

## PROMOTION OF ENVIRONMENTAL AND/OR SOCIAL CHARACTERISTICS – SFDR PRE- CONTRACTUAL DISCLOSURE

Product Name: Sekisui House Reit, Inc.

*Sekisui House Reit, Inc. (“SHR”) promotes environmental or social characteristics, but does not have as its objective a sustainable investment within the meaning of article 9(1) of 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.*

Does this financial product have a sustainable investment objective?	
<input type="checkbox"/> <b>Yes</b> <input type="checkbox"/> It will make a minimum of <b>sustainable investments with an environmental objective:</b> ____%  <input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy  <input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy  <input type="checkbox"/> It will make a minimum of <b>sustainable investments with a social objective:</b> ____%	<input checked="" type="checkbox"/> <b>No</b> <input type="checkbox"/> It <b>promotes Environmental/Social (E/S) characteristics</b> and while it does not have as its objective a sustainable investment, it will have a minimum proportion of ____% of sustainable investments  <input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy  <input type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy  <input type="checkbox"/> with a social objective  <input checked="" type="checkbox"/> It promotes E/S characteristics, but <b>will not make any sustainable investments</b>

### *What environmental and/or social (“E/S”) characteristics are promoted by Sekisui House Reit, Inc.?*

SHR has set a vision of “managing assets to better provide for people, society and the future”. We believe that addressing social issues through asset management that takes Environmental, Social and Governance (“ESG”) into consideration will contribute to the realization of a sustainable society and enhance stakeholders’ trust, thereby contributing to securing stable earnings over the medium to long term and maximizing unitholder value.

SHR does not have a specific index designated as a reference benchmark to determine whether SHR is aligned with the environmental or social characteristics that it promotes.

We implement various environmental initiatives including the following:

- *Addressing Climate Change.* We aim to reduce energy consumption intensity of SHR’s portfolio by 10% by FY 2028 compared to the level in FY 2018. As our medium term target, we aim to reduce the combined amount of Scope 1 and Scope 2 greenhouse gas (“GHG”) emissions by 42% by FY 2030 compared to the level in FY 2021. We also aim to track and reduce Scope 3 GHG emissions. As our

long term target, we aim to achieve net zero emissions by FY 2050. We also aim not to increase waste emissions intensity and water use intensity of SHR's portfolio compared to the levels in FY 2018.

- *Reducing Energy Consumption and GHG emissions.* We have installed LED lighting (at 67 properties as of October 31, 2023, which are expected to reduce the annual electricity usage by 61.8% and the annual CO<sub>2</sub> emissions by 744 tons with the transition thus far), and other equipment with low environmental impact in SHR's properties. We also have made other energy-saving investments, including solar power generation panels (at eight properties as of October 31, 2023), Low-e double-glazed windows with thermal shielding and thermal insulation capability, flow control valves that prevent water overflow, showerheads with water-saving features, and chargers for electric vehicles. In addition, with the long-term target of achieving net zero GHG emissions, we have worked on a variety of projects. For instance, we have switched to renewable energy-sourced electricity, and the ratio of the properties using renewable energy-sourced electricity in the entire portfolio was 91.7% (based on number of properties) as of October 31, 2023. SHR also has switched the contract for power supply to Sekisui House Owner Denki <sup>(Note)</sup> for Hirokoji Garden Avenue, resulting in CO<sub>2</sub> emissions from electricity to be virtually zero. Furthermore, SHR introduced virtual renewable energy through the purchase of non-fossil fuel energy certificates with tracking at the Non-fossil Fuel Energy Value Trading Market of the Japan Electric Power Exchange via a broker. By purchasing the non-fossil fuel energy certificates corresponding to the electric power consumption in the common area of the properties, CO<sub>2</sub> emissions from the electricity usage of the properties have become virtually zero at certain properties. In addition, SHR has acquired validation through SBTi (Science Based Targets initiative) in May 2023 regarding the medium term GHG reduction target and already reduced the combined amount of Scope 1 and Scope 2 GHG emissions by 50.7% in FY 2022, compared to the level in FY 2021 as the base year.

(Note) Sekisui House Owner Denki is a service in which the power supply company (Osaka Gas regarding this Property) purchases surplus electricity from solar power generation from owners of houses built by Sekisui House, Ltd. (the "Sponsor" or "Sekisui House"). This surplus electricity is purchased at a stable price even after the expiration of the feed-in tariff (FIT) system and sold to Sekisui House and others, procuring electricity derived from renewable energy thus reducing the CO<sub>2</sub> emissions from electricity to virtually zero.

- *Biodiversity Conservation.* We are committed to the "Gohon no Ki" (meaning five trees in Japanese) Project, initiated by the Sponsor toward the creation of gardens and communities. Through this project, we aim to co-exist with the surrounding nature by creating gardens with indigenous trees that are in harmony with Japan's nature and climate. Garden City Shinagawa Gotenyama and Hommachi Garden City have rooftop gardens. The greening of rooftops improves thermal insulation performance and contributes to the creation of a natural environment in urban areas. In addition, we replanted trees and other vegetation for Esty Maison Kayaba and other residences in 2022. When replanting, in accordance with the Gohon no Ki Project, we confirm the details of the replanting, such as the selection of native tree species and whether there are any non-native species that require comprehensive measures.
- *Urban Revitalization/Urban Development (1).* We, in cooperation with the Sponsor, aim to create sustainable cities through the acquisition of environmentally-friendly properties developed by the Sponsor, which is focused on developing properties using natural energy and adopting energy-saving technologies. 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 called the Gotenyama Project. It is not only a large-scale development that advocates a sense of scale, but also 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 covered with vegetation and plants through exterior planting and rooftop greenery. 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 through the preservation of existing trees and planting over 26.4 thousand trees, mainly indigenous species.

