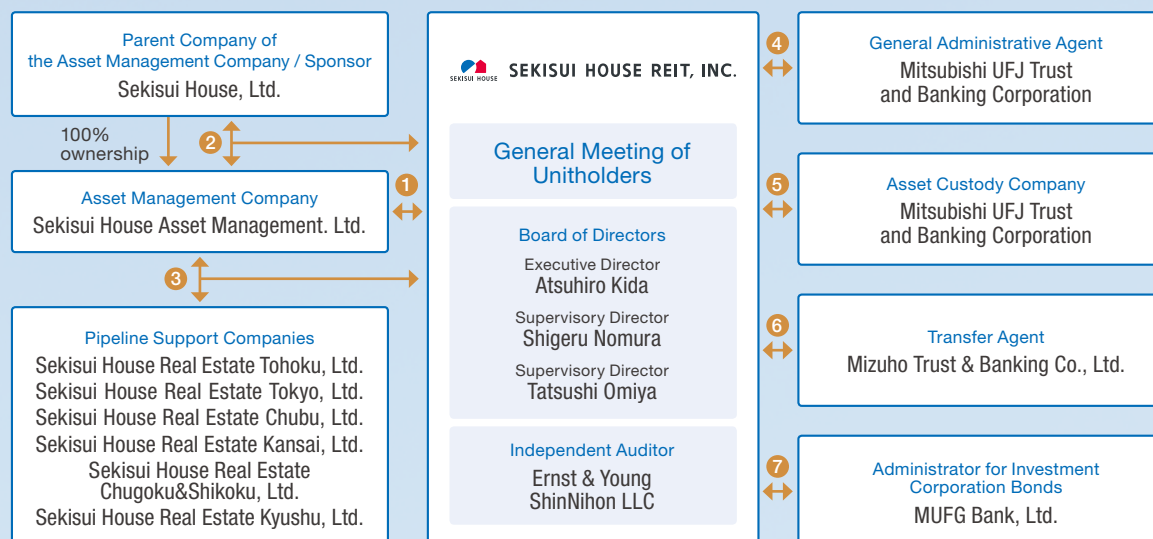
Reit

Name	Sekisui House Reit, Inc. (Securities code: 3309)
Representative	Atsuhiro Kida, Executive Director
Listing date	December 3, 2014 (Tokyo Stock Exchange)
Fiscal Period Ends	April and October of each year
Address	Akasaka Garden City 4-15-1 Akasaka, Minato-ku, Tokyo
Sponsor	Sekisui House, Ltd.

Asset Management Company

Trade Name	Sekisui House Asset Management, Ltd.
Representative	Toru Abe, President & Representative Director
Date of Establishment	February 17, 2014
Capital	400 million yen
Share holder	Sekisui House, Ltd. 100%
Licenses	Licensed for building lots and buildings transaction business, license No. (2) 96411 issued by the Governor of Tokyo Certified as entrustment-based agency, license No. 82 issued by the Minister of Land, Infrastructure, Transportation and Tourism Registered as a financial instruments business operator, registration No.2791 issued by the Director-General of the Kanto Finance Bureau (Kinsho)

Structure of SHR



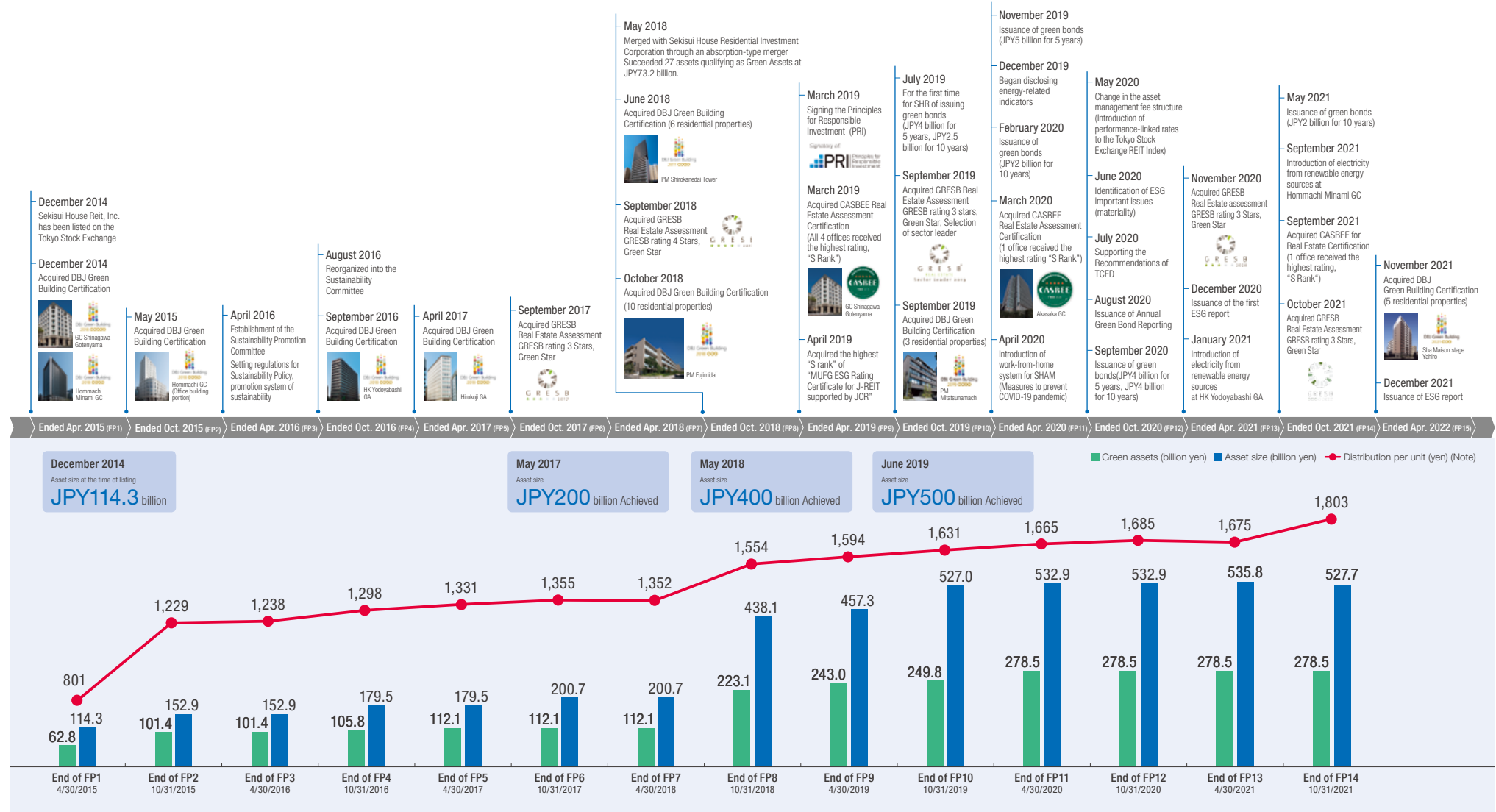
① Asset Management Agreement ② Sponsor Support Agreement, etc. ③ Agreement on Preferential Negotiating Rights, etc. ④ General Administrative Agreement
⑤ Asset Custody Agreement ⑥ Administrative Agreement (Administration of Investment Units) ⑦ Financial Agent Agreement

Features of SHR

- 1 Priority Investment in Prime Properties Centering on “Strategic Location” and “High Quality”
- 2 Growth Strategy that Take Full Advantage of the Versatile Support by Sekisui House Group
- 3 Adopting Structure Focused on Unitholder Value
- 4 Strong Financial Foundation Based on Sound and Stable Financial Operations

Sustainability Journey

With maximizing the support of Sekisui House Group, SHR will steadily achieve the growth in assets under management, and also, in order to take the responsibility to realize the sustainable society, SHR has developed the real estate investment system in consideration of ESG, and promoted various initiatives.



GC: Garden City GA: Garden Avenue PM: Prime Maison

(Note) As a two-for-one split of investment units was implemented on May 1, 2018, and in consideration of the impact of the split, DPU for each period prior to the FP6 is calculated by dividing the actual figures by two.

Message from Senior Management

We would like to express our deepest condolences to those who have passed away due to the COVID-19 pandemic and their families, and extend our heartfelt sympathies to all who have contracted COVID-19, or have been otherwise affected. We also offer our sincere appreciation to all the essential workers who have kept society functioning during this time.

We recognize that, during the COVID-19 crisis, people have been anxious about keeping themselves and their families healthy, and their feelings about their own lifestyles and society have changed, leading them to place increasing value on long-term sustainability.

Moreover, recent years have witnessed the acceleration of efforts to address social issues, such as the “Paris Agreement”, which is the international framework for combating climate change, and the “Sustainable Development Goals (SDGs)”, which aim to solve global challenges. All over the world, societies are expecting more of companies and demanding that they take greater responsibility.

Japanese Real Estate Investment Trusts (J-REITs) are no exception; we sense that for J-REITs, contributing to social issues through their business is now more important than ever. And for Sekisui House Reit, Inc. (SHR) too, we believe that efforts to realize a sustainable society are indispensable to sustainable growth of SHR.

Helping to solve social issues through asset management that takes environmental, social, and governance (ESG) considerations into account is in line with the fundamental philosophy of SHR, which aims to achieve growth together with all stakeholders, including unitholders and tenants. Furthermore, we believe such efforts contribute to securing stable earnings and maximizing unitholder value over the medium to long term.

Guided by such beliefs, SHR have made full use of the collective capabilities and know-how of our sponsor, Sekisui House, Ltd. (Sekisui House), pursuing energy reduction and environmental consideration, safety in residents' lives, and continuity of business with regard to our assets held, while also actively striving to contribute to regions and communities, and develop our governance structure.

Through our asset management activities, we will continue to work together with Sekisui House to enhance building value and strive to provide high-quality real estate assets. These assets are social capital built for a new era; they are environmentally friendly and provide safety, peace of mind, and comfort to residents, workers, visitors, and the broader community. Moreover, we will keep on contributing to building a better future by engaging in dialog with stakeholders and proactively disclosing information, as we pursue sustainability for SHR and society as a whole. We ask for your continued support as we do so.

Sekisui House Reit, Inc.

Atsuhiko Kida
Executive Director (Right)

Sekisui House Asset Management, Ltd.

Toru Abe
President & Representative Director (Left)



A Vision of Sekisui House Reit

Managing assets to better provide for people, society and the future

Maximize unitholder value

Aim to maximize unitholder value by achieving sustainable growth together with stakeholders

Provide high-quality social capital

Providing high-quality social capital by pursuing the enhancement of the overall asset value of the community

A REIT that leads the way into an era of the 100-year lifespan

Promote ESG strategies and become a REIT that leading the way into an era of the 100-year lifespan

Corporate Philosophy of Sekisui House Group

Our Stance
Truth and Trust

Our Philosophy
Love of Humanity

Our Objective

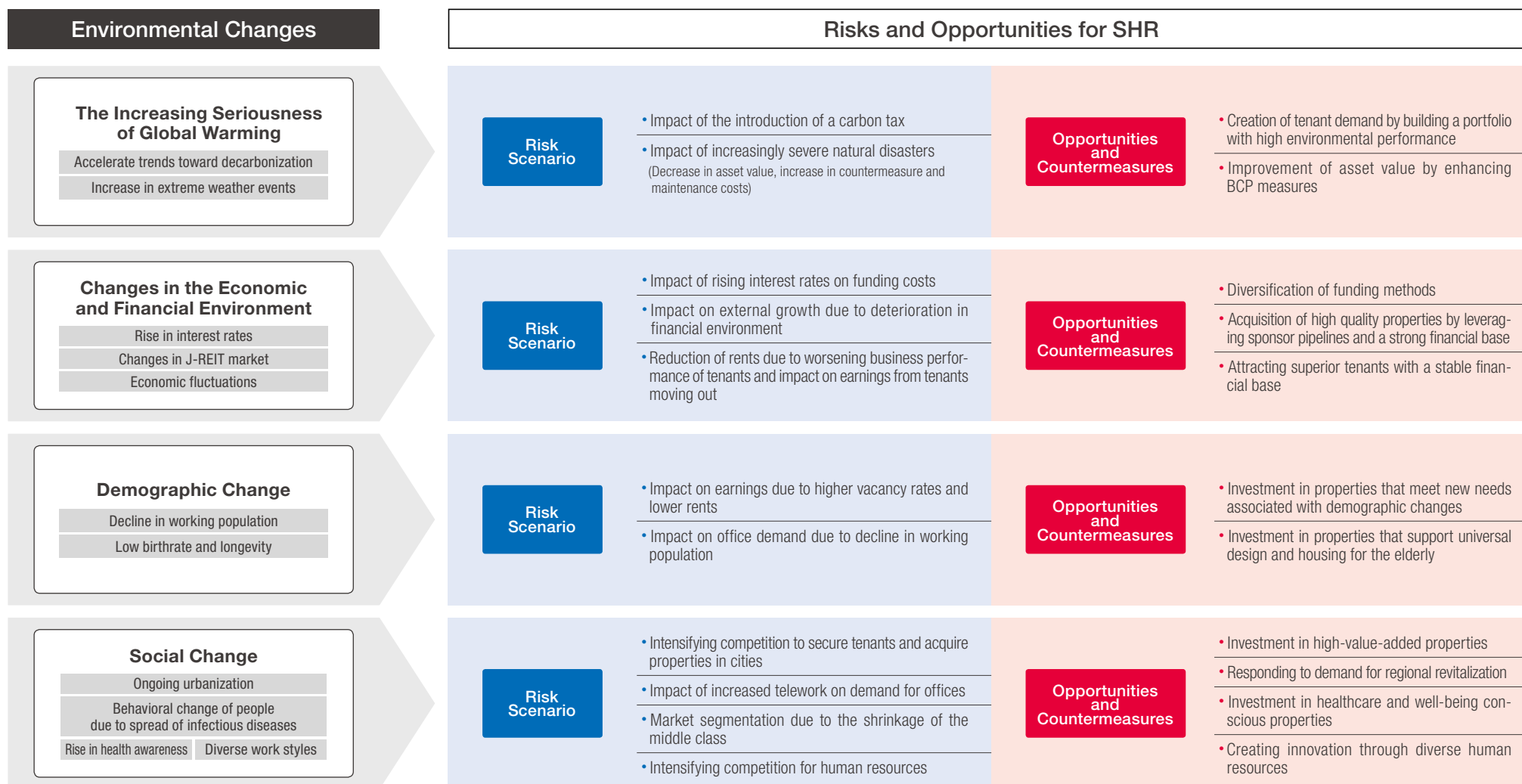
Superior Quality and Leading Technology

Our Business Focus

Comfortable Housing and Ecologically Sound Communities

Business Environment Surrounding SHR

As the business environment changes rapidly, new issues are emerging that need to be addressed. SHR will analyze issues that affect value creation, identify risks, and strive to reduce them. SHR will also position them as business opportunities for sustainable growth, and accelerate efforts to realize our vision, “Managing assets to better provide for people, society and the future”.



Value Creation Model Through Asset Management

SHR is working to create new value by leveraging the strengths of SHR based on Corporate Philosophy of Sekisui House Group, “Love of Humanity”.
SHR will accurately identify social issues that change with the times and contribute to the realization of a sustainable society as a REIT that leads the way into an era of the 100-year lifespan.

Business Environment Surrounding SHR

The Increasing Seriousness of Global Warming

Changes in the Economic and Financial Environment

Demographic Change

Social Change

INPUT
(Sources of Value Generation)

(As of the end of April 2021)

Financial Capital
Strong financial base that is indispensable for supporting sustainable growth
LTV 45.4%

Manufacturing Capital
High-quality portfolio with high environmental performance and stable earnings
Asset size 535.8 billion yen
Percentage of portfolio with green certification 55.2%

Intellectual Capital
Know-how and information gathering capabilities accumulated through asset management

Human Capital
Human foundation with high level of expertise and enables employees to take on challenges

Social / Relationship Capital
Diverse sponsor support of Sekisui House Group
Foundation of supply chain collaboration
Acquisition from Sekisui House Group 76.0%

Natural Capital
Greening space through tree planting based on Gohon no ki (“5 trees”) project
Foundation for reducing environmental impact, such as the use of renewable energy, etc.

Investment Strategy of Value Creation

Priority investment in Prime Properties centering on “Strategic Location” and “High Quality”

Six Factors of Prime Properties to Emphasize as Investment Focus

Strategic Location		High Quality
Economic Zones	Safety / BCP	Livability / Functionality
Convenience	Brand	Environmental Consideration

Sustainable growth by securing stable earnings

Providing bases for sustainable living and sustainable bases of operation for residents and tenant companies

Three Foundations Supporting Value Creation

Growth Strategy Growth strategy that optimally utilize the integrated corporate strengths and know-how of the Sekisui House Group	Environment and Society Contributing to the realization of a sustainable society through efforts to solve social issues	Governance Aiming for sustainable growth by placing governance at the foundation of all business activities
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OUTCOME
(Value Provided to Stakeholders)

Residents and Tenant Companies
Valuable residences and buildings
Safe, secure and comfortable space

Investors
Stable return
Growth of market capitalization
Expansion of ESG investment market

Employees
Energy-efficient workplace
Enrichment working system
Career development

Business Partners
Opportunities for further revenue growth
Improve sustainability

Environment and Society
Reducing environment impact
Creating urban communities
Sustainable development of local communities

SUSTAINABLE DEVELOPMENT GOALS

Aiming at (Purpose)
Managing assets to better provide for people, society and the future

Corporate Philosophy of Sekisui House Group, “Love of Humanity”

Sustainability Management

SHR and SHAM are responsible for contributing to solve social issues that are becoming increasingly diverse and complex day by day through the business as a company. We believe that fulfilling this responsibility not only enhances the sustainability of society and SHR, but also enhances competitiveness in the industry and ultimately maximizes unitholder value.

