



Sustainable
Markets
Initiative

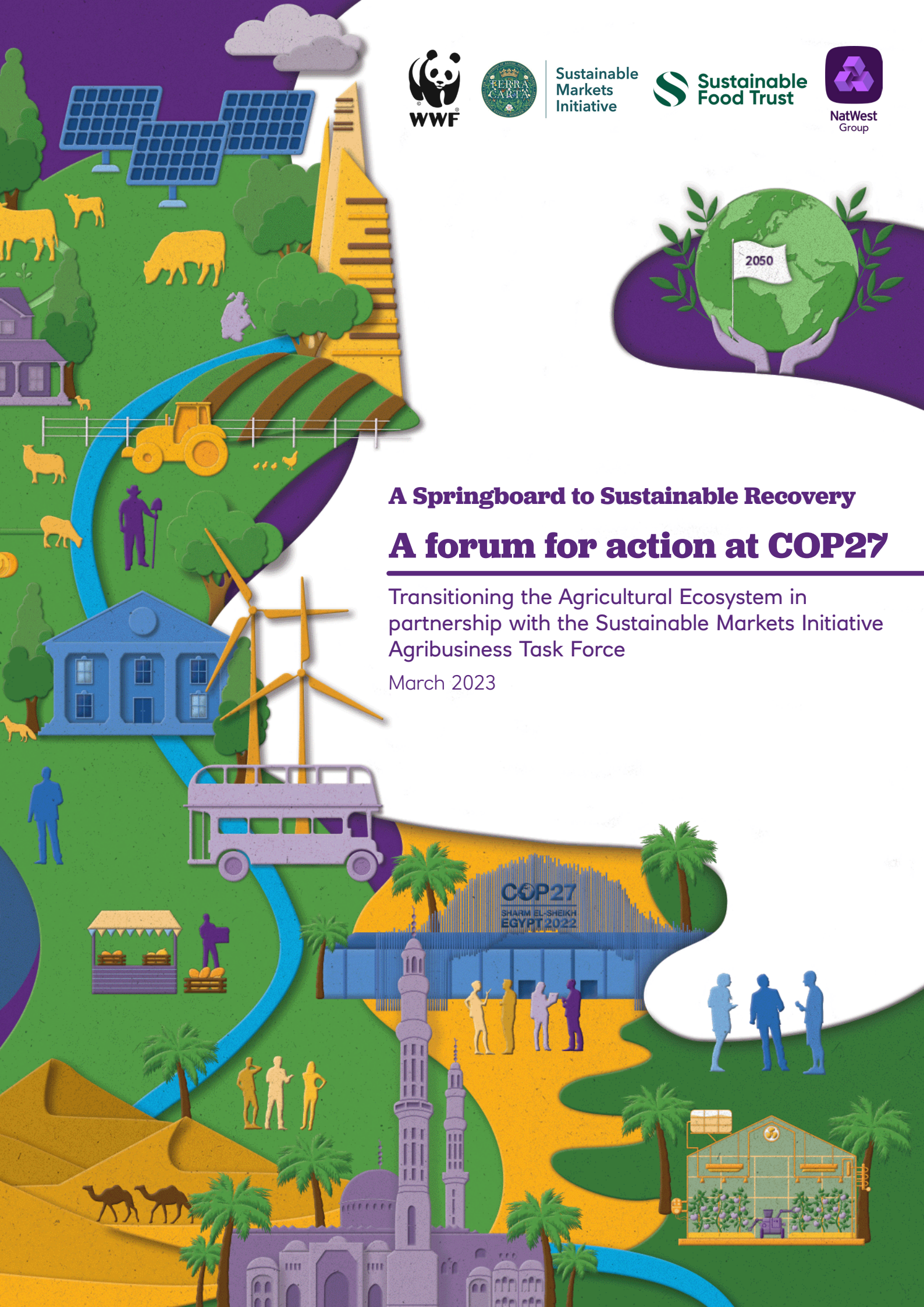
Sustainable
Food Trust



A Springboard to Sustainable Recovery A forum for action at COP27

Transitioning the Agricultural Ecosystem in
partnership with the Sustainable Markets Initiative
Agribusiness Task Force

March 2023





Front cover illustration by
Darren Browne and Luandri Emslie,
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Collaboration to galvanise action

This document provides an overview of some of the conversations that took place during the Transitioning the Agricultural Ecosystem event at the Sustainable Markets Initiative (SMI) Terra Carta Action Forum at COP27. It outlines key themes and illustrates the collaborative action across the system to accelerate the transition.



