

Framework Overview and Second-Party Opinion

Sekisui House Reit, Inc. Green Bond

Evaluation Summary

Sustainalytics is of the opinion that the Sekisui House Reit, Inc. (“SHR”) Green Bond Framework is credible and impactful, and aligns with the four core components of the Green Bond Principles 2018. This assessment is based on the following:



USE OF PROCEEDS The eligible category for the use of proceeds, green buildings, is recognized by the Green Bond Principles 2018. SHR will use the DBJ Green Building Certification or the CASBEE Certification Rank to determine the eligibility of green buildings. Sustainalytics considers that the Eligible Green Projects will lead to positive environmental impacts and advance the UN Sustainable Development Goals (SDGs), specifically SDG 7 and 11.



PROJECT EVALUATION / SELECTION Sustainability Committee will oversee SHR’s internal process in evaluating and selecting projects. The Committee will be chaired by the president and representative director and will consist of full-time directors from Sekisui House Asset Management, Ltd. This is in line with market best practice.



MANAGEMENT OF PROCEEDS SHR has an internal process in place to track and monitor the amount of allocation of proceeds as well as outstanding green bonds. The unallocated proceeds will be held in cash or cash equivalents. This is in line with market practice.



REPORTING SHR commits to report on allocation of proceeds on its website on an annual basis. The allocation reporting will include the total acquisition price of Eligible Green Projects, the total amount of the outstanding green bonds, and management assertions with regards to the allocation of green bond proceeds. Sustainalytics considers this in line with the market best practice. The impact reporting will include relevant metrics. Sustainalytics views SHR’s impact reporting to be in line with market practice.

Alignment with Japan’s Green Bond Guidelines 2017

Sustainalytics is of the opinion that the SHR Green Bond Framework is in line with the ICMA Green Bond Principles 2018. In addition, Sustainalytics has also assessed the alignment between the SHR Green Bond Framework and Japan’s Green Bond Guidelines, which communicate processes and recommendations for credible green bond issuance.

Evaluation date	November, 2018
Issuer Location	Tokyo, Japan

Report Sections

Introduction.....	2
Overview of Issuer.....	3
Framework Overview.....	4
Sustainalytics’ Opinion.....	6
Appendices.....	11

For inquires, contact the Sustainable Finance Solutions project team:

Ankita Shukla (New York)
Project Manager
ankita.shukla@sustainalytics.com
(+1) 617 603 3329

Mayur Mukati (Toronto)
Project Support
mayur.mukati@sustainalytics.com
(+1) 647 936 5656

Wakako Mizuta (Tokyo)
Project Manager
wakako.mizuta@sustainalytics.com
(+81) 3 4578 7516

Introduction

Sekisui House Reit, Inc. (“SHR”) has developed the SHR Green Bond Framework (the “framework”) under which it is planning to issue multiple green bonds and use the proceeds for the acquisition of new and/or existing green buildings and/or toward refinancing the existing loan/investment corporation bonds that has already been allocated to green buildings.

SHR engaged Sustainalytics to review the SHR Green Bond Framework and provide a second-party opinion on the alignment of the green bond with the Green Bond Principles 2018 (the “GBP”), as administered by the International Capital Market Association (the “ICMA”),¹ and on the framework’s environmental credentials.

As part of this engagement, Sustainalytics held conversations with various members of SHR’s asset manager, Sekisui House Asset Management Ltd. (“SHAM”) including Finance Department and Business Strategy Department, which is a department dedicated to ESG promotion to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of SHR’s green bonds. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains two sections: Framework Overview – summary of the SHR Green Bond Framework; and Sustainalytics’ Opinion – an opinion on the Framework.

Overview of Issuer

SHR is a Japan-based company that operates as a real estate investment trust having residential properties and office buildings as its core assets. The asset manager of the company, SHAM, is a subsidiary of Sekisui House, Ltd. (“Sekisui House”), one of the leading homebuilders in Japan.