SHR has a vision, “Managing assets to better provide for people, society and the future” and conducts business activities from a medium to long term perspective. Based on Sustainability Policy established by SHAM, we will strive to contribute to the realization of a sustainable society and increase corporate value by observing and implementing such policy.

Sustainability Policy

1 Compliance with ESG-Related Laws, Regulations and Rules

We implement in-house training for the purpose of enhancing knowledge with regard to ESG-related laws, regulations and rules, and abide by such laws, regulations and rules in conducting real estate investment management with considerations given to ESG.

2 Responding to Climate Change

We strive CO₂ emission reduction and actively promote the efficient use of energy toward the realization of decarbonized society.

3 Water and Resource Saving Measures

We will actively contribute to the creation of a recycling-based society by promoting measures and public awareness activities for reducing water use and implementing the three Rs (reduce, reuse and recycle) in relation to resources.

4 Biodiversity

In accordance with *Gohon no ki* (“5 trees”) Project promoted by Sekisui House, we conduct maintenance and management of planting and other greenery measures, centering on tree species with consideration given to the native vegetation and other ecosystem matters. By doing so, we aim to realize harmony with the nature and the surrounding environment.

5 Comfort and Safety

We will provide high quality homes where residents can lead their lives in comfort and safe. We will also provide convenient, safe, and comfortable spaces that contribute to enhancing the productivity of tenant companies.

6 Contributing to Regions and Communities

We create activity and prosperity in an effort to find common interests with the regions and communities as well as to invigorate them.

7 Cooperation with Stakeholders

In order to implement initiatives based on Sustainability Policy, we will strive to cooperate with property management companies and other business partners, residents, tenant companies and facility users, and stakeholders.

8 Efforts for Directors and Employees

We aim to create an organizational culture in which each employee can work in a healthy and lively way by respecting diversity, personality, and individuality and promoting work-life balance. We will also strive to develop the abilities of directors and employees, maximally extract their abilities, and secure diverse and talented human resources.

9 Supply Chain Management

We ask property management companies and other business partners to understand and cooperate in sustainability in order to promote environmental and social considerations throughout the supply chain.

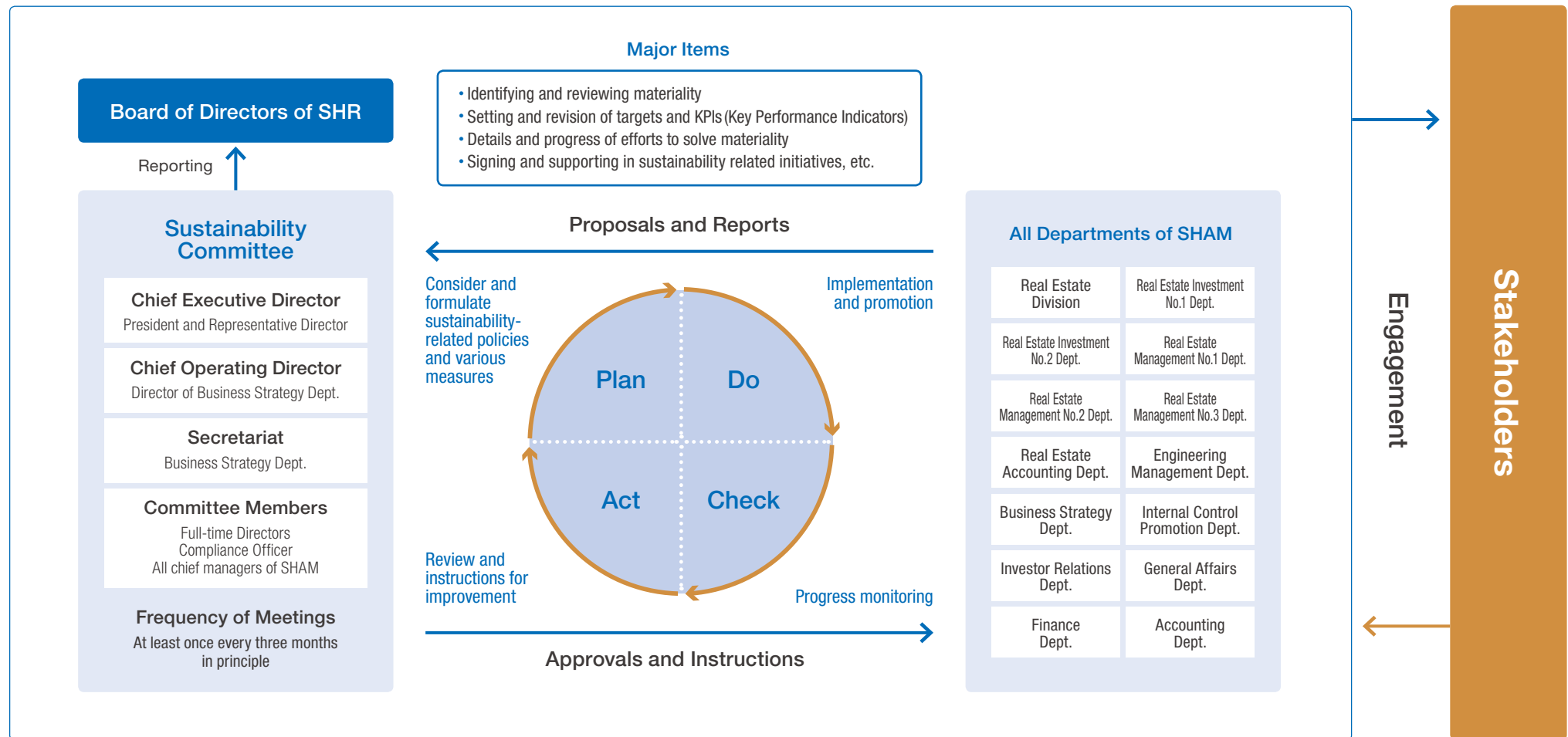
10 Information Disclosure and Acquisition of External Certifications

We will actively disclose ESG-related information to stakeholders. We will also continue to acquire environmental certification and assessment from external evaluation organizations.

Sustainability Management

Sustainability Promotion System

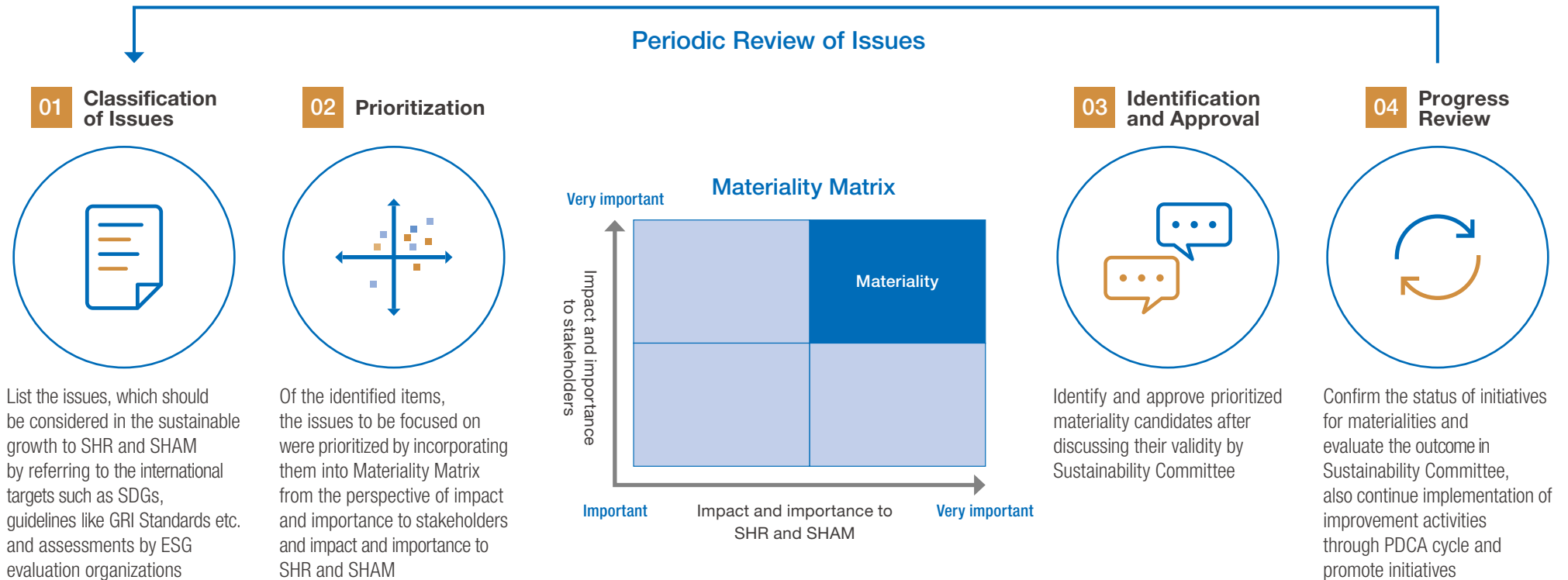
SHAM has established Sustainability Committee for the purpose of continuous and organizational implementation of ESG initiatives based on Sustainability Policy. With the aim of strengthening the sustainability promotion system, the Committee is composed of full-time directors, compliance officer, and all chief managers of SHAM. Matters deliberated by the Committee are approved or directed, and various actions are taken based on these. The progress of initiatives and the status of engagement with stakeholders are reported regularly to the Committee, and reports are also made to the Board of Directors of SHR as appropriate. With the Committee at the core, SHR and SHAM will work together to implement sustainability initiatives across the organization and contribute to the resolution of social issues.



Materiality (Important Issues)

Materiality Identification Process

In 2020, SHR has identified our materiality in accordance with the following process with the aim of promoting more concrete initiatives for sustainability through our business activities. Even after the identification of materiality, the environment surrounding stakeholders and SHR is expected to change over the medium to long term. By periodically reviewing the materiality in accordance with these trends and pursuing the sustainability of SHR in a manner that meets the demands of society, we will fulfill our responsibility toward the mutual sustainable growth of society and SHR.

















Materiality (Important Issues)

SHR believes that sustainable growth in our business activities is built on a solid foundation of a sustainable society, and recognize that in order to continue providing “Prime Properties”, which SHR focuses on as an investment strategy, it is necessary to carry out initiatives based on the guidelines of solving issues to build a sustainable society through business activities. Based on this recognition, SHR has identified eight materialities (important issues) as below and sets targets (KPIs) as indicators to resolve each of them. In light of the SDGs (Sustainable Development Goals) adopted by the United Nations in 2015, we will pursue mutual sustainability of both society and SHR by promoting efforts to resolve materiality.

Materiality of SHR

In November 2021, we revised upward the targets (KPIs) for “Reduction of CO₂ Emissions” and “Investing in Real Estate with Excellent Environmental Performance” in consideration of the growing social demand for the environment and the progress of our initiatives. And also we have newly set quantitative targets for “Strengthening Corporate Governance System”.

	Materiality	Target (KPI)	Related SDGs	Relevant pages
E	Reduction of CO ₂ Emissions	<ul style="list-style-type: none"> Reduce 50% CO₂ emission intensity of portfolio by FY 2030 compared to FY 2018 Previous Target: Reduce 20% CO₂ emission intensity of portfolio by FY 2030 compared to FY 2018 	 	P17-
	Coexistence of Humankind and Nature and Activities for the Resources Environment	<ul style="list-style-type: none"> Advance greenification and respect biodiversity No increasing waste emission intensity of portfolio compared to FY 2018 No increasing water use intensity of portfolio compared to FY 2018 		P19-
	Investing in Real Estate with Excellent Environmental Performance	<ul style="list-style-type: none"> Achieve 70% or more of the portfolio with green certification by FY 2022 Previous Target: Achieve 70% or more of the portfolio with green certification by FY 2030 	 	P21-
S	Providing Residents and Tenants with Secure and Comfortable Space that Offers Peace of Mind	<ul style="list-style-type: none"> Regular surveys on resident and tenant satisfaction Regular monitoring and disclosing risks of earthquakes and floodings Regular monitoring of initiatives toward ESG in the supply chain 	 	P25-
	Contributions to Society	<ul style="list-style-type: none"> As a member of society, contributing to greater vitality in the community and countermeasures aimed at preventing damage from natural and other disasters By FY 2023, “Sekisui House Matching Program” (a joint donation system for employees and the company) participation rate: 40% 	 	P27-
	Creating a Rewarding Workplace	<ul style="list-style-type: none"> By FY 2023, Percentage of female managers: 7% / Average monthly work hours per person: 162 hours Take-up rate for male childcare leave: 100% / Annual paid leave take-up rate: 70% Annual participation in external training events per person: twice Annual internal training participation rate: 100% Practicing Sekisui House Group Human Rights Policy 	  	P28-
G	Strengthening Corporate Governance System	<ul style="list-style-type: none"> Enhance effectiveness of executive committee and board of directors / Conducting effectiveness evaluation questionnaire (once/year) Penetration of compliance / Conducting compliance training by external experts, etc.(four times/year) participation rate: 100% Strengthen internal controls structure / Conducting internal audit (twice/year) Strengthen risk management system / Conducting risk management meeting (twice/year) 		P30-
	Information Disclosure and Engagement with Stakeholders	<ul style="list-style-type: none"> Timely and appropriate disclosure of information and enhanced utility of disclosures Building relationships of trust with stakeholders 		P35-

Supporting Initiatives / Acquisition Status of External Evaluations

Through the signing and supporting of each initiative, SHR and SHAM have expressed the commitment to promote ESG initiatives. In addition, we will analyze the strengths and weaknesses of SHR and SHAM through the acquisition of sustainability assessments from external organizations, which will lead to further strengthening of our initiatives.

Initiatives We Support

PRI (Principles of Responsible Investment)

SHAM agreed with PRI's basic stance of advocating the incorporation of ESG issues into investment-analysis and decision-making processes, SHAM ratified the PRI in March, 2019.

Signatory of:



TCFD (Task Force on Climate-related Financial Disclosures)

TCFD recommends that companies disclose their risks and opportunities related to climate change. SHAM expressed agreement with TCFD recommendations in July 2020.



United Nations Global Compact

Sekisui House Group expressed its commitment to respect human rights in the "Sekisui House Group Corporate Code of Conduct" and the "Sekisui House Group Corporate Ethics Guidelines", which are the explicit foundations of its corporate activities. The Group also has expressed support for the 10 principles of the "United Nations Global Compact".



Major Evaluations from External Organizations

GRESB Assessment

In GRESB Real Estate Assessment, we have received 3 Stars in GRESB Rating based on relative assessment (five-level rating with the highest 5 Stars) and have also received a "Green Star" designation for the fifth consecutive year by achieving high performance in their environmental considerations and sustainability. In addition, we have received the highest "A" rating in GRESB Public Disclosure (five-level rating from A to E) for evaluating information disclosure.



MSCI ESG Ratings

MSCI ESG Ratings investigate, analyze, and rate the extent to which companies are appropriately managing the risks and opportunities related to ESG and provides a comprehensive corporate ESG rating of seven levels, ranging from "AAA" to "CCC". SHR acquired "A" in 2021, which has been upgraded two ranks from "BB" in 2019.



MUFG ESG Rating Certificate for J-REIT supported by JCR

MUFG ESG Rating Certificate for J-REIT supported by JCR is a service provided by Mitsubishi UFJ Research and Consulting Co., Ltd. and supported by Japan Credit Rating Agency, Ltd. ("JCR"), evaluates corporates' ESG initiatives based on its own ESG-related checklist and assigns the ratings. SHR and SHAM were collectively granted the highest rank of "S" among the five-level rating.

Environmental Commitment

ENVIRONMENT



Measures for Addressing Climate Change

Endorsement of TCFD Recommendations

In recent years, climate change, including global warming, is posing great risks to the environment, society, and corporate activities. As a company that considers ESG factors in the management of its real estate investments, SHR recognizes climate change and other environmental challenges as relevant to our aim of providing places for people to live, and for businesses to operate, sustainably. Recognizing these issues, SHAM has declared support for the Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), and in November 2021 joined the Japan TCFD Consortium, a body of TCFD supporters in Japan. This means that we have committed to forecasting and evaluating climate-related risks and opportunities to our business, to setting and pursuing targets, and to disclosing information following the TCFD framework.