- *Urban Revitalization/Urban Development (2).* We, in cooperation with the Sponsor, aim to create sustainable cities through the acquisition of environmentally-friendly properties developed by the Sponsor. Prime Maison EGOTANOMORI is a property planned and developed by the Sponsor 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.
- *Promotion of Green Leases and Collaboration with Tenants and Property Managers.* We, in collaboration with tenants and property managers, implement various environmental measures, such as for energy conservation and CO<sub>2</sub> reduction, at some of SHR's properties. At Akasaka Garden City, tenants are regularly convened to hold CO<sub>2</sub> reduction promotion meetings, where energy consumption and CO<sub>2</sub> 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 engage in other ESG efforts such as reduction of waste generated during renovation of buildings and use of building materials that are environmentally-friendly (such lease agreements, the "Green Leases"), with our tenants. We have set "achieving 25% or more of the portfolio with Green Leases by FY 2030" as one of our key performance indicators ("KPIs" or individually, "KPI") and, as of October 31, 2023, SHR has entered into Green Leases with 25.8% of the tenants at its owned properties based on leasable area. In addition, by conducting and monitoring tenant satisfaction surveys via external evaluation agencies, we strive to improve environmental awareness among tenants and suppliers.

We implement various social initiatives at our properties including:

- *Contribution to Local Communities.* We open the entrance halls, ground-floor lobbies, meeting rooms, coworking space and other areas of our properties to support local events and contribute to the environment and health of local communities. In addition, we have introduced share bikes and food trucks at some properties for tenants and local residents. We have also installed disaster relief vending machines to allow anyone to get free drinks during times of disasters or other emergencies, as well as AEDs.
- *Providing Safety, Security, and Comfort for Tenants.* In preparation for typhoons, earthquakes, and other disasters which have caused enormous damage in recent years, we have installed and introduced disaster prevention facilities and equipment such as emergency power generators, disaster prevention centers and quake-absorbing structure in some of our properties, so that tenant businesses and residents feel safe. Garden City Shinagawa Gotenyama, for example, is equipped with all the above disaster prevention facilities. Similarly, Hommachi Minami Garden City takes business continuity into account by using seismic bracing installed on each floor to absorb the forces that would act on the building in a major earthquake, and by situating its mechanical room on the 3rd floor, above flood level. At HK Yodoyabashi Garden Avenue, the floor level of the first floor has been raised by 0.5 m from the front road on the north side to prevent flooding into the building, in readiness for flooding damage due to torrential rain, and flooding countermeasures have also been implemented in the B1F parking lot, which is susceptible to damage due to rainwater flowing in from the road. We have also equipped Prime Maison Shinagawa

with solar batteries, storage batteries, and emergency generators designed for emergency power supply system. We conduct tenant satisfaction surveys, the findings of which are shared with property managers, building managers and other related parties so that they can be responsive to tenants' needs and improve their services.

- *Acquisition of Certification for Comprehensive Assessment System for Built Environment Efficiency ("CASBEE") Wellness Office.* Garden City Shinagawa Gotenyama became the first property in SHR's portfolio to receive the Certification for CASBEE Wellness Office, and was certified as the highest evaluation rank, "S Rank". Furthermore, the property has received "S Rank" of the Certification for CASBEE for Real Estate and, is eligible to receive "S Rank" of the Certification for CASBEE Smart Wellness Office which can be received by combining each certification.
- *Creating Comfortable Workplace Environment for Employees.* The Asset Manager, as a member of Sekisui House Group, has made efforts to reduce overtime work and increase the ratio of employees taking annual paid leave, to promote better work-life balance. For example, the Asset Manager has established an annual paid leave system that allows employees to take up to five days out of the eligible leave period on an hourly basis, and flexible workdays that allow employees to shift their start and end times at work, both of which are widely used for child rearing, family care and family events. The Asset Manager has set average monthly work hours per person of 162 hours and a usage rate for annual paid leave of 70%, in each case by the end of the Asset Manager's fiscal year ending January 31, 2024, as KPI targets and, for the Asset Manager's fiscal year ended January 31, 2023, the average monthly work hours per person was 159.9 hours and the usage rate for annual paid leave was 75.6%. The Asset Manager has also established the Health Committee, which meets once a month with an occupational physician. The Health Committee offers workshops to employees to help them manage their health and safety in their workplaces. The Asset Manager also conducts stress checks to protect employees from mental distress.
- *Promoting Diversity.* The Sekisui House Group's 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, the Asset Manager also implements initiatives for women, senior employees and persons with disabilities to give them active participation opportunities in the work environment in accordance with this policy.
- *Internal Reporting System.* The Asset Manager operates a Compliance Hotline based on the Whistleblower Protection Act of Japan to strengthen its compliance through early detection and correction of fraudulent actions. The Hotline 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. In addition, 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.
- *Respect for Human Rights.* To ensure respect for the human rights of all stakeholders in our business, we are continuously working to cultivate a corporate culture that prevents discrimination, harassment and human rights violation based on international rules on human rights such as the United Nations' Universal Declaration of Human Rights, the SDGs and the Ten Principles of the UN Global Compact. The Asset Manager strives to ensure that there is no human rights violation, including harassment, by creating a workplace where all employees can work enthusiastically and achieve growth according to the Sekisui House Group's Human Rights Policy, established by Sekisui House in April 2020. All directors and employees of the Asset Manager take the human relations training once a year as a member of Sekisui House Group.