Sekisui House made a “Declaration of Sustainability” positioning sustainability as a management criterion in 2005. Later, Sekisui House announced the “Sustainable Vision” and the Eco-First Promise and has been promoting sustainable management which is a pioneering idea in Japan at the time. As one of the leading homebuilders in Japan, Sekisui House is actively promoting the initiatives to the SDGs, which are considered as a common goal for the international community, especially aiming to contribute to the achievement of national objectives for the reduction of greenhouse gas emissions in the residential sector.

SHAM invests on SHR’s philosophy of “provision of high quality social capital” and “maximization of unitholder value” along with the “Sustainable Vision” and initiatives oriented toward “the realization of a sustainable society” shared with Sekisui House.²

SHR is planning to issue green bonds aiming further promotion of real estate investment management with considerations given to environmental, social and governance (ESG) based on its Sustainability Policy.

¹ ICMA’s Green Bond Principles 2018: <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>

² Sekisui House Sustainability Report 2018: https://www.sekisuihouse.co.jp/english/sr/detail/_icsFiles/afieldfile/2018/07/25/all-A4.pdf

Framework Overview

For the purpose of issuing green bonds, SHR has developed the following framework which addresses the four core components of GBP: use of proceeds, project evaluation and selection process, management of proceeds, and reporting. The framework belongs to SHR, and a summary overview has been provided below.

Use of Proceeds

The proceeds of the green bond will be allocated to acquire the new and/or existing buildings that meet the following eligibility criteria ('Eligible Green Projects') and/or to refinance the existing loan/investment corporation bonds which have been allocated to Eligible Green Projects.

Eligibility Criteria

1. Green Buildings

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

- Buildings that have a valid third-party certification described below on the date of the green bond issuance and/or that are expected to receive the certification post issuance. At the time of reporting, buildings which meet the same criteria as of the end of March of each year:
 - 3, 4, or 5 Stars under the DBJ Green Building Certification, or
 - A or S rank under the Comprehensive Assessment System for Built Environment Efficiency (CASBEE) certification for real estate.

The current validity periods of the third-party certifications are two or three years for DBJ Green Building Certifications and five years for CASBEE certifications for real estate from the date of receiving respective certifications. These validity periods, however, may change when SHR obtains certifications or recertifications in the future.

Project Evaluation and Selection Process

Application of Eligibility Criteria in Project Selection

Eligible Green Projects will be evaluated and selected by a Sustainability Committee, which is chaired by the president and representative director and includes all full-time directors of SHAM, in accordance with SHR and SHAM's Sustainability Policy and the Eligibility Criteria.

Sustainability Objectives

SHR and SHAM have established a Sustainability Policy, which is adhered to and put into practice throughout its business activities. SHAM's Sustainability Committee, meanwhile, sets targets, verifies compliance therewith, quantifies the effects of the measures taken, and devises improvement actions, on a periodic basis. SHAM has also created a department dedicated to ESG promotion in order to enhance its ESG initiatives.

Sustainability Policy

SHR and SHAM's Sustainability Policy states the following:

- 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.
- To plan for the achievement of a low-carbon society and actively promote the efficient use of energy, we have set reduction targets for energy use at the properties held by SHR in accordance with laws and regulations and shall follow a plan-do-check-act (PDCA) cycle to achieve the targets.
- 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 three Rs (reduce, reuse and recycle) in relation to resources.
- In accordance with the "Gohon no ki" (Five Trees) Planning 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.

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

We will also promote the installation of facilities to ensure that residents can live safely and securely in the event of a disaster and the provision of “sustainable bases of operation” to tenant companies with considerations given to their business continuity plans (BCPs).

- We create activity and prosperity by cooperating with local events and through other means, in an effort to find common interests with the regions and communities as well as to invigorate them.
- To implement initiatives based on this policy, we shall strive to cooperate with property management companies and other partners, residents of residential properties, tenant companies and facility users of commercial properties, and other stakeholders.
- We adopt the perspectives of green procurement and corporate social responsibilities in our investment and management operations in order to promote ESG awareness through our supply chains.
- While regularly monitoring our action measures, etc. regarding ESG, we disclose information concerning sustainability performance on our website and through other media. In addition, we will continue our efforts to acquire environmental certification and recognition from outside assessment agencies.

