



ESG REPORT

2022



SEKISUI HOUSE REIT, INC.



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Editorial Policy

This document is issued to engage with stakeholders and have readers understand the efforts made by Sekisui House Reit, Inc. (hereinafter referred to as the "SHR") and Sekisui House Asset Management, Ltd. (hereinafter referred to as the "SHAM") toward realizing a sustainable society. The GRI Standards (2021) and SASB Standards were referenced in editing of this document.

Reporting Coverage

Sekisui House Reit, Inc. and Sekisui House Asset Management, Ltd.

Reporting Period

Sekisui House Reit Inc.

May 1, 2021 to April 30, 2022 (Some details include information before and after the relevant period.)

Sekisui House Asset Management, Ltd.

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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.

Message from Senior Management



Message from Senior Management

Introduction

We would like to take this opportunity to thank you for your exceptional support of Sekisui House Reit, Inc.

In recent years, as nearly all aspects in the business environment surrounding the company have undergone dramatic changes, such as the spread of COVID-19, heightened geopolitical tensions, soaring energy prices, fluctuations in interest rates and exchange rates, etc., it continues to be difficult to predict the future. In such an environment where uncertainty is increasing, in order for SHR to aim for stable, medium to long term growth, it is essential that we engage in efforts to realize a sustainable society that will be the foundation for this growth.

What SHR is Aiming for

SHR has set a vision of “managing assets to better provide for people, society and the future”. This is a declaration of our determination to continue contributing to the creation of a more prosperous “future” by seeking to enhance the value of our assets under management together with our sponsor Sekisui House, and by providing social capital for a new era for the “people” and the “society”. We believe that addressing social issues through asset management that takes ESG (Environmental, Social and Governance) into consideration will contribute to the realization of a sustainable society and enhance the trust of stakeholders, thereby contributing to securing stable earnings over the medium to long term and maximizing unitholder value.

Recent Initiatives

Based on this idea, SHR has identified materiality (important issues) in 2020, set KPIs (targets), and is actively pursuing initiatives to resolve the issues. Key initiatives for 2022 are the promotion of reductions in CO₂ emissions by switching to electricity derived from renewable energy for owned properties, enhancement of disclosure through the implementation of quantitative scenario analysis in accordance with recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), and promotion of gender diversity such as an appointment of a female director at SHR. Our ESG initiatives, including these, have been highly evaluated from outside the company, and SHR has been included in the MSCI Japan ESG Select Leaders Index since June 2022. We will continue to focus on enhancing the mutual sustainability of both society and SHR by improving the environmental performance of owned properties, providing spaces that create happiness, ensuring business continuity, and building a highly transparent governance system, while adding and revising materiality and KPIs in response to changes in environment, society, and economy.

Toward the Realization of a Sustainable Society

SHR will continue to strive to maximize unitholder value through the provision of high-quality real estate, that will become the social capital of a new era. As a REIT that leads the way in the era of the 100-year lifespan, we aim to continuously meet the expectations of our stakeholders and contribute to the creation of a prosperous future, while aiming to be a widely loved REIT for a long time to come.

We would like to ask the continued support and encouragement of our stakeholders in the years ahead.

Sekisui House Reit, Inc.

Atsuhiro Kida

Executive Director (Right)

Sekisui House Asset Management, Ltd.

Toru Abe

President & Representative Director (Left)





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

Provide 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 leads the way into an era of the 100-year lifespan

Corporate Philosophy of Sekisui House Group





Sustainability Policy

As a company, SHR and SHAM have a responsibility to contribute to the resolution of social issues, that are becoming increasingly diverse and complex day by day, through business activities. We believe that fulfilling this responsibility not only enhances the sustainability of the society and SHR, but also 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 the Sustainability Policy established by SHAM, we will strive to contribute to the realization of a sustainable society and increase corporate value by complying with and implementing this policy.

1. Complying with ESG-Related Laws and Regulations

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


2. Responding to Climate Change

We strive to reduce CO₂ emissions and actively promote the efficient use of energy toward the realization of a 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 the *Gohon no Ki* (“five trees”) Project  promoted by Sekisui House, we aim to realize harmony with nature and the surrounding environment by conducting maintenance and management of planting and other greenery measures, centering on tree species with consideration given to the native vegetation and other ecosystem matters.

5. Comfort and Safety

We will provide high-quality housing where residents can lead their lives in comfort and safety. 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 will create liveliness in the region and work to coexist with and revitalize the region and community.

7. Cooperating with Stakeholders

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

8. Initiatives for Directors and Employees

By respecting diversity, personality and individuality, and promoting work-life balance, we aim to create an organizational culture in which each employee can work in a healthy and lively manner.

We will also strive to develop the abilities of our directors and employees, maximize their abilities, and secure diverse and talented human resources.

9. Supply Chain Management

In order to promote environmental and social considerations throughout the supply chain, we seek the understanding and cooperation of property management companies and other business partners.

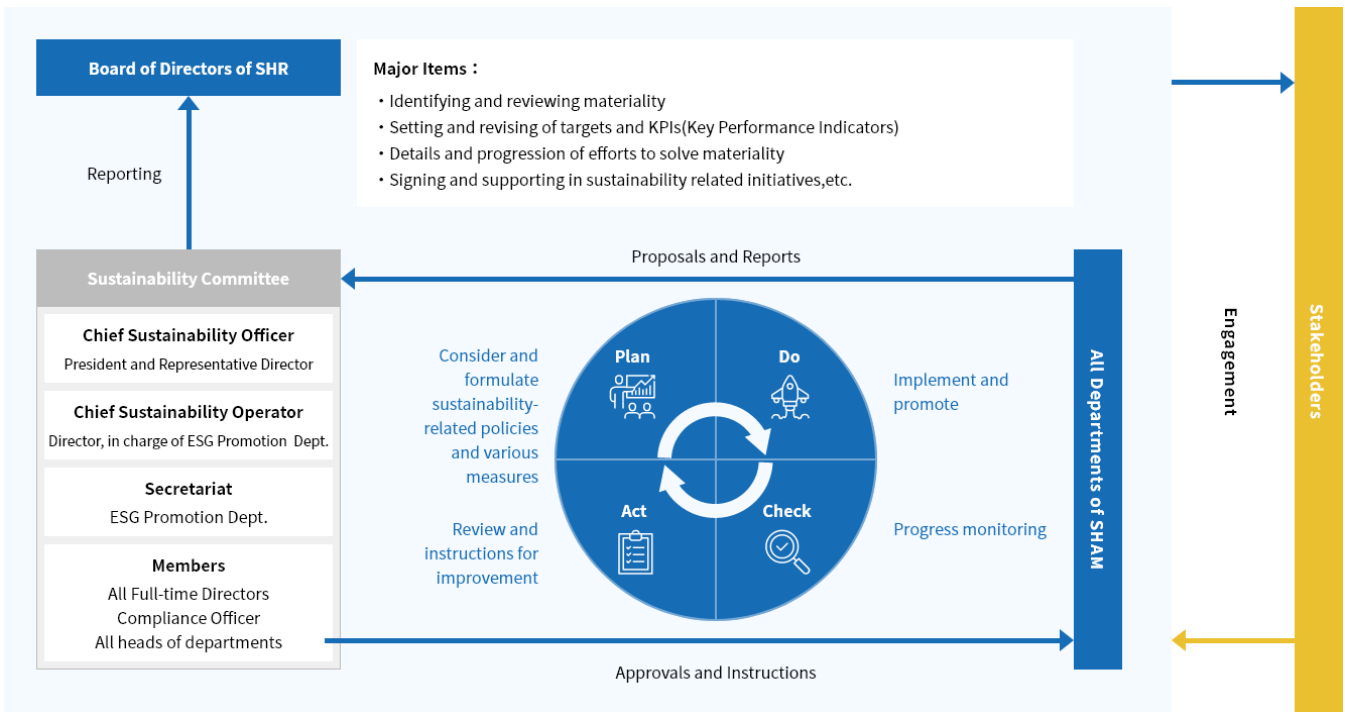
10. Disclosing Information and Acquiring External Certifications

We will proactively disclose ESG-related information to our stakeholders.

We will also continue to acquire environmental certification and assessment from external evaluation organizations.

Sustainability Promotion System

SHAM has established the Sustainability Committee for the purpose of continuous and organizational implementation of ESG initiatives. With the aim of strengthening the sustainability promotion system, the Committee is composed of the President & Representative Director as Chief Sustainability Officer, the Director in charge of ESG Promotion Department as Chief Sustainability Operator, all full-time directors, the compliance officer, and all heads of departments of SHAM. This Committee sets targets and develops the system to promote sustainability. Matters deliberated by the Committee are approved and/or instructed, and various actions are taken based on them. 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. The Committee will meet at least once every three months in principle (held seven times in FY 2021.) 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.

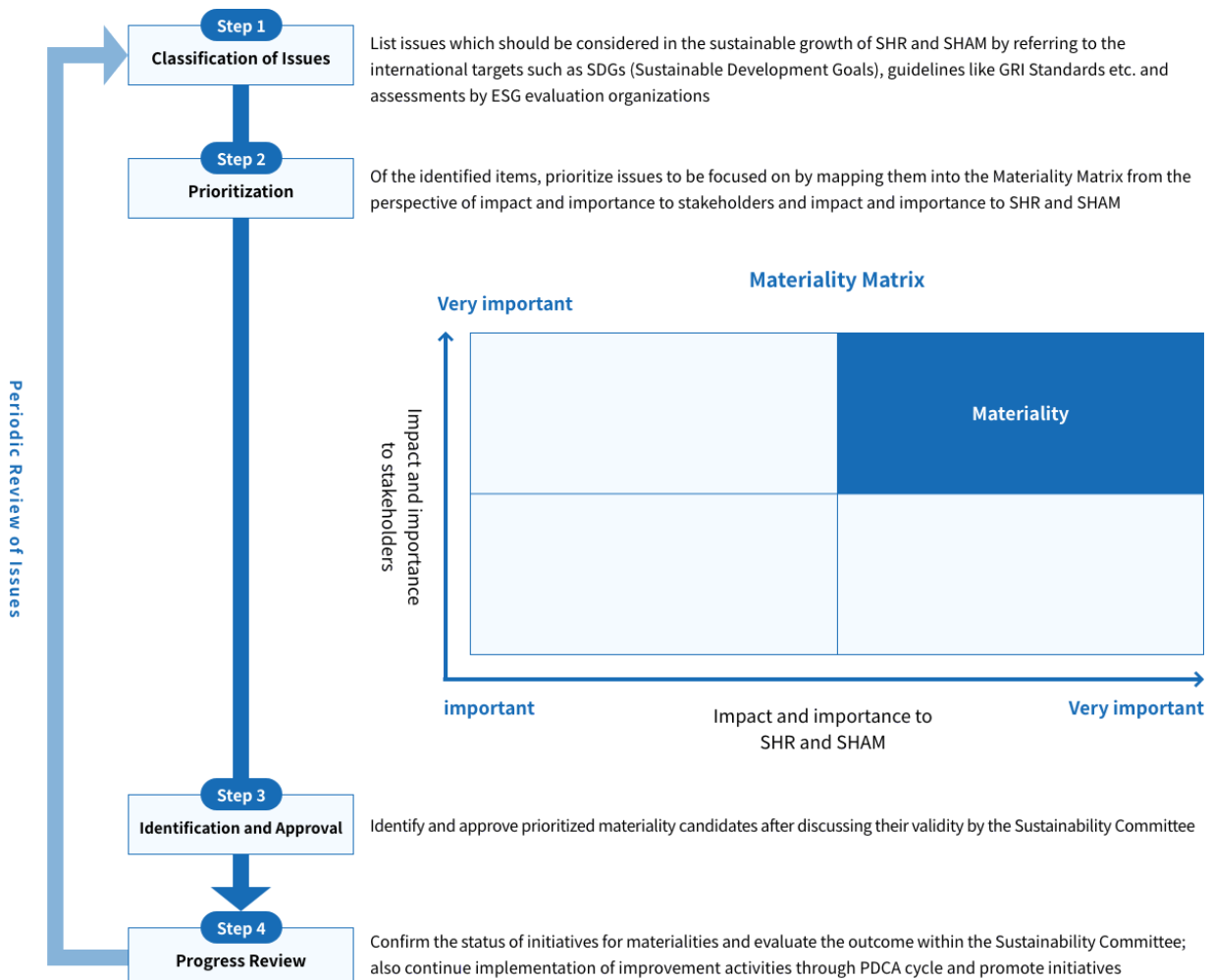


Materiality (Important Issues)



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 ever-changing. 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 both society and SHR.















Materiality



SHR believes that sustainable growth in our business activities is built on a solid foundation of a sustainable society, and recognizes 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) and set targets (KPIs) as indicators to resolve each of them. In light of the SDGs adopted by the United Nations in 2015, we will pursue mutual sustainability of both society and SHR by promoting efforts to resolve these material issues.

Materiality of SHR

In consideration of environmental, social, and economic changes, in 2022, we reviewed some expressions of materiality and revised/ added targets (KPIs) for resolving materiality. The underlined sections are the parts that have been reassessed and added.

Materiality and Target (KPI)			Related SDGs	
Environment	Promoting Response to Climate Change			
	Target (KPI)	Medium term target (by FY 2030): Reduce 50% CO ₂ emission intensity of portfolio compared to FY 2018 Long term target (by FY 2050): Achieve Carbon Neutrality	Page linked	 
		<u>Reduce 5% energy consumption intensity of portfolio by FY 2023 (Note 1) compared to FY 2018</u>		
		<u>Promote green lease</u>	Page linked	
	Coexistence of Humankind and Nature and Activities for the Resources Environment			
	Target (KPI)	Advance greenification and respect biodiversity	Page linked	
		No increasing waste emission intensity of portfolio compared to FY 2018	Page linked	
		No increasing water use intensity of portfolio compared to FY 2018		
	Investing in Real Estate with Excellent Environmental Performance			
	Target (KPI)	Achieve 70% or more of the portfolio with green certification by FY 2022 (Note 2)	Page linked	 
<u>Promote ZEH initiatives</u>				

Materiality and Target (KPI)			Related SDGs	
Social	Providing Residents and Tenants with Secure and Comfortable Space that Offers Peace of Mind			
	Target (KPI)	Periodic surveys on resident and tenant satisfaction <u>and promote initiatives to improve satisfaction</u>	Page linked	
		<u>Promote certification acquisition for comfort and health of buildings (spaces)</u>		
		Periodic assessment of earthquake risk and flood damage risk <u>and the implementation of measures to reduce such risks</u>		
		Periodic assessment of initiatives toward ESG in the supply chain <u>and the promotion of collaborative initiatives</u>		
	Contributing to Society			
	Target (KPI)	As a member of society, contributing to greater vitality in the community and countermeasures aimed at preventing damage from natural and other disasters	Page linked	
		By FY 2023, "Sekisui House Matching Program" (a joint donation system for employees and the company) participation rate: 40%		
	Creating a Rewarding Workplace			
	Target (KPI)	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%	Page linked	
Annual participation in external training courses per person: twice				
Annual internal training participation rate: 100%		Page linked		
Practicing Sekisui House Group Human Rights Policy				

Materiality and Target (KPI)			Related SDGs	
Governance	Strengthening Corporate Governance System			
	Target (KPI)	Enhance effectiveness of board of directors of SHR and SHAM Conducting effectiveness evaluation questionnaire (once/year)	Page linked	
		Penetration of compliance Conducting compliance training by external experts, etc. (four times/year) participation rate: 100%	Page linked	
		Strengthening internal controls structure Conducting internal audit (twice/year)	Page linked	
		Strengthen risk management system Conducting risk management meeting (twice/year)	Page linked	
	Information Disclosure and Engagement with Stakeholders			
	Target (KPI)	Timely and appropriate disclosure of information and enhanced utility of disclosures	Page linked	
Building relationships of trust with stakeholders				

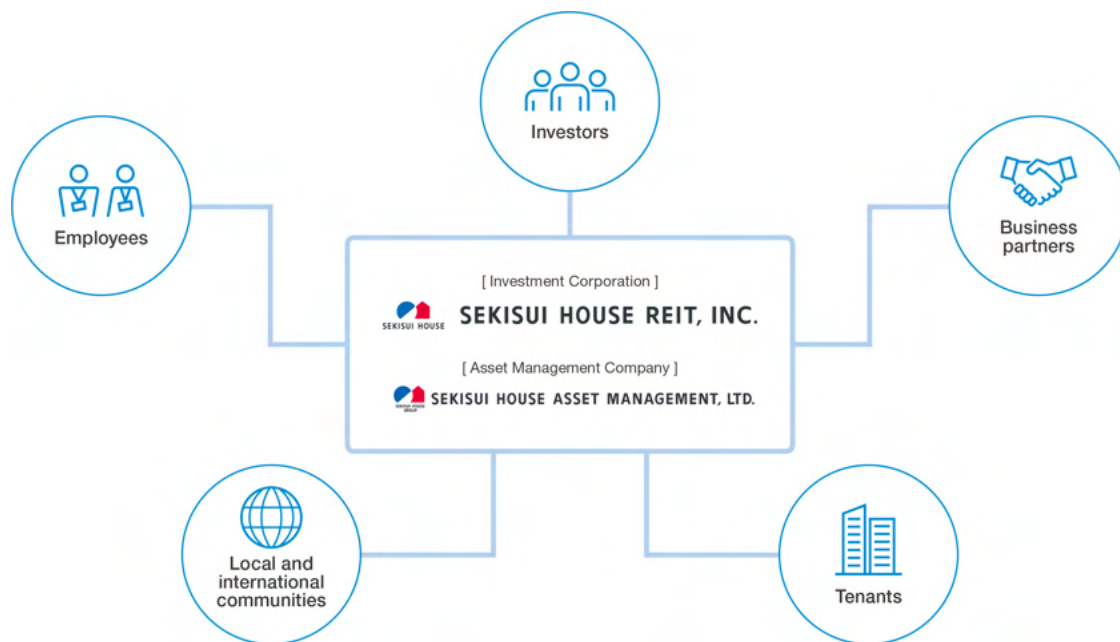
(Note1) Will set reduction targets every 5 years after FY 2023 and continue promotion of reduction in energy consumption intensity.




(Note2) Will continue to maintain 70% or more after FY 2022.

Stakeholder Engagement



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 these 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.



	Engagement with Stakeholders	Related Links
 <p>Investors</p>	<ul style="list-style-type: none"> • Proactive Information Disclosure and Creation of Communication Tools • Holding Financial Results Briefings and Setting Up IR Meetings with Institutional Investors • Participation in IR Events and Online Seminars 	<p>IR Library </p> <p>Engagement with Institutional Investors</p> <p>Engagement with Individual Investors</p>
 <p>Business partners</p>	<ul style="list-style-type: none"> • Monitoring through External Evaluation Organizations • Initiatives to Reduce Energy Consumption 	<p>Selection and Evaluation of Property Management Companies</p> <p>Initiatives to Reduce Energy Consumption</p>

Engagement with Stakeholders		Related Links
 <p>Tenants</p>	<ul style="list-style-type: none"> • Communication through Tenant Satisfaction Surveys • Collaboration Based on Green Lease Agreements 	<p>Conducting Tenant Satisfaction Surveys</p> <p>Promotion of Green Leasing</p>
 <p>Employees</p>	<ul style="list-style-type: none"> • Support for Obtaining, Maintaining Qualifications, and Conducting Various Training Programs • Ensuring an Internal Consultation Counter System • Promoting Diversity 	<p>Support for Acquiring and Retaining Qualifications</p> <p>Human Rights Reporting System</p> <p>Promoting Diversity</p>
 <p>Local and international communities</p>	<ul style="list-style-type: none"> • Contributing to Local Communities • Supporting Initiatives / External Evaluations 	<p>Contributing to Local Communities</p> <p>Supporting Initiatives / External Evaluations</p>

Supporting Initiatives / External Evaluations



SHR and SHAM have expressed their commitment to promote ESG initiatives through the signing or supporting of each initiative. 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.

Signing of the PRI (Principles for Responsible Investment)

Since SHR and SHAM have conducted real estate investment management taking ESG into consideration to realize a sustainable society and believe that such management policies share objectives with the PRI (Principles for Responsible Investment) advocating incorporation of ESG issues into investment analysis and decision-making processes, SHAM decided to support the basic approaches of the PRI and became a signatory in March 2019.

The Six Principles

1. We will incorporate ESG issues into investment analysis and decision-making processes.
2. We will be active owners and incorporate ESG issues into our ownership policies and practices.
3. We will seek appropriate disclosure on ESG issues by the entities in which we invest.
4. We will promote acceptance and implementation of the Principles within the investment industry.
5. We will work together to enhance our effectiveness in implementing the Principles.
6. We will each report on our activities and progress towards implementing the Principles.


Signatory of:



Overview of the PRI

The PRI is a set of six principles listed above, established for the financial industry in 2006 under the leadership of the former United Nations Secretary-General, Kofi Annan, together with an international network of investors working to realize said principles.

Signatories to the PRI pursue improvement of investment performance from the long-term perspective for their beneficiaries to further fulfill their fiduciary responsibilities by incorporating ESG issues into investment analysis and decision-making processes.

For details of the PRI, please click [here](#). 

Supporting the Recommendations of the TCFD (Task Force on Climate-related Financial Disclosures)

SHR and SHAM recognize that efforts to tackle environmental issues, such as climate change, are one of the key issues in real estate investment management that take into account ESG, and SHAM, in July 2020, has declared support for the Recommendations of TCFD, and joined the Japan TCFD Consortium, a body of TCFD supporters in Japan. Based on the TCFD's recommendations, SHAM analyzes the risks and opportunities posed by climate change and promotes actions that are consistent with the TCFD framework.



[Recommendations of the Task Force on Climate-related Financial Disclosures](#) 

Overview of TCFD

TCFD refers to the Task Force on Climate-related Financial Disclosures, which was established by the Financial Stability Board at the request of the G20 to consider how to disclose climate-related information and respond to financial institutions. TCFD published its final report in June 2017 to encourage companies to disclose climate-related risks and opportunities.

For details of the TCFD, please click [here](#). 

Expressed Support for the UN Global Compact

Sekisui House Group, to which SHAM belongs, has clearly stated its commitment to respect human rights in the Sekisui House Group Corporate Code of Conduct and Corporate Ethics Guidelines, which are the foundations of its corporate activities. Further, Sekisui House Group has expressed support for the 10 principles of the UN Global Compact.



Participation in GRESB Assessment

GRESB Assessment of SHR

In the 2022 GRESB Real Estate Assessment, SHR has received "3 Stars" in "GRESB Rating", which is based on GRESB Overall Score and its quintile position relative to global participants. SHR also has received "Green Star" designation for the sixth consecutive year by achieving high performance both in "Management Component" that evaluates policies and organizational structure for ESG promotion, and "Performance Component" that assesses environmental performance and tenant engagement of owned properties. Moreover, in the GRESB Public Disclosure (five-level rating from "A" to "E"), which assess the width of ESG information disclosure, SHR has received the highest "A" rating for the third consecutive year in recognition of our ESG information disclosure efforts



Overview of GRESB

GRESB is an annual benchmark to evaluate environmental, social and governance considerations in the global real estate sector, which was established in 2009 primarily by major European pension fund groups which led the PRI (Principles for Responsible Investment). The characteristic of the GRESB Assessment is that it evaluates sustainability efforts by real estate companies, REITs and funds, not of individual properties.

For details of GRESB Assessment, please click [here](#). 

MSCI ESG Rating /Inclusion in the MSCI Japan ESG Select Leaders Index

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 and has been included in “MSCI Japan ESG Select Leaders Index” in 2022. The Index is composed of select companies with high ESG performance from among the companies in the MSCI Japan IMI Index. The Index is selected as one of the ESG indices for investment by Japan’s Government Pension Investment Fund (GPIF).



