

E Biodiversity Conservation

1. Governance

Participating in conservation initiatives

We have been an early participant in the global movement for biodiversity conservation. At the 9th Conference of the Parties to the Convention on Biological Diversity (COP9) in 2008, we were one of the nine major Japanese companies to sign the Leadership Declaration of the Business and Biodiversity Initiative.¹

As a founding member of this initiative, we agreed to the three objectives of the Convention on Biological Diversity (conservation of biodiversity, sustainable use of biodiversity components, and fair and equitable distribution of the benefits of genetic resources), and we continue to promote biodiversity conservation² under this policy in our business operations. We have also endorsed the goals of the Taskforce on Nature-related Financial Disclosures (TNFD), which was launched in June 2021. We then joined the TNFD Forum in February 2022. In addition, we are part of the 30by30 Alliance, which was launched with the aim of achieving the global 30by30 target³ adopted at the 15th Conference of the Parties to the Convention on Biological Diversity (COP15), and we are proactively cooperating with efforts to register OECM⁴ sites.

These initiatives are led and promoted by the Environmental Subcommittee, in cooperation with each department as well as domestic and overseas Group companies, based on the ESG management promotion system.⁵ We also ensure that all employees understand and are familiar with these initiatives through progress reports, feedback on issues and proposals for improvement.

¹ [Business and Biodiversity Initiative: Leadership Declaration](#)

² → P.134 2. Strategy

³ 30by30 is an international initiative to effectively conserve at least 30% of the Earth's land and ocean area as sound ecosystems by 2030 with the nature-positive goal of halting and reversing biodiversity loss by 2030.

⁴ Other effective area-based conservation measures, an approach to designating areas that contribute to biodiversity conservation outside of protected areas

⁵ → P.97 Stance and Initiatives to Promote ESG Management (Sustainability)

Commitment to biodiversity and zero deforestation

In our Sustainability Vision 2050⁶ plan, we have set the goal, as a challenge for 2050, of maximizing ecosystem networks through business operations. We aim not only to achieve no net loss (to maintain the value of ecosystems) but also become nature positive (to enhance the value of ecosystems through our business operations). Based on this commitment, we remain focused on the *Gohon no Ki* Project, a landscaping and greening project that fully considers the ecosystem, as well as FairWood sustainable wood procurement.

In particular, the issue of wood procurement is recognized as a pressing global issue; the goal of zero deforestation by 2030 was adopted in the 2014 New York Declaration on Forests. At COP26 in 2021, 140 nations, including Japan, agreed to this goal. The Sekisui House Group supports zero deforestation, which aligns with its FairWood procurement approach, and has declared the goal of zero deforestation Group-wide in Sustainability Vision 2050. In the future, we also aim to achieve zero deforestation throughout our primary and secondary suppliers.

⁶ [Sustainability Vision 2050](#)

CSR procurement

Sekisui House is committed to CSR procurement,⁷ based on a policy of ensuring the best quality, robust delivery and reasonable price while also incorporating ESG. In particular, as we use approximately 250,000 m³ of wood annually, we have positioned the impact on biodiversity in logging areas as an important risk to business continuity. Accordingly, we have established our own Wood Procurement Guidelines, which include provisions on biodiversity, and work to promote awareness throughout the supply chain. Every year, we implement a wood procurement risk survey of major suppliers that includes data for secondary suppliers and beyond.

⁷ [CSR Procurement Guidelines](#)

The *Gohon no Ki* Project, an eco-friendly landscaping and greening project⁸

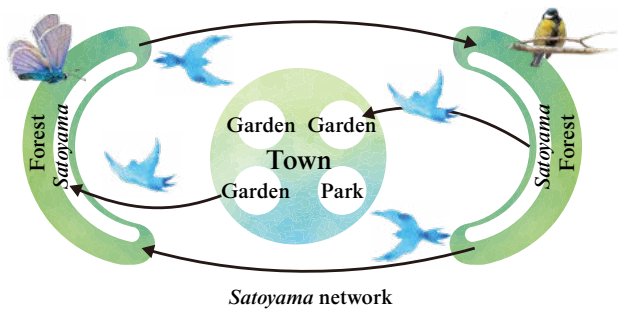
Sekisui House is Japan's largest landscaping company, planting one million trees nationwide annually. To fulfill our responsibility as a large-scale house builder, since 2001 we have been implementing the *Gohon no Ki* ("five trees") Project, an ecosystem-conscious landscaping and greening project, to conserve biodiversity through our housing business.