Process to Mitigate Environmental and Social Risks

To address environmental and social risks, the Sustainability Committee plans to identify and manage significant potential environmental and social risks inherent in Eligible Green Projects, as well as reviewing data pertaining to environmental and social issues.

Management of Proceeds

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

As long as the green bonds are outstanding, SHR will internally track and manage the allocated proceeds on a portfolio basis. If the total or part of the proceeds of the green bonds are not immediately allocated to Eligible Green Projects, SHR will specify the unallocated proceeds and, pending their allocation to Eligible Green Projects, maintain total or part of the unallocated proceeds in cash or cash equivalents.

Reporting

Allocation Reporting

SHR will disclose on its website that the net proceeds of the green bonds are fully allocated to Eligible Green Projects in accordance with its Green Bond Framework, 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 report the total acquisition price of Eligible Green Projects and the total amount of the outstanding green bonds, as of the end of March. It may also receive assertions by SHAM's president and representative director that the net proceeds have been allocated to Eligible Green Projects.

Impact Reporting

SHR will disclose the following quantitative environmental performance indicators annually on its website, as of the end of March, as long as the green bonds are outstanding:

- The number of the buildings of Eligible Green Projects
- The levels of certifications acquired by respective Eligible Green Projects
- The total floor area of Eligible Green Projects
- The following quantitative indicators of Eligible Green Projects (where SHR has energy control authority)
 - Electricity consumption
 - Water consumption
 - CO₂ emissions

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the SHR Green Bond Framework

Summary

Sustainalytics is of the opinion that the SHR Green Bond Framework is credible and impactful, and aligns with the four core components of the Green Bond Principles 2018. Sustainalytics highlights the following elements of SHR's Green Bond Framework:

- Use of Proceeds:
 - The green use of proceeds category, green buildings, is recognized for having clear environmental benefits by the Green Bond Principles 2018.
 - Sustainalytics is of the opinion that by selecting buildings with credible third-party certifications (DBJ Green Building Certification and CASBEE) with a focus on the top-tiers of certification, SHR is allocating green bond proceeds to buildings with clear environmental impacts (please refer to Appendix 1).
 - SHR's look-back period of Eligible Green Projects are up to three years for DBJ Green Building Certifications and five years for CASBEE certifications, from the date of receiving respective certifications. Sustainalytics acknowledges that the market may view the 24-month lookback period as market practice, however, it also views the SHR's lookback period as acceptable considering that green buildings will sustain positive environmental impacts.
- Project Evaluation and Selection:
 - The process of evaluating and selecting the assets, in accordance with the Eligibility Criteria and Sustainability Policy, are overseen by a dedicated Sustainability Committee. The Committee will be chaired by a C-level executive (president and representative director) with participation from SHAM's full-time directors.
 - Sustainalytics considers that the C-level representation is in line with market best practice.
- Management of Proceeds:
 - SHR commits that net proceeds from the green bonds will be fully allocated to the Eligible Green Projects or to the refinancing of existing loan/investment corporation bonds, which have previously been allocated to the Eligible Green Projects. Pending the allocation of the net green bond proceeds to Eligible Green Projects, SHR will track and maintain an unallocated green bond proceeds in cash and/or cash equivalents.
 - The SHR's management of allocated and unallocated proceeds is in line with market practice.
- Reporting:
 - SHR has committed to provide annual allocation and impact reporting on its website, as of the end of March, as long as the green bonds are outstanding. Additionally, SHR may also receive assertions by SHAM's president and representative director that the net proceeds have been allocated to Eligible Green Projects. Sustainalytics considers this in line with market best practice.
 - The allocation reporting will include the total acquisition amount of Eligible Green Projects as well as the amount of outstanding green bonds.
 - The impact reporting will include the environmental performance indicators, including the number of the buildings of Eligible Green Projects, levels of acquired certifications, as well as the total floor area, electricity and water consumption and CO₂ emissions.

Alignment with Green Bond Principles 2018

Sustainalytics has determined that the SHR Green Bond Framework aligns to the four core components of the Green Bond Principles 2018. For detailed information please refer to Appendix 2: Green Bond/Green Bond Programme External Review Form.