Climate-Related Governance

SHAM has a Sustainability Committee as the decision-making body for sustainability issues. It meets at least once every three months to define policies, targets, and various measures related to sustainability and to discuss climate change risks (transition risks and physical risks) and material issues in relation to mitigation of and adaptation to climate change. SHAM also appoints directors in charge of climate change to oversee initiatives related to climate risk mitigation and adaptation. The President and Representative Director directly oversees the Sustainability Committee and serves as the chief executive director of the Committee. The Sustainability Committee reports as needed to the board of directors of SHR on all ESG-related activities, including climate change.

Strategy

SHAM conducted the analysis using a 4°C scenario and a 1.5°C scenario to identify climate-related risks and opportunities for SHR and evaluate potential financial impacts to its business.

Scope and Assumptions

[Assets] All held properties

[Scope] Entire business, from financing to management of investments in real estate

[Period] Short, medium, and long term time horizons from 2021 to 2050

(short term: 2021-2025, medium term: 2026-2030, long term: 2031-2050)

Scenarios Referenced from External Sources

Future climate projections published by international organizations and other third parties were used as the main source of information for the scenario analysis. The referenced scenarios are shown in the table below.

Climate change risks were categorized into “transition risks” and “physical risks”, with physical risks further categorized into “acute” and “chronic” types.

1. [Transition risks] : Policy and Legal risks, Technology risk, Market risk, Reputation risk
2. [Acute physical risks] : Climate risks that are event-driven, such as typhoons and floods
3. [Chronic physical risks] : Longer-term shifts in climate patterns, such as sustained high or low temperatures

References

Scenario	Transition risks	Physical risks
4°C scenario	IEA World Energy Outlook 2020 SPS	IPCC Fifth Assessment Report RCP8.5
1.5°C scenario	IEA World Energy Outlook 2020 NZE2050	IPCC Fifth Assessment Report RCP2.6

*IEA: International Energy Agency *IPCC: UN's Intergovernmental Panel on Climate Change

Measures for Addressing Climate Change

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Future State Anticipated in Each Scenario

4°C Scenario

The 4°C scenario is a future state that assumes no strict regulations or tax policies aimed at decarbonizing society will be enacted and that greenhouse gas (GHG) emissions will continue to rise. This scenario is characterized by relatively high physical risk and low transition risk.

Key Expectations

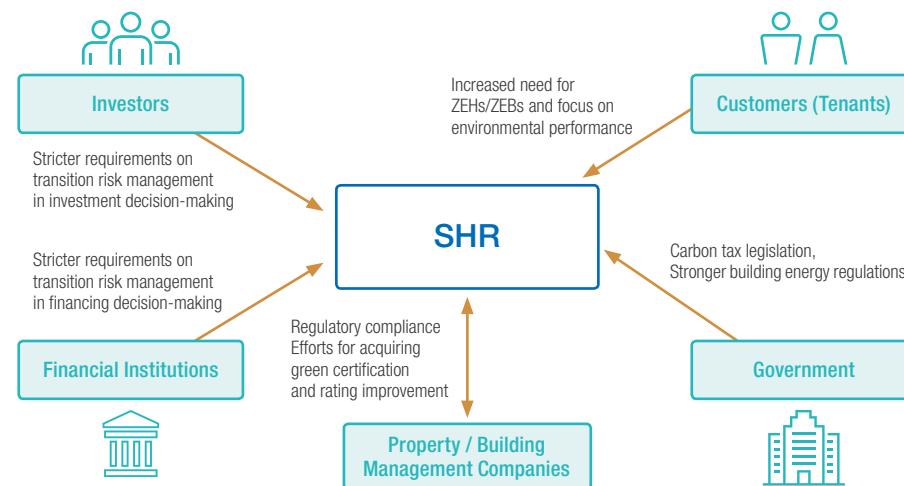
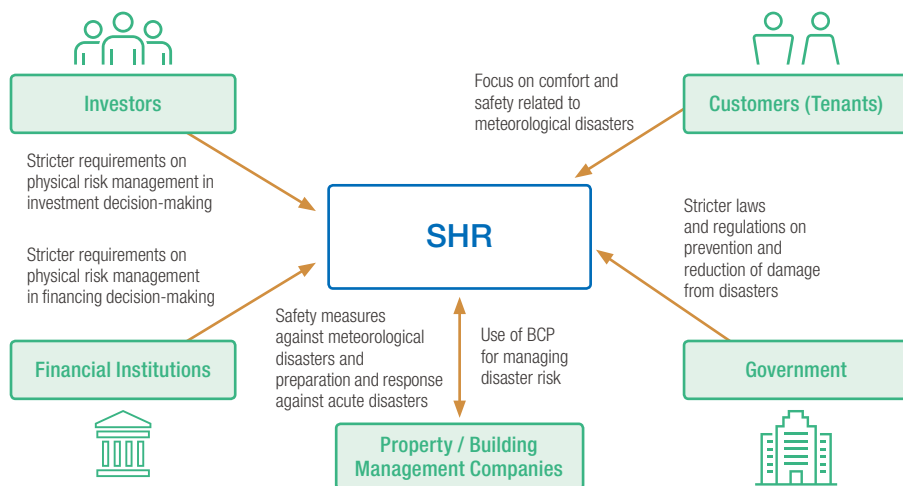
- **Warming progresses further:**
 - Rising temperatures (in Japan, lows will be around 4.6°C higher and highs will 4.3°C higher toward the end of the 21st century (2076-2095) than they were at the end of the 20th century (1980-1999))
 - More summer days, fewer winter days (in Japan, around 48.6 more days when the high exceeds 30°C and 46.8 fewer days when the low drops below 0°C during the above-mentioned period)
 - Increased frequency of heavy and torrential rains (each will roughly double during the above-mentioned period) (based on IPCC Fifth Assessment Report RCP8.5 and Japan Meteorological Agency Global Warming Projection Vol. 9)
- **Current energy policies continue:**
 - Carbon taxation not enacted in Japan (based on IEA SPS)

1.5°C Scenario

The 1.5°C scenario is a future state that assumes regulations and tax policies aimed at decarbonizing society will be enacted. This scenario is characterized by relatively low physical risk and high transition risk.

Key Expectations

- **Maximum mitigation of global warming:**
 - Magnitude of weather and climate changes, such as rising temperatures and increased frequency of heavy rains, is smaller than the 4°C scenario (based on IPCC Fifth Assessment Report RCP2.6)
- **Major shifts in the energy landscape:**
 - Carbon taxation enacted
 - Dramatic reduction of CO2 emissions (globally, around 40% reduction by 2030, net-zero by 2050)
 - Widespread development of solar and wind power (roughly quadrupling global capacity from 2020 to 2030) (based on IEA NZE2050)
 - Rise of carbon-neutral buildings (all newly developed buildings will be carbon-neutral by 2030, 85% of global building stock by 2050) (Based on NZE2050 Key milestones in the pathway to net-zero)



Measures for Addressing Climate Change

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Financial Impacts Identified by Scenario Analysis

SHAM evaluated the financial implications to SHR's business of risks and opportunities identified in each of the aforementioned scenarios, and organized them by short, medium, and long term time horizons. Medium and long term climate change risks that could have a certain level of financial impact are shown below.

Category	Risk/Opportunity factors in real estate management	Potential financial impacts	Classification	Financial implications under 4°C scenario		Financial implications under 1.5°C scenario		Countermeasures			
				Medium term	Long term	Medium term	Long term				
Transition risks and opportunities	Policy and Legal	Rising GHG emission prices following carbon tax legislation	Tax burden on GHG emissions of properties	Risk	S	S	M	L	Set reduction targets for GHG emissions intensity and disclose progress against targets Renovate properties for improved energy-saving performance Procure renewable energy Reallocate portfolio to increase investment ratio in properties with outstanding environmental performance Acquire ZEH and ZEB properties		
		Stricter energy saving standards	Increased cost of renovating properties (fines in some cases)	Risk	S	S	M	M			
		Improved competitiveness of properties from complying with laws and regulations	Increased rent income from attracting residents/tenants	Opportunity	S	S	M	L			
	Technology	Innovation and penetration of renewable and energy efficiency technologies	Increased cost of adopting new technologies	Risk	S	S	M	M			
			Improved environmental performance reduces utility expenses	Opportunity	S	S	S	M			
	Market	Decline in asset value of properties caused by decline in relative environmental performance	NAV declines	Risk	S	M	M	M		Collect information on real estate appraisal trends and respond as appropriate Same as "Policy and Legal"	
			Deterioration of financing terms due to perceived inadequacy of responses to climate change	Rising financing costs Rising capital costs	Risk	S	S	S			S
			Changes in the demand of residents/tenants (increased awareness of carbon-neutrality)	Occupancy and rents increase at properties with outstanding environmental performance	Opportunity	S	S	M			L
	Reputation	Decline in brand value	Deterioration of stakeholder relations due to inadequate progress in managing climate risk	Risk	S	S	S	M		Maintain brand image by managing climate risk responsibly Strengthen collaboration within the Sekisui House Group	
Physical risks and opportunities	Acute	Damage to properties by typhoons	Increased repair and insurance costs	Risk	S	M	S	M	Identify high-risk properties by quantitatively identifying physical risks and dispose of such properties as needed, such as through sale Incorporate quantitative physical-risk information into pre-acquisition property evaluations		
		Flooding caused by torrential rain and breaching of riverbanks	Decreased rent income from decline in occupancy	Risk	S	M	S	M			
	Chronic	Flooding of low-lying properties due to sea level rise	Increased cost of mitigating storm surge damage	Risk	S	M	S	S			
		Increased use of cooling/heating due to increased frequency of extremely hot/cold days	Increased cost of HVAC operation, maintenance, and repair	Risk	S	S	S	S			

This evaluation was conducted based on the types of properties owned by SHR and on scenarios published by the IEA, IPCC, and objective forecast data published by other third-party expert bodies that can be obtained at this point in time. The accuracy of this information is not guaranteed due to the inherent uncertainty surrounding known risks, the existence of unknown risks, and other factors.

Measures for Addressing Climate Change

ENVIRONMENT

Results of Scenario Analysis

The 4°C scenario is a future pathway in which no strict regulations and tax policies aimed at decarbonizing society are enacted, GHG emissions continue to rise, and the cost of repairs and various types of insurance premiums for owned properties increase as weather-related disasters grow in intensity. The emergence of weather-related disaster risks due to climate change will influence tenants' property choices; properties that underperform against more-competitive properties when it comes to environmental comfort and resilience against such disasters are likely to see a drop in tenant demand.

In a 1.5°C scenario, regulatory and tax policies aimed at curtailing GHG emissions and decarbonizing society will be enacted, increasing the cost of renovations associated with avoiding carbon taxes on the GHG emissions of held properties and with complying with more stringent energy saving standards and other environmental requirements. This regulatory tightening will influence tenants' property choices, with tenant demand for green buildings rising as it falls for properties that are doing less to reduce environmental impact; such properties also face the risk of declining asset value.

Considering that weather-related disasters will intensify in the 4°C scenario, SHR is focusing its investments on properties that deliver high environmental performance and can withstand floods and other risks by virtue of both their location and specifications. Moreover, to manage transition risk and maintain our competitive advantage during the transition to a low-carbon society as projected by the 1.5°C scenario, we are reducing the CO₂ emissions of our portfolio and focusing our investments on properties with green certifications.

SHR is working proactively to address each risk to limit its impacts on our business. We believe these efforts will, at the same time, open doors to new business opportunities in value creation.

And we will continue to take a strategic approach to climate change to both minimize risk and maximize opportunities.

Risk Management

SHAM's Sustainability Committee identifies and evaluates climate-related risks and opportunities to SHR's business and updates its analysis when judged necessary by the President and Representative Director, who also directly oversees the Sustainability Committee. SHAM has a clearly defined approach to managing climate change risks and opportunities and is advancing efforts to manage such risks and opportunities and foster climate resilience as part of a comprehensive risk management process.

Metrics and Targets

SHR recognizes the solution of environmental challenges such as climate change as one of the key issues for the sustainable growth of our business. We have identified "Reduction of CO₂ Emissions" and "Investing in Real Estate with Excellent Environmental Performance" as materialities and have established the following metrics and targets for use in identifying, evaluating, and managing climate change risks and opportunities.

- **CO₂ Emission Reduction Target**

Reduce 50% CO₂ emission intensity of portfolio by fiscal year 2030 compared to fiscal year 2018

- **Energy Consumption Reduction Target**

Reduce 5% energy consumption intensity of portfolio by fiscal year 2023 compared to fiscal year 2018

- **Target of Percentage of Green Certification**

Achieve 70% or more of the portfolio with green certification by fiscal year 2022

(Note) In principal, energy consumption reduction target is set every five years after fiscal year 2023.

* See "ESG Data" on page 36 for performance against target for each metric.

Reduction of CO₂ Emissions

ENVIRONMENT

SHR will contribute to the realization of a carbon-free society by actively promoting the efficient use of energy by implementing capital investment, energy-conservation initiatives, etc. in owned properties.

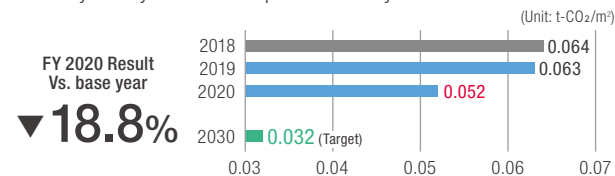
Target (KPI)

The following graph shows the progress of KPIs set by SHR in the environmental field.

Against the backdrop of a decrease in the percentage of employees attending offices and a decrease in hotel occupancy due to the COVID-19 pandemic, the CO₂ emission intensity and energy consumption intensity in fiscal year 2020 decreased significantly from the previous year due to the introduction of environmentally friendly facilities and various measures, such as switching to renewable energy-derived electricity, at owned properties.

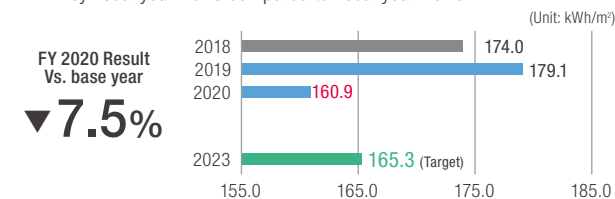
CO₂ Emission Intensity

KPI Reduce 50% CO₂ emission intensity of portfolio by fiscal year 2030 compared to fiscal year 2018



Energy Consumption Intensity

KPI Reduce 5% energy consumption intensity of portfolio by fiscal year 2023 compared to fiscal year 2018



(Note) In principal, energy consumption reduction target is set every five years after fiscal year 2023.

Introduction of Environmentally Friendly Facilities

SHR is strengthening its efforts to optimize energy efficiency by introducing environmentally friendly facilities at owned properties.

We have focused on LED lighting and energy-saving air conditioners, and have also introduced a variety of other equipment, including solar power generation panels, Low-e double glazed windows with thermal shielding and insulation capabilities, and electric vehicle chargers.

Solar Power Generation Panels



Garden City Shinagawa Gotenyama



Prime Maison Gotenyama East

LED Lighting



HK Yodoyabashi Garden Avenue

Low-e Double Glazed Windows



Hommachi Minami Garden City

Electric Vehicle Chargers



Switching to Renewable Energy-Derived Electricity

SHR switched to electricity derived from renewable energy in the power supply of two properties, HK Yodoyabashi Garden Avenue and Hommachi Minami Garden City.

We use FIT electricity, which is generated from renewable energy and purchased by electric utilities under the Feed-in Tariff Scheme for Renewable Energy (FIT), and non-fossil fuel energy certificates with tracking information to verify the environmental value of electricity produced from non-fossil power sources. By repurchasing the environmental value of FIT electricity and reducing the CO₂ emission factor to zero through the use of substantial renewable energy, we have achieved virtually carbon-free properties when using electricity.

In residences as well, we plan to gradually switch electricity to renewable energy in common areas, and we will work on a medium to long term basis to reduce CO₂ emissions.

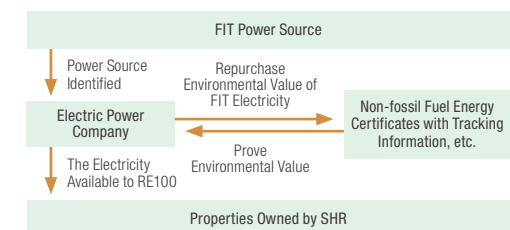


HK Yodoyabashi Garden Avenue



Hommachi Minami Garden City

Flow of Supply of Electricity Derived from Renewable Energy



Reduction of CO₂ Emissions

ENVIRONMENT

Collaboration with Tenants and Property Management Companies

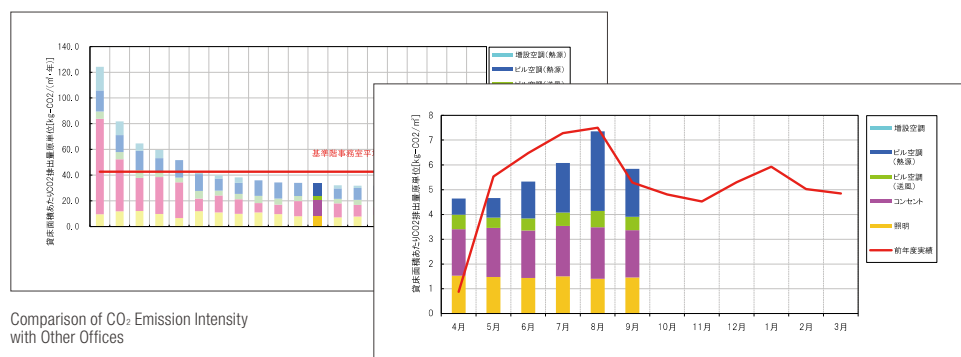
SHR asks property management companies to propose ways for energy savings in managed properties. We also share the results of the CO₂ reduction potential diagnoses conducted by SHR with property management companies to work together for the purpose of reducing environmental impact.

