Climate and sustainability reporting - the financial sector’s perspective

Skogforsk’s webinar on climate impact and sustainability reporting within the forest sector

Joshua Prentice, Sustainability Analyst

Landshypotek Bank

17 October 2024

Landshypotek Bank

Landshypotek Bank in short

- Financing agriculture and forestry since 1836, residential mortgages since 2017
- Market leader in Sweden with 23 percent of lending to agriculture and forestry
- Lending portfolio approximately SEK 105 bn
- Co-operative owned by our borrowers that are farmers and forestry owners
- Profit returned to Swedish farmers and forestry owners
- Customers are private individuals, small and micro companies

Landshypotek Bank

A paradigm shift in sustainability reporting

- The European Union has adopted a comprehensive sustainability reporting framework.
- The Corporate Sustainability Reporting Directive (CSRD) and European Sustainability Reporting Standards (ESRS) will enter into force in 2024 for the largest EU-based companies.
- Small and medium sized companies will also be required to report from 2025/2026 onwards.
- The CSRD and ESRS represent a significant transformation in ESG-reporting requirements.
- The aim of the CSRD/ESRS is to align sustainability reporting with financial reporting.

- Companies will need to undertake a double "materiality assessment" to determine their material ESG-related risks and opportunities.
- This double materiality assessment will require companies to examine:

  a) how they affect the environment and societies where they operate; and

  b) how they are affected by external factors

- This assessment is not just limited to the companies' own operations but all the way down the value chain, i.e. both upstream and downstream.

Landshypotek Bank

Data and ”trying to fit a square peg in a round hole”

- The CSRD/ESRS will require significantly more detailed reporting from companies than under current regulations.
- Some companies and private individuals, such as forest owners, are outside the scope of the CSRD/ESRS but will still be required to supply data and information to others in their “value chain”.
- This works well for large companies who are used to annual sustainability reporting.
- How will smaller companies and private individuals meet the reporting demands?

- The ESRS standard is designed with a typical manufacturing company in mind, i.e. classic scope 1, 2 and 3 emissions reporting.
- What to do with a sector which actually **absorbs** CO2 and replaces fossil-based materials?
- “Removals” are dealt with in reference to “projects financed or supported”. Is the growing forest just one big project or are there thousands of different projects? What about the substitution effect of bio-based materials?
- Similarly, who owns the climate benefit arising from forests and biobased materials?
- Is it the forest owner, or the bank, or the timber purchaser, or actors further on down the value chain?
- Risk for double, triple or quadruple reporting and the potential (perceived) “need” for further regulation…

Landshypotek Bank

Contact:

Joshua Prentice, Sustainability Analyst

Landshypotek Bank

Email: joshua.prentice@landshypotek.se

Website: https://www.landshypotek.se/