

## RLA IWG Traceability Task Group

Meeting #1

Monday, September 24, 2018

### Introduction to Lieven Callewaert

- Executive Board Member Round Table on Responsible Soy (RTRS)
- Initiator of the Soy4brands Strategy on the RTRS Credit Trade system
- Interim workgroup Leader RSPO for the Palm Trace Credit Trade system

### Task Group Mission

#### Draft Proposal

*“Accelerate Market Transformation for Sustainable Leather through the development and implementation of a Book & Claim Credit Trade and Global Traceability System that adds value for all stakeholders in the leather supply chain”*

### Methodology

#### Today's Webinar September 24<sup>th</sup>:

- Introduction of principles
- Preliminary feedback of stakeholders

#### Workshop October 12<sup>th</sup> Ireland:

- Stakeholder consultation
- Adjust mission and targets; identify the principles
- Develop a roadmap for development and implementation

#### Post Workshop (Q4-2018 and 2019):

- Organise roll-out according the agreed roadmap

### Agenda for Today's meeting

- Show examples that have proven success in the market (credit trading principles)
  - Have links to the leather industry; have cattle and face similar sustainability issues
- Look at key factors for success (lessons learned)
- Draft inputs for the Ireland meeting

### Example #1: General Trade Principles – RTRS

- Soy has a very complex supply chain (like leather)
  - Farmers harvest beans on the field and then they are transported to storage/crushing plants, then the bean meal is transported by ship to foreign countries and stored, then by truck to farmers to use soy in feed, then the oil is transported elsewhere to supermarkets

- If you want to transform the supply to one with full traceability, it is almost impossible
  - Very few farmers are certified to responsible soy principles

#### Reward farmers directly:

- 1 Ton of Responsible Soy = 1 Credit
- Direct Cash flow from Buyers (Brands/Retail) to farmers)

#### Trade options:

- Blind Trade = 20% of all trade transactions
- **Direct Trade** = 80% of all trade transactions
  - Through “Intermediation Services” (3<sup>rd</sup> party companies; ACT Commodities)
    - Helps to connect farmers to end buyers
    - Administrative handling is not always done by farmers or brands
    - ACT helps to negotiate prices and to help build the story of the farmers to appeal to brands, etc.
    - The platform still actually processes the trade

#### \*\*Added value of “Direct Trade” for buyers

- Adds “faces” to the Story Telling
- Stronger Alignment of storytelling with Corporate Sustainability Targets

#### \*\*Added value for market transformations

- Facilitates joined efforts in a pre-competitive setting
- Allows to focus actions on critical areas
- Accelerates critical mass needed for affordable physical uptake (IP/MB)

#### Example:

- Deforestation in the Cerrado & the Soy4brands strategy

Soy4Brands will target a couple of regions, Cerrado is one of them

- Cerrado is socially important; NGO pressures
- Global market share of soy is 1% certified to RTRS principles
- The Cerrado contains almost 15% of all RTRS certified sites

Different regions = different stories

### **Some additional information**

#### How to share costs in the supply chain?

- **Push back facility in the supply chain**
- Make B&C part of the sourcing specs

Example: McDonalds for Chicken meat – asking suppliers to sources according to RTRS principles; have built a 5-year plan for suppliers to make improvements

#### Emerging innovations:

- Term contracting on Credit Trade
- Partnership agreements to finance the certification process

- Credit differentiation (e.g. Regional Credits) – the need to differentiate is demanded by the market

RSPO has about 20% of the palm oil market

- Switched to book and claim
- Switched from Green Palm to Palm Trace for credit trading

#### Huge Market share for B&C

- High NGO pressure!
- Strong intermediation service at product launch
  - Green Palm helped create awareness and to sell credits in the market

#### Image/greenwashing?

- Mills are certified and issue the Credits
  - The certification is at the first point in the mill; mills are owned by big companies/traders, so the storytelling is a bit weaker
- Direct cash flow to producers is missing
- Some conflict of interests in the intermediation services (solved now)

#### New options

- Small Holder Credits
- Jurisdictional approaches

*2017 RSPO began new system called small-holder credits (for the producers); can also focus credits on certain regions now*

#### Reward farmers/producers directly

- Direct Cash flow from Buyers (Brands/Retail) to farmers/producers

#### Add value for buyers through direct trade

- Develop Strong Story telling facilities

#### Differentiate the offer in line with the market needs

- Develop different Credit types if specific emphasis is needed

#### Organised intermediation Services

- Facilitate the connection between producers & buyers at the end of the supply chain

#### **Credit Trading for the Responsible Leather Assessment tool (RLA)**

- Leather supply chain is also very complex; very difficult to trace back
- Need to consider what the start of the supply chain is – needs to be discussed in the group to move forward. What is the starting point of the trading platform?

#### **Credit Trade for RLA Draft Principles: Open Q&A**

Who can issue the credits – what is the starting point?

- Farmers, Slaughter houses, ....?

What value can Credits give – what type of claims?

- Develop Strong Story telling facilities....

What type of Credit differentiations?

- Animal Welfare; Zero Deforestation, ...

How to organise the intermediation services?

- Facilitate the connections; administrative processes, ...

What potential is there for collaboration with other initiatives to leverage the impact we are having in certain areas? (How can we amplify what we are doing by coordinating with other organizations?)

- GRSB, RTRS, etc.

We want to have the credit trading option to promote continuous improvement/growth and market transformation, building critical mass, etc. in order to have the greatest impact where it is needed the most. However, we would still like to provide a chain of custody traceability option for those who that is important to.

- Need financial incentive at all levels (prepare the business model)

Credit trading has a massive transitional power; it takes time to see the impact. We should let the idea digest and we can discuss in Ireland!

\*\*\*Perhaps share a more specific example of how it would work in practice\*\*\*

- Use real #s and data (change names for confidentiality)