The Sustainable Markets Initiative

In his former role as The Prince of Wales, His Majesty King Charles III launched the Sustainable Markets Initiative (SMI) at the World Economic Forum Annual Meeting in Davos in January 2020. NatWest Group is a proud supporter and a founding partner of the SMI, which is a network of global CEOs across industries and countries working together to accelerate the transition to a sustainable future. The SMI's mandate, the 'Terra Carta', provides a practical and ambitious roadmap to 2030 that aims to leverage the power of Nature combined with the transformative power, innovation, and resources of the private sector.

In practical terms, the SMI encourages three market transformations:

- 1.** A dramatic shift in corporate strategies and operations.
- 2.** A reformed global financial system.
- 3.** An enabling environment that attracts investment and incentivises action.

Awarded to NatWest in 2022, the SMI's Terra Carta Seal recognises organisations that have made a serious public commitment to putting Nature, people, and the planet at the heart of the global economy.



“ Agriculture is an ecosystem of complex and interconnected networks, where the actions of individual players impact on others. Interaction, co-ordination, and collaboration are critical to finding the right solutions to bring about powerful change at pace. ”

– Alison Rose DBE, CEO, NatWest Group

The Terra Carta **Action Forum** – addressing the Big Five

The scale of the climate crisis demands urgent and co-ordinated action. With the support of the Sustainable Markets Initiative, NatWest Group convened 70 stakeholders from across the agriculture ecosystem at SMI's Terra Carta Action Forum at COP27. In this action-oriented workshop, participants shared their experiences and expertise to create practical steps to speed up the transition.

Discussion centred on the “Big Five” action areas needed to make regenerative farming economically viable for farmers, as outlined in the Sustainable Markets Initiative's Agribusiness Task Force's [Scaling Regenerative Farming: Action Plan](#):

- 1.** Agree common metrics for environmental outcomes.
- 2.** Build farmers' income from environmental outcomes.
- 3.** Create mechanisms to share the cost of farmers' transition.
- 4.** Ensure government policy rewards farmers for transition.
- 5.** Source differently to share costs across value chains.



Transitioning the Agricultural Ecosystem

Whilst conversation was centred around each of the Big Five recommendations, to mobilise finance for the transition, three interlinked themes came out of the discussion: measurement is needed to create a common language; policy needs to support the transition; and finance is critical to enable the transition.

“ The Sustainable Markets Initiative has this remarkable power to convene leaders willing to share insights and learn fast about achieving the unachievable. The workshop we led brought together leaders from across the ecosystem in one room, working together to find practical actions to help transition this sector centred on the Big Five actions. With us were leaders from across financial services, the consumer industry, the farming community and influencers. ”

– Victoria Cleverley, Chief of Staff Commercial & Institutional, NatWest Group



1.

Measurement

is needed

to create

a common

language

The situation

“ Once we are all using the same language around impact, we can start using the same measurement and move toward our shared goals. ”

– Alexander Gillett, CEO, HowGood

Governments, farmers, the food industry, and financial community are facing increased pressure to be accountable for their impact on the environment. Measuring environmental outcomes to track progress and prioritise activities is therefore essential.

The first challenge is deciding on the metrics that best reflect the environmental outcomes of farming activities. While greenhouse gases are a singular metric that relates to increasing global temperatures, measuring broader environmental impacts from farming is more complex, requiring several metrics involved with natural resource impacts

(for example, water and soil), biodiversity impacts, and effects on the functioning of ecosystems. Determining which data to collect, gathering it, and working out how to develop appropriate metrics that best reflect these environmental outcomes is challenging. This is further complicated by the fact that farming practices and ecosystems vary across the world.

