SEKISUI HOUSE REIT, INC.

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Asset Management Company : **Sekisui House Asset Management, Ltd.**

Registered by the Director of Kanto Local Finance Bureau, as a Financial Instruments Business Operator Registration (Kinsho) No. 2791.
Member of the Investment Trusts Association, Japan

Social

ESG Report 2020

SEKISUI HOUSE REIT, INC.

Environment

Governance

A vision for Sekisui House REIT based on its fundamental philosophy

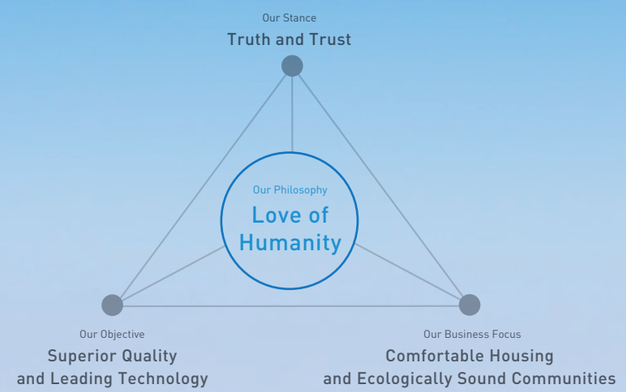
Managing assets to better provide for people, society and the future

- Maximize unitholder value
- Provide high-quality social capital
- A REIT that leads the way into an era of the 100-year lifespan

[Fundamental Philosophy of SHR]

SHR shares a corporate philosophy with Sekisui House and aims to "Provide high-quality social capital" and "Maximize unitholder value" for the purpose of achieving growth with all stakeholders through asset management.

Corporate Philosophy of Sekisui House Group



ESG REPORT 2020

- ENVIRONMENT
- SOCIAL
- GOVERNANCE

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Editorial Policy

This report is issued since this year aiming to dialog and provide stakeholders with an understanding of the initiatives at SHR and Sekisui House Asset Management, Ltd. ("SHAM") to reach a sustainable society.
This report is compiled based on GRI Standards(2016) as reference.

Issuance date: December 2020
Issuance frequency: Annual publication

Top Message

I would like to express my deepest condolences to those who passed away due to the spread of COVID-19 pandemic. Also, express in appreciation to all medical professionals and people who provide daily necessities everyday. SHR will strive to ensure the safety of residents and users as our tenants, as well as employees of SHAM to prevent the pandemic of infections.

Sekisui House Ltd.("Sekisui House"), the sponsor of SHR, was celebrated its 60th anniversary in 2020. Sekisui House entered the REIT business fully in March 2010, with changing the sponsor of residential REIT, and newly launched comprehensive office REIT in December 2014. In May 2018, the two REITs have merged and till now. Thanks to all of your support, we have accumulated a record of achievements over the past 10 years in the REIT business. In this milestone year, SHR decided to issue the first ESG Report.

It is said that an era of the 100-year lifespan is coming. Sekisui House extends its business with the global vision "Make home the happiest place in the world". Based on the fundamental philosophy "Love of Humanity" advocated by the Sekisui House Group, SHR also aims to achieve sustainable growth for all stakeholders—unitholders, tenants and employees of SHAM alike—at the same time SHR aims to maximize unitholder value through sustainable growth.

Through our asset management activities, we work together with Sekisui House to enhance building value and strive to provide high-quality real estate assets. These assets are social capital built for a new era. They are environmentally friendly and provide safety, peace of mind comfort to residents, workers, visitors and the broader community.

Moreover, we contribute to building a better future by tackling social challenges through our ESG (Environment, Social and Governance) strategy and pursuing sustainability for the REIT and society as a whole, while we position SHR to lead the way into a new era of centenarians To declaring the commitment of a REIT that leads the way into an era of the 100-year lifespan, SHR believes it is meaningful to issue this report.

With the aim of becoming a REIT that loved by everyone forever, all directors and employees of SHAM will continue to engage in earnest management. We ask for the continued support of everyone.

Executive Director of Sekisui House REIT, Inc

Junichi Inoue

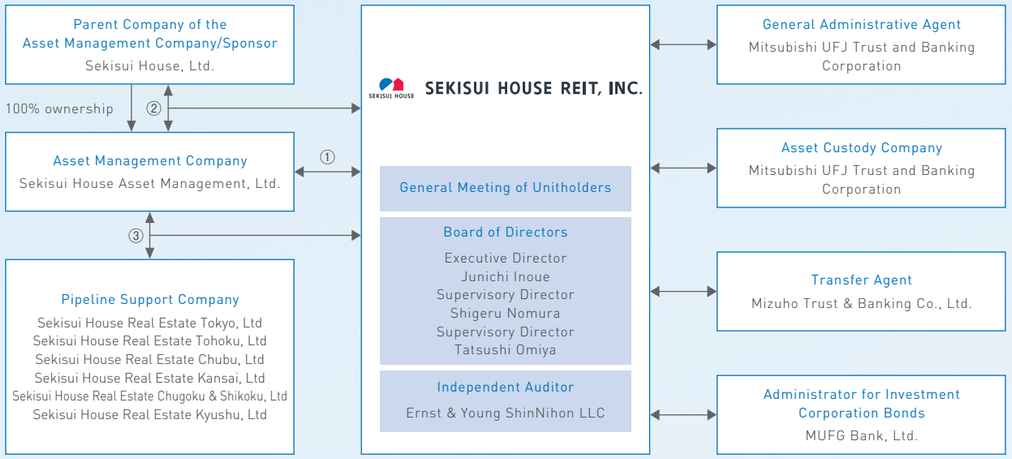
Overview of Sekisui House REIT. Inc

SHR is an investment corporation investing primarily in residences, office buildings and hotels, sponsored by Sekisui House, a leading homebuilder representing Japan with a vast development and management track record also in the property development business. Based on the fundamental recognition that there is a growing need for real estate located at sites suited for "bases for sustainable living" for residents or sites suited for "sustainable bases of operation" of tenant companies and needs for real estate with high, basic functionality as residences, such as comfort and safety, and functionality desired by tenant companies, SHR designates high quality residential and commercial properties, etc. located at strategic locations "Prime Properties" and prioritize investments in Prime Properties.

Overview

Name	Sekisui House Reit, Inc. (Securities code: 3309)	Account Closing Date	End of April and October of each year
Representative	Junichi Inoue, Executive Director	Asset Management Company	Sekisui House Asset Management, Ltd.
Listing date	December 3, 2014 (Tokyo Stock Exchange)	Sponsor	Sekisui House, Ltd.

Structure



① Asset Management Agreement ② Sponsor Support Agreement ③Agreement on Preferential Negotiation Rights, (etc.)

Features

1. Priority Investment in Prime Properties Centering on "Strategic Location" and "High Quality"
2. Growth Strategy that Take Full Advantage of the Versatile Support by Sekisui House Group
3. Strong Financial Foundation based on Sound and Stable Financial Operations

History

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

History of Sekisui House Residential Investment Corporation

July 2005
Sekisui House Residential Investment Corporation(formerly Joint REIT Investment Corporation) listed on the Tokyo Stock Exchange

March 2010
Sekisui House participated as main sponsor

March 2017
Shift to a system of Sekisui House as sole sponsor

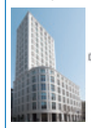
December 2014
Sekisui House Reit, Inc. listed on the Tokyo Stock Exchange

December 2014
Acquired DBJ Green Building Certification

GC Shinagawa Gotenyama

Hommachi Minami GC

May 2015
Acquired DBJ Green Building Certification



Hommachi GC (office portion)

April 2016
Establishment of the Sustainability Promotion Committee

Setting regulations for sustainability policy, promotion system of sustainability

August 2016
Reorganized into the Sustainability Committee

September 2016
Acquired DBJ Green Building Certification

HK Yodoyabashi GA

April 2017
Acquired DBJ Green Building Certification

Hirokoji GA

September 2017
Acquired GRESB Real Estate assessment Green Star, GRESB rating 3 Stars

May 2018
Merged with Sekisui House Residential Investment Corporation through an absorption-type merger
Succeeded 27 assets qualifying as Green Assets at JPY 73.2 billion.