2022 CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX

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MUFG ESG Rating Certificate for J-REIT supported by JCR

SHR and SHAM have collectively been granted the highest “S” rank among 5 grades in “MUFG ESG Rating Certificate for J-REIT supported by JCR” by Mitsubishi UFJ Research and Consulting Co., Ltd. (“MURC”).

This Rating, which is conducted by MURC and supported by Japan Credit Rating Agency, Ltd. (“JCR”), intends to evaluate J-REITs’ initiatives and implementations on ESG issues based on its own ESG check items, and assigns a score.

Our Approach to Environmental Considerations, Environmental Performance



Our Approach to Environmental Considerations

In accordance with the following Sustainability Policy, SHR and SHAM promote initiatives to address environmental issues and work with stakeholders to reduce environmental impact through business activities.

Sustainability Policy(excerpt)

Responding to Climate Change

We strive to reduce CO₂ emissions and actively promote the efficient use of energy toward the realization of a decarbonized society.

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.

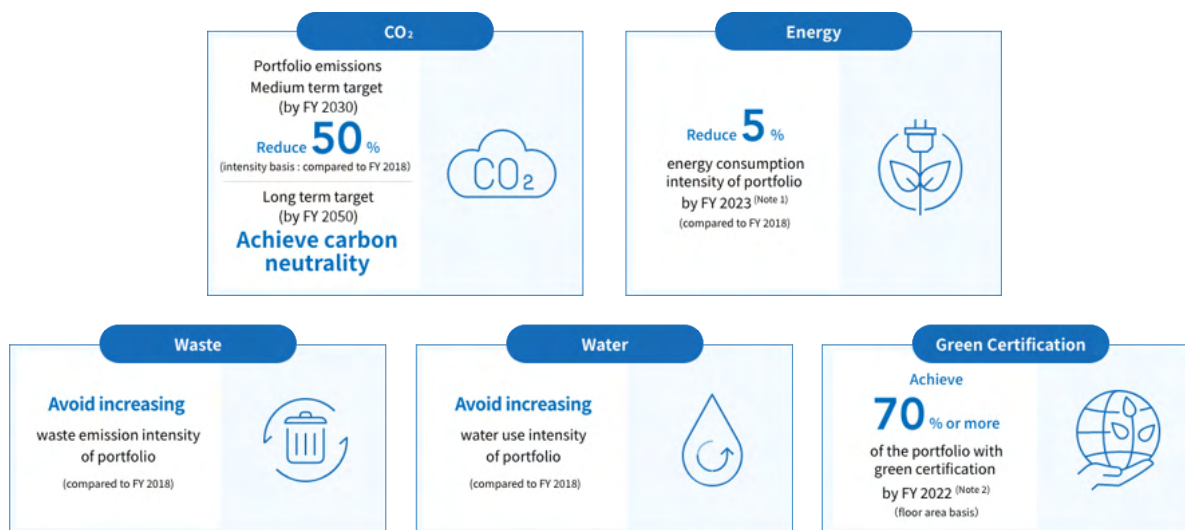
Biodiversity

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

Click [here](#) for the full Sustainability Policy.

Environmental Targets

SHR has set the following environmental targets to resolve materiality. While implementing various measures to achieve the targets and reviewing them as appropriate in consideration of environmental, social, and economic changes, we will contribute to the realization of a sustainable society.



(Note1) Will set reduction targets every 5 years after FY 2023 and continue promotion of reduction in energy consumption intensity.

(Note2) Will continue to maintain 70% or more after FY 2022.

Environmental Management System (EMS)

SHAM has established an Environmental Management System (EMS) to address environmental issues specified in the Sustainability Policy. In this system, environmental performance data such as CO₂ emissions, energy consumption, water use, and waste emissions, is used to set environmental targets (Plan), track achievements (Do), budget management and progress reporting (Check), and plan and implement improvement measures (Act). Furthermore, the Sustainability Committee deliberates and provides reports on the contents of each item, and we work to continuously strengthen our initiatives.

Environmental Performance Data

The progress and results of KPIs related to environmental performance data are as follows.

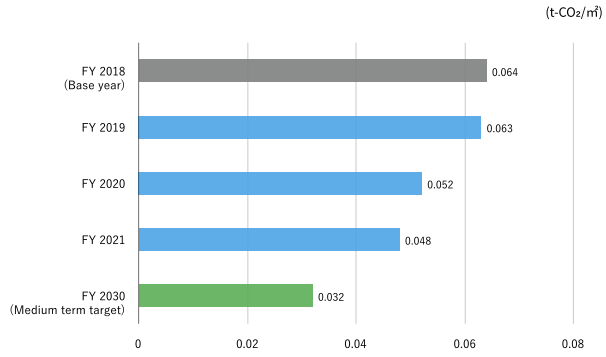
In addition to compiling environmental performance data through an outsourced contractor, SHR has been making efforts to accumulate accurate and highly transparent data, such as by receiving third-party assurance from SGS Japan Inc. with the exception of some data since fiscal year 2020.

Click [here](#) for detailed data by asset type, other environment-related data, basis of calculation, etc.

CO₂ Emissions

KPI: Medium term target (by FY 2030) Reduce 50% (intensity basis: compared to FY 2018)
Long term target (by FY 2050) Achieve carbon neutrality

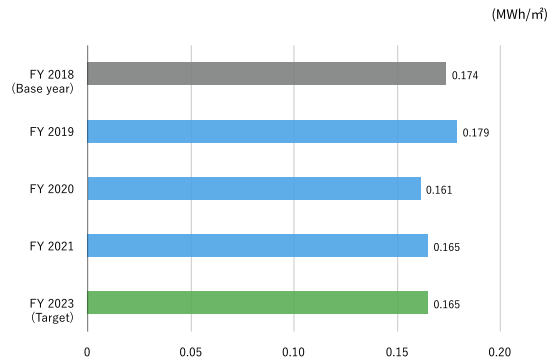
FY 2021 Result
 vs. base year
-25.0%



Energy Consumption

KPI: Reduce 5% by FY 2023 (intensity basis: compared to FY 2018)

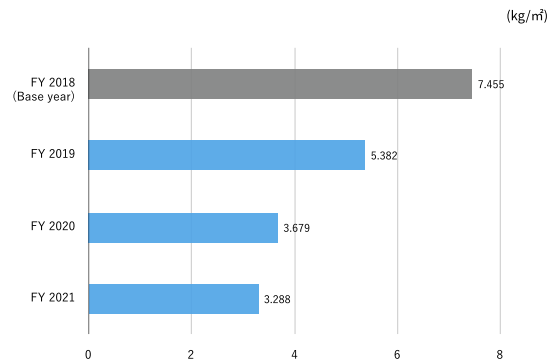
FY 2021 Result
 vs. base year
-5.2%



Waste Emission

KPI: Avoid increasing waste emission intensity of portfolio compared to FY 2018

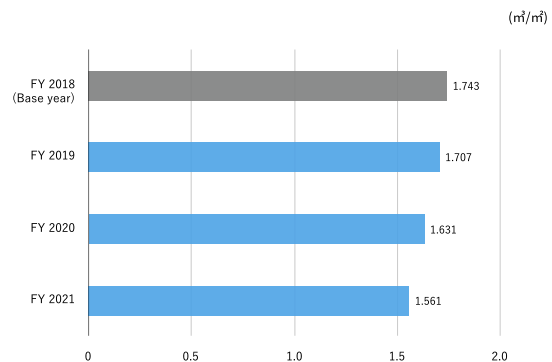
FY 2021 Result
 vs. base year
-55.9%



Water Use

KPI: Avoid increasing water use intensity of portfolio compared to FY 2018

FY 2021 Result
 vs. base year
-10.4%

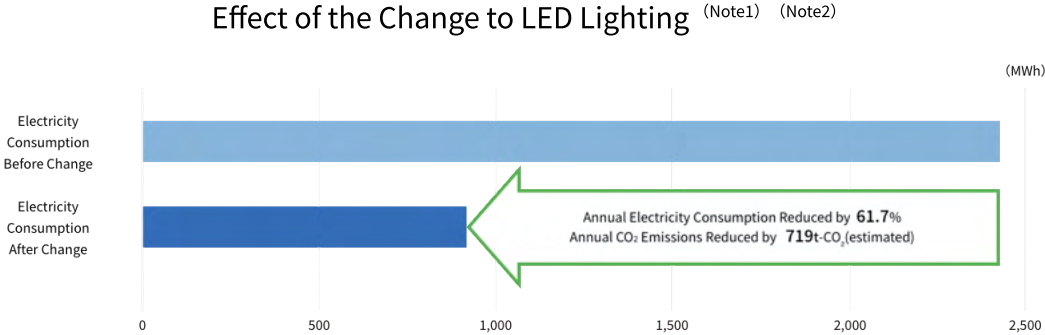


Introduction of Environmentally Friendly Facilities

SHR actively promotes the efficient use of energy, and installs environmentally friendly facilities such as LED lighting and energy-saving air conditioner in addition to energy-creating facilities through the installation of solar panels, etc. in owned properties.

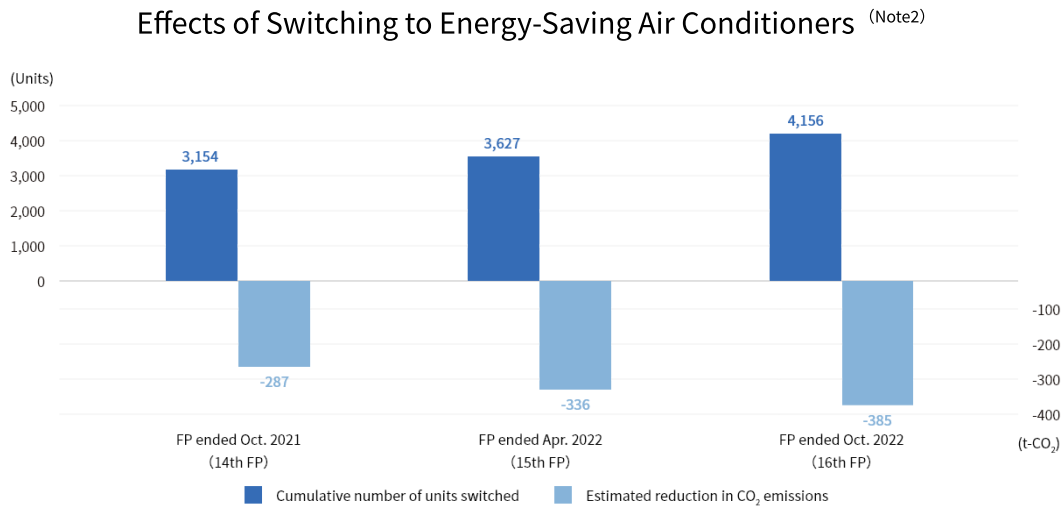
LED Lighting

SHR promotes the changeover to LED lighting in common areas of residences. As of the end of the 16th fiscal period, changes have been made to a cumulative total of 63 properties, and it is expected that the annual electricity usage will be reduced by 61.7% and the annual CO₂ emissions will be reduced by 719 tons with the changes thus far.



Energy-Saving Air Conditioner

We are switching to energy-saving air conditioners in exclusive areas of residences. As of the end of the 16th fiscal year, a cumulative total of 4,156 units have been replaced, which is expected to reduce annual CO₂ emissions by 385 tons.



(Note 1) The total covers 63 residential properties that have been switched to LED lighting.

(Note 2) The figures for each expected reduction are estimated by SHAM based on materials provided by the replacement contractor or materials published by the Agency for Natural Resources and Energy of the Ministry of Economy, Trade and Industry. There is no guarantee that the expected reductions will be realized.

In addition, we strive to reduce the environmental burden through the introduction of solar power generation panels, Low-e double glazed windows with thermal shielding and thermal insulation capabilities, and electric vehicle chargers.

Examples of Facilities Installation

Solar Power Generation Panels



Garden City Shinagawa
Gotenyama



Prime Maison Gotenyama East

Low-e Double Glazed Windows



Hommachi Minami Garden
City

Electric Vehicle Chargers



Switching to Renewable Energy-Derived Electricity

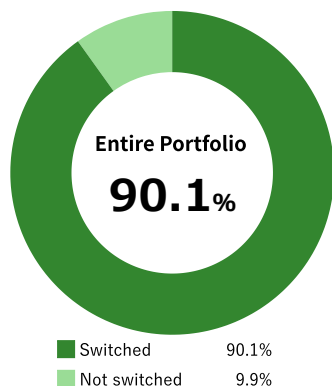
SHR has switched to electricity plans derived from renewable energy sources for 106 residential properties (common areas) and 3 office buildings.

By switching to electricity derived from renewable energy, the use of "FIT electricity" generated by renewable energy and purchased by electric utilities through the feed-in tariff (FIT) system and "Non-fossil Fuel Energy Certificates with Tracking Information" that certify the environmental value of electricity generated from non-fossil energy sources, etc. are combined and CO₂ emission factor will be reduced to zero through the use of substantial renewable energy.

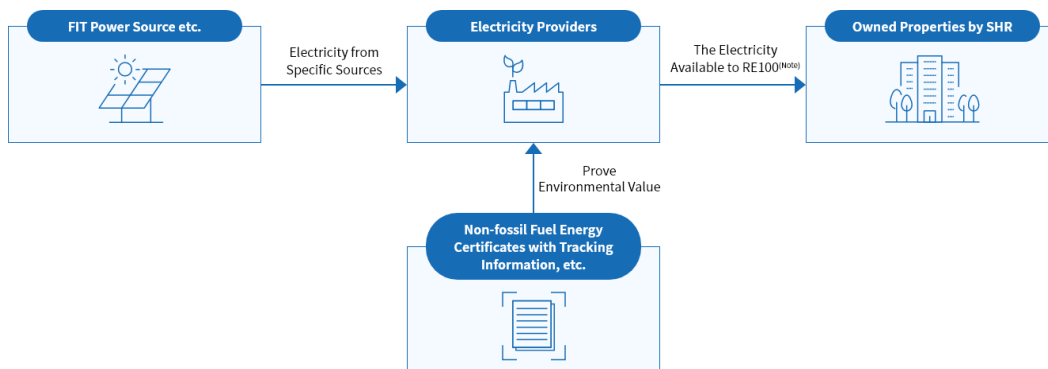
By doing so, virtually carbon-free electricity use will be possible.

The replacement has been completed for 90.1% (37.5% of office buildings and hotel, and 93.8% of residential properties (common areas)) of the entire portfolio as of December 16, 2022, and we intend to continue promoting efforts toward decarbonization.

Status of Switching to Renewable Energy-Derived Electricity (As of December 16, 2022) (number of buildings basis)



Flow of Supply of Renewable Energy-Derived Electricity



(Note) RE100 stands for "Renewable Energy 100%" and refers to an international initiative that aims to procure 100% of the energy consumed in business activities from renewable energy sources.

Measures for Addressing Climate Change



Disclosure Based on TCFD Recommendation

In recent years, the environment, society and corporate activities have been exposed to major risks due to climate change such as global warming. SHR recognizes that resolving environmental issues such as climate change is one of the key issues for us, which aims to provide "bases for sustainable living" and "sustainable bases of operation for business" through ESG-conscious real estate investment management.



Based on the TCFD recommendations, SHAM identified and disclosed the risks and the opportunities posed by climate change to the business in 2020, and further analyzed and conducted a scenario analysis in 2021, using future climate projections published by international organizations and other sources as the main source of information. In 2022, in addition to analyzing the financial impact of the identified risks and opportunities, SHAM conducted an analysis using CRREM (Carbon Risk Real Estate Monitor). We will continue to enhance our resilience by enhancing information disclosure and by appropriately identifying and responding to transition and physical risks related to climate change through our initiatives in accordance with the TCFD recommendations, while simultaneously working strategically to create business opportunities.

Governance

SHAM has established 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.

In 2020, in addition to defining the basic approach and organizational structure for addressing climate change-related issues, the Director in charge of the ESG Promotion Department, who is the Chief Sustainability Operator, was appointed as the director in charge of climate change, with the President & Representative Director as the Chief Sustainability Officer, in order to strengthen the promotion of climate change initiatives and clarify its responsibilities. These activities aimed at mitigating and adapting to climate change are reported as appropriate to the President & Representative Director, the Board of Directors of SHAM, and the Board of Directors of SHR.

In 2021, the Sustainability Committee expanded its membership to include the heads of all departments in an effort to raise awareness of sustainability and strengthen the organizational structure for promoting awareness. And in 2022, the "ESG Promotion Department" was established as a department dedicated to overseeing and managing ESG-related operations to strengthen the promotion system.

Click [here](#) for Sustainability Promotion System.

Strategy

Based on the recognition that climate change is an important issue that will have a significant impact on business activities, SHAM has set “Promoting Our Response to Climate Change” as a materiality of SHR, and views the various risks and opportunities associated with climate change as one of the key points in its business strategy.

Risks and Opportunities Related to Climate Change

Risks related to climate change include risks associated with the transition to a decarbonized society ("transition risk"), such as tightening of regulations such as carbon tax, falling demand for companies that cannot respond to decarbonization, and a decline in reputation, and risks associated with the physical damage ("physical risk") caused by an increase in natural disasters and extreme weather events due to climate change. At the same time, we can also make assumptions regarding opportunities created by climate change.

	Category	Changes in the world due to climate change
Transition risks	Policy, and laws and Regulations	Introduction of carbon taxes and emissions trading scheme Tighter energy regulations
	Technology	Innovation and further adoption of renewable energy and energy-saving technologies
	Market	Changes in evaluation and social values of climate change response
	Reputation	Changes in tenant requirements for the environmental performance of buildings
Physical risks	Acute	Intensification of natural disasters such as typhoons, torrential rains, and storm surges
	Chronic	Rise in sea level Changes in cooling equipment demand due to rising temperatures Increase in non-life insurance premiums due to frequent natural disasters
Opportunities	Technology	Innovation of renewable energy and energy-saving technology
	Policy, laws and Regulations, and Reputation	Changes in tenant requirements for the environmental performance of buildings

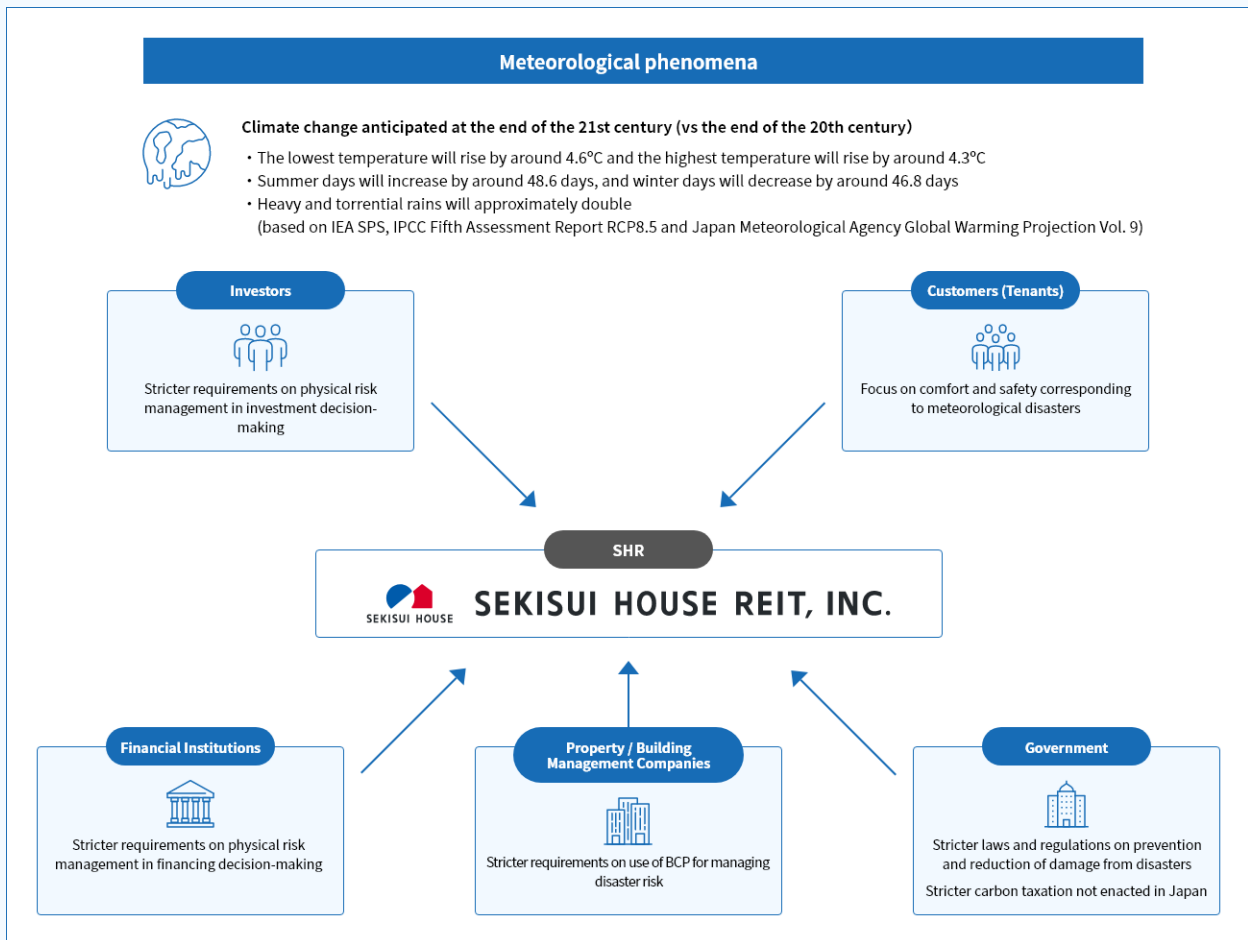
Scenario Analysis

In order to assume various possible future events that could be caused by climate change and to understand the risks and opportunities for the business activities of SHR and assess the financial impact, SHAM used scenarios from international organizations and industry groups such as the IPCC (Intergovernmental Panel on Climate Change) and the IEA (International Energy Agency) to conduct an analysis for a world in which temperatures have increased by 4°C and 1.5°C, respectively.

Furthermore, climate change risks are highly uncertain with respect to the timing and the scale of the risks that materialize, and it is extremely difficult to predict their financial impact. The current analysis places certain assumptions on the subject of the analysis, socioeconomic changes, and anticipated natural disasters, and does not take into account the probability that the identified risks/opportunities will be realized. Therefore, analysis methods will continue to be reviewed in the future in light of changes in the external environment.