A lack of a common metrics also creates various implementation challenges: farmers would need to fill out different measurement tools of various suppliers; different tools might require collecting several different sets of data on the farm to calculate the metrics; and tools themselves having different periods in which the data is to be collected. The time it takes to collect and submit data on a regular basis for these measurements is not financially rewarded to farmers, who are already pressed for time and income. It is also problematic for players downstream in the food system.



A lack of standardisation makes it difficult to cross-compare the environmental outcomes of farms in the same food supply chain, and different calculation methods may result in inconsistent estimations on the environmental outcomes of farms in the same food supply chain.

Efforts to define and measure environmental outcomes are disparate and unaligned, with several tools proposing their own approach to calculating both climate and nature impacts. Common categories and metrics would enable consistent monitoring and reporting so farmers can continuously improve their practices. Collaboration between food producers, governments, the investment community, food businesses, and citizens is needed.

A global framework is vital. The COP27 workshop played an important role in this collaboration.

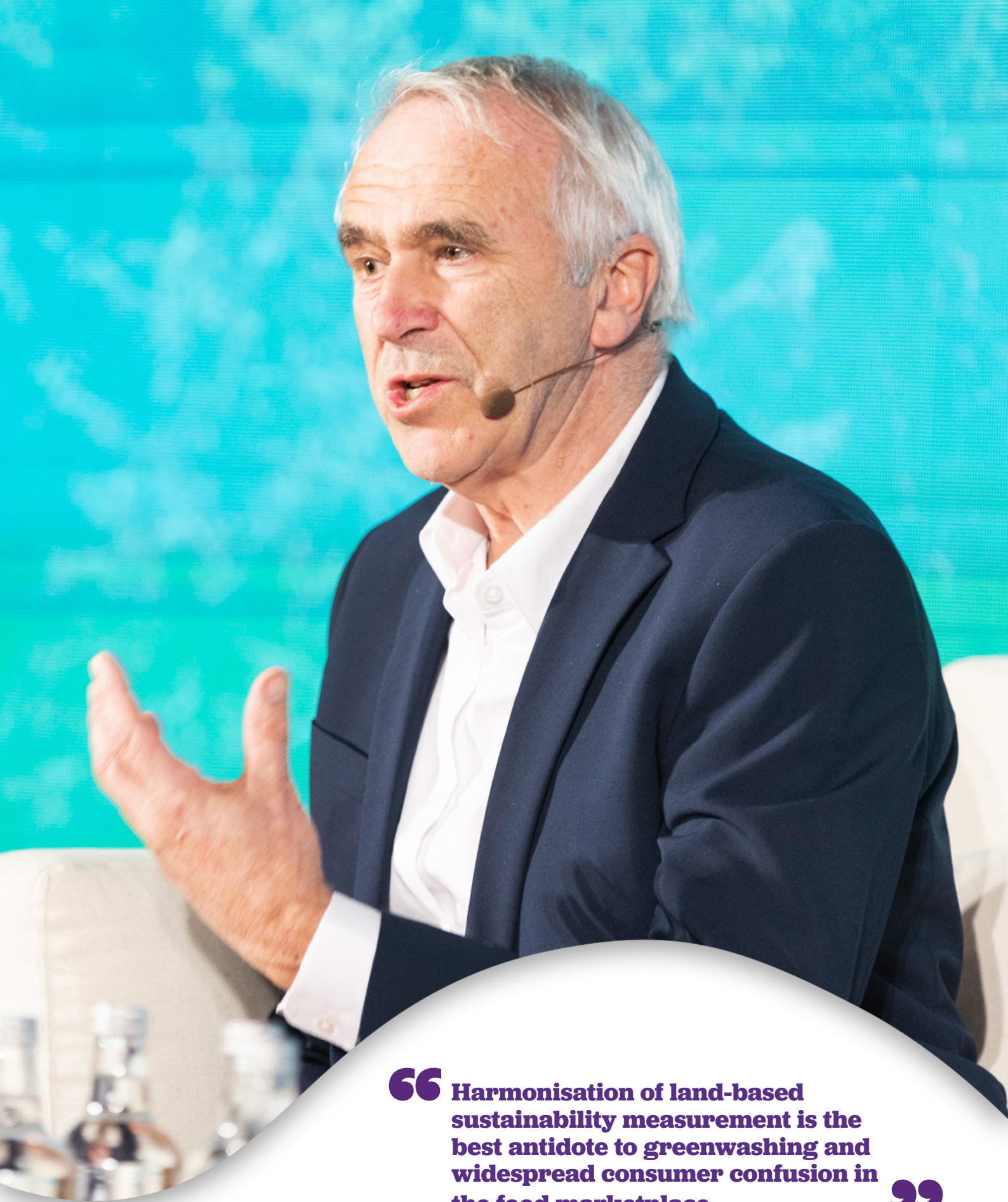
“ Data is available for Scope 3, and we have the ability to assess how companies are performing by brand, ingredient, and on-farm practices at the regional level. What is difficult to track is how things change over time. We want to access the data landscape on food systems so we can determine the highest impact investment areas. ”

