

Australian Agricultural Sustainability Framework

Stage 1 Final Report 2020 – 2023



National
Farmers
Federation

Australian Agricultural
Sustainability Framework



Australian Government

Department of Agriculture,
Fisheries and Forestry

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i. Executive Summary

This Report synthesises the work completed under Stage 1 of the development of the Australian Agricultural Sustainability Framework (AASF) during the period of 2020 – 2023.

The purpose of the Australian Agricultural Sustainability Framework (AASF) is to communicate at the national level the sustainability status and goals of Australian agriculture to markets and the community.

Due to our unique environment, achieving sustainable agriculture in Australia has different challenges to our trading partners. The AASF assists Australia to set its own narrative about its agricultural sustainability in international fora and in country-to-country dialogues.

Corporations are accountable against ESG and are required to report their carbon performance. Nature-positive outcomes are also increasingly desired. Questions about greenwashing are increasing as the evidence is interrogated behind clean and green, carbon neutral and nature-positive. These obligations are being passed through to the farm sector.

The AASF assists the industry response to these requirements. It provides Australian agriculture and the Australian Government with a robust evidence-base from which to demonstrate our sustainability at home and abroad.

The Framework's overarching value is in establishing a nationally consistent approach for demonstrating sustainability that is meaningful to markets, corporates, the community and farm sector.


AASF works with our leading commodity frameworks and schemes to strengthen the demonstration of our sustainability and to assist in mitigating the increasing reporting burden on farmers around sustainability.

Farmers will interact with the AASF through their commodity sustainability initiatives. Some have been operating for up to 10 years – like the Dairy and Beef Sustainability Frameworks and leading schemes like AgCarE, Cotton BMP, Hort360 and Smartcane BMP. These initiatives are the front line for farmers in sustainability.

AASF Stage 1

From its conception in 2020, the AASF Stage 1 has progressed through three Phases of work.

2020 – DISCOVERY

 Sustainability research and industry consultation.







Australian and international sustainability frameworks and best management practices were audited to identify the areas of commonality and build recommendations.

Research established that the most effective results were likely to come from an overarching sustainability framework that connected and verified current and emerging programs, providing agricultural industries with choices.



2021 – DEVELOPMENT

Six elements of related work were identified and delivered by different project partners.

-  **Framework Development**
Completed Iteration 3 of the AASF and completed the initial report on options for a future governance structure for the AASF.
-  **Financial Incentives & Accounting Systems**
KPMG published *The Time is Now* report, exploring the AASF across sustainable supply chains.
-  **Industry Program Benchmarking**
Industry and environmental frameworks and schemes were mapped for their alignment with the AASF. Findings informed the design of the AASF Iteration 3.
-  **Data Needs Analysis**
Assessed the available national data set for the AASF criteria to advise on data needs for reporting against all criteria.
-  **Communication & Engagement**
Conducted a survey of 600 farmers which found high awareness and participation in sustainable practices, but there is inconsistency and confusion about how it is defined.
-  **Legal & Policy Analysis**
Initial assessment of legal, tax and policy barriers, and assessing proposed legislative changes and their effect on the Australian taxation as a barrier to the uptake of sustainability payments.

2022 – GOVERNANCE AND TESTING

Targeted at informing how the AASF might be operationalised in the future.

-  **Governance & Framework**
The most appropriate long-term governance, funding and management structure for the AASF and its ongoing operation was explored. Framework updated.
-  **Community of Practice (CoP)**
A Community of Practice of over 130 members from industry, government environmental initiatives worked together on increasing alignment and addressing shared challenges.
-  **Communications & International**
Continued communications to raise awareness of the AASF. Consultation with Australian representatives overseas, particularly the EU.
-  **Pilot Co-design**
A co-design process was undertaken with industry, supply chain companies and finance to identify a pilot program to test the AASF in various contexts.

Data is a priority for the AASF. Limits to available funding precluded a major data project in Phase 3, however all Phase 3 projects continued to touch on data needs and challenges with stakeholders.

Stage 1 of the AASF was funded by a grant awarded to the National Farmers Federation by the Australian Government, which was managed by the Department of Agriculture, Fisheries and Forestry (DAFF). It was completed through three Phases of activity which are synthesised in this report.

Delivery partners who assisted NFF to complete Stage 1 included the Australian Farm Institute (AFI), KPMG, CSIRO, Schuster Consulting Group (SCG), Aither, KG2 and Nook.

Focus areas were:

- ❖ Framework Development – AFI
- ❖ Governance – AFI
- ❖ Financial incentives and accounting – KPMG
- ❖ Supply Chain and Finance Pilot Co-Design – KPMG
- ❖ Data needs analysis – CSIRO
- ❖ Legal and policy analysis – Aither
- ❖ Farmer surveys – KG2
- ❖ Benchmarking – Schuster Consulting Group
- ❖ Community of Practice – Schuster Consulting Group
- ❖ Communication and international engagement – NFF/ Nook

The NFF and Australian Government are continuing to partner to support the AASF through a new grant awarded to the NFF for Stage 2 commencing 2023 until 2026.

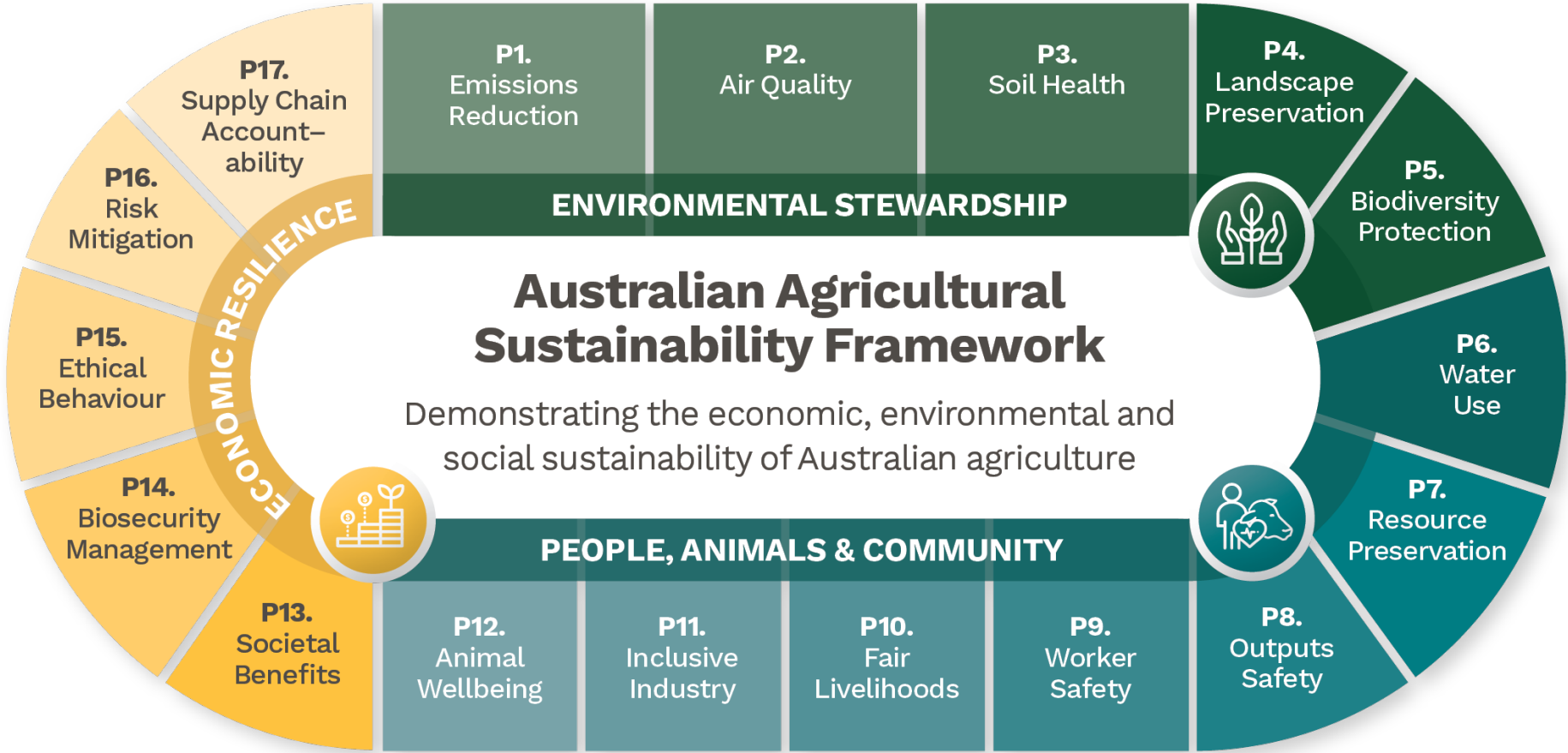
Stage 2 builds on the foundations created in Stage 1 and will focus on:

- ❖ designing a data ecosystem to increase ease of access and efficiency in use of sustainability data;
- ❖ expanding the AASF Community of Practice including continuing to evolve the AASF model;
- ❖ developing an AASF prototype report;
- ❖ a materiality assessment of AASF against international and domestic priorities;
- ❖ piloting the AASF with industry, supply chain and finance end-users;
- ❖ hosting a sustainability traceability working group.

A diagram of the AASF is on the next page.

The Framework

The AASF aligns with the three themes of ESG. There are 13 categories within which the 17 Principles sit which describe desired agricultural sustainability outcomes. Under each Principle are criteria which will guide AASF reporting.



CHAPTER 1

Overview



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Introduction

Sustainability is increasingly a requirement for our agricultural sector to access markets, respond to consumer expectations and to secure capital.

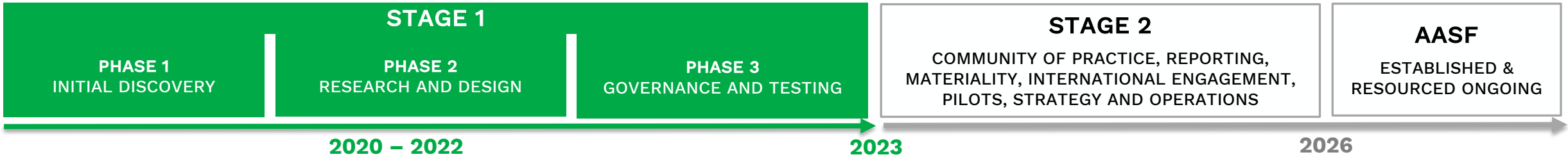
Corporations are required to be accountable against ESG and report their carbon and nature performance. Questions about greenwashing are increasing as the evidence behind assertions of clean and green, carbon neutral and nature-positive is interrogated.

Australia’s agricultural sector competes in global markets. Our unique environment requires that our farmers innovate and are sustainable. The industry is working together to establish approaches to demonstrate our sustainability, without unnecessary cost to farmers.

The Australian Agricultural Sustainability Framework elevates the demonstration of our sustainability to the national level and enables country-to-country dialogue about what sustainability means for Australia. It complements the leading work of our commodity frameworks and schemes which have been verifying sustainability for up to 10 years.

Development of the AASF commenced in 2020 (Stage 1) with a grant to the NFF from the Australian Government. In 2023 the Australian Government announced it would continue its NFF partnership, announcing a second grant (Stage 2) to enable a further three year’s work.

This report synthesises the outcomes of Stage 1 from 2020 – 2023 and provides directions for Stage 2.



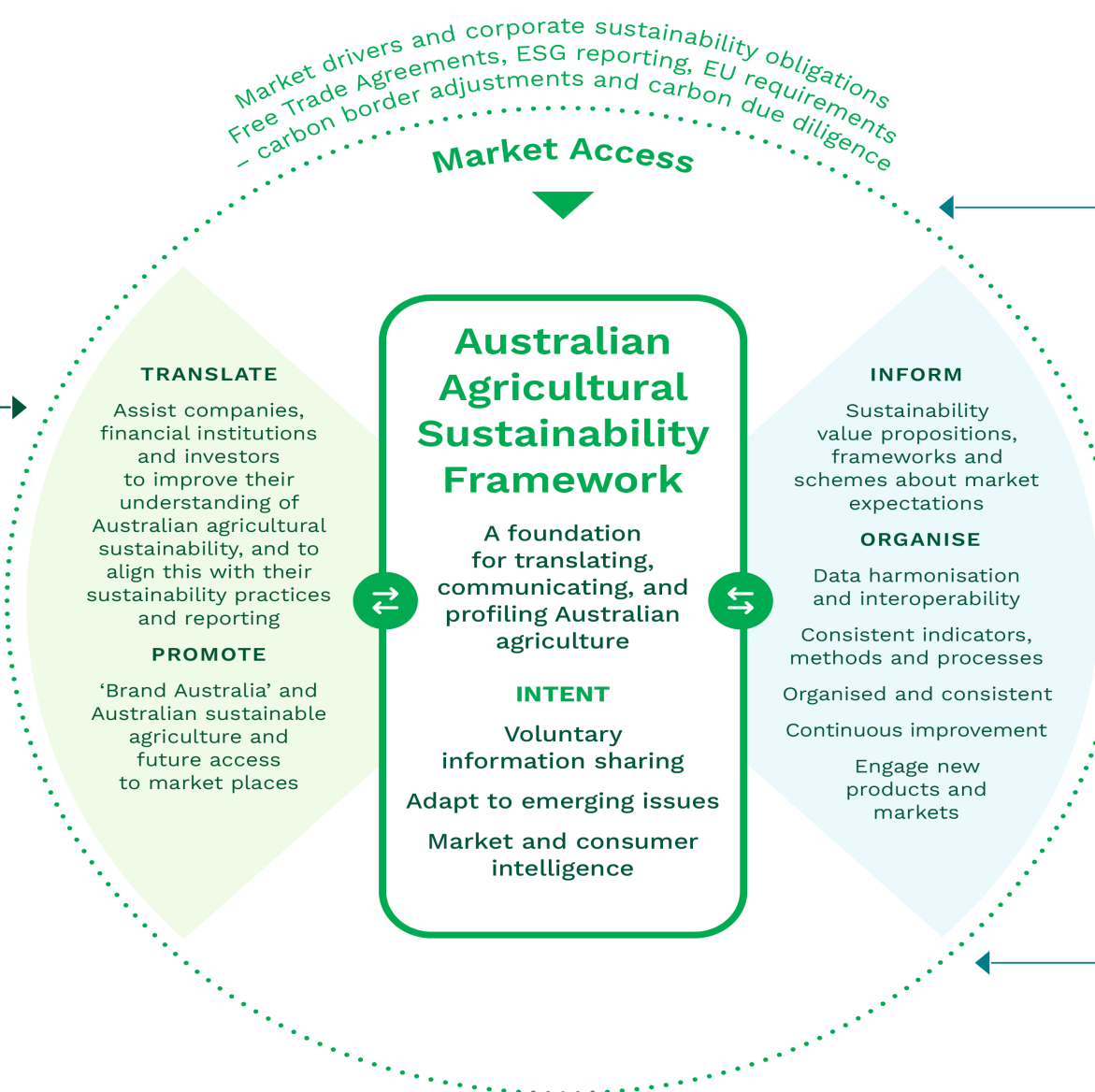
AASF Concept

Stage 1 description showing AASF potential to support Australia to demonstrate overall sustainability to markets, and the provision of translation to inform supply chains, finance, community and government about agricultural sustainability.