At Akasaka Garden City, tenant companies are regularly convened to hold a CO₂ reduction promotion meeting. At the meeting, energy consumption and CO₂ emissions are reported to each tenant, and explanations on energy conservation are provided in conjunction with these reports to raise environmental awareness.

At Garden City Shinagawa Gotenyama, the initial illuminance of the illuminance sensor is adjusted to ensure proper lighting brightness. In parallel, daylight is used during the daytime to reduce electricity consumption.

In addition, SHR evaluates the performance of property management companies' management operations once a year in principle to verify their appropriateness. For evaluation, in addition to property management capabilities and operational systems, SHR also considers the organizational structure for promoting corporate sustainability and the energy conservation promotion system for owned properties.

▶ Materials of the CO₂ Reduction Promotion Meeting (excerpt)

Monthly Changes in CO₂ Emission Intensity

Promotion of Green Leasing

Green leasing refers to the establishment and implementation of environmental provisions in lease agreements with tenants at owned properties. SHR has entered into green lease agreements with certain tenants. From the perspective of energy saving and environmental consideration, we are accelerating our environmental efforts by sharing our thoughts on maintaining and improving the comfort and productivity of our properties with our tenants, and we have established a system for mutual cooperation. We will continue to strengthen cooperation with tenants and promote green leasing.



▶ Major Properties with Green Lease Agreements

Garden City
Shinagawa GotenyamaHommachi Minami
Garden CityHommachi Garden City
(Office building portion)

Coexistence of Humankind and Nature and Activities for the Resources Environment

ENVIRONMENT

Extreme weather in recent years has not only made people's lives severe, but has also caused significant damage to ecosystems. In addition to providing space for residents and tenants to spend safely, securely, and comfortably, we believe that protecting limited resources in harmony with nature is necessary for the sustainable business development of SHR.

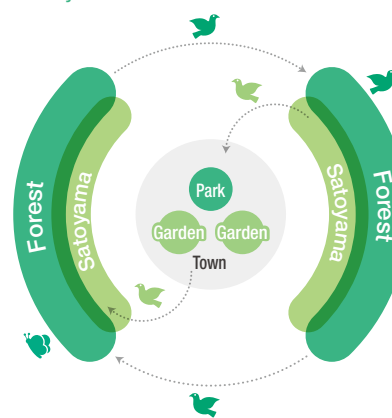
The Gohon no ki ("5 trees") Project

The *Gohon no ki* ("5 trees") Project is a landscaping and greening project that takes the ecosystem into consideration launched by the sponsor, Sekisui House since 2001, based on the approach that "three trees are for birds, two trees are for butterflies, and all are local native tree species". By planting 288 local tree species that are in harmony with the climate of each region of Japan and are beneficial to birds, butterflies, and other creatures can be used as garden trees, we aim to create a garden that coexists with the nature around us and deepens our attachment over time. In fiscal year 2020, Sekisui House planted 0.98 million trees and the cumulative number of planted trees since the start of the project has reached 17.09 million.

The creation of greenery spaces in cities, even on a small scale, creates a corridor for the habitat and movement of insects, wild birds, and other creatures, which creates food chains and forms ecosystem networks among live. This ecosystem network will enrich the biodiversity of local communities and Japan. These spaces not only make them easy to use for creatures, but also make them a place where tenants can enjoy the richness of nature at the same time.

SHR will continue to maintain and manage tree planting and other activities based on ecosystem-friendly tree species in accordance with *Gohon no ki* Project.

▶ Satoyama Network



Prevention of Pollution Risks

In acquiring the assets to be invested, SHAM has established survey items such as the use history, use status and storage status of asbestos, PCBs, and other hazardous substances, geological status, land use history, and soil contamination status in the due diligence standards, and has sufficiently conducted surveys to examine the appropriateness of the investment targets. Even after the acquisition of assets, we maintain legal compliance by investigating whether there are any violations of environmental laws and regulations in owned properties through continuous acquisition of engineering reports and other means.

Appropriate Waste Management

At Garden City Shinagawa Gotenyama, SHR is promoting the effective use of water resources by utilizing stored rainwater for watering rooftop gardens. In-house, we have posted an awareness-raising poster for three Rs (Reduce, Reuse, Recycle) aimed at reducing waste emissions.

Furthermore, Hommachi Garden City was certified as an excellent building for waste reduction and HK Yodoyabashi Garden Avenue was awarded the "Excellent Marker for Waste Reduction" by the Osaka City Environment Bureau for these excellent performances in promoting the reduction and proper disposal of commercial waste. SHR continue our efforts to appropriately manage waste through management of owned properties.

Examples of Introduction

Garden City Shinagawa Gotenyama and Hommachi Garden City have rooftop gardens. The greening of rooftops improves insulation performance and contributes to the creation of natural environments in urban areas. The entrance of Prime Maison Yokohama Nihon-odori has an entire wall covered with plants to prevent heat penetration into the building and also to provide a space for residents to relax.



Garden City Shinagawa Gotenyama



Hommachi Garden City



Prime Maison Yokohama Nihon-odori

▶ HK Yodoyabashi
Garden Avenue Excellent Marker
for Waste Reduction



Urban Revitalization / Urban Redevelopment

ENVIRONMENT

Sekisui House, the sponsor, focuses on environmental creation development which proactively uses natural energy and adopts energy-saving technologies. SHR, in cooperation with Sekisui House, aims to provide high-quality social capital and to create a sustainable city through the acquisition of environmentally conscious properties.

“Gotenyama Project”, a Large-scale Complex Developed by Sekisui House

“Prime Maison Gotenyama East”, “Prime Maison Gotenyama West”, “Garden City Shinagawa Gotenyama”, and “Gotenyama SH Building” held by SHR are properties planned and developed by Sekisui House’s large-scale complex development “Gotenyama Project”. It is not a mere large-scale development that advocates a sense of scale, but is based on the revitalization of the original landscape of “Gotenyama”, which is rich in nature, the familiarity of human-scale with its rich expression, and the creation of a comfortable townscape. In addition, the project focuses on environmental considerations through the active use of natural energy and advanced energy-saving technologies.

In the “Gotenyama Project”, more than 40% of the total development area is greened by planting the exterior and greening the roof and walls. Based on Sekisui House’s proprietary *Gohon no ki* project, which is ecosystem-conscious, based on the “Satoyama”, which can be said to be the original landscape of Japan, a green network that is integrated with the greenery in the surrounding area is created through preservation of existing trees and planting over 26.4 thousand trees, mainly indigenous species.



Major Awards Granted to the Project

February 2012

Sponsored by Shinagawa Ward, Tokyo
“Greening Grand Prize” of the Green Honoring System

September 2012

Sponsored by Organization for Landscape and Urban Green Infrastructure
Minister of Land, Infrastructure, Transport and Tourism Award in the Rooftop Greening Category
at the “Rooftop / Wall / Special Greening Technology Contest”

October 2012

Sponsored by Organization for Landscape and Urban Green Infrastructure
Urban Greenery Organization Chairman’s Award in the Green Community
Development Category at the Urban Green City Award

Investing in Real Estate with Excellent Environmental Performance

ENVIRONMENT

SHR invests and manages real estate with excellent environmental performance, and is actively acquiring green certification to evaluate the environmental performance of its properties. Through these certifications, SHR objectively assesses the environmental performance and refers to such assessment for improvement. The target(KPI) regarding the green certification is brought forward the target date from fiscal year 2030 to fiscal year 2022, taking into consideration the achievement status.

The Rate of the Portfolio with Green Certification

(Total floor base)

Target (KPI)	Achievement (As of December 15, 2021)
70% or more by fiscal year 2022	58.2%

Green Certification

Green certification means "Certification for CASBEE for Real Estate" and/or "DBJ Green Building Certification". SHR has acquired "Certification for CASBEE for Real Estate" mainly for office buildings, and "DBJ Green Building Certification" mainly for residential buildings.

Topics

Sekisui House's Efforts in ZEH

In October 2021, Sekisui House announced that all residential units of "Grande Maison", a condominium that will be sold after 2023, will be made to meet ZEH standards, and all buildings will be made to meet ZEH-M (ZEH Mansion) standards.

All new construction started in the fiscal year 2021 is already expected to meet ZEH and ZEH-M standards. Going forward, we plan to actively promote ZEH for all major buildings, including custom detached housing and rental housing, and steadily work toward achieving these targets.

SHR will contribute to decarbonization by actively investing in ZEH properties developed by Sekisui House.

Certification for CASBEE for Real Estate

CASBEE (Comprehensive Assessment System for Built Environment Efficiency) is a system for comprehensive assessment of the quality of a building, evaluating features such as interior comfort and scenic aesthetics, in consideration of environment practices that include using materials and equipment that save energy or achieve smaller environmental loads.

CASBEE for Real Estate Certification was developed with the aim of making use of the results of the environmental assessment of buildings under CASBEE in real estate evaluation. It scores buildings under each of the evaluation items in five categories, comprising "1. Energy & Greenhouse Gases", "2. Water", "3. Use of Resources & Safety", "4. Biodiversity & Sustainable Site", and "5. Indoor Environment". Based on the scores, the evaluation results are given one of four ranks: Rank S, Rank A, Rank B+, and Rank B.

SHR has acquired the highest rating of "S Rank (excellent)" certification for 6 office buildings.

List of Properties with CASBEE Certification

Certification	Property No,	Property Name
S Rank	0-001	Garden City Shinagawa Gotenyama
	0-003	Hommachi Minami Garden City
	0-004	Hommachi Garden City (Office building portion)
	0-005	HK Yodoyabashi Garden Avenue
	0-006	Hirokoji Garden Avenue
	0-007	Akasaka Garden City

Investing in Real Estate with Excellent Environmental Performance

ENVIRONMENT

DBJ Green Building Certification

The DBJ Green Building Certification Program was launched by Development Bank of Japan Inc. (“DBJ”) in April 2011, for the purpose of supporting the properties which give proper care to environment and society (“Green Building”). The program evaluates and certifies properties which are required by society and economy, based on a comprehensive assessment of properties, while evaluating various factors which range from properties’ environmental features to their communication with stakeholders, such as disaster prevention and proper care for surrounding communities. Certification is evaluated on a 5-point scale from 1 Star to 5 Stars. SHR has acquired this certification for 55 of its office buildings and residence properties, of which 54 achieved “3 stars” or higher.

List of Properties with DBJ Green Building Certification (As of December 15, 2021)

Certification	Property No.	Property Name
★★★★★	2018	0-001 Garden City Shinagawa Gotenyama
	R-072 Prime Maison Gotenyama East	
	R-081 Prime Maison Shinagawa	
★★★★★	2018	0-003 Hommachi Minami Garden City
	0-004 Hommachi Garden City (Office building portion)	
	0-006 Hirokoji Garden Avenue	
	R-047 Prime Maison Ginza East	
	R-092 Prime Maison Yokohama Nihon-odori	
	2019	R-109 Prime Maison Mitatsunamachi
★★★★★	2020	R-048 Prime Maison Takami
	R-082 Prime Maison Odorikoen	
	R-085 Prime Maison Central Park	
	R-041 Prime Maison Gokiso	
	R-049 Prime Maison Yadaminami	
	2021	R-078 Prime Maison Fujimidai
	R-101 Prime Maison Shirokanedai Tower	
	R-103 Prime Maison Asakusabashi	
	R-105 Prime Maison Gotenyama West	

Certification	Property No.	Property Name
★★★★★	2021	R-106 Esty Maison Toyosu Residence
	2018	R-077 Esty Maison Ojima
		R-093 Kobe Women’s Student Housing
		R-110 Prime Maison Hongo
	2019	R-111 Prime Maison Kuramae
		R-001 Esty Maison Ginza
	★★★★	R-003 Esty Maison Ebisu II
		R-013 Esty Maison Kyobashi
		R-033 Prime Maison Musashinonomori
		R-035 Prime Maison Kayabakoen
R-038 Sha Maison Stage Hakata		
2020		R-050 Prime Maison Teriha
R-055 Esty Maison Nishitemma		
R-056 Esty Maison Shirokanedai		
R-067 Esty Maison Akabane		
R-083 Prime Maison Minami 2-jo		
R-084 Prime Maison Kamokamogawa		
R-087 Prime Maison Ebisu		

Certification	Property No.	Property Name
★★★★	2020	R-094 Prime Maison Shibuya
		R-095 Prime Maison Hatsudai
		R-098 Prime Maison Shirokane-takanawa
		R-099 Prime Maison Ichigayayamabushicho
	R-100 Esty Maison Morishita	
	R-034 Prime Maison Higashisakura	
	R-042 Prime Maison Yuhigaoka	
	R-043 Prime Maison Kitatanabe	
	R-069 Prime Maison Waseda	
	R-070 Prime Maison Hatchobori	
	R-071 Prime Maison Jimbocho	
	2021	R-080 Prime Maison Morishita
	R-086 Sha Maison Stage Yahiro	
	R-088 Sha Maison Stage Kanazawa Nishizumi	
R-091 Sha Maison Stage Hino		
R-102 Prime Maison Otsuka		
R-104 Prime Maison Daikanyama		
R-114 Sha Maison Stage Hirose-dori		
★★★	2021	R-073 Sha Maison Stage Akihabara

Green Bond

ENVIRONMENT

SHR issues Green Bonds with the intention to further promote asset management with due consideration given to ESG and to strengthen fund procurement base through the expansion of investors interested in ESG.

Overview of Green Bond

Green Bonds are any type of bond instrument issued by issuers to finance eligible green projects (environmentally-friendly investment or financing projects). The issuance of Green Bonds must adhere to the Green Bond Principles of International Capital Market Association (ICMA). SHR issues green bonds in accordance with its green bond framework endorsed by a second-party opinion from an ESG rating agency ("Green Bond Framework").

Green Bond Framework

Use of Proceeds

The proceeds of the green bond are allocated toward the acquisition of the new and/or existing assets that meet the following eligibility criteria (the "Eligible Green Projects") and/or toward refinancing the existing loans/investment corporation bonds that have already been allocated to Eligible Green Projects.

► Eligibility Criteria

To be eligible for green bond proceeds, Eligible Green Project must meet the following eligibility criteria:

- Buildings that have a valid third-party certification described below on the date of a green bond issuance and at the time of reporting, and/or that are expected to receive the certification post issuance:
 - 3, 4, or 5 Stars under DBJ Green Building Certification, or
 - A or S rank under Certification for CASBEE for Real Estate



Management of Proceeds

As long as the green bonds are outstanding, SHR will conduct management to ensure that the total amount of the outstanding green bonds does not exceed the total acquisition price of the Eligible Green Projects.

Number of Owned Properties: 117
549.0 billion yen

Eligible Green Projects

Maximum Issuable Amount of Green Bonds

Eligible Green Projects: 56 properties 283.3 billion yen

Issuance of Green Bonds

23.5 billion yen

(As of December 15, 2021)

Reporting

[Allocation Reporting]

The allocation status of funds procured by Green Bonds, the total acquisition price of Eligible Green Projects, and the outstanding balance of Green Bonds issued are published annually.

[Impact Reporting]

The following information on Eligible Green Projects are published annually.

- The number of the buildings and the total amount of the floor area
- The levels of third-party certifications acquired
- The following quantitative indicators (where SHR has energy control authority)

Electricity consumption

CO₂ emissions

Water consumption

Third-Party Eligibility Assessment

[Second-Party Opinion]

SHR has obtained a second-party opinion from Sustainalytics, an ESG rating agency, for the eligibility of Green Bond Framework.



(Note) Being eligible for Green Bond Framework means complying with the four requirements set by the Green Bond Principles: use of proceeds, project evaluation and selection process, management of proceeds and reporting.

Outstanding of Green Bond Issuance

SHR actively issues Green Bonds, The amount of the Green Bonds is 23.5 billion yen. The percentage of investment corporation bond issuance balance is 68.1%. (As of December 15, 2021)

► Green Bond issued since May 2020

Bond name	Issue Date	Issued amount (million yen)	Maturity	Interest Rate(%)
The 5th Green Bonds (The 7th Unsecured Investment Corporation Bonds)	Sep. 9, 2020	4,000	5 years	0.250
The 6th Green Bonds (The 8th Unsecured Investment Corporation Bonds)	Sep. 9, 2020	4,000	10 years	0.510
The 7th Green Bonds (The 9th Unsecured Investment Corporation Bonds)	May 19, 2021	2,000	10 years	0.460

Social Responsibility

SOCIAL



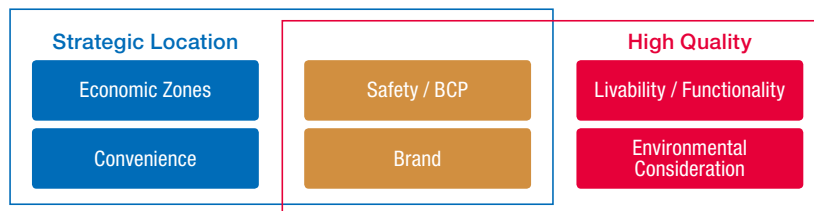
Role of SHR with Respect to Residents and Tenants

In recent years, the significance of SHR's efforts to provide resilient buildings that can withstand disasters, etc., and to prepare for minimal damage in the event of a crisis has become greater. We believe that our role is to make owned properties in safe and secure spaces and comfortable places that improve the quality of life on a daily basis.