The *Gohon no Ki* Project is based on the approach that "three trees are for birds, two trees are for butterflies, and all are local native tree species." The project proposes the use of native tree species that are beneficial to birds and butterflies in gardens. In addition to biodiversity conservation, we are making proposals that encompass the benefits to residents of garden visits by fauna and the other effects of garden trees. We seek to maintain and revive the ecosystem network (nature positive) by increasing the amount of richly green space in urban areas and by leveraging residential gardens, created under the *Gohon no Ki* Project, to support the habitat and activities of the fauna. Ecosystem networks enrich biodiversity at the regional and national levels, creating places where both wildlife and residents can simultaneously enjoy the richness of nature.

⁸ [Gohon no Ki Project \(Japanese only\)](#)

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Thanks to the cooperation of the many customers who have endorsed the philosophy of the *Gohon no Ki* Project, there were 886,000 plantings (includes those outside the *Gohon no Ki* Project) in FY2022, with the cumulative number of plantings since the 2001 start of the project rising to 19.0 million.



2. Strategy

FairWood procurement and Wood Procurement Guidelines

FairWood is defined as wood that is not only legal, but also contributes to sustainability and local development. We have declared FairWood procurement as a priority in our Wood Procurement Guidelines, and we are working to improve our level of procurement while striving to engage with FoE Japan and other international environmental NGOs and industry organizations. For example, we are constantly working with environmental NGOs to obtain the latest information on high-risk areas and update our risk assessment methods.

One objective of FairWood procurement is to secure a stable supply of sustainable and renewable resources for the Company. Another objective

is to achieve a positive impact through sustainable forestry management that goes beyond avoiding illegal logging by continually working on our supply chain as one of Japan's leading wood consumers. This also aligns with our biodiversity conservation challenge goal of "maximizing ecosystem networks through our business."

Commitment to biodiversity in wood procurement

The ten Wood Procurement Guidelines are shown below and shared with our suppliers and secondary suppliers. Guidelines 2, 3, 4, 8 and 9, in particular, represent our commitment to biodiversity.

10 Wood Procurement Guidelines (2017 edition)

1. Source wood products from areas with relatively low risk of illegal logging.
2. Source wood products from areas without sensitive ecosystems.
3. Do not source wood products from areas where local ecosystems are seriously damaged due to large-scale logging of natural forests.
4. Do not use endangered species for wood products.
5. Minimize CO₂ emissions when producing, processing, and transporting wood products.
6. When logging wood products, avoid conflict with local communities and refrain from unfair labor practices.
7. Source wood products from areas of controlled logging, so as not to exceed the rate of forest regeneration.
8. Source wood products from domestic forests where well-planned forest management is in place to conserve ecosystems.
9. Source wood products from plantation forests that are managed so as to promote conservation and ecosystem development.
10. Use recyclable wood building materials.

Updating the Wood Procurement Guidelines

Since establishing the Wood Procurement Guidelines in 2007, Sekisui House has promoted FairWood procurement. In light of changes in social conditions related to wood procurement, we now plan to update the Wood Procurement Guidelines to better clarify our stance.

3. Risk Management

Practicing due diligence in procurement

To us, due diligence¹ is the process of securing sustainable timber that supports the future of our business, and we implement sustainable wood procurement through strict due diligence practices.