- *Endorsement of “Advance”.* The Asset Manager is committed to ensuring that all of its directors and employees fulfill their responsibilities to respect human rights in accordance with the “Sekisui House Group Human Rights Policy” formulated by Sekisui House. Believing that the objectives of “Advance”, a human rights collaboration initiative established by the Principles for Responsible Investment (“PRI”) that calls for action on human rights and social issues, are in line with the “Sekisui House Group Human Rights Policy”, the Asset Manager has signed on as an endorser in March 2023.
- *Human Resource Development.* The Asset Manager has made efforts to encourage employees to acquire qualifications to develop expertise such as the ARES Certified Master, a certification received after attending an educational program that teaches practical know-how in real estate and finance, and the Asset Manager covers the associated expenses incurred by employees. In addition, the Asset Manager established the training system and this tiered professional development program builds leadership for raising organizational productivity by tailoring learning to the skills and requirements of each job level. The Asset Manager has set the internal training participation rate of 100% and annual participation in external training events per person of 2.0 events, in each case by the end of the Asset Manager’s fiscal year ending January 31, 2024, as KPI targets.

	Unit	FY2020*	FY2021*	FY2022*
Average hours of training per person	Hours	16.9	14.5	12.6
Average costs of training per person	Yen	53,613	27,794	11,213
Internal training participation rate	%	100.0	100.0	100.0
Number of external training courses attended per person	Times	1.5	3.4	2.4

\*The data aggregation period (i) except for the internal training participation rate is from February 1 to January 31 of the following year of the year indicated, and (ii) for the internal training participation rate is from April 1 to March 31 of the following year of the year indicated.

- ***What sustainability indicators are used to measure the attainment of each of the E/S characteristics promoted by Sekisui House Reit, Inc.?***

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

- *Environmental certification of individual properties.* To track the environmental performance of our properties, we rely on certifications issued by third-party organizations, such as the Development Bank of Japan’s (“DBJ”) Green Building Certification and Certification for CASBEE for Real Estate. We have acquired two stars or more out of DBJ’s five-star ranking system for 56 of SHR’s properties. Concerning CASBEE, we have acquired B+ or more out of CASBEE’s 4 rank ratings (S, A, B+ or B) for 30 of SHR’s properties, as of October 31, 2023.
- *ESG assessment of SHR.* To track our ESG performance, we obtain third-party assessments, such as GRESB Real Estate Assessment (“GRESB”), MSCI ESG Ratings, Corporate Sustainability Assessment by S&P Global (“CSA”), FTSE Russel ESG Rating and MUFG ESG Rating Certificate

for J-REITs supported by Japan Credit Rating Agency, Ltd. (“JCR”). With respect to GRESB, in October 2023, we had acquired 3 Stars out of GRESB’s 5-Star rating system. In addition, in October 2023, we had been awarded “Green Star” for having received high marks for our environmental and sustainability efforts for seven consecutive years and acquired the highest rating “A” out of its 5-scale ranking system based on disclosure assessment. With respect to MSCI ESG Ratings, which 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”, we acquired “AA” in May 2023. In addition, SHR is currently included in the MSCI Japan ESG Select Leaders Index, an index composed of select companies with high ESG performance based on MSCI’s proprietary evaluation and scoring system among the companies in the MSCI Japan Investable Market Index. With respect to the CSA which is designed to measure the performance of Asia-Pacific sustainability leaders as identified by S&P Global through the CSA, constituent companies with excellent sustainability performance are selected. In December 2023, SHR was selected as a constituent of the Dow Jones Sustainability Asia/Pacific Index for the first time in recognition of SHR’s ESG efforts upon the 2023 review. With respect to the FTSE Russel ESG Rating which measures the performance of companies that demonstrate strong ESG practices, we were selected as a constituent of the FTSE4Good Index Series in recognition of SHR’s ESG efforts upon the 2022 review. With respect to the MUFG ESG Rating Certificate for J-REITs supported by JCR, which evaluates J-REITs’ ESG initiatives and implementations, we received the highest rating, “S” rank, out of the 5-scale rating system.

- *Tracking of environmental performance data.* The Asset Manager tracks and monitors data on CO<sub>2</sub> emissions, energy consumption, water use, generated waste and renewable energy power generation of the properties in SHR’s portfolio.
  - *Energy consumption.* The Asset Manager tracks and monitors energy consumption data including total energy consumption (measured in MWh), breakdown between electricity and fuel in energy consumption (measured in MWh) and energy consumption intensity (measured in MWh / m<sup>2</sup>), of the properties in SHR’s portfolio.

	Unit	FY2018*(base year)	FY2020*	FY2021*	FY2022*
Total energy consumption	MWh	41,581	48,998	51,429	51,046
Electricity		28,152	35,227	36,423	36,507
Fuel		13,249	13,772	15,006	14,539
Energy consumption intensity	MWh / m <sup>2</sup>	0.174	0.161	0.165	0.160

- *CO<sub>2</sub> emissions.* The Asset Manager tracks and monitors CO<sub>2</sub> emissions data including total CO<sub>2</sub> emissions (measured in t-CO<sub>2</sub>), Scope 1, Scope 2 and Scope 3 CO<sub>2</sub> emissions (measured in t-CO<sub>2</sub>) and CO<sub>2</sub> emissions intensity (measured in t-CO<sub>2</sub> / m<sup>2</sup>), of the properties in SHR’s portfolio.

	Unit	FY2019*	FY2020*	FY2021* (base year)	FY2022*
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Total CO <sub>2</sub> emissions	t-CO <sub>2</sub>	18,318	15,892	14,833	8,939
Scope 1		2,930	2,473	764	795
Scope 2		15,389	13,420	4,362	1,734
Scope 3		-	-	9,707	6,410
CO <sub>2</sub> emissions intensity	t-CO <sub>2</sub> / m <sup>2</sup>	0.063	0.052	0.048	0.027

- *Water use.* The Asset Manager tracks and monitors water use data including total water use (measured in m<sup>3</sup>) and water use intensity (measured in m<sup>3</sup> / m<sup>2</sup>), of the properties in SHR's portfolio.