Based on the fundamental recognition that there is a growing need for real estate located at sites suited for "bases for sustainable living" for residents or sites suited for "sustainable bases of operation" of tenant companies and needs for real estate with high, basic functionality as residences, such as comfort and safety, and functionality desired by tenant companies, SHR designates high quality residential and commercial properties, etc. located at strategic locations "Prime Properties" and prioritize investments in Prime Properties.

SHR will pursue both the sustainable lives and business activities of its residents and tenants through investments in properties that qualify as "Prime properties" and the sustainable asset management of SHR.

► Six Factors of Prime Property



► Focus Points on Residential

Element	Focus Points
Economic Zones	• Areas where stable rental demand can be expected in terms of commuting distance, residential population, number of passengers at stations, etc.
Convenience	• Good access to major transport routes and major terminals, and adjacent to commercial stores, etc.
Livability	• Design to provide comfort as a living space and installation of functional equipment • Installation of comfortable common spaces and functional equipment, and provision of services
Environmental Consideration	• Environmental performance is provided by energy-saving equipment, etc. in common areas and exclusive areas • Biodiversity-friendly planting and landscape design
Safety	• Buildings with risk management considerations for disasters • Location with high safety, earthquake resistance of buildings, and disaster resilience
Brand	• Popularity as an area and recognition of properties • High quality in terms of building grade, design, etc.

► Focus Points on Office Building

Element	Focus Points
Economic Zones	• Population of the commercial area, residential population, number of passengers at stations, and thickness as an economic zone
Convenience	• Good access from major transport routes • Convenience, commercial concentration, and prosperity that contribute to commuting and attracting customers
Functionality	• Functional design with comfort that leads to increased productivity for tenant companies • Sufficient standard floor space and comfortable spacious design, etc.
Environmental Consideration	• Environmental performance is provided by energy saving, rooftop greening, etc.
BCP	• Provide important facilities as a foundation for "business continuity" • Resilience to disasters, both location and specifications
Brand	• Dignity as an area, luxury and cleanliness as a building

Provide Residents and Tenants with Secure and Comfortable Space that Offers Peace of Mind

SOCIAL

Measures Against Earthquakes

SHR's investment criteria require that the company's portfolio in Japan have a seismic PML (probable maximum loss) of 10% or less in principle and that the addition of earthquake insurance be considered for individual properties with a PML of 20% or more. The seismic PML of SHR's portfolio as of October 31, 2021, was 1.56%; there were no individual properties with a PML exceeding 20%.

▶ Seismic PML of Top Five Properties by Investment Ratio (as of Oct. 31, 2021)

Property name	Investment ratio (acquisition price basis)	Seismic PML
Garden City Shinagawa Gotenyama	13.6%	0.82%
Gotenyama SH Building	9.8%	1.35%
Hommachi Minami Garden City	8.3%	2.28%
Hommachi Garden City (office building portion)	7.3%	2.29%
Akasaka Garden City	5.4%	1.59%

Measures Against Flooding

SHR has a system for minimizing damage from natural disasters by investigating the risks of inland flooding, river flooding and storm surge for our owned properties to assess our portfolio's flood risk and use the findings to improve our business continuity plan (BCP).

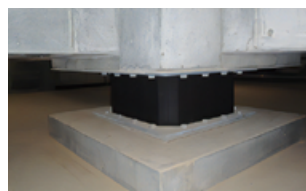
As of December 15, 2021, properties with a flood depth of 0.5 meters or more account for 46.0% of our portfolio. There have been no cases of any property experiencing flooding above the lowest floor level during the time that we have owned them.

▶ Flood Depth Classification of Owned Properties (acquisition price basis)

	<0.5m	≥0.5m	Total
Office building	28.8%	17.7%	46.5%
Greater Tokyo	28.8%	0.0%	28.8%
Osaka area	—	16.5%	16.5%
Nagoya area	—	1.2%	1.2%
Residential properties	25.2%	20.9%	46.0%
Greater Tokyo	18.2%	16.9%	35.1%
Osaka area	0.5%	1.1%	1.6%
Nagoya area	3.6%	0.3%	3.9%
Other	2.9%	2.6%	5.4%
Hotel	—	7.4%	7.4%
Osaka area	—	0.0%	0.0%
Total	54.0%	46.0%	100.0%

Disaster-Resilient Office Buildings

Garden City Shinagawa Gotenyama was built with business continuity in mind. The building is located on elevated terrain with low flood risk and has a quake absorbing structure for improved seismic resilience. Its on-site emergency power generator can supply electricity to common areas during a disruptive event. And its disaster prevention center is standing by and can respond rapidly to an incident 24 hours a day, 365 days a year.



Quake-Absorbing Structure

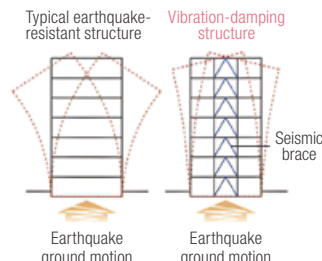


Emergency Power Facility



Disaster Prevention Center

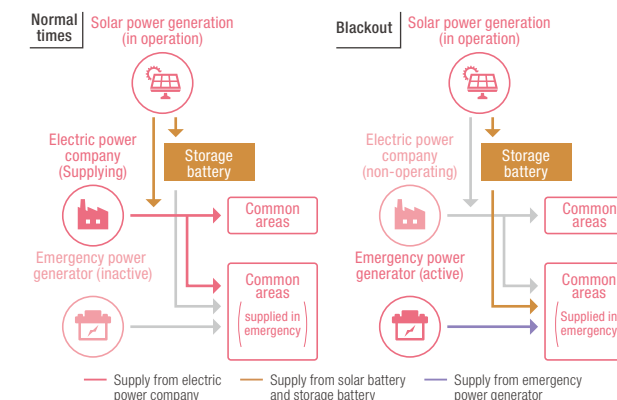
Similarly, Hommachi Minami Garden City takes business continuity into account by using seismic bracing installed on each floor to absorb the forces that would act on the building in a major earthquake, and by situating its mechanical room on the 3rd floor, above flood level. Despite these features, it still offers over 1,300 square meters of column-less floor spans and a ceiling height of 2.8 meters on standard floors.



Residence in Preparation for Disasters

Prime Maison Shinagawa is a rental condominium developed by Sekisui House in response to heightened interest in power conservation and disaster prevention, in addition to the climate change, following the Great East Japan Earthquake. We are introducing emergency power generators and building an emergency power supply system in conjunction with solar batteries and storage batteries in the event of a blackout. This illuminates some of the lights in the common corridors and entrances, securing traffic lines and providing a sense of security even at night. The generator also supplies power to electrical outlets by the entrance, allowing residents to charge mobile phones and other devices, in addition to the collection of information via the monitor in the control room. Electricity is also supplied to water pumps, and water can be supplied to common areas and dwelling units provided the water supply has not been cut off.

▶ Conceptual Diagram of Emergency Power Supply System



▶ Examples of Disaster Prevention Equipment for Residences



Provide Residents and Tenants with Secure and Comfortable Space that Offers Peace of Mind

SOCIAL

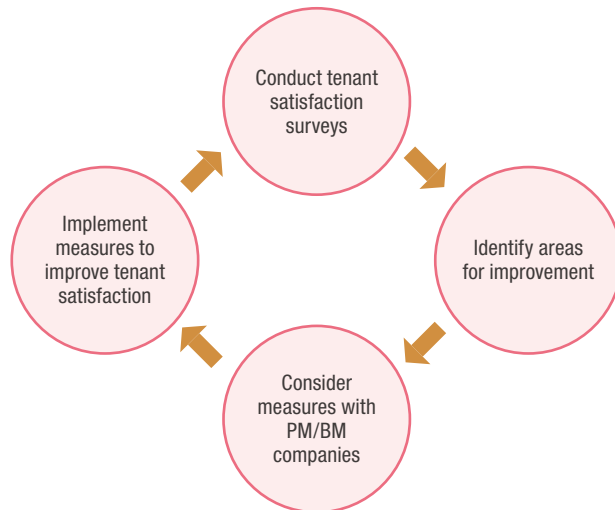
Conducting Tenant Satisfaction Surveys

SHR regularly conducts tenant satisfaction surveys with the aim not only to improve and stabilize leasing operations, but also to communicate with residents and tenants and build a reliable relationship.

For the surveys conducted in fiscal year 2021, we incorporated the response to the COVID-19 pandemic, along with awareness of ESG and the implementation status of telework into the survey items.

The survey results are shared with property management companies, building management companies, and others, and measures will be developed to further improve services.

In addition, we will consider new ESG initiatives that will allow us to gain the cooperation and collaboration of residents and tenants.



► Fiscal Year 2021 Survey Results

Office buildings

All responding tenants answered that they were “satisfied”

Major Points of Evaluation

- Building grade and specifications
- Exterior
- Interior design of entrances, etc.

Satisfaction
100%

Residence

A total of 84.8% responded that they were “generally satisfied” or “highly satisfied”

Major Points of Evaluation

- Convenience of location
- Good surrounding environment
- Design and atmosphere of the room, etc.

Satisfaction
84.8%

Points Cited as Areas of Improvement

- Expansion of home delivery lockers
- Expansion of bicycle parking, etc.

Summary of Fiscal Year 2021 Survey

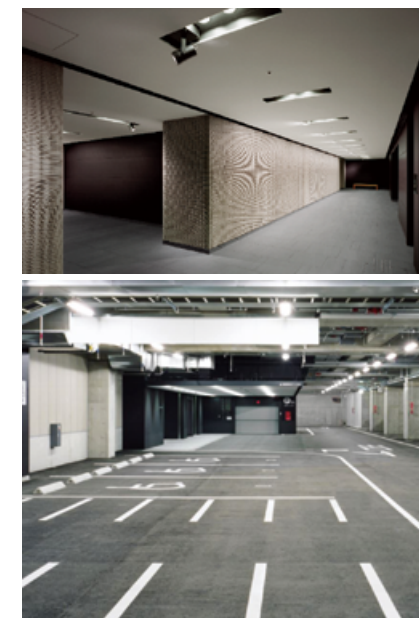
Survey period	March to April 2021	
Respondents	Office building	32 Tenants of owned office buildings
	Residence	8,638 tenants of Prime Maison, Esty Maison, etc.
Survey items	Office building	Overall satisfaction, ESG, Regarding the COVID-19 pandemic etc.
	Residence	Property search, name brand, management status, global warming countermeasures, Regarding the COVID-19 pandemic, etc.
Response rate	Office building	90.6%
	Residence	21.4%

Introducing Barrier-Free Facilities

Hommachi Minami Garden City was designed based on the Building Movement Facilitation Guidance Standard required by the Act on Promotion of Smooth Transportation, etc. of Elderly Persons, Disabled Persons, etc. (known as Barrier-Free Act) and is the first office building in Osaka City to be designated as barrier-free under the law.

► Key Features

- Two multipurpose restrooms accessible to ostomates and wheelchair users on each office floor
- Wheelchair-accessible elevators
- Wide hallways that allow two wheelchairs to pass
- Three wheelchair-accessible spaces in the parking garage



Contributions to Society

SOCIAL

Participation in “Sekisui House Matching Program”

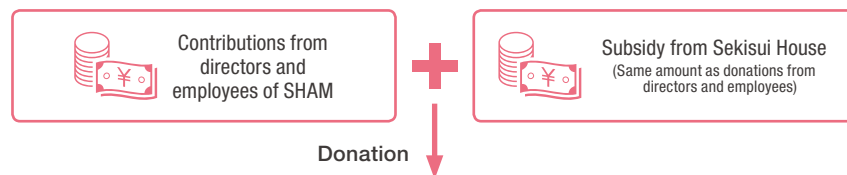


“Sekisui House Matching Program” is an employee-led donation program that has been implemented since fiscal year 2006 by Sekisui House Group to support NPOs and other organizations. The amount desired by directors and employees of SHAM is accumulated from 100 yen per unit, and the amount accumulated is donated by Sekisui House with a grant of the same amount.

The “Children’s Fund” and the “Environmental Fund” have been established, and employees can freely choose which one to donate.

In fiscal year 2021, a total of approximately 49 million yen was raised and earmarked to support 49 organizations, primarily involved in efforts related to the SDGs as Sekisui House Group.

Structure of Sekisui House Matching Program



Sekisui House Matching Program Association



Children's Fund

Aiming to nurture children who will lead the next generation, we support activities related to the sound development of children

Education system promotion activities for children in rural Cambodia



Environmental Fund

Supporting activities related to global warming prevention, ecosystem conservation, and resource recycling with the aim of contributing to the resolution of environmental issues

Coastal forest restoration activities in Sammu-shi, Chiba, which suffered salt damage from the tsunami on March 11, 2011.

[Administrative board] Six board members, auditors, and external advisors engage in screening.

[Secretariat] Sekisui House ESG Management Promotion Headquarters

Application

Screening and grant

Grant recipient organizations

Volunteer organizations, NPOs, educational institutions and others

Utilization of Common Space

We open the entrances, pilotis, building site, and conference rooms of our properties as event spaces.

In addition, SHR has introduced Share Bikes and Food Trucks in some properties so that they can be used not only by tenant companies but also by local residents.

Participation in Midosuji Illumination Event



Hommachi Garden City

Providing Conference rooms for Blood Donation Events



Garden City Shinagawa Gotenyama

Introduction of Share Bikes



Garden City Shinagawa Gotenyama

Introduction of Food Trucks



Akasaka Garden City

Participation in the Minato-ku Adopt Program

SHAM has concluded an agreement with Minato-ku, Tokyo, where the office is located, and regularly conducts cleanup activities in the vicinity of the office through participation in the Minato-ku Adopt Program.

Adopt refers to a series of activities involving the “adoption”, local roads, parks, etc. as “foster child”, and groups or citizens, etc. consisting of ward residents, etc. as “foster parents”, in beautification, cleaning, etc. of “foster child”. We will contribute to cooperation with tenants and local communities and comfortable lifestyles through cleanup activities.

Cleanup activity



Creating a Rewarding Workplace

SOCIAL

SHAM strives to foster a company culture where all directors and employees are respected for their diversity and unique individuality and can work healthy and lively. By attracting diverse teams of exceptional talent and drawing out their full potential, we will strengthen our organizational capabilities and achieve sustainable growth.

Respect for Human Rights

The Sekisui House Group has positioned respect for human rights as one of the key issues for promoting ESG management. By asking all employees to practice our corporate philosophy rooted in a love of humanity, the Group works together to meet its responsibility to respect human rights.

SHAM strives to ensure that there are no infringements of human rights, including harassment, in order to contribute to the creation of a workplace environment where all directors and employees can work enthusiastically and lead to growth, according to the Sekisui House Group Human Rights Policy, established by Sekisui House in April 2020.

Sekisui House Group Human Rights Policy (excerpt)

We are committed to respecting human rights as stipulated in the International Bill of Human Rights and the ILO (International Labour Organization) Declaration on Fundamental Principles and Rights at Work. We are a signatory of the United Nations Global Compact and we support its ten principles. We strictly prohibit any form of forced labor and child labor. We shall continue to promote the creation of a corporate structure with zero tolerance for any discrimination or harassment based on birth, nationality, race, ethnicity, beliefs, religion, gender, sexual orientation, gender identity, age, disabilities, preference, educational background, family or any other ground. We also strive to maintain a healthy working environment without discrimination in employment or treatment of employees.

We respect the freedom of association and the right to collective bargaining. We comply with labor-related laws and regulations and observe labor-management agreements. We are committed to engaging in employees or their representatives in good faith through dialogue and consultations and continuously work to build constructive relations.

We comply with national and regional laws and regulations in countries and regions where we operate.

Where national and regional laws and regulations conflict with international human rights standards, we seek ways to honor the principles of internationally recognized human rights while complying with national and regional laws and regulations.

[Full Text](#)

Initiatives for Health and Safety

SHAM has formulated the Rules on the Health Committee and established Health Committee for the purpose of promoting the safety and health management activities of directors and employees. The committee includes an occupational physician and meets monthly to discuss workplace environment and gain insights for preventing health issues in the workplace and promoting improvements in employee health.

The committee also set up working groups to discuss healthcare and hygiene management, and conducted radio calisthenics and distributed sanitizers to prevent COVID-19 infection.

SHAM also conducts stress checks for all directors and employees to prevent the occurrence of any mental health issues. We encourage each employee to be aware of stress and provide consultation services from specialists (counselors). In this way, we provide support in dealing with stress and strive to improve the workplace environment.