Concept Draft

16 September 2021



FARMERS

INDUSTRY FRAMEWORKS

Such as Dairy, Beef, Grains, Horticulture, Wine

Industry and Commercial Schemes

Such as HORT360, myBMP, AgCarE, JBS, McDonalds

Recognising natural capital

Environmental Frameworks

GOVERNMENT PROGRAMS

Such as Future Drought Fund and Land Restoration Fund (QLD)

ENVIRONMENTAL SERVICES

Biodiversity and Carbon 'Quality Carbon' such National Stewardship Trading Platform



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Testimonial International Trade and Market Access

Su McCluskey, Australia's Special Representative for Agriculture

"I was recently in Europe within the context of a newly announced UK-Australia FTA and, of course with negotiations continuing on the EU-Australian FTA.

The message I got very strongly was that everything revolves around sustainability. And that Europe's view of Australia's sustainability credentials is not high at all. In fact – quite the opposite. Despite our continuing to claim that our agricultural practices are sustainable, this is not enough. We need to demonstrate this and articulate this in as many fora as possible.

In relation to sustainability more broadly, while we think we are quite advanced in relation to developing frameworks, this is not getting through internationally.

Importantly we need to ensure that we can continue to develop metrics and reporting, including case studies so that we can more clearly demonstrate our credentials.

The French will be influential on any EU-Australia FTA and indeed, the message from EU was that just because we were able to negotiate an FTA with the UK, don't expect such an easy ride with the EU.

Our sustainability credentials will be at the heart of this, with the expectation that the EU will push for their standards to be met without recognition that we too can meet best practice standards, even though our climatic conditions and production systems may mean that we do things a bit differently."



I look forward to continuing to promote Australia's commitment and leadership on sustainability on the world stage.

Phase 1

In 2020 the Australian Farm Institute (AFI) undertook a research project to review best practice management standards and to gather feedback from industry stakeholders about the benefits and potential barriers for adoption of a biodiversity scheme within farming and natural resource management communities.

The report recommended that the best results are likely to come from an overarching national framework that connects and verifies current and emerging programs and provides farmers with choice.

Such a Framework could provide a pathway to assuring market access, demonstrating robustness of verification and measurement tools, and supporting the further diversification of economic opportunities for farmers.

The outcomes of this work was the genesis of the AASF.



Phase 2

Phase 2 commenced in 2021 and was completed in mid 2022. It had six related activity elements.

1. Framework Development

AFI led the further development of the Frameworks with an iteration 3 released and made available on the AFI website. An initial report about options for a future governance structure for AASF was also completed.

2. Financial Incentives and Accounting Systems

KPMG completed the report *The Time is Now* which explored the role of the AASF in sustainable supply chains, the drivers behind the evolving ESG landscape, and the emergence of sustainability-linked incentives. The report identified how the AASF could be used to support companies to report on ESG.

3. Industry Program Benchmarking

Schuster Consulting Group mapped the alignment of 15 industry, biodiversity and natural capital initiatives with the AASF. AFI applied the findings to better align the AASF with domestic initiatives. The project also recommend establishing a Community of Practice to enable initiatives to work together and better engage with AASF.

4. Data Needs Analysis

CSIRO assessed data needs and sources for AASF reporting. This included consulting commodity initiatives and the assessment of available national data sets for a sample set of 15 of the 43 AASF criteria. This work identified there are sources of data and gaps, with the need for better coordination and transformation of data to assist in sustainability reporting across agriculture.

5. Communications and Engagement

Communications activities included: a KG2 Survey of 600 farmers, ongoing presentations and information sharing about AASF by the NFF and initial consultation with Australian representatives in the EU, to understand how AASF could assist in country-to-country sustainability dialogue.

6. Legal and Policy Analysis

Aither completed an initial assessment of legal, tax and policy barriers. This included proposed legislative changes and their effect on Australian taxation. Six case studies of farm enterprises to understand the real-world effects were produced.

Phase 2 Six Elements to Research and Design

Element 1
Framework
Development



Element 3
Industry
Program
Benchmarking



Element 5:
Communication
& Engagement



Element 2
Financial
Incentives &
Accounting
Systems



Element 4
Data Needs
Analysis



Element 6
Legal & Policy
Analysis

A I T H E R

Phase 3

Phase 3 commenced in mid 2022 and concluded in mid 2023. It included the following activities.

1. Operations, Governance and Framework

AFI Report *Bringing the AASF to Life* completed the research stage into what an appropriate long-term governance, funding and management structure for AASF and its operationalisation could be.

Version 4 of the AASF was also released by AFI following the adoption of feedback from the Community of Practice and international engagement by AFI and NFF.

2. Community of Practice (CoP)

The CoP was a key feature of Phase 3 and enabled increased engagement by industry, government, research, private and related initiatives with the AASF. Schuster Consulting Group providing hosting and facilitation.

A series of face-to-face and online events were held to foster collaboration, harmonise sustainability concepts and discuss shared challenges.

3. Awareness and International Engagement

NFF led awareness raising about the AASF and international engagement. Activities included presenting AASF at a variety of industry and government events; online briefings with public and private sector stakeholders on request and preparation of reports and collateral about AASF.

International engagement grew during phase 3. This included AASF being featured by the Australian farming delegation at the Climate Change CoP held in Egypt in 2022.

NFF also consulted with Australian representatives abroad to understand how the AASF may be used to demonstrate Australian agricultural sustainability and to advocate for principles-based not prescriptive-based approaches. This included talks with EU and South Korean based agricultural commissioners and supporting the work of the Special Representative for Australian Agriculture.

4. Pilot Co-Design

KPMG led a co-design process with commercial partners toward pilots to test AASF in Australian value and supply chains and potentially overseas.

Implementation of Pilots is planned for AASF Stage 2.

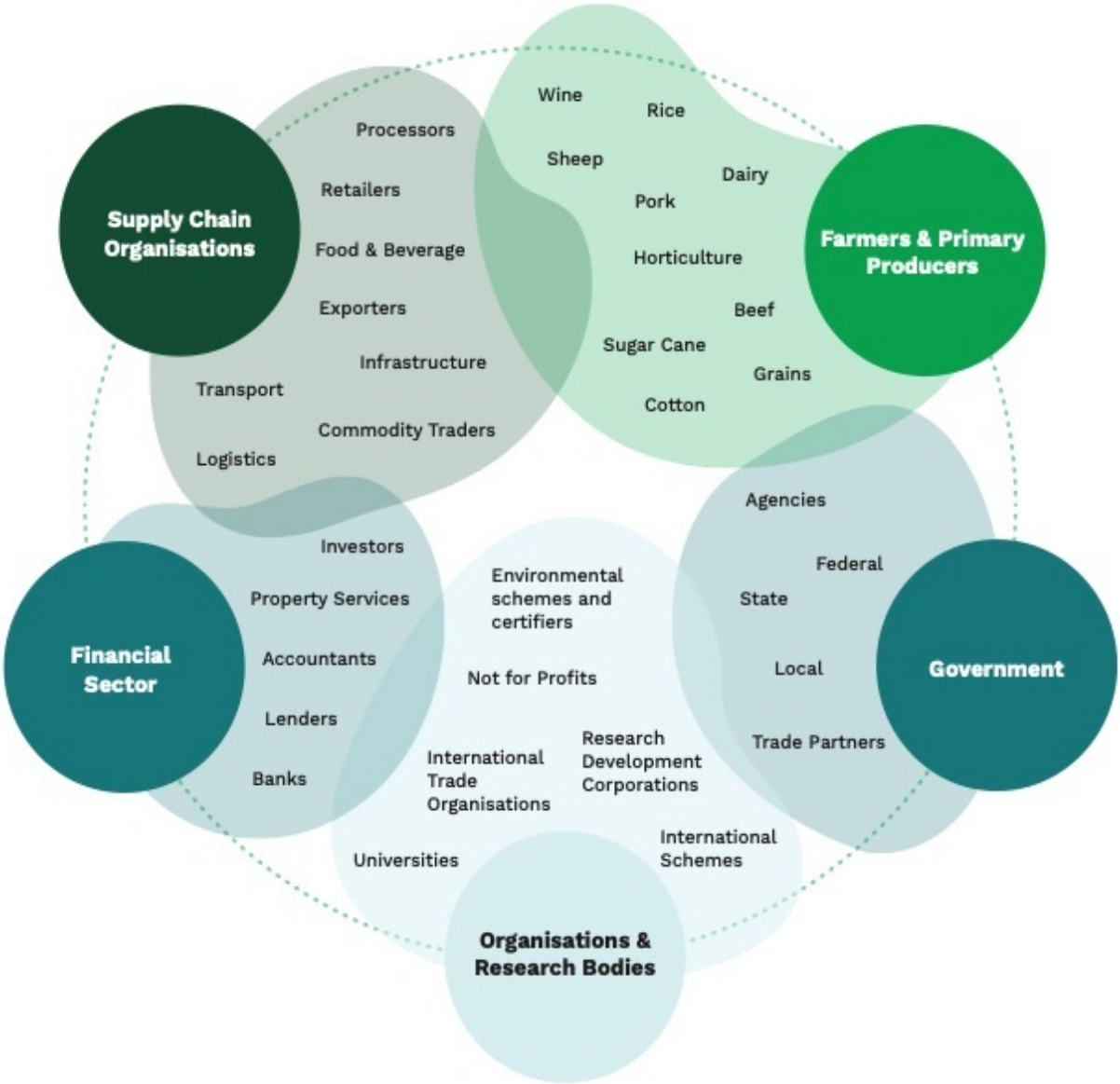
Stakeholder Engagement

Stakeholder engagement has been a key focus for AASF. During Stage 1, engagement evolved and matured as a stronger understanding about stakeholder interests and needs developed, including through their direct participation in the six elements of Stage 1 and working with existing industry initiatives.

Overall, 1,300 people and organisations contributed to the Stage 1. This included participation in mapping AASF alignment with industry frameworks, interviews to explore data needs, interviews with 600 farmers to discuss their views on sustainability and AASF presentations at industry and government events.

Initial international engagement commenced through consultation with Australian agricultural commissioners based overseas, NFF attendance at the Climate CoP in Egypt in 2022 and working with Australia’s Special Representative for Agriculture.

A key outcome of AASF engagement activities has been the establishment of a Community of Practice which at the conclusion of Stage 1 had 130 members from industry, government, private and not-for-profit, with an email list of 180.



CHAPTER 2

Phase 1 & 2 Outcomes



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Initial Discovery

Role

Early in 2020 the Australian Farm Institute (AFI) undertook a research project to review best practice management standards and gather feedback from stakeholders with skin in the game to address the benefits and potential barriers for adoption of a biodiversity scheme within farming and natural resource management communities.

Activities

More than 500 individuals contributed their thoughts, opinions and expertise to the project. Information gathered in the desktop review and consultation was analysed to determine key criteria for success. Consistent feedback indicated farmers preferred a broader focus on voluntary participation in sustainability rather than a more specific focus on biodiversity.

Farmers also identified that the complexity, cost and difficulty of assessing and participating in multiple programs, as barriers to participation in current stewardship programs, including market-based initiatives.

Deliverables



[Full report](#)
[Summary](#)
[Video overview](#)



The report found that best results are likely to come from an overarching national framework that connects and verifies current and emerging programs and provides farmers with choice.

An overarching framework could provide a pathway to assuring market access, demonstrating robustness of verification and measurement tools, and supporting the further diversification of economic opportunities for farmers.

Framework development

Purpose

AFI designed and developed the Australian Agricultural Sustainability Framework, taking into account relevant industry and international frameworks as well as legal, privacy and other relevant considerations.

Activities

AFI worked with a specialist expert reference group of eight subject matter experts to ensure a rigorous peer review process informed development.

The reference group provided valuable insights about existing systems, industry opportunities and gaps, as well as emerging global sustainability reporting trends.

AFI reviewed international standards and schemes along with domestic frameworks and schemes.

This led to the release of AASF Iteration 1 which was reviewed by 36 stakeholder organisations. Based on this feedback AFI released Iteration 2 for consultation in mid 2021. Further consultation along with input from the six element activities led to the release of Iteration 3 in April 2022.