	Unit	FY2018* (base year)	FY2020*	FY2021*	FY2022*
Total water use	m <sup>3</sup>	780,360	845,551	819,330	866,107
Rainwater	m <sup>3</sup>	2,509	1,640	2,416	3,400
Public water	m <sup>3</sup>	777,851	843,911	816,914	862,707
Water use intensity	m <sup>3</sup> / m <sup>2</sup>	1.743	1.631	1.561	1.543

- *Generated waste.* The Asset Manager tracks and monitors generated waste data including total generated waste (measured in tons), breakdown among waste disposal methods of landfill, incineration and recycle (measured in tons), and generated waste intensity (measured in kg / m<sup>2</sup>), of the properties in SHR's portfolio.

	Unit	FY2018* (base year)	FY2020*	FY2021*	FY2022*
Total generated waste	tons	1,055	714	696	884
Landfill		357	200	57	10
Incineration		197	162	230	346
Recycled		501	344	351	523
Reuse		-	-	39	-

Other		-	8	18	4
Generated waste intensity	kg / m <sup>2</sup>	7.455	3.679	3.288	4.236

(Note) Figures in the tables 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.

\*Data aggregation period is from April 1 to March 31 of the following year of the year indicated. For water, the data is aggregated from January of each year to the end of December, from fiscal year 2022 onward.

- *Principles for Responsible Investment (“PRI”)*: The PRI was established for the financial industry in 2006 under the leadership of the then-United Nations Secretary-General, Kofi Annan, together with an international network of investors. In 2019, the Asset Manager became a signatory and supports the PRI by incorporating ESG consideration into its investment analyses and decision-making process.
- *Task Force on Climate-related Financial Disclosures (“TCFD”)*: The TCFD was established by the Financial Stability Board at the request of G20 to consider how financial institutions should disclose climate-related information. Based on the TCFD recommendations, the Asset Manager 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, the Asset Manager conducted an analysis using CRREM (Carbon Risk Real Estate Monitor). In 2023, using the latest pathways, the Asset Manager updated the risk analysis for SHR’s office buildings, which was conducted in 2022, and expanded the scope of analysis to the entire portfolio.
- *UN Global Compact*: Sekisui House Group, to which the Asset Manager belongs, has expressed its commitment to respecting human rights in the Sekisui House Group’s Corporate Code of Conduct and Corporate Ethics Guidelines. Sekisui House Group has also expressed support for the 10 principles of the UN Global Compact.

## Principal Adverse Impacts

### *Does Sekisui House Reit, Inc. take into account principal adverse impacts on sustainability factors?*

Yes, we collect on an ongoing basis select information on SHR’s existing portfolio regarding the principal adverse impact indicators, including exposure to fossil fuels through real estate assets, exposure to energy-inefficient real estate assets, GHG emissions, energy consumption intensity and waste production in operations. We aim to manage the risk connected to principal adverse impacts from our investment decisions in several ways, including general screening criteria and due diligence.

- *Exposure to fossil fuels through real estate assets*. SHR does not invest in real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels.
- *Exposure to energy-inefficient real estate assets*. We consider properties other than Green Certified Assets (as defined below) to be energy-inefficient real estate assets. As of October 31, 2023, 17.2% of SHR’s properties were not Green Certified Assets based on gross floor area. As described in more



detail above, we implement as appropriate measures to reduce the environmental impact of these properties, including by obtaining environmental certifications.

- *GHG emissions.* Scope 1 GHG emissions generated by the properties in SHR's portfolio were 2,473 t-CO<sub>2</sub> (in FY 2020), 764 t-CO<sub>2</sub> (in FY 2021) and 795 t-CO<sub>2</sub> (in FY 2022). Scope 2 GHG emissions generated by the properties in SHR's portfolio were 13,420 t-CO<sub>2</sub> (in FY 2020), 4,362 t-CO<sub>2</sub> (in FY 2021) and 1,734 t-CO<sub>2</sub> (in FY 2022). Scope 3 GHG emissions generated by such properties in SHR's portfolio were 9,707 t-CO<sub>2</sub> (in FY2021) and 6,410 t-CO<sub>2</sub> (in FY2022). Total GHG emissions generated by the properties in SHR's portfolio were 15,892 t-CO<sub>2</sub> (in FY 2020), 14,833 t-CO<sub>2</sub> (in FY 2021) and 8,939 t-CO<sub>2</sub> (in FY 2022). We aim to reduce the combined amount of Scope 1 and Scope 2 GHG emissions by 42% by FY 2030 compared to the level in FY 2021 as the mid-term target. We also aim to track and reduce Scope 3 GHG emissions. As the long-term target, we aim to achieve net zero emissions by FY 2050.
- *Energy consumption intensity.* Energy consumption intensity of SHR's properties was 0.161 MWh / m<sup>2</sup> (in FY 2020), 0.165 MWh / m<sup>2</sup> (in FY 2021) and 0.160 MWh / m<sup>2</sup> (in FY 2022). We aim to reduce energy consumption by 10% or more between FY 2018 (0.174 MWh / m<sup>2</sup>) and FY 2028 based on intensity.
- *Waste production in operations.* Total volume of waste generated by the properties in SHR's portfolio was 714 tons (in FY 2020), 696 tons (in FY 2021) and 884 tons (in FY 2022) of which 344 tons (in FY 2020), 351 tons (in FY 2021) and 523 tons (in FY 2022) were recycled.