Generous Employee Benefits

SHAM strives to provide a workplace environment where employees can enhance their motivation to work and demonstrate their skills through various welfare programs for all directors and employees.

Key Benefit Systems

System Name	Eligibility	Description
Parental leave	All directors and employees	Paid leave for raising children under three years of age (includes children of legal guardians, opposite-sex common-law spouses, and same-sex domestic partners)
Family-care leave	All directors and employees	Paid leave for providing nursing care to a family member
Sick child care leave	All directors and employees	Paid leave for nursing a sick or injured child or taking them to receive medical services (vaccinations, checkups, etc.)
Short working hours	All directors and employees	System for working shorter hours to raise a child
Congratulatory or condolence payment	All directors and employees (excluding contract and part-time employees)	One-time payment granted in the event of a marriage, childbirth, death, injury, illness, or damaging event experienced by director/employee or their family
Staggered working hours	All directors and employees	Permits employees to move their daily start and finish times forward or back following designated patterns
By-the-hour annual leave	All directors and employees (excluding part-time employees)	Allows up to five days of annual paid leave to be taken in hourly units
Accumulated annual leave	All directors and employees regardless of without duration *Includes contract employees contracted for more than 3 years	Allows recipients to accumulate annual leave past the legal two-year limit and take as many as 100 days off in combination with standard annual leave
Credentialing stipend	All directors and employees (excluding non-regular, contract, and part-time employees)	Payment granted to those who pass a national certifying exam or other eligible credentialing exam
Employee stock ownership plan (with incentives)	All directors and employees (excluding non-regular, contract, and part-time employees)	Allows Sekisui House Group members to purchase Sekisui House, Ltd. stock through payroll deductions at a 10% discount
Defined-contribution pension plan	All directors and employees (excluding part-time employees)	Corporate pension plan in which future benefits are determined based on the total of contributed lump sum and investment earnings

Encouraging Male Employees to Take Childcare Leave

As a member of the Sekisui House Group, SHAM encourages male employees who have a child under three years of age to take at least one month of parental leave. SHAM began its parental leave system for working fathers in September 2018. The first month is paid, and leave can be taken in as many as four segments based on their respective situations. In April 2021, SHAM expanded the system into an eight-week postpartum benefit that can be used in one-day increments, to enable more choices and flexibility. SHAM has raised awareness of the importance of the father's presence during this period, when new mothers are physically and emotionally taxed and at higher risk of postpartum depression.

Employee Satisfaction Survey

SHAM gauges employee satisfaction using an annual governance awareness survey of all Sekisui House Group employees. Utilizing the survey, the company provides opportunities for all employees to share thoughts on topics such as corporate ethics and the workplace environment, encouraging more-active communication in the workplace.

Creating a Rewarding Workplace

SOCIAL

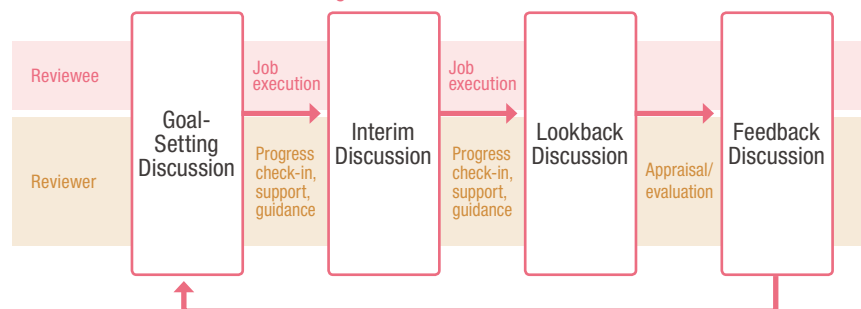
Strategy for Developing Human Resources

The fundamental corporate philosophy of Sekisui House Group is “love of humanity”. It means “we will wish for the happiness of others, make their joy our own, and act with integrity and in the spirit of service”. Cultivating this “love of humanity” in our employees contributes to greater trust from society and drives our work of creating a more sustainable world. Accordingly, we proactively promote the development of employees and their capabilities.

Being part of this philosophy as a Sekisui House Group member, SHAM is focused on career building and developing autonomous human resources. We follow a new kind of meritocracy, where job competency, role (duties), and outcomes make up the key elements of our HR practices.

Performance reviews include multiple stages of discussion to foster understanding and motivation, thus tying the process to development. We also use multifaceted reviews for managers, with employees providing feedback on their observations with the goal of eliciting new understandings and behavior change.

► Performance Review Process Using Discussions



Recruitment

SHAM realizes high-performing asset management by accepting specialized seconded personnel from Sekisui House Group who have a wide range of experience and know-how in real estate investment and management. In addition, SHAM works to recruit great talent and uses job rotation to promote varied work experiences and skill development relevant to changes in the business environment and organization.

Promoting Employment of Older Workers

SHAM has a mandatory retirement age of 65 to enable directors and employees to demonstrate their motivation and abilities for longer, more productive employment. In addition, as of April 2021, SHAM has introduced a re-employment system for employees aged 65 to 70 to help post-retirement employees to remain active.

Support for Acquiring and Retaining Qualifications

SHAM helps and encourages employees to level up their expertise by acquiring qualifications such as the “Association for Real Estate Securitization (ARES) Certified Master”, an educational program that provides systematic study in the fields of real estate and finance. SHAM aims to improve the professional abilities of employees by covering the cost of training, examination, continuing education, and seminars for these qualifications.

Training System

SHAM offers a comprehensive training program for all directors and employees to develop their skills per the new principle centered on job performance and roles/achievements, which are the basic policies of the personnel system.

This tiered professional development program builds leadership for raising organizational productivity by tailoring learning to the skills and requirements of each job level.

In addition, to develop human resources with expertise as real estate investment management professionals and a broader perspective and insight, SHAM also offers free voluntary training opportunities such as seminars. Furthermore, to bring more comfort and ease to the workplace, all directors and employees of SHAM attend an annual human relations training (training on human rights, power harassment, and sexual harassment), a training program of Sekisui House Group.

► Training Framework

	Staff Assistant managers	Managers Senior managers	Deputy chief managers Chief managers	Directors
Tiered Training	Staff / assistant manager training	Senior manager / Manager training	CM / Deputy CM training	Director training
	OJT (by department)			
Company-Wide Training	Compliance training			
	Sekisui House Group-wide training (human relations, corporate ethics, diversity)			
	Thematic training (ESG, internal engagement)			
Self-Development Training	Training hosted by Association for Real Estate Securitization (ARES)			
	Cafeteria Plan training			

Corporate Governance

CORPORATE GOVERNANCE



Governance at SHR

SHR's governing bodies consist of a general meeting of unitholders, a board of directors with at least one executive director and two supervisory directors, and an accounting auditor.

The executive director oversees SHR's operations and, as SHR's representative, has the authority to act in and out of court with respect to any and all of SHR's affairs. The supervisory directors supervise the executive director's execution of duties. The board of directors makes important decisions regarding SHR's operations, including approval of the execution of important duties by the executive directors and financial statements. The supervisory directors supervise the executive director's work by means of reports provided by the executive director on the status of the management of SHR's assets as needed and on investigations results and other tasks requested by the supervisory directors.

SHR has selected Ernst & Young ShinNihon LLC as our accounting auditor. The accounting auditor audits SHR's financial statements and also serves legally mandated roles, such as reporting to the supervisory auditors in the event that, in its auditing process, it discovers an illegal action or serious violation of the law or of SHR's articles of incorporation in connection with the executive director's execution of duties.

For more information on the above topics, see "1. Overview of SHR / (4) SHR's organization" in the latest annual securities report (available in Japanese only).

Current Board of Directors

Position	Name	Reasons for appointment	Attendance	
			The fiscal period ended Oct 31, 2020	Six months ended April 30, 2021
Executive Director	Atsuhiko Kida	Kida possesses wide-ranging knowledge and a wealth of experience regarding the operation of asset management companies as director of the asset management company of a publicly-traded REIT.	—	4/4 meetings (100%)
Executive Director	Junichi Inoue ^(Note)	Inoue has wide-ranging knowledge and a wealth of experience regarding real estate investment management, as well as experience as the executive director of a publicly-traded REIT.	7/7 meetings (100%)	5/5 meetings (100%)
Supervisory Director	Shigeru Nomura	Nomura has a wealth of knowledge and experience regarding the accounting and tax management of real estate as a certified public accountant.	7/7 meetings (100%)	9/9 meetings (100%)
Supervisory Director	Tatsushi Omiya	As an attorney, Omiya has a wealth of knowledge and experience regarding the legal matters of real estate securitization, as well as experience as an auditor.	7/7 meetings (100%)	9/9 meetings (100%)

(Note) Junichi Inoue stepped down from the position of executive director on January 31, 2021; substitute executive director Atsuhiko Kida was appointed to executive director on February 1, 2021.

On December 15, 2021, the board resolved to present the matter of electing a new team of directors to the 5th General Meeting of Unitholders to be held on January 26, 2022. In the spirit of valuing diversity, the board has selected Atsuhiko Kida (incumbent) as a nominee for executive director and Yu Yada (attorney) and Rei Yamashita (CPA) as nominees for supervisory director. If the proposal is resolved as proposed, female representation on the board of directors will be 33.3%.

► Restrictions on the Trading of Investment Units by Directors

For the purpose of preventing insider trading, SHR's "Insider Trading Management Regulation" prohibits SHR officers from trading investment units or bonds issued by SHR. Neither executive directors nor supervisory directors own SHR's investment units.

Penetration of Compliance

GOVERNANCE

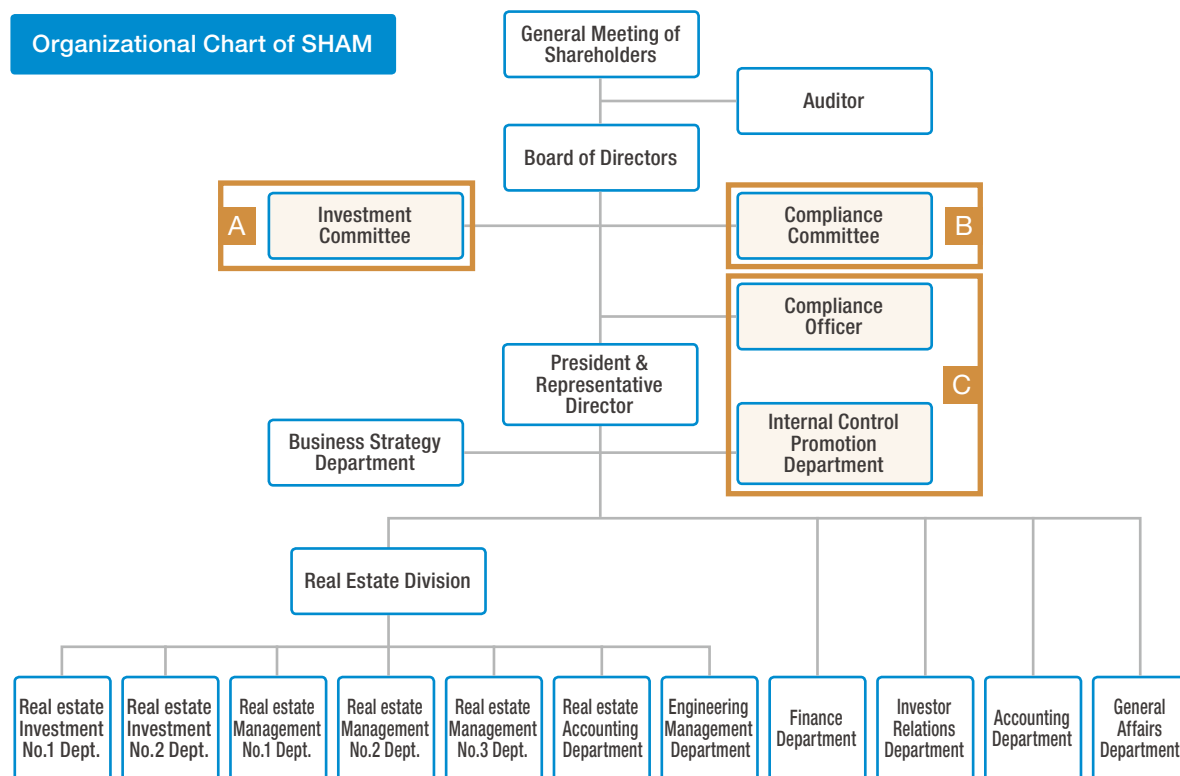
Awareness of Fundamental Compliance Policies

At SHAM, compliance means that directors and employees accurately understand the purpose and content of laws and regulations, etc., comply with them, and practice honest and fair corporate activities in accordance with social standards. SHAM has established compliance regulations for the purpose of ensuring that its directors and employees comply with laws and regulations, establish a system to appropriately manage the assets and conduct appropriate business operations, in order to ensure thorough compliance.

[Basic Policies]

- a. SHAM is fully aware that lack of compliance could undermine SHAM's management base, and has positioned thorough compliance as one of its most important management issues.
- b. As a company that conducts financial instruments business and manages the assets of registered investment corporations, SHAM recognizes its responsibility to strive to realize the value of works of SHAM, which is socially demanded. In order to increase the value of the work of SHAM qualitatively and quantitatively, SHAM will actively and constantly engage in compliance.
- c. SHAM aims to contribute to the development of the economy and society by developing the above-mentioned compliance activities, thereby enhancing the reputation from investors and establishing the trust of society at large.

Organizational Chart of SHAM



Compliance Structure

A The organization that deliberates and makes decisions on matters related to management policy and other asset management issues
[Investment Committee]
 Committee members: President & Representative Director (chairman), all full-time Directors including Compliance Officer who has the status as a Director, and General Manager of Real Estate Division, Chief Manager of Business Strategy Dept., Finance Dept., IR Dept., Accounting Dept., General Affairs Dept., and Internal Control Promotion Dept., and the external committee members ^(Note).

B The organization that deliberates and makes decisions on matters related to compliance in asset management
[Compliance Committee]
 Committee members: Compliance Officer (chairman), President & Representative Director and all full-time Directors, and the external committee members ^(Note).

C Organization responsible for compliance
[Compliance Officer]
 Person responsible for the compliance of SHR and SHAM. Personnel with sufficient screening and surveillance capabilities are selected to observe compliance with legislation and norms.

[Internal Control Promotion Department]
 Internal Control Promotion Department conducts work related to SHAM's risk management, monitoring the status of legislation and regulations, and internal auditing.

(Note) For information on the external committee members, please refer to "Strengthening Corporate Governance System/Efforts for Conflicts of Interest" on page 33.

Penetration of Compliance

Efforts to Prevent Bribery, Corruption, etc.

SHAM stipulates in the "Compliance Manual" that prohibits fraudulent acts, such as money laundering, insider transactions trading, bribery, embezzlement for self-interest, etc., with strictly punishing those who have committed fraudulent acts. There were no fraudulent acts identified in fiscal year 2020 (February 1, 2020 to January 31, 2021). In addition, SHAM is working to raise employee awareness by conducting compliance training for all employees appropriately. In fiscal year 2020, compliance training sessions was held twice, with a participation rate of 100%.

Internal Reporting System

SHAM has set up the Compliance Hotline based on Whistleblower Protection Act with an aim to strengthen compliance management through early detection and correction of fraudulent acts. The Hotline is a system for accepting consultations or reports from all directors and employees regarding organizational or personal violations of laws and regulations, and appropriately dealing with it. The person in charge of the Hotline is the Compliance Officer, and the consultation counter is the Compliance Officer or Internal Control Promotion Department.

Personal information protection of whistleblower and no retaliation treatment is articulated in the regulation of the Hotline based on Whistleblower Protection Act.

The Compliance Officer or Internal Control Promotion Department will investigate the matter of consultations or reports, with taking corrective action and measures promptly to prevent recurrence of such incidents, as well as conduct internal punishment of the parties concerned. In fiscal year 2020, the number of consultations with the Compliance Hotline was zero, and no director or employee was disciplined.

The directors and employees of SHAM may also use the Sekisui House Group Compliance Helpline. The Sekisui House Group Compliance Helpline is a contact point for directors and employees of the Sekisui House Group, as well as directors and employees of subcontractors and business partners who have ongoing business relationships with the Sekisui House Group, to consult on matters that are difficult to resolve through normal reporting channels. A lawyer's office has been set up as an external contact point, and the Compliance Office in the Legal Department of Sekisui House has been set up as an internal contact point, where anonymous reporting is possible.

Internal Audit System

SHAM has established "Internal Audit Regulations" and conducts internal audits after formulating an internal audit plan for each fiscal year.

In the audit, SHAM verifies if our operations are carried out appropriately and efficiently in line with laws, internal regulations, etc. also provides recommendations or instructions of improvement based on the results of the inspection as necessary. The results are then reported to the Compliance Committee, President & Representative Director, and the Board of Directors.

SHAM has also introduced a system which evaluates from external perspectives by conducting audits by external specialist organizations as necessary.