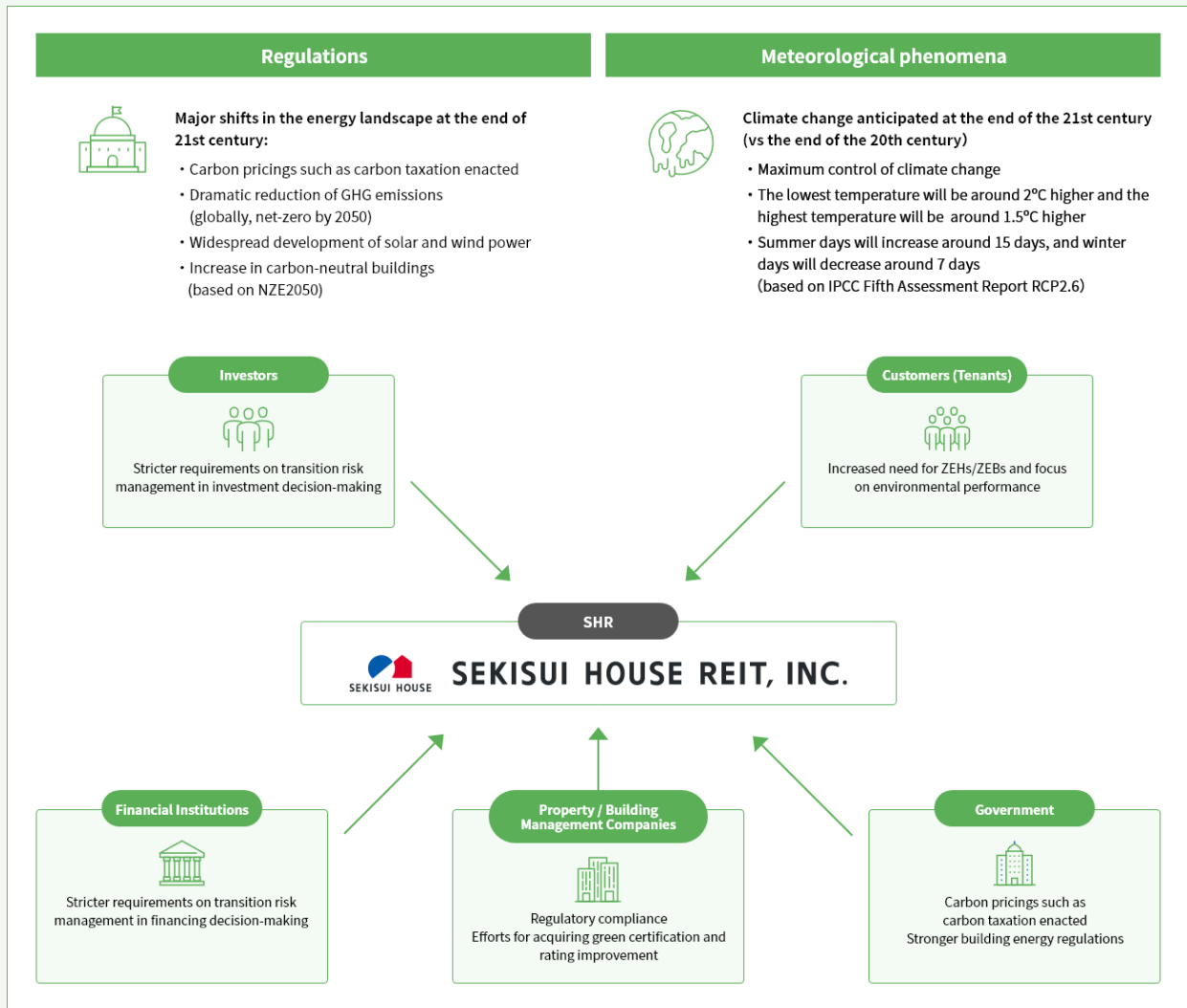
4°C Scenario

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



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.



Scenario Analysis Approach

Scenario analysis was conducted using the following process.

- 1) Set the subject scope and time axis
- 2) Extract and identify risks (transition risks and physical risks) and opportunities through qualitative assessments
- 3) Define scenario groups and organize a worldview with stakeholders in mind
- 4) Set parameters related to risks and opportunities that have been assessed as being of high importance through qualitative assessments
- 5) Assess the financial impact on the business resulting from transition risks, physical risks, and opportunities
- 6) Understand how risks and opportunities are being addressed, and examine countermeasures

Subject	General business in real estate investment management and funding		
Anticipated periods	[Short term] From present until 2025 [Medium term] Until 2030 [Long term] Until 2050		
Category	Transition risks	Physical risks	
Referenced scenarios	IEA World Energy Outlook 2020 SPS (4°C scenario), NZE 2050 (1.5°C scenario)	IPCC Fifth Assessment Report RCP8.5 (4°C scenario), RCP2.6 (1.5°C scenario)	
Analysis methods	Set parameters to evaluate the financial impact of risks and opportunities faced by SHR, and calculate the impact by taking into account differences in parameters under each scenario.	Acute	Calculate the repair costs (direct damage) and loss of business opportunities (indirect damage) that will be caused when owned properties are inundated by floods caused by typhoons and torrential rains.
		Chronic	Calculate the impact in cases where the asset value of owned properties located in low-lying areas declines by being inundated by the rise in sea level and the impact of the increase in the use of air conditioning due to the normalization of extreme weather.

4°C Scenario

Classification		Risk and opportunity factors, and financial impact	Period anticipated	Amount of financial implications	Countermeasures	
Physical risks	Acute	Reduced rents due to inability to operate businesses due to flooding damage caused by typhoons, torrential rains, etc.	Medium and long term	(0.8) billion yen	Identify risks using hazard maps, etc. Implement measure such as stocking emergency power supplies and install tide and water gate barriers	Identify high-risk properties by quantitatively identifying physical risks and dispose of such properties as needed Incorporate quantitative physical-risk information into pre-acquisition property evaluations
	Chronic	Decline in asset value of owned properties due to flooding damage caused by rise in sea level	Medium and long term	(14) billion yen	Exclude high-risk properties from investment	
		Increase in electricity charges due to increased usage of air conditioning due to the normalization of extreme weather	Medium and long term	(0.05) billion yen	Monitor changes in usage associated with weather and temperature change Optimize HVAC operation through high-efficiency air-conditioning equipment and building automation systems (BAS), etc. Diligently inspect facilities for degradation caused by increased use	
Opportunities	Technology	Reduction in electricity charges by improving the environmental performance of owned properties	Medium and long term	0.1 billion yen	Collect information on new technologies and services and add to portfolio Convert owned properties to ZEHs/ZEBs	

1.5°C Scenario

Classification		Risk and opportunity factors, and financial impact	Period anticipated	Amount of financial implications	Countermeasures
Transition risks	Policies, laws and regulations	Due to the introduction of carbon tax, tax burdens corresponding to GHG emissions will increase operating costs	Medium and long term	(0.1 to 0.4) billion yen	<p>Set reduction targets for GHG emissions intensity and disclose progress against targets</p> <p>Renovate properties for improved energy-saving performance</p> <p>Procure renewable energy</p>
		Increase in property renovation costs as energy regulations are tightened	Medium and long term	(0.5) billion yen	<p>Reallocate portfolio to increase investment ratio in properties with outstanding environmental performance</p> <p>Acquire ZEH and ZEB properties</p>
	Technology	Increase in solar power generation equipment installation costs (depreciation and amortization)	Medium and long term	(0.1) billion yen	<p>Collect information on new technologies and services and add to portfolio</p> <p>Convert owned properties to ZEHs/ZEBs</p>
		Rising financing costs due to perceived inadequacy of response to climate change	Short, medium and long term	(0.05) billion yen	<p>Improve investor valuations by strengthening information disclosure using frameworks such as TCFD</p> <p>Promote green financing</p>
	Reputation	Decreased competitiveness and rent income due to poor environmental performance of owned residential properties	Medium and long term	(1.9) billion yen	<p>Maintain brand image by managing climate risk responsibly</p> <p>Strengthen collaboration within the Sekisui House Group</p>

Classification		Risk and opportunity factors, and financial impact	Period anticipated	Amount of financial implications	Countermeasures	
Physical risks	Acute	Reduced rents due to inability to operate businesses due to flooding damage caused by typhoons, torrential rains, etc.	Medium and long term	(0.4) billion yen	Identify risks using hazard maps, etc. Implement measure such as stocking emergency power supplies and install tide and water gate barriers	Identify high-risk properties by quantitatively identifying physical risks and dispose of such properties as needed Incorporate quantitative physical-risk information into pre-acquisition property evaluations
	Chronic	Decline in asset value of owned properties due to flooding damage caused by rise in sea level	Medium and long term	(14) billion yen	Exclude high-risk properties from investment	
		Increase in electricity charges due to increased air conditioning operation due to the normalization of extreme weather	Medium and long term	(0.05) billion yen	Monitor changes in usage associated with weather and temperature change Optimize HVAC operation through high-efficiency air-conditioning equipment and building automation systems (BAS), etc. Diligently inspect facilities for degradation caused by increased use	

Classification		Risk and opportunity factors, and financial impact	Period anticipated	Amount of financial implications	Countermeasures
Opportunities	Technology	Reduction in electricity charges by improving the environmental performance of owned properties	Medium and long term	0.1 to 0.2 billion yen	Collect information on new technologies and services and add to portfolio Convert owned properties to ZEHs/ZEBs
	Policies, laws and regulations, and reputation	Increase in operation of and rent from properties with outstanding environmental performance	Medium and long term	1 to 1.2 billion yen	Identify needs through tenant satisfaction surveys, etc., and conduct energy-saving renovations Acquire ZEH and ZEB properties Acquire Green Certifications

(Note) The amount of financial implications is the annual implications estimated by SHAM based on the actual performance of SHR and other factors, and with reference to various parameters based on scenarios presented by international organizations, etc. The accuracy of the figures is not guaranteed.

Analysis Results

Under the 4°C scenario, no strict regulations or tax policies aimed at shifting to a decarbonized society are enacted, causing GHG emissions to continue to rise, and thus the cost of repairs and various types of insurance premiums for owned properties are expected to increase as weather-related disasters grow in intensity. In addition, the emergence of weather-related disaster risks due to climate change is expected to affect the selection of properties by tenants, and tenant demand is expected to decline for properties that are less resistant to weather disasters and less comfortable in terms of response to environmental changes compare to competing properties.

On the other hand, under the 1.5°C scenario, regulations and tax policies aimed at reducing GHG emissions will be introduced to realize a decarbonized society. Taxes will be imposed on GHG emissions from owned properties due to the introduction of carbon tax and environmental regulations such as energy-saving standards will be tightened, and thus the cost for renovations to comply with these regulations is expected to increase. In addition, this regulatory tightening is expected to influence how tenants choose their property; while their demand for environment-friendly buildings will rise, their demand for properties that are doing less to reduce environmental impact will relatively fall; and such properties will also face the risk of declining asset value. Furthermore, it is anticipated that funding costs will rise if SHR's response to climate change is deemed inadequate.

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 risks 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 certification. In this way, we are working proactively to address each risk to limit its impacts on our business and believe that these risks' impact on our business is limited and our efforts will, at the same time, open doors to new business opportunities in value creation.

As a further step, we conducted a transition risk assessment analysis using the Carbon Risk Real Estate Monitor (CRREM) for a portion of our portfolio. In the future, we intend to expand the scope of transition risk assessments to the entire portfolio, and then conduct a more in-depth analysis. SHR will continue to take a strategic approach against climate change to both minimize risks and maximize opportunities.

Analysis According to CRREM

Overview of CRREM

CRREM (Carbon Risk Real Estate Monitor) calculates and publishes GHG emissions pathways (carbon reduction pathways) up to 2050 consistent with the 2°C and 1.5°C targets of the Paris Agreement for each use of real estate in a total of 44 countries (as of August 2022) in Europe, North America and the Asia-Pacific region including Japan. This tool is expected to be utilized for operational improvement by comparing the property data analyzed and pathways to calculate the timing of assets becoming stranded and carbon costs for each property, and to grasp the scale of renovation required to address these issues.



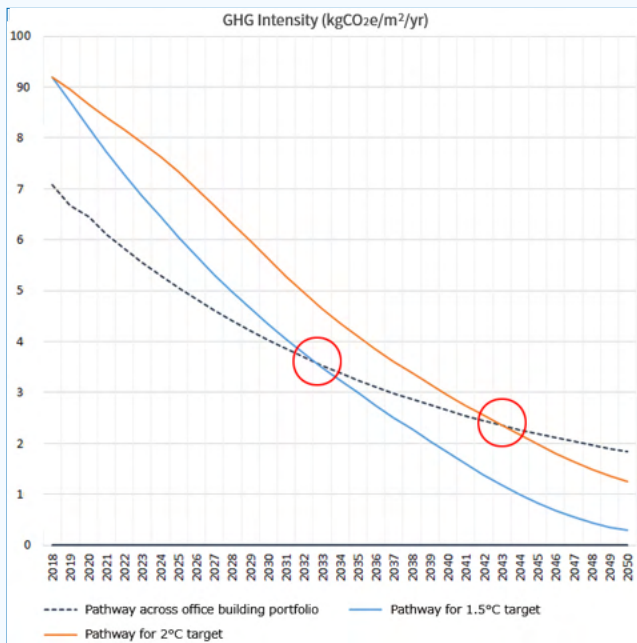
(Note) Stranded assets are assets that turn out to be worth less than expected as a result of changes associated with the transition to a low-carbon economy (lower than anticipated demand/market prices).

Overview of CRREM Analysis Results

SHAM has targeted office buildings (excluding a data center, hereinafter referred to as “office building portfolio”) among the properties owned by SHR (as of March 2021) and analyzed the potential stranded asset risk of the office building portfolio for the following two cases using CRREM’s risk assessment tool. The analysis is based on the Asia-Pacific version of the tool (ver. 1.20), while some parameters (electricity emission factors, etc.) are adjusted. The graphs below show a comparison between the pathways for the office building portfolio, the 2°C target and the 1.5°C target.

Case in which the current performance is unchanged

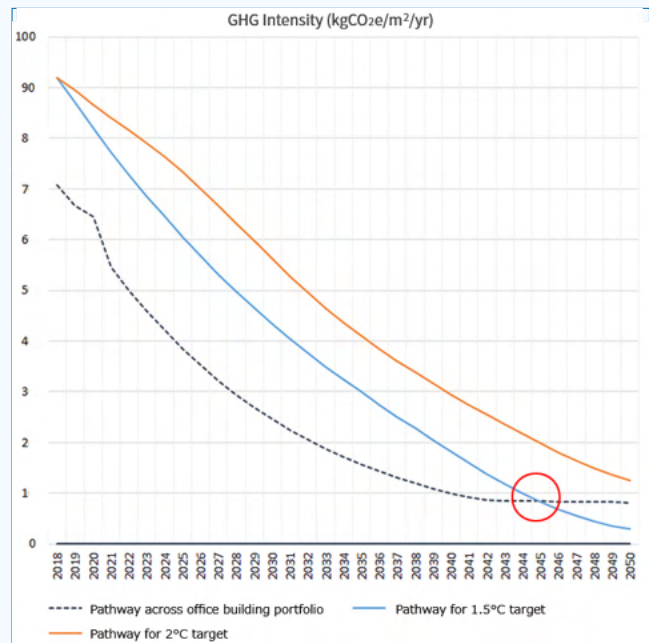
(Calculated based on the past performance on the assumption that no future energy-savings measures are taken)



- The office building portfolio will exceed the 2°C pathway in 2044 and the 1.5°C pathway in 2034.
- GHG emissions must be reduced by 32% and 84% on each pathway, respectively, to avoid becoming stranded assets by 2050.

Case in which the current reduction target pace is maintained

(Calculated on the assumption that energy consumption will be reduced by 4.2% each year compared to 2018)



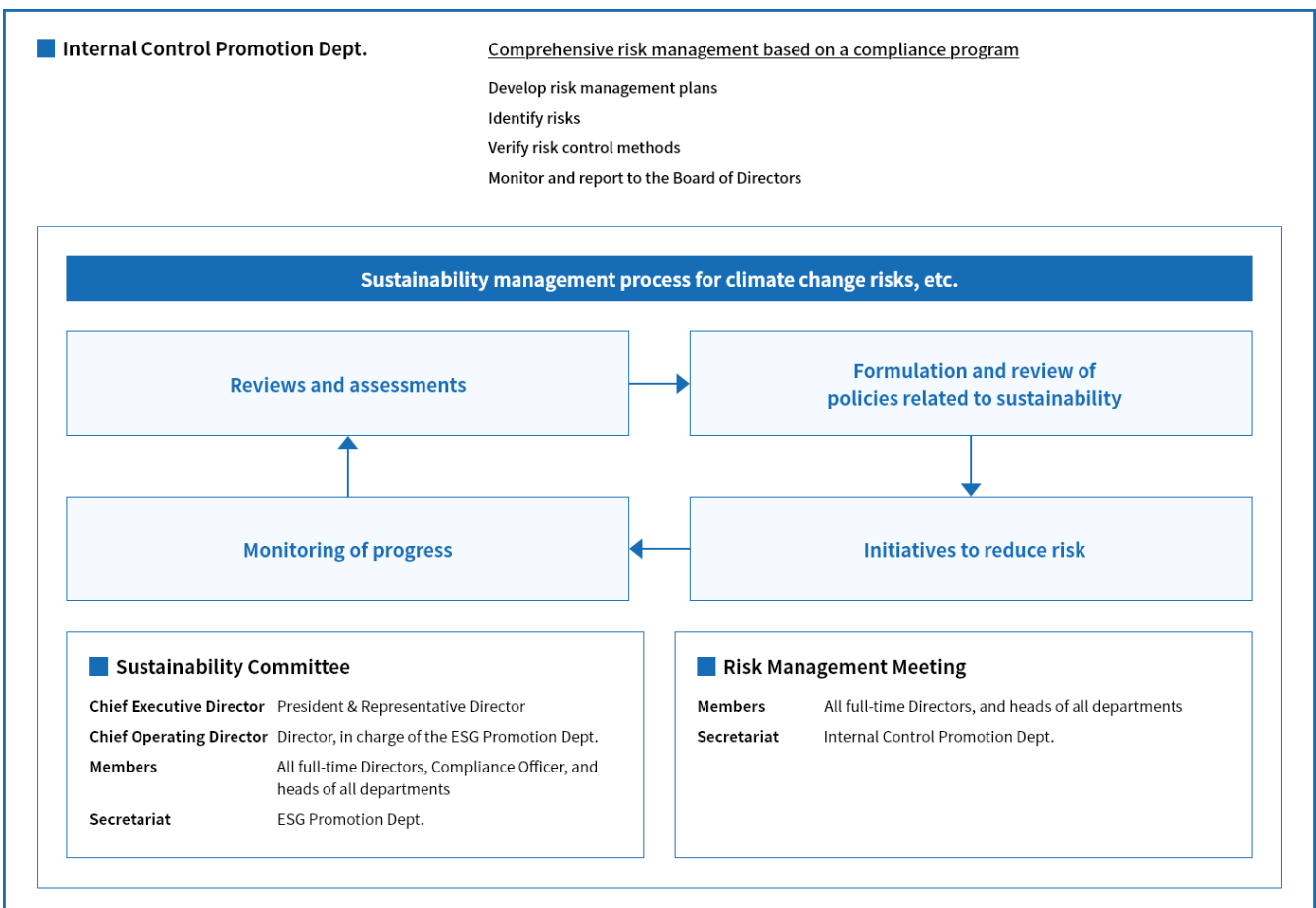
- In 2050, the office building portfolio will fall below the 2°C pathway, but will exceed the 1.5°C pathway.
- GHG emissions must be reduced a further 65% on the 1.5°C pathway to avoid becoming stranded assets by 2050.

Since SHR’s office building portfolio has high environmental performance, emission intensity is low, and for the time being, it will remain below the 2°C and 1.5°C pathways. However, if no measures are taken in the future, the office building portfolio will exceed the 1.5°C pathway in 2034 and the 2°C pathway in 2044. If emission reductions proceed at the pace of the current target, the 2°C target will be achieved by 2050, but the 1.5°C target will not be achieved. Therefore, we will expand the scope of the CRREM analysis to the entire portfolio of SHR in the future and use this analysis to review our reduction targets and consider business strategies, including renovation, sale of properties and other initiatives.

Risk Management

SHAM has established an integrated risk management system for the purpose of accurately identifying various risks inherent in the execution of our operations, managing such risks appropriately, preventing risks from materializing, and minimizing losses when risks occur. In order to properly carry out organizational risk management, the Chief Manager of the Internal Control Promotion Department takes care of risk management as the chief supervisor, the head of each department is its own department's responsible for each risk management, and the Internal Control Promotion Department is in charge of promoting risk management.

Every business year, the Internal Control Promotion Department formulates a risk management plan for the following fiscal year, consisting of annual policies, priority management risks, and receives approval from the Board of Directors. The Internal Control Promotion Department also holds risk management meetings every six months, monitors the progress of the risk management plan, including climate-related risks, and reports the details to the Board of Directors. Under such risk management system, with respect to climate change, the Sustainability Committee of SHAM continuously identifies and assesses climate change risks and opportunities that may affect SHR's operations, and updates its measures as deemed necessary by the President & Representative Director, who is also the Chief Executive Director of the Sustainability Committee. We clarify the methods for managing climate change risks and opportunities, and as part of our integrated risk management process, promote management of climate change risks/opportunities and initiatives related to resilience.



Click [here](#) for Risk Management System.

Indicators and Targets

SHR recognizes that solving environmental challenges, such as climate change, is one of the key issues for the sustainable growth of our business. We have identified “Promoting response to climate change” 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 Emissions Reduction Target

Medium term target (by FY 2030) : Reduce 50% CO₂ emission intensity of portfolio compare to FY2018

Long term target (by FY 2050): Achieve carbon neutrality

■ Energy Consumption Reduction Target

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

Set reduction targets every 5 years after FY 2023 and continue promotion of reduction in energy consumption intensity of portfolio.

■ Portfolio Green Certification Target

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

Maintain 70% or more of it after FY 2022.

Click [here](#) for indicators.

Coexistence of Humankind and Nature, and Initiatives for Environmental Resources



The *Gohon no Ki* (“five trees”) Project

In accordance with the *Gohon no Ki* (“five trees”) Project promoted by the sponsor, Sekisui House, SHR carries out maintenance and management of planting, etc. based on tree species that take the ecosystem into consideration.

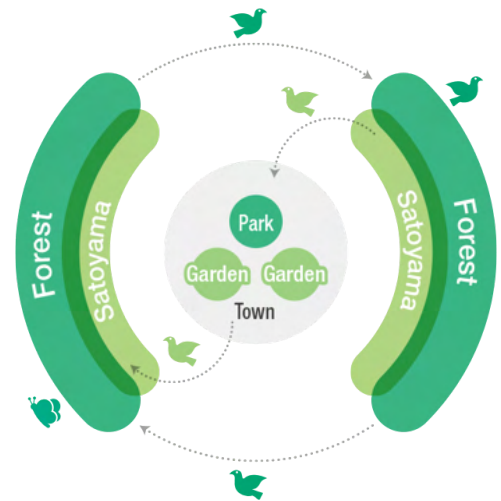
The *Gohon no Ki* Project is a landscaping and greening project that takes the ecosystem into consideration launched in 2021 by the sponsor, Sekisui House, based on the approach that “three trees are for birds, two trees are for butterflies, and all are local native tree species”.

By planting mainly 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 and that can be used as garden trees, we aim to create a garden that coexists with the nature around us and deepens our attachment to the garden over time. In fiscal year 2021, Sekisui House planted 1.01 million trees and the cumulative number of planted trees since the start of the project has reached 18.1 million.

For insects, wild birds, and other creatures, the creation of greenery spaces in cities, even on a small scale, would provide them a habitat to live in and a corridor to move through, and would create food chains and form ecosystem networks among creatures. This ecosystem network will enrich the biodiversity of local communities and Japan as a whole. These spaces not only make the place 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 on its owned properties based on ecosystem-friendly tree species in accordance with *Gohon no Ki* Project.

Satoyama Network



Examples of implementation

In 2022, we replanted trees and other vegetation for some residences. When replanting, in collaboration with Sekisui House, we planted trees in accordance with the *Gohon no Ki* (“five trees”) Project after confirming the details of the replanting, such as the selection of native tree species and whether there are non-native species that fall under the Non-Native Species That Require Comprehensive Measures.



Esty Maison Kayaba



Tree Plate

As for our office buildings, 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.



Garden City Shinagawa Gotenyama



Hommachi Garden City

Prevention of Pollution Risks

Upon acquiring the assets to be invested in, SHAM establishes investigation 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, sufficiently conducts investigations 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.

Installation of Water-Saving Equipment

In residences, we have installed flow control valves to prevent excessive water flow and shower heads, toilets, etc. equipped with water-saving functions. In office buildings, we are promoting water conservation and effective water use through measures such as the use of stored rainwater for sprinkling water on the rooftop garden of Garden City Shinagawa Gotenyama.



Flow Control Valve and Water-Saving Kitchen
Faucet



Water-Saving Shower

Appropriate Waste Management

In recognition of our excellent performance in promoting the reduction and proper disposal of commercial waste, the Osaka City Environment Bureau certified Honmachi Garden City as an excellent building for waste reduction and awarded HK Yodoyabashi Garden Avenue a “Mark of Excellence for Waste Reduction”.