(Note) Figures indicated 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.

\* Data aggregation period is from April 1 to March 31 of the following year of the year indicated.

We consider, both at the entity-level (i.e., the Asset Manager) and at the fund-level (i.e., SHR.), principal adverse impacts of our investment decisions on sustainability factors. Under the Investment Trust Act of Japan, SHR is prohibited from having any employees and is required to outsource asset management to a third party. Accordingly, as discussed in detail elsewhere, any consideration at the fund-level of principal adverse impacts of our investment decisions on sustainability is principally conducted by the Asset Manager, subject to the approval of our Board of Directors. In addition to the Asset Manager's contractual obligations to SHR under the asset management agreement, the Financial Instruments and Exchange Act of Japan provides that the Asset Manager owes SHR a fiduciary duty in conducting its activities, including making investment decisions informed by sustainability considerations.

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 our unitholders. To this end, we consider the principal adverse impacts of our investment decisions on the above sustainability factors throughout all major steps of the investment decision and management process throughout the lifecycle of the properties in our portfolio.

## **Investment Strategy**

### ***What investment strategy does SHR follow?***

We believe that there is a growing need for real estate in locations that provide sustainable living to residents and locations that can be sustainable bases of operation for tenants' businesses. We also believe that there is demand for real estate with high, basic functionality as residences, such as comfort and safety, and functionality desired by tenant businesses. By leveraging the Sponsor's know-how on operation and management of real estate, we promote environmental initiatives such as energy saving and safe living and business continuity for the benefit of residents and tenant businesses.

In line with the above investment strategy, we issue green bonds and green loans that take into consideration ESG factors using our green finance framework.

- *Green Finance Framework.* SHR's green finance framework, which was established in 2022, is applicable to both green bonds (Note 1) 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. As of October 31, 2023, SHR's portfolio included 84 Eligible Green Projects (82.7% of SHR's portfolio based on gross floor area) based on SHR's green finance framework.

(Note 1) Information about the former green bond framework that is applicable to the outstanding green bonds issued prior to the green finance framework can be found on our website: [ <https://ssl4.eir-parts.net/doc/3309/tdnet/1656516/00.pdf>] As of October 31, 2023, we had 83 eligible green projects (81.9% of our portfolio based on gross floor area) based on our green bond framework.

- *Eligibility Criteria.* 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
      - i. ZEH-M, Nearly ZEH-M, ZEH-M Ready, ZEH-M Oriented; or
      - ii. ZEB, Nearly ZEB, ZEB Ready, ZEB Oriented.
  - *Management of Procured Funds.* We intend to allot the funds procured through green bonds and green loans towards Eligible Green Projects. As long as the outstanding green bonds or the green loan balance exist, we will manage to ensure that the total amount of the outstanding green bonds and the green loan balance does not exceed the Eligible Green Liability <sup>(Note)</sup>. In addition, we will report that the total amount of funds procured through green bonds and green loans has been fully allocated to Eligible Green Projects and as long as the outstanding green bonds or the green loan balance exist, the allocated funds will be tracked and managed internally on a portfolio basis. If all or part of the funds procured through green bonds or green loans are not immediately allocated to Eligible Green Projects, we 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.
- *Third-party Eligibility Assessment.* We acquired "Green 1(F)", the highest rating in "Green Finance Framework Evaluation" from JCR as a third-party evaluation of the Framework.

In order to implement initiatives continuously and systematically based on our Sustainability Policy, the Asset Manager has established the Sustainability Committee, which generally meets at least once every quarter, to establish targets, monitor compliance, evaluate the effectiveness of measures undertaken, and discuss improvement measures. To understand and address issues from the perspectives of different departments, we have also placed the department of sustainability promotion under the Sustainability Committee to enhance planning and promotion of ESG targets. The Sustainability Committee consists of the following members of the Asset Manager: Chief Executive Officer (President and Representative Director), Chief Operating Officer (Director in charge of ESG Promotion Department), full-time directors, Compliance Officer and heads of all departments.

- ***What are the binding elements of the investment strategy used to select the investments to attain each of the E/S characteristics promoted by Sekisui House Reit, Inc.?***

A binding element of the investment strategy is the use of the proceeds of green bonds or green loans under our green finance frameworks described above. Eligible Green Projects are evaluated and selected by the Sustainability Committee, which is participated by the Asset Manager's the President & Representative Director as Chief Sustainability Officer, the Director in charge of ESG promotion as Chief Sustainability Operator, all full-time directors, the compliance officer, and all heads of departments of the Asset Manager, in accordance with its Sustainability Policy and eligibility criteria described above. When we select assets for investment in connection with our green bonds and green loans, the properties must meet the eligibility criteria.

We may also acquire properties that might be qualified for 1 or 2 Stars under the DBJ Green Building Certification or B under the CASBEE certification for Real Estate (together with Eligible Green Projects, "Green Certified Assets") and do not meet our Eligibility Criteria (described above). On the other hand, we were able to achieve the previous KPI target of achieving a portfolio of 70% or more of which constitutes Green Certified Assets by FY 2022 based on gross floor area and aim to maintain the percentage at 70% or higher thereafter.

- ***What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?***

Prior to our investment in a property, the Asset manager conducts due diligence on 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.