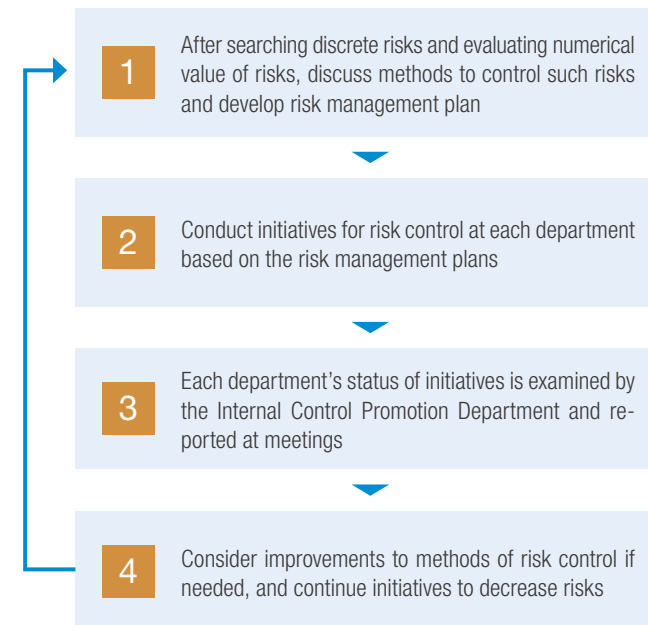
Risk Management System

GOVERNANCE

Risk Management System of SHAM

SHAM has stipulated the methods of risk management, monitoring the status of risk management, and how to respond in the event of unforeseen serious contingencies, etc. in the Risk Management Rules. Each organization of SHAM will implement the following cycles for every fiscal year to respond to discrete individual risks related to operations of the division of duties. It works to clear "weaknesses" and "oversights" in operations.

Also, the Compliance Officer and the Internal Control Promotion Department of SHAM are responsible for risk management at SHAM, supervising and monitoring risk management in each organization, and reporting to the Board of Directors.



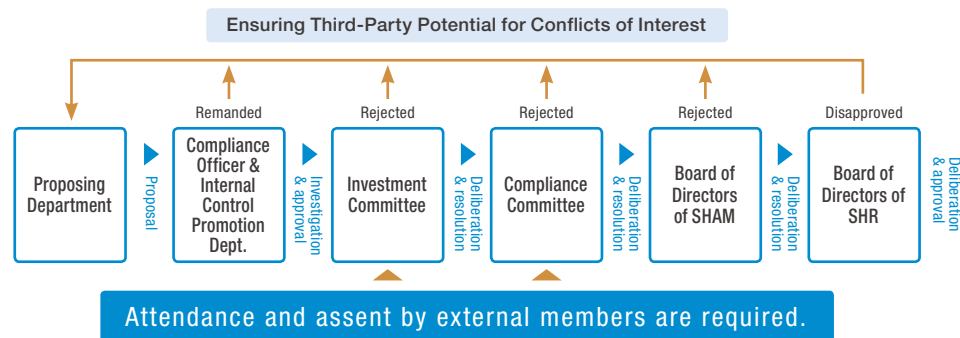
Strengthening Corporate Governance System

GOVERNANCE

Efforts for Conflicts of Interest

For the purpose of tightening examinations on transactions with interested parties, including the acquisition of portfolio assets and the entrustment of property management services, SHAM has adopted frameworks under which each decision to be made by Investment Committee and Compliance Committee must be conditional upon the attendance and assent by external members appointed from professionals who have no special interest with interested parties of SHAM, such as Sekisui House; and preliminary review by Compliance Officer and Internal Control Promotion Department, deliberations and resolution in respective meetings of Investment Committee and Compliance Committee, and deliberations and resolution for approval of the Board of Directors of SHAM, and consent of SHR based on deliberations and resolution of the Board of SHR are required.

▶ An Example of Decision Making Flow



▶ Functions Performed by External Members in Relation to Conflict of Interest Transactions

The Investment Committee and the Compliance Committee each require the attendance and approval of external members, thereby ensuring fairness, objectivity, and appropriateness in the decision-making of the committee. The appointment and removal of outside members is subject to the resolution of Board of Directors of SHAM, but it is required to obtain the approval of the Board of Directors of SHR in advance or after. External members appointed from among experts who do not have special interests are as follows.

Title	Name
External members of the Investment Committee	Ayako Sugiura (real estate appraiser)
	Yuto Okoshi (attorney)
External members of the Compliance Committee	Fumihiro Takimoto (attorney)

▶ Prevention Measures of Conflicts of Interest Transactions

SHAM stipulates Rules for Transactions with Interested Parties concerning transactions between the Interested Parties of SHAM and SHR as an internal rule to exclude adverse effect of conflicts of interest.

An overview of Rules for Transactions with Interested Parties is as follows:

Scope of Stakeholders	
From the viewpoint of preventing conflict of interest transactions, the scope of "interested persons, etc." in SHAM has been expanded from the "interested persons, etc." under the Act on Investment Trusts and Investment Corporations (Investment Trust Act) as follows.	a. "Interested persons, etc." as defined in the Investment Trust Law b. Shareholder of SHAM c. Special Purpose Companies, etc. for which discretionary investment contracts are concluded by those stipulated in (a) or (b) above d. Special Purpose Companies, etc. for which the total amount of the contributions of those set forth in (a) or (b) above is a majority

Acquisition of property from Interested Parties	The acquisition price (excluding taxes, cost of acquisition and others) must be no more than the amount of the appraisal value, etc. determined by a real estate appraiser who is a non-interested party appointed at the time of the acquisition. (However, in the event that a SPC is temporarily formed on the assumption that it will be transferred to SHR, the amount shall be less than the amount adding such cost.)
Sale of property to Interested Parties	The sale price (excluding taxes, cost of transfer and others) must be no less than the amount of the appraisal value determined by a real estate appraiser who is a non-interested party appointed at the time of the sale.
Payment of an agency fee to Interested Parties	The amount of intermediary charge to be paid must be within the range of remuneration set forth in the Building Lots and Buildings Transaction Business Act and decided based on the level of contract terms and the difficulty level of mediation, etc.
Entrusting management, etc. of real estate and other assets to Interested Parties	Entrustment of management services, etc. for real estate and other assets must be based on conditions considered adequate upon comprehensive consideration of market levels of management consignment fees, the content of provided services, total workloads and so on. (The appropriateness of contractors is verified by independent external evaluation organizations which have no interest with SHAM once a year, in principle.)
Conclusion of leasing contract for real estate and other assets with Interested Parties	Lease contracts must be based on conditions considered adequate upon investigation of market rent levels and prices of similar transactions in surrounding areas, etc. and by using the opinions of third parties as a reference, who are non-interested parties, as needed.
Placing orders for construction work, etc. to Interested Parties	If the contract amount exceeds a certain amount, Placement of orders with interested parties must be limited to cases in which the estimated price, content of services provided, etc. are not disadvantageous to SHR upon comparison with third parties.

Strengthening Corporate Governance System

GOVERNANCE

Asset Management Fee Structure Linked to Unitholders' Profits

With regard to the asset management fee paid by SHR to SHAM, the following management fee structure has been adopted from the viewpoint of emphasizing unitholder profits. Regarding the management fee ①, SHR introduced a mechanism of "Fees linked to total assets and unit price performance", in which the fee rate fluctuates by comparing the performance of the investment unit price of SHR with the performance of the Tokyo Stock Exchange REIT Index. Through this process, we are further strengthening the incentives to maximize the unitholder value of SHR by aligning the interests of SHAM and, consequently, Sekisui House, as stockholder of SHAM, with the interests of unitholders of SHR.

[Asset Management Fee Structure]

Management fee ①	<p>Fees linked to total assets and unit price performance</p> <p>Total assets × (0.14% (annual rate) + Rates linked to the Tokyo Stock Exchange REIT Index (upper limit: +0.02%; lower limit: -0.02%))</p> <p>↓</p> <p>* The rate fluctuates depending on the performance of the investment unit price of SHR in comparison with the Tokyo Stock Exchange REIT Index.</p>
Management fee ②	<p>Fees linked to DPU and operating income</p> <p>(Distributable amount per unit × Operating income × 0.002%) × 2 (split ratio)</p> <p>* The above "Distributable amount per unit" and "Operating income" are before deduction of management fee ②.</p> <p>* As SHR implemented a 2-for-1 split of the investment units with May 1, 2018, as the effective date, Management fee ② is calculated by multiplying by 2, which is the split ratio.</p>
Management fee ③	<p>Acquisition fees</p> <p>Trading value related to the acquisition of real estate-related assets × 0.3%</p> <p>→ However, in the case of acquisition from interested parties, there is no acquisition fee.</p> <p>* The trading value does not include consumption tax, etc. and expenses, etc.</p>
Management fee ④	<p>Disposition fees</p> <p>Trading value related to the disposition of real estate-related assets × 0.3%</p> <p>→ However, in the case of disposition from interested parties, there is no disposition fee.</p> <p>* The trading value does not include consumption tax, etc. and expenses, etc.</p>
Management fee ⑤	<p>Merger fees</p> <p>Value of real estate-related assets held by the merger counterparty at the time of the merger × 0.4%</p>

Sekisui House Ownership of SHR's Investment Units (Same Boat Investment)

SHR has accepted same boat investment from Sekisui House in order to align the interests of the investors and the sponsor Sekisui House. As of December 15, 2021, Sekisui House held 200,750 units of SHR's investment units (unitholding ratio: 4.5%).

Compensation for Executive Directors and Independent Auditors

[Compensation for Executive Directors and Supervisory Directors]

Compensation for Executive Directors is up to 1 million yen per month, and compensation for Supervisory Directors is up to 0.5 million yen per month. The amount is determined at the Board of Directors in light of general price trends, wage trends, and other factors.

Position	Name	Total amount of compensation for the year ended October 2020 (thousand yen)	Total amount of compensation for the year ended April 2021 (thousand yen)
Executive Director	Atsushi Kida	—	—
	Junichi Inoue ^(Note)	—	—
Supervisory Director	Shigeru Nomura	1,800	1,800
Supervisory Director	Tatsushi Omiya	1,800	1,800

(Note) Junichi Inoue resigned as an Executive Director on January 31, 2021, and Supplementary Executive Director Atsushi Kida was appointed as an Executive Director on February 1 of the same year.

[Compensation of Independent Auditors]

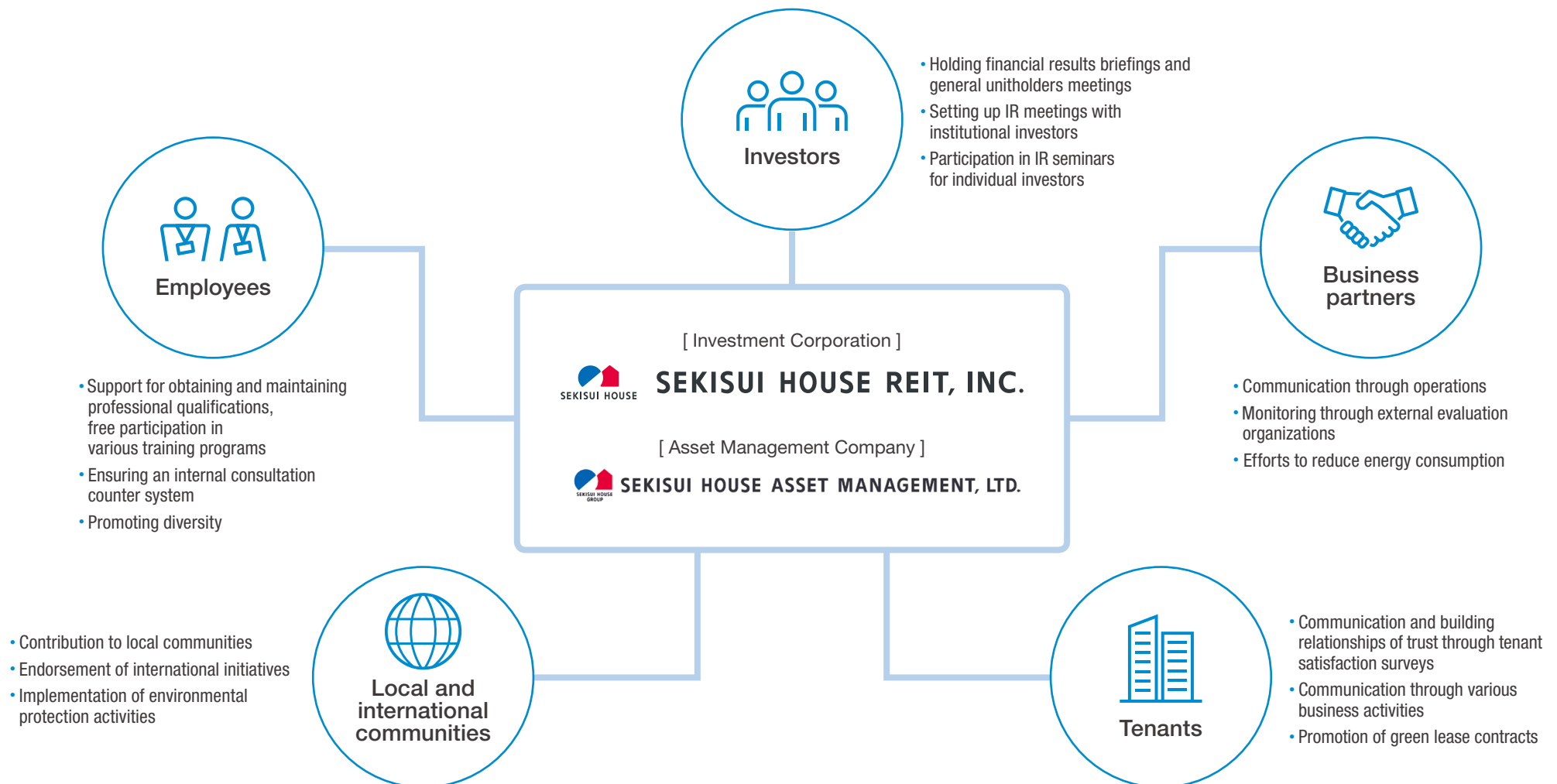
Compensation of Independent Auditors is determined at the Board of Directors up to 25 million yen for each accounting period subject to audit.

Name	Total amount of compensation for the year ended October 2020 (thousand yen)	Total amount of compensation for the year ended April 2021 (thousand yen)
Ernst & Young ShinNihon LLC	19,200	16,500

Information Disclosure and Engagement with Stakeholders

GOVERNANCE

SHR conducts its business activities in the context of its ties with stakeholders. In order to continue as an investment corporation that contributes to society, it is important to accurately understand the demands and expectations of its stakeholders and society, and to respond to them through its business activities. For this reasons, SHR actively discloses ESG-related information in order to gain a better understanding of its initiatives. At the same time, SHR strives to strengthen engagement by utilizing the demands and expectations gained through communication with stakeholders in its business activities.



ESG Data

Environment

	Unit	FY 2018 (Base year)				FY 2019				FY 2020			
		Entire portfolio	Residence	Office building	Hotel	Entire portfolio	Residence	Office building	Hotel	Entire portfolio	Residence	Office building	Hotel
Total CO ₂ emission	t-CO ₂	15,253	3,955	7,362	3,936	18,318	3,959	10,039	4,320	15,892	2,897	9,719	3,276
Scope1		2,411	—	1,221	1,190	2,930	—	1,578	1,351	2,473	—	1,468	1,005
Scope2		12,842	3,955	6,141	2,746	15,389	3,959	8,461	2,969	13,420	2,897	8,251	2,271
CO ₂ emission intensity	t-CO ₂ /m ²	0.064	0.041	0.063	0.147	0.063	0.040	0.063	0.125	0.052	0.029	0.058	0.089

	Unit	FY 2018 (Base year)				FY 2019				FY 2020			
		Entire portfolio	Residence	Office building	Hotel	Entire portfolio	Residence	Office building	Hotel	Entire portfolio	Residence	Office building	Hotel
Total energy consumption	thousand kWh	41,581	8,181	20,459	12,941	52,494	8,352	28,180	15,961	48,998	8,219	28,041	12,738
Electricity		28,152	8,181	13,657	6,313	36,174	8,352	19,388	8,434	35,227	8,219	19,865	7,143
Fuel		13,249	—	6,801	6,628	16,319	—	8,792	7,527	13,772	—	8,176	5,596
Energy consumption intensity	kWh/m ²	174.0	85.4	175.9	483.3	179.1	85.0	176.0	461.3	160.9	83.1	166.0	347.0

	Unit	FY 2018 (Base year)				FY 2019				FY 2020			
		Entire portfolio	Residence	Office building	Hotel	Entire portfolio	Residence	Office building	Hotel	Entire portfolio	Residence	Office building	Hotel
Total water use	m ³	780,360	601,691	107,571	71,098	876,419	638,837	152,090	85,493	845,551	677,399	119,520	48,632
water use intensity	m ³ /m ²	1.7	2.0	0.9	2.7	1.7	2.0	0.9	2.5	1.6	2.2	0.7	1.3

	Unit	FY 2018 (Base year)				FY 2019				FY 2020			
		Entire portfolio	Office building	Hotel	Entire portfolio	Office building	Hotel	Entire portfolio	Office building	Hotel			
Total waste emission	t	1,055	871	184	1,045	869	176	714	618	96			
Landfill		357	244	113	357	248	109	200	144	56			
Incineration		197	194	3	207	203	4	162	160	2			
Recycled		501	433	68	481	418	63	352	314	38			
Waste emission intensity	kg/m ²	7.5	7.5	7.3	5.4	5.1	7.0	3.7	3.7	3.8			

(Note1) Data aggregation period is from April to next March of each year.