Deliverables

Theme	Categories	V3 Principles (desired outcome or IDEAL STATE)	V3 Criteria (conditions to be met to comply with a Principle)
Environmental Stewardship	GREENHOUSE GASES & AIR	P1. Net anthropogenic GHG emissions are limited to minimise climate change P2. Adverse impacts to air quality are avoided or minimised	C1. GHG emissions are reduced throughout lifecycle C2. Carbon emissions are sequestered throughout lifecycle C3. Where necessary (i.e. if C1 & C2 are impractical), GHG emissions are offset throughout lifecycle by purchasing recognised credits or participating in recognised projects C4. Plant, equipment and machinery are appropriately maintained and operated to maximise efficiency C5. Activities which generate particulate matter are conducted within regulatory guidelines
	SOIL & LANDSCAPES	P3. Soil health and functionality are protected and enhanced P4. Landscape degradation is avoided or minimised	C6. Soils are managed to provide ecosystem services, including sustainable agricultural production C7. Land under productive agricultural management delivers beneficial environmental services C8. Natural waterways are preserved and improved
	BIODIVERSITY	P5. Biodiverse ecological communities are protected and enhanced	C9. Farms support a diverse range of beneficial flora and fauna species C10. Farm related ecosystems are functioning and thriving
	WATER	P6. Water resources are used responsibly and equitably	C11. Water is used efficiently in agricultural systems C12. Adverse impacts to surface water and groundwater quality are prevented
	MATERIALS & RESOURCES	P7. Finite resources are safeguarded in circular economic systems	C13. The use of inputs and resources that cannot be reused or recycled is minimised C14. Renewable sources of inputs are prioritised C15. Residues and waste are reused or recycled
People, Animals & Community	HUMAN HEALTH, SAFETY & WELLBEING	P8. Safe agricultural outputs are produced for public consumption P9. Safe working environments are provided for employees	C16. Food and fibre is produced, packaged and distributed to world leading standards of safety C17. Food produced by the industry is healthy and nutritional C18. Producers practice good antimicrobial stewardship C19. Occupational health and safety are upheld in the working environment C20. Labour rights are respected and compliance with relevant legislation is demonstrated C21. Physical health and mental wellbeing are valued and actively supported
	LIVELIHOODS	P10. Fair access to a decent livelihood is provided within the industry	C22. Profitability and competitiveness are encouraged C23. A rewarding and enriching work environment is provided
	RIGHTS, EQUITY & DIVERSITY	P11. Discrimination is not tolerated in an inclusive industry	C24. Human rights are respected unequivocally C25. Workplace diversity is valued and actively supported
	ANIMAL WELLBEING	P12. Farmed animals are given the best care for whole of life	C26. Best practice on farm husbandry is demonstrated C27. Safe transportation of animals is demonstrated C28. Humane end of life for farmed animals is ensured
	SOCIAL CONTRIBUTION	P13. Society benefits from the agricultural industry's positive contribution	C29. Industry contributes to local community economic growth and social capital C30. Indigenous culture is recognised, valued and actively supported C31. Community trust in the industry is upheld
Economic Resilience	GOOD GOVERNANCE	P14. All industry participants behave ethically and lawfully P15. Resilience is protected and enhanced by assessment, mitigation and management of risks	C32. Compliance with applicable laws and regulations is demonstrated C33. Fair access to participate equally in markets is ensured C34. Zero tolerance for bribery or corruption is demonstrated C35. Government and industry develop and extend overarching national scenario planning for industry risks C36. Industry participants develop, implement and regularly review risk management plans C37. Innovation and infrastructure are well resourced and supported by government and industry, and can be equitably accessed by industry participants
	FAIR TRADING	P16. Unconscionable conduct is eliminated from the supply chain via demonstrated transparency and accountability	C38. Product provenance information is readily available (i.e. traceability) C39. Information asymmetry in the supply chain is eliminated where perverse outcomes are a risk C40. Carbon footprint accounting is harmonised
	BIOSECURITY	P17. Biosecurity threats are assessed, mitigated and effectively managed in systems of continuous improvement	C41. Farms have systems in place to monitor risk, prevent and mitigate adverse impacts from biosecurity threats C42. Industry has systems in place to monitor risk, prevent and mitigate adverse impacts from biosecurity threats C43. Government has systems in place to monitor risk, prevent and mitigate adverse impacts from biosecurity threats

The AASF has
3 themes,
13 categories,
17 principles and
43 criteria.

The Framework will
need to be regularly
updated to ensure it
maintains currency with
international and
domestic sustainability
requirements.



Framework Purpose

The AASF communicates at the national level the sustainability status and goals of the Australian agricultural industry to markets and to the community.

The framework operates at the national level not farm level. It is **voluntary** and **no additional cost** to the industry should be incurred. Individual farmers will not report against the AASF, but they may use it as a guide about sustainability and ESG expectations

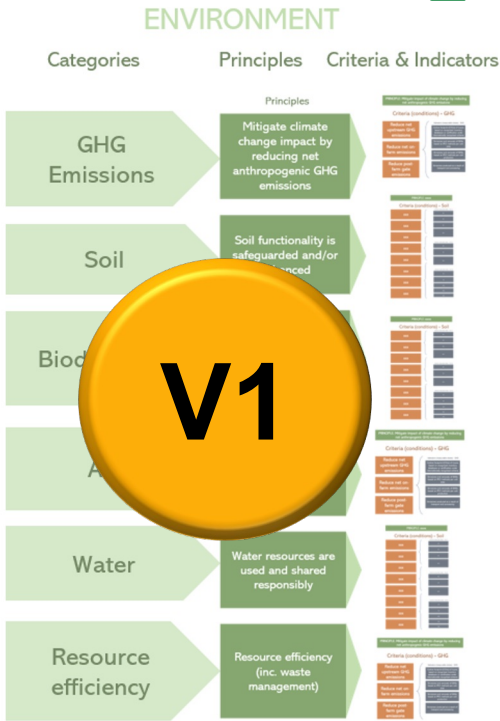
The aim is to **assist alignment and consistency** across existing and emerging sustainability initiatives and to address joint challenges like data

The AASF principles and criteria are high level, to allow for **diversity across commodities, geographies and production systems.**

The AASF is not currently designed for **certification** or for **compliance.**

It has been informed by and **aligned with relevant global sustainability schemes and standards.**

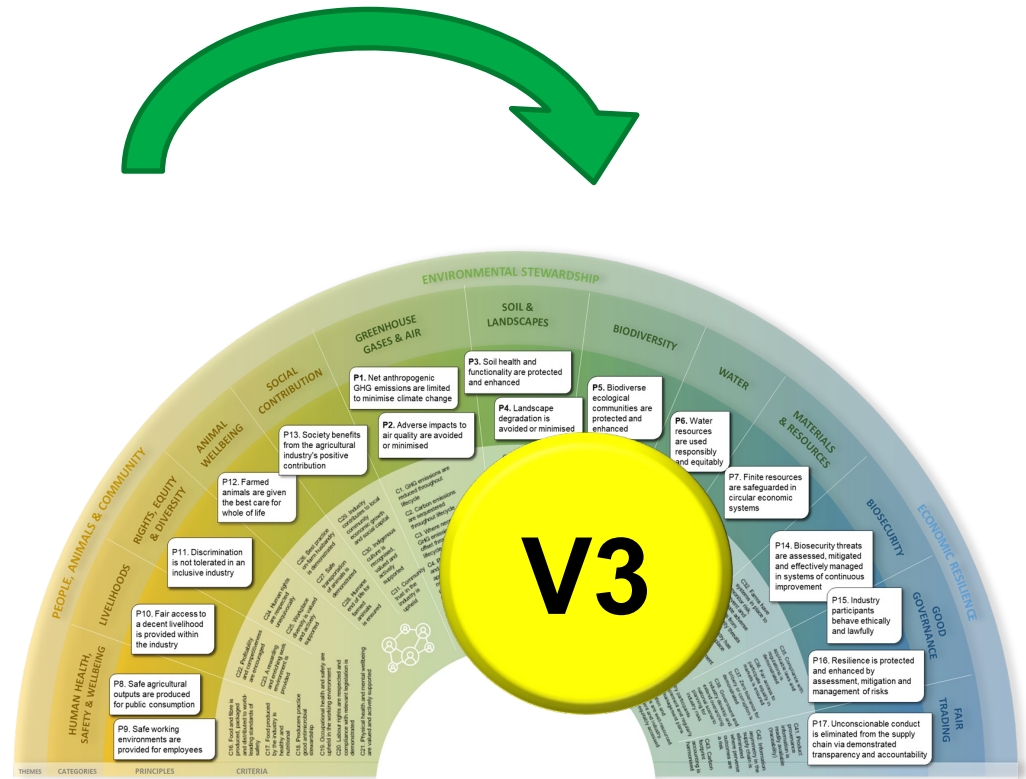
Framework Iterations



Mid 2021



Late 2021



April 2022

AASF has been developed through the release and testing of three “iterations”. Each iteration has been exposed to extensive stakeholder engagement which has confirmed alignment with market and industry imperatives and where further work was needed to achieve consistency and interpretation.

Theme – Environmental Stewardship

Theme	Categories	V3 Principles (desired outcome or IDEAL STATE)	V3 Criteria (conditions to be met to comply with a Principle)
Environmental Stewardship	GREENHOUSE GASES & AIR	<p>P1. Net anthropogenic GHG emissions are limited to minimise climate change</p> <p>P2. Adverse impacts to air quality are avoided or minimised</p>	<p>C1. GHG emissions are reduced throughout lifecycle</p> <p>C2. Carbon emissions are sequestered throughout lifecycle</p> <p>C3. Where necessary (i.e., if C1 & C2 are impractical), GHG emissions are offset throughout lifecycle by purchasing recognised credits or participating in recognised projects</p> <p>C4. Plant, equipment and machinery are appropriately maintained and operated to maximise efficiency</p> <p>C5. Activities which generate particulate matter are conducted within regulatory guidelines</p>
	SOIL & LANDSCAPES	<p>P3. Soil health and functionality are protected and enhanced</p> <p>P4. Landscape degradation is avoided or minimised</p>	<p>C6. Soils are managed to provide ecosystem services, including sustainable agricultural production</p> <p>C7. Land under productive agricultural management delivers beneficial environmental services</p> <p>C8. Natural waterways are preserved and improved</p>
	BIODIVERSITY	<p>P5. Biodiverse ecological communities are protected and enhanced</p>	<p>C9. Farms support a diverse range of beneficial flora and fauna species</p> <p>C10. Farm-related ecosystems are functioning and thriving</p>
	WATER	<p>P6. Water resources are used responsibly and equitably</p>	<p>C11. Water is used efficiently in agricultural systems</p> <p>C12. Adverse impacts to surface water and groundwater quality are prevented</p>
	MATERIALS & RESOURCES	<p>P7. Finite resources are safeguarded in circular economic systems</p>	<p>C13. The use of inputs and resources that cannot be reused or recycled is minimised</p> <p>C14. Renewable sources of inputs are prioritised</p> <p>C15. Residues and waste are reused or recycled</p>

Theme – People, Animals & Community

Theme	Categories	V3 Principles (desired outcome or IDEAL STATE)	V3 Criteria (conditions to be met to comply with a Principle)
People, Animals & Community	HUMAN HEALTH, SAFETY & WELLBEING	<p>P8. Safe agricultural outputs are produced for public consumption</p> <p>P9. Safe working environments are provided for employees</p>	<p>C16. Food and fibre is produced, packaged and distributed to world-leading standards of safety</p> <p>C17. Food produced by the industry is healthy and nutritional</p> <p>C18. Producers practice good antimicrobial stewardship</p> <p>C19. Occupational health and safety are upheld in the working environment</p> <p>C20. Labour rights are respected and compliance with relevant legislation is demonstrated</p> <p>C21. Physical health and mental wellbeing are valued and actively supported</p>
	LIVELIHOODS	P10. Fair access to a decent livelihood is provided within the industry	<p>C22. Profitability and competitiveness are encouraged</p> <p>C23. A rewarding and enriching work environment is provided</p>
	RIGHTS, EQUITY & DIVERSITY	P11. Discrimination is not tolerated in an inclusive industry	<p>C24. Human rights are respected unequivocally</p> <p>C25. Workplace diversity is valued and actively supported</p>
	ANIMAL WELLBEING	P12. Farmed animals are given the best care for whole of life	<p>C26. Best practice on-farm husbandry is demonstrated</p> <p>C27. Safe transportation of animals is demonstrated</p> <p>C28. Humane end of life for farmed animals is ensured</p>
	SOCIAL CONTRIBUTION	P13. Society benefits from the agricultural industry's positive contribution	<p>C29. Industry contributes to local community economic growth and social capital</p> <p>C30. Indigenous culture is recognised, valued and actively supported</p> <p>C31. Community trust in the industry is upheld</p>

Theme – Economic Resilience

Theme Categories

V3 Principles (desired outcome or IDEAL STATE)

V3 Criteria (conditions to be met to comply with a Principle)

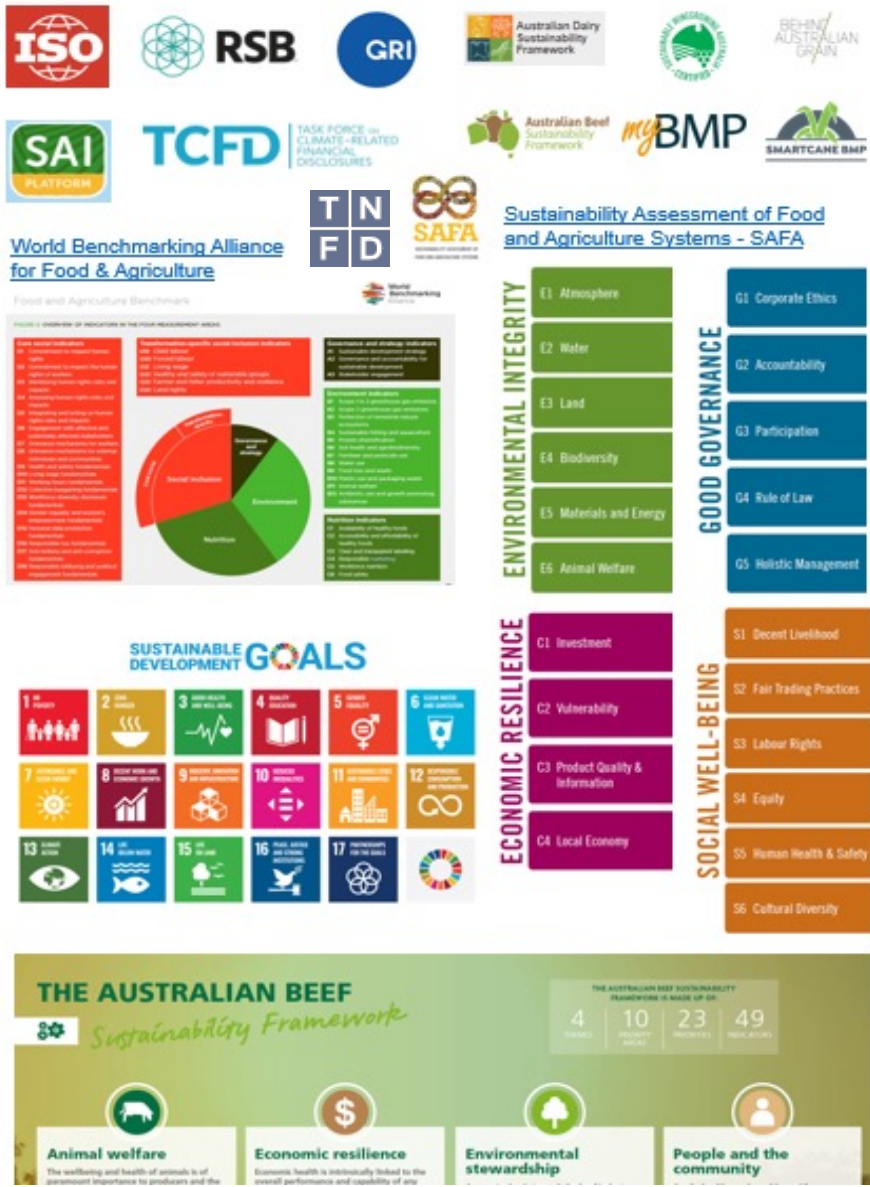
Economic Resilience	BIOSECURITY	<i>P14. Biosecurity threats are assessed, mitigated and effectively managed in systems of continuous improvement</i>	<p>C32. Farms have systems in place to monitor risk, prevent and mitigate adverse impacts from biosecurity threats</p> <p>C33. Industry has systems in place to monitor risk, prevent and mitigate adverse impacts from biosecurity threats</p> <p>C34. Government has systems in place to monitor risk, prevent and mitigate adverse impacts from biosecurity threats</p>
	GOOD GOVERNANCE	<i>P15. All industry participants behave ethically and lawfully</i> <i>P16. Resilience is protected and enhanced by assessment, mitigation and management of risks</i>	<p>C35. Compliance with applicable laws and regulations is demonstrated</p> <p>C36. Fair access to participate equally in markets is ensured</p> <p>C37. Zero tolerance for bribery or corruption is demonstrated</p> <p>C38. Government and industry develop and extend overarching national scenario planning for industry risks</p> <p>C39. Industry participants develop, implement and regularly review risk management plans</p> <p>C40. Innovation and infrastructure are well-resourced and supported by government and industry, and can be equitably accessed by industry participants</p>
	FAIR TRADING	<i>P17. Unconscionable conduct is eliminated from the supply chain via demonstrated transparency and accountability</i>	<p>C41. Product provenance information is readily available (i.e. traceability)</p> <p>C42. Information asymmetry in the supply chain is eliminated where perverse outcomes are a risk</p> <p>C43. Carbon footprint accounting is harmonised</p>