- ***What is the policy to assess good governance practices of the investee companies and Sekisui House Reit, Inc.?***

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

We, along with the Asset Manager, have introduced the following measures to assess and enhance our governance systems:

- ***Adoption of a decision-making process in conflict-of-interest transactions involving independent outside experts.*** The Asset Manager has adopted frameworks that require (i) each decision regarding a conflict-of-interest transaction to be made by the Investment Committee and Compliance Committee, subject to the attendance and consent of external professionals who have no special interest in any interested party such as the Sponsor; and (ii) preliminary review by the Compliance Officer and the Internal Control Promotion Department, deliberation and resolution by the Investment Committee and Compliance Committee, deliberation and approval by the Board of Directors of the Asset Manager, and our consent based on deliberation and resolution of the Board.
- ***Internal audit system.*** The Asset Manager conducts annual internal audits every fiscal year. For the implementation of internal audits, the Asset Manager will formulate an internal audit plan for each business year based on the internal audit rules, and then verify whether our operations are carried out appropriately and efficiently in accordance with laws, regulations and internal regulations in addition to verifying whether the corporate ethics standards (including corruption, bribery and fraud) are complied. 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 or instructions for improvement to the relevant organizations and departments as necessary. The Asset Manager also retains outside experts to conduct audits as necessary.

- *Transparent and appropriate information disclosure.* We take into consideration the transparency of the information and the ease with which the shareholders will understand the information.
- *Promoting Diversity among Directors.* Based on the belief that diversity is important to SHR, we promote diversity in the composition of directors. The ratio of female directors will be 50.0% from February 2024.
- *Evaluation of the Effectiveness of SHR's Board of Directors and the Asset Manager's Board of Directors.* SHR and the Asset Manager set "enhancing the effectiveness of SHR's Board of Directors and the Asset Manager'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 also 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 and make improvements based on the self-evaluation. In the previous questionnaire, SHR's Board of Directors and the Asset Manager's Board of Directors confirmed that their effectiveness was sufficiently ensured in terms of member composition, frequency of meetings, number of agenda items, and the status of deliberation methods and discussions. On the other hand, it is recognized that strengthening the foundations for formulating management policies and facilitating the management of meetings are issues to be addressed.

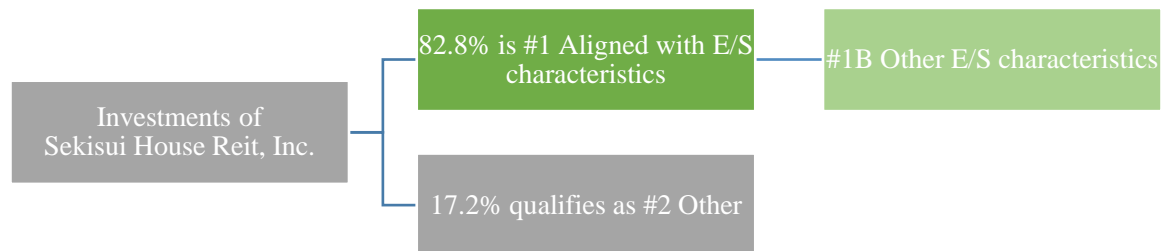
We make the following ongoing disclosures related to our green finance frameworks and Eligible Green Projects:

- Green Finance Framework
  - *Allocation Reporting.*
  - *Impact Reporting.* We annually disclose the following quantitative environmental performance indicators as of March 31 on our website, as long as the outstanding green bonds or the green finance balance exist.
    - The number of Eligible Green Projects and acquired third-party Evaluations
    - Total floor area of Eligible Green Projects
    - Eligible Green Liability
    - The following quantitative indicators for Eligible Green Projects (with respect to which we have energy management authority)
      - Energy consumption
      - CO<sub>2</sub> emissions
      - Water consumption

## Asset Allocation

### *What is the asset allocation planned for Sekisui House Reit, Inc.?*

As of October 31, 2023, 82.8% of the properties in the portfolio based on gross floor area were Green Certified Assets, and 17.2% were not Green Certified Assets. Our new target is to maintain 70% or more of which constitutes Green Certified Assets based on gross floor area.



**#1 Aligned with E/S characteristics** includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

The sub-category **#1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.

**#2 Other** includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

- *How does the use of derivatives attain the environmental or social characteristics promoted by Sekisui House Reit, Inc.?*

Not applicable.

*To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?*

Not applicable.

- *Does the financial product invest in fossil gas and/or nuclear energy-related activities that comply with the EU Taxonomy?*

No. SHR does not invest in real estate assets involved in fossil gas and/or nuclear energy-related activities.

- *What is the minimum share of investments in transitional and enabling activities?*

Not applicable.

*What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?*

Not applicable.

***What is the minimum share of socially sustainable investments?***

Not applicable.

***What investments are included under “#2 Other,” what is their purpose and are there any minimum environmental or social safeguards?***

As of October 31, 2023, 17.2% of the properties in SHR’s portfolio were not qualified as Green Certified Assets based on gross floor area. As discussed in detail above, we invest in properties that have been subjected to ESG-related due diligence review and risk assessment. We do not consider investing in properties that do not meet the standards for environmental contamination in accordance with the applicable environmental laws and ordinances, unless deemed fixable promptly after acquisition.

**Index as Reference Benchmark**

***Is a specific index designated as a reference benchmark to determine whether Sekisui House Reit, Inc. is aligned with the environmental or social characteristics that it promotes?***

Not applicable. SHR does not have a specific index designated as a reference benchmark to determine whether SHR is aligned with the environmental or social characteristics that it promotes.

- ***How is the reference benchmark continuously aligned with each of the environmental or social characteristics promoted by Sekisui House Reit, Inc.?***

Not applicable.

- ***How is the alignment of the investment strategy with the methodology of the index ensured on a continuous basis?***

Not applicable.

- ***How does the designated index differ from a relevant broad market index?***

Not applicable.

- ***Where can the methodology used for the calculation of the designated index be found?***

Not applicable.

**More Product-specific Information**

***Where can I find more product-specific information online?***

More product-specific information can be found on the website: <https://sekisuihouse-reit.co.jp/en/esg/index.html>

**Note Regarding the EU Taxonomy Regulation**

As set out above, we promote certain environmental characteristics.