– Alexander Gillett, CEO, HowGood

Practical action

Create financial incentives for farmers to collect data that could help farmers, governments, food retailers, and the finance community determine the highest impact areas needed to make progress.

Develop and adopt a simple and common measurement standard to reduce the burden of data collection on farmers and enable positive environmental outcomes to be rewarded.



“ Harmonisation of land-based sustainability measurement is the best antidote to greenwashing and widespread consumer confusion in the food marketplace. ”

– Patrick Holden, Founder and CEO,
Sustainable Food Trust

2.

Policy needs to support the transition



The situation

“ It was incredible to see some of the world’s largest companies talk about the need for systemic policy changes that could incentivise support to nature and tackle climate change. ”

– Kate Norgrove, Executive Director Advocacy and Campaigns, WWF-UK

Tackling climate change through sustainable farming is a public good – and like any other public good, should be supported and incentivised by sound government policy. Government policy needs to reward farmers for transitioning towards more sustainable and regenerative farming practices. While governments may have the intention to support a transition to sustainable agricultural practices, this goal is not always reflected in policy. Subsidies, for example, could be better aligned with environmental outcomes, rewarding farming practices that are sustainable, and rethinking the criteria for the awarding of subsidies.

The lack of land-use protection can also mean that forests can be denuded to grow new crops. Governments need to create an enabling policy environment that fiscally rewards farmers to adopt sustainable and regenerative agricultural practices, with payments tied to monitoring progress at the farm level.

Practical action

Undertake analysis to better understand policy gaps so we can identify opportunities for aligning incentives between agriculture, climate, and environmental policies of governments.

Form a coalition of “the willing” from public, private, regulatory, and philanthropic organisations to work together to influence on supportive policies.

“ Our group suggested doing an analysis of where government policy on agriculture is and isn’t aligned to the environment ... using this data, we can identify opportunities for policy development and alignment. ”

– Kate Norgrove, Executive Director Advocacy and Campaigns, WWF-UK

“ Unconventional partnerships are going to be what makes this work at scale. ”

– Meredith Reisfield, Director of Sustainability Policy and Strategic Partnerships, Indigo





3.

Finance is
critical to
enable the
transition

COP27
SHARM EL-SHEIKH
EGYPT 2022

“ The world cannot get to net zero without change in agriculture. We must make regenerative agriculture a no-brainer business case for all farmers.

”

- Grant F Reid, former CEO of Mars, Incorporated and Chair of Sustainable Markets Initiative's Agribusiness Task Force



The situation

“ For us in the Sustainable Markets Initiative Financial Services Task Force, it’s been great to be working with the Agribusiness Task Force to work out how we can get our finances to flow to farmers so they can be more regenerative in their agricultural practices. And how we can drive that through the food system to the end consumer. ”

– James Close, Head of Climate Change, NatWest Group

Nature-positive and regenerative agriculture solutions play a critical role in helping us tackle food security and climate change. But sustainable agricultural practices are not scaling fast enough.

