

STATEMENT ON PRINCIPAL ADVERSE IMPACTS OF INVESTMENT DECISIONS ON SUSTAINABILITY FACTORS

The following is the adverse sustainability impact statement of Sekisui House Reit, Inc (“SHR”) pursuant to Regulation (EU) 2019/2088 (“SFDR”). SHR has no employees in accordance with the prohibition on having employees under the Act on Investment Trusts and Investment Corporations of Japan, and relies on Sekisui House Asset Management Co., Ltd. (the “Asset Manager”) to manage and operate the properties in SHR’s portfolio. SHR and the Asset Manager are hereinafter referred to collectively as “we”, “us” or “our”. References to “fiscal year” or “FY” are to the 12 months began or beginning April 1 of the year specified, unless noted otherwise.

Please note that SFDR requirements, including the scope of their application to issuers outside the European Economic Area, continue to evolve. We are therefore taking a principles-based approach to compliance with the SFDR disclosure standards, which are subject to change.

1. Summary

Pursuant to Article 4 of the Delegated Regulation C(2022)1931 supplementing SFDR (the “SFDR Delegated Regulation”), SHR is required to publish on its website the information referred to therein covering the period of one calendar year. SHR is a Japanese real estate investment trust, commonly known as J-REIT, and has no employees, relying on the Asset Manager for the management and operation of its properties. The Asset Manager does not operate based on a calendar year. The Asset Manager operates based on fiscal year ending in January of every year, and collects and compiles the ESG performance data based on 12-month period ending in March of every year. A recalculation and translation of the data into the reference period of one calendar year would most likely lead to inaccuracies and would therefore provide a potentially less accurate overview of the required information than using the approved and validated data for the period from April 1, 2022 to March 31, 2023. This reference period is sufficiently compatible with, and shows results that do not materially differ from, those that would be produced using the calendar year-based reference period noted in the SFDR Delegated Regulation.

We consider principal adverse impacts of our investment decisions on sustainability factors. The present statement is our consolidated statement of the principal adverse impacts on sustainability factors (“PAI”). The statement covers the reference period from April 1, 2022 to March 31, 2023. The statement will be reviewed at least once during every 12-month period.

Our vision is to maximize unitholder value through asset management while delivering high-quality social capital to people and society. We and the Asset Manager conduct real estate investment management that takes into consideration environment, social and governance (collectively referred to as “ESG”) factors in accordance with Sekisui House, Ltd.’s (“Sekisui House”) Sustainability Vision, which aims to achieve the following goals: decarbonized society, society in which humans and nature coexist, a circular economy, society characterized by health and longevity, and diverse society. The Asset Manager has established a Sustainability Policy consistent with this vision.

We use the definition of PAI as described in Recital 20 of SFDR being “those impacts of investment decisions and advice that result in negative effects on sustainability factors,” with sustainability factors referring to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters as defined in Article 2 (24) of SFDR.

We believe that investment decisions that negatively affect climate or other environment-related resources, or have negative implications for society, can have a significant impact to risk and value creation for SHR’s unitholders. To this end, we consider PAI of our investment decisions throughout all major steps of the investment decision and property management process throughout the lifecycle of the properties in SHR’s portfolio.

2. Description of principal adverse sustainability impacts

Nearly all types of economic activity have the potential to impact various PAI indicators, both positively and adversely. We aim to manage the risk connected to PAI from our investment decisions in several ways, including general screening criteria, due diligence and our ESG initiatives. Some of the PAI indicators listed below are currently already being monitored and reported. As the availability of data improves, it is our intention that more indicators will be added.

Table 1

Description of the principal adverse impacts on sustainability factors

SHR does not invest in investee companies, but invests in real estate. As adverse sustainability indicators 1-16 as contained in Table 1 of Annex 1 of the SFDR Delegated Regulation pertain to investee companies, these are not included in this PAI statement, which pertains to real estate investments.

