

Omega Healthcare



We like the approach Omega has taken on selecting their carbon offset programme and appreciate the focus on additionality and longevity of carbon offset projects. While Scope 3 reporting is still missing, we note several improvements in its 2022 ESG report.

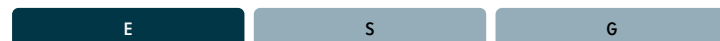
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Engagement rationale

Omega Healthcare (OHI) is one of the largest landlords of skilled nursing facilities (SNF) in the US owning >900 facilities across 42 states and has a market capitalisation of >7bn USD.

Theme for engagement

Environmental



We followed up with OHI after our engagement in 2022. The initial environmental engagement was driven by our ambition to engage with the lower scoring companies in the US Healthcare cluster (limited GHG emission reporting and reduction targets). We also focused on transparency around Omega's strategy of buying carbon credits to offset their scope 1 and 2 emissions in 2023.

Engagement objectives

- Improve disclosures and reporting of environmental/emission data.
- Transparency around quality of offsets
- Aim to link to management compensation to ESG targets

Development

Positive

Milestone



Engagement results

Progress on offset programme
Omega reached out to us to get our opinion on their carbon offset programme. Omega has a target of being carbon neutral on their scope 1 and 2 emissions until end 2023. Omega as a triple net owner of assets has generally low emissions (52 employees) but wants to offset those "hard to abate" emissions fully. They further rent their corporate building and have limited influence of the choices of (greener) energy for example.

While Omega will publish all details later this year, it has done a lot of due diligence on the provider to partner with:

- Given their rather small size of emissions they wanted to partner with a platform that will allow them to spread their offset across 5-6 projects with the balanced approach to carbon avoidance (e.g., abating industrial emissions) as well as carbon removal (e.g., concrete mineralisation).
- Further, the factor of additionality and longevity (projects with 40 years' time horizon) was important as well as geographic proximity to their existing assets.
- Omega expects the costs per ton of CO2 to be c80-100 USD.

Improvement in disclosure / linking compensation to ESG targets

- Separately, Omega published their new 2022 ESG report that showed several improvements. Omega is not yet reporting Scope 3 emissions due to uncertainty/lack of clarity around upcoming SEC requirements and will wait for a decision from the SEC first.

Next steps

Follow-up post announcement on carbon offsets including all details of the programme.



Company

Omega Healthcare

Country

USA

Sector

Real Estate

Market cap

Mid Cap

Materiality

Improving environmental efforts can lead to improvements in the risk profile of a company and be a benefit for all stakeholders.

ESG Research

MSCI ESG Rating: BBB
Sustainalytics: 18.1 (low risk)

Engagement initiated

Q3 2022

Latest update

Q2 2023

Kempen Fund

Kempen (Lux) Global Property Fund

