

## Overview of environmental reporting among NCR-rated real estate companies

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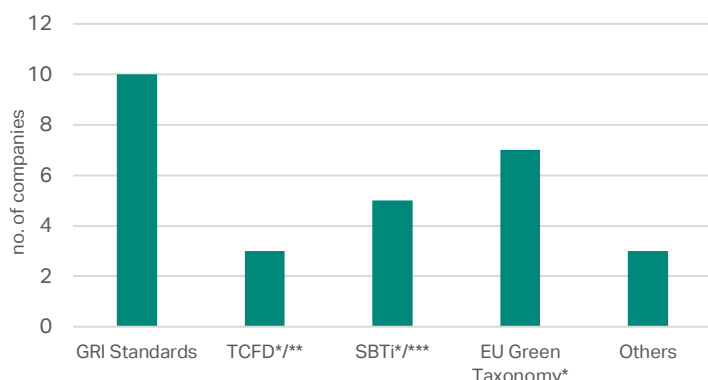
Nordic Credit Rating (NCR) rates a wide selection of Swedish and Norwegian property managers. As part of our analysis, we consider companies' awareness of and efforts on environmental issues, both in terms of whether they are appropriately managing risks and opportunities, and whether they are leading or lagging in the eyes of stakeholders.

This article summarises NCR-rated real-estate companies' environmental reporting, primarily in their 2021 annual reports, occasionally complemented by information from their Q1 2022 interim reports<sup>1</sup>.

### TRANSPARENCY AND LEGITIMACY

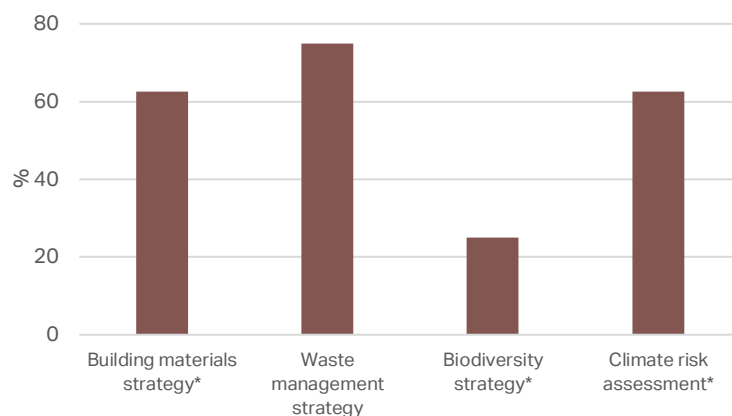
Although NCR's rated issuers in the real-estate segment are not yet subject to the growing reporting regulation increasingly being adopted in Europe, we note that stakeholder demand for environmental efforts and reporting is accelerating, in line with global attention on this subject. The level of reporting, both in terms of the extent and the use of widely accepted frameworks, could therefore be important for companies in their dialogue with, for example, tenants, investors and municipalities. While the direct financial impact might be limited at present, property managers that are slow to react could fall behind expectations, and we believe the market will become cautious of those companies lagging behind and instead favour leaders in this area.

Figure 1. Environmental frameworks used by NCR-rated real-estate companies, 2021



Source: company. \*Currently or in the process of being implemented/approved. GRI-Global Reporting Initiative. TCFD-Taskforce for Climate-related Financial Disclosure. SBTi-Science Based Targets initiative.

Figure 2. Share of NCR-rated real-estate companies reporting on strategic environmental efforts, 2021

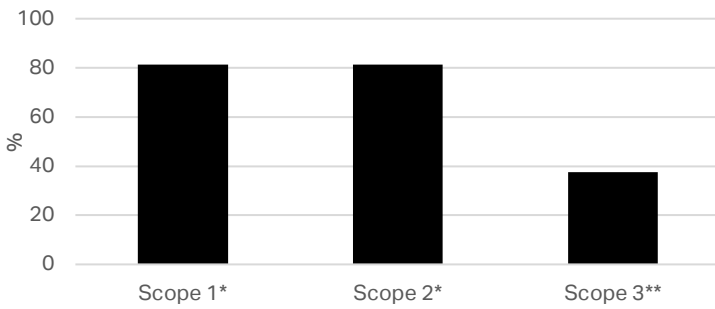


Source: company. \*Currently or in the process of starting/being implemented.