Furthermore, in order to further reduce waste emissions, we have posted awareness-raising posters for the three Rs (Reduce, Reuse, Recycle) aimed at reducing waste emissions in Garden City Shinagawa Gotenyama. We will continue to strive for proper waste management through the operation of owned properties.



HK Yodoyabashi Garden Avenue
Marks of Excellence for Waste
Reduction

Urban Revitalization / Urban Redevelopment

Sekisui House, the sponsor, focuses on environmental creation development that actively uses natural energy and adopts advanced 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 friendly properties developed by Sekisui House.

“Gotenyama Project”, a Large-Scale Complex Development by Sekisui House

“Prime Maison Gotenyama East”, “Prime Maison Gotenyama West”, “Garden City Shinagawa Gotenyama”, and “Gotenyama SH Building” owned by SHR are properties planned and developed under Sekisui House’s large-scale complex development “Gotenyama Project”. It is not just a large-scale development that advocates only a sense of scale, but is based on the revitalization of the original landscape of “Gotenyama”, which is rich in nature, and creating an expressive and intimate human-scale townscape. In addition, the project focuses on environmental considerations and actively uses natural energy and adopts advanced energy-saving technologies.

In the “Gotenyama Project”, more than 40% of the total development area is greened through exterior planting and rooftop greening. Based on Sekisui House’s proprietary *Gohon no Ki* Project, which takes into account the ecosystem of Japan’s original “Satoyama” landscape, 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.



<“Gotenyama Project” Overview>

Location	6-7-29 Kitashinagawa, Shinagawa-ku, Tokyo
Site area	Approx. 28,000m ² (Total of four sites)
Overview of the buildings	For details of each property, please refer to the following.

[Prime Maison Gotenyama East](#) 📄

[Prime Maison Gotenyama West](#) 📄

[Garden City Shinagawa Gotenyama](#) 📄

[Gotenyama SH Building](#) 📄

<Major Awards Granted to the Project>

February 2012

Sponsored by Shinagawa Ward, Tokyo
Greening Grand Prize at 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

“EGOTANOMORI Project”, a large-Scale Town Development

“Prime Maison *EGOTANOMORI*” owned by SHR is a property planned and developed by Sekisui House through the “*EGOTANOMORI* Project”, a large-scale urban development project carried out on land owned by the Urban Renaissance Agency. The property consists of five different buildings: Prime Maison *EGOTANOMORI* EAST/WEST (rental condominiums for families), MAST ONE *EGOTANOMORI* (a rental condominium for students and single-persons), GRAND MAST *EGOTANOMORI* (serviced housing for the elderly), and NICHII HOME *Egotanomori* (a paid nursing home with long term care).

The area where this property is located is blessed with a rich natural environment and has been designated as a wide-area evacuation site in the Tokyo Metropolis. In the Nakano City urban planning master plan, the area is considered to have sufficient evacuation routes and an environment that is harmonious with the abundant greenery in the surrounding area, and is positioned to promote the supply of good housing complexes, etc. In addition, the community was developed under the concept of creating a sustainable community nurtured by multiple generations in order to take advantage of the many schools, medical facilities, and facilities for the elderly in the area. We aim to develop a community that regenerates as an area where diverse generations live together, including students, young family households starting to raise children, and elderly people who want a safe and comfortable life.



<“EGOTANOMORI Project” Overview>

Location 3-14-1~5 Egota, Nakano-ku, Tokyo

Site area Approx. 39,500m²
For details of the property, please refer to the following.

Overview of the buildings For details of the property, please refer to the following.

[Prime Maison EGOTANOMORI](#)

<Major Awards Granted to the Project>

May 2019

Urban Landscape Award sponsored by the “Urban Landscape Day” Executive Committee
Awarded the “Urban Landscape Day” Executive Committee Chairman’s Award in the Urban Space category

October 2019

Green City Award sponsored by the Organization for Landscape and Urban Green Infrastructure
Awarded the Minister of Land, Infrastructure, Transport and Tourism Award in the Green Business Activities category



The land for this project was provided by the Urban Renaissance Agency as a site for rental condominiums and other facilities, taking advantage of the “rich natural environment” and developing roads and parks with the aim of “ensuring disaster prevention functions”, “creating a community with excellent health and medical care”, and “creating a community where a variety of households, mainly families, can continue to live”.

Investing in Real Estate with Excellent Environmental Performance



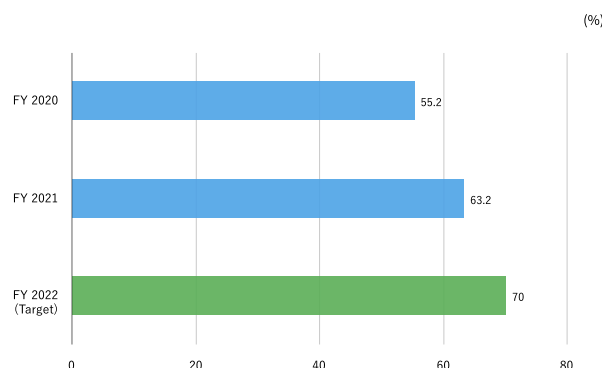
Approach to the Acquisition of Green Certifications

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.

In addition, SHR has set a target (KPI) for the percentage of green certifications obtained. Progress and results are as follows.

Green Certification

KPI: Percentage of portfolio with green certification Achieve 70% or more ^(Note 1) by FY 2022



(Note 1) The percentage of the portfolio with green certification is calculated based on total floor area.

(Note 2) The aggregation period is from May to the end of April of the following year, and the figures are as of the end of the fiscal year.

Status of Acquisition of Green Certifications

(as of January 25, 2023)

	Number of Properties	Cover Ratio	Total Floor Area(m ²)	Cover Ratio
Total Certified Properties	65	54.2%	503,671.29	66.3%
DBJ Green Building Certification	57	47.5%	312,181.33	41.1%
Certification for CASBEE for Real Estate	9	7.5%	200,386.18	26.4%

(Note 1) The total floor area of compartmentalized properties is the sum of the leasable area and common areas multiplied by the ratio of ownership of office buildings. As for residences, the total floor area of the entire building is shown.

(Note 2) As for Hommachi Garden City, the office building portion and the hotel portion are treated as one property, and "Total Floor Area" of "Total Certified Properties" is calculated by the floor area of the certified office building portion.

(Note 3) As for the total floor area of "Akasaka Garden City", all portions owned by SHR except the 10th floor are calculated based on (Note 1) above.

(Note 4) Figures in the "Total Certified Properties" column do not match the sum of the DBJ Green Building Certification and the Certification for CASBEE for Real Estate as some properties obtained both certifications.

Status of Acquisition by Certification Rank

(as of January 25, 2023)

DBJ Green Building Certification		57 properties	Certification for CASBEE for Real Estate		9 properties
 DBJ Green Building	★★★★★	1 property		S rank	7 properties
	★★★★	20 properties		A Rank	1 property
	★★★	35 properties		B+ Rank	1 property
	★★	1 property			

Click [here](#) for details of property names for each rank.

Overview of Green Certifications

DBJ Green Building Certification

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 the environment and the society (“Green Building”).

The certification is based on a comprehensive evaluation of the property's environmental performance as well as how it responds to the needs of various stakeholders, including disaster prevention and community considerations, and is awarded on a five-star scale from 1 Star to 5 Stars.

Since August 2017, Japan Real Estate Institute (“JREI”) evaluates and certifies properties and DBJ is in charge of the entire system of the DBJ Green Building Certification Program.

For details of the “DBJ Green Building Certification System”, please click [here](#). 

Certification for CASBEE for Real Estate

CASBEE (Comprehensive Assessment System for Built Environment Efficiency) is a system that comprehensively assesses the quality of a building, evaluating features such as interior comfort and consideration for the surrounding scenery, as well as its environmental friendliness such as its use of materials and equipment that save energy or achieve low environmental impact.

CASBEE for Real Estate Certification was developed with the aim of making use of the results of the environmental assessment of buildings 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.

For details of Certification for CASBEE for Real Estate, please click [here](#). 

Sponsor Initiatives

| Sekisui House's ZEH and ZEB Initiatives

Sekisui House is working to promote ZEH not only in detached houses, but also in rental housing, condominiums, and all multi-unit housing complexes.

The rental housing brand "Sha Maison" is promoting the increased adoption of "Sha Maison ZEH", which is the ZEH of this brand. There are two types of ZEH: ZEH-M (ZEH Mansion), which aims for net zero energy consumption for the entire building, including common areas, and ZEH, which aims for net zero energy consumption in individual housing units. By primarily promoting ZEH for individual housing units where residents can enjoy benefits such as increased comfort, reduced utility costs, etc. Sekisui House is working to increase the adoption of rental housing that also meets ZEH-M standards. In addition, for the "Grande Maison" condominiums, Sekisui House has announced that all housing units sold after 2023 will be ZEH, and all buildings will be ZEH-M.

Furthermore, by clearly and concretely promoting the benefits of ZEB when making proposals, Sekisui House is seeing increases in the number of orders and construction starts for ZEB in non-residential construction, especially for office use, as well as an expansion of ZEB to nursing care facilities, clinics, and other applications. SHR will contribute to decarbonization by actively investing in ZEH/ZEB properties developed by Sekisui House.

Collaboration with Tenants and Property Management Companies



Selection and Evaluation of Property Management Companies

In order to secure stable earnings and maintain and improve the value of assets, SHR has established criteria for selecting property management companies to which such management may be entrusted. In principle, SHR monitors and evaluates the performance of property management companies' management operations once a year through external evaluation organizations, and verifies their appropriateness.

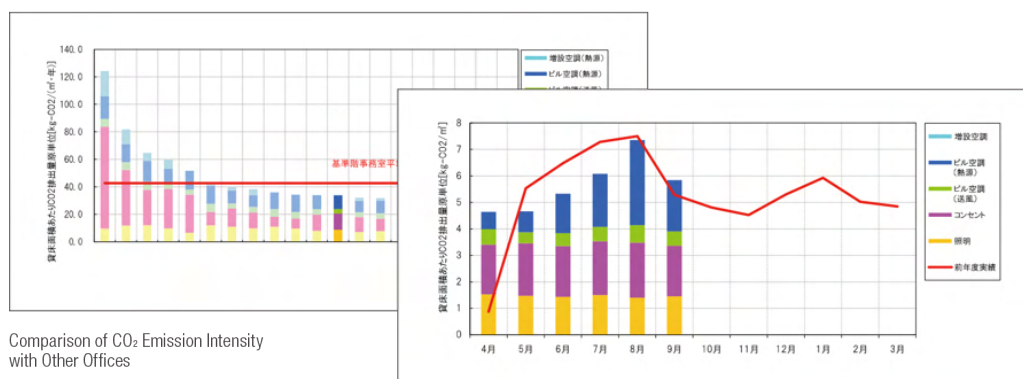
In addition to the company's property management capabilities and operational systems, its organizational structure for promoting corporate sustainability and the energy conservation promotion system for managed properties are also subject to evaluation.

Initiatives to Reduce Energy Consumption

SHR asks property management companies to make suggestions for energy conservation in the managed properties. We also share the results of the CO₂ emissions 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 the 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 optimized brightness. In parallel with such efforts, daylight is used during the daytime to reduce electricity consumption.

Materials of the CO₂ Reduction Promotion Meeting (excerpt)

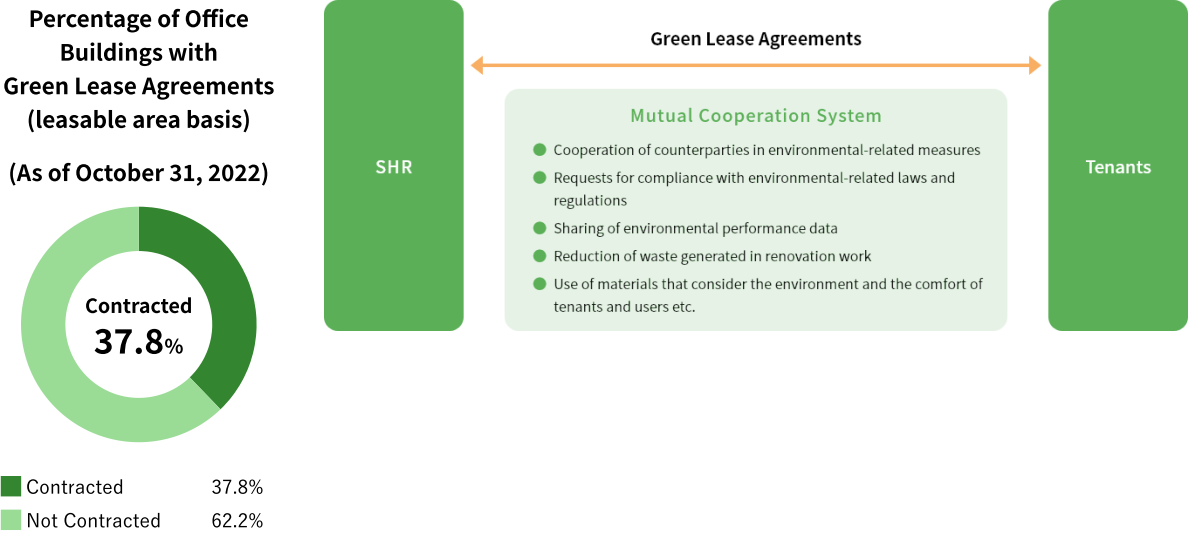


Comparison of CO₂ Emission Intensity with Other Offices

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. With "promotion of green leasing" as a KPI, SHR has entered into green lease agreements with certain tenants, mainly for office buildings. 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 establishing a system for mutual cooperation. We will expand our efforts to residential properties in the future and promote green leasing while strengthening cooperation with tenants.



Initiatives for Residents and Tenants



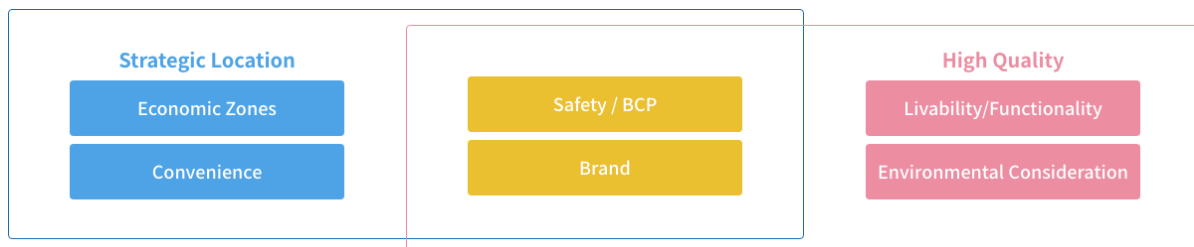
Role of SHR with Respect to Residents and Tenants

In recent years, the significance of SHR's efforts to provide resilient buildings that can withstand disasters, etc., and to minimize damage in the event of a crisis has become greater. We believe that our role is to make the properties owned by SHR a place that provides safety and peace of mind, and to make it a comfortable place that improves the quality of life on a daily basis.

SHR seeks properties that are located in suitable locations to provide a "sustainable base for living" for residents and a "sustainable base for business operation" for tenant companies. Based on the recognition that the need for real estates that have high residential functionalities including comfort and safety or the components desired by tenant companies is increasing, SHR designates "high quality" residential and commercial properties, etc. located at "strategic locations" as "Prime Properties" and prioritizes investments in such properties.

Through investments in properties that qualify as "Prime Properties", SHR will pursue both sustainable lifestyles and business activities for its residents and tenants, and the sustainable asset management of SHR.

Six Factors of Prime Property



Focus Points for Residences

Element	Focus Points
Economic Zones	<ul style="list-style-type: none"> • Areas where stable rental demand can be expected in terms of commuting distance, residential population, number of passengers who use nearby stations, etc.
Convenience	<ul style="list-style-type: none"> • Good access to major transport routes and major terminals, and adjacent to commercial stores, etc.
Livability	<ul style="list-style-type: none"> • Designed to be comfortable as a living space and installed with functional equipment • Installation of comfortable common spaces and functional equipment, and provision of services
Environmental Consideration	<ul style="list-style-type: none"> • Environmental performance is ensured by energy-saving equipment, etc. in common areas and exclusive areas • Biodiversity-friendly planting and landscape design
Safety	<ul style="list-style-type: none"> • Buildings with risk management considerations for disasters • Location with high safety, earthquake resistance of buildings, and disaster resilience
Brand	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • Population of the commercial area, residential population, number of passengers who use nearby stations, and thickness as an economic zone
Convenience	<ul style="list-style-type: none"> • Good access from major transport routes • Convenience, commercial concentration, and prosperity that contribute to commuting and attracting customers
Functionality	<ul style="list-style-type: none"> • Functional design with comfort that leads to increased productivity for tenant companies • Sufficient standard floor space and comfortable spacious design, etc.
Environmental Consideration	<ul style="list-style-type: none"> • Environmental performance is ensured by energy saving, rooftop greening, etc.
BCP	<ul style="list-style-type: none"> • Provide important facilities as a foundation for “business continuity” • Resilience to disasters, in terms of both location and specifications
Brand	<ul style="list-style-type: none"> • Dignity of the area, sense of luxury and cleanliness of the building

Safety, Security, and Comfortability for Tenants

Measures against Earthquakes

SHR's investment criteria require that the company's domestic portfolio has a seismic PML (probable maximum loss) of 10% or less in principle and that the addition of earthquake insurance is considered for individual properties with a PML of 20% or more. The seismic PML of SHR's portfolio as of October 31, 2022, was 2.0%; there were no individual properties with a PML exceeding 20%.

Seismic PML of Top Five Properties based on Investment Ratio (As of the end of October, 2022)

Property Name	Investment Ratio (Acquisition Price Basis)	Seismic PML
Garden City Shinagawa Gotenyama	13.0%	0.7%
Gotenyama SH Building	9.3%	1.2%
Akasaka Garden City	9.0%	4.3%
Hommachi Minami Garden City	7.9%	1.0%
Hommachi Garden City (office building portion)	7.0%	3.1%

Measures against Flooding (As of the end of October, 2022)

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 October 31, 2022, properties with a flood depth of 0.5 meters or more account for 64.1% of our portfolio. There have been no cases of any property experiencing flooding above the lowest floor level during the time owned.

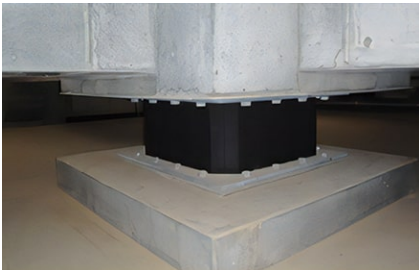
Flood Depth Classification of Owned Properties (Acquisition Price Basis) (As of the end of October, 2022)

	Flood Depth		Total
	<0.5m	≥0.5m	
Office Building	9.3%	38.8%	48.1%
Greater Tokyo	9.3%	22.0%	31.3%
Osaka Area	-	15.7%	15.7%
Nagoya Area	-	1.1%	1.1%
Residence	26.6%	22.1%	48.8%
Greater Tokyo	20.9%	17.5%	38.4%
Osaka Area	0.5%	1.0%	1.5%
Nagoya Area	3.0%	0.7%	3.7%
Others	2.3%	2.9%	5.2%
Hotel	-	3.1%	3.1%
Osaka Area	-	3.1%	3.1%
Total	35.9%	64.1%	100.0%

Disaster-Resilient Office Buildings

Garden City Shinagawa Gotenyama was built with business continuity in mind. The building is located on an 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. In addition, a disaster prevention center has been established to respond rapidly to incidents 24 hours a day, 365 days a year.

Quake-absorbing structure



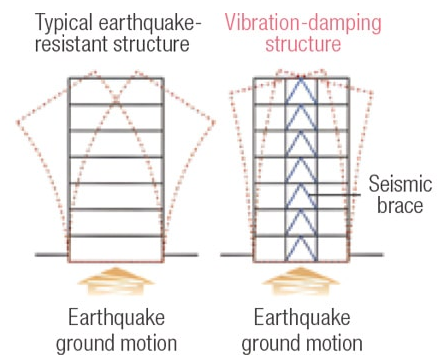
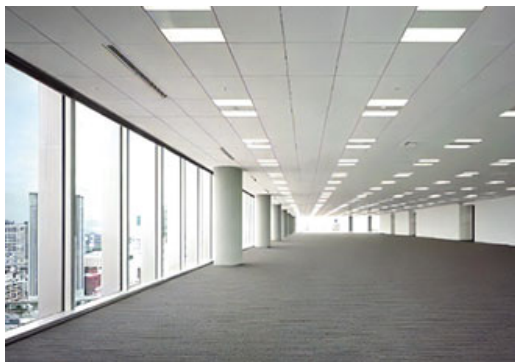
Emergency power facility



Disaster prevention center



Similarly, Hommachi Minami Garden City takes business continuity into account by installing seismic braces 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 spaces and a ceiling height of 2.8 meters on standard floors.

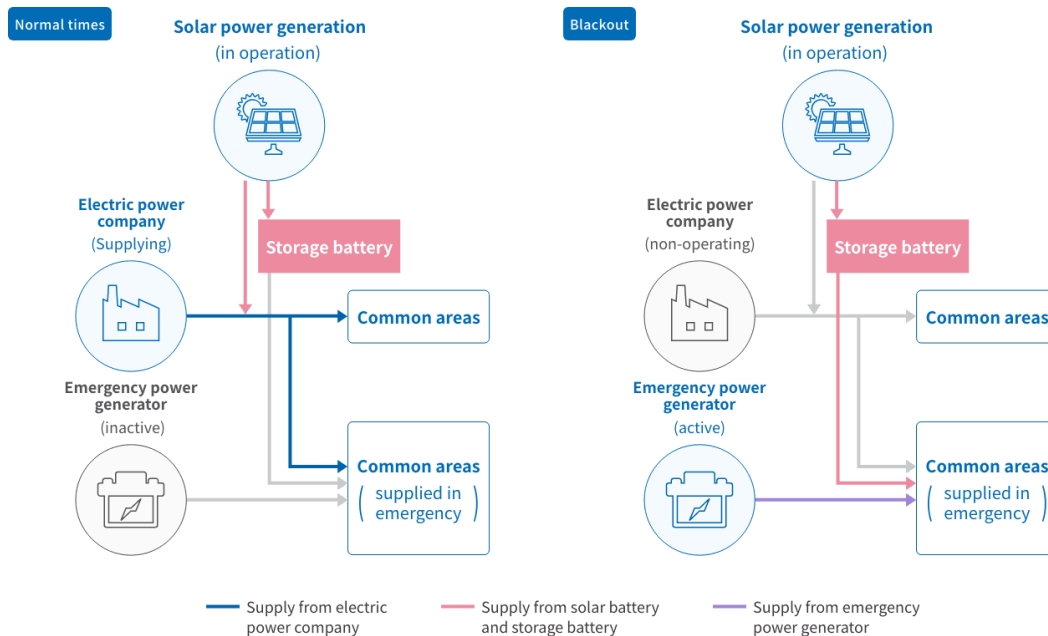


Residence in Preparation for Disasters

Prime Maison Shinagawa is a rental condominium developed by Sekisui House in response to rising concerns about power conservation and disaster prevention performance following the Great East Japan Earthquake, in addition to climate change. This property has an emergency power generator that was introduced to ensure a higher level of safety and security in the event of an emergency. The generator is connected to solar batteries and storage batteries, ready to serve as an emergency power supply system for use in the event of a blackout.



Conceptual Diagram of Emergency Power Supply System



When power is cut due to a natural disaster or similar event, the emergency power generator is activated and supplies power to common areas for approximately 19 hours. It can continue to supply power even longer when connected with solar batteries and storage batteries. As a result, some lights for common corridors and the entrance are illuminated, securing passageways and providing a sense of security even at night. In addition, the generator also supplies power to the electrical outlets in the entrance, where residents would gather, allowing them to charge mobile phones and other devices. The generator also permits the collection of information via the monitor in the control room. Power is also supplied to the feed-water pump. This means that water will be supplied to common areas and dwelling units as long as the water supply has not been cut off.