The Asset Manager is required, under Regulation (EU) 2020/852 (the “EU Taxonomy Regulation”), to disclose whether its assets are aligned with the environmental objectives formulated in the EU Taxonomy regulation. The EU Taxonomy Regulation is to be complemented by technical standards and screening criteria which are currently developed. The technical screening criteria for the first two environmental objectives (climate change mitigation and climate change adaptation) were adopted in December 2021. They apply as of January 1, 2022.

SHR invests in economic activities that are eligible under the EU Taxonomy Regulation in respect of climate change mitigation and/or climate change adaptation. This means that screening criteria for these investments have been or will be developed. The Asset Manager expressly states that in view of the fact that the regulations are still under development or have only recently been adopted and the fact that, as a result thereof, data on alignment of our investments with these environmental objectives and climate related targets in line with EU Taxonomy Regulation are not sufficiently available, the Asset Manager is not currently in a position to disclose on an accurate and reliable basis to what extent our investments technically qualify as Taxonomy-aligned or “environmentally sustainable” within the specific meaning of the EU Taxonomy Regulation. SHR’s investments may have a positive contribution to these environmental objectives and may therefore eventually be considered Taxonomy-aligned, but at this stage, the Asset Manager is required to state that there is no minimum proportion of SHR’s investments that qualify as such.

The Asset Manager further states that the “do no significant harm” principle applies only to those investments underlying the financial product that takes into account the EU criteria for environmentally sustainable economic activities. The investments underlying the other portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

## INTEGRATION OF SUSTAINABILITY RISKS IN THE INVESTMENT DECISIONS, AND THE IMPACT OF SUCH RISKS ON THE RETURNS OF SEKISUI HOUSE REIT, INC. (SFDR ARTICLE 6 DISCLOSURE)

As described in further detail above, the Sustainability Committee generally meets at least once every quarter, to establish targets, monitor compliance, evaluate the effectiveness of measures undertaken, and discuss improvement measures, and makes updates in line with our sustainable investment objective. We have instituted a number of initiatives, at both the portfolio level and the property level, to promote E/S characteristics. Such initiatives include climate change initiatives and energy saving initiatives, which are described in detail above.

While sustainability issues will severely impact our business activities, we believe that such issues may also become potential business opportunities to create new value for sustainable growth. Accordingly, we position our commitment to sustainability as a top priority in our management strategies. We also believe that integrating sustainability factors alongside traditional financial and operational metrics in our investment decision process helps us make a more holistic assessment of risks and opportunities with respect to our properties and is commensurate with the pursuit of superior risk-adjusted returns. We believe that our selection of “Prime Properties”, which are high-quality commercial or residential properties suitable for sustainable business operation or living for tenants, reflects our holistic approach, as we review, with respect to each such property, the economic area, convenience, functionality/livability, environmental consideration, business continuity plans/safety and brand.

### Physical risks

The assets in which we invest are exposed to physical climate risks. These can manifest themselves through, for example, floods, storms, heat, earthquakes and limited access to natural resources. This can mean that the assets in which we invest become stranded assets. Specifically, for the assets in which the Asset Manager managed, the following risks are particularly relevant. The risks are assessed by the TCFD 4 °C scenario and 1.5 °C scenario respectively. More information can be found on the website : <https://sekisuihouse-reit.co.jp/en/esg/environmental/tcf.html>

### Transition risks

The assets in which we invest are exposed to transition risks. These can manifest themselves through, for example, changes in regulations, technical developments and/or social developments. Such developments may mean that the assets in which we invest become worthless. Specifically, for the assets in which the Asset Manager managed, the following risks are relevant. The risks are assessed by the TCFD 4 °C scenario and 1.5 °C scenario respectively. The result in the assessment, the transition risks of the 4°C scenario has not been included in the following table because the impact was not significant. More information can be found on the website: <https://sekisuihouse-reit.co.jp/en/esg/environmental/tcf.html>

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	(0.6) billion yen	Appropriate response based on monitoring of flooding risk 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
		Increase repair costs due to flooding damage	Medium and long term	(0.3) billion yen	Take out insurance	



4°C Scenario						
Classification		Risk and opportunity factors, and financial impact	Period anticipated	Amount of financial implications	Countermeasures	
	Chronic	Increase electricity costs due to increased air conditioning operation as a result of chronically rising temperatures	Medium to long term	(0.01 to 0.02) billion yen	<p>Monitor usage associated with weather and temperature change</p> <p>Optimize HVAC operation through high-efficiency air-conditioning equipment and building automation systems (BAS), etc.</p> <p>Thorough inspection of HVAC equipment for deterioration due to increased operation</p>	<p>dispose of such properties as needed</p> <p>Incorporate quantitative physical-risk information into pre-acquisition property evaluations</p>

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) billion yen	Set reduction targets for GHG emissions and disclose progress against targets

		Increase in property renovation costs as energy regulations are tightened	Medium and long term	(0.7) billion yen	Renovate properties for improved energy-saving performance Procure renewable energy Reallocate portfolio to increase investment ratio in properties with outstanding environmental performance Acquire ZEH and ZEB properties	
	Technology	Increase in the cost of introducing renewable energy and energy-saving technologies	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	
	Reputation	Rising financing costs due to perceived inadequacy of response to climate change	Short, medium and long term	(0.05) billion yen	Improve investor valuations by strengthening information disclosure using frameworks such as TCFD Promote green financing	
	Market	Decreased competitiveness and rent income due to poor environmental performance of owned properties	Medium to long term	(1.45 to 1.6) billion yen	Identify needs through tenant satisfaction surveys, etc., and conduct energy-saving renovations Acquire ZEH and ZEB properties Acquire green certifications	
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	(0.3) billion yen	Appropriate response based on monitoring of flooding risk Implement measure such as stocking emergency power supplies and install tide and water gate barriers Take out insurance	Identify high-risk properties by quantitatively identifying physical risks and dispose of such properties as needed Incorporate quantitative physical-risk information into pre-
		Increase repair costs due to flooding damage	Medium and long term	(0.1) billion yen		