June 2018
Acquired DBJ Green Building Certification (6 residential properties)

PM Shirokanedai Tower

September 2018
Acquired GRESB Real Estate assessment Green Star, GRESB rating 4 Stars

October 2018
Acquired DBJ Green Building Certification (10 residential properties)

PM Fujimidai

March 2019
Signing of the Principles for Responsible Investment (PRI)

March 2019
Acquired CASBEE Real Estate Assessment Certification (All 4 offices received the highest rating, "S Rank")

GC Shinagawa Gotenyama

April 2019
Acquired the highest "S rank" of "MUFG ESG Rating Certificate for J-REIT supported by JCR"

July 2019
For the first time for SHR of issuing green bonds (JPY4 billion for 5 years, JPY2.5 billion for 10 years)

September 2019
Acquired GRESB Real Estate assessment Green Star, selection of sector leader, GRESB rating 3 stars

September 2019
Acquired DBJ Green Building Certification(3 residential properties)

PM Mitatsunamachi

November 2019
Issuance of green bonds (JPY5 billion for 5 years)

December 2019
Began disclosing energy-related indicators

February 2020
Issuance of green bonds(JPY2 billion for 10 years)

March 2020
Acquired CASBEE Real Estate Assessment Certification(1 office received the highest rating, "S Rank")

Akasaka GC

April 2020
Introduction of work-from-home system for SHAM (Measures to prevent COVID-19 pandemic)

May 2020
Change in the asset management fee structure (Introduction of performance-linked rates to the Tokyo Stock Exchange REIT Index)

June 2020
Identification of ESG important issues (materiality)

July 2020
Supporting the Recommendations of the TCFD

August 2020
Annual Green Bond Reporting Issuance

September 2020
Issuance of green bonds (JPY4 billion for 5 years , JPY4 billion for 10 years)

November 2020
Acquired GRESB Real Estate assessment Green Star, GRESB rating 3 Stars

December 2020
Issuance of ESG report

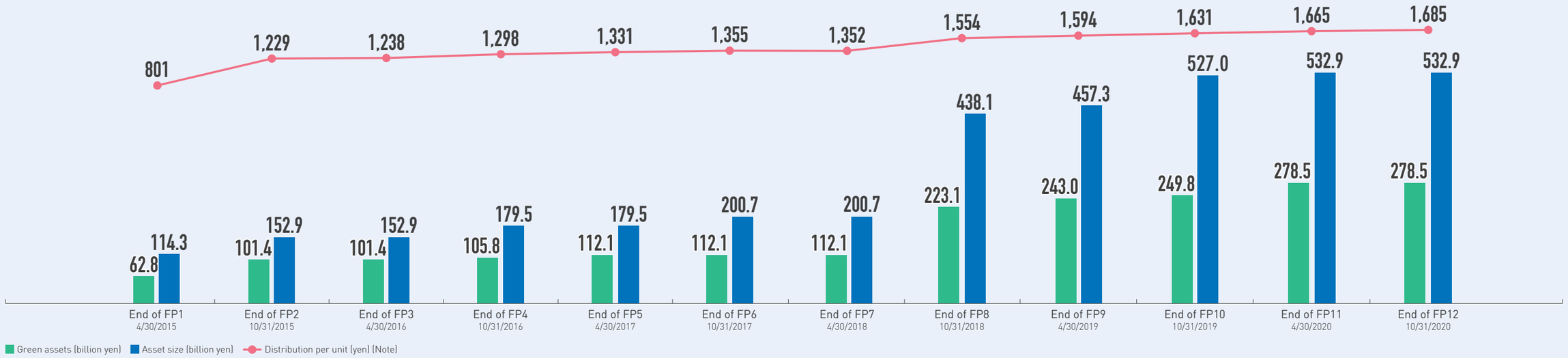
FP 1 (Ended Apr. 2015) | FP 2 (Ended Oct. 2015) | FP 3 (Ended Apr. 2016) | FP 4 (Ended Oct. 2016) | FP 5 (Ended Apr. 2017) | FP 6 (Ended Oct. 2017) | FP 7 (Ended Apr. 2018) | FP 8 (Ended Oct. 2018) | FP 9 (Ended Apr. 2019) | FP 10 (Ended Oct. 2019) | FP 11 (Ended Apr. 2020) | FP 12 (Ended Oct. 2020)

December 2014
Asset size at the time of listing
JPY114.3 billion

May 2017
Asset size
JPY200 billion Achieved

May 2018
Asset size
JPY400 billion Achieved

June 2019
Asset size
JPY500 billion Achieved



GC: Garden City GA: Garden Avenue PM: Prime Maison
(Note)As a two-for-one split of investment units was implemented on May 1, 2018, and in consideration of the impact of the split, DPU for each period prior to the FP8 is calculated by dividing the actual figures by two.

Model of Value Creation through Asset Management

SHR aims to achieve sustainable growth for all stakeholders at the same time to maximize unitholder value.
Providing social capital for the new era with Sekisui House through asset management, and based on our ESG strategy, as a REIT that leads the way into an era of the 100-year lifespan, SHR contributes to building a better future by pursuing the mutual sustainability between society and SHR.

Business environment surrounding SHR

- Increasing Global Warming Seriousness
- Changes in ecosystems and resources
- Changes in demographic
- Changes in society and the economy
- Changes due to the spread of infectious diseases

INPUT
(Sources of Value Generation)

Financial Capital
Financial base with the ability of financing environment improvement

Intellectual Property Capital
Accumulation of know-how and information-gathering capabilities through specialized asset management formed by human resource development

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

Manufacturing Capital
High-quality portfolio with high environmental performance and stable earnings

Social Relation Capital
Diverse sponsor support of Sekisui House Group
Foundation of supply chain collaboration

Nature Capital
Greening Space through Tree Planting Based on Gohon no ki (five trees) project.
Foundation for Reducing Environmental Impact

Investment strategy of value creation

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

6 Factors of Prime Properties Investment

Strategic Location		High quality
Economic Zones	Safety/BCP	Livability/Functionality
Convenience	Brand	Environmental consideration

Sustainable growth by securing stable earnings

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

Response to Climate Change
- Introducing facilities that consider the environment
- Efficient use of energy

Response to lifestyle along with COVID-19 pandemic

OUTCOME
(Value Provided to Stakeholders)

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

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

Employees
Energy-efficient workplace
Enrichment working system
Career development

Business partners
Further improving in revenue opportunities with growth Improvement sustainability

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

Society SHR aims for

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

Aspirations

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

Corporate Governance

Sustainability Policy

SHR and SHAM contribute to a sustainable society by conducting real estate investment management with due consideration given to environment, social and governance in accordance with the Sustainable Vision advocated by Sekisui House, the sponsor.
SHAM has established Sustainability Policy as described below, in order to connect our overall business activities with the objectives of Sustainable Policy, and shall comply and implement such policy.
Moreover, its Sustainability Committee sets up targets, monitors compliance and evaluates the effect of measures implemented, and investigates improvement measures on a regular basis.

Sustainability Policy

1 Compliance with ESG-related Laws, Regulations and Rules

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

2 Response to Climate Change

We strive CO_2 emission reduction and actively promote the efficient use of energy toward the realization of decarbonized society.

3 Water and Resource Saving Measures

We shall actively contribute to the creation of a recycling-based society by promoting measures and public awareness activities for reducing water use and implementing the 3Rs (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 conduct maintenance and management of planting and other greenery measures, centering on tree species with consideration given to the native vegetation and other ecosystem matters. By doing so, we aim to realize harmony with the nature and the surrounding environment.

5 Comfort and Safety

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

6 Contributing to Regions and Communities

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

7 Cooperation with Stakeholders

In order to implement initiatives based on our ESG policy, we shall strive to cooperate with property management companies and other business partners, residents, tenant companies and facility users, and stakeholders.

8 Efforts for Directors and Employees

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

9 Supply Chain Management

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

10 Information Disclosure and Acquisition of External Certifications

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

Sustainability Promotion System

In order to implement initiatives continuously and systematically based on our "Sustainability Policy", SHAM has established "Sustainability Committee" in August 2016, for building the system conducting establishment of the policy, target, measures decision, progress management and other instructions as needed regarding sustainability. Based on the sustainability committee, with comprehending and resolving issues from the cross organizational viewpoints, we have placed the department of sustainability promotion under the committee to enhance planning and promoting targets of activities.

Sustainability Committee

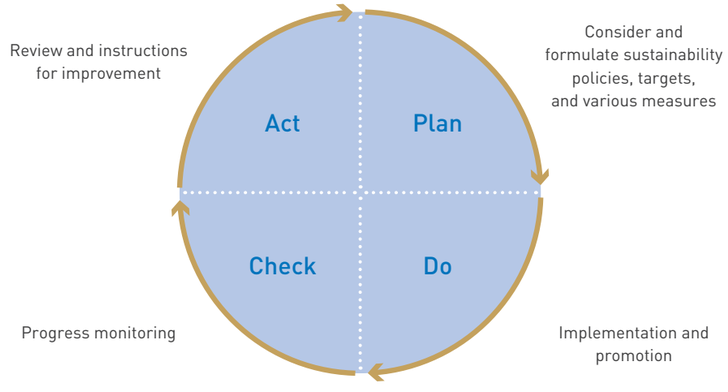
Chief executive officer	President and Representative Director
Chief operating officer	Director of Business Strategy Department
Members	Full-time Directors, Compliance Officer, General Managers of Internal Control Promotion Department, Real Estate Division., Real Estate Management Departments, Engineering Management Department, Investor Relations Department and General Affairs Department
Frequency of meetings	at least once every 3 months in principle

Sustainability Committee

Approval and instructions ↓ / ↑ Proposals and reports

Overall	Overall coordination Planning and promotion, initiatives participation Overseeing ESG rating compliance	Business Strategy Department
E (Environment)	Correspondence of environmental measures and environmental certification in investment assets	Real Estate Division, Real Estate investment Departments and Engineering Management Department
S (Social)	Measures for tenants, local communities, and suppliers in investment assets	
	Measures related to the working environment, human resource development, and social contribution	General Affairs Department
G (Governance)	Corporate governance and risk management	Internal Control Promotion Department
	Information disclosure	Investor Relations Department

Image of Sustainability Promotion Based on PDCA Cycle



Materiality (Important Issues)

SHR believes that sustainable growth in our business activities is built on a solid foundation of a sustainable society. SHR also recognize that in order to continue providing Prime Properties, which it focuses on as an investment strategy, it is necessary to carry out initiatives based on the guidelines of solving problems to build a sustainable society through business activities.

