

NAB AgForce Queensland Farmers - Natural Capital MOU

What is it?

NAB and AgForce have agreed to work together to better understand the value of natural capital to Australian farmers. This will involve two key streams of work. The first, a longer-term initiative, will bring together partners across the agricultural supply chain to facilitate collaboration and to drive awareness about the importance of natural capital.

Secondarily, in the immediate term, NAB and AgForce are developing discrete projects that will bring financial and environmental data together to:

- Better understand the linkages between good natural capital management in grazing systems and long term financial performance
- Validate the environmental and financial benefits of the Grazing BMP tool

Project partners such as CSIRO and key AgTech providers are likely to be involved.

What is Natural Capital?

The term Natural Capital is used to draw attention to the beneficial services that society receives, often for free, from well managed ecosystems such as pest control, nutrient cycling, soil, pollination, clean air, protection from extreme climatic events and water provision.

Why is NAB interested?

NAB has surveyed about 10000 customers across 4 years about natural capital risks. 91% of NAB agribusiness customers say soil health is a key business risk. For water scarcity and energy costs, it is 85%. Three quarters of customers had made recent investments to mitigate a sustainability risk. Thus for NAB, improving our understanding of the value of natural capital will create opportunities for us to improve customer relationships and better support lending opportunities that improve customer productivity and resilience.

The launch of the NAB-CEFC Energy Efficiency Bonus has demonstrated demand from customers to invest in assets that address energy risk along with significant customer (NPS) and societal reputational benefits from NAB having a product to support them. Other natural capital risks we hope to address are more complex than energy; hence we need partnerships with leading groups such as AgForce and research to understand their financial materiality and tools to make it easier for customers to demonstrate good management.

CSIRO work for NAB has shown, for example, that well managed diverse perennial and palatable pastures are more resilient to drought and more profitable in the long term. The same work showed financially, in the short term, a farmer maintaining good quality pasture is financially indistinguishable from one who is degrading their pasture through over grazing. But in the medium term, the risks and costs of overgrazing are stark and the cost to rehabilitate is significant. Thus, ensuring we play a role in supporting customers to protect and enhance pasture quality is a key way for the bank to mitigate longer term financial risks and demonstrate our commitment to sustainable land management.

Why is AgForce interested?

AgForce recognises that a sustainable structure needs to be put in place to achieve industry progression particularly as Peak Industry Councils continue to explore sustainability avenues and there has been the development of the Red Meat Advisory Council (RMAC) Sustainability Frameworks. Land management practices and stewardship of the natural assets underpin the production of food and fibre for long term benefits to all stakeholders. As the peak body representing broadacre farmers in Queensland, AgForce see the collaboration as a huge step forward for agriculture as it provides greater information and opportunities to incorporate policy development and on-ground action to help maintain, restore and value natural capital for the current and next generation. The ability to link data sets together and demonstrate industry practices and progression will benefit industry at all levels. In time it will allow industry to demonstrate sound environmental and ethical practices to consumers and community. Having the finance sector involved in the collaboration underpins the importance of this work to benefit the agricultural industry.

What does this mean for producers?

The linking of multiple data sets to allow values to be added to practices which will assist the producer in making sound business decisions to future proof their business. Data collection of various forms will under pin the portfolio from property to state level. At property level data will be mapped and quantified on ecosystems, natural capital assets, land use, production systems, income generation sources, land condition, soils data, topography and various metrics on growth & senescence of grasses, herbage and vegetation. The science associated with these datasets will enable land management practice change to attract an economic value and assist in management decisions. Better management decisions will allow the producer and business to maximise productivity, profitability and lower their business risk for the long-term benefit of all.

What does this mean for customers?

Customers are likely to be invited to participate in projects initiated through the partnership to understand how good environmental management can be measured and, in turn, how such impacts upon financial performance.

Through improving our understanding of good management, AgForce are seeking to understand how the financial and environmental benefits of Grazing BMP can be measured. NAB is seeking to identify how to better support customers who adopt best management practices.

Longer term we believe that through supporting customers to better demonstrate their stewardship of natural capital will support them to communicate to provide evidence to

Access high value markets by demonstrating they are clean and green

- Attract investment by communicating to financiers and investors that their risks are well managed

- Improve their social licence to operate by demonstrating to society that farmers are responsible stewards of Australia's natural capital
- Influence government decision making by proving externalities are well managed to reduce regulation and red-tape

Data privacy

In order to understand the value of natural capital we need to bring datasets together that have traditionally been siloed. Maintaining the privacy of NAB Customer and producer data is sacrosanct and detailed in all NAB customer contracts. Each project will detail clear data management provisions and succinctly explain why data is being collected, who will have access and how privacy will be maintained.

Is NAB the only bank involved?

NAB is currently leading the industry in advocating for improved understanding of Natural Capital. However, to be successful, this project must eventually engage with the entire financial sector. Through working with partners', we are clear that we seek an early mover advantage, but we also want to ensure that project insights are more broadly available to support the growth of the entire agribusiness sector.

Key contacts

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