	Chronic	Increase electricity costs due to increased air conditioning operation as a result of chronically rising temperatures	Medium and long term	(0.01) billion yen	Monitor usage associated with weather and temperature change Optimize HVAC operation through high-efficiency air-conditioning equipment and building automation systems (BAS), etc. Thorough inspection of HVAC equipment for deterioration due to increased operation	acquisition property evaluations
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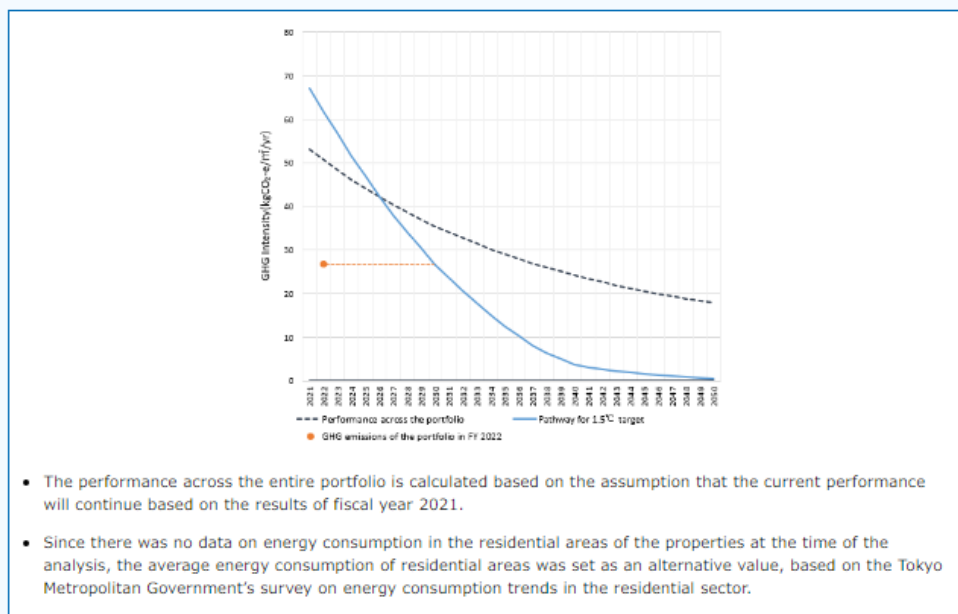
(Note) The amount of financial implications is the annual implications estimated by the Asset Manager based on the actual performance of SHR and other factors, and with reference to various parameters based on scenarios presented by international organizations, etc. The accuracy of the figures is not guaranteed.

As a further step, we conducted a transition risk assessment analysis using the Carbon Risk Real Estate Monitor (CRREM) for the portfolio (the portfolio excluding properties held as of March 2022 that was sold or decided to be sold within one year). SHR will continue to take a strategic approach against climate change to both minimize risks and maximize opportunities.

## Analysis Results

SHAM analyzed the potential stranded asset risk of the portfolio (the portfolio excluding properties held as of March 2022 that have been sold or decided to be sold within one year) using CRREM's risk assessment tool, as follows. The analysis is based on the Asia Pacific version of the tool (ver. 1.22), with some parameters (e.g., GHG emission factors for grid electricity) adjusted. The graph below shows a comparison of the performance of the portfolio and Global Pathways v2.01 (1.5°C target).

CRREM Pathway Transition



In analysis results for the office portfolio conducted in 2022, with respect to the old 1.5°C pathway (Global Pathway v1.093), analysis results were below the old 1.5°C pathway until the first half of 2030 in the case where performance continued at the current level. This time, residential properties were also included in the analysis. In an analysis of the entire portfolio, with respect to the new 1.5°C pathway (Global Pathways v2.01) results showed that the new pathway would be exceeded much sooner, in the mid-2020s. The performance across the entire portfolio is calculated based on the results of fiscal year 2021, but if the performance results of fiscal year 2022 are maintained in the future, we can see that the timing of exceeding the new 1.5°C pathway can be postponed until 2030. Since we also plan to implement measures to reduce GHG emissions, we believe that the timing of exceeding the new 1.5°C pathway can actually be delayed further beyond 2030.

## Social and governance risks

The assets in which we invest are exposed to social and governance risks as described below.

**Bad governance risk:** As prevention measures of conflicts of interest transactions, asset management stipulates Rules for Transactions with Interested Parties concerning transactions between the Interested Parties of asset management and us as an internal rule to exclude adverse effect of conflicts of interest. In addition, the Asset Manager stipulates in the “Compliance Manual” that the Asset Manager prohibits fraudulent acts, such as money laundering, insider transactions trading, bribery, embezzlement for self-interest and other similar violations, and it will strictly punish those who have committed such fraudulent acts. In addition, the Asset Manager is working to raise employee’s awareness by conducting compliance training for all employees appropriately. With these efforts, this risk is assessed as low for our assets.

**Tax risk:** Under tax law, investment corporations that meet certain requirements (conduit requirements) are allowed to include dividends of profits, etc. in their investment corporation's deductible expenses. However, if the conduit requirement is not met, dividends of profits, etc. may not be included in deductible expenses, resulting in an increased tax burden for us, which may adversely affect the amount of distributions to unitholders.