Examples of Disaster Prevention Equipment for Residences

Emergency cabinet for elevators



Prime Maison Gotenyama East and others

Distribution of stockpiled emergency supplies to tenants



Esty Maison Ojima and others

Stockpile of emergency toilets



Prime Maison Shinagawa

Bench with oven function



Esty Maison Kyobashi and others

AED (Automated External Defibrillator)



Prime Maison Yokohama Nihon-odori and others

Disaster relief vending machines



Prime Maison Ginza East and others

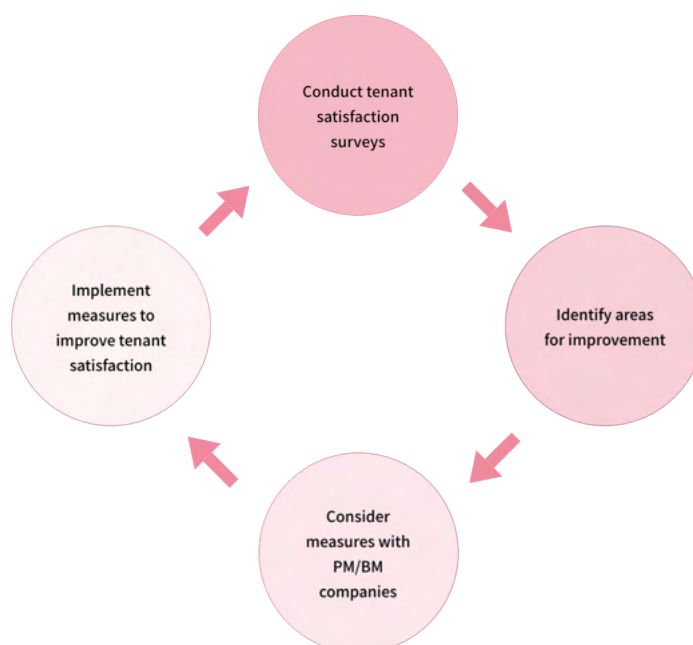
Conducting Tenant Satisfaction Surveys

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 reliable relationships.

For the surveys conducted in fiscal year 2021, we incorporated questions asking about their awareness of ESG and how they are dealing with the COVID-19 pandemic such as their 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.

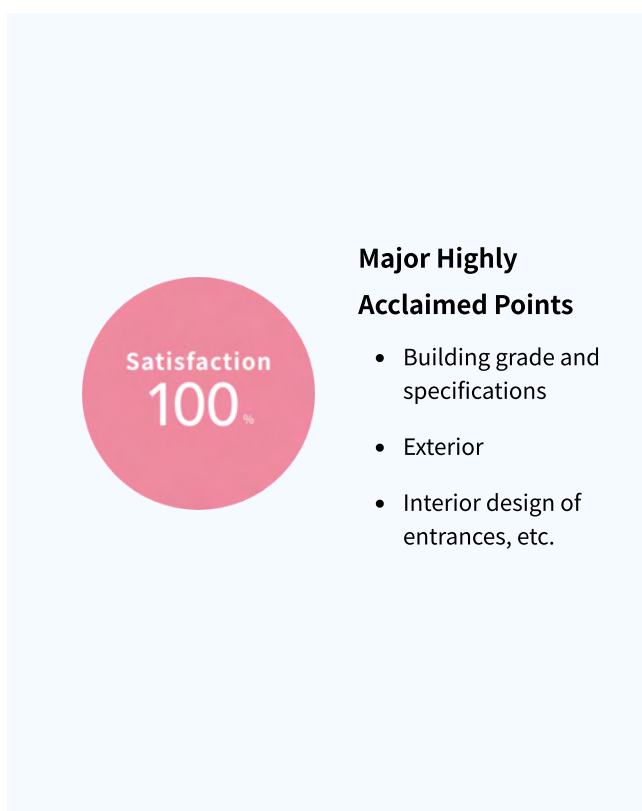


Survey period	March to April 2021	
Respondents	Office building	32 tenants of owned office buildings
	Residence	8,638 residents of Prime Maison, Esty Maison, etc.
Survey items	Office building	Overall satisfaction, items regarding ESG, the COVID-19 pandemic, etc.
	Residence	Items regarding rooms and common area's satisfaction, residents needs, management conditions, interest in environmental issues, the COVID-19 pandemic, etc.
Response rate	Office building	90.6%
	Residence	21.4%

Fiscal Year 2021 Survey Results

Office buildings

All responding tenants answered that they were "satisfied".



Residence

A total of 84.8% responded that they were "generally satisfied" or "highly satisfied".



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 parking spaces in the parking garage





Sekisui House Group Philosophy and Guidelines for Contributing to Society

The Sekisui House Group, to which SHAM belongs, has created a system that enables each and every employee to engage in voluntary activities not only through its core business but also through “employee volunteer activities and charity participation”, “collaboration with and support for NPOs and NGOs”, “educational support activities in cooperation with educational institutions”, etc., and continues to conduct community-based activities. SHR and SHAM also carry out initiatives and environmentally friendly activities in collaboration with tenants and local communities where properties are located.

[Sekisui House Group Philosophy and Guidelines for Contributing to Society](#) 

Contribution to Local Communities

SHR takes initiatives to harmoniously co-exist with local communities by introducing equipment available to anyone, in addition to deepening communication with local residents through participation in events of local communities in which its owned properties are located.

Utilization of Common Space

In addition to opening the entrances, ground floor lobbies, building sites, and conference rooms of our properties to the public for use as event spaces, SHR has introduced Share Bikes and Food Trucks in some properties so that they can be used not only by tenants 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 and others

Introduction of Food Trucks



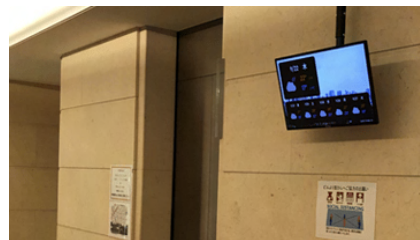
Akasaka Garden City

Introduction of electric kickboards



Esty Maison Minamiazabu and others

Introduction of digital signage



Garden City Shinagawa Gotenyama and others

Participation in the Minato-ku Adopt Program

SHAM has agreed 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.

The Adopt Program refers to a series of activities involving the "adoption" of local roads, parks, etc. by deeming them as "foster children", and groups or citizens, etc. consisting of ward residents, etc. as "foster parents". The "foster parents" engage in beautification and cleaning activities of their "foster children". We will contribute to our cooperation with tenants and local communities through cleanup activities.



Activities along with the Government and Industrial Groups

Sekisui House Group believes that it bears a significant role and responsibility in the development of housing and the living environment in Japan, and thus participates in activities of many industry groups. As a full-member of The Investment Trusts Association, Japan as well as a regular member of The Association for Real Estate Securitization (ARES), SHAM takes action to further develop the industry.

Participation in “Sekisui House Matching Program”

The “Sekisui House Matching Program” is an employee-driven donation program that has been implemented by Sekisui House Group since fiscal year 2006 to support NPOs and other organizations. Under this system, directors and employees of SHAM set aside the amount they wish to donate, in units of 100 yen, and Sekisui House adds an equal amount as subsidies to make donations.

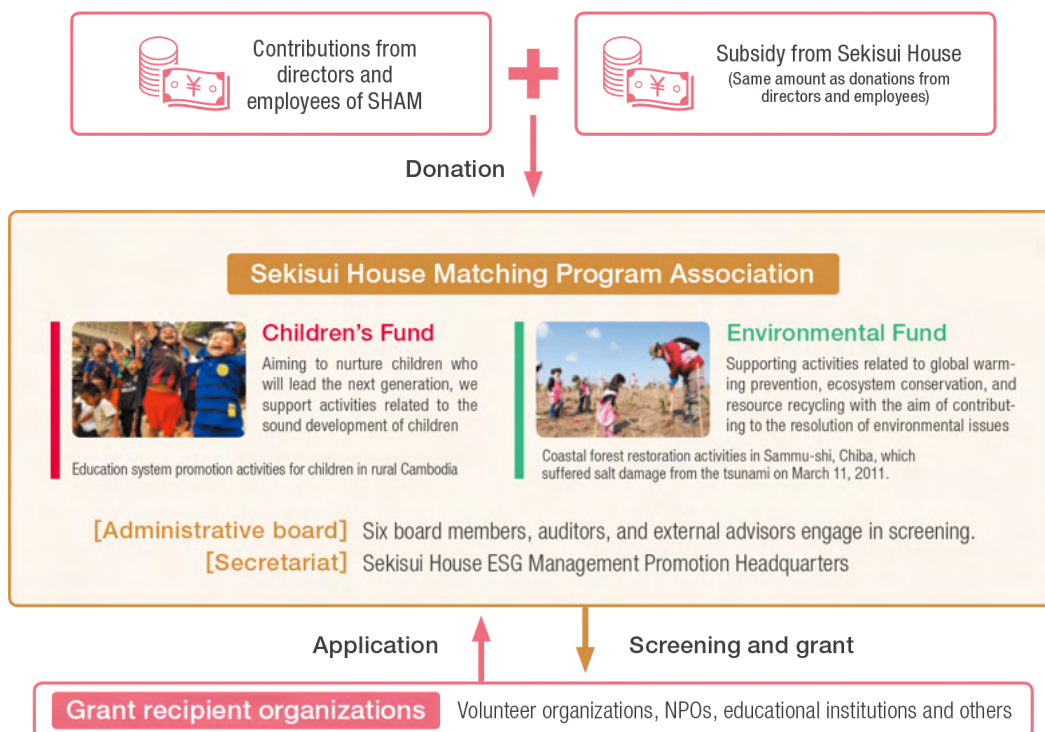


The “Children's Fund” and the “Environmental Fund” have been established, and employees can freely choose which one to donate to.

In fiscal year 2022, a total of approximately 45.8 million yen was raised and earmarked to support 94 civic groups from among those recommended by employees nationwide, focusing on activities that lead to coordination with our employees, collaborations and the SDGs.

For details on the "Sekisui House Matching Program", please click [here](#). 

Structure of Sekisui House Matching Program



KPI: Achieve a 40% participation rate in the “Sekisui House Matching Program” by FY 2023

FY 2021 Result **41.9%**

(Note) FY2021 result is the result from February 2021 to January 2022 in the fiscal year of SHAM.

Other donations

SHAM makes donations through activities, such as collecting plastic bottle caps and used stamps, giving out unused calendars and notebooks for recycling.

In fiscal year 2022, through donating 6.4kg of plastic bottle caps to a NPO, we contributed providing vaccinations to children around the world through UNICEF.

Relief Donation

When large-scale natural disasters occur inside or outside Japan, SHAM offers relief donations to be used for rescue and restoration activities in the affected areas.

Endorsing “COOL CHOICE”

SHAM supports “COOL CHOICE”, a national campaign promoted by the Ministry of the Environment as measures against global warming, and takes the following initiatives as environmental measures.



- Maintaining moderate temperature settings on air conditioners
- Promoting Cool Biz and Warm Biz
- Promoting a paper-free environment for internal materials by using smart devices and a shared server
- Stopped using paper cups in the company, making it a rule for individuals to bring their own cups

Respect for Human Rights



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 "love of humanity", the Group works together to meet its responsibility to respect human rights. In accordance with the "Sekisui House Group Human Rights Policy", established by Sekisui House in April, 2020, SHAM strives to ensure that there are no infringements of human rights, including harassment, to contribute to the creation of a workplace environment where all employees can work enthusiastically and lead to growth.

The Sekisui House Group Human Rights Policy applies to all directors and employees of the Sekisui House Group. We also expect our business partners, including building constructors and suppliers, to understand and support this policy. The Sekisui House Group Human Rights Policy is also presented on the online information-sharing platform we maintain with our suppliers and we encourage them to comply with the policy.

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.

Click [here](#)  for all of Sekisui House Group Human Rights Policy.

Promoting Human Rights Policies

The "Sekisui House Group Human Rights Policy" must be complied with by all directors and employees (including short-time workers) of the Sekisui House Group, including SHAM, and to ensure that all directors and employees are familiar with the policy, a three-hour "human relations training" is conducted annually. We also provide an additional two hours of training for managers.

Human Rights Reporting System

The Sekisui House Group has established several reporting systems, including the Compliance Helpline, to identify concerns and potential negative human rights impacts associated with its business activities, and is working to enhance its consultation services through the appropriate operation of these systems. The "Sexual Harassment and Power Harassment Hotline" has been established as a consultation desk system for all human rights issues, including various types of harassment or any consultation for creating a comfortable working environment for employees with disabilities. Furthermore, inquiries regarding human rights may be made through our public website as well.

SHAM also has one male and one female personnel in charge of the consultation desk.



Basic Policy

In order to build an environment that embraces diversity and allows everyone to reach their full potential, Sekisui House has declared its commitment to "Human Resource Sustainability". SHAM shares the basic philosophy of the Group regarding the cultivation of human resources to nurture autonomous human resources through training and career building.

Securing Talented Personnel

SHAM works to recruit and secure great talent in line with changes in the business environment and the organization, and implements job rotations to promote varied work experiences and skill development. In addition, by accepting specialized seconded personnel from the Sekisui House Group who have a wide range of experience and know-how in real estate investment and management, SHAM aims to utilize their capabilities to achieve advanced asset management.

Click [here](#) for Status of directors and employees.

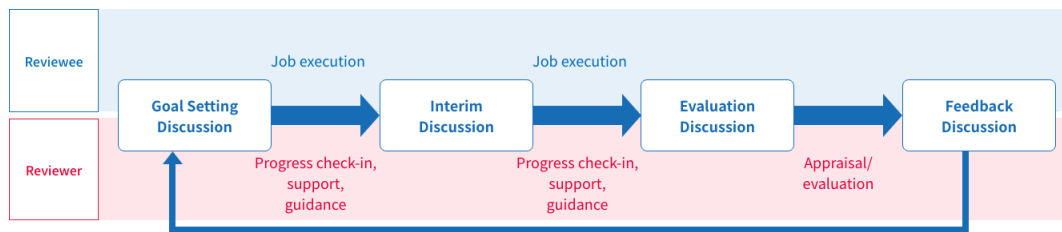
Strategy for Developing Human Resources

Based on its global vision to make home the happiest place in the world, the Sekisui House Group's ideal vision for 2050 is to maximize the happiness of its customers, employees and communities. To achieve this ideal vision, the Sekisui House Group promotes the expertise and the self-directed career development of our employees and is working to cultivate human resources who can create value for communities and stakeholders on their own initiative.

Being a 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, roles (duties), and outcomes make up the key elements of our HR practices.

Personnel evaluations are conducted from all perspectives, including ESG initiatives and compliance status, based on the "ability and behavior evaluation", which assesses the degree of ability and behavior expected of each grade, and the "performance evaluation", which assesses the degree of achievement and the process. 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



Support for Acquiring and Retaining Qualifications

SHAM helps and encourages employees to enhance 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, examinations, continuing education, and seminars for these qualifications.

Click [here](#) for the status of 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 with 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).

In addition, SHAM has set the target (KPI) for the training system. The result is as follows.

KPI: Each employee to attend external training at least twice a year by FY 2023

Result for FY 2021 **3.4 courses**

KPI: Achieve 100% annual internal training participation rate by FY 2023

Result for FY 2021 **100%**

(Note 1) The number of external training courses attended per person is calculated based on the total number of external training courses attended/number of directors and employees.

(Note 2) The training participation rate is calculated based on the number of training participants/the number of directors and employees (excluding employees on childcare leave and maternity leave) as of the end of the fiscal year.

Click [here](#) for details on training attendance results.

Training System



General Training

This training is aimed at improving company-wide engagement and raising the level of business skills, human skills, and specialized skills for all directors and employees (including part-time employees, and other non-regular employees). Themes are selected with reference to the results of governance awareness surveys conducted by the Sekisui House Group, and in principle, once every two to three years, using an external organization.

Human Relations Training

This training is common to the Sekisui House Group and conducted every year for all directors and employees (including part-time employees, etc.) of the Sekisui House Group, with one of the purposes being to raise awareness of human rights issues and foster a comfortable working environment. In addition to conducting 3 hours of “human relations training” every year, an additional 2 hours of “promotion committee training” is conducted for managers to deepen awareness and understanding.

Compliance Training

This training is designed for all directors and employees (including part-time employees, etc.) to improve their knowledge and ability in compliance, which is fundamental to conducting business as a member of society, and to acquire the knowledge necessary to conduct the investment management business.

ESG Training

This training is meant to deepen the understanding of the latest ESG information of the Sekisui House Group and topics related to ESG in order for all directors and employees (including part-time employees, etc.) to share common awareness and knowledge.

| Tiered Training

This training utilizes external organizations and aims to improve various abilities (job posture, specialization/advanced expertise, collaboration ability, etc.) based on the skills and requirements required for each job level. It is intended for all directors and employees (including part-time employees, etc.)

| Multi-faceted Observational Investigation

In addition to self-evaluations, this investigation aims to clarify objective “strengths” and “challenges” by evaluating individuals from various perspectives, including superiors, subordinates, and colleagues, to create an open organization and workplace climate in which leaders and members can easily flourish. It is conducted once a year for managers using an external organization. By conducting the investigation every year, we carry out a cycle of understanding issues, verification/feedback, setting goals, and implementing them.

| Cafeteria Plan Training

From the perspective of personal activity planning and self-development, each employee is able to freely select and attend seminars by field, rank business skills, IT, etc. We recommend that all directors and employees (including part-time employees, etc.) attend at least one seminar per year.

Creating Comfortable Workplace Environment



Promoting Diversity

The Sekisui House Group Human Rights Policy stipulates that the Group will continuously 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, etc., in order to promote diversity. As a member of the Group, SHAM also implements initiatives in accordance with this policy.

Click [here](#) for more information on the Sekisui House Group's promotion of diversity.

Promoting of Active Participation by Women

The Sekisui House Group has formulated the goals of the “Sekisui House’s Action Plan for the Promotion of Active Participation by Women”, and is proceeding with initiatives to promote the appointment of female managers throughout the Sekisui House Group. SHAM has also set an increase in the ratio of female managers as a KPI, and not only promotes the active participation of female employees, but also supports diverse human resources so that they can receive fair opportunities.

KPI : Achieve a female manager percentage of 7% by fiscal year 2023

Result for FY 2021 **3.6%**

Supporting Active Participation of the Senior Employees

SHAM has introduced an age 65 mandatory retirement rule so that all individual employees can work more enthusiastically, capably and energetically for a longer period. In addition, in April 2021, we introduced a post-retirement re-employment system for employees aged 65 through 70 to support their active participation.

| Supporting Active Participation of Persons with Disabilities

SHAM promotes the employment of persons with disabilities based on the Act to Facilitate the Employment of Persons with Disabilities. We support their activities by creating opportunities for conversation so that employees with disabilities, their supervisors and department members can communicate and consult with each other. We aim to create a workplace where every employee, with or without disabilities, can work for a long time.

Promoting Work-Life Balance

SHAM is working to realize a variety of work styles while stimulating communications in order to promote work-life balance of our employees. In response to changes in working styles and lifestyles with the COVID-19 pandemic, SHAM will continue to emphasize the importance of work-life balance that we believe makes our employees feel fulfilled and happy, utilizing telecommuting as well as sliding-scale work systems that allow employees to work flexibly.

| Improvement of Employees' 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 employees.

Key Benefit Systems

System Name	Subject scope	Description
Childcare leave	All 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 employees	Paid leave for providing nursing care to a family member
Sick childcare leave	All employees	Paid leave for nursing a sick or injured child or taking them to receive medical services (vaccinations, checkups, etc.)
Short working hours	All employees	System for working shorter hours to raise a child
Congratulatory or condolence payment	All directors and employees except contract/part-time workers	One-time payment granted in the event of a marriage, childbirth, death, injury, illness, or damaging event experienced by employee or their family
Staggered working hours	All employees	Permits employees to move their daily start and finish times forward or back following designated patterns
By-the-hour annual leave	All employees except contract/part-time workers	Allows up to five days of annual paid leave to be taken in hourly units
Accumulated annual leave	All employees who work without a fixed term *Including contract employees who have a contract 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 employees except temporary, contract, and part-time workers	Payment granted to those who pass a national certifying exam or other eligible credentialing exam
Employee stock ownership plan (with incentives)	All employees except temporary, contract, and part-time workers	Allows Sekisui House Group company employees to purchase Sekisui House, Ltd. Stock through payroll deductions and provides an incentive of 10% of the purchase price
Defined-contribution pension plan	All employees except part-time workers	Corporate pension plan in which future benefits are determined based on the total of contributed sum and investment earnings

| Encouraging Male Employees to Take Childcare Leave

SHAM encourages male employees who have a child under three years of age to take at least one month of childcare leave. SHAM began its childcare 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.

KPI: Achieve childcare leave take-up rate for eligible male employees by FY 2023: 100%

In FY 2021, none of our male employees were eligible for this leave.

As of FY 2022, eligible employees are systematically taking leave as planned.

Commitment to Well-Being

Initiatives for Health and Safety

SHAM has formulated the Rules of the Health Committee and established the Health Committee to promote the safety and health management activities of employees. The committee includes an occupational physician and meets monthly to discuss the 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, held web meetings aimed at creating opportunities to resolve the lack of communication between employees due to remote work, informed employees about influenza vaccinations, and distributed sanitizers to prevent COVID-19 infections.

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

Conducting employee satisfaction surveys and ESG interaction

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.

Furthermore, as a member of the Sekisui House Group, we conduct a “Well-Being Survey” for all employees to analyze the correlation between individual and workplace happiness, as well as an “ESG Dialogue” every six months with the theme of making employees, customers and society happy through business. A virtuous cycle is expected in which the creation of innovation through “visualization” of individual and workplace happiness, increased employee engagement through “ESG Dialogue”, and revitalized communication will lead to increased corporate value.

Occupational Health and Safety



Labor Relations

SHAM does not have a labor union, but respects “the freedom of association and the right to collective bargaining” as stated in the [Sekisui House Group Human Rights Policy](#) .

In addition, SHAM complies with labor-related laws and regulations and labor-management agreements, and works to build constructive relationships through sincere dialogue and negotiation with employees (including workers with shorter working hours) or employee representatives, and our labor-management relations have been amicable.

Responding to Overwork

SHAM has set KPIs (targets) to reduce excessive working hours and overtime work, and is implementing the following initiatives.

KPI: Reduce the average monthly work hours per person to 162 hours or less by FY 2023

Result for FY 2021 **164.9 hours**

KPI: Achieve an annual paid leave take-up rate of 70% or more by FY 2023

Result for FY 2021 **52%**

Monitoring of working hours

When monthly overtime hours exceed 45 hours for more than three months throughout the year, notification to the supervisor and hearings with employees are conducted. When the working hours subject to health management exceed 60 hours, a warning notification is sent to the supervisor and the person in question.

Furthermore, SHAM has set a KPI of 162 hours for the average monthly working hours per person (to achieve by fiscal year 2023), and is working to reduce overtime work throughout the company.

Encouragement of planned use of annual paid leave

We have set a KPI of an annual paid leave take-up rate of 70% (by fiscal year 2023), which exceeds the legally mandated annual paid leave utilization of five days, and encourage all employees to take their leave in a planned manner.

| Wage System and Compliance with Equal Pay for Equal Work

SHAM complies with the minimum wage provisions of labor-related laws and regulations for all employees, including part-time employees, etc., and pays wages that lead to maintaining and improving living standards, taking prices into consideration. In addition, we apply a remuneration system that complies with equal pay for equal work, and do not differentiate remuneration based on gender.