Alignment with Japan's Green Bond Guidelines 2017

Sustainalytics has also assessed and determined the alignment between the SHR Green Bond Framework and Japan's Green Bond Guidelines, which communicate processes and recommendations for credible green bond issuance.

ICMA Green Bond Principles 2018 and Japan's Green Bond Guidelines, 2017 ³	Alignment with GBP and with Japan's Green Bond Guidelines	Sustainalytics' comments on alignment with Japan's Green Bond Guidelines
1. Use of Proceeds	Yes	SHR's eligibility criterion, green buildings, is clearly recognized as green project with clear environmental benefits in the Japanese Green Bond Guidelines. Additionally, the information on the green bond proceeds, green project category as well as the process to mitigate negative impacts are all described in the framework for investors.
2. Process for Project Evaluation and Selection	Yes	SHR, through its Sustainability Policy and underlying objectives, clearly targets the reduction of greenhouse gas (GHG) emissions by supporting the development of low-carbon (green) buildings. Furthermore, SHR ensures that projects are evaluated and selected by the Sustainability Committee, chaired by the president and representative director with participation from SHAM's full-time directors. The Eligible Green Projects will be selected based on the Eligibility Criteria that is aligned with the above mentioned DBJ Green Building Certification and CASBEE certification and Sustainability Policy.
3. Management of Proceeds	Yes	SHR commits that net proceeds from the green bonds will be fully allocated to the Eligible Green Projects or to the refinancing of existing loan/investment corporation bonds, which have previously been allocated to the Eligible Green Projects. Additionally, it explains that the amount of unallocated proceeds will be temporarily invested in cash and/or cash equivalents.
4. Reporting	Yes	SHR to report on allocation of proceeds on its website on an annual basis. The allocation reporting will include the total acquisition price of Eligible Green Projects, the total amount of the outstanding green bonds, and management assertions with regards to the allocation of green bond proceeds, as well as the and impact reporting will include relevant metrics, such as the total floor area, electricity and water consumption and CO ₂ emissions.

³ Green Bond Guidelines, 2017, Summary, Ministry of the Environment, Japan: <https://www.env.go.jp/en/policy/economy/gb/summary2017.pdf>

Section 2: Sustainability Performance of the Issuer

Contribution of Framework to SHR's sustainability strategy

Sustainalytics believes that SHR's Sustainability Policy and the underlying Sekisui House's "Sustainable Vision", its transparent governance structure, as well as its environmental and social initiatives, strengthen SHR's position to issue green bonds which will help the company to advance its sustainability strategy. This view is based on the following:

- SHR and SHAM aim to consider environmental, social, and governance (ESG) issues in real estate investment management in accordance with "Sustainable Vision" advocated by Sekisui House and underlying objectives of (a) the "provision of sustainable living basis for residents" and (b) the "provision of sustainable basis of operation of tenant companies".⁴
- SHAM has created a Sustainability Committee overseen by the president and representative director to set targets, verify compliance, assess the effects of measures taken, as well as devise an action plan on a regular basis. Sustainability Policy established by SHR and SHAM is committed to the following objectives: (i) complying with ESG-related laws, regulations and rules; (ii) taking initiatives for low-carbon society and promoting energy-efficiency; (iii) promoting water and resource conservation; (iv) promoting of biodiversity; (v) ensuring comfort and safety; (vi) cooperating with the community; (vii) engaging with the relevant stakeholders; (viii) promoting ESG through supply-chain; and (ix) regularly monitoring and disclosing relevant ESG information as well as pursuing certifications and recognition.⁴
- In 2018, SHR participated in the Global Real Estate Sustainability Benchmark ("GRESB") Assessment and qualified as "Green Star" with a Rating 4 (out of 5)⁵ having an absolute performance which represented an integrated approach to measure and manage environmental key performance indicators⁶.
- SHR provides several quantitative and qualitative environmental measures for its properties, including the forecasted approx. 647 tCO₂ annual reduction in Greenhouse gas (GHG) emissions through light replacement with LED lightings and approx. 88 tCO₂ annual reduction in GHG emissions through replacement with energy-efficient air conditioning in residential properties. Since 2016, SHR's commercial properties have also participated in Japan's Ministry of Environment's annual Lights-Down Campaign to take countermeasures against global warming. There are also several rooftop and wall garden installments to promote Sekisui House's biodiversity measures based on "Gohon no ki" (Five Trees) Planning for living in harmony with nature.⁷
- SHR has also introduced social initiatives in case of emergencies. Some examples include disaster prevention facilities such as emergency power generation equipment, comprised of solar batteries, storage batteries, and emergency generators.⁸

Overall, Sustainalytics is of the opinion that SHR's efforts to integrate sustainability within its sustainability policies and operations is indicative of the priority that SHR assigns to achieving positive sustainability impact.

Well positioned to address common environmental and social risks associated with the projects

The potential environmental and social risks associated with green buildings include energy use, water use, CO₂ emissions, and human health concerns. SHR's Sustainability Committee selects Eligible Green Projects based on the classifications of credible third-party certifications. In addition, it has a Plan-Do-Check-Act (PDCA) cycle in place to identify and mitigate such risks by understanding the current performance, reporting and evaluating its progress, as well as planning future improvement plans. Overall, Sustainalytics believes that SHR is well positioned to mitigate risks related to the projects financed by the green bond proceeds.

⁴ ESG Policy, Sekisui House Reit, Inc.: <http://sekisuihouse-reit.co.jp/en/esg/index.html>

⁵ Examples of Environmental Certification, etc. Acquired, Sekisui House Reit, Inc.: http://sekisuihouse-reit.co.jp/en/esg/external_case.html

⁶ 2018 GRESB Real Estate Results, GRESB: <https://gresb.com/2018-real-estate-results/>

⁷ Environmental Measures, Sekisui House Reit, Inc.: <http://sekisuihouse-reit.co.jp/en/esg/environment.html>

⁸ Social Responsibility, Sekisui House Reit, Inc.: <http://sekisuihouse-reit.co.jp/en/esg/society.html>

Section 3: Impact of Use of Proceeds

Importance of green buildings towards achieving energy efficiency targets in Japan

In 2017, Japan’s Ministry of Environment set “Sustainable and Resilient Land Use & Promoting Quality Infrastructure” as one of the Priority Areas that aligns with SDGs.⁹ In 2016, Japan’s building sector contributed to approximately 28.5% of the total energy consumption in the country,¹⁰ and Japan’s Central Environment Council estimated that an additional JPY 135 to JPY 163 trillion is necessary to promote low-carbon investments such as energy efficient buildings.¹¹ Furthermore, Japan has committed to post-2020 GHG emission reductions of ~26% by 2030 below the 2013 level as a part of their Intended Nationally Determined Contributions (INDC) with an aim to increase energy efficiency at 35% by 2030.¹²

At the COP21 conference, in 2015, Sekisui House was one of the 70 global organizations that joined the Global Alliance for Buildings and Construction (GABC) in order to scale up climate action in the sector. According to its 2017 Annual Report, Sekisui House is aiming to reduce CO₂ emissions by approximately 40% by 2030 below the 2013 level,¹³ which Sustainalytics highlights is above national INDC commitments. Sustainalytics believes that SHR’s green bonds will play a key role in financing green buildings and creating positive environmental impact while supporting the country in meeting its own climate targets, including increasing energy efficiency and reducing the GHG emissions.

Alignment with/contribution to SDGs

SDGs were set in September 2015 and form an agenda for achieving sustainable development by the year 2030. Green buildings are essential to advancing the SDGs and achieving transformational changes through the SDGs.¹⁴ SHR’s green bond advances the following SDG goal and target:

Use of Proceeds Category	SDG	SDG target
Green Buildings	11. Sustainable Cities and Communities	11.6 By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management. 11.B By 2020, substantially increase the number of cities and human settlements adopting and implementing integrated policies and plans towards inclusion, resource efficiency, mitigation and adaptation to climate change, resilience to disasters.
Energy Efficiency	7. Affordable and Clean Energy	7.3 By 2030, double the global rate of improvement in energy efficiency.