AASF Terms and Structure

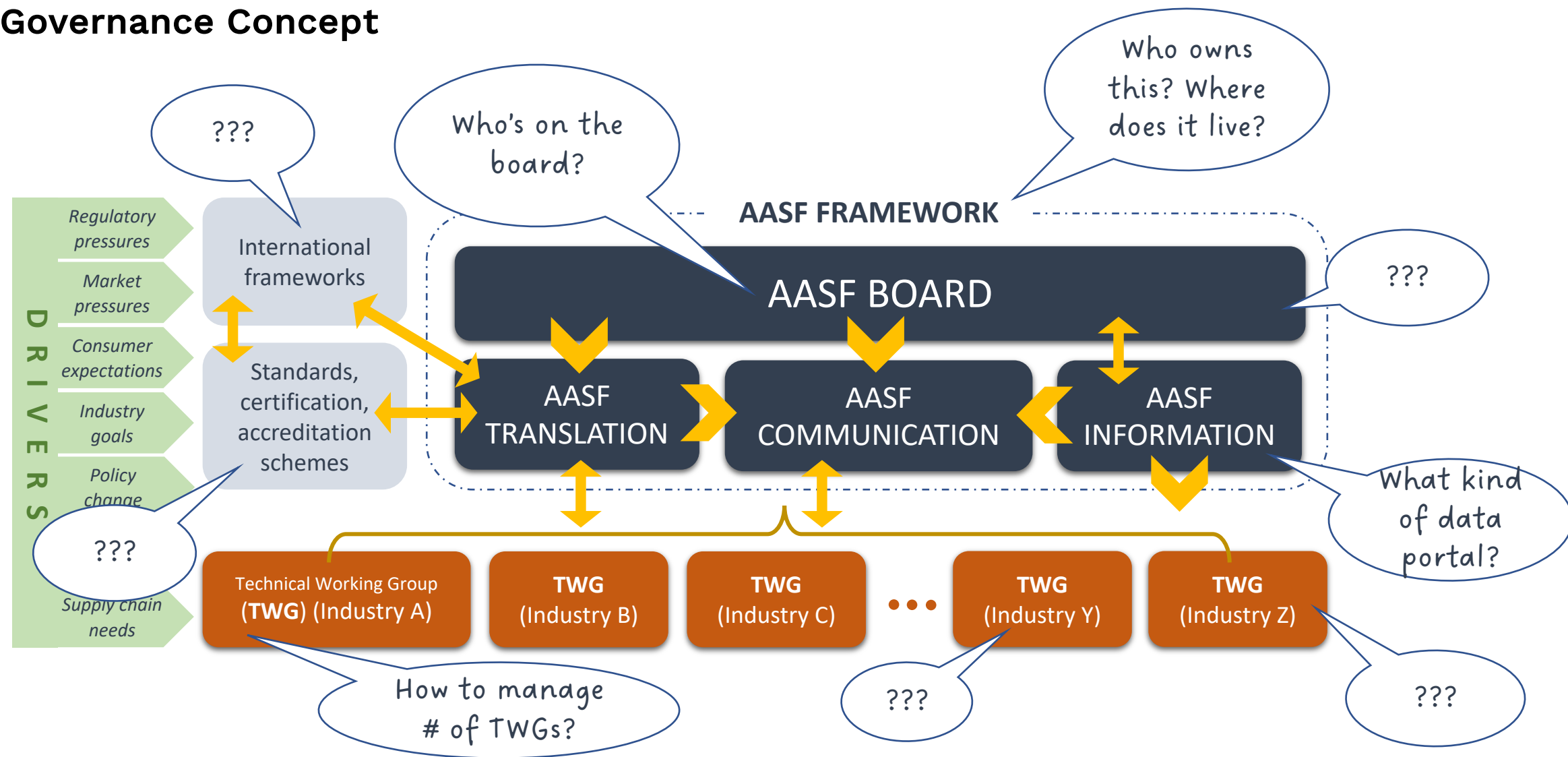
The AASF reflects the rapidly maturing sustainability schemes already operating in Australia and globally. It has involved the mapping of existing industry-level sustainability goals into a catalogue of basic sustainability principles and criteria for the Australian agricultural industry.

To reflect the different needs of heterogeneous stakeholders, this framework uses an **ESG structure** and **sustainability framework language** to clearly direct users to material principles and criteria.

Some of the many frameworks, schemes and programs which have been considered are noted here. In particular the AASF seeks to reflect internationally the Taskforce for Nature-related Financial Disclosures, Sustainability Assessment of Food and Agriculture Systems, Sustainable Development Goals and SAI Global Standards. It also aligns with leading Australian industry sustainability frameworks, for example Cotton BMP, Beef and Dairy Sustainability Frameworks and AgCarE.



Draft Governance Concept



An output of AFI’s Phase 2 activities was to produce a concept for a governance structure. The diagram reflects a proposed governance arrangement for AASF. During Phase 3, AFI work will include resolving the questions identified in the comments depicted across this diagram. Technical Working Groups (TWGs) are proposed to ensure AASF remains up to date and relevant over time.

Financial Incentives and accounting systems

Purpose

KPMG's study explored the market landscape for Australian agricultural sustainability in domestic and international markets. The purpose was to understand how evolving market transformations may influence the Australian agricultural sector. This included the identification of existing incentive mechanisms which have the potential to provide farming enterprises with a reward for adopting and maintaining sustainable practices.

Activities

KPMG conducted a desktop review to identify the demand landscape for sustainability within agricultural supply chains both domestically and internationally. This included identification of current financial incentives attributed to the farm sector from supply chain corporations and financial institutions which seek to reward sustainable farming practices.

In June 2021, 20 consultations were completed with downstream stakeholders including financial institutions, consumer goods brands, retailers, and more to further understand the demand landscape and market opportunities for financial incentives. During these consultations, KPMG tested the AASF language, structure, and value proposition, feedback from these consultations informed preparation of AASF Iteration 2.

In November 2021, KPMG also hosted five stakeholder roundtables with NFF and AFI. The aim of the roundtables was to bring together diverse stakeholders from the breadth of the supply chain to collectively test AASF Iteration 2. Sixty five stakeholders were engaged in this activity.



Deliverable



The Time is Now Report

Findings

- Sustainability has gained a foothold across corporate Australia
- Consumers, shareholders, financiers and regulators are demanding transparency. Businesses have a responsibility to disclose the ESG impacts across their supply chain.
- Businesses who do not act are at risk of loss or losing access to both physical and capital markets.

Several tools have emerged to support companies to address sustainability risks and impacts

- Corporate sustainability reporting tools serve to communicate a company's ESG impacts and their progress toward achieving sustainability goal. These tools are quickly growing in sophistication and expanding their scope to include specific criteria for the agriculture, food and beverage sector.
- However, the rapid growth has led to confusion. There is no single definition for Australian agricultural sustainability to inform a company's sustainability decision making. This is leading to bespoke sustainable sourcing programs emerging which are vary and are misaligned in language and criteria.

Sustainability demands are flowing upstream and creating new demands on farmers

- Sustainability is at the heart of the farm sector. However buyer, financier and regulator demands are rapidly changing. To meet these demands the farm sector is being asked to adopt new sustainable practices and to disclose information related to their environmental and social footprint.
- This evolving landscape presents opportunities for increased collaboration between the private and the farm sectors.

Financing the adoption of sustainable farming practices needs innovative and novel partnerships between the farm sector, private sector and the government

- Financial mechanisms to incentivise sustainable agricultural practices are emerging however the market remains at a nascent stage.
- To move at scale the entire ecosystem needs to be brought along the journey. Collaboration will be key. All stakeholders will have a role to play in creating true and transformational change.

Supply Chain Roundtable

Purpose

The purpose of the roundtable sessions were to:

- Understand the current gaps, challenges and future opportunities for the AASF
- Reach alignment on the language, purpose and the AASF's design
- Validate the key findings and assumptions underpinning the Framework's development
- Socialise and obtain feedback on key considerations for Phase 3 of AASF development

Participants

The stakeholder groups represented were:

- 15 Primary producers
- 15 Government representatives
- 13 Industry Organisations and Rural Research and Development Corporations
- 1 University
- 4 Financial institutions
- 10 Supply chain organisations
- 7 Service providers to the agriculture sector

Supply Chain Roundtable Outcomes

Findings

Roundtable discussions validated that there is a need for a framework like the AASF to support the Australian agricultural industry to demonstrate sustainability and its development is timely. It will be an imperative tool for the industry to secure continued access to markets and to help communicate sustainability with downstream users.

Supply chain company and financial institutions noted the rapid growth of sustainability in the business landscape and reiterated the AASF is an important tool to support business on sustainability.

The AASF's overarching value is its ability to provide a common language on sustainability in a way that is meaningful to the farm sector and to markets. The AASF can enable communication by industry with up and downstream supply chain partners on sustainability. The AASF can assist communication by:

- Underpinning “Brand Australia”
- Providing a point of reference in trade negotiations and underpinning trade and market access
- Enabling communication of the sectors sustainability credentials.

Findings

Stakeholders discussed the use of language within the AASF, resolving that it does have a role to play in stating the sectors ambition to continuously improve. Suggestions included the use of language like “enhance” or “improve” rather than terms like “prevent” or “minimise”.

The breadth of AASF was also discussed. Industry participants queried that not every issue covered by AASF is relevant to every industry, and whether the AASF may create unrealistic expectations. One example was Air Quality is meaningless in rangelands production. It was proposed that AASF should outline how individuals and industry sectors interact with the framework elements of most relevance to them. A materiality assessment of AASF was also suggested.

Further clarity is also required about how the AASF will interoperate with existing industry schemes. There was good general understanding that the intent of the AASF is to operate at the national level. However, whether it replaces or interacts with industry schemes was still unclear, with some concerns about ambiguity in the market.

Industry Program Benchmarking

Purpose

Element 3 involved engagement with 26 industry and private sustainability initiatives, and the evaluation of 15 of those against the AASF between July 2021 and April 2022. Findings from this process were used to improve Iterations 2 and 3 of the AASF.

Activities

Twenty-six initiatives were invited to participate, of which 15 were able to share the information required to complete the evaluation process.

The evaluation process involved three expert team members from Schuster Consulting individually evaluating initiatives against the AASF Principles and Criteria with their findings then peer reviewed by the two other team members until internal consensus on the findings was achieved. A draft of the evaluation was shared with each participating initiative for their review before being finalised.

Two-way information sharing between the initiative and the AASF was a key feature of this activity. Alignment and differences between the AASF and the initiative were explored to understand how greater consistency can be achieved over time.

Deliverable

Final Report — May 2022



Initiatives Consulted



Integrated Futures'
Farm-scale Natural
Capital Accounting



Alignment Summary

Table 1 Summary AASF & Initiative Alignment

Alignment	Principles
High	Nil
Medium	P5 (biodiversity) P6 (water) P17 (biosecurity)
Low	P1 (GHG emissions) P3 (soil) P4 (land) P7 (waste) P8 (safe goods) P9 (safe work) P10 (livelihoods) P13 (animal welfare)*
No or little alignment	P2 (air quality) P11 (discrimination) P12 (societal contribution) P14 (ethics and law) P15 (risk) P16 (transparency)

Colour Code

Alignment	Range (%)
High	81-100
Medium	67-80
Low	40-66
No or little alignment	0-39
	Not applicable

Table 1 gives a high-level summary of alignment between participating initiatives and the AASF. The purpose of evaluating alignment was to better understand the differences and, by sharing the findings, encourage increased alignment in both directions between initiatives and the AASF where it makes sense to do so.

Some of the factors which created low alignment include differences in interpretation of principles and criteria and inconsistency in language and structure, some of which AASF Iteration 3 has addressed. We anticipate that if the same initiatives were evaluated against Iteration 3 there would be clearer alignment in some areas. The scope of what was evaluated by Schuster Consulting was also very specific and only included what could be objectively evaluated rather than narratives or case studies that may be used by some initiatives.

The materiality of some Principles for some initiatives also impacts alignment. for example for plant-based industry initiatives animal welfare is not applicable. industry initiatives also pay less attention to areas of less specific relevance to them or where legal controls exist, like air quality and discrimination.

The alignment also reflects that the AASF responds at a national level to international and domestic market and ESG signals, while industry initiatives respond to the specific priorities/ drivers for that industry and the specific markets/ consumers the need to engage. Increasing alignment between the AASF at national level and industry initiatives, strengthens the consistency in Australian agriculture’s collective narrative and demonstration of sustainability at home and overseas.

Findings

This process expected to find alignment differences between the AASF and participating initiatives because they have been developed by different interests, at different times for different purposes.

Element 3's alignment mapping has informed improvements to AASF Iterations 2 and 3. This includes clarifying terminology to avoid ambiguity and structural adjustments to avoid individual criterion encompassing dual aspects. Awareness and understanding among various stakeholders about the AASF has also been increased.

Alignment between initiatives and the AASF can be found in biodiversity, water and biosecurity, see Table on next page. Areas of low alignment are due to a range of factors including differences in interpretation and where Australia has existing legal mechanisms, like worker safety and air quality.

Element 3 also provided impartial, expert feedback to the initiatives about their alignment with the AASF, including recommendations they could adopt as part of their continuous improvement processes.

Recommendations

Element 3 demonstrated that there is interest among stakeholders in cross sectoral collaboration and sharing learnings to enable continuous improvement of sustainability initiatives.

There is also keen interest in ongoing evaluation to improve the alignment of existing initiatives with the AASF. In addition, some initiatives who were unable to participate in the project timeframe expressed interest in ongoing engagement.

A mechanism such as a Community of Practice (CoP), hosted by the AASF could address this interest in continued engagement. Such a community could deliver significant value to the Australian agricultural industry and its progress against sustainability goals.

AASF Workplan 3 includes a CoP proposal which could start with a focus on shared data challenges.

Data Needs Analysis

Purpose

The goal of CSIRO's Element 4 project was to understand the current data collection activities of existing agricultural industry sustainability frameworks, certification schemes, third-party certification schemes and supply chain organisations (initiatives). The project had two parts. The first involved engagement with initiatives on data, the second involved a review of 15 AASF criteria against publicly available national data sets to understand their suitability.

Activities – Part 1

The following questions were explored:

- What data is being used to support current initiatives?
- What opportunities for harmonisation of these data might exist?
- What gaps exist between these programs and the needs of the AASF?

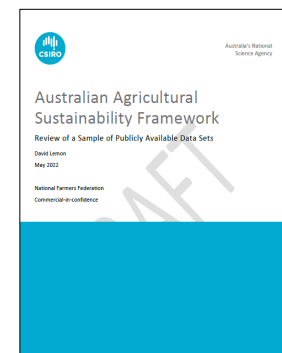
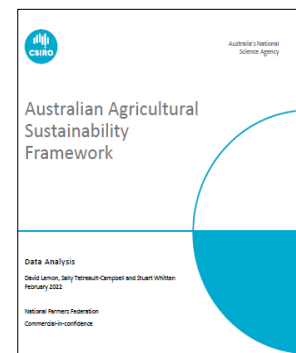
Information was sourced through interviews with a selection of initiatives who had been invited to be consulted as a representative sample of the orientations and maturity which currently exist. This was followed by a review of documentation provided by them. The data identified was then mapped against AASF Iteration 2.

Activities – Part 2

15 of the 45 proposed AASF criteria were selected. For each a search was undertaken for publicly available national data sets that might include indicators that could be used to support criteria reporting.

The criteria chosen covered the three Themes of AASF and because of their importance to key stakeholders including international markets. For criteria for which candidate data sets were found, a review of the data set was undertaken to determine its suitability for use.

Deliverables



Initiatives Consulted





Farm-scale
Natural Capital
Accounting







MSC Fisheries
Standard





Findings

The following insights have been found across existing industry sustainability frameworks, certification schemes, third party certification schemes and supply chain organisations (initiatives).

Current data collection by Initiatives

- Only a small number are collecting data on a regular basis.
- Industry and third-party certification schemes often collect and use data to support their assessments but do not report this data.
- Supply chain companies are starting to think about data collection to support their own sustainability reporting, but little is being done at present beyond planning.

Data being collected by Initiatives

- There is little commonality between the data being collected.
- Much of the collected data is qualitative and relates to indicators that are specific to the industry, making it difficult to translate or compare to other settings.
- No data is being collected about soil health or biodiversity at a national scale.
- All initiatives include criteria for which they have not defined indicators and hence are not collecting data.

Data collection methods

- There is a heavy reliance on surveys of individuals to support Initiatives. These surveys are conducted at varying frequencies with varying levels of control.
- Interviewees reported that finding and acquiring data to support sustainability reporting can be time consuming and difficult.

Other relevant findings

- The data needs along supply chains vary according to the nature of the supply chains. In particular, supply chains where commodities are processed in bulk (eg. grains, some meat) use industry sustainability reporting whereas supply chains where the provenance of commodities can be traced (eg. some meat, wine) can use data collected at farm level.
- There are parallel activities being undertaken that may be of interest. Including: The Australian AgriFood Data Exchange Project; CSIRO's Trusted Agrifoods Exports Mission: Sustainability credentials framework to support agri-food exports; Collaboration between some broadacre agriculture sustainability frameworks.

Findings

For a small number of the selected criteria, publicly available data sets that appear sustainable and contain possible indicators could be found and readily used.

No data sets could be found for over 20% of the selected criteria. For some, the need for data is recognised but it is not yet available. In other cases, the need for data has not been recognised. Therefore, investment may be required to support the development of suitable data sets to support some of these criteria

For most criteria, data sets can be found, but effort will be required to repurpose them for use. This work varies between data sets and includes: linking the data to agriculture, integration with other data to generate required indicators and/or manipulating them to create analysable data. Once again, investment will be required to support these repurposing activities.

The task to collate data to support the AASF will be complex as it will include the need to:

- Support the development and enhancement of new and existing data collection activities and programs. This is needed to address gaps in data availability (where no data exists) as well as improve the sustainability of existing data sets (where data sets exist but are not yet on a sustainable footing).
- Develop and manage data access arrangements with a range of organisations. Data will need to be sourced from many different organisations over significant time periods. These arrangements are needed to ensure continuity of supply.
- Have access to data collection, processing and manipulation capabilities. This may be in-house or outsourced to a third party and is required for repurposing and preparing data sets.

Recommendation

Building on the findings of Element 4 Parts 1 and 2 CSIRO has found that industry and environmental sustainability frameworks and certification schemes have shared interests in many of the same data sets of use to the AASF.

It is therefore recommended organisations with a vested interest in data for the use of sustainability-related agriculture activities be brought together into a formal group. These stakeholders would include data providers and users and would work together to:

- ☐ determine and agree on data needs
- ☐ address gaps in data
- ☐ secure funding to support the development and/or maintenance of key data sets
- ☐ influence the owners of key data sets to improve availability and interoperability of key data sets
- ☐ share services for manipulating and analysing data

This recommendation builds on Part 1 which proposed the creation of a formal agricultural sustainability data sharing ecosystem and this review has served to reinforce the need for this ecosystem to improve the accessibility, useability, and interoperability of data to support agricultural sustainability initiatives. Without this group, individual frameworks and schemes will continue to work in isolation and potentially at cross purposes creating inefficiencies and confusion.

There are a range of publicly available data sets that might be used to support the AASF and industry frameworks and schemes. However, their accessibility, useability and sustainability vary. Working together in a coordinated fashion provides a path by which the challenges with using these data sets can be addressed and opportunities realised to support the AASF and other agricultural sustainability activities.

Communications and Engagement

Purpose

KG2 and Nook Studios were separately contracted to provide stakeholder engagement (KG2 via survey) and communications services (Nook).

Activities – KG2

KG2 were engaged in March 2021 to conduct research via survey with farmers and primary producers to inform the development of the Australian Agricultural Sustainability Framework.

1. Exploratory baseline survey
109 x 5 minute phone interviews
2. Engagement research
612 x 20 minute phone interviews surveys

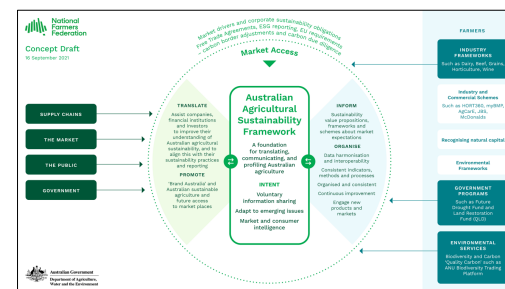
Activities – Nook Communications

Nook Communications were engaged in September 2021 to provide creative direction for AASF communications and to design supporting materials to assist in AASF communication to stakeholders broadly.

Deliverable – KG2



Deliverables – Nook Studios



- Concept Diagram
- Website Update
- Stakeholder Engagement Map
- AASF Key Messages and positioning
- Synthesis Report Template

Nook
STUDIOS

KG2
DATA DRIVEN SALES & MARKETING

Survey

Activities

In October/November 2021, KG2 contacted a sample of **n=612** Australian farmers for a 20 minute interview by telephone. This sample was split into three key groups representing farm types which are summarised on the map on the next page.

KG2 owns and manages Australia's most comprehensive agricultural database which was used to access a full list of producers for this survey.

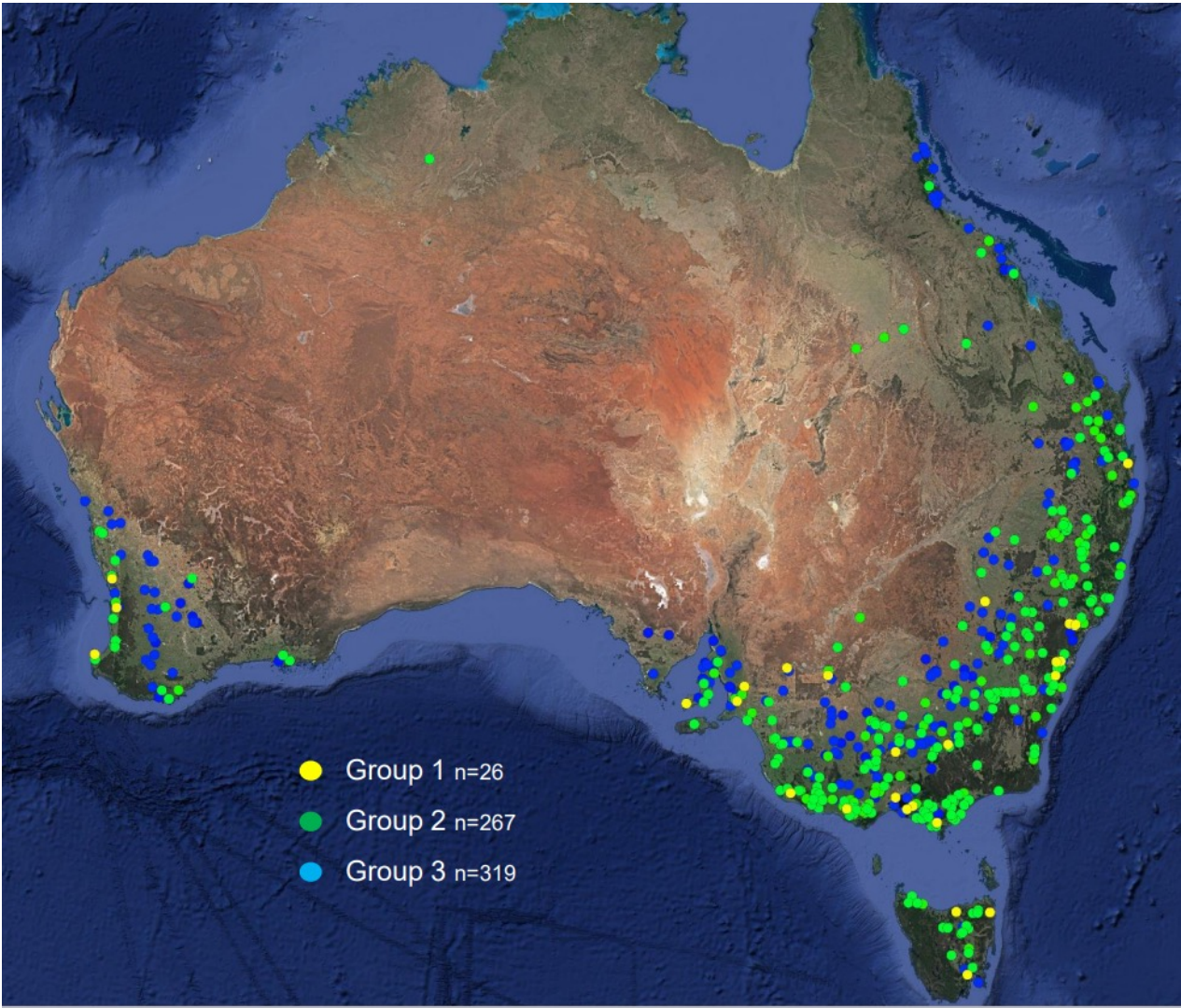
All calls were made from KG2's in-house call centre by experienced interviewers using the CATI (Computer Assisted Telephone Interview) system. KG2 recruits university agriculture graduate and post-graduate students as interviewers so that they have knowledge, understanding and experience about the topic which enables them to create rapport with farmers and to probe their responses appropriately.

Data analysis, outputs and reporting were all completed in-house by KG2. Data was extracted from KG2's system for quality assurance checking, analysis and coding of open-ended questions.

Survey objectives

- Benchmark farmers' current sustainable practices
- Understand farmers' interpretation of the term 'sustainability'
- Explore farmers' views on the sustainability of Australian agriculture, both now and in the future
- Gauge the current level of industry activities and support to farmers for sustainable farming practices
- Understand market and consumer influences and how these impact the farmer in the context of sustainability
- Gauge awareness of, and participation in, industry frameworks or schemes that demonstrate sustainability
- Identify expectations and concerns around premium payments for frameworks or schemes and explore compliance issues
- Explore the perceived usefulness of the proposed AASF, identify their expectations of how it would best work for them (facilitators) and potential barriers to uptake and adoption of the AASF

Survey Distribution



Group	Farm Type
1 (n=41)	Pigs
	Poultry
	Viticulture (Grapes)
2 (n=375)	Sheep
	Beef
	Dairy
3 (n=196)	Grain
	Cotton
	Sugar
	Rice
	Horticulture (Fruit & Veg)
	Total:

Findings

- 95% of farmers currently have at least one sustainable practice.
- 48% of farmers thought their industry didn't currently offer enough support implementing sustainability practices.
- The top three perceived barriers to increasing, implementing or maintaining sustainability practices were **costs**, **complexity** (red tape) and **profitability**.
- When asked to explain concerns about sustainable practices, there was a wide range of issues mentioned, the top three being government restrictions reducing productive capacity (11%), difficulty in adopting new practices without support (11%) and bureaucratic water control reducing capacity (10%).
- 27% of farmers have received a premium on the basis of sustainability.
- 52% expect a premium for demonstrating sustainability.
- 74% of farmers would accept extra compliance for a premium price.
- 58% of farmers have heard of schemes that offer payments for sustainability activities but only 6% had successfully registered a project.