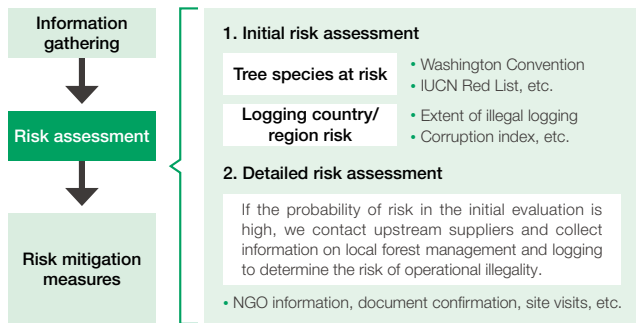
Many companies conduct due diligence only for low-risk timber from primary suppliers. In contrast, we also target suppliers at the secondary level and further upstream and visit logging areas to investigate and confirm the status of any timber deemed high risk.

This is because we believe it is important to share the tracking process with suppliers and strive for ongoing improvement in order meet growing international calls for zero deforestation.

¹ Due diligence is the duty of care and effort that companies and others must apply as a matter of course. In Japan, the Act on Promotion of Use and Distribution of Legally-harvested Wood and Wood Products (commonly known as the Clean Wood Act) refers to due diligence, and was enacted in response to the tightening of regulations on the handling of illegally harvested timber in Western countries. This is represented by a process of identifying risks of illegality by 1. collecting information, 2. assessing risk, and 3. practicing risk mitigation. A growing number of companies are currently practicing due diligence in wood procurement while also addressing ESG-related risks.

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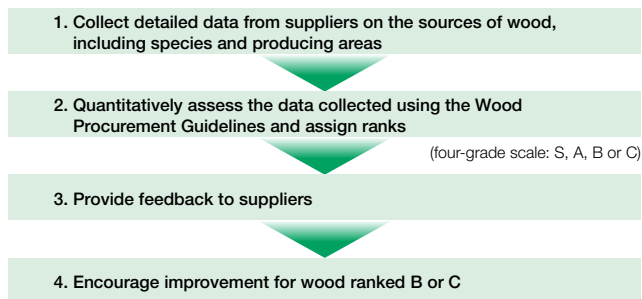
Due Diligence Practices



Wood Procurement Risk Survey

Sekisui House implements a wood procurement survey of its major wood suppliers (63 companies in FY2022) according to the following process.

Annual Wood Procurement Risk Survey Process



The ratio of Rank S and Rank A wood has been gradually increasing from 47% before the guidelines were implemented in FY2006, reaching 97.1% in FY2022.

In order to achieve zero deforestation, a goal adopted by international consensus, we have decided to manage the rate of zero-deforestation lumber procurement as a new KPI. To use this KPI in next year's reporting, we have begun efforts to confirm detailed data through individual engagement with high-risk suppliers.

Risk assessment of environmental issues

For existing suppliers whose CSR evaluation results reveal environmental risks, we conduct due diligence by monitoring them using onsite interviews, providing advice on evaluation standards and how to meet those standards, and confirming the current state of compliance.

In the unlikely event that a serious risk is discovered, we work with the related divisions to determine the proper remedial action and take measures that could include cutting back on transactions with the supplier, depending on the score in the supplier assessment.

4. Metrics and Targets

Volume of Wood Procured

(FY)

	2020	2021	2022	2023 Targets
Volume of wood procured (KPI: % that is ranked S or A)	250,529 m ³ (97.0% S or A rank)	285,722 m ³ (97.2% S or A rank)	247,895 m ³ (97.1% S or A rank)	(97.4% S or A rank)

Total score (maximum 43 points)	Wood product procurement ranking ¹
34 and above	S
26 or more	A
17 or more	B
Below 17	C

¹ Wood product procurement ranking
Depending on their total score, purchased wood products are classified into four levels, from high to low: S, A, B, and C. Minimal acceptable score thresholds are set for Wood Procurement Guidelines 1. and 4., which are especially high priority (see page 147). We aggregate and disclose these scores as part of efforts to achieve net positive impact and no net loss.

Percentage of Wood Products by Region

(FY)

	2020	2021	2022
Domestic wood	18.80%	24.72%	25.52%
East Asia ²	7.20%	5.08%	8.79%
Europe	33.20%	37.48%	31.95%
South Pacific ³	12.70%	11.78%	11.81%
North America	16.50%	10.41%	12.94%
Recycled wood ⁴	7.90%	7.52%	7.84%
Other ⁵	3.70%	3.01%	1.15%

² Excluding Japan

³ Indonesia, Malaysia, etc.