Conclusion

SHR, through its green bond issuance, intends to acquire new and/or existing green buildings and to refinance the existing loan/investment corporation bonds that have already been allocated to green buildings. By setting the eligibility threshold to the top levels of credible third-party certifications (DBJ Green Building Certification and CASBEE), SHR ensures a robust framework for creating a positive environmental impact. Additionally,

⁹ Annual Report on the Environment in Japan, Ministry of the Environment of Japan: https://www.env.go.jp/en/wpaper/2017/pdf/2017_all.pdf

¹⁰ Economic and Energy Outlook of Japan through FY2018, The Institute of Energy Economics, Japan: <https://eneken.ieej.or.jp/data/7549.pdf>

¹¹ Summary of Environmental Finance Programs, Ministry of the Environment of Japan: https://www.env.go.jp/en/policy/economy/efp/summary_EFP.pdf

¹² Intended Nationally Determined Contributions (INDC): Greenhouse Gas Emission Reduction Target in FY2030, Ministry of Foreign Affairs of Japan: https://www.mofa.go.jp/ic/ch/page1we_000104.html

¹³ Sekisui House Sustainability Report 2017: https://www.sekisuihouse.co.jp/english/sr/datal/_icsFiles/afieldfile/2017/09/08/all-A3.pdf

¹⁴ The United Nations Sustainable Development Goals: <https://www.unglobalcompact.org/sdgs/17-global-goals>

Sustainalytics believes that SHR can effectively identify and manage the potential environmental and social risks commonly associated with its green building projects.

SHR has also established a Sustainability Policy to promote its ESG-related initiatives in real-estate investment management. In this regard, Sustainalytics highlights that the Eligible Green Projects are aligned with Sekisui House's overall sustainability strategy. Furthermore, green buildings will promote energy efficiency in the built environment and GHG emission mitigation, in line with Japan's climate-related policies and strategies, and thus, will contribute to the advancement of SDG 7 and 11.

Based on the above, Sustainalytics considers that SHR is well positioned to issue green bonds and that the SHR Green Bond Framework is credible, robust and aligns with the core components of the GBP as well as Japan's Green Bond Guidelines 2017.

Appendices


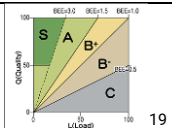
Appendix 1: Overview of Real Estate Certification Schemes

	DBJ Green Building Certification¹⁵	CASBEE¹⁶
Background	DBJ Green Building Certification Programme was launched by Development Bank of Japan in 2011 and is operated together with Japan Real Estate Institute (JREI). The programme is recognized as one of the leading regional standards. The certification is available for office buildings, logistics, residential & retail facilities.	CASBEE (Comprehensive Assessment System for Built Environment Efficiency) represents a green building management system from Japan, evaluating and rating the environmental performance of buildings and the built environment. CASBEE is formed of four assessment tools tailored to different scales: housing, building, district and city.
Certification levels	1 Star 2 Stars 3 Stars 4 Stars 5 Stars	C (Poor) B- (Slightly Poor) B+ (Good) A (Very Good) S (Excellent)
Areas of Assessment: Environmental Project Management	Evaluation of DBJ Green Building Certification includes construction specifications, environmental features as well as social factors.	CASBEE assesses two main factors: inside and outside the building site, which translate into Q (Built Environment Quality) and, respectively, L (Built Environment Load).
Areas of Assessment: Environmental Performance of the Building	Assessment includes three areas. Each area includes additional subcategories: <ul style="list-style-type: none"> • Ecology • Risk management & amenities/diversity • Community & partnership 	<ul style="list-style-type: none"> • Energy Efficiency • Resource efficiency • Local environment • Indoor environment
Requirements	Score-based performance level There are three main areas comprised of additional subcategories a full score of 100 points. In addition to the regular points, an additional point system is employed. In the final process, JREI will conduct on the ground review of building performance on the indicators above, and a committee set in JREI will decide the result of certification rank. ¹⁷	Score-based performance level CASBEE uses the BEE (Built Environment Efficiency) as its assessment indicator, which is calculated from Q (Built Environment Quality) as the numerator and L (Built Environment Load) as the denominator. Q and L are obtained through the classification and rearrangement of the four areas of assessment. Buildings may receive ranks ranging from C (poor) to S (excellent), in order of increasing BEE value. For authorization, a building must receive a report from the CASBEE Certification system, which is