As with many sectors in which production is handled externally, the vast majority of greenhouse gas emissions for property managers occur within Scope 3, i.e. indirect emissions upstream and downstream in the value chain. These emissions are the most difficult to measure, and most of the property managers rated by NCR only report Scope 1 and 2 emissions (direct and less indirect emissions). In addition, most of those companies that do report some Scope 3 emissions only include a portion of such emissions. We view the trend of increased reporting as positive, and believe that external pressure to improve reporting could lead to models for measuring Scope 3 emissions becoming more precise and also more accessible for smaller and mid-sized companies.

<sup>1</sup> Note: this article was written prior to the publication of NCR's rating on OBOS Eiendom AS.

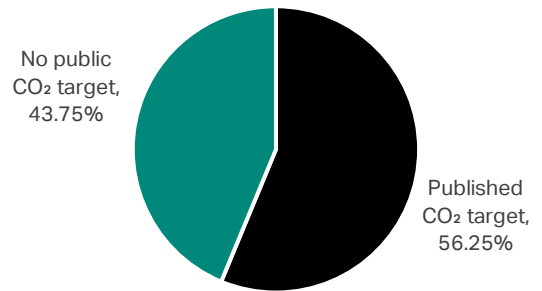
Figure 3. NCR-rated real-estate companies' CO<sub>2</sub> emissions reporting, 2021



Source: companies. Compiled from 16 published issuer ratings. Scopes 1–3 refer to greenhouse gas emissions, where Scope 1 covers the most direct emissions, and Scope 2 and 3 cover indirect emissions.

\*Includes companies that report CO<sub>2</sub> emissions without defining the scope. \*\*Full or partial.

Figure 4. NCR-rated real-estate companies' with and without published CO<sub>2</sub> targets, 2021

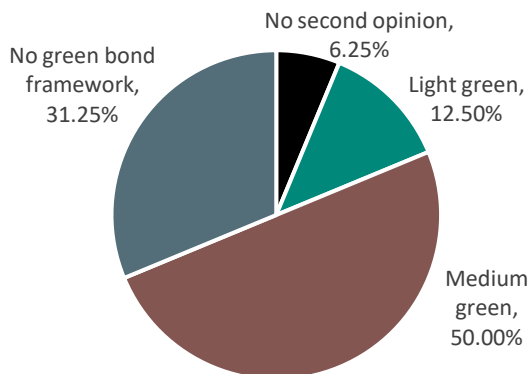


Source: company.

### FINANCING

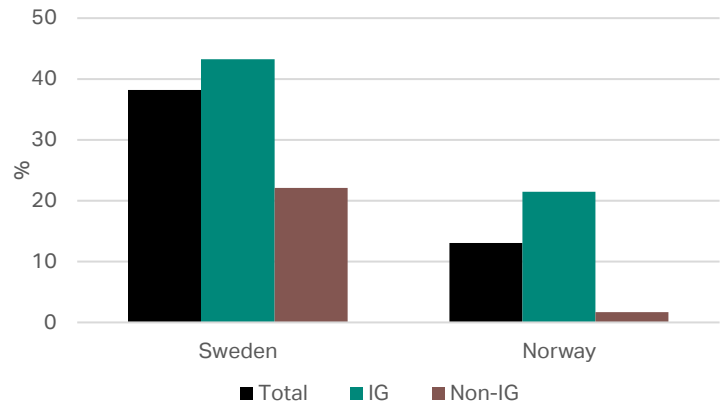
We believe it will become increasingly beneficial for a company's financing ability and costs to be able to issue debt under a green framework in both Sweden and Norway, especially in the real-estate segment, where green bonds account for a large share of the market. This is a trend that could be fuelled by the currently weak corporate bond market, as investors become more selective. Green bond frameworks for real-estate companies tend to include factors such as the percentage of environmentally certified properties and energy efficiency measures. To verify the level of ambition of a green bond framework, it can be assessed through what is commonly known as a second opinion. In terms of the benefit for financing ability, we view the distinction between having a green bond framework and not having one as the key factor, rather than the level of any second opinion. As green bonds become more the norm in the market, however, the level of ambition of the framework, and having an external assessment, could become increasingly important.