Without fiscal or market incentives to reward farmers for achieving environmental outcomes, there isn't a strong business case for them to switch to more regenerative and sustainable practices. This provides the financial community with an opportunity to play an important role in the farming community. Banks and other financial services providers can help by financing at preferable rates for investments in sustainable farming. Financing mechanisms that enable the transition include financial incentives and levers, redirection of subsidies, the application of the “polluter pays” principle, green finance in various forms, and market premiums. Some farmers are developing additional income streams by selling carbon credits and biodiversity credits from the land that they farm, but we need to ensure there are proper regulatory frameworks in place to monitor the effectiveness of these.

The financial community can also play an important role in supply chain issues as well as financing nature-positive and regenerative agriculture solutions.

But the challenge cannot be tackled by just one bank, one sector, or one country. Individual farms are part of a larger ecosystem – requiring multiple farms in the same region and country to become more sustainable and regenerative to ensure ecosystems do not continue to deteriorate. Supply chains and markets for food cross national boundaries – meaning that both food suppliers and consumers play a critical role in creating demand for more sustainably farmed products.

Partnership, collaboration, and knowledge sharing across sectors and value chains is key. If you get measurement and policy right, the finance can flow.

Practical action

Work with actors from across the agricultural and financial ecosystems to design and structure integrated funding and financing solutions to incentivise and support farmers to transition.

Collaborate with stakeholders to build and champion transition stories from across the ecosystem; bring the facts to life, make the abstract concrete and show the investment case for sustainable farming.

“ Our aim is to provide support, help, and guidance to farmers to incentivise the transition. By working with government, retailers, food producers, and the financial community, we can align drivers, finance the transition, and avoid the costs being passed to farmers. ”

– Caroline Haas, Head of Climate and ESG Capital Markets, NatWest Group



The road out of COP27

This workshop provided an injection of knowledge, experience, and fresh ideas to fuel the journey ahead. It highlighted the power of collaboration across the Sustainable Markets Initiative Task Forces, and the importance of all actors in the ecosystem having their voice heard and playing an active role. Getting measurement and policy right will unlock the finance that is needed to achieve the goals of the Big Five.

“ This was an excellent event to demonstrate the power of collaboration between the Sustainable Markets Initiative Task Forces and to start the ball rolling on how we get the implementation of recommendations from the Action Plan underway. Exciting to see some concrete suggestions coming through of how the finance sector can play its part to unlock barriers that can help scale regenerative agriculture. ”

– Grant F Reid, former CEO of Mars, Incorporated and Chair of the Sustainable Markets Initiative’s Agribusiness Task Force

Road to COP28 - The journey ahead

It is essential to unlock finance to invest into the agricultural transition. For that to happen collaboration is key.

NatWest Group will continue to collaborate with WWF-UK, the Sustainable Markets Initiative Agribusiness and Financial Services Task Forces and the Sustainable Food Trust to take actions forward during 2023. In particular, NatWest Group will work with WWF-UK to advocate to Government to make policies clear and ambitious to unlock the level of finance needed from the private sector; and integrating climate and nature into transition plans to ensure stakeholders are accountable. NatWest Group will continue to work with the Sustainable Food Trust to digitise the Global Farm Metric to get consistent and useful metrics that farmers can use to identify their prioritised actions to transition.

The SMI Agribusiness Task Force is establishing working groups to take forward action on the Big Five, with organisations from across the food system playing their role to lead and drive these. NatWest Group will work with the SMI Agribusiness Task Force to see how the risk and cost of transition, which currently all sits with the farmer, can be shared with food system players and Government to scale finance into sustainable agriculture.

NatWest Group would like to acknowledge and thank all key partners that played a role in the SMI Terra Carta Action Forum event.