Materiality of SHR

Based on the recognition, SHR has identified 8 materialties (important issues) as below. SHR sets targets (KPIs) for each materiality and pursues the mutual sustainability between society and SHR by promoting efforts to achievement.

	Materiality	Target (KPI)
Environment	Reduction of CO_2 emissions	• Reduce 20% of CO_2 emission (intensity) of our portfolio compared to 2018 (Target year : 2030)
	Coexistence of humankind and nature and activities for the resources environment	• Advance greenification and respect biodiversity • Manage waste appropriately • Promote reduction of water consumption
	Invest in real estate with excellent environmental performance	• Percentage of portfolio with green certification: 70%(Target year: 2030)
Social	Provide residents and tenants with secure and comfortable space	• Continual surveys on resident and tenant satisfaction • Disclosure on risk of earthquakes and flooding • Regular monitoring of initiatives toward sustainability in the supply chain
	Contributions to society	• As a member of society, contribute to greater vitality in the community and countermeasures aimed at preventing damage from natural and other disasters • Participate in Sekisui House matching program (a joint donation system for employees and the company)
	Create a rewarding workplace	• (Target year: 2023) Percentage of female managers: 7% Average monthly work hours per person: 162 hours Take-up rate for male childcare leave: 100% Annual paid leave take-up rate: 70% • Annual participation in external training events: 2 times per person • Annual training participation rate: 100% • Practice Sekisui House Group Human Rights Policy
Governance	Strengthen our corporate governance system	• Enhance effectiveness of executive committee and board of directors • Penetration of compliance • Strengthen internal controls structure • Strengthen risk management system
	Disclosure and dialog with stakeholders	• Timely and appropriate disclosure of information and enhanced utility of disclosures • Build relationships of trust with stakeholders

Process of Materiality Identification

SHR implemented the following processes in identifying materiality.
In the future, the environment surrounding stakeholders and SHR is expected to change over the med to long term. SHR shall fulfill our responsibilities for the sustainable growth of society and companies by reviewing materiality as appropriate in line with trends and advancing initiatives in a manner that meets the demands of society.

Step 1 Identification of issues

List the issues, which should be considered in the sustainable growth to SHR and SHAM, for each category to environmental, social and governance by referring to the international targets such as SDGs, Guidelines like GRI standards etc, and assessments by evaluation organizations.

Step 2 Prioritization

Prioritize the identified issues by narrowing down to be emphasized from the viewpoint of the impact and importance to stakeholders, SHR and SHAM.

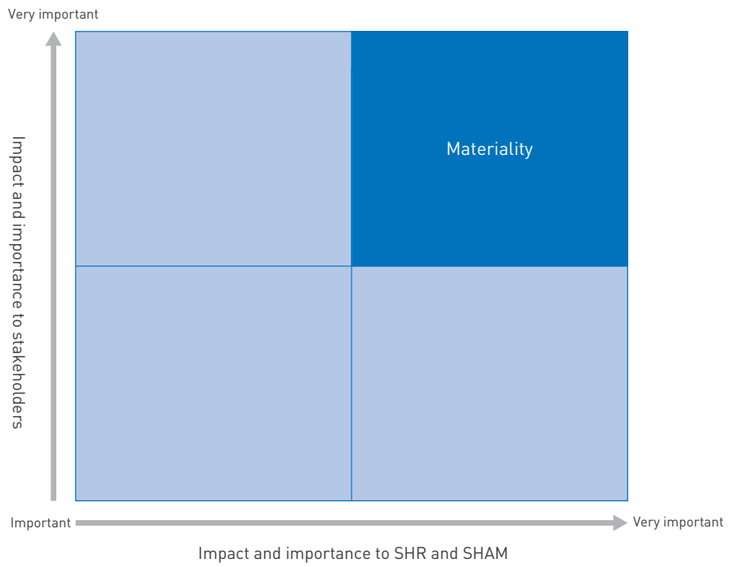
Step 3 Identification and Approval of Appropriateness

Identify and approve the prioritized issues with discussing their relevance in Sustainability Committee.

Step 4 Progress Review

Confirm and evaluate the results of initiatives in Sustainability Committee, also continue implementation of improvement activities through PDCA cycle and promotes initiatives, with reviewing materiality regularly.

[Materiality Matrix]



International Initiatives / External Certifications

Throughout the signing and supporting of each initiative, SHR and SHAM have announced to promote ESG initiatives. In addition, through acquisition of external certifications, we visualize the added value and sustainability of owned properties and use them as communication tools with stakeholders, as well as promoting environmental and social sustainability initiatives as a whole.

PRI(The Principles for Responsible Investment)

In March 2019, SHAM became a signatory and decided to support the basic approaches of the PRI advocating the incorporation of ESG issues into the investment analysis and decision-making processes.

Signatory of: PRI Principles for Responsible Investment

TCFD(Task Force on Climate-Related Financial Disclosures)

TCFD (Task Force on Climate-Related Financial Disclosure) encourages companies to disclose information on climate change-related risks and opportunities. In July 2020, SHAM has expressed the supporting to the recommendations.

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

UN Global Compact

Sekisui House Group has spelled out its commitment to respective human rights in the Sekisui House Group Corporate Code of Conduct and Corporate Ethics Guidelines, which are the explicit foundations of its corporate activities. Further, Sekisui House Group has expressed support for the 10 principles of the UN Global Compact.

WE SUPPORT UN GLOBAL COMPACT

GRESB Real Estate Assessment

In GRESB Real Estate Assessment, SHR has been awarded "Green Star" for the fourth consecutive year to participants who have received high marks for their efforts in environmental considerations and sustainability. In addition, we have acquired 3 stars ratings based on relative evaluations (on a 5-point scale, with the highest rating as 5 Stars).
In addition, we have aquired the highest rank "A" in GRESB Disclosure Assessment (5-point rating from A to E) for evaluating information disclosures.

GRESB 2020

MUFG ESG Rating Certificate for J-REIT supported by JCR

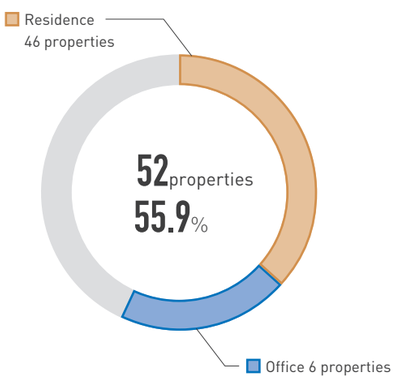
MUFG ESG Rating Certificate for J-REIT supported by JCR, which is a service provided by Mitsubishi UFJ Research and Consulting Co., Ltd. (MURC) and supported by Japan Credit Rating Agency, Ltd. (JCR), intends to evaluate J-REITs' initiatives and implementations on the environment, ESG issues based on the items originally developed.
SHR and SHAM acquired S rank, which is the highest rank among the 5 grades.

DBJ Green Building Certification and Certification for CASBEE for Real Estate

The DBJ Green Building Certification Program was launched by Development Bank of Japan Inc. ("DBJ") in April 2011, for the purpose of supporting the properties which give proper care to environment and society ("Green Building"). The assessment is conducted on a 5-phase scale from 1 Star to 5 Stars, and SHR has acquired certification of more than 3 Stars for a total of 51 office buildings and residential properties.

CASBEE (Comprehensive Assessment System for Built Environment Efficiency) is a system that comprehensively evaluates buildings and structures in terms of their environmental performance including aesthetic appeal, in addition to each building's ability to reduce its environmental impact such as energy and resource conservation as well as recycling. SHR has acquired the highest rating of "S Rank (Superior)" certification for 5 office buildings.

Green Certification Acquisition Ratio
(Total floor area basis) (As of December 15, 2020)



DBJ Green Building

Garden City Shinagawa Gotenyama

Prime Maison Gotenyama East

CASBEE 不動産 2020 ★★★★★

Akasaka Garden City

CASBEE 不動産 2019 ★★★★★

Hommachi Minami Garden City

TOPICS Sekisui House--Aiming to become a leading ESG company

Our sponsor, Sekisui House, is doing business with the aim of becoming a leading company in ESG management under the global vision, "Make home the happiest place in the world."
Initiatives aimed at improving the environment and diversity have led to high marks from many external third parties. As a result, the company has been selected for inclusion within the following evaluation systems and ESG investment indexes.

- Selected for the Climate Change A List, the highest rank, for the second time and second consecutive year by CDP, an environmental non-profit organization with global renown in the environmental field.
- Acquired first certification in Japan's homebuilding industry for greenhouse gas reductions under the International initiative, SBT (Science Based Targets) Initiative.
- Selected for Nadeshiko 2018 in recognition of the company's efforts to promote greater empowerment of women in the workforce. The Nadeshiko index is jointly managed by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange.
- Selected to as a Forward-looking IT Company 2019 for its IT strategy execution. The index is jointly managed by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange.
- Selected Silver Class for the second consecutive year in the Homebuilding division of the SAM Sustainability Award, a sustainability rating run by Robeco SAM, a Swiss research firm that conducts research and ratings in socially responsible investing (SRI) globally. Following three consecutive years since 2016 selected to Gold Class, selected to Class for five consecutive years.
- Included in ESG investment indexes, Dow Jones Sustainability World Index (DJSI World) and Dow Jones Sustainability Asia Pacific Index (DJSI Asia Pacific), for five and four consecutive years, respectively. Also, selected as Industry Leader for acquiring the highest score in the Homebuilding Industry.
- Selected for inclusion in all four ESG indexes adopted by the Government Pension Investment Fund (GPIF)
  - FTSE Blossom Japan Index, created by FTSE Russell, a global index provider.
  - MSCI Japan ESG Select Leaders Index and MSCI Japan Empowering Women Index (WIN), developed by MSCI.
  - S&P/JPX Carbon Efficient Index, developed jointly by S&P Dow Jones Index and the Tokyo Stock Exchange.

Environmental Commitment

Measures for addressing Climate Change

In recent years, global warming is causing climate change and environment, society, people's lifestyle and corporate activities are highly affected. We recognize that resolving environmental issues represented by climate change is one of the key issues in the policy of SHR, which conducts real estate investment management in consideration of ESG, aiming to provide "bases for sustainable living" and "sustainable bases of operation." Recognizing these issues, in July 2020 SHR supported the recommendations of TCFD (Climate-Related Financial Disclosure Task Force). We anticipate and evaluate the risks and opportunities posed by climate change in our business, and at the same time promote information disclosure in line with the framework as we work to achieve our established targets.

Governance

SHAM has established the Sustainability Committee, with the President and Representative Director as the chief executive officer, as the decision-making body for sustainability. In principle, the committee meets once every three months to review and draft various sustainability-related risks and opportunities, including climate change, and various policies and targets, as well as various measures. The committee also reports to the Board of Directors of SHR as appropriate.

Strategy

In Sustainability Committee ,SHR shall continuously identify and evaluate the risks and opportunities associated with climate change in our asset management, and if deemed necessary, update the evaluation details by the President and Representative Director, who is the chief executive officer of the Sustainability Committee.
SHR takes countermeasures by classifying risks related to climate change into "transition risks" and "physical risks," and views new values created as opportunities related to climate change as it tackles these risks and utilize them in our asset management.

[Risks Related to Climate Change]

Risk classification		Related to real estate management	Potential financial impact	Time horizons	Risk Management/Countermeasures	
Transition risk	Policies and Laws	Increasing of GHG Emission Prices Due to the Introduction of a Carbon Tax	Tax burden on GHG emissions of properties	Medium term	Set reduction targets for GHG emission intensity, and disclose the status of achievement Consider energy-conservation renovations for properties Encouraging expanded sourcing of renewable energy	
		Enhancement of energy -saving standards	Increase in renovation costs of properties (fines in some cases)			
	Technology	Evolution and dissemination of re-energy and energy-saving technologies	Increase in the cost of introducing new technologies	Medium term	Collecting information and introducing new technologies and services to our portfolio	
	Market	Decline in asset value of properties	Decrease in NAV	Medium term	Collecting information on trends in real estate appraisals and responding as appropriate Same as "Policies and Laws"	
		Deterioration in procurement conditions due to inadequate responses to climate change	Increase in the Cost of Raising Funds	Medium term	Improving investor valuation by enhancing information disclosure such as TCFD	
		Increase in energy bills (including renewable energy procured externally)	Increase in utility expenses	Medium term	Selection of favorable suppliers	
		Changes in the demand of residents and tenant companies (Select properties that are more responsive to climate change or avoid properties that are not responsive to them)	Decrease in rental income	Short term	Identification of needs through tenant satisfaction surveys, etc. and consideration of energy-saving renovations	
	Reputation	Decrease of the brand value	Decrease in rental income	Short term	Maintain brand image by steadily responding to climate change	
Physical risk	Acute	Damage to the property due to typhoons	Increase in repair and insurance costs	Short term	Understand risks through hazard maps, etc. Implement BCP measures such as emergency power supply measures and disaster prevention stockpiles Provision of disaster prevention information to tenants Cash flow management in preparation for increasing fire insurance premiums	Identify high-risk properties by quantitatively identifying physical risks and take appropriate measures or make them subject to transfer Incorporate quantitative physical risk information into the evaluation at the time of property acquisition
		Inundation and inland flooding due to intensive heavy rains and the destruction of neighboring rivers, etc.	Decrease in rental income due to decrease in occupancy	Short term		
	Chronic	Inundation of low sea level properties due to rise in sea level	Increase in countermeasure costs for storm surge damage	Medium term	Not invest the property with high risk or dispose	
		Air conditioning operation increased due to an increase in extreme events such as hot days and extreme cold days	Increase in air-conditioning operation, maintenance, and repair costs	Short term	Monitoring of changes in usage due to changes in weather and temperature Implement appropriate air-conditioning management through the operation of high-efficiency air-conditioning equipment and BAS, etc. Thorough inspection for deterioration of facilities due to an increase in operations	

[Opportunities for Climate Change]

Opportunity	Classification	Related to real estate management	Potential financial impact	Time horizons	Countermeasures
Opportunities	Efficiency of resources	Operating expenses cutting with introduction of renewable energy on-site	Cutting in externally procured energy costs	Short term	Same as "Transition Risk/Policies and Laws"
	Products and services	Promoting to residents, tenant companies and users by providing low-emission equipment and services	Increase in rental income by attracting residents and tenant companies	Medium term	Same as "Transition Risk/Policies and Laws" Specifically, consideration of introduction of equipment for renewable energy and EV chargers
	Market	Continuously provide rental properties in line with changes in residents and tenant companies demand, and cultivate new customer segments	Increase in rent income by raising rent and acquiring and securing residents and tenant companies		
		To cultivate a new investor base	Utilization of Green Bonds	Short term	Same as "Transition Risk Market" Responding and appealing to investors who emphasize environmental issues

* "Time horizons" for risks and opportunities related to climate change are assumed to be short-term (within 5 years), medium-term (within 6 to 10 years), and long-term (11 years or more).

Risk Management

We clarify how to manage risks and opportunities related to climate change and promote efforts related to managing climate change risks and opportunities and resilience as part of our overall risk management process.

Metrics and Targets

Metrics and targets used when identifying, evaluating and managing risks and opportunities related to climate change, are set as follows: With respect to the metrics, SHR discloses performance against the targets and targets set with due attention to the consistency of the investment strategy and our comprehensive risk management.

- **Target of Energy Consumption**
  Reduce energy consumption intensity of our portfolio by 5% or more over the next 5 years(Note)
- **Target of CO_2 Emission**
  Reduce CO_2 emission intensity of our portfolio by 5% or more over the next 5 years(Note)
  Reduce 20% of CO_2 emission intensity of our portfolio by 2030 compared to 2018 as the mid-term target
- **Target of Water Consumption**
  Maintain water consumption intensity of our portfolio at the level of 2018 over the next 5 years(Note)

(Note) The period covered by the environmental targets is five years from 2018, which is the base year (until 2023) , and in principle, the environmental targets are set every five years thereafter.

[Environmental Performance]

	2018 (Base year)	2019
Energy consumption		
Total energy consumption (thousand kWh)	41,581	52,494
Electricity consumption (thousand kWh)	28,152	36,174
Fuel consumption (thousand kWh)	13,429	16,319
Energy use intensity (kWh / m^2)	174.0	179.1
CO_2 emissions		
Total CO_2 emissions (t-CO_2)	15,253	18,318
Scope1(t-CO_2)	2,411	2,930
Scope2(t-CO_2)	12,842	15,389
CO_2 use intensity(t-CO_2 / m^2)	0.064	0.063
Water consumption		
Total water consumption (m^3)	780,360	876,419
Water use intensity (m^3 / m^2)	1.7	1.7

* The above figures are numerical data for the entire portfolio, and are for the period from April to March of the following year.
* Of the properties held as of the end of March every year, properties for which SHAM has energy management authority are subject to surveys (total floor area base coverage ratio: 93.8% in 2018, 94.3% in 2019). However, areas where it is difficult to comprehend data, such as the exclusive floor area of residences, are excluded.

Energy Reduction

In order to realize a carbon-free society, SHR actively promotes the efficient use of energy by making capital investments in its properties and implementing measures to conserve energy.

Introduction of Environmentally Friendly Facilities

SHR has actively introduced LED lighting, energy-saving air conditioner, and other equipment with low environmental impact in our residential properties. In the 12th FP, the number of LED lighting and energy-saving air conditioner has also increased, and we will continue to promote the introduction of such equipment.

■ Introduction of LED lighting (common area)

	FP 9 Ended Apr. 2019	FP 10 Ended Oct. 2019	FP 11 Ended Apr. 2020	FP 12 Ended Oct. 2020
Number of properties implemented in each FP	6	5	5	3
Cumulative total number of properties implemented	49	53	58	61
Estimated reduction in annual electricity consumption(kWh)	Approx. 1,279,616	Approx. 1,320,102	Approx. 1,428,270	Approx. 1,443,755
Estimated reduction in annual CO_2 emission(t-CO_2)	Approx. 636	Approx. 650	Approx. 697	Approx. 703

* One property which had been introduced LED lighting was disposed in 10th FP.

■ Introduction of energy-saving air conditioner (exclusive area)

	FP 9 Ended Apr. 2019	FP 10 Ended Oct. 2019	FP 11 Ended Apr. 2020	FP 12 Ended Oct. 2020
Number of implemented air conditioners in each FP	162	254	306	526
Cumulative total number of implemented	1,094	1,348	1,654	2,180
Estimated reduction in annual electricity consumption (kWh)	Approx. 243,962	Approx. 300,604	Approx. 368,842	Approx. 486,140
Estimated reduction in annual CO_2 emission(t-CO_2)	Approx. 112	Approx. 136	Approx. 167	Approx. 214

In addition, we have introduced various other facilities, including solar power generation panels, Low-e double-glazed windows with thermal shielding and thermal insulation capabilities, flow control valves that prevent overflow of water, showerhead with water-saving features, and chargers for electric vehicles.

■ Solar power generation panels

Garden City Shinagawa Gotenyama

Prime Maison Gotenyama East

■ LED lighting

HK Yodoyabashi Garden Avenue

■ Low-e double-glazed windows

Hommachi Minami Garden City

■ Water-saving equipment
(Flow control valve, showerhead, etc.)

■ Electric vehicle charger

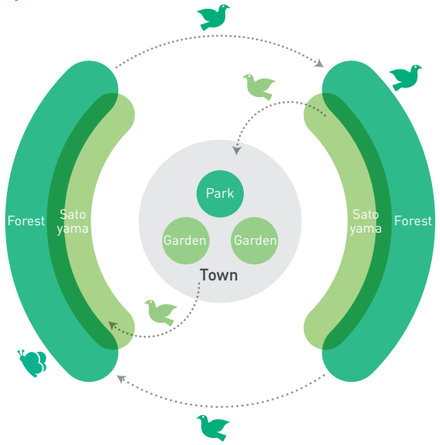
Biodiversity Conservation

Recent extreme weather events that are believed to be associated with climate change make people's lives more difficult; moreover, they can damage ecosystems. SHR strives to conserve biodiversity through the greening of our properties.

Gohon no ki (five trees) project

Gohon no ki project is a proposal by Sekisui House, the sponsor for the creation of gardens and communities. In this planning, With thought of "Three are for birds and two are for butterflies.", we aim to co-exist with the surrounding nature and create a garden for which admiration will grow as time passes by planting indigenous trees that have close ties to the lives of living things and are in harmony with Japan's climate. As a result of this activity, Sekisui House planted 1.09 million of trees in FY2019. The cumulative number of planted trees since the start of the project in 2001 has reached 16.11 million.
The creation of greenery spaces in cities, even on a small scale, creates a corridor for the habitat and movement of insects, wild birds, and other creatures, which creates food chains and forms ecosystem networks among live. This ecosystem network will enrich the biodiversity of local communities and Japan. These spaces not only make them easy to use for creatures, but also make them a place where tenants can enjoy the richness of nature at the same time.
SHR will continue to maintain and manage planting based on ecosystem-friendly tree species in accordance with Gohon no ki project.

Satoyama Network



[Examples of Introduction]

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 natural environments in urban areas. The entrance of Prime Maison Yokohama Nihon-odori is planted on the 1 surface of the walls to prevent heat from permeating inside the building. It also serves as a space for tenants to relax.

Garden City Shinagawa Gotenyama

Hommachi Garden City

Prime Maison Yokohama Nihon-odori

Urban Revitalization / Urban Redevelopment

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

Gotenyama Project, a large-scale complex developed by Sekisui House

"Prime Maison Gotenyama East," "Prime Maison Gotenyama West," "Garden City Shinagawa Gotenyama," and "Gotenyama SH Building" held by SHR are properties planned and developed by Sekisui House's large-scale complex development "Gotenyama Project." It is not a mere large-scale development that advocates a sense of scale, but is based on the revitalization of the original landscape of Gotenyama, which is rich in nature, the familiarity of human-scale with its rich expression, and the creation of a comfortable townscape. In addition, the project focuses on environmental considerations through the active use of natural energy and advanced energy-saving technologies.
In the "Gotenyama Project", more than 40% of the total development area is greened by planting the exterior and greening the roof and walls. Based on Sekisui House's proprietary "Gohon no ki" Planning, which is ecosystem-conscious, based on the "Satoyama," which can be said to be the original landscape of Japan, a green network that is integrated with the greenery in the surrounding area is created through preservation of existing trees and planting over 26.4 thousand trees, mainly indigenous species.

Major awards granted to the project

■ February 2012

Sponsored by Shinagawa Ward, Tokyo

Tree planting award 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 Green City Award

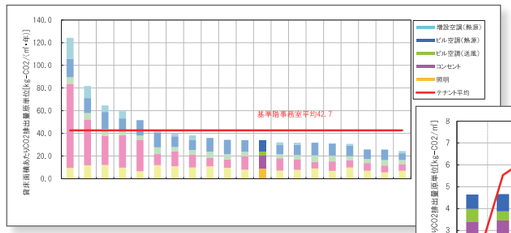
Collaboration with Tenants and Property Management Companies

SHR is, in collaboration with tenants and property management companies, actively engaged in environmental measures, such as energy conservation measures and CO_2 reduction measures, for certain properties held by SHR.

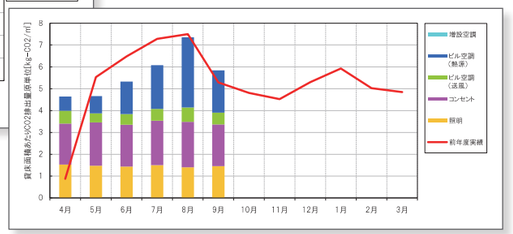
Efforts to reduce energy consumption

At Akasaka Garden City, tenant companies are regularly convened to hold a CO_2 reduction promotion meeting. At the meeting, energy consumption and CO_2 emissions are reported to each tenant, and explanations on energy conservation are provided in conjunction with these reports to raise environmental awareness.

■ CO_2 Reduction Promotion Meeting Materials (excerpt)



Comparison of CO_2 emission intensity with other offices



Monthly changes in CO_2 emissions intensity

At Garden City Shinagawa Gotenyama, daylight is used to reduce the brightness of lighting and reduce power consumption during the day. We also try to save energy by adjusting the initial luminosity of the illuminance sensor to avoid the lighting becoming brighter than necessary. We are promoting the effective use of water resources by utilizing stored rainwater for sprinkling rooftop gardens. In-house, we have posted an awareness-raising poster for 3Rs (Reduce, Reuse, Recycle) aimed at reducing waste emissions.

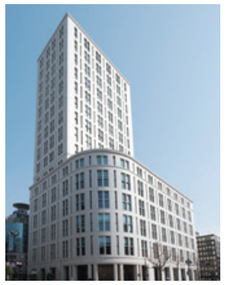
Promotion of green leasing

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

[Main Green Lease Contracts Introduced Properties]

Garden City Shinagawa Gotenyama

Hommachi Minami Garden City



Hommachi Garden City (Office Building part)

Green Bonds

Green Bonds are a type of bond instrument issued by issuers to finance eligible green projects (environmentally-friendly investment projects). The issuance of Green Bonds must adhere to the Green Bond Principles of International Capital Market Association (ICMA). SHR issues green bonds with the intention to further promote asset management with due consideration given to ESG.