(Note2) The properties held as of the end of March every year are subject to surveys. However, properties that were disposed of during the period and areas where it is difficult to comprehend data are excluded.

(Note3) CO₂ emission is calculated using basic emission factors for fiscal year 2019 and earlier, and adjusted emission factors for fiscal year 2020, based on a method established by Ministry of the Environment "Greenhouse gas emission calculation / reporting / publication system".

(Note4) The environmental performance data of fiscal year 2020 are subject to third party verification by SGS Japan Inc. and the scope of such verification includes properties disposed of during the period. For details, please refer to "Third Party Assurance (Verification Opinion)" on page 40.

	Unit	FY 2018	FY 2019	FY 2020
Renewable energy power generation	thousand kWh	11.44	1.15	8.96

(Note) Target of aggregation in renewable energy power generation is 1 office building and data aggregation period is from April to next March of each year.

	Unit	FP ended Oct. 2020 (12th FP)	FP ended Apr. 2021 (13th FP)	FP ended Oct. 2021 (14th FP)
Percentage of the portfolio with green certification	%	55.9	55.2	57.2

ESG Data

(Note) The fiscal year of SHAM is from February 1 to January 31 of the following year.

Social

Status of Directors and Employees

	Unit	FY 2019	FY 2020
Total number of directors and employees		57(Male 43 Female 14)	60(Male 44 Female 16)
Directly hired employees		39(Male 29 Female 10)	41(Male 30 Female 11)
Seconded employees		12(Male 8 Female 4)	13(Male 8 Female 5)
Employees aged 60 and over	Persons	2	3
Non-Japanese employees		0	1
Employees with disabilities		0	0
Percentage of female managers	%	3.8	3.6
Average years of service	Years	6.8	6.1
Number of newly hired employees	Persons	3	7
Turnover rate	%	0	10.5
Number of employees taking childcare leave	Persons	2	3
Number of male employees taking childcare leave	Persons	0(Not applicable)	0(Not applicable)
Number of employees taking family care leave	Persons	0	0
Number of short-term workers	Persons	3	2
Average monthly work hours per person	Hours	169.5	166.3
Annual paid leave take-up rate	%	67.9	40.5

Number of Qualified Holders

Name of qualifications	Unit	As of Jan. 31, 2020	As of Jan. 31, 2021
ARES Certified Master		30	27
Real Estate Notary		38	36
Real Estate Appraiser		1	1
First-Class Certified Architect		1	1
Chartered Member of the Securities Analysts Association of Japan		1	1
Certified Building Administrator		10	9
MBA	Persons	1	1
Attorney		0	1
Real Estate Consulting Master		5	3
CASBEE Accredited Professional for Real Estate		6	5
Licensed Strata Management Consultant		4	2
Licensed Representative of Condominium Management Company		6	4
Labor and Social Security Attorney		1	1

Training Achievements

	Unit	FY 2019	FY 2020
Average hours of training per person	Hours	16.5	16.9
Average amount of training investment per person	Yen	5,436	53,613
Training participation rate	In-house training	100	100
	External training	57.1	96.1
Annual participation in external training events per person	Times	1.57	1.54

Calculation Standards

Average years of service	Number of years of employee service from the date of hire prior to the merger/Number of employees (excluding seconded employees)
Number of newly hired employees Number of employees taking childcare leave Number of employees taking family care leave Number of short-term workers	Calculated from February 1, which is the fiscal year of SHAM
Turnover rate	Number of employees who left the company during the fiscal year/Number of employees at the beginning of the fiscal year x 100
Average monthly work hours per person	Average of one year from January each year
Annual paid leave take-up rate	Average of one year from March each year
Training participation rate	Number of employees participating in training/Number of employees as of the end of the fiscal year (excluding directors and employees on childcare or maternity leave)
Annual participation in external training events per person	Total number of external training courses attended/Number of employees

Governance

Status of Use of Internal Reporting System

	Unit	FY 2019	FY 2020
Compliance Hotline	Cases	0	0

Status of Legal Compliance

	Unit	FY 2019	FY 2020
Number of serious violations of laws and voluntary standards	Cases	0	0
Fines for violations of various laws and regulations	Yen	0	0

	Unit	FY 2019	FY 2020
Amount of political contribution	Yen	0	0

GRI Content Index

Disclosures Items		Corresponding page of the ESG Report	Corresponding place on the website
GRI 102: General Disclosures 2016			
1. Organizational Profile			
102-1	Name of the organization	Organization Overview (P.3)	Profile of SHR
102-2	Activities, brands, products, and services	Organization Overview (P.3)	Fundamental Corporate Philosophy, Vision and Features of SHR Investment Strategy Portfolio
102-3	Location of headquarters	Organization Overview (P.3)	Profile of SHR
102-4	Location of operations	Organization Overview (P.3)	Profile of SHR
102-5	Ownership and legal form	Organization Overview (P.3)	Profile of SHR
102-6	Markets served	Organization Overview (P.3)	Fundamental Corporate Philosophy, Vision and Features of SHR Investment Strategy Portfolio
102-7	Scale of the organization	Sustainability Journey (P.4) ESG Data (P.37)	Financial Highlights Portfolio
102-8	Information on employees and other workers	ESG Data (P.37)	Social Responsibility
102-9	Supply chain	Organization Overview (P.3)	Structure of SHR
102-10	Significant changes to the organization and its supply chain		Not Applicable
102-11	Precautionary Principle or approach	Sustainability Management (P.8) Coexistence of Humankind and Nature and Activities for the Resources Environment (P.19)	Sustainability Policy / Promotion System Environmental Measures
102-12	External initiatives	Supporting Initiatives / Acquisition Status of External Evaluations (P.12)	International Initiatives / External Certifications
2. Strategy			
102-14	Statement from senior decision-maker	Message from Senior Management (P.5)	To Our Unitholders
102-15	Key impacts, risks, and opportunities	Business Environment Surrounding SHR (P.6) Materiality (Important Issues) (P.11) Measures for Addressing Climate Change (P.15-16)	13th FP securities report (only in Japanese)
3. Ethics and integrity			
102-16	Values, principles, standards, and norms of behavior	Message from Senior Management (P.5)	Fundamental Corporate Philosophy, Vision and Features of SHR
102-17	Mechanisms for advice and concerns about ethics	Risk Management System (P.32)	Governance
4. Governance			
102-18	Governance structure	Sustainability Management (P.9) Corporate Governance (P.30-34)	Governance
102-19	Delegating authority	Sustainability Management (P.9)	
102-20	Executive-level responsibility for economic, environmental, and social topics	Sustainability Management (P.9)	
102-21	Consulting stakeholders on economic, environmental, and social topics	Sustainability Management (P.9)	
102-22	Composition of the highest governance body and its committees	Governance at SHR (P.30)	Profile of SHR

Disclosures Items		Corresponding page of the ESG Report	Corresponding place on the website
102-23	Chair of the highest governance body	Governance at SHR (P.30)	Profile of SHR
102-24	Nominating and selecting the highest governance body		13th FP securities report (only in Japanese)
102-25	Conflicts of interest	Strengthening Corporate Governance System (P.33)	Governance 13th FP securities report (only in Japanese)
102-26	Role of highest governance body in setting purpose, values, and strategy	Sustainability Management (P.9)	Sustainability Policy / Promotion System
102-29	Identifying and managing economic, environmental, and social impacts	Sustainability Management (P.9)	Sustainability Policy / Promotion System
102-31	Review of economic, environmental, and social topics	Sustainability Management (P.9)	Sustainability Policy / Promotion System
102-32	Highest governance body's role in sustainability reporting	Sustainability Management (P.9)	Sustainability Policy / Promotion System
102-33	Communicating critical concerns	Strengthening Corporate Governance System (P.33)	Governance
102-34	Nature and total number of critical concerns		Not Applicable
102-35	Remuneration policies	Strengthening Corporate Governance System (P.34)	Governance
102-36	Process for determining remuneration	Strengthening Corporate Governance System (P.34)	13th FP securities report (only in Japanese)
5. Stakeholder engagement			
102-40	List of stakeholder groups	Information Disclosure and Engagement with Stakeholders (P.35)	Social Responsibility
102-41	Collective bargaining agreements		Not Applicable
102-43	Approach to stakeholder engagement	Information Disclosure and Engagement with Stakeholders (P.35)	Social Responsibility
102-44	Key topics and concerns raised		Not Applicable
6. Reporting practice			
102-45	Entities included in the consolidated financial statements	Organization Overview (P.3)	Structure of SHR 13th FP securities report (only in Japanese)
102-47	List of material topics	Materiality (Important Issues) (P.11)	Materiality (Important Issues)
102-48	Restatements of information		Not Applicable
102-49	Changes in reporting		Not Applicable
102-50	Reporting period	Table of Contents (P.2)	
102-51	Date of most recent report	Table of Contents (P.2)	
102-52	Reporting cycle	Table of Contents (P.2)	
102-53	Contact point for questions regarding the report	Table of Contents (P.2)	Contact
102-55	GRI content index	GRI Content Index (P.38-39)	
GRI 103: Management Approach 2016			
103-1	Explanation of the material topic and its Boundary	Materiality (Important Issues) (P.10-11)	Materiality (Important Issues)
103-2	The management approach and its components	Sustainability Management (P.8-9) Materiality (Important Issues) (P.11)	Sustainability Policy / Promotion System Materiality (Important Issues)

GRI Content Index

Item-specific standards

	Disclosures Items	Corresponding page of the ESG Report	Corresponding place on the website
Economy	GRI 201: Economic Performance		
	2016	201-1 Direct economic value generated and distributed	Sustainability Journey (P.4) ESG Data (P.37) Cash Distributions Social Responsibility 13th FP securities report (only in Japanese)
		201-2 Financial implications and other risks and opportunities due to climate change	Materiality (Important Issues) (P.11) Environmental Measures
	GRI 205: Anti-corruption		
	2016	205-3 Confirmed incidents of corruption and actions taken	Not Applicable
	GRI 206: Anti-competitive Behavior		
2016	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	Not Applicable	
GRI 207: Tax			
2019	207-1 Approach to tax	13th FP securities report (only in Japanese)	


	Disclosures Items	Corresponding page of the ESG Report	Corresponding place on the website
Environment	GRI 302: Energy		
	2016	302-1 Energy consumption within the organization	ESG Data (P.36) Environmental Measures
		302-3 Energy intensity	ESG Data (P.36) Environmental Measures
		302-4 Reduction of energy consumption	Reduction of CO ₂ Emissions (P.17) Environmental Measures
GRI 303: Water and Effluents			
2018	303-3 Water withdrawal	ESG Data (P.36) Environmental Measures	
GRI 305: Emissions			
Environment	2016	305-1 Direct (Scope 1) GHG emissions	ESG Data (P.36) Environmental Measures
		305-2 Energy indirect (Scope 2) GHG emissions	ESG Data (P.36) Environmental Measures
		305-4 GHG emissions intensity	ESG Data (P.36) Environmental Measures
		305-5 Reduction of GHG emissions	Reduction of CO ₂ Emissions (P.17) Environmental Measures
	GRI 306: Waste		
2020	306-3 Waste generated	ESG Data (P.36)	
	306-4 Waste diverted from disposal	ESG Data (P.36)	
	306-5 Waste directed to disposal	ESG Data (P.36)	
GRI 307: Environmental Compliance			
2016	307-1 Non-compliance with environmental laws and regulations	Not Applicable	

	Disclosures Items	Corresponding page of the ESG Report	Corresponding place on the website
Society	GRI 401: Employment		
	2016	401-1 New employee hires and employee turnover	ESG Data (P.36) Social Responsibility
		401-3 Parental leave	ESG Data (P.36) Social Responsibility
	GRI 403: Occupational Health and Safety		
	2018	403-6 Promotion of worker health	Creating a Rewarding Workplace (P.28) Social Responsibility
		403-9 Work-related injuries	Not Applicable
403-10 Work-related ill health		Not Applicable	

	Disclosures Items	Corresponding page of the ESG Report	Corresponding place on the website
Society	GRI 404: Training and Education		
	2016	404-1 Average hours of training per year per employees	ESG Data (P.37) Social Responsibility
		404-2 Programs for upgrading employee skills and transition assistance programs	Creating a Rewarding Workplace (P.29) Social Responsibility
	GRI 405: Diversity and Equal Opportunity		
	2016	405-1 Diversity of governance bodies and employee	ESG Data (P.37) Social Responsibility
	GRI 406: Non-discrimination		
	2016	406-1 Incidents of discrimination and corrective actions taken	Not Applicable
	GRI 407: Freedom of Association and Collective Bargaining		
	2016	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	Not Applicable
	GRI 408: Child Labor		
2016	408-1 Operations and suppliers at significant risk for incidents of child labor	Not Applicable	
GRI 409: Forced or Compulsory Labor			
2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	Not Applicable	
GRI 410: Security Practices			
2016	410-1 Security personnel trained in human rights policies or procedures	Not Applicable	
GRI 411: Rights of Indigenous Peoples			
2016	411-1 Incidents of violations involving rights of indigenous peoples	Not Applicable	
GRI 415: Public Policy			
2016	415-1 Political contributions	Not Applicable	
GRI 416: Customer Health and Safety			
2016	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	Not Applicable	
GRI 417: Marketing and Labeling			
2016	417-2 Incidents of non-compliance concerning product and service information and labeling	Not Applicable	
	417-3 Incidents of non-compliance concerning marketing communications	Not Applicable	
GRI 418: Customer Privacy			
2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	Not Applicable	
GRI 419: Socioeconomic Compliance			
2016	419-1 Non-compliance with laws and regulations in the social and economic area	Not Applicable	

Third-Party Assurance (Verification Statement)

In order to increase data reliability, we have acquired a third-party assurance from SGS Japan Inc. for our environmental performance data.



Verification Statement

8 December 2021
Statement No : SGS21/056

Sekisui House Reit, Inc.

Objective
SGS Japan Inc. (hereinafter referred to as "SGS") was commissioned by Sekisui House Reit, Inc. (hereinafter referred to as "the Organization") to conduct independent verification based on Criteria of Verification (ISO14064-3: 2006 and the SGS verification protocol) regarding the data prepared by the Organization on the scope of verification (hereinafter referred to as "the assertion"). The objective of this verification is to confirm that the assertion in the Organization's applicable scope has been correctly calculated and reported in the assertion in conformance with the criteria, and to express our views as a third party.

Scope
The scope of verification is Scope 1 and 2 emissions, energy consumption, amount of water intake and amount of waste generation.
The period subject to report is from 1 April 2020 to 31 March 2021.
Refer to the attached sheet for the detailed scope of verification.

Procedure of Verification
The assertion was verified in accordance with Criteria of Verification, and the following processes were implemented at a limited level of assurance:

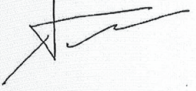
- Verification of the calculation system: Interviews on the measurement, tabulation, calculation and reporting methods employed by the Organization as well as review of related documents and records
- Verification of the assertion: On-site verification and review of vouchers conducted at Garden City Shinagawa Gotenyama and Hommachi Garden City, and analytical procedures and interviews for other sites in the scope of verification carried out at the data aggregation site Jones Lang LaSalle K.K. Sanbancho Office


The criteria for this review are based on the GHG Emissions Calculation and Reporting Manual Ver. 4.7 and the protocol specified by the Organization.

Conclusion
Within the scope of the verification activities employing the methodologies mentioned above, nothing has come to our attention that caused us to believe that the Organization's assertion was not calculated and reported in conformance with the criteria.
SGS Japan Inc. affirms our independence from the organization, being free from bias and conflicts of interest with the Organization.


For and on behalf of SGS Japan Inc.
Senior Executive & Director
Certification and Business Enhancement

Yuji Takeuchi





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attached sheet

8 December 2021
Statement No : SGS21/056

The details of the scope of verification

The scope	The boundary	The assertion
1 The performance data Scope 1 and 2 include energy related greenhouse gas emissions. Energy consumption ※ Excluding city gas consumption of tenants who have direct contracts with gas suppliers ※ Excluding the vehicles which run outside of the sites	5 offices, 1 hotel, 1 hotel/office complex, 106 residences ※ The calculation boundary for 15 residences are limited to the common area.	Scope1: 2,473 t-CO ₂ Scope2: 14,276 t-CO ₂ (Basic emissions intensity) Scope2: 13,425 t-CO ₂ (Adjusted emissions intensity)
2 Amount of water intake	5 offices, 1 hotel, 1 hotel/office complex, 104 residences ※ The calculation boundary for 27 residences are limited to the common area.	845,571 m ³
3 Amount of waste generation ※ Excluding the amount of industrial waste from tenants who have direct contracts with waste disposal contractors	5 offices, 1 hotel/office complex	714 t

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