Indicators applicable to investments in real estate assets						
Adverse sustainability indicator		Metric	Impact in FY 2022	Impact in FY 2021	Explanation	Actions taken, and actions planned and targets set for the next reference period
Fossil fuels	17. Exposure to fossil fuels through real estate assets	Share of investments in real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels	N/A	N/A	SHR does not invest in real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels.	N/A
Energy efficiency	18. Exposure to energy-inefficient real estate assets	Share of investments in energy-inefficient real	As of April 30, 2023, 21.1% of SHR's properties were not "Green Certified Assets" (as defined to the right) based on	As of April 30, 2022, 36.8% of SHR's properties were not "Green Certified Assets" (as defined to the right) based on	To track the environmental performance of SHR's properties, we rely on certifications issued by third-	We implement as appropriate measures to reduce the

		estate assets	gross floor area. SHR operates based on six-month fiscal periods ending in April and October of each year. Accordingly, we provide the share of investments in energy-inefficient real estate assets as of the end of the latest fiscal period covering the reference period under this PAI statement.	gross floor area. SHR operates based on six-month fiscal periods ending in April and October of each year. Accordingly, we provide the share of investments in energy-inefficient real estate assets as of the end of the latest fiscal period covering the reference period under this PAI statement.	party organizations, such as the Development Bank of Japan's ("DBJ") Green Building Certification, Comprehensive Assessment System for Built Environment Efficiency ("CASBEE") certification, and other equivalent certifications. We call SHR's property that receives any such certifications as "Green Certified Assets", and those properties that are not considered as Green Certified Assets as energy-inefficient real estate assets.	environmental impact of the real estate assets following acquisition, including by obtaining environmental certifications such as DBJ or CASBEE. We have set a key performance indicator ("KPI") target of maintaining the ratio of Green Certified Assets in SHR's portfolio at 70% or higher based on gross floor area.
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Table 2

Additional climate and other environment-related indicators

SHR does not invest in investee companies, but invests in real estate. As adverse sustainability indicators 1-17 as contained in Table 2 of Annex 1 of the SFDR Delegated Regulation pertain to investee companies, these are not included in this PAI statement, which pertains to real estate investments.

CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS		
Adverse sustainability impact	Adverse impact on sustainability factors (qualitative or quantitative)	Metric

Indicators applicable to investments in real estate assets		
Greenhouse gas emissions	18. GHG emissions	Scope 1 GHG emissions generated by real estate assets
	We track and monitor GHG emissions and its intensity of the properties that we provide the utility management services in SHR's portfolio by estimating GHG emissions based on energy consumption (fuel and electricity consumption) based on adjusted emissions coefficient published by the Ministry of the Environment of Japan.	Scope 2 GHG emissions generated by real estate assets
	Scope 1 GHG emissions generated by such properties in SHR's portfolio were 2,411 t-CO ₂ (in FY2018), 2,930 t-CO ₂ (in FY2019), 2,473 t-CO ₂ (in FY2020), and 764 t-CO ₂ (in FY2021). Scope 2 GHG emissions generated by such properties in SHR's portfolio were 12,842 t-CO ₂ (in FY2018), 15,389 t-CO ₂ (in FY2019), 13,420 t-CO ₂ (in FY2020), and 4,362 t-CO ₂ (in FY2021). Scope 3 GHG emissions generated by such properties in SHR's portfolio were 9,707 t-CO ₂ (in FY2021). Total GHG emissions generated by such properties in SHR's portfolio were 15,253 t-CO ₂ (in FY2018), 18,318 t-CO ₂ (in FY2019), 15,892 t-CO ₂ (in FY2020), and 14,833 t-CO ₂ (in FY2021). In addition, CO ₂ emissions intensity of such properties in SHR's portfolio based on gross floor area was 0.064 t-CO ₂ /m ² (in FY2018), 0.063 t-CO ₂ /m ² (in FY2019), 0.052 t-CO ₂ /m ² (in FY2020) and 0.048 t-CO ₂ /m ² (in FY2021). We aim to reduce the combined amount of Scope 1 and Scope 2 GHG emissions by 42% by FY2030 compared to the level in FY2021 as our medium-term KPI target. In addition, SHR has acquired SBTi-validation through the Science Based Targets initiative ("SBTi") regarding the medium-term GHG emissions reduction target. As our long-term KPI target, we aim to achieve net zero GHG emissions by FY2050.	Scope 3 GHG emissions generated by real estate assets Scope 3 GHG emissions generated by tenant activities in the exclusive area are classified as Category 13 (leased assets (downstream)) and we started separately monitoring and tracking Scope 3 GHG emissions from FY2021.
		Total GHG emissions generated by real estate assets
Energy consumption	19. Energy consumption intensity	Energy consumption in MWh of owned real estate assets per square meter
	We track and monitor energy consumption (fuel and electricity consumption) and its intensity of the properties that we provide the utility management services in SHR's portfolio. Total energy consumption of such properties in SHR's portfolio was 41,581 MWh (in FY2018), 52,494 MWh (in FY2019), 48,998 MWh (in FY2020) and 51,429 MWh (in FY2021). Energy consumption intensity of such properties in SHR's portfolio based on gross floor area was 0.174 MWh/m ² (in FY2018), 0.179 MWh/m ² (in FY2019), 0.161 MWh/m ² (in FY2020) and 0.165 MWh/m ² (in FY2021). We aim to reduce energy consumption intensity by 10% or more by FY2028 compared to the level in FY2018.	