¹⁵ Certification Overview, Development Bank of Japan: http://www.dbj.jp/en/service/finance/g_building/outline.html

¹⁶ CASBEE, BASBEE: <http://www.ibec.or.jp/CASBEE/english/>

¹⁷ Process of certification (Japanese), DBJ Green Buildings: <http://igb.jp/flow.html>

		afterwards assessed by the local government.
Performance display		
Accreditation	JREI 's Certification Assessment Committee	CASBEE Accredited Professional
Qualitative considerations	In addition to LEED and CASBEE, DBJ Green Buildings Certification Programme is considered as one of the green building standards in Japan. ²⁰ According to its website, as of Feb 2018, 499 properties in Japan are certified by the programme.	In Japan, many local governments have made CASBEE assessment results mandatory for building permits. Compared to similar tools available internationally, CASBEE displays a unique and simple structure.

¹⁸ DBJ Green Building, Development Bank of Japan: http://www.dbj.jp/en/pdf/service/finance/g_building/gb_presentation.pdf

¹⁹ Built Environment Efficiency, CASBEE: <http://www.ibec.or.jp/CASBEE/english/beeE.htm>

²⁰ Japan sharpens its green building focus, Read Views: <https://www.jllrealviews.com/places/japan-sharpens-its-green-building-focus/>

Appendix 2: Green Bond / Green Bond Programme - External Review Form

Section 1. Basic Information

Issuer name:	Sekisui House Reit, Inc.
Green Bond ISIN or Issuer Green Bond Framework Name, if applicable: <i>[specify as appropriate]</i>	Sekisui House Reit, Inc. Green Bond Framework
Review provider's name:	Sustainalytics
Completion date of this form:	November 29, 2018
Publication date of review publication: <i>[where appropriate, specify if it is an update and add reference to earlier relevant review]</i>	

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBPs:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting |

ROLE(S) OF REVIEW PROVIDER

- | | |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other <i>(please specify)</i> : | |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW *(if applicable)*

Please refer to Evaluation Summary above.

Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Overall comment on section (*if applicable*):

The eligible categories for the use of proceeds, green buildings, is recognized by the Green Bond Principles 2018. SHR will use the DBJ Green Building Certification or the CASBEE Certification Rank to determine the eligibility of green buildings. Sustainalytics considers that the Eligible Green Projects will lead to positive environmental impacts and advance SDGs, specifically SDG 7 and 11.

Use of proceeds categories as per GBP:

- | | |
|--|--|
| <input type="checkbox"/> Renewable energy | <input type="checkbox"/> Energy efficiency |
| <input type="checkbox"/> Pollution prevention and control | <input type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation | <input type="checkbox"/> Clean transportation |
| <input type="checkbox"/> Sustainable water and wastewater management | <input type="checkbox"/> Climate change adaptation |
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes | <input checked="" type="checkbox"/> Green buildings |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs | <input type="checkbox"/> Other (<i>please specify</i>): |

If applicable please specify the environmental taxonomy, if other than GBPs:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

Sustainability Committee will oversee SHR's internal process in evaluating and selecting projects. The Committee will be chaired by the president and representative director and will consist of full-time directors from SHAM. This is in line with market best practice.

Evaluation and selection

- | | |
|--|---|
| <input checked="" type="checkbox"/> Credentials on the issuer's environmental sustainability objectives | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Green Bond proceeds | <input checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input type="checkbox"/> Summary criteria for project evaluation and selection publicly available | <input type="checkbox"/> Other (<i>please specify</i>): |

Information on Responsibilities and Accountability

- | | |
|--|---|
| <input checked="" type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input checked="" type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other (please specify): | |

3. MANAGEMENT OF PROCEEDS

Overall comment on section *(if applicable)*:

SHR has an internal process in place to track and monitor the amount of allocation of proceeds as well as outstanding green bonds. The unallocated proceeds will be held in cash or cash equivalents. This is in line with market practice.