Findings

Producer perceptions about the term ‘Sustainability’

The term ‘Sustainability’ by itself had no clear definition or meaning. The concepts of ‘Economic Sustainability’ and ‘Environmental Sustainability’ are intrinsically linked. *Economic sustainability* is perceived more as profitability, and always comes first, while *environmental sustainability* is perceived as being more about land care and management. The majority of producers identified at least one sustainable practice on-farm. Some did not realise they did, but when given examples their answer changed from “no” to “yes”.

Barriers to implementing ‘Sustainable Practices’

Cost was the most significant perceived downside to sustainable practices. This included machinery, fertiliser and fuel costs, as well as profitability and implementation costs. Perceptions were that most consumers still value lower prices over sustainability. They noted that without income, they have to resort to cheaper methods. The multi-generational aspect of farming was referenced by multiple farmers when asked about sustainability. In one sense, sustainability was about preservation and protection of land for future generations of farmers. In the other outlook, some farmers haven’t changed their practices for generations, and are unlikely to.

Industry support and consumer Demand

Perceptions of the level of industry support provided varied by industry type. There seemed to be fewer producers who thought sustainability impacted demand, compared to expectations or consumer influence.

Awareness of ‘Farming Frameworks’ or ‘Schemes’

There was little knowledge of farming frameworks or schemes. Overall, once introduced to the general concept of the AASF, it was generally well-received. However, producers need more information about its operation and questioned: *How would it be implemented, who by and when?* Producers were generally not willing to support something that will provide more restrictions.

Recommendation

It is vitally important for the AASF to clarify what sustainability means for the purpose of the framework.

Legal and policy analysis

Purpose

Aither was engaged in June 2021 to identify and assess policy and legal barriers that may prevent or reduce the willingness of farmers to undertake sustainable management practices, including those that generate a sustainability payment. Future policy considerations were also identified to support the development and analysis of targeted policy and legal interventions that might overcome the barriers.

A second stage of this project will be completed in August 2022, it focusses on demonstrating the application of proposed Australian taxation arrangements as they apply to ACCUs.

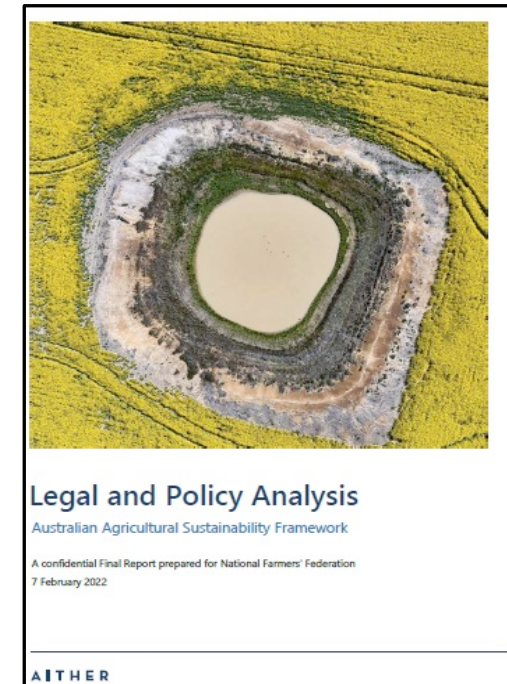
Activities

The project was delivered through desktop review and targeted stakeholder engagement. The desktop review included a review of relevant literature, legislation and policy. Targeted consultations were completed with over 25 stakeholders across state and commonwealth governments, banks, carbon market experts, valuers, investors, farm business advisors and agricultural industry representatives.

Stakeholder insights were valuable for identification of barriers and an assessment of their materiality and the identification of future policy considerations in the context of recent trends and developments.

The relevance and materiality of the barriers were further assessed through questions included in the KG2 Australia-wide survey of farmers.

Deliverable



A I T H E R

Findings

Aither reviewed five policy and legal barriers: Australian taxation, government assistance, licensing requirements, valuation and land tenure. All but two barriers - valuation and land tenure – were found to be only applicable to farmers seeking to generate a sustainability payment.

The five barriers will affect different cohorts of farmers in different ways

Individual circumstance dictates which barriers affect a farmer and to what extent. Farm business size, farm income volatility, reliance on debt and finance, land ownership arrangements, commodity types, geographic locations and the type of sustainable management practice all effect the materiality of the barriers.

The barriers compound for some cohorts of farmers

More than one barrier is likely to materially affect some farmers. For example, Australian taxation is a material policy and legal barrier for farm businesses with higher income volatility. Valuation is most material for those who rely on finance and debt. There will be substantive overlap, which will particularly reduce their willingness to undertake sustainable management practices and generate a sustainability payment.

Awareness and understanding of the relevance of each barrier to individual circumstance is a material barrier in its own right

The need for sufficient awareness and understanding of how each policy and legal barrier may affect individual circumstances create transaction costs for a farmer. These costs are a barrier for farmers. This barrier disproportionately effects small farm businesses that will have a higher transaction cost, relative to their income, than large farm businesses.

Policy interventions can be used to reduce the effect of the barriers on farmers

Policy interventions have been identified that may address the effects of the barriers. Possible policy interventions include broad based interventions, such as taxation reform, as well as targeted interventions, such as exemptions for specific licensing requirements. .

Changes to existing policy and legal arrangements must be carefully assessed before proceeding

Changes to the policy and legal arrangements must be carefully considered to ensure they do not come at a net cost to government, industry or specific cohorts of farmers, or cause unintended outcomes.

1. Australian taxation

Taxes like income tax, goods and services tax (GST) and capital gains tax (CGT) may apply to income from sustainability payments. Income from sustainability payments can also reduce tax concessions available to farmers. Depending on individual circumstances, these tax barriers can reduce farmers' incentive to participate in sustainable management practices that generate a sustainability payment.

Options

- broadening the definition of primary production to include sustainable management practices
- exempting sustainability payments and rights to sustainability payments from definition as CGT assets, or from specific CGT events
- exempting sustainability payments from GST
- providing support for farmers to understand the effects of the taxation arrangements on their individual circumstance.

2. Government Assistance

Income from sustainability payments may affect farmer eligibility for government assistance like Farm Household Allowance (FHA) and Regional Investment Corporation (RIC) loans as well as state-based schemes. However, this is unlikely to affect most farmers because government assistance arrangements use a relatively broad definition.

Options

Any future government assistances measures should not exclude farmers undertaking sustainable management.

3. Licensing requirements

Sustainability payments may trigger requirements to hold an Australian Financial Services license (AFSL) in some circumstances. This can result in significant costs for farmers and reduce participation. Small to medium businesses will be the most affected since the costs of obtaining and maintaining an AFSL license are disproportionately high. Reliance on aggregators may be a consequence that increases cost of participation by farmers.

Options

Include the exemption of AFSL requirements for farmers under specific circumstances.

4. Valuation

Valuers and banks may not fully recognise, or be able to account for, the net benefits sustainable management practices provide a farmer. Valuation barriers can reduce the willingness of a bank to provide consent or finance to a farmer, which either prevents or reduces the incentive for the farmer to undertake sustainable management practices. Farmers who rely on debt to finance on-farm investment will be the most affected along with farmers who operate on mortgaged land. The high proportion of farmers that have a mortgage and / or rely on finance across Australia mean that valuation barriers are likely to be significant.

Options

- developing and communicating evidence of the benefits that accrue from sustainable management practices
- amending key valuation standards and guidance
- increasing valuer knowledge and awareness of the benefits of sustainable management practices
- accounting for valuation barriers when developing the arrangements for sustainability payments.

5. Land tenure

Lease or land ownership terms may limit a farmer's legal right to undertake sustainable practices, including generating sustainability payments. Practices that involve a change in land use requires consent from relevant eligible interest holders (governments, native title holders, banks, and private landowner). This can reduce the incentive to adopt sustainable practices. Some land tenure prevents farmers from undertaking these practices entirely. While potentially material, there is continuing reform to address land tenure barriers.

Options

Harmonising land tenure arrangements with broader government objectives to better enable the delivery of beneficial land uses.

CHAPTER 3

Phase 3 Outcomes



National
Farmers
Federation

Australian Agricultural
Sustainability Framework



Australian Government

**Department of Agriculture,
Fisheries and Forestry**

Governance, Operations and Framework

Purpose

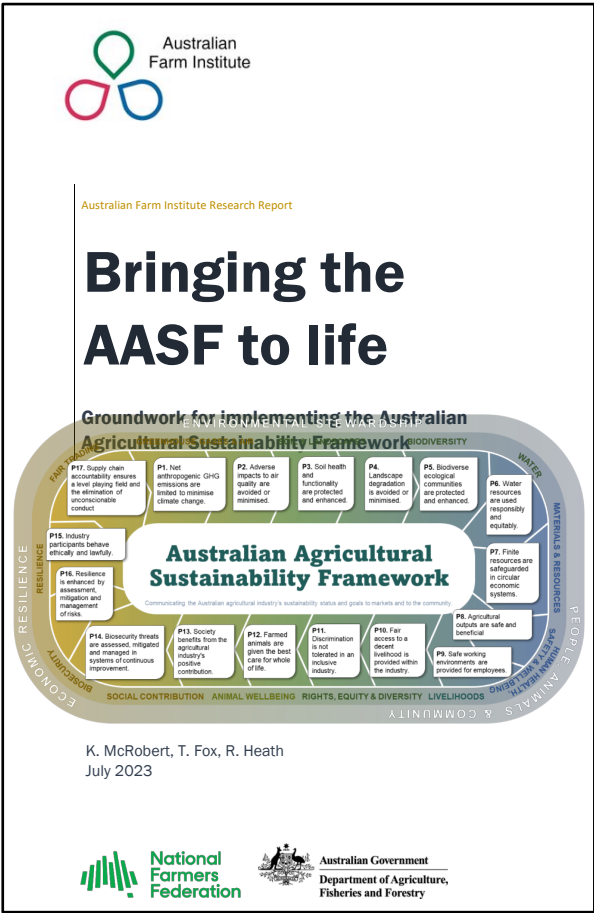
AFI has continued work to understand the governance and operational requirements needed to establish AASF ongoing. The Framework contents were refined and a model report against one AASF principle was prepared. The AASF *alone* will not create long-term, sustainable value for the Australian agricultural industry. Rather, it provides an agreed structure on which goals and objectives for sustainability can be built by stakeholders, enabling the shared values which underpin industry-wide social licence and continuity to be identified.

Activities

To bring AASF to life, AFI explored the considerations behind practical establishment of the AASF, addressing governance principles and strategy, sustainable operationalisation and continuous improvement systems. Data requirements were also addressed.

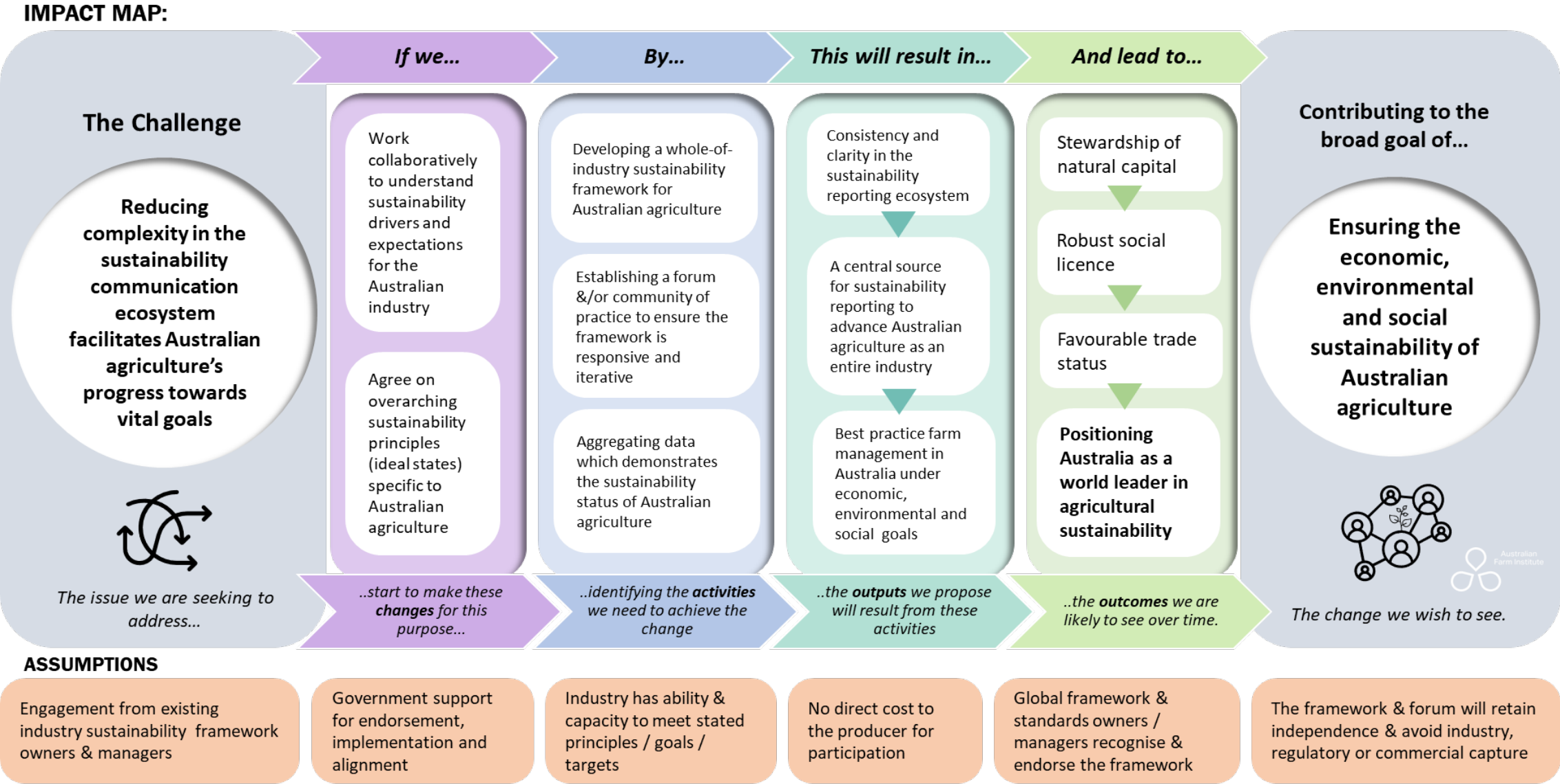
An update of the Framework was completed in response to AASF Community of Practice (CoP) feedback and a landscape scan. A ‘model report’ for one AASF Principle was prepared to illustrate the potential use of the Framework to communicate the status of agriculture against the 17 AASF Principles and to provide guidance on the processes required to develop indicators to support the AASF Principles and Criteria.