In addition, SHAM conducts evaluations for each evaluation item in personnel evaluations, and the results of the evaluations are appropriately reflected in employee promotions, salary increases, and bonuses. Bonuses are paid twice a year, in the summer and winter, and the amount paid is determined according to attendance rate and work performance.

| Labor-Related Violations and Accidents

There have been no serious labor-related violations of laws and regulations or accidents during the period from January 1 to December 31, 2021.

Click [here](#) for labor-related data.

Engagement with Investors



SHR strives to disclose information that is appropriate and easy to understand for all investors through the enhancement of its website, timely disclosure, and the issuance of ESG reports, etc. In 2022, our information disclosure was rated highly according to the GRESB disclosure evaluation (five-level evaluation from A to E), which evaluates the degree of fulfillment of ESG information disclosure, and obtained the highest “A” rating for three consecutive years. In addition, we place importance on dialogue with investors, and are implementing the following initiatives.

Engagement with Institutional Investors

	11th FP ended Apr. 2020 and 12th FP ended Oct. 2020	13th FP ended Apr. 2021 and 14th ended Oct. 2021
Financial results briefing for domestic institutional investors, analysts, etc.	June/December	June/December
IR meetings for domestic institutional investors, analysts, etc.	145 times	126 times
IR meetings for overseas institutional investors, etc.	57 times	43 times

Engagement with Individual Investors

	11th FP ended Apr. 2020 and 12th FP ended Oct. 2020	13th FP ended Apr. 2021 and 14th ended Oct. 2021
Events for individual investors	5 times	3 times

Click [here](#) for an archive of past events (Japanese only).

Click [here](#) for a special website for individual investors (Japanese only).



(Note) Regarding the number of IR meetings held for domestic and overseas institutional investors, analysts, etc., as well as events held for individual investors, IR meetings and events held in 11th FP ended Apr. 2020 and 12th FP ended Oct. 2020 are counted as the number of IR meetings and events held in 2020, IR meetings and events held in 13th FP ended Apr. 2021 and 14th FP ended Oct. 2021 are counted as the number of IR meetings and events held in 2021.



Governance of 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 is held at least once every three months and 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.

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 any law or regulation, or of SHR's Articles of Incorporation in connection with the executive director's execution of duties.

Executive Director and Supervisory Directors

Position	Name	Reasons for Appointment	Attendance Status	
			FP ended Oct. 2021 (14th FP)	FP ended Apr. 2022 (15th FP)
Executive Director	Atsuhiko Kida	We have appointed him as the Executive Director because it is expected that he will be able to accurately execute operations of SHR, taking into account comprehensively his expertise in real estate, financial accounting and extensive experience in REIT operations.	10 times/10 times (100%)	8 times/8 times (100%)
Supervisory Director ^(Note1) _(Note2)	Shigeru Nomura	In addition to having his excellent character, insight, and ability, he is well versed in corporate management and other fields as a certified public accountant. In light of his expertise and experience in each of these fields, we believe he is qualified to serve as a Supervisory Director of SHR, and have appointed him as a Supervisory Director.	10 times/10 times (100%)	4 times/4 times (100%)
	Tatsushi Omiya	In addition to having his excellent character, insight, and ability, he is well versed in corporate management and other fields as an attorney-at-law. In light of his expertise and experience in each of these fields, we believe he is qualified to serve as a Supervisory Director of SHR, and have appointed him as a Supervisory Director.	10 times/10 times (100%)	4 times/4 times (100%)
	Yu Yada	In addition to having his excellent character, insight, and ability, he is well versed in corporate management and other fields as an attorney-at-law. In light of his expertise and experience in each of these fields, we believe he is qualified to serve as a Supervisory Director of SHR, and have appointed him as a Supervisory Director.	-	4 times/4 times (100%)
	Rei Yamashita	In addition to having her excellent character, insight, and ability, she is well versed in corporate management and other fields as a certified public accountant. In light of her expertise and experience in each of these fields, we believe she is qualified to serve as a Supervisory Director of SHR, and have appointed her as a Supervisory Director.	-	4 times/4 times (100%)

(Note1) Shigeru Nomura and Tatsushi Omiya retired on January 31, 2022 due to the expiration of their terms of office. Yu Yada and Rei Yamashita were appointed as new Supervisory Directors, and they took office on February 1, 2022.

(Note2) Supervisory Directors of SHR are independent officers who have no special interest with SHR based on Article 100 of the Act on Investment Trusts and Investment Corporations (Investment Trust Act) as well as Article 164 of the Regulation for Enforcement of the Act on Investment Trusts and Investment Corporations.

Click [here](#) for biographies of current directors.

Promoting Diversity among Directors

Based on the belief that diversity is important to SHR, we promote diversity in the composition of directors. In January 2022, a female Supervisory Director (Rei Yamashita) was appointed, and the ratio of female directors rose to 33.3%.

Restrictions on the Sale and Purchase of Investment Units, etc. by Directors

From the viewpoint of preventing insider trading, SHR's "Insider Trading Management Regulation" prohibits Directors of SHR from buying and selling investment units or investment corporation bonds issued by SHR. Thus, none of our Executive Director or Supervisory Directors holds the investment units or investment corporation bonds of SHR.

Director's Remuneration

The upper limit of remunerations for executive directors and supervisory directors is stipulated in the Articles of Incorporation and the amount is determined at the Board of Directors (however, the upper limit per person is 1,000,000 yen per month for an executive director, and 500,000 yen per month for a supervisory director).

Directors' compensation is as follows.

Position	Name	Remuneration Amount (Thousand yen)	
		FP ended Apr. 2022 (15th FP)	FP ended Oct. 2022 (16th FP)
Executive Director	Atsuhiro Kida	-	-
Supervisory Director ^(Note)	Shigeru Nomura	900	-
	Tatsushi Omiya	900	-
	Yu Yada	900	1,800
	Rei Yamashita	900	1,800

(Note) Shigeru Nomura and Tatsushi Omiya retired on January 31, 2022 due to the expiration of their terms of office. Yu Yada and Rei Yamashita were appointed as new Supervisory Directors, and they took office on February 1, 2022.

Accounting Auditor

Accounting auditor

Name	Continuous Audit Period
Ernst & Young ShinNihon LLC	From September 2014 until present

Accounting Auditor's Compensation

The compensation for the accounting auditor is set by the Investment Corporation's Board of Directors at a maximum of 25 million yen for each fiscal period covered by the audit.

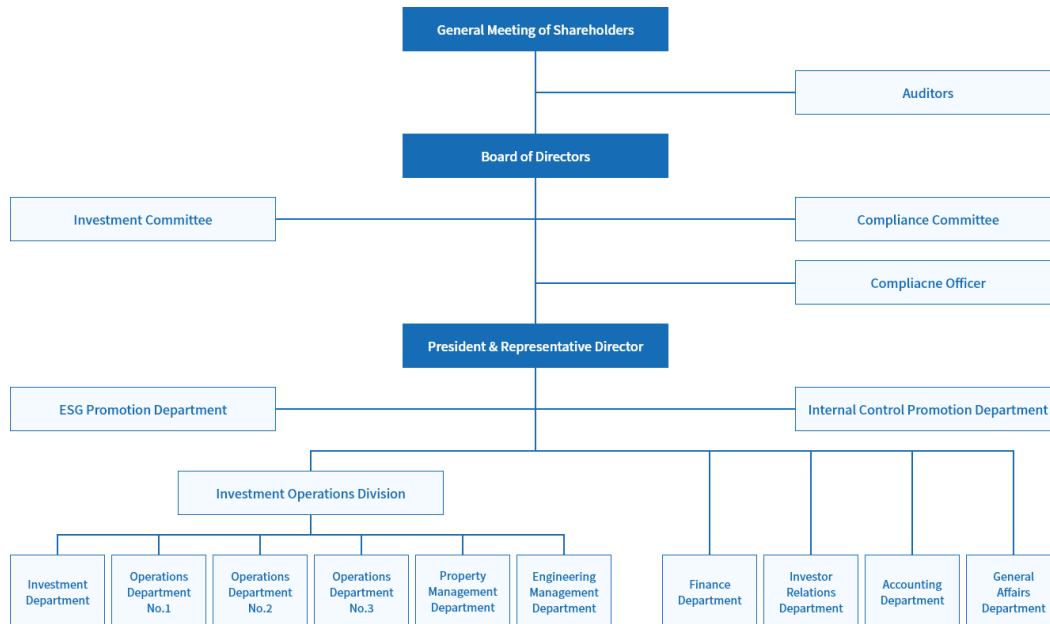
Accounting auditor	Compensation Details	Compensation Amount (Thousand yen)	
		FP ended Apr. 2022 (15th FP)	FP ended Oct. 2022 (16th FP)
Ernst & Young ShinNihon LLC	Compensation based on audit attestation services	17,400	17,400
	Compensation for non-audit services ^(Note)	-	-

(Note) The compensation amount for the services of preparing comfort letters is stated.

Organizational Structure

The organizational structure of SHAM, to which SHR entrusts the management of its assets, is as below.

Organization Chart of SHAM



< Overview of each organ >

Name	Overview
Board of Directors	<p>Composition</p> <p>Chair: President & Representative Director</p> <p>Members: All Directors and Auditors</p> <p>Frequency of meetings</p> <p>A meeting of the Board of Directors is held once a month.</p> <p>An extraordinary meeting of the Board of Directors is called as needed</p> <p>Requirements for Resolution</p> <p>Resolutions shall be adopted by a majority of the Directors present at a meeting where a majority of the Directors who are entitled to participate in the voting are present. Also, Directors who have a special interest in the proceedings of the Board of Directors cannot participate in voting.</p> <p>Resolutions</p> <p>In addition to matters stipulated in laws and regulations or the Articles of Incorporation, the Board of Directors decides the following matters;</p> <ul style="list-style-type: none"> • Matters relating to the general meeting of shareholders of SHAM • Matters relating to Directors, employees, etc. of SHAM • Matters relating to the assets or finances of SHAM • Important matters relating to the business operations of SHAM • Important matters relating to the asset management of SHR • Matters relating to compliance • Other important matters related to the execution of business operations

Name	Overview
Investment Committee	<p>Composition</p> <p>Committee Chairman: President & Representative Director</p> <p>Committee members: All full-time Directors, including the Compliance Officer who holds the position of Director; the Chief Manager of the ESG Promotion Dept.; the Chief Manager of the Internal Control Promotion Dept.; the Chief Manager of the Investment Operations Div.; the Chief Managers of the Finance Dept., IR Dept., Accounting Dept., and General Affairs Dept.; and external committee members</p> <p>For the current external committee members, a total of two people have been appointed: one real estate appraiser and one attorney who have no particular interest with SHAM or the directors and employees, or interested parties of SHAM ^(Note)</p> <p>Frequency of meetings</p> <p>In principle, held at least once every three months, and as needed</p> <p>Holding/Resolution requirements</p> <p>Established with the attendance of a majority of members of the committee who can participate in voting</p> <p>However, attendance of the following persons is required: the Committee Chairman, the Compliance Officer who holds the position of Director, the Chief Manager of the Investment Operations Div., and at least one of the external committee member with the qualification of a real estate appraiser</p> <p>Resolutions shall be adopted by all voting members present, including external committee members</p> <p>Contents of deliberation</p> <ul style="list-style-type: none"> • Development and revision of the investment policy and investment plan of SHR • Development and revision of SHR's management policy and management plan • Development and revision of the basic policy relating to the financing of SHR • Decision to acquire and sell the assets of SHR • Decision to lease, outsource management, or carry out construction work of SHR's assets (limited to those stipulated in SHAM's "Rules on Administrative Authorities") • Development and revision of long-term repair plans • Determination of matters relating to the financing of SHR • Determination of other transactions between SHR and interested parties as stipulated in the "Rules for Transactions with Interested Parties" • Important matters relating to the investment policy of SHR • Matters for which each committee member requested deliberation and resolution • Matters deemed necessary by the Committee Chairman and matters separately stipulated by the internal regulations of SHAM • Other incidental matters
Compliance Committee	<p>Composition</p> <p>Committee Chairman: Compliance Officer</p> <p>Committee members: All full-time Directors, including the President & Representative Director, and an external committee member</p> <p>For the current external committee member, one attorney who has no particular interest with SHAM or the directors and employees, or interested parties of SHAM has been appointed ^(Note)</p> <p>Frequency of meetings</p> <p>In principle, held at least once every three months, and as needed</p> <p>Holding/Resolution requirements</p> <p>Established with the attendance of a majority of members of the committee who can participate in voting</p> <p>However, attendance of the Committee Chairman and the external committee member is required</p> <p>Resolutions shall be adopted by the affirmative vote of the Committee Chairman and all voting members present, including the external committee member</p>

Name	Overview
Compliance Committee	<p>Contents of deliberation</p> <ul style="list-style-type: none"> • Determination of transactions between SHR and interested parties • Development and revision of compliance regulations, compliance manuals, and compliance programs • Development and revision of Internal Audit Regulations • Matters relating to the risk management of SHAM • Matters for which the Committee Chairman requested deliberation and resolution • Matters deemed necessary by the Committee Chairman and matters separately stipulated by the internal regulations of SHAM • Matters relating to the handling of complaints, etc. against SHAM and other matters relating to acts that are inappropriate or suspected to be inappropriate in terms of compliance • Decision to acquire and sell the assets of SHR • Other incidental matters

(Note) The appointment or dismissal of external committee members is carried out by resolution of the Board of Directors of SHAM, but it is necessary to obtain approval from the Board of Directors of SHR before or after the resolution of the Board of Directors of SHAM.

Asset Management Fee

Concerning the asset management fee paid by SHR to SHAM, the following management fee structure has been adopted from the viewpoint of emphasizing linkage with 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 a stockholder of SHAM, with the interests of unitholders of SHR.

	Compensation Amount (Thousand yen)	
	FP ended Apr. 2022 (15th FP)	FP ended Oct. 2022 (16th FP)
Management Fee ① (Fees linked to total assets and unit price performance) Total assets x (0.14% (annual rate) + Rates linked to the Tokyo Stock Exchange REIT Index) ^(Note2)	369,222	391,747
Management Fee ② (Fees linked to DPU and operating income) (Distributable amount per unit ^(Note3) × Operating income ^(Note4) × 0.002%) × 2 ^(Note5)	540,854	629,655
Management Fee ③ (Acquisition fees) Trading value related to the acquisition of real estate-related assets ^(Note6) × 0.3% (In the case of acquisition from interested parties, there is no acquisition fee)	-	1,440
Management Fee ④ (Disposition fees) Trading value related to the disposition of real estate-related assets ^(Note6) × 0.3% (In the case of disposition from interested parties, there is no disposition fee)	-	-
Management Fee ⑤ (Merger fees) Value of real estate-related assets held by the merger counterparty at the time of the merger x 0.4%	-	-

(Note1) With regard to rates, unless otherwise specified, applicable rates or expected rates are stated instead of maximum rates.

(Note2) The upper and lower limits of rates linked to the Tokyo Stock Exchange REIT Index performance is are 0.02% and -0.02% respectively. * The rate fluctuates depending on the performance of the investment unit price of SHR in comparison with the Tokyo Stock Exchange REIT Index.

(Note3) Calculated as the distributable amount before deduction of Management Fee ② divided by the total number of issued investment units.

(Note4) Operating Income of before deduction of Management Fee ②.

(Note5) As SHR implemented a 2-for-1 split of the investment units with May 1, 2018 as the effective date, Management Fee ② formula includes multiplication 2, which is the split ratio.

(Note6) The trading value does not include consumption tax, etc. and expenses, etc.

Evaluation of the Effectiveness of SHR's Board of Directors and SHAM's Board of Directors

SHR and SHAM set "Enhancing the effectiveness of SHR's Board of Directors and SHAM's Board of Directors" as well as "Conducting effectiveness evaluation questionnaire" as KPIs, and conducted self-evaluation. With this self-evaluation, we do not only confirm whether the respective Boards of Directors fulfill their roles responsibly, but enhance the effectiveness of the respective Boards of Director.

Effectiveness evaluation questionnaire is conducted once a year so that Executive Director, Supervisory Directors, Directors, and Auditors can identify issues to be addressed and make progress.



Compliance Policy

At SHAM, compliance means that directors and employees accurately understand the purpose and contents of laws and regulations, comply with them, and execute sincere and fair corporate activities that do not conflict with social norms. SHAM has established compliance rules to provide a system for directors and employees to comply with laws and regulations, properly manage the assets, and ensure proper business operations. Based on the basic policy described below, SHAM is working 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 the works of SHAM, which is socially demanded. 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.

Sekisui House Group (the Group), to which SHAM belongs, regards compliance as a management issue that should be constantly addressed, and strives to ensure and promote thorough compliance. The group operates the "Sekisui House Group Corporate Ethics Guidelines" as a set of matters concerning common corporate ethics observed by the company, directors, and employees. The Group designates October as "Corporate Ethics Month" every year, and works to further inform all group directors and employees of corporate ethics through training and other means. As part of "Corporate Ethics Month", all directors and employees are obliged to submit "Written Pledge to Comply with the Corporate Ethics Principles" every year and strive to act in accordance with corporate ethics. The Group will continue to work together to thoroughly enforce corporate ethics.

[Sekisui House Group Corporate Ethics Guidelines](#) 

Compliance System

SHAM has established the following departments and institutions intending to ensure compliance.

[Internal Control Promotion Department and Compliance Officer]

SHAM has established the Internal Control Promotion Department which conducts work related to SHAM's risk management, monitors the status of compliance with legislation and regulations, and manages internal auditing. SHAM has also appointed a Compliance Officer as the person responsible for overseeing the compliance of SHR and SHAM in addition to the operations of the Internal Control Promotion Department. The Compliance Officer is appointed as personnel with sufficient screening and surveillance capabilities to observe compliance with legislation and norms, develop SHAM's compliance regulations and cultivate compliance awareness among directors and employees of SHAM.

[Compliance Committee]

SHAM has established the Compliance Committee as a body to deliberate and decide on compliance matters in the management of SHR's assets.

[Investment Committee]

SHAM has established the Investment Committee as an organization that deliberates and decides on the investment policy of SHR and other matters related to asset management. In making resolutions at the Investment Committee meetings, the Compliance Officer shall verify whether or not there is any problem from the perspective of compliance with laws, regulations, rules and other compliance issues. If Compliance Officer determines that there is a serious compliance problem, Compliance Officer shall order the Investment Committee to suspend its deliberations or return the proposal to the drafting department even during the deliberations of the Investment Committee.

Click [here](#) for the details of Investment Committee and Compliance Committee.

Compliance Training

SHAM has established its compliance and internal control system in accordance with "the Financial Instruments and Exchange Act", "the Comprehensive Guidelines for Supervision of Financial Instruments Business Operators, etc." and "the Findings from Inspections". To gain the trust of stakeholders, SHAM recognizes that directors and employees must understand the importance of compliance and act in a compliant manner in their daily operations in addition to the establishment of the compliance system. Therefore, SHAM has set "Conducting compliance training by external experts for all directors and employees four times a year, and achieving 100% participation rate" as a KPI, and is working to create the organizational culture that emphasizes compliance, creating opportunities for all directors and employees to deepen the understanding of compliance and raise the awareness of compliance through compliance training.

Click [here](#) for the implementation status of compliance training.

Efforts to Prevent Bribery, Corruption, etc.

Sekisui House Group, to which SHAM belongs, operates the "Sekisui House Group Corporate Ethics Guidelines" as a set of matters concerning common corporate ethics observed by the company, directors, and employees. The "Sekisui House Group Corporate Ethics Guidelines" stipulates that when making political donations, executives and employees must comply with the Public Offices Election Law, the Political Funding Regulation Law, and other relevant laws and regulations, strictly refrain from collusion with politics through bribery as well as profiteering, and obtain approval per internal rules before making various donations and contributions. We strive to build sound and highly transparent relationships while revising the content of the Guidelines as appropriate in response to changes in the business environment.

Click [here](#)  for Sekisui House Group Corporate Ethics Guidelines.

SHAM has formulated the "Compliance Manual" as a specific guide for directors and employees to implement compliance, and has stipulated the prohibition of fraudulent acts, such as money laundering, insider trading, bribery, embezzlement for self-interest, etc. Directors and employees who engage in improper conduct are subject to strict punishment/disciplinary action following internal regulations. In addition, SHAM has set up a monitoring and consultation system, such as a whistleblower system, that allows directors and employees to anonymously consult or report, and by accepting consultations or reports on compliance issues such as acts that violate laws and corporate ethics, to minimize problems and prevent risks.

Internal Reporting System

To prevent compliance risks from happening and minimize the impacts of noncompliance occurred, SHAM established the system called "Compliance Hotline" (hereinafter referred to as the "Hotline") which directors and employees can consult with or report to about compliance issues related to violations of laws, regulations, and corporate ethics. The Hotline accepts and appropriately handles consultation or reporting of organizational or individual violations of laws and regulations in accordance with the Whistleblower Protection Act.

The Compliance Officer is selected as the person in charge of the Hotline. The Compliance Officer or the Internal Control Promotion Dept. functions as the contact point while the contact point may be entrusted to an external party (such as a law office) to protect whistleblowers from being exposed. Reports or consultations are accepted face-to-face, in writing, by email, telephone, etc. from all directors and employees including contract employees, part-time employees, temporary employees, and retirees who were employed within one year before the reported date. Anonymous reporting is also accepted. Once a report is accepted from a whistleblower, a person of the contact point conducts necessary investigations to confirm facts and promptly notifies the Compliance Officer with summarized details of the incident. If violations of laws or regulations are revealed as a result of the investigation, SHAM will promptly take corrective measures to prevent the same or similar incidents from happening, and carry out internal disciplinary actions to related parties as needed.

The protection of the privacy of whistleblowers and the prohibition of unfavorable treatments from a personnel, economic, daily life, or mental health standpoint, and other related matters are clearly stated on the "Compliance Hotline Rules". Even after reports are closed, SHAM continues to confirm that the whistleblowers are not being harassed but being protected.

Directors and employees of SHAM have the access to the Sekisui House Group Compliance Helpline (hereinafter referred to as the "Helpline") established by the Sekisui House Group. The Helpline is for directors and employees of the Sekisui House Group as well as those of the Group's business partners who have the ongoing business relationships with the Sekisui House Group, to consult on matters that are difficult to be resolved 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 established as an internal contact point. Anonymous reporting is also accepted.

Internal Audit System

Based on the concept of corporate ethics standards stipulated in the Sekisui House Group Corporate Ethics Guidelines, SHAM aims to improve operations and ensure sound management by conducting internal audits of all departments and their operations, twice a year in principle. Internal audits are conducted by the Compliance Officer and the Internal Control Promotion Department, headed by the Compliance Officer. For the implementation of internal audits, SHAM will formulate an internal audit plan for each business year based on the internal audit rules, and then verify whether the business is being carried out appropriately and efficiently in line with laws, internal regulations, etc. The results are then reported to the Compliance Committee, President & Representative Director, and the Board of Directors, and a policy is in place to provide recommendations and instructions for improvement to the relevant organizations and departments as necessary.

SHAM has also introduced an evaluation system from external perspectives by conducting audits by external specialist organizations as necessary.

Prevention Measures for Conflict-of-Interest Transactions

SHAM has stipulated the Rules for Transactions with Interested Parties concerning transactions between the Interested Parties of SHAM and SHR as an internal rule to exclude the adverse effect of conflicts of interest. An overview of Rules for Transactions with Interested Parties is as follows:

【Scope of Interested Parties】

From the viewpoint of preventing conflict of interest transactions, the scope of "Interested Parties" in SHAM has been expanded from the "interested persons, etc." under the Act on Investment Trusts and Investment Corporations (Investment Trust Act) as follows.