⁴ Particle board and other building materials recycled from construction waste, etc.

⁵ Africa, etc.

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(FY)

KPI	Unit	2020	2021	2022	2023 Targets
Biodiversity-friendly tree planting ⁶	Thousand trees	17,106	18,116	19,003	20,000

⁶ Cumulative number of trees planted under the Gohan no Ki Project

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5. Initiatives and Other Related Information

Urban greening

Big data on biodiversity has revealed the effectiveness of the *Gohon no Ki* Project, and urban greening will be increasingly important going forward as part of nature positive initiatives. In urban areas, where green space is limited, it is important to create richly green spaces. We have been providing quality green spaces that are highly effective at conserving biodiversity through the *Gohon no Ki* Project, which focuses on local native tree species.

We will propose better quality green spaces by quantitatively assessing biodiversity using big data and through quantitative assessments for cohesive green spaces in urban areas.

Evaluating effectiveness quantitatively using big data on biodiversity

In 2019, to comprehensively evaluate small green spaces scattered across Japan that could not previously be assessed, we worked with the Kubota Laboratory in the Faculty of Science of the University of the Ryukyus to start a joint verification analyzing the effectiveness of quantitative assessments of biodiversity conservation from a macro perspective. Using the big data on biodiversity from the University of the Ryukyus in addition to cumulative data on the number, species and location of trees planted by the Company, in 2021, this analysis made it possible to quantitatively express the effect of the *Gohon no Ki* Project on biodiversity in terms of the number of bird and butterfly species being attracted to residential areas. We also quantitatively evaluated the effectiveness of restoring biodiversity in Japan's three largest metropolitan areas (Tokyo, Osaka and Nagoya) using an integrated diversity index and conducted simulations to assess the effect of continuing the *Gohon no Ki* Project through 2070.¹ The results showed that the *Gohon no Ki* Project contributes to the restoration of biodiversity, and that the potential benefits can be amplified by expanding the project in the future. We will widely disclose not only the results of these assessments, but also the expertise we have accumulated through our activities over the past 20 years, and will continue to work with many companies and individuals to promote nature positive initiatives.

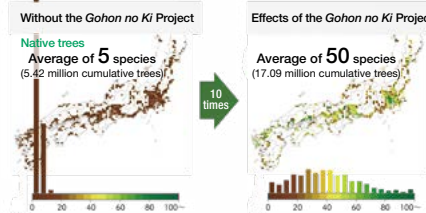
One initiative in expanding these efforts outside the Company through wide disclosure is an assessment by the Organization for Landscape and Urban Green Infrastructure undertaken in November 2022. The organization used Sekisui House's Nature Positive Methodology,² developed in collaboration with the Kubota Laboratory in the Faculty of Science of the University of the Ryukyus, to evaluate 87 green spaces across Japan that were certified by the Social and Environmental Green Evaluation System (SEGES) in an effort to better understand the degree of contribution to biodiversity and the potential for biodiversity conservation at each site.³ SEGES is operated by the Organization for Landscape and Urban Green Infrastructure with the aim of promoting biodiversity conservation and restoration in urban green spaces.

In 2022, the quantitative assessments of biodiversity based on long-term biodiversity conservation initiatives through the *Gohon no Ki* Project and big data were recognized with the Grand Prize in the 30th Global Environment Awards⁴ in March and the Minister of the Environment Award in the fifth EcoPro Awards⁵ in September.

- [News release: 20 Years of Urban Biodiversity Conservation with Customers through the *Gohon no Ki* Project \(Japanese only\)](#)
- [Nature Positive Methodology \(Japanese only\)](#)
- [News release: Reinforcing the Perspective of Urban Corporate Green Space Biodiversity Assessment \(Japanese only\)](#)
- [30th Global Environment Awards \(Japanese only\)](#)
- [5th EcoPro Awards \(Japanese only\)](#)