Deliverable



Findings – governance and operations

Understanding the desired impact of AASF informs how it needs to be governed and the activities required to achieve impact.

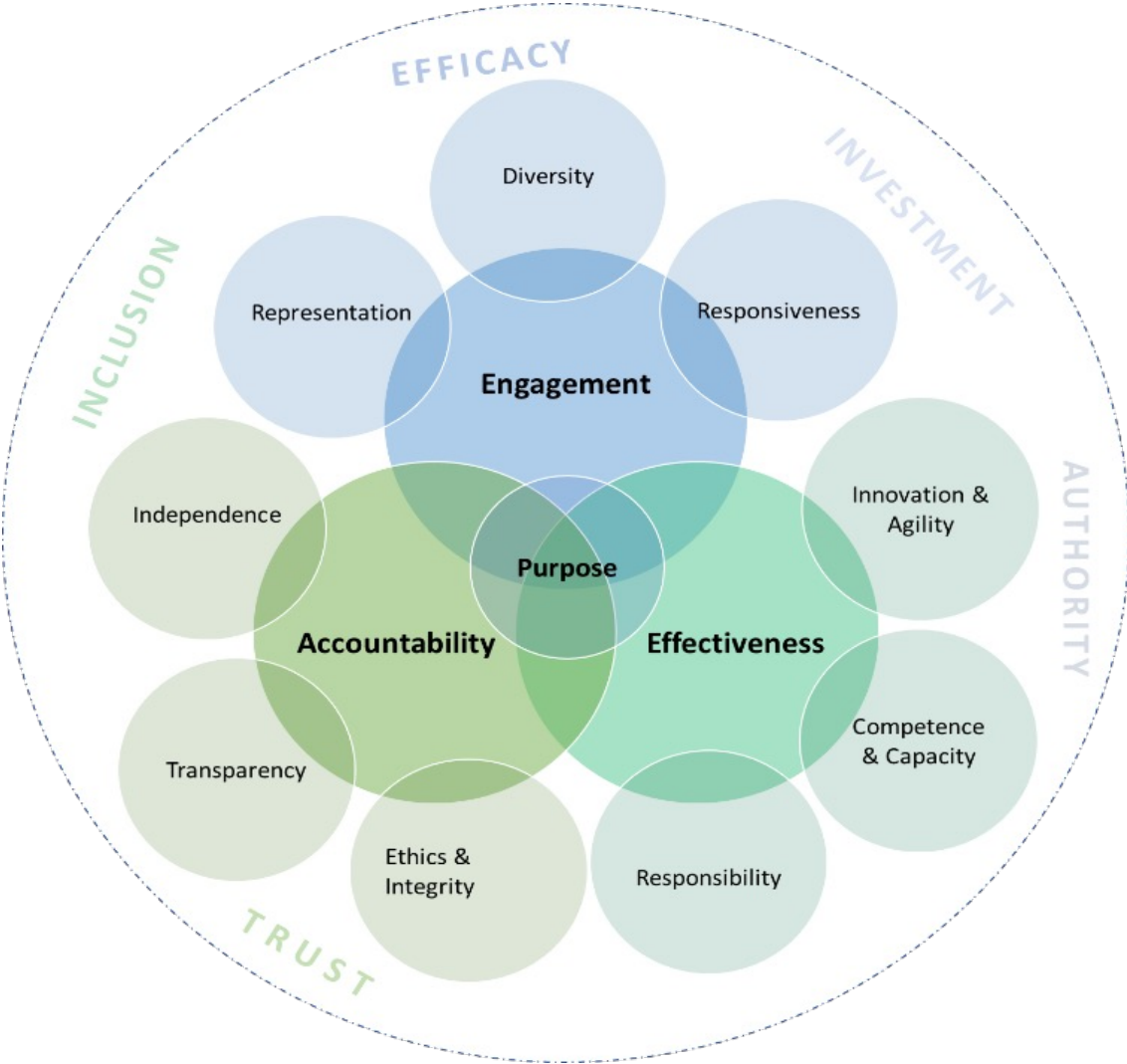


Findings – principles of governance

Investigation of the strategic role of the AASF in the sustainability communications and governance ecosystem identified its value proposition as a *connector* and *aggregator*. It does not replace industry and private initiatives, instead it *amplifies* and assists to *accelerate* individual commodity/ business efforts and our collaborative efforts to demonstrate sustainability.

Success factors for sustainability framework and forum structures can be seen in similar mechanisms being implemented around the world. AFI completed a review of analogous entities to AASF to identify common threads for successful implementation.

These include establishing a governance structure, actively and meaningfully engaging stakeholders from different sectors, promoting collaboration and integration, performance measurement and assurance, contextualisation and translation and processes to ensure continuous improvement.

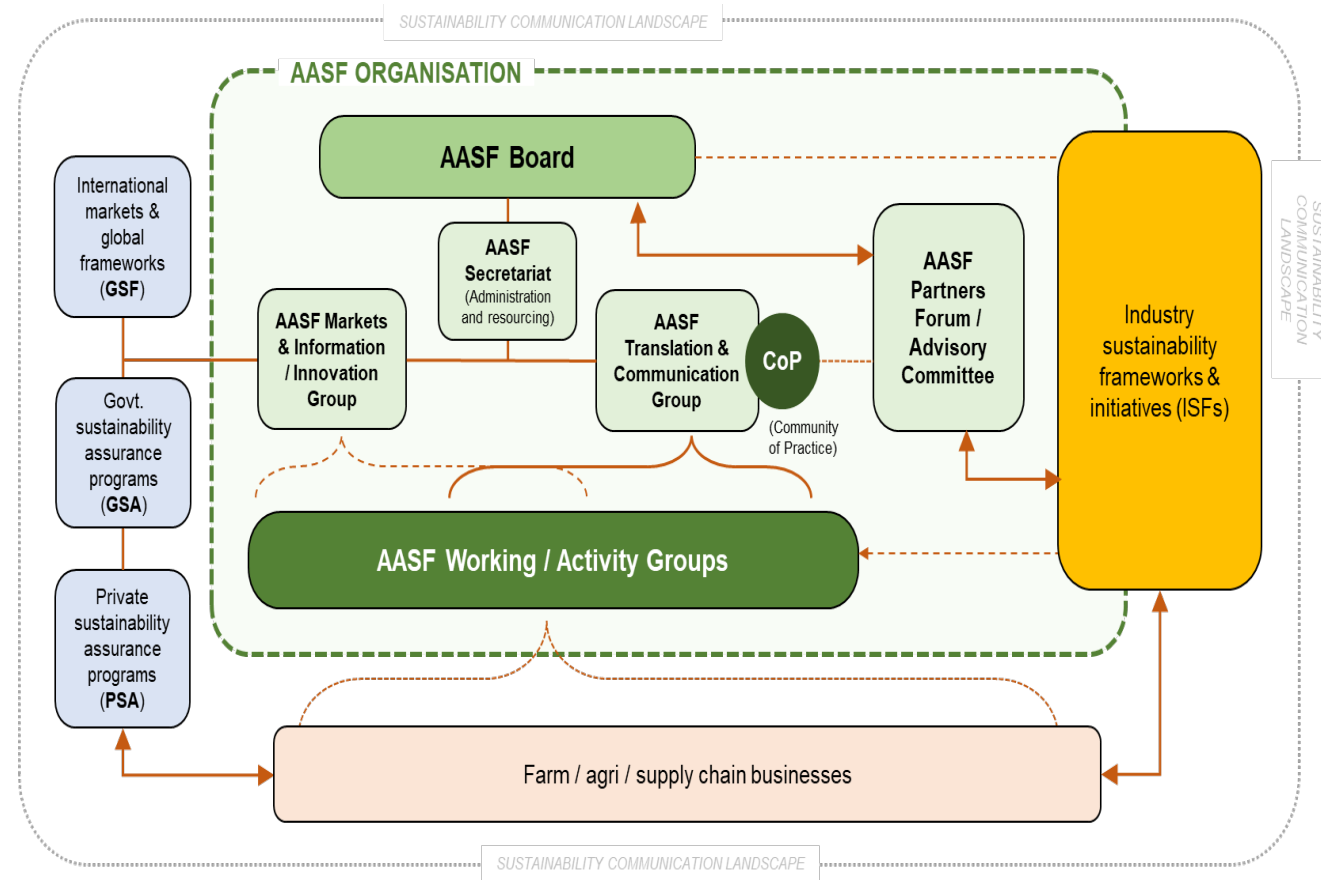


Principles of good governance. Source: Australian Farm Institute

Findings – governance and operations

A proposed governance and operational structure for the AASF would be based around an independent, skills-based Board. The structure incorporates integrity, industry input, integration and feedback and continuous improvement. The core elements are:

- ❖ Board to manage the overall objectives of AASF.
- ❖ Translation and Communications Group to directly engage industry group and to develop valid translations of global sustainability requirements into the domestic context.
- ❖ A Markets and Information/ Innovation Group to manage the operation of sustainability communication and assurance along with linkages to independent research/assurance organisations.
- ❖ Ad hoc Technical Working Groups (or Activity Groups) will be established *within topic categories or utilising existing industry capability* to assist in contextualising sustainability expectations for Australia.
- ❖ A Partner Forum comprised of members and/or partners of the AASF organisation as determined by an AASF constitution.

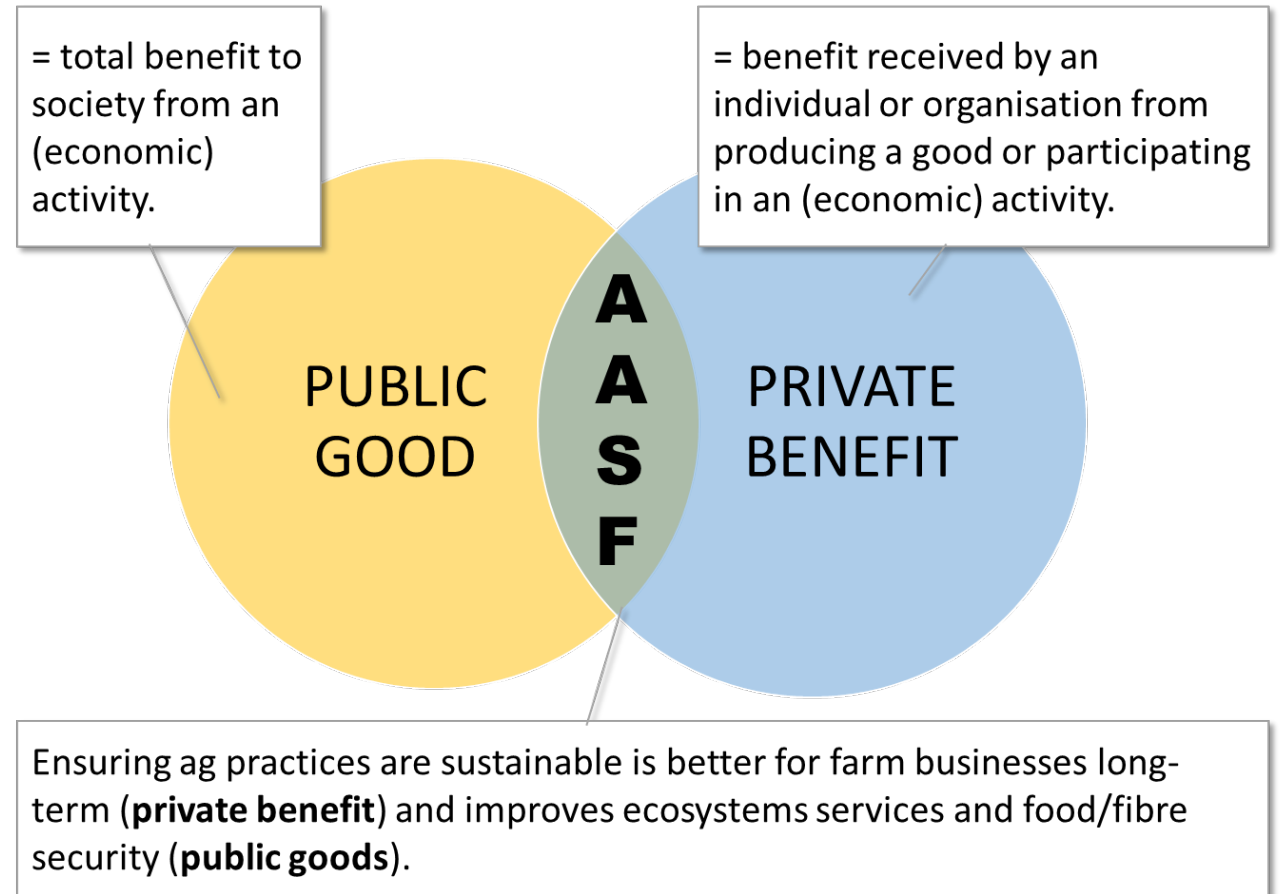


Findings – funding

An exploration of the intersection of private benefits and public goods to be derived from the AASF found that it aims to provide *public good via private action* on environmental stewardship, care for the people, animals and the community and to build the economic resilience of the industry as a whole.

This strongly suggests that a combined approach to joint public and/or industry co-operative resourcing is the most appropriate funding model to support the intended activities of the AASF in the long term.

Further work on detailed resourcing models would be required to fully operationalise the AASF. For example, the inevitable question when considering the proposed structure, implementation, operationalisation, maintenance and continuous improvement of the AASF is: who is the most appropriate ‘owner’ or coordinator?



Findings – data

Data collection plays a crucial role in supporting agricultural sustainability reporting. The AASF needs data, but it does not need to be the owner – or even the primary collector – of sustainability data. It can play a vital role for industry by engaging with and influencing the structuring of data delivery models, to support the evolution of robust agricultural data sets. A two-way flow of data would benefit the Australian agricultural industry by providing harmonised information.