Issuance of Green Bonds

As of December 15, 2020

	Issued amount (Million yen)	Interest Rate (%)	Issue Date	Redemption Date
The 1st Green Bonds (The 3rd Unsecured Investment Corporation Bonds)	4,000	0.220	Jul. 11, 2019	Jul. 11, 2024
The 2nd Green Bonds (The 4th Unsecured Investment Corporation Bonds)	2,500	0.570	Jul. 11, 2019	Jul. 11, 2029
The 3rd Green Bonds (The 5th Unsecured Investment Corporation Bonds)	5,000	0.220	Nov. 1, 2019	Nov. 1, 2024
The 4th Green Bonds (The 6th Unsecured Investment Corporation Bonds)	2,000	0.500	Feb. 28, 2020	Feb. 28, 2030
The 5th Green Bonds (The 7th Unsecured Investment Corporation Bonds)	4,000	0.250	Sep. 9, 2020	Sep. 9, 2025
The 6th Green Bonds (The 8th Unsecured Investment Corporation Bonds)	4,000	0.510	Sep. 9, 2020	Sep. 9, 2030
Total	**21,500**			

Green Bond Framework

1 Use of Proceeds

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

Eligibility Criteria

Buildings that have a valid third-party certification described below as of the date of a green bond issuance and as of the time of reporting, and/or that are expected to receive the certification post issuance:

- 3, 4, or 5 Stars under the DBJ Green Building Certification
- A or S rank under the Comprehensive Assessment System for Built Environment Efficiency (CASBEE) certification for real estate

DBJ Green Building

CASBEE

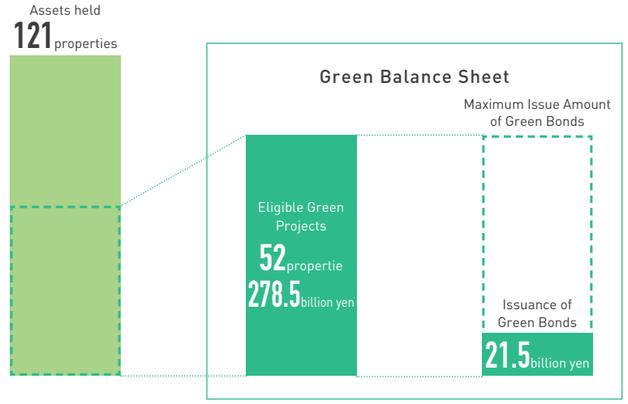
2 Project Evaluation and Selection Process

Eligible Green Projects are evaluated and selected by Sustainability Committee in accordance with its Sustainability Policy and eligibility criteria.

3 Management of Proceeds

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

In addition, as long as there are Green Bonds outstanding, we track appropriated funds on a portfolio basis and, if all or a portion of the proceeds raised in Green Bonds are not allocated to Green Eligible Assets, SHR manages all or a portion of the proceeds in cash and cash equivalents until such time as the unallocated funds are identified and allocated to Green Eligible Assets.



4 Reporting

Allocation Reporting

SHR discloses that the net proceeds of the green bonds are fully allocated to Eligible Green Projects, and that the total amount of the outstanding green bonds does not exceed the total acquisition price of Eligible Green Projects. While the green bonds are outstanding, SHR will annually reports the total acquisition price of Eligible Green Projects and the total amount of the outstanding green bonds, as of the end of March, and SHR also receives assertions by SHAM's president and representative director that the net proceeds have been allocated to Eligible Green Projects.

Impact reporting

SHR discloses the following indicators as of the end of March once a year on its website, as long as the green bonds are outstanding.

- The number of the buildings and the total amount of the floor area of Eligible Green Projects
- The levels of certifications acquired by respective Eligible Green Projects
- The following quantitative indicators (limited to the properties for which SHR has energy management authority)
  - Electricity consumption
  - CO_2 emission
  - Water consumption

Third-party Eligibility Assessment

Second-Party Opinion

SHR has obtained a second-party opinion from Sustainalytics, an ESG appraisal company, regarding the eligibility of the Green Bond Framework (Note).

SUSTAINALYTICS
a Morningstar company

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

Social Responsibility

Stakeholder Engagement

SHR conducts its business activities in the context of its ties with stakeholders, and in order to continue as an investment corporation that contributes to society, it is important to accurately understand the demands and expectations of stakeholders for society and SHR, and to respond to them through its business activities. For this reason, SHR will build long-term relationships of trust with its stakeholders and utilize the requests and expectations gained through communication in its business activities.

Opportunities for engagement with stakeholders

Investors

- Financial results briefings and general unitholders meetings
- IR Meetings with Domestic and Overseas Institutional Investors
- IR Seminar for Individual Investors

Employees

- Personal Interviews
- Various types of training
- Awareness Survey
- Internal Consultation Counter System

Sekisui House REIT, Inc.

Sekisui House Asset Management (Asset Management Company)

Business partners

- Communications through operations
- Monitoring through external evaluation organizations

Tenants

- Tenant Satisfaction Survey
- Communication through various business activities

Local communities and international communities

- Participation in local communities
- Provision of space for our properties to local events
- Support for the international Initiative

Contribution to Local Communities

Installation of disaster prevention equipment, etc.

SHR is also working to coexist with local communities by introducing disaster relief installed vending machines that enable anybody to take out drinks for free at times of disasters or other emergency, as well as AEDs for prompt lifesaving measures for cardiovascular resuscitation at some properties.

■ Disaster relief vending machines

Prime Maison Ginza East, etc.

■ AED (Automated External Defibrillator)

Prime Maison Yokohama Nihon-odori, etc.

Utilization of common space

We open the entrances and pilots of our property to the public and use it as an event space. We have also introduced Bike Shar and Food Truck for some properties so that they can be used not only by tenants but also by local residents.

■ Concert held in entrance hall

Hommachi Garden City

■ Participation in Midosuji Illumination Event

Hommachi Garden City

■ Introduction of share bike

Garden City Shinagawa Gotenyama

■ Introduction of Food truck

Akasaka Garden City

Safety, Security, and Comfort for Tenants

Introduction of disaster prevention facilities, etc.

As SHR believes that it is important to give consideration to ensuring that tenant companies and residents operate their lives and business activities in a safe and secure manner in preparation for typhoons, earthquakes, and other disasters caused by climate change, SHR has installed and introduced equipments in some properties to enable tenant companies and residents to stay with security and safe.

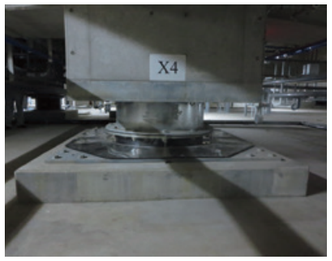
■ **Installation of emergency power generation equipment**
(Supplying power to common areas in times of disaster)

Garden City Shinagawa Gotenyama

■ **Disaster prevention center**
(24-hour/365-day system for security and disaster prevention measures, etc. operating)

Garden City Shinagawa Gotenyama

■ **Quake-absorbing structure**
(Reducing shaking caused by earthquakes)



Gotenyama SH Building

■ **Installation of disaster prevention cabinets for elevators**

Prime Maison Gotenyama East, etc.

■ **Distribution of disaster prevention supplies to tenants**

Esty Maison Ojima, etc.

■ **Stockpiling disaster prevention toilets**

Prime Maison Shinagawa

Conducting tenant satisfaction surveys

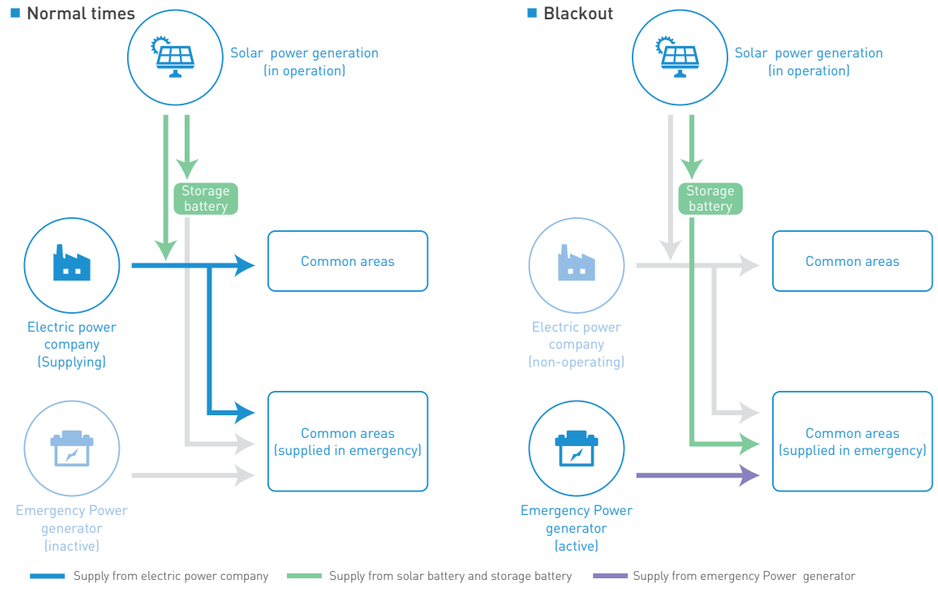
SHR intends not only to improve leasing and achieve stable operation but also to communicate and build a reliable relationship with tenants as well as conduct tenant satisfaction surveys to collect the opinions and requests of tenants, as needed. The survey findings are shared with property management companies, building management companies, and others, and we are actively responding to the requests of tenants and improving services such as introducing free-of-charge Wi-Fi and Internet facilities to each residential unit, and introducing preserved flower decorations and aroma diffusers to entrance lobbies.