Figure 5. Number of NCR-rated real-estate companies with green bond frameworks, 31 May 2022



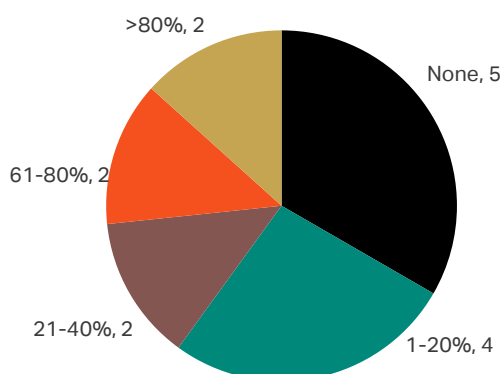
Source: company. Second opinion is an external assessment, classified as light/medium/dark green.

Figure 6. Outstanding green bonds as percentage of total; real-estate issuers in Sweden and Norway, 31 May 2022



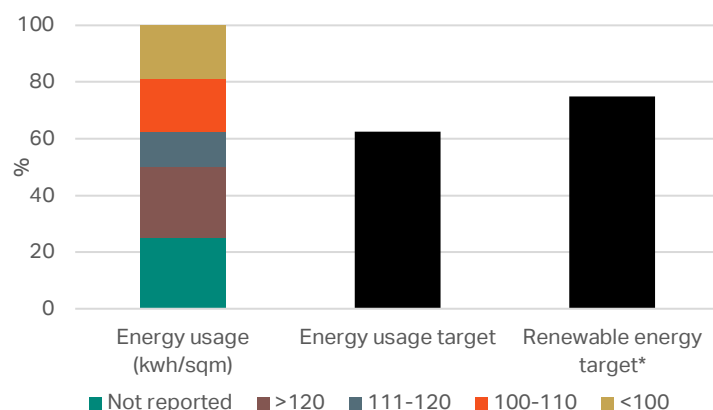
Source: Stamdata.

Figure 7. NCR-rated real-estate companies' percentage of environmentally certified property portfolios, 31 Dec. 2021



Source: company. Excluding one company, which only reports certified new construction.

Figure 8. NCR-rated real-estate companies' energy efficiency, 31 Dec. 2021



Source: company. \*Including those with 100% renewable energy.

### NCR-RATED PROPERTY MANAGERS

Figure 9. NCR ratings on Nordic property managers

Issuer	Primary property type(s)	Long-term issuer rating	Outlook
Axfast AB (publ)	Offices	BBB	Stable
Bane NOR Eiendom AS	Public	A	Stable
Bonnier Fastigheter AB	Offices	BBB	Stable
CA Fastigheter AB	Residential	BBB-	Stable
Catena AB (publ)	Logistics	BBB-	Stable
Fastighets AB Stenvalvet (publ)	Community service	BBB+	Stable
Heba Fastighets AB (publ)	Residential	BBB+	Stable
Intea Fastigheter AB (publ)	Community service	BBB+	Stable
LSTH Svenska Handelsfastigheter AB (publ)	Retail	BBB-	Stable
NP3 Fastigheter AB (publ)	Industrial/warehousing	BB	Stable
OBOS Eiendom AS	Retail	BBB-	Stable
Platzer Fastigheter Holding AB (publ)	Offices	BBB-	Stable
Stendörren Fastigheter AB (publ)	Industrial/warehousing	BB-	Stable
Stenhus Fastigheter i Norden AB (publ)	Retail/industrial	BB	Stable
Studentbostäder i Norden AB (publ)	Residential	BB-	Negative
Svensk FastighetsFinansiering AB (publ)	Offices	BBB+	Stable
Vacse AB (publ)	Community service	A-	Stable

See NCR's [company reports](#) for details.

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