Tracking of proceeds:

- Green Bond proceeds segregated or tracked by the issuer in an appropriate manner
- Disclosure of intended types of temporary investment instruments for unallocated proceeds
- Other *(please specify)*:

Additional disclosure:

- | | |
|---|---|
| <input type="checkbox"/> Allocations to future investments only | <input checked="" type="checkbox"/> Allocations to both existing and future investments |
| <input type="checkbox"/> Allocation to individual disbursements | <input checked="" type="checkbox"/> Allocation to a portfolio of disbursements |
| <input checked="" type="checkbox"/> Disclosure of portfolio balance of unallocated proceeds | <input type="checkbox"/> Other <i>(please specify)</i> : |

4. REPORTING

Overall comment on section (if applicable):

SHR commits to report on allocation of proceeds on its website on an annual basis. The allocation reporting will include the total acquisition price of Eligible Green Projects, the total amount of the outstanding green bonds, and management assertions with regards to the allocation of green bond proceeds. Sustainalytics considers this in line with the market best practice. The impact reporting will include relevant metrics. Sustainalytics views SHR's impact reporting to be in line with market practice.

Use of proceeds reporting:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Project-by-project | <input checked="" type="checkbox"/> On a project portfolio basis |
|--|--|

- Linkage to individual bond(s) Other (*please specify*):

Information reported:

- | | |
|--|---|
| <input checked="" type="checkbox"/> Allocated amounts | <input checked="" type="checkbox"/> Green Bond financed share of total investment |
| <input checked="" type="checkbox"/> Other (<i>please specify</i>): total amount of outstanding green bonds | |

Frequency:

- | | |
|---|--------------------------------------|
| <input checked="" type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Impact reporting:

- | | |
|--|--|
| <input type="checkbox"/> Project-by-project | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (<i>please specify</i>): |

Frequency:

- | | |
|---|--------------------------------------|
| <input checked="" type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Information reported (expected or ex-post):

- | | |
|---|--|
| <input checked="" type="checkbox"/> GHG Emissions / Savings | <input type="checkbox"/> Energy Savings |
| <input type="checkbox"/> Decrease in water use | <input checked="" type="checkbox"/> Other ESG indicators (<i>please specify</i>): number of buildings, levels of certifications achieved, total amount of floor area, electricity consumption, and water consumption |

Means of Disclosure

- | | |
|---|--|
| <input type="checkbox"/> Information published in financial report | <input type="checkbox"/> Information published in sustainability report |
| <input type="checkbox"/> Information published in ad hoc documents | <input checked="" type="checkbox"/> Other (<i>please specify</i>): Corporate website |
| <input type="checkbox"/> Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review): | |

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

- | | |
|--|--|
| <input type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification / Audit | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Review provider(s):

Date of publication:

ABOUT ROLE(S) OF REVIEW PROVIDERS AS DEFINED BY THE GBP

- i. **Consultant Review:** An issuer can seek advice from consultants and/or institutions with recognized expertise in environmental sustainability or other aspects of the issuance of a Green Bond, such as the establishment/review of an issuer's Green Bond framework. "Second Party Opinions" may fall into this category.
- ii. **Verification:** An issuer can have its Green Bond, associated Green Bond framework, or underlying assets independently verified by qualified parties, such as auditors. In contrast to certification, verification may focus on alignment with internal standards or claims made by the issuer. Evaluation of the environmentally sustainable features of underlying assets may be termed verification and may reference external criteria.
- iii. **Certification:** An issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against an external green assessment standard. An assessment standard defines criteria, and alignment with such criteria is tested by qualified third parties / certifiers.
- iv. **Rating:** An issuer can have its Green Bond or associated Green Bond framework rated by qualified third parties, such as specialised research providers or rating agencies. Green Bond ratings are separate from an issuer's ESG rating as they typically apply to individual securities or Green Bond frameworks / programmes.

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