Waste	<p>20. Waste production in operations</p> <p>We track and monitor total amount of waste generated, its intensity and breakdown by disposal method of the properties that we provide the utility management services in SHR's portfolio.</p> <p>Total amount of waste generated by such properties in SHR's portfolio was 1,055 tons (in FY2018), 1,045 tons (in FY2019), 714 tons (in FY2020) and 696 tons (in FY2021), of which 501 tons (in FY2018), 481 tons (in FY2019), 344 tons (in FY2020), and 351 tons (in FY2021) were recycled.</p> <p>Waste generation intensity of such properties in SHR's portfolio based on gross floor area was 7.455 kg/m² (in FY2018), 5.382 kg/m² (in FY2019), 3.679 kg/m² (in FY2020) and 3.288 kg/m² (in FY2021).</p> <p>We aim to avoid increasing waste generation intensity from the level in FY2018.</p>	Share of real estate assets not equipped with facilities for waste sorting and not covered by a waste recovery or recycling contract

(Note) Figures above are based on data collected from the properties held as of the end of the fiscal year indicated, excluding certain properties due to data availability. In addition, properties that were disposed of during the period are excluded.

Table 3

Additional indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters

SHR has no employees in accordance with the prohibition on having employees under the Act on Investment Trusts and Investment Corporations of Japan, and relies on the Asset Manager to manage and operate the properties in SHR's portfolio. Accordingly, additional indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters in this PAI statement pertain to the Asset Manager and the tenants of the properties in SHR's portfolio, to the extent available.

SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS		
Adverse sustainability impact	Adverse impact on sustainability factors (qualitative or quantitative)	Metric
Indicators applicable to the Asset Manager or tenants		
Social and employee matters	<p>4. Lack of a supplier code of conduct</p> <p>The Asset Manager has a supplier code of conduct established by the Sekisui House Group.</p>	Share of investments in investee companies without any supplier code of conduct (against unsafe working conditions, precarious

	<p>All of the tenants of SHR's office properties* have suppliers code of conduct meeting our standards.</p> <p>*Seven of SHR's 120 properties are office properties (as of April 30, 2023).</p> <p>We adhere to the Sekisui House Group's Corporate Code of Conduct and Sekisui House Group's Corporate Ethics Guidelines that prohibit, among other things, unsafe working conditions, precarious work, child labor and forced labor.</p> <p>For the tenants of SHR's office properties, we conduct due diligence review when entering into lease agreements and reject those found to be lacking a proper code of conduct.</p>	work, child labor and forced labor)
	<p>5. Lack of grievance/complaints handling mechanism related to employee matters</p> <p>The Asset Manager has a grievance/complaints handling mechanism related to employee matters.</p> <p>The Asset Manager has established a Compliance Hotline, which accepts meeting requests or reports from all directors and employees regarding any violation of law and is designed to appropriately deal with them. The Compliance Officer or Internal Control Promotion Department investigates each case and takes corrective action and implements measures promptly to prevent recurrence and discipline relevant parties as appropriate. Moreover, directors and employees of the Asset Manager, and directors and employees of subcontractors and business partners with whom Sekisui House Group has ongoing business relationships can also use the Sekisui House Group's Compliance Helpline for handling consultation regarding concerns pertaining to legal and corporate ethics infractions and transaction-related issues.</p> <p>In addition, the Asset Manager conducts "ESG Dialogue" every six months and an annual survey of all employees on corporate ethics awareness and workplace environment. Through "ESG Dialogue" and this survey, the Asset Manager acquires the current situations and focuses efforts on creating a more open work climate by providing opportunities to exchange opinions.</p>	Share of investments in investee companies without any grievance/complaints handling mechanism related to employee matters
	<p>6. Insufficient whistleblower protection</p> <p>All of the Asset Manager's employees have whistleblower protection.</p> <p>The Asset Manager's Compliance Hotline rules include provisions related to the protection of personal information to ensure no whistleblower is retaliated against in accordance with the Whistleblower Protection Act of Japan.</p>	Share of investments in entities without policies on the protection of whistleblowers
Human Rights	<p>9. Lack of a human rights policy</p> <p>The Asset Manager has a human rights policy established by the Sekisui House Group.</p>	Share of investments in entities without a human rights policy