Robust and comprehensive data sets enable policymakers, researchers, and agricultural practitioners to analyse trends, identify patterns, and derive insights which can guide the development of effective policies, regulations, and incentive mechanisms that promote agricultural sustainability.

Data-driven decision making also helps farmers and agricultural businesses optimise their resource allocation, meet market requirements, adopt targeted interventions, and make informed choices to enhance sustainability performance.

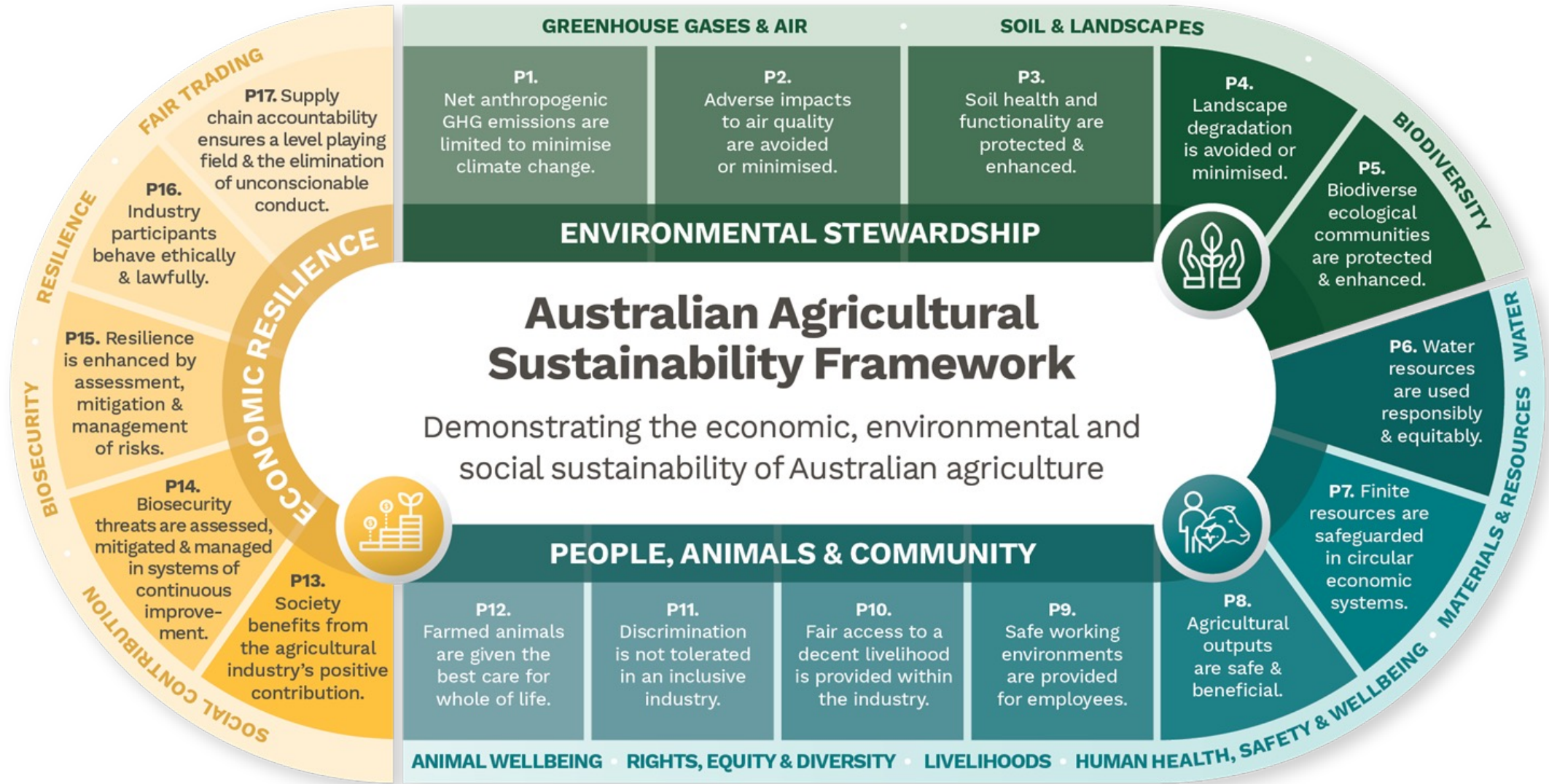
Data to support agricultural sustainability goals is not complete, but it is available. To advance both AASF to inform the *economic, environmental and social sustainability goals of Australian agriculture* and for the benefit of the sector as a whole, a system for accessing and sharing sustainability data should be designed.

Creation of a formal agricultural sustainability data-sharing ecosystem with AASF as the intermediary or moderator is an imperative for success, not just for the AASF but for sustainability efforts across the Australian agricultural industry.

Noting the extensive sustainability reporting efforts already underway across industry and private initiatives, RDCs, research organisations, the Department of Agriculture, Fisheries and Forestry and other government bodies, an agricultural sustainability data-sharing ecosystem need not be created from scratch but should leverage existing initiatives.

An important role for the AASF could be in *coordinating existing cross-jurisdictional efforts* to synthesise (and facilitate access to) the multiple existing public and private data initiatives.

AASF Version 4.



Findings - Reporting

Model Report for Principle 6.

Principle 6: Water resources are used responsibly and equitably

Criteria 11:	Water is used efficiently in agricultural systems
Criteria 12:	Adverse impacts to surface water and groundwater quality are prevented

Indicators	Ability to report (access to data)	Progress (towards ideal state)	Sources
Water use efficiency in irrigated systems	→	↑	Smartcane BMP; Cotton mybmp; Rice Growers Australia
Water use efficiency in raising livestock (cattle, sheep, goats, pork, chicken)	→	↑	Australian Beef Sustainability Framework;
Av. kilolitres of water used per tonne in processing (beef, dairy, sheep)	↑	→	Australian Beef Sustainability Framework; Dairy Sustainability Framework, Sheep Sustainability Framework
Litres of water recycled on farm	↓	⊘	Dairy Sustainability Framework
Litres of groundwater & surface water recovered for the environment in the MDB Plan	↑	⊘	MDBA, Cotton Data Portal
Land Management Targets under the Great Barrier Reef Water Quality Improvement Plan	⊘	⊘	Reef 2050 Water Quality Improvement Plan

More indicators to come –

Work in progress (WIP)

KEY	Ability to report	Progress
↑	Good access to multiple sets of robust data	Moving in positive direction
→	Reasonable access to some sets of reliable data	Neutral / stayed about the same
↓	Limited access to some sets of unverified data	Moving in negative direction
⊘	Not applicable / unable to report	

Next steps:

- Greater clarity on industry work in progress
- Refinement of indicators
- AASF data ecosystem to explore additional datasets

Recommendations

The Australian Farm Institute recommended:

- ❖ The AASF should function under a distributed governance structure.
- ❖ A combined approach to public and/or industry co-operative resourcing be considered as the most appropriate funding model to support the intended activities of the AASF.
- ❖ Creation of a formal agricultural sustainability data-sharing ecosystem with AASF as the intermediary or moderator is treated as an urgent priority.
- ❖ Building strategic relationships with global sustainability initiatives will provide a tangible leadership opportunity for Australian agriculture and ensure the industry's stewardship credentials are proactively communicated on the international stage.
- ❖ The data-sharing ecosystem and the Community of Practice be utilised in identifying appropriate indicator sets to inform AASF Principles and Criteria.
- ❖ The AASF project team continue to closely monitor activity in the global sustainability landscape.

Community of Practice

Purpose

The CoP sought to establish an agreed charter and identify suitable members to invite to the space. This phase also aimed to prototype the CoP platform and launch it to a broader audience. Growing the CoP and promoting it to a larger cohort was outside the scope of this phase.



CoP Charter

Our community is where stakeholders interested in Australian agricultural sustainability come together to:

- Collaborate – Share ideas, learnings and insights
- Connect – Hear from others and problem solve
- Coordinate – Continually evolve and integrate sustainability approaches
- Contribute – Advance Australian agriculture's collective sustainability narrative

The Community encourages:

- Discussion
- Information sharing
- Interaction
- Problem solving
- Relationship building

Community of Practice

Activities

The AASF CoP was launched on the 6th October 2022.

A group of approximately 75 stakeholders were invited to join the AASF COP’s first Online Forum on 17 November 2022 with 45 accepting the invitation. This was established using Teams and NFF and other project team members directly emailing invitations.

Date	Activity/platform	Statistics
17 Nov 2022	Online Forum	75 invitations
13 Dec 2022	Exchange – Canberra	89 registrations
23 Feb 2023	Online Forum	33 registrations
28 April 2023	Online Forum	21 registrations
16 May 2023	Exchange – Sydney	85 registrations
As at 13 June 2023	Current COP Hub members	117 signed up
As at 13 June 2023	Current database	180 interested stakeholders
As at 13 June 2023	Content posts on COP Hub	44 posts (3 non-AASF Team members)

Findings

The AASF COP drew significant interested from a wide variety of stakeholders from among industry sustainability initiative owners, supply chain sustainability initiative owners, related organisations and research bodies (including other sustainability initiatives), financial sector organisations and Federal and state governments.

While specific growth of the COP was not a key focus of this phase, stakeholder interest was such that numbers grew from approximately 75 at launch to 180.

Community of Practice

Recommendations

- ☐ Establish a regular calendar of events and activities for the CoP.
- ☐ Utilise the CoP to house and interact with working groups.
- ☐ Use short online sessions directed towards these groups would build engagement.
- ☐ Utilise the CoP as a tool to facilitate collaboration between other sustainability projects in the AASF landscape.
- ☐ Utilise the CoP as the primary medium for stakeholder communications.
- ☐ Work with stakeholders to encourage greater use of the CoP Hub, content and engagement.
- ☐ Move away from using other providers for stakeholder communications, e.g. Mailchimp and streamline communications to come from the CoP.
- ☐ Review the platform and evaluate the use of other platforms if they are deemed to better serve the needs of the AASF CoP community.

Deliverable

Online platform – Launched October 2022



Pilot Program Design

Purpose

Building on the engagement of supply chain companies and financial institutions in earlier AASF phases, KPMG led a pilot co-design process to practically test the use of AASF.

Prior to any operationalisation of the AASF verification that the use and application of AASF is robust and understood is essential.

Like other related domestic and global initiatives, piloting creates the ability to test and refine the components of AASF and to inform how reporting and measurement against the AASF might occur moving forward.

Deliverable



Activities

INDUSTRY CONSULTATIONS

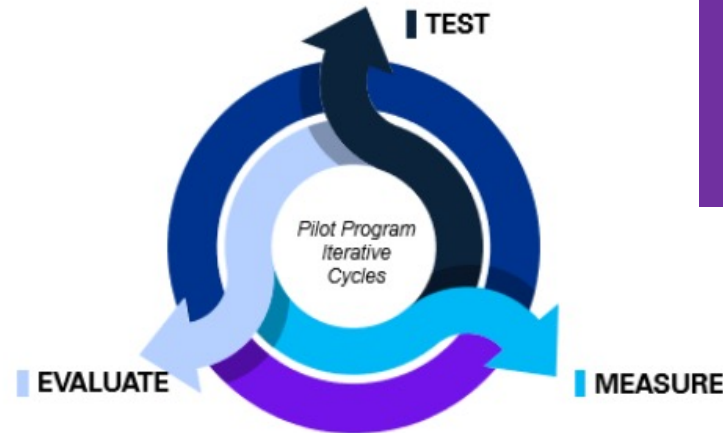
Engagement with key stakeholders to determine level of understanding about the AASF, the perceived value of AASF and a pilot and appetite to participate.

SUPPLY CHAIN WORKSHOP

Post farm-gate supply chain workshop designed to capture commercial opportunities and value drivers to inform pilot approach.

SECTOR-WIDE WORKSHOP

Workshop to outline the pilot design and identify critical aspects of the AASF implementation, including key requirements, gaps and challenges.



Findings

- 1. Pilot Design Components
A pilot should commence by capturing the current state of sustainability status among participants and any specific data aligned to AASF.
- 2. Value of AASF
The unique value proposition of AASF was not immediately clear. There is a need for clarity of the value and practical demonstration.
- 3. Audience and Use Cases
The possible AASF audience includes governments, shareholders, financiers, consumers and supply chains. Three pilot use cases across these multiple stakeholders were proposed.
- 4. Principles, Objectives and Success Criteria
There was positive sentiment toward a pilot which should have a focus on determining how agricultural supply chains can demonstrate outcomes/ progress against AASF principles.
- 5. Framework Iteration(s)
AASF principles should be underpinned by a minimum baseline or threshold of verifiable information. To do this AASF requires an ISO level materiality assessment

6. Current Gaps and Challenges
The primary gaps and challenges that should be addressed include a materiality assessment, data and reporting measures and governance/ ongoing leadership of the operation of the AASF.

Recommendations

VALUE PROPOSITION Communicate the clear value proposition of AASF in maintaining and enhancing Australian agricultures sustainability position.
MATERIALITY Conduct a materiality assessment based on international standard/ methodology to underpin robustness of AASF.
DATA AND REPORTING Clarify the types of existing data and data repositories available to be leveraged by AASF.
PILOT PROGRAM A universal proposed pilot methodology has been developed. Running pilots will enable further considerations for AASF to be identified in a consistent manner.
OPERATING MODEL Design of the underlying operating model for AASF is required to further inform operationalising and embedding AASF within the Australian agricultural industry.

Stage 2 Workplan 2023 - 2026

		2026 Target State
Leadership	Project Leadership, Administration and Communication	
Assurance	Assuring Sustainability Claims Working Group - Informing National Traceability Strategy Implementation	Australia positioned as a global leader in agricultural sustainability
Framework	Materiality Assessment AASF Prototype 2024 and Inaugural Report 2025 Data Ecosystem	Industry demonstration of sustainability supported and consistent at the national level
Engagement	Community of Practice International Engagement – including Global Forum for Farm Policy and Innovation (GFFPI)	Agriculture prepared for a range of emerging sustainability requirements International trade supported by robust principles-based approaches to sustainability
Pilots	Industry, Supply Chain and Finance Pilots - Self Directed 2023/ 24 and Coordinated 2024/ 25	Commodity and national sustainability initiatives working together
Operations	AASF Strategic Plan Ongoing establishment	The economic, environmental and social sustainability of Australian agriculture demonstrated