TOPICS

Installation of solar battery, storage battery, and emergency generator at Prime Maison Shinagawa

Prime Maison Shinagawa is a rental apartment that was developed by Sekisui House in response to rising concerns about power conservation and disaster prevention performance, in addition to the prevention of global warming, following the Great East Japan Earthquake. This property has an emergency power generator introduced to ensure a higher level of safety and security in the event of an emergency. The generator is connected with 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 traffic lines 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 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 is supplied to common areas and dwelling units provided the water supply has not been cut off.

Employees of SHAM

Creating Comfortable Workplace Environment

► Promoting Work-Life Balance

SHAM, as a member of Sekisui House Group, has made efforts to reduce overtime work and increase the ratio of employees taking annual paid leave. In addition, by-the-hour annual paid leave system and "Slide Work" was established which are widely used for child rearing, family care, family events, and etc.

[Major welfare programs used by Employees]

- Collaboration with welfare service providers
- Parental leave system
- Employee award system
- By-the-hour annual paid leave system
- Employee stock ownership plan of Sekisui House Group
- Family care leave system
- Congratulatory or condolence payment system
- Slide Work
- Qualification allowance system
- Child care leave system
- Short working hour system

TOPICS **Encouraging male employees to take parental leave for one month or more**

As a member of Sekisui House Group, SHAM encourages eligible male employees to take at least one month of parental leave. Sekisui House announced "Parental leave of more than one month for all male employees" in September 2018 to become a "kids-first company" that leads society in support for child rearing, promoting diversity.

- All male employees entitled to take parental leave are encouraged to take the leave for one month or more than one month with the first one month paid leave
- Promoting full paternity leave acquisition through company-wide initiatives
- Developed internal support systems and provided training for supervisors and eligible employees, in order to ensure a smooth introduction

► Initiatives for the Health and Safety of Employees

SHAM holds Health Committee Meeting once a month with a occupational physician. The Health Committee works to ensure health and safety by offering workshops to employees and encouraging them to manage health and safety in their workplaces. SHAM also conducts stress checks aiming for primary prevention to protect employees from mental distress.

► Employee Satisfaction Survey

By utilizing a governance awareness survey conducted every year targeting all Sekisui House Group employees, SHAM regularly conducts an annual survey of all employees on corporate ethics awareness and workplace environment. Through such, SHAM understands the current situations and focuses efforts on creating a more open workplace culture by providing opportunities for internal exchanges of opinions.

Promoting Diversity

In 2006, Sekisui House Group to which SHAM belongs declared as its basic human resource policy "Human Resources Sustainability," supported by the three main pillars of "encouraging female employees to pursue career development," "promoting a variety of work styles and work-life balance" and "utilization of various human resources." Under this policy, efforts have been made to create an environment and mechanisms where employees can achieve sustainable growth alongside companies.

Internal Reporting System and Whistleblower Protection

The internal reporting system, known as Sekisui House Group Compliance Support (SCS System), is made available to all employees of SHAM.
The SCS system is addressed by the compliance secretariat or the attorney's office and they response while protecting the privacy of whistleblower.

Respect for Human Rights

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

Human Resource Development

SHAM has made efforts to encourage employees to acquire qualifications to develop expertise such as "The Association for Real Estate Securitization (ARES) Certified Master." It bears the expenses for enhancing expertise through participation in training and taking of exams for acquiring various qualifications, maintaining of qualifications and attendance to various seminars. In addition, SHAM regularly holds compliance training and human-relations training (for human rights, abuse of authority and sexual harassment). After the introduction of the Work from Home system as a measure against the COVID-19 pandemic, we held skills improvement training for all directors and employees using the online meeting system.

[Training Investment] (Period covered: Feb. 1, 2019 to Jan. 31, 2020)

Average hours of training per person		16.5 hours
Average amount of training investment per person		5,436 yen
Participation rate	In-house training	100.0%
	Outside training	57.1%

(Note) Participation rate = The number of participants / The number of employees (excluding directors and employees taking maternity/parental leave) as of Jan. 31, 2020

[Number of Qualified Holders] (As of Jan. 31, 2020)

Qualification	Number of holders
ARES Certified Master	30
Real Estate Notary	38
Real Estate Appraiser	1
First-Class Certified Architect	1
Chartered Member of the Securities Analysts Association of Japan	1
Certified Building Administrator	10
MBA holders	1
Real Estate Consulting Master	5
CASBEE Accredited Professional for Real Estate	6
Licensed Strata Management Consultant	4
Licensed Representative of Condominium Management Company	6
Labor and Social Security Attorney	1

(Note) Successful examinees are included.

[Status of officers and employees] (As of Jan. 31, 2020)

Total number of directors and employees	57 (male 43, female 14)
Number of directly hired employees	39 (male 29, female 10)
Number of seconded employees	12 (male 8, female 4)
Number of employees aged 60 and over	2
Number of non-Japanese employees	0
Number of personnel with disabilities	0
Percentage of female managers	3.8%
Average length of service	6.8 years
Number of newly hired employees	3
Turnover rate	0%
Number of employees taking childcare leave	2
Number of employees taking family care leave	0
Number of short-term workers	3
Average monthly work hours per person	16.9 hours
Annual paid leave take-up rate	67.9%

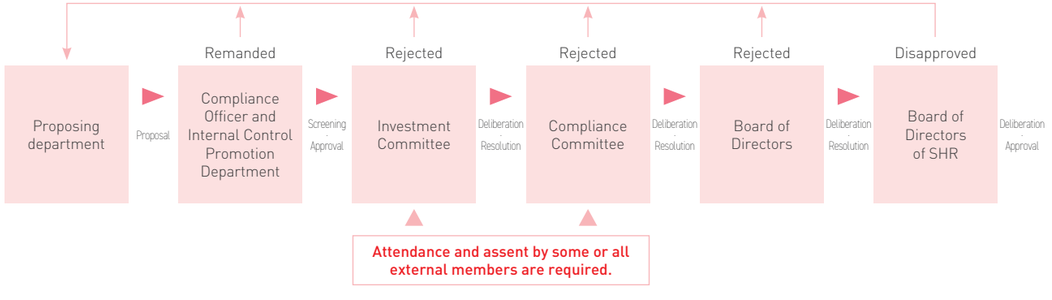
(Note 1) The average length of service is calculated from the years service years of each employee before the merger excluding seconded employees.
(Note 2) The number of newly hired employees, the number of employees taking childcare leave, the number of employees taking family care leave, and the number of short- term employees have been calculated from February 1, 2019, the fiscal year of SHAM.
(Note 3) The turnover rate is calculated by dividing the number of employees leaving SHAM during the fiscal year by the number of employees at the beginning of the fiscal year multiplied by 100.
(Note 4) Average monthly work hours per person and Average usage of paid leave are calculated using the one-year average from March 2019.

Corporate Governance

Governance Structure for Ensuring Objectivity Regarding Conflict of Interest

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

[An example of a decision making flow]



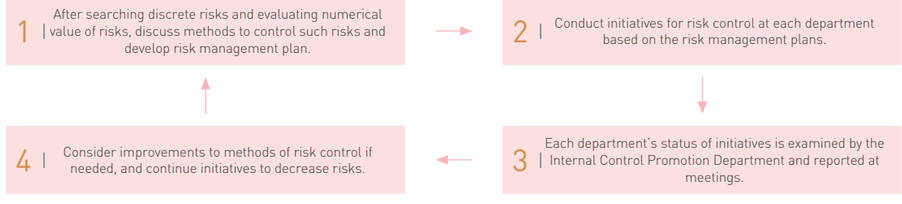
[Prevention measures of conflicts of interest transaction]

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

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

Risk Management System of SHAM

- SHAM has stipulated the methods of risk management, monitoring the status of risk management, and how to respond in the event of unforeseen serious contingencies, etc. in the Risk Management Rules. Each organization of SHAM will implement the following cycles for every fiscal year to respond to discrete individual risks related to operations of the division of duties. It works to clear "weaknesses" and "oversights" in operations.
- The Compliance Officer and the Internal Control Promotion Department of SHAM are responsible for risk management at SHAM, supervising and monitoring risk management in each organization, and reporting to the Board of Directors.



Asset Management Fees to SHAM

With regard to the asset management fee paid by SHR to SHAM, the following management fee structure has been adopted from the viewpoint of emphasizing unitholder profits. In particular, from the fiscal period ended October 31, 2020 (12th fiscal period), in the management fee Ⅰ, SHR has introduced a mechanism of "total assets and unit price performance-linked compensation," 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. This will enable SHAM and, consequently, Sekisui House as stockholder of SHAM, to align their interests with those of the unitholders and further strengthen the incentive for SHR to maximize unitholder value.