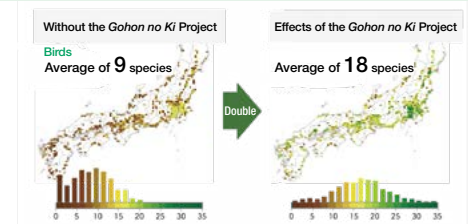
Effects of the *Gohon no Ki* Project

***Gohon no Ki* Project has achieved a tenfold increase in tree species that are the foundation of biodiversity**



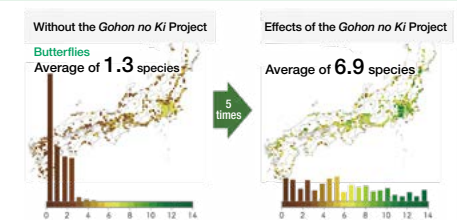
Results of big data analysis: Effect on birds

***Gohon no Ki* has the effect of attracting about twice as many bird species to residential areas**



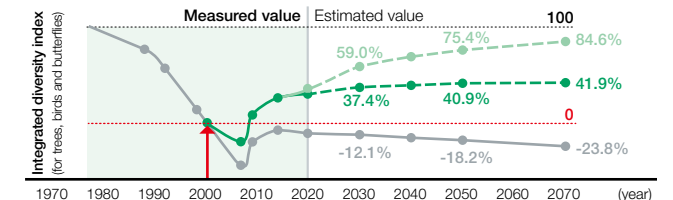
Results of big data analysis: Effect on butterflies

***Gohon no Ki* has the effect of attracting nearly five times as many butterfly species to residential areas**



Quantitative Evaluation of Nature Positive Effects

Simulation of changes through 2070 in three metropolitan areas (Tokyo, Nagoya and Osaka) where green space degradation is significant



Note: With values for 2000, just before the *Gohon no Ki* Project, set as the zero level, and with 1977, the first year for which national land use data is available, set as 100

- When the Company and other companies implement initiatives similar to the *Gohon no Ki* Project
- When the Company implements the *Gohon no Ki* Project
- When the *Gohon no Ki* Project is not implemented

[Urban biodiversity: New developments in 2022 \(Japanese only\)](#)

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The promise of corporate green space and OECM that can contribute to biodiversity

On the north side of the Umeda Sky Building in Kita-ku, Osaka, where the Company is headquartered, we created the Shin-Satoyama Garden covering 8,000 m². This garden was renovated in 2006 with more than 500 trees based on the principles of the *Gohon no Ki* Project. We planted native Japanese tree species and more than 200 species of shrubs and flowers to create thickets. In the belief that a variety of types of spaces supports the richness of an ecosystem, we provided terraced rice paddies and fields to reproduce a satoyama, the disappearing native landscape of Japan, in the city center.

The growth of a wide variety of plants has increased the amount of greenery, and many creatures—including more than 40 species of wild birds and more than 20 species of butterflies—visit, live and grow in the garden. The arrival of birds of prey, which are rarely seen in the city, has also been confirmed. Instead of employing the conventional consumption-oriented management approach of removing weeds and fallen leaves immediately, natural low-load circulatory management has been adopted for the satoyama to enrich the soil organisms and broaden the food chain. In this way, we have created a green space where many creatures can now thrive.

In 2013, we completed the “Wall of Hope,” a huge greening monument on the east side of Shin-Satoyama measuring 9 meters high and 78 meters long that was installed at the initiative of the renowned architect Tadao Ando. In order to function as a model for the kind of vertical spatial greening that is expanding in cities, we covered the green wall with more than 20,000 plants of about 100 diverse species, focusing mainly on the tree species selected for the *Gohon no Ki* Project. The strategic arrangement of plants that flower or change colors at different time allows visitors to enjoy the varied



Shin-Satoyama and the Wall of Hope viewed from the west side

appearance of the garden as it changes with the seasons. The Shin-Satoyama project has become familiar to nearby residents and office workers as a place where one can experience the true value of the ecosystem.

30by30 was adopted by the 15th Conference of the Parties to the Convention on Biological Diversity (COP15) as a major objective of the post-2020 global biodiversity framework. In the area of other effective area-based conservation measures (OECM), a key measure to achieve this objective, Shin-Satoyama—based on the *Gohon no Ki* Project—is a good model for corporate green spaces with a high impact on biodiversity conservation.