	<p>The Sekisui House Group, to which the Asset Manager belongs, has established the Sekisui House Human Rights Policy, and we declare our adherence to this policy to all stakeholders.</p> <p>The Sekisui House Group is committed to address a range of human rights issues, including those pertaining to the inclusion of women, non-Japanese nationals, people with disabilities in the workplace, and systemic Buraku discrimination based on ancestry.</p>	
	<p>12. Operations and suppliers at significant risk of incidents of child labor</p> <p>To the best of our knowledge, there is no exposure to operations and suppliers at significant risk of incidents of child labor exposed to hazardous work under any circumstances among the tenants of SHR's office properties*.</p> <p>*Seven of SHR's 120 properties are office properties (as of April 30, 2023).</p> <p>For the tenants of SHR's office properties, we conduct due diligence review when entering into lease agreements and reject those found to be exposed to significant risks of incidents of child labor or hazardous work due to geography or type of operation.</p>	Share of investments in investee companies exposed to operations and suppliers at significant risk of incidents of child labor exposed to hazardous work in terms of geographic areas or type of operation
	<p>13. Operations and suppliers at significant risk of incidents of forced or compulsory labor</p> <p>To the best of our knowledge, there is no exposure to operations and suppliers at significant risk of incidents of forced or compulsory labor under any circumstances among the tenants of SHR's office properties*.</p> <p>For the tenants of SHR's office properties, we conduct due diligence review when entering into lease agreements and reject those found to be exposed to significant risks of incidents of forced or compulsory labor in terms of geographic areas and/or the type of operation.</p>	Share of the investments in investee companies exposed to operations and suppliers at significant risk of incidents of forced or compulsory labor in terms of geographic areas and/or the type of operation
	<p>14. Number of identified cases of severe human rights issues and incidents</p> <p>To the best of our knowledge, the Asset Manager has not identified any severe human rights issues or incidents [through FY2022]. Please see the item 9 above.</p>	Number of cases of severe human rights issues and incidents connected to investee companies on a weighted average basis
Anti-corruption and anti-bribery	<p>15. Lack of anti-corruption and anti-bribery policies</p> <p>The Asset Manager has established anti-corruption and anti-bribery policies.</p>	Share of investments in entities without policies on anti-corruption and anti-bribery consistent with the United Nations

	<p>The Asset Manager has established a Compliance Manual that prohibits fraudulent acts, such as money laundering, insider transactions, bribery and embezzlement for self-interest, and strictly discipline those who have committed such acts.</p> <p>In addition, the Asset Manager is working to raise employee awareness by conducting compliance training for all employees appropriately.</p>	Convention against Corruption
	<p>17. Number of convictions and amount of fines for violation of anti-corruption and anti-bribery laws</p> <p>There has been no conviction for violations of anti-corruption and anti-bribery laws among [the employees of the Asset Manager and] the tenants of SHR's office properties* [through FY2022].</p> <p>*Seven of our 120 properties are office properties (as of April 30, 2023).</p> <p>Please see the item 15 above for the Asset Manager.</p> <p>For the tenants of SHR's office properties, we conduct due diligence review when entering into lease agreements and reject those found to have been fined for violations of anti-corruption and anti-bribery laws.</p>	<p>Numbers of convictions and amount of fines for violations of anti-corruption and anti-bribery laws by investee companies</p> <p>Tenants of our office properties*: none</p> <p>*Seven of our 120 properties are office properties (as of April 30, 2023).</p>

For descriptions of actions which SHR takes and will take with respect to the PAI indicators, please refer to our ESG website: <https://sekisuihouse-reit.co.jp/en/esg/index.html>

3. Description of policies to identify and prioritize principal adverse sustainability impacts

Subject to data availability, we monitor the selected PAI indicators for the existing properties in SHR's portfolio.

Prior to our investment in a property, we conduct a due diligence review of the property, including ESG due diligence, which includes selected PAI indicators. The due diligence findings related to selected PAI indicators are reported and reviewed prior to the investment decision.

The Asset Manager's green finance framework is applicable to both green bonds^(Note) and green loans, under which certain environmentally-friendly investment projects ("Eligible Green Projects") are evaluated and selected by the Sustainability Committee, which is chaired by the Asset Manager's President & Representative Director and participated by all full-time directors, Compliance Officer and heads of all department of the Asset Manager, in accordance with its Sustainability Policy and eligibility criteria described below.

