“A Sustainability Sunrise Session”

October 12, 2018 | 7:00am-8:30am | Kilkenny, Ireland
SUSTAINABLE BEEF
REGIONAL ROUNDTABLES & INITIATIVES

PEOPLE - PLANET - ANIMALS - PROGRESS

Beef Focused Sustainability Roundtables & