National Farmers Federation

Australian Sustainable Finance Capability Framework

April 2024

The National Farmers' Federation (NFF) is the voice of Australian farmers.

The NFF was established in 1979 as the national peak body representing farmers and more broadly, agriculture across Australia. The NFF's membership comprises all of Australia's major agricultural commodities across the breadth and the length of the supply chain.

Operating under a federated structure, individual farmers join their respective state farm organisation and/or national commodity council. These organisations form the NFF.

The NFF represents Australian agriculture on national and foreign policy issues including workplace relations, trade and natural resource management. Our members complement this work through the delivery of direct 'grass roots' member services as well as state-based policy and commodity-specific interests.

NFF Member Organisations

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What are the most important capabilities required as a sustainable finance professional?

A core component of a sustainable finance professional is to have an interdisciplinary skillset. This is recognised in the draft framework which sees employees to have a basic understanding of climate science and risk. Although, the NFF sees benefit in expanding this basic understanding beyond climate science also to natural capital. The reason being that natural capital is a core component of the future of sustainable finance.

As noted in the framework under the sustainable financial products section, if an employee is administering natural capital financing it is critical for them to have an understanding at the very least of the principles of natural capital. These principles are becoming more accessible with programs such as *Farming for The Future* measuring natural capital and its relationship with factors such as farm business performance. Ideally, in an agribusiness setting an employee would understand how these principles of natural capital interact with farm business decision making. As a result, this would reduce the chance for perverse outcomes on farm businesses.

We recognise that this expansion in understanding of natural capital may be drafted for a future version of the framework as recommended the in Australian Government's *Sustainable Finance Strategy Consultation Paper* released in November 2023. Which states that "*efforts should begin with climate and progress to other environmental and social priorities",* the priorities it states to be is natural capital.

Additionally, as companies look to build a sustainable brand image and capture growing consumer demand for green products, NFF recognises that such advancement will be coupled with an increase in greenwashing claims. Companies and industry must refrain from misrepresenting their actions and making inaccurate statements as this unfairly misleads consumers, artificially distorts the market to the disadvantage of existing competition, and more importantly, misrepresents the actions of producers.

What would make this framework more usable for you and/or your organisation?

The NFF is experiencing feedback from our members, that lenders, supply chain actors and accountants are increasingly expecting a detailed level of farm-scale data for sustainability reporting. With many of the same questions, metrics or acknowledgments being asked by different institutions. The NFF would like to see the onus of the collection and provision of such data be shifted from individual producers and collected in a more efficient and appropriate manner for the purposes of sustainably reporting.

It is logical to collect, provide and distribute data is such a way that it is:

- Interoperable across the whole agricultural supply chain;
- Builds trust in how the data is used, stored and shared;
- Creates value for those creating/providing data; and
- Avoids designing bespoke solutions sustainability reporting needs, rather using what is available, with a 'collect once and use often' mindset.

The NFF has designed the Australian Agricultural Sustainability Framework (AASF) and Farm Data Code to address the current shortcomings of sustainability data collection and encourage efficient and trusted use of farm data in a way that discourages duplicative approaches or time-consuming reporting.

The AASF project is developing guidelines to the AASF implementation and consulting with stakeholders as we do so. Additionally, once the guidelines are matured we will embark upon some targeted supply chain pilots to further socialise the AASF principles and criteria along the supply chain. We will be pleased to provide ongoing insights as that develops. A measure of success will be adoption of common approaches to complex reporting rather than bespoke solutions being applied from a variety of entities.

Please provide any further comments below

While it is welcome that the Australian Sustainable Finance Institute is developing this framework to facilitate green skills in Australian finance professionals it is crucial that this doesn't lead to a lack of engagement with the agricultural sector. Green skills are important although they are not and cannot be a surrogate for consultation and collaboration with the sector.

Conclusion

The NFF thanks ASFI for the opportunity to provide a submission to guide the development of the framework. Please do not hesitate to contact Warwick Ragg, General Manager NRM via e-mail: WRagg@nff.org.au at the first instance to progress this discussion or to seek further clarification.

Yours sincerely,

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National Farmers Federation

Leading Australian Agriculture

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