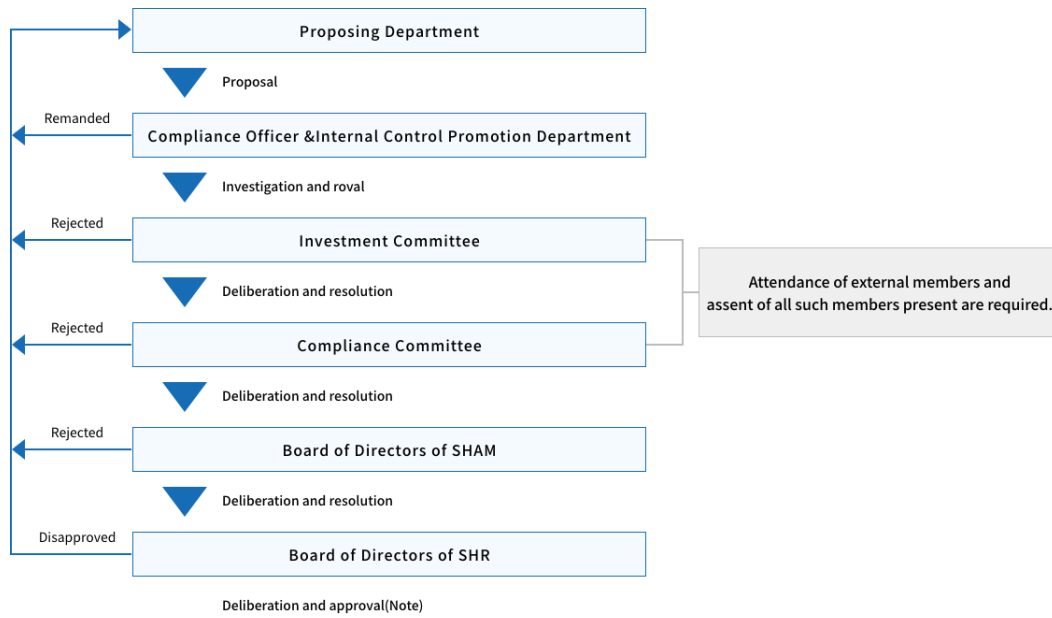
- a. "Interested Parties, etc." as defined in the Investment Trust Act
- b. Shareholder of SHAM
- c. Special Purpose Companies, etc. for which discretionary investment contracts are concluded by those stipulated in (a) or (b) above
- d. Special Purpose Companies, etc. in which the total amount of the contributions by those outlined in (a) or (b) above is a majority of the total contributions

Transaction Terms with Interested Parties

<p>Acquisition of property from Interested Parties</p>	<p>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 the property will be transferred to SHR, the acquisition price must be no more than the amount adding such cost.)</p>
<p>Sale of property to Interested Parties</p>	<p>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.</p>
<p>Payment of an agency fee to Interested Parties</p>	<p>The amount of agency fee 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 brokerage, etc.</p>
<p>Entrusting management, etc. of real estate and other assets to Interested Parties</p>	<p>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 services to be provided, 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.)</p>
<p>Conclusion of leasing contract for real estate and other assets with Interested Parties</p>	<p>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 reference to the opinions of third parties, who are non-interested parties, as needed.</p>
<p>Placing orders for construction work, etc. with Interested Parties</p>	<p>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.</p>

In addition, 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 the 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 the Compliance Officer and the Internal Control Promotion Department, deliberations and resolution in respective meetings of the 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



(Note) Approval includes consent of SHR on said approval.

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

SHR has accepted same boat investment from Sekisui House to align the interests of the investors and the sponsor Sekisui House.

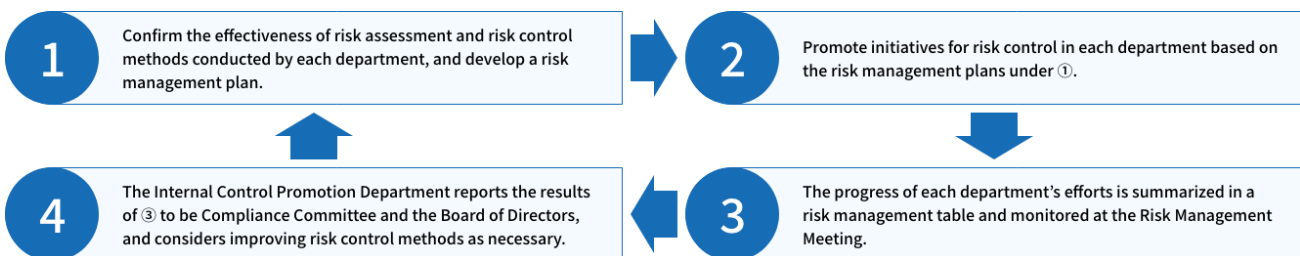
Click [here](#) to see the number and percentage of units held by Sekisui House.



Risk Management System


SHAM has stipulated in its Risk Management Regulations the methods of risk management, monitoring the status of risk management, and how to respond in the event of unforeseen serious contingencies, etc. As shown in the cycle below, under the supervision of the directors in charge, each department identifies and assesses the risks facing that department. Each department implements measures according to the risk management plan formulated based on the results for each business year.

The progress of the efforts is monitored semi-annually at the Risk Management Meeting, which is made up of all full-time directors and head of department, and improvement instructions and improvement policies are examined as necessary before reporting to the Compliance Committee and the Board of Directors.



Enhancement of Information Security

To minimize the risks of information leakage, operation shutdown caused by cyber attacks, and other risks that could hinder the continuation of business, the Sekisui House Group strives to strengthen Corporate Governance System about information security regarding the establishment of the group-wide information security governance system as a key initiative, based on "Information Security Policy" regarded as Sekisui House Group's Basic Policy and "Confidential Information Management Regulation".

Click [here](#)  for the Sekisui House Group Information Security Policy (Japanese Only).

In preparation for security information incidents such as opening targeted attack emails intended to infect SHAM's computer servers, mobile devices, etc. SHAM has established Response Procedures and conducts drills for directors as well as employees to be prepared for such occasions.

In addition, SHAM established "Information Management Regulations", "In-house Information System Management Manual" and "Mobile Device Operation Manual" as specific guidance for directors and employees, clearly stating information management in daily operations, the proper way to use mobile devices and what to do in case of an information security incident. SHAM strictly manages its information assets by ensuring that employees and directors perform their duties in accordance with these manuals.

Violations by employees or directors of any of the above regulations and manuals, he or she will be punished in accordance with the employment regulations.



Green Finance

SHR, which conducts asset management with due consideration given to the environment, society, and governance (collectively referred to as “ESG”), advocates contributing to the realization of a sustainable society as our Sustainability Policy. While utilizing the know-how on operation and management of real estate possessed by the sponsor, Sekisui House, Ltd., SHR promotes such initiatives as energy saving, environmental consideration, and ensuring living safety and business continuity to enhance the satisfaction of residents and tenants at owned properties.

As part of such initiatives, SHR procures funds through green finance (green bonds and green loans) in order to further promote real estate investment management with considerations given to ESG and strengthen its financial base.

Green Finance Framework

SHR has formulated the Green Finance Framework as follows to implement green finance that conforms to the Green Bond Principles and other various principles and guidelines.

1. Use of funds

The funds procured through green finance are scheduled to be allotted to funds for the acquisition of existing or new assets which satisfy the following eligibility criteria (“Eligible Green Projects”), funds for the refinancing of borrowings required for the acquisition of Eligible Green Projects or funds for the redemption of outstanding investment corporation bonds required for the acquisition of Eligible Green Projects.

2. Eligibility criteria

At the borrowing or payment date of green finance, assets that have acquired or are scheduled to acquire any of the following evaluations in third-party certifications, shall be designated as Eligible Green Projects.

- a. DBJ Green Building Certification: 3 Stars, 4 Stars, 5 Stars
- b. Certification for CASBEE for Real Estate: B+ Rank, A Rank, S Rank
- c. BELS Certification: 3 Stars, 4 Stars, 5 Stars
- d. BELS Certification: following assessment of ZEH and ZEB
 - i . ZEH-M, Nearly ZEH-M, ZEH-M Ready, ZEH-M Oriented
 - ii . ZEB, Nearly ZEB, ZEB Ready, ZEB Oriented

3. Evaluation and selection process of Eligible Green Projects

Eligible Green Projects will be evaluated and selected by the Sustainability Committee, which is chaired by the president & representative director of Sekisui House Asset Management, Ltd., and participated by all full-time directors, in accordance with its management policy, the [Sustainability Policy](#) and eligibility criteria.

4. Management of procured funds

SHR intends to allot the funds procured through green finance towards Eligible Green Projects. As long as the green finance balance exists, SHR will manage to ensure that the green finance balance does not exceed the Eligible Green Liability ^(Note).

In addition, SHR will report that the total amount of funds procured through green finance has been fully allocated to Eligible Green Projects and as long as the green finance balance exists, the allocated funds will be tracked and managed internally on a portfolio basis.

In the event that all or part of the funds procured through green finance are not immediately allocated to Eligible Green Projects, SHR will identify unappropriated funds and manage all or part of the funds raised in cash or cash equivalents until the unappropriated funds are allocated to Eligible Green Projects.

(Note) Eligible Green Liability is calculated by multiplying total acquisition price of Eligible Green Projects by LTV (total asset basis) as of the end of the latest fiscal period. The same applies hereinafter.

5. Reporting

a. Reporting related to the status of allocation of funds

SHR will disclose that the funds procured through green finance has been fully allocated to Eligible Green Projects according to the Framework and the green finance balance does not exceed the Eligible Green Liability via SHR's website. As long as the green finance balance exists, SHR will report the amount of Eligible Green Liability and the green finance balance annually as of the end of March every year.

b. Impact reporting

As long as the green financing balance exists, SHR will disclose following environment-related indicators, etc., annually as of the end of March every year via SHR's website.

i . The number of Eligible Green Projects and acquired evaluations in third-party certifications

ii . Total floor area of Eligible Green Projects

iii. Eligible Green Liability

iv. The following quantitative indicators for Eligible Green Projects ^(Note)

(i) Energy consumption

(ii) CO₂ emissions

(iii) Water consumption

(Note) Only properties for which SHR has the energy management authority.

| Third-party evaluation

SHR acquired “Green 1(F)”, the highest rating in “Green Finance Framework Evaluation” from Japan Credit Rating Agency, Ltd. (JCR) as a third-party evaluation of the Framework.

Click [here](#)  for details of the “Green Finance Framework Evaluation”.

The Latest Reporting

Green Finance Reporting will be available soon.

Click [here](#)  for Green Bond Reporting.

Green Finance Allocation Status

(As of February 28, 2023)

	Total Amount (Million yen)
Green Finance	39,300
Green Bonds	23,500
Green Loans	15,800

Green Bonds

	Issued Amount (million yen)	Issue Date	Redemption Date
The 1st Green Bonds (The 3rd Unsecured Investment Corporation Bonds)	4,000	Jul. 11, 2019	Jul. 11, 2024
The 2nd Green Bonds (The 4th Unsecured Investment Corporation Bonds)	2,500	Jul. 11, 2019	Jul. 11, 2029
The 3rd Green Bonds (The 5th Unsecured Investment Corporation Bonds)	5,000	Nov. 1, 2019	Nov. 1, 2024
The 4th Green Bonds (The 6th Unsecured Investment Corporation Bonds)	2,000	Feb. 28, 2020	Feb. 28, 2030
The 5th Green Bonds (The 7th Unsecured Investment Corporation Bonds)	4,000	Sep. 9, 2020	Sep. 9, 2025
The 6th Green Bonds (The 8th Unsecured Investment Corporation Bonds)	4,000	Sep. 9, 2020	Sep. 9, 2030
The 7th Green Bonds (The 9th Unsecured Investment Corporation Bonds)	2,000	May 19, 2021	May 19, 2031
Total	23,500	-	-

(Note) SHR formulated the Green Bond Framework in 2018, and the first through seventh Green Bonds have been issued in accordance with the Green Bond Framework. In addition, SHR has obtained a [third-party opinion from Sustainalytics](#), an ESG rating agency, for the eligibility of its Green Bond Framework.

Click [here](#) for the details of the Green Bond Framework.

Click [here](#) for Green Bond Assertions issued under the Green Bond Framework.

Green Loans

Lenders	Borrowing Amount (million yen)	Drawdown Date	Repayment Date
Mizuho Bank, Ltd. Sumitomo Mitsui Banking Corporation Sumitomo Mitsui Trust Bank, Limited Mizuho Trust & Banking Co., Ltd. Resona Bank, Limited. The Shizuoka Bank, Ltd. The Hiroshima Bank, Ltd. Aozora Bank, Ltd. The Joyo Bank, Ltd.	2,000	Jan. 31, 2023	Feb. 29, 2028
MUFG Bank, Ltd.	500	Jan. 31, 2023	Feb. 29, 2028
Mizuho Bank, Ltd. The Norinchukin Bank Shinkin Central Bank The 77 Bank, Ltd. The Yamaguchi Bank, Ltd. Nippon Life Insurance Company THE NISHI-NIPPON CITY BANK, LTD.	3,600	Jan. 31, 2023	Feb. 28, 2031
Sumitomo Mitsui Banking Corporation The Bank of Fukuoka, Ltd. The Juhachi - Shinwa Bank, Ltd.	1,300	Jan. 31, 2023	Feb. 28, 2031
MUFG Bank, Ltd.	300	Jan. 31, 2023	Feb. 28, 2031
MUFG Bank, Ltd. Mizuho Bank, Ltd. Sumitomo Mitsui Banking Corporation Sumitomo Mitsui Trust Bank, Limited Mizuho Trust & Banking Co., Ltd. Resona Bank, Limited. The Shizuoka Bank, Ltd.	3,100	Feb. 28, 2023	Feb. 26, 2027
Mizuho Bank, Ltd. Mizuho Trust & Banking Co., Ltd. The Norinchukin Bank Development Bank of Japan Inc. The Bank of Fukuoka, Ltd. Shinkin Central Bank The 77 Bank, Ltd. The Yamaguchi Bank, Ltd. The Senshu Ikeda Bank, Ltd. The Hiroshima Bank, Ltd. Aozora Bank, Ltd.	4,300	Feb. 28, 2023	Feb. 28, 2030
MUFG Bank, Ltd.	700	Feb. 28, 2023	Feb. 28, 2030
Total	15,800	-	-

Positive Impact Finance




SHR received a loan under the Positive Impact Finance (“PIF”) scheme from the syndicate of lenders in which Sumitomo Mitsui Trust Bank, Ltd. (“Sumitomo Mitsui Trust Bank”) acts as an arranger in accordance with the "Principles" for PIF and the model framework of the Principles (Model Framework for financial products for corporates with unspecified use of funds and the Real Estate Investment Framework) issued by the United Nations Environment Programme Finance Initiative (“UNEP FI”).

PIF is a loan intended to continuously support corporations’ activities of which they comprehensively analyze and evaluate the impacts (both positive and negative) on the environment, society and economy. The most notable feature of PIF is that the degree of contribution from corporate activities, products, and services in achieving Sustainable Development Goals (“SDGs”) is used as an evaluation indicator and is monitored based on publicly disclosed information while supporting such corporate activities through engagement.

SHR has selected the themes among the materiality issues as activities that particularly have an impact on the achievement of SDGs, and received qualitative and quantitative evaluations from Sumitomo Mitsui Trust Bank. SHR has also obtained a third-party opinion from Japan Credit Rating Agency, Ltd. regarding the compliance of the procedures related to this evaluation with the Principles as well as the rationality of the evaluation indicators.

Loan amount	6,000 million yen
Applicable interest rate	0.665%
Drawdown date	May 31, 2022
Period	7 years

Click [here](#)  to view details about the PIF and the relevant press release.



ESG Report



An ESG report is issued once a year to engage with stakeholders and has readers understand the efforts made by SHR and SHAM toward realizing a sustainable society.

[Previous ESG Reports](#) ^

December 17, 2021 [ESG Report 2021](#) PDF (14.6MB)

December 16, 2020 [ESG Report 2020](#) PDF (410KB)

Sekisui House, Ltd. Integrated Report "Value Report 2022 - Our Engagement"



Sekisui House, Ltd. has released an integrated report, "Value Report 2022 - Our Engagement," intending to tell the story of our corporate value from business, financial, and non-financial perspectives. "Value Report 2022" was designed to showcase to Sekisui House's values that have been built up since its foundation through its corporate story, to identify materiality, and to produce a report that shows the process of providing "Happiness" to customers, society, and employees, and the value creation process that leads to our global vision. The Sekisui House Group will continue to strive for timely, appropriate, and transparent disclosure of information, and by solving social issues, we will meet the expectations of our stakeholders and contribute to the realization of a sustainable society.



Environment

CO₂

Entire Portfolio	Unit	FY 2018 (Base year)	FY 2019	FY 2020	FY 2021
Total CO ₂ emission	t-CO ₂	15,253	18,318	15,892	14,833
Scope1		2,411	2,930	2,473	764
Scope2		12,842	15,389	13,420	4,362
Scope3		-	-	-	9,707
CO ₂ emission intensity	t-CO ₂ /m ²	0.064	0.063	0.052	0.048
Residence	Unit	FY 2018 (Base year)	FY 2019	FY 2020	FY 2021
Total CO ₂ emission	t-CO ₂	3,955	3,959	2,897	2,326
CO ₂ emission intensity	t-CO ₂ /m ²	0.041	0.040	0.029	0.023
Office Building	Unit	FY 2018 (Base year)	FY 2019	FY 2020	FY 2021
Total CO ₂ emission	t-CO ₂	7,362	10,039	9,719	8,684
CO ₂ emission intensity	t-CO ₂ /m ²	0.063	0.063	0.058	0.050
Hotel	Unit	FY 2018 (Base year)	FY 2019	FY 2020	FY 2021
Total CO ₂ emission	t-CO ₂	3,936	4,320	3,276	3,823
CO ₂ emission intensity	t-CO ₂ /m ²	0.147	0.125	0.089	0.104

Energy

Entire Portfolio		Unit	FY 2018 (Base year)	FY 2019	FY 2020	FY 2021
Total energy consumption		MWh	41,581	52,494	48,998	51,429
Electricity	28,152		36,174	35,227	36,423	
Fuel	13,249		16,319	13,772	15,006	
Energy consumption intensity		MWh/m ²	0.174	0.179	0.161	0.165
Residence		Unit	FY 2018 (Base year)	FY 2019	FY 2020	FY 2021
Total energy consumption		MWh	8,181	8,352	8,219	8,343
Electricity	8,181		8,352	8,219	8,343	
Fuel	-		-	-	-	
Energy consumption intensity		MWh/m ²	0.085	0.085	0.083	0.083
Office Building		Unit	FY 2018 (Base year)	FY 2019	FY 2020	FY 2021
Total energy consumption		MWh	20,459	28,180	28,041	29,138
Electricity	13,657		19,388	19,865	20,388	
Fuel	6,801		8,792	8,176	8,750	
Energy consumption intensity		MWh/m ²	0.176	0.176	0.166	0.167
Hotel		Unit	FY 2018 (Base year)	FY 2019	FY 2020	FY 2021
Total energy consumption		MWh	12,941	15,961	12,738	13,948
Electricity	6,313		8,434	7,143	7,692	
Fuel	6,628		7,527	5,596	6,256	
Energy consumption intensity		MWh/m ²	0.483	0.461	0.347	0.380

Waste

Entire Portfolio		Unit	FY 2018 (Base year)	FY 2019	FY 2020	FY 2021
Total waste emission			1,055	1,045	714	696
	Landfill	t	357	357	200	57
	Incineration		197	207	162	230
	Recycled		501	481	344	351
	Reuse		-	-	-	39
	Other		-	-	8	18
Waste emission intensity			kg/m ²	7.455	5.382	3.679
Office Building		Unit	FY 2018 (Base year)	FY 2019	FY 2020	FY 2021
Total waste emission			871	869	618	602
	Landfill	t	244	248	144	57
	Incineration		194	203	160	185
	Recycled		433	418	306	308
	Reuse		-	-	-	39
	Other		-	-	8	13
Waste emission intensity			kg/m ²	7.488	5.145	3.660
Hotel		Unit	FY 2018 (Base year)	FY 2019	FY 2020	FY 2021
Total waste emission			184	176	96	94
	Landfill	t	113	109	56	-
	Incineration		3	4	2	45
	Recycled		68	63	38	44
	Reuse		-	-	-	-
	Other		-	-	-	5
Waste emission intensity			kg/m ²	7.301	6.970	3.810

Water

Entire Portfolio	Unit	FY 2018 (Base year)	FY 2019	FY 2020	FY 2021
Total water use		780,360	876,419	845,551	819,330
Rainwater	m ³	2,509	2,461	1,640	2,416
City water		777,851	873,958	843,911	816,914
Water use intensity	m ³ /m ²	1.743	1.707	1.631	1.561
Residence	Unit	FY 2018 (Base year)	FY 2019	FY 2020	FY 2021
Total water use		601,691	638,837	677,399	637,167
Rainwater	m ³	-	-	-	-
City water		601,691	638,837	677,399	637,167
Water use intensity	m ³ /m ²	1.976	2.004	2.166	2.034
Office Building	Unit	FY 2018 (Base year)	FY 2019	FY 2020	FY 2021
Total water use		107,571	152,090	119,520	126,231
Rainwater	m ³	2,509	2,461	1,640	2,416
City water		105,062	149,629	117,880	123,815
Water use intensity	m ³ /m ²	0.925	0.950	0.708	0.721
Hotel	Unit	FY 2018 (Base year)	FY 2019	FY 2020	FY 2021
Total water use		71,098	85,493	48,632	55,932
Rainwater	m ³	-	-	-	-
City water		71,098	85,493	48,632	55,932
Water use intensity	m ³ /m ²	2.655	2.471	1.325	1.524

Renewable Energy

	Unit	FY 2018	FY 2019	FY 2020	FY 2021
Renewable energy consumption		11	229	2,031	6,602
Generated	MWh	11	1	9	10
Purchased		-	228	2,022	6,592

Introduction of LED Lighting (common areas of residences)

	Unit	FP ended Apr. 2021 (13th FP)	FP ended Oct. 2021 (14th FP)	FP ended Apr. 2022 (15th FP)
Cumulative no. of implemented properties	Properties	62	62	63
Prospected reduction of power consumption	MWh	1,456	1,456	1,482
Prospected reduction of CO ₂ emission	t-CO ₂	708	708	719

(Note) The figures for each expected reduction are estimated by SHAM based on materials provided by the replacement contractor or materials published by the Agency for Natural Resources and Energy of the Ministry of Economy, Trade and Industry. There is no guarantee that the expected reductions will be realized.

Introduction of Energy-Saving Air Conditioner Installations (exclusive area of residences)

	Unit	FP ended Apr. 2021 (13th FP)	FP ended Oct. 2021 (14th FP)	FP ended Apr. 2022 (15th FP)
Cumulative no. of installations	Unit	3,154	3,627	4,156
Prospected reduction of power consumption	MWh	662	762	873
Prospected reduction of CO ₂ emission	t-CO ₂	287	336	385

(Note) The figures for each expected reduction are estimated by SHAM based on materials provided by the replacement contractor or materials published by the Agency for Natural Resources and Energy of the Ministry of Economy, Trade and Industry. There is no guarantee that the expected reductions will be realized.

Green Certification

	Unit	End of FP ended Oct. 2021 (14th FP)	End of FP ended Apr. 2022 (15th FP)	End of FP ended Oct. 2022 (16th FP)
Percentage of the portfolio with green certification (total floor basis)	%	57.2	63.2	64.9

Information Related to Calculation of Environmental Performance Data

Scope

Properties held as of the end of March every year for which SHR has energy management authority (excluding properties disposed of during the period and areas for which it is difficult to acquire data because tenants have management authority, among other reasons)

Data Coverage (FY 2021)

CO ₂	42.1%
Energy	42.1%
Waste	25.5%
Water	67.1%

(Note) Data coverage is calculated as total floor space of properties subject to data acquisition / total floor space.

Aggregation Period

From April of each year to the end of March of the following year

(Figures of LED lighting, energy-saving air conditioner, and green certification are calculated for each period.)