(Note) Information about the former green bond framework that applies to the outstanding green bonds issued prior to the renewal of the green finance framework in December 2022 can be found on our website: [<https://ssl4.eir-parts.net/doc/3309/tdnet/1656516/00.pdf>] .

- *Eligibility Criteria for Green Finance.* A building that received a third-party certification described below at the borrowing or payment date of green finance, and/or that is expected to receive such certification:

- 3, 4, or 5 Stars under the DBJ Green Building Certification;
- B+, A or S rank under the CASBEE certification for Real Estate;
- BELS Certification: 3 Stars, 4 Stars, 5 Stars; or
- BELS Certification: following assessment of ZEH and ZEB
 - ZEH-M, Nearly ZEH-M, ZEH-M Ready, ZEH-M Oriented; or
 - ZEB, Nearly ZEB, ZEB Ready, ZEB Oriented.

When we select assets for investment in connection with our green bonds or green loans, the properties must meet the relevant eligibility criteria.

For further information, please refer to our ESG website: <https://sekisuihouse-reit.co.jp/en/esg/index.html>

4. Engagement policies

Due Diligence and Screening

Prior to SHR's investment in a property, the Asset Manager conducts a due diligence review of the property, including environmental risk assessment, by investigating the history of use of hazardous substances such as asbestos and PCB, geological conditions and soil contamination. We do not consider investing in properties that do not meet the standards for soil contamination and other environmental contamination in accordance with the Air Pollution Control Act and the Soil Contamination Countermeasures Act of Japan and other environmental laws and ordinances. However, from time to time we acquire properties not meeting the standards as long as they are deemed fixable promptly after acquisition. Also, we make investment decisions for properties outside Japan in accordance with the applicable environmental laws and ordinances in the respective jurisdictions and based on reasonable local practices.

Engagement

We, in collaboration with tenants and property managers, implement various environmental measures, such as for energy conservation and CO₂ reduction, at some of SHR's properties. At Akasaka Garden City, tenants are regularly convened to hold CO₂ reduction promotion meetings, where energy consumption and CO₂ emissions are reported to each tenant, and energy conservation efforts are explained in conjunction with these reports to raise environmental awareness. We also enter into lease agreements, which include provisions that require our tenants to cooperate with us in collecting energy consumption data, obtaining green certifications and taking other environmental measures and engaging in other ESG efforts such as reduction of waste generated during the renovation of buildings and use of building materials that are environmentally-friendly (such lease agreements, the "Green Leases"), with our tenants. We have set the promotion of Green Leases as one of our KPIs. As one of our KPI targets, we aim to increase the proportion of the portfolio under Green Leases to 25% or higher by FY2030 based on leasable area. As of April 30, 2023, SHR has entered into Green Leases with 17.5% of the tenants based on the leasable area. We will promote Green Leases while strengthening cooperation with tenants.

5. References to international standards

The Global Real Estate Sustainability Benchmark ("GRESB") is a third-party organization promoting actionable insights, ESG data and benchmarks that measure the sustainability performance of real estate companies, including asset managers, around the world. In the 2022 GRESB Real Estate Assessment, SHR received "3 Stars" in GRESB Rating, which is based on GRESB Overall Score and its quintile position relative to global

participants. In 2022, SHR also received a “Green Star” designation for six consecutive years 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. In addition, in 2022, SHR received the highest “A” rating in the GRESB Public Disclosure, which assesses the width of ESG information disclosure, for the third consecutive year in recognition of our ESG information disclosure efforts.

MSCI ESG Ratings investigate, analyze, and rate the extent to which companies are appropriately managing the risks and opportunities related to ESG and provide a comprehensive corporate ESG rating of seven levels, ranging from “AAA” to “CCC”. SHR acquired “AA” in the rating. In addition, SHR has been included in the “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).

FTSE4Good Index Series is an index series provided by FTSE Russell, a global index provider designed to measure the performance of companies that demonstrate strong ESG practices, the constituents are regularly reviewed based on highly transparent management methods and clearly defined ESG criteria. SHR was selected as a constituent of the Index Series in recognition of SHR’s ESG efforts upon the 2022 review.

The Asset Manager became a signatory of the Principles for Responsible Investment (“PRI”), which was established under the leadership of the then-United Nations Secretary-General in 2006, together with an international network of investors.

The Asset Manager expressed support for the Task Force on Climate-related Financial Disclosures (“TCFD”) recommendations, which was established by the Financial Stability Board.

We also support the United Nations’ Universal Declaration of Human Rights, the SDGs and the Ten Principles of the UN Global Compact.

6. Historical comparison

See Table 1, Table 2 and Table 3 above.