Promoting greening and environmental conservation in condominiums for sale and urban development projects

In the condominium for sale segment, we are utilizing the principles of the *Gohon no Ki* Project for property exteriors. In our GRANDE MAISON¹ condominium brand, we maintain a constant awareness of greening, with a target green coverage ratio (the percentage of the property's site area that is planted) of around 20% or more. The average green coverage of the 13 condominiums completed in FY2022 was 24.7%, representing green coverage of 7,114 m².

The outdoor areas surrounding multi-unit buildings such as condominiums also function as a place for re-establishing community among residents, which has increasingly been lost as condominium security has tightened in recent years. The abundance of greenery soothes the spirits of residents and enhances the value of the condominium.

1  GRANDE MAISON (Japanese only)



Urban development under the concept of *keinen bika*—creating a landscape that grows more beautiful over time

Since 1977, we have been working on community developments under the names “Common Life” and “Common City.” Designed with an awareness of the connections between neighbors and communities, the shared spaces boast lushly green plazas and streets as symbols offering a richer life, with a townscape that will grow more attractive over the years under the concept of *keinen bika*. This approach leads to beautification and is highly appreciated by the local residents.

Since launching the *Gohon no Ki* Project in 2001, we have been promoting urban development that emphasizes the quality of greenery, keeping in mind the planting of native species in consideration of a healthy ecosystem. In 2005, we established the Urban Development Charter,² which outlines our diverse expertise cultivated through urban development, such as that acquired through the *Gohon no Ki* Project, with adherence to the concept of sustainability.

Skyrail Town Midorizaka (Hiroshima City)



Photo from 1997



Photo from 2009

2  Urban Development Charter

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Domestic wood initiatives at Sekisui House

Looking at the forest industry in Japan, while many forests are entering a period of full-scale use, they are not being replanted for the next generation for a number of reasons, and are not being fully utilized.

To revitalize the domestic forest industry, we believe it is necessary to achieve the seemingly contradictory goals of increasing demand to promote the renewal of forests for the next generation and advancing branding to create added value. Therefore, we are shifting to the use of domestic timber, mainly for the structural materials in our SHAWOOD wooden-frame houses.

We do not simply use domestic timber, but also develop it as regional brands. By adopting materials from the regions where our customers live, we are contributing to local production for local consumption and the revitalization of regional economies.

Currently, we are developing cedar, cypress and larch products under 18 brands in 17 regions nationwide. Over 7,000 buildings have now been built with these materials. These products have grown to the point where they are an essential element of SHAWOOD.

In response to the “wood shock” that hit the world in 2021, we took full advantage of the domestic timber supply network that we have cultivated to mass produce laminated beams made of cypress. The results of these efforts include using multiple procurement routes for key materials to fulfill our supply responsibilities and to put a system in place that prevents delays when executing our business operations. As an added benefit, by viewing the wood shock not only as a supply problem for the Company, but as an opportunity to create demand for domestic timber, we were able to demonstrate our approach to providing solutions to social problems.



SHAWOOD posts bearing the brand of the producing area

Acquiring forest certification (CoC certification)

Currently, 58% of the Sekisui House's wooden building materials, including interior fixtures, and 94% of its structural materials alone are certified under such schemes as FSC/PEFC (including materials sourced from certified forests). For the purposes of evaluating procurement risks, we continue to calculate these figures, but we do not see them as absolute. We believe it is necessary to consider the small-scale, thin-margin producers who cannot obtain certification for economic reasons.

At the same time, in such areas as zero deforestation and zero land conversion, society now demands more from companies on wood procurement. To meet these expectations, Sekisui House positions forest certification systems as a form of third-party due diligence. Accordingly, we acquired SGEC/PEFC-CoC certification in May 2022 to promote the adoption of the FairWood procurement policy throughout the supply chain. Certification serves as an effective tool for supplying certified wood to the market.

In the process of acquiring forest certification, we supported the certification of several primary suppliers, working to spread the use of certified products by acquiring certification simultaneously.