Reference Guidelines

Ministry of the Environment “Greenhouse gas emission calculation / reporting / publication system”


Ministry of the Environment and Ministry of Economy, Trade and Industry “Basic Guidelines on Accounting for Greenhouse Gas Emissions throughout the Supply Chain (ver. 2.4)”

Calculation Standards

Classification	Item	Calculation Method
CO ₂	Amount of emissions	Scope1 Direct greenhouse gas emissions by the business operator itself where the amount of activity (amount of fuel use) in common areas × the emission factor
		Scope2 Indirect emissions associated with the use of electricity, heat, and steam supplied from other companies where the amount of activity in common areas (amount of energy purchased) × the emission factor
		Scope3 Leased assets (downstream) in category 13 where the amount of tenants' activity (amount of fuel use and amount of energy purchased) in exclusive area × the emission factor Note that Scope 3 is calculated separately from FY 2021
	Intensity	CO ₂ emissions/Total floor area
Energy	Amount of consumption	Amount of fuel use and energy purchased × Energy conversion factor Note that for city gas, 45 MJ/m ³ applies uniformly, and for others factor under the reference guidelines apply
	Intensity	Energy consumption/Total floor area
Water	Amount of usage	Total of rainwater and city water
	Intensity	Water usage/Total floor area
Waste	Amount of emissions	Total amount of waste excluding valuables
	Intensity	Waste emissions/Total floor area
Renewable Energy	Amount of usage	Total amount of renewable energy generated by solar power generation facilities at owned properties and purchased renewable energy

Third-Party Assurance (Verification Statement)

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



28 November 2022
Opinion No : SGS22/056

Verification Opinion

Mr. Atsuhiko Kida
Executive Director
Sekisui House Reit, Inc.
4-15-1 Akasaka, Minato-ku, Tokyo

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: 2019 and the SGS verification protocol) regarding the data prepared by the Organization on the scope of verification (hereinafter referred to as "the statement"). The objective of this verification is to confirm that the statement in the Organization's applicable scope has been correctly calculated and reported in the statement in conformance with the criteria, and to express our views as a third party. The Organization is responsible for the preparation and fair presentation of the statement.

Scope
The scope of verification is Scope 1 and 2 emissions, energy consumption, Scope3 emissions, amount of water usage and amount of waste generation.
The period subject to report is from 1 April 2021 to 31 March 2022.
Refer to the attached sheet for the detailed scope of verification.

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

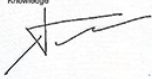
- Verification of the calculation system: Interviews on the measurement, tabulation, calculation and reporting methods employed by the Organization as well as review of related documents and records
- Verification of the statement: On-site verification and review of vouchers conducted at Hommachi-minami Garden City and Akasaka 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. 4.8 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 statement 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
Yoshizama Business Plaza North Square 1
134, Good-cho, Hodogaya-ku, Yokohama
Senior Executive & Director
Knowledge


Yuji Takeuchi





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1 / 2



attached sheet
28 November 2022
Opinion No : SGS22/056

The details of the scope of verification

The scope	The boundary	The statement
1 The performance data Scope 1 and 2 include energy related greenhouse gas emissions from electricity and city gas use. Energy consumption	5 offices (Percentage ownership range), 106 residences	Scope1: 764 t-CO ₂ Scope2: 4,362 t-CO ₂ (Market Based)
2 Scope3 category 13	5 offices (Percentage ownership range), 1 hotel, 1 hotel/office complex, 10 residences *For the residences, limited to electricity used by commercial tenants	9,707 t-CO ₂
3 Amount of water usage	5 offices (Percentage ownership range), 1 hotel, 1 hotel/office complex, 104 residences *For the 78 residences, water consumption in the dwelling units is included	816,914 m ³
4 Amount of waste generation	5 offices (Percentage ownership range), 1 hotel/office complex *Excluding the amount of industrial waste from tenants who have direct contracts with waste disposal contractors	696 t

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Social

Status of Directors and Employees

		Unit	FY 2019	FY 2020	FY 2021
Total number of directors and employees			57	60	64
	Male		43	44	45
	Female		14	16	19
Directly hired employees			39	41	47
	Male		29	30	33
	Female	Persons	10	11	14
Seconded employees			12	13	11
	Male		8	8	6
	Female		4	5	5
Employees aged 60 and over			2	3	3
Non-Japanese employees			0	1	0
Employees with disabilities			0	0	1
Age composition	Male	Under 30 years old	3	2	2
		30-50 years old	22	23	22
		50 years old and over	18	19	21
	Female	Under 30 years old	1	1	2
		30-50 years old	11	13	15
		50 years old and over	2	2	2
Percentage of female managers		%	3.8	3.6	3.6
Average years of service			6.7	6.1	6.5
	Male	Years	8.2	8.5	8.0
	Female		2.5	2.7	3.0

			Unit	FY 2019	FY 2020	FY 2021
Number of newly hired employees				3	7	9
	Male	Under 30 years old	Persons	1	1	2
		30-50 years old		1	3	4
		50 years old and over		0	0	0
	Female	Under 30 years old		1	1	1
		30-50 years old		0	2	2
		50 years old and over		0	0	0
Number of employees who resigned				0	6	1
	Male	Under 30 years old	Persons	0	0	1
		30-50 years old		0	4	0
		50 years old and over		0	0	0
	Female	Under 30 years old		0	0	0
		30-50 years old		0	2	0
		50 years old and over		0	0	0
Turnover rate			%	0.0	10.5	1.7
	Voluntary turnover rate			0.0	10.5	1.7
Number of employees taking childcare leave			Persons	2	3	2
Number of employees taking childcare leave (Male)			%	0 (no applicable person)	0 (no applicable person)	0 (no applicable person)
Number of employees taking family care leave			Persons	0	0	0
Number of short-term workers				3	2	2
Average monthly work hours per person			Hours	169.5	166.3	164.9
Annual paid leave take-up rate			%	67.9	40.5	52.0
Frequency rate of accidents resulting in lost worktime			%	0.0	0.0	0.0
Frequency rate of occupational illness in			%	0.0	0.0	0.0

Number of Qualifications Holders

	Unit	As of Jan. 31, 2020	As of Jan. 31, 2021	As of Jan. 31, 2022
ARES Certified Master	Persons	30	27	27
Real Estate Notary		38	36	41
Real Estate Appraiser		1	1	1
First-Class Certified Architect		1	1	1
Chartered Member of the Securities Analysts Association of Japan		1	1	1
Certified Building Administrator		10	9	10
MBA		1	1	1
Attorney at-law		0	1	1
Real Estate Consulting Master		5	3	4
CASBEE Accredited Professional for Real Estate		6	5	5
Licensed Strata Management Consultant		4	2	2
Licensed Representative of Condominium Management Company		6	4	5
Labor and Social Security Attorney		1	1	1

Training Achievements

	Unit	FY 2019	FY 2020	FY 2021
Average hours of training per person	Hours	16.5	16.9	14.5
Average costs of training per person	Yen	5,436	53,613	27,794
Internal training participation rate	%	100	100	100
Male		100	100	100
Female		100	100	100
Number of external training courses attended per person	Times	1.6	1.5	3.4

Training Implementation

		Unit	FY 2019	FY 2020	FY 2021
General training	Number of times	Times	-	1	-
	Participation rate	%	-	100	-
Human relations training	Number of times	Times	1	1	1
	Participation rate	%	100	100	100
Compliance training	Number of times	Times	6	3	6
	Participation rate	%	77.5	100	100
ESG training	Number of times	Times	1	1	1
	Participation rate	%	100	100	100
Tiered training	Number of times	Times	-	-	3
	Participation rate	%	-	-	100

Social Contribution Activities

		Unit	FY 2021
"Sekisui House Matching Program" (a joint donation system for employees and the company) participation rate		%	41.9
Cash donation		Yen	43,200
Time donation			75,925

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 and Number of short-term workers	Calculated from February 1, the first day of the fiscal year of SHAM
Turnover rate	Number of employees who resigned during the fiscal year / number of employees at the beginning of the fiscal year $\times 100$
Average monthly work hours per person	Average of one year from January each year
Annual paid leave take-up rate	Total paid leave taken / total paid leave granted $\times 100$, during one year from March each year
Internal training participation rate	Number of training participants / number of directors and employees (excluding those on maternity or childcare leave) as of the end of the fiscal year
Number of external training courses attended per person	Total number of external training courses attended/Number of directors and employees
Time donations	Total amount paid to all employees (including seconded employees and excluding transportation expenses) / number of employees enrolled at the end of the fiscal year / number of business days per year / number of work hours per day / cumulative hours of social contribution activities
Frequency rate of accidents resulting in lost worktime	Number of fatalities and injuries due to lost worktime injuries / total working hours $\times 1,000,000$
Frequency rate of occupation illness in lost worktime	Number of occupational illnesses / total working hours $\times 1,000,000$

Governance

Status of Use of Internal Reporting System

	Unit	FY 2019	FY 2020	FY 2021
Compliance Hotline	Cases	0	0	0

Status of Legal Compliance

	Unit	FY 2019	FY 2020	FY 2021
Number of serious violations of laws and voluntary standards	Cases	0	0	0
Fines for violations of various laws and regulations	Yen	0	0	0

Political Contribution

	Unit	FY 2019	FY 2020	FY 2021
Amount of political contribution	Yen	0	0	0



Status of Acquisition of Green Certifications (As of December 16, 2022)

Property No.	Asset Type	Property Name	DBJ Green Building Certification	Certification for CASBEE for Real Estate
R-001	Residence	Esty Maison Ginza	2020★★★★	
R-003	Residence	Esty Maison Ebisu II	2020★★★★	
R-013	Residence	Esty Maison Kyobashi	2020★★★★	
R-033	Residence	Prime Maison Musashinonomori	2020★★★★	
R-034	Residence	Prime Maison Higashisakura	2021★★★★	
R-035	Residence	Prime Maison Kayabakoen	2020★★★★	
R-038	Residence	Sha Maison Stage Hakata	2020★★★★	
R-041	Residence	Prime Maison Gokiso	2021★★★★★	
R-042	Residence	Prime Maison Yuhigaoka	2021★★★★	
R-043	Residence	Prime Maison Kitatanabe	2021★★★★	
R-047	Residence	Prime Maison Ginza East	2021★★★★★	
R-048	Residence	Prime Maison Takami	2020★★★★★	
R-049	Residence	Prime Maison Yadaminami	2021★★★★★	
R-050	Residence	Prime Maison Teriha	2020★★★★	
R-055	Residence	Esty Maison Nishitemma	2020★★★★	

Property No.	Asset Type	Property Name	DBJ Green Building Certification	Certification for CASBEE for Real Estate
R-056	Residence	Esty Maison Shirokanedai	2020★★★★	
R-067	Residence	Esty Maison Akabane	2020★★★★	
R-069	Residence	Prime Maison Waseda	2021★★★★	
R-070	Residence	Prime Maison Hatchobori	2021★★★★	
R-071	Residence	Prime Maison Jimbocho	2021★★★★	
R-072	Residence	Prime Maison Gotenyama East	2021★★★★★	
R-073	Residence	Sha Maison Stage Akihabara	2021★★	
R-076	Residence	Esty Maison Kinshicho II	2022★★★★	
R-077	Residence	Esty Maison Ojima	2021★★★★	
R-078	Residence	Prime Maison Fujimidai	2021★★★★★	
R-080	Residence	Prime Maison Morishita	2021★★★★	
R-081	Residence	Prime Maison Shinagawa	2021★★★★★	
R-082	Residence	Prime Maison Odorikoen	2020★★★★★	
R-083	Residence	Prime Maison Minami 2-jo	2020★★★★	
R-084	Residence	Prime Maison Kamokamogawa	2020★★★★	
R-085	Residence	Prime Maison Central Park	2020★★★★★	
R-086	Residence	Sha Maison Stage Yahiro	2021★★★★	
R-087	Residence	Prime Maison Ebisu	2020★★★★	
R-088	Residence	Sha Maison Stage Kanazawa Nishiizumi	2021★★★★	
R-091	Residence	Sha Maison Stage Hino	2021★★★★	
R-092	Residence	Prime Maison Yokohama Nihon-odori	2021★★★★	

Property No.	Asset Type	Property Name	DBJ Green Building Certification	Certification for CASBEE for Real Estate
R-093	Residence	Kobe Women's Student Housing	2021★★★★★	
R-094	Residence	Prime Maison Shibuya	2020★★★★	
R-095	Residence	Prime Maison Hatsudai	2020★★★★	
R-098	Residence	Prime Maison Shirokane-takanawa	2020★★★★	
R-099	Residence	Esty Maison Ichigayayamabushicho	2020★★★★	
R-100	Residence	Esty Maison Morishita	2020★★★★	
R-101	Residence	Prime Maison Shirokanedai Tower	2021★★★★★	S Rank
R-102	Residence	Prime Maison Otsuka	2021★★★★	
R-103	Residence	Prime Maison Asakusabashi	2021★★★★★	
R-104	Residence	Prime Maison Daikanyama	2021★★★★	
R-105	Residence	Prime Maison Gotenyama West	2021★★★★★	
R-106	Residence	Esty Maison Toyosu Residence	2021★★★★★	
R-109	Residence	Prime Maison Mitatsunamachi	2022★★★★★	
R-110	Residence	Prime Maison Hongo	2022★★★★★	
R-111	Residence	Prime Maison Kuramae	2022★★★★★	
R-114	Residence	Sha Maison Stage Hirose-dori	2021★★★★	
R-118	Residence	Prime Maison Shimokitazawa	2021★★★★★	
R-119	Residence	Prime Maison Meguro	2021★★★★★	
R-120	Residence	Prime Maison Ryogoku	2021★★★★	
R-121	Residence	Prime Maison Nakameguro	2021★★★★★	
R-122	Residence	Prime Maison Itabashi	2021★★★★★	

Property No.	Asset Type	Property Name	DBJ Green Building Certification	Certification for CASBEE for Real Estate
O-001	Office Building	Garden City Shinagawa Gotenyama		S Rank
O-003	Office Building	Hommachi Minami Garden City		S Rank
O-004	Office Building	Hommachi Garden City (Office building portion)		S Rank
O-005	Office Building	HK Yodoyabashi Garden Avenue		S Rank
O-006	Office Building	Hirokoji Garden Avenue		S Rank
O-007	Office Building	Akasaka Garden City		S Rank

GRI Standards Content Index



GRI Standards Content Index

Universal Standards

Disclosure Items		Response
GRI 2: General Disclosures 2021		
1. The organization and its reporting practices		
2-1	Organizational details	About SHR “Profile of SHR”
2-2	Entities included in the organization’s sustainability reporting	ESG Disclosure Policy and Reporting Framework
2-3	Reporting period, frequency and contact point	ESG Disclosure Policy and Reporting Framework
2-5	External assurance	ESG Data “Third-Party Assurance (Verification Statement)”
2. Activities and workers		
2-6	Activities, value chain and other business relationships	About SHR “Profile of SHR”
2-7	Employees	ESG Data “Status of Directors and Employees”
3. Governance		
2-9	Governance structure and composition	Corporate Governance
2-10	Nomination and selection of the highest governance body	Investor Relations “16th FP Securities Report (only in Japanese)”
2-11	Chair of the highest governance body	Corporate Governance “Organizational Structure”
2-12	Role of the highest governance body in overseeing the management of impacts	Sustainability Management “Sustainability Promotion System”
2-13	Delegation of responsibility for managing impacts	Sustainability Management “Sustainability Promotion System” Measures for Addressing Climate Change “Risk Management”
2-14	Role of the highest governance body in sustainability reporting	Sustainability Management “Sustainability Promotion System” Measures for Addressing Climate Change “Risk Management”

Disclosure Items		Response
2-15	Conflicts of interest	Compliance “Prevention Measures for Conflict-of-Interest Transactions”
2-16	Communication of critical concerns	Compliance “Compliance System” Compliance “Internal Reporting System” Compliance “Internal Audit System” Risk Management “Risk Management System” ESG Data “Status of Use of Internal Reporting System”
2-18	Evaluation of the performance of the highest governance body	Corporate Governance “Evaluation of the Effectiveness of SHR’s Board of Directors and SHAM’s Board of Directors”
2-19	Remuneration policies	Corporate Governance “Director’s Remuneration”
2-20	Process to determine remuneration	Corporate Governance “Director’s Remuneration”
4. Strategy, policies and practices		
2-22	Statement on sustainable development strategy	Message from Senior Management
2-23	Policy commitments	Sustainability Management “Sustainability Policy”
2-24	Embedding policy commitments	Sustainability Management “Sustainability Promotion System”
2-25	Processes to remediate negative impacts	Compliance “Internal Reporting System”
2-26	Mechanisms for seeking advice and raising concerns	Compliance “Internal Reporting System”
2-27	Compliance with laws and regulations	ESG Data “Status of Legal Compliance”
5. Stakeholder engagement		
2-29	Approach to stakeholder engagement	Stakeholder Engagement
GRI 3: Material Topics 2021		
Disclosures on material topics		
3-1	Process to determine material topics	Materiality (Important Issues) “Materiality Identification Process”
3-2	List of material topics	Materiality (Important Issues) “Materiality”
3-3	Management of material topics	Materiality (Important Issues) “Materiality”

Topic Standards

	Disclosure Items		Response
Economy	GRI 201: Economic Performance 2016		
	201-1	Direct economic value generated and distributed	Investor Relations “Cash Distributions” Investor Relations “16th FP Securities Report (only in Japanese)” ESG Data “Social Contribution Activities”
	201-2	Financial implications and other risks and opportunities due to climate change	Measures for Addressing Climate Change
	GRI 205: Anti-corruption 2016		
	205-2	Communication and training about anti-corruption policies and procedures	Compliance “Efforts to Prevent Bribery, Corruption, etc.”
	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	ESG Data “Status of Legal Compliance”
	GRI 207: Tax 2019		
	207-1	Approach to tax	Investor Relations “16th FP Securities Report (only in Japanese)”
Environment	GRI 302: Energy 2016		
	302-1	Energy consumption within the organization	ESG Data “Energy”
	302-3	Energy intensity	ESG Data “Energy” Our Approach to Environmental Considerations, Environmental Performance “Environmental Performance Data”
	302-4	Reduction of energy consumption	Our Approach to Environmental Considerations, Environmental Performance
	GRI 303: Water and Effluents 2018		
	303-1	Interactions with water as a shared resource	Environmental Performance Data
	303-5	Water consumption	ESG Data “Water”
	GRI 304: Biodiversity 2016		
	304-3	Habitats protected or restored	Coexistence of Humankind and Nature, and Initiatives for Environmental Resources

	Disclosure Items		Response
Environ ment	GRI 305: Emissions 2016		
	305-1	Direct (Scope 1) GHG emissions	ESG Data “CO ₂ ”
	305-2	Energy indirect (Scope 2) GHG emissions	ESG Data “CO ₂ ”
	305-3	Other indirect (Scope 3) GHG emissions	ESG Data “CO ₂ ”
	305-4	GHG emissions intensity	ESG Data “CO ₂ ”
	305-5	Reduction of GHG emissions	Our Approach to Environmental Considerations, Environmental Performance
	GRI 306: Waste 2020		
	306-2	Management of significant waste-related impacts	Our Approach to Environmental Considerations, Environmental Performance Coexistence of Humankind and Nature, and Initiatives for Environmental Resources “Appropriate Waste Management”
	306-3	Waste generated	ESG Data “Waste”
	306-4	Waste diverted from disposal	ESG Data “Waste”
306-5	Waste directed to disposal	ESG Data “Waste”	

	Disclosure Items		Response
Society	GRI 401: Employment 2016		
	401-1	New employee hires and employee turnover	ESG Data “Status of Directors and Employees”
	401-3	Parental leave	ESG Data “Status of Directors and Employees”
	GRI 403: Occupational Health and Safety 2018		
	403-4	Worker participation, consultation, and communication on occupational health and safety	Creating Comfortable Workplace Environment
	403-6	Promotion of worker health	Creating Comfortable Workplace Environment
	403-9	Work-related injuries	ESG Data “Status of Directors and Employees”
	403-10	Work-related ill health	ESG Data “Status of Directors and Employees”
	GRI 404: Training and Education 2016		
	404-1	Average hours of training per year per employee	ESG Data “Training Achievements”
404-2	Programs for upgrading employee skills and transition assistance programs	Human Resource Development “Training System”	
404-3	Percentage of employees receiving regular performance and career development reviews	Human Resource Development “Strategy for Developing Human Resources”	

	Disclosure Items		Response
Society	GRI 405: Diversity and Equal Opportunity 2016		
	405-1	Diversity of governance bodies and employees	ESG Data "Status of Directors and Employees"
	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 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	ESG Data "Political Contribution"
	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	

SASB Standards Content Index



SASB Standards Content Index

Sustainability Disclosure Topics & Accounting Metrics

Topic	Accounting Metric	Code	Response, Relevant Content
Energy Management	Energy consumption data coverage as a percentage of total floor area, by property subsector	IF-RE-130a.1.	ESG Data "Information Related to Calculation of Environmental Performance Data"
	(1) Total energy consumed by portfolio area with data coverage, (2) percentage grid electricity, and (3) percentage renewable, by property subsector	IF-RE-130a.2.	ESG Data "Energy" ESG Data "Renewable Energy"
	Like-for-like percentage change in energy consumption for the portfolio area with data coverage, by property subsector	IF-RE-130a.3.	ESG Data "Energy"
	Percentage of eligible portfolio that (1) has an energy rating and (2) is certified to ENERGY STAR, by property subsector	IF-RE-130a.4.	9.2% (Reference) Percentage of the Portfolio with Green Certification Investing in Real Estate with Excellent Environmental Performance
	Description of how building energy management considerations are integrated into property investment analysis and operational strategy	IF-RE-130a.5.	SHR's Sustainability Materiality (Important Issues) Stakeholder Engagement Collaboration with Tenants and Property Management Companies
Water Management	Water withdrawal data coverage as a percentage of (1) total floor area and (2) floor area in regions with High or Extremely High Baseline Water Stress, by property subsector	IF-RE-140a.1.	-
	(1) Total water withdrawn by portfolio area with data coverage and (2) percentage in regions with High or Extremely High Baseline Water Stress, by property subsector	IF-RE-140a.2.	-

Topic	Accounting Metric	Code	Response, Relevant Content
Water Management	Like-for-like percentage change in water withdrawn for portfolio area with data coverage, by property subsector	IF-RE-140a.3.	-
	Description of water management risks and discussion of strategies and practices to mitigate those risks	IF-RE-140a.4.	Materiality (Important Issues) Coexistence of Humankind and Nature, and Initiatives for Environmental Resources "Installation of Water-Saving Equipment"
Management of Tenant Sustainability Impacts	(1) Percentage of new leases that contain a cost recovery clause for resource efficiency-related capital improvements and (2) associated leased floor area, by property subsector	IF-RE-410a.1	-
	Percentage of tenants that are separately metered or submetered for (1) grid electricity consumption and (2) water withdrawals, by property subsector	IF-RE-410a.2	-
	Discussion of approach to measuring, incentivizing, and improving sustainability impacts of tenants	IF-RE-410a.3	Collaboration with Tenants and Property Management Companies
Climate Change Adaptation	Area of properties located in 100-year flood zones, by property subsector	IF-RE-450a.1	-
	Description of climate change risk exposure analysis, degree of systematic portfolio exposure, and strategies for mitigating risks	IF-RE-450a.2	Measures for Addressing Climate Change

Activity Metrics

Activity Metrics	Code	Response, Relevant Content
Number of assets, by property subsector	IF-RE-000.A	Portfolio "Portfolio Data"
Leasable floor area, by property subsector	IF-RE-000.B	Portfolio "Acquired Properties"
Percentage of indirectly managed assets, by property subsector	IF-RE-000.C	-
Average occupancy rate, by property subsector	IF-RE-000.D	Portfolio "Acquired Properties"