[Asset Management Fee Structure]

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

GRI Content Index

Disclosure Items			Corresponding page of the ESG Report	Corresponding place on the HP
GRI 102: General Disclosures 2016				
1. Organizational Profile				
	102-1	Name of the organization	Overview of Sekisui House REIT, Inc (P.3)	Profile of SHR
	102-2	Activities, brands, products, and services	Overview of Sekisui House REIT, Inc (P.3)	
				Fundamental Corporate Philosophy, Vision and Features of SHR
				Investment Strategy
				Portfolio
	102-3	Location of headquarters		Profile of SHR
	102-4	Location of operations		Profile of SHR
	102-5	Ownership and legal form	Overview of Sekisui House REIT, Inc (P.3)	
				Profile of SHR
	102-6	Markets served	Overview of Sekisui House REIT, Inc (P.3)	
				Fundamental Corporate Philosophy, Vision and Features of SHR
				Investment Strategy
				Portfolio
	102-7	Scale of the organization		Financial Highlights
				Portfolio
			History (P.4-5)	
			Employees of SHAM (P.27)	
	102-8	Information on employees and other workers	Employees of SHAM (P.27)	
				Social Responsibility
	102-9	Supply chain	Overview of Sekisui House REIT, Inc (P.3)	
				Structure of SHR
	102-10	Significant changes to the organization and its supply chain	Not Applicable	
	102-11	Precautionary Principle or approach	Sustainability Policy (P.8)	
			Biodiversity Conservation (P.17)	
				Sustainability Policy / Promotion System
				Environmental Measures
	102-12	External initiatives	International Initiatives / External Certifications (P.12-13)	
				International Initiatives / External Certifications
2. Strategy				
	102-14	Statement from senior decision-maker	Top Message (P.2)	
	102-15	Key impacts, risks, and opportunities	Materiality (Important Issues) (P.10)	
				11th FP securities report (only in Japanese)
			Measures for addressing Climate Change (P.14-15)	
3. Ethics and integrity				
	102-16	Values, principles, standards, and norms of behavior	A vision for Sekisui House REIT based on its fundamental philosophy (Table 2)	
				Fundamental Corporate Philosophy, Vision and Features of SHR
	102-17	Mechanisms for advice and concerns about ethics		Social Responsibility
4. Governance				
	102-18	Governance structure	Sustainability Promotion System (P.9)	
				Governance
	102-19	Delegating authority	Sustainability Promotion System (P.9)	
	102-21	Consulting stakeholders on economic, environmental, and social topics	Sustainability Promotion System (P.9)	
	102-22	Composition of the highest governance body and its committees		Profile of SHR
	102-23	Chair of the highest governance body		Profile of SHR
	102-24	Nominating and selecting the highest governance body		11th FP securities report (only in Japanese)
	102-25	Conflicts of interest	Governance Structure for Ensuring Objectivity Regarding Conflict of Interest (P.28)	
				Governance
				11th FP securities report (only in Japanese)
	102-26	Role of highest governance body in setting purpose, values, and strategy	Sustainability Promotion System (P.9)	
	102-29	Identifying and managing economic, environmental, and social impacts	Sustainability Promotion System (P.9)	
	102-31	Review of economic, environmental, and social topics	Sustainability Promotion System (P.9)	
	102-32	Highest governance body's role in sustainability reporting	Sustainability Promotion System (P.9)	
	102-33	Communicating critical concerns	Governance Structure for Ensuring Objectivity Regarding Conflict of Interest (P.28)	
				Governance
	102-34	Nature and total number of critical concerns	Not Applicable	
	102-35	Remuneration policies	Asset Management Fees to SHAM (P.29)	
				Governance
	102-36	Process for determining remuneration		11th FP securities report (only in Japanese)
5. Stakeholder engagement				
	102-40	List of stakeholder groups	Stakeholder Engagement (P.22)	
	102-41	Collective bargaining agreements	Not Applicable	
	102-43	Approach to stakeholder engagement	Stakeholder Engagement (P.22)	
	102-44	Key topics and concerns raised	Not Applicable	
6. Reporting practice				
	102-45	Entities included in the consolidated financial statements	Overview of Sekisui House REIT, Inc (P.3)	
				Structure of SHR
				11th FP securities report (only in Japanese)
	102-47	List of material topics	Materiality (Important Issues) (P.10)	
	102-48	Restatements of information	Not Applicable	
	102-49	Changes in reporting	Not Applicable	
	102-50	Reporting period	Editorial Policy (P.1)	
	102-51	Date of most recent report	Not Applicable	
	102-52	Reporting cycle	Editorial Policy (P.1)	
	102-53	Contact point for questions regarding the report		Contact
	102-55	GRI content index	GRI Content Index (P.30-31)	
GRI 103: Management Approach 2016				
	103-1	Explanation of the material topic and its Boundary	Materiality (Important Issues) (P.10-11)	
	103-2	The management approach and its components	Sustainability Promotion System (P.9)	
			Materiality (Important Issues) (P.10)	

Item-specific standards

	Disclosure Items			Corresponding page of the ESG Report	Corresponding place on the HP
Economy	**GRI 201: Economic Performance**				
	2016	201-1	Direct economic value generated and distributed	History (P.4-5)	
				Employees of SHAM (P.27)	
					Cash Distributions
					Social Responsibility
					11th FP securities report (only in Japanese)
		201-2	Financial implications and other risks and opportunities due to climate change	Measures for addressing Climate Change (P.14-15)	
	GRI 205:Anti-corruption				
	2016	205-3	Confirmed incidents of corruption and actions taken	Not Applicable	
	GRI 206:Anti-competitive Behavior				
	2016	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	Not Applicable	

	Disclosure Items			Corresponding page of the ESG Report	Corresponding place on the HP
Environment	**GRI 302: Energy**				
	2016	302-1	Energy consumption within the organization	Measures for addressing Climate Change (P.15)	
					Environmental Measures
		302-3	Energy intensity		Environmental Measures
		302-4	Reduction of energy consumption		Environmental Measures
	GRI 303: Water and Effluents				
	2018	303-3	Water withdrawal	Measures for addressing Climate Change (P.15)	
					Environmental Measures
	GRI 305:Emissions				
	2016	305-1	Direct (Scope 1) GHG emissions		Environmental Measures
		305-2	Energy indirect (Scope 2) GHG emissions	Measures for addressing Climate Change (P.15)	
					Environmental Measures
		305-4	GHG emissions intensity		Environmental Measures
		305-5	Reduction of GHG emissions		Environmental Measures
	GRI 307:Environmental Compliance				
	2016	307-1	Non-compliance with environmental laws and regulations	Not Applicable	

	Disclosure Items			Corresponding page of the ESG Report	Corresponding place on the HP
Society	**GRI 401:Employment**				
	2016	401-1	New employee hires and employee turnover	Employees of SHAM (P.27)	
					Social Responsibility
		401-3	Parental leave	Employees of SHAM (P.27)	
					Social Responsibility
	GRI 403:Occupational Health and Safety				
	2018	403-6	Promotion of worker health	Employees of SHAM (P.27)	
					Social Responsibility
		403-9	Work-related injuries	Not Applicable	
		403-10	Work-related ill health	Not Applicable	
	GRI 404: Training and Education				
	2016	404-1	Average hours of training per year per employees	Employees of SHAM (P.27)	
					Social Responsibility
		404-2	Programs for upgrading employee skills and transition assistance programs	Employees of SHAM (P.27)	
					Social Responsibility
	GRI 405:Diversity and Equal Opportunity				
	2016	405-1	Diversity of governance bodies and employee	Employees of SHAM (P.27)	
					Social Responsibility
	GRI 406:Non-discrimination				
	2016	406-1	Incidents of discrimination and corrective actions taken	Not Applicable	
	GRI 407:Freedom of Association and Collective Bargaining				
	2016	407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	Not Applicable	
	GRI 408: Child Labor				
	2016	408-1	Operations and suppliers at significant risk for incidents of child labor	Not Applicable	
	GRI 409: Forced or Compulsory Labor				
	2016	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	Not Applicable	
	GRI 410:Security Practices				
	2016	410-1	Security personnel trained in human rights policies or procedures	Not Applicable	
	GRI 411: Rights of Indigenous Peoples				
	2016	411-1	Incidents of violations involving rights of indigenous peoples	Not Applicable	
	GRI 415: Public Policy				
	2016	415-1	Political contributions	Not Applicable	
	GRI 416:Customer Health and Safety				
	2016	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	Not Applicable	
	GRI 417: Marketing and Labeling				
	2016	417-2	Incidents of non-compliance concerning product and service information and labeling	Not Applicable	
		417-3	Incidents of non-compliance concerning marketing communications	Not Applicable	
	GRI 418: Customer Privacy				
	2016	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Not Applicable	
	GRI 419: Socioeconomic Compliance				
	2016	419-1	Non-compliance with laws and regulations in the social and economic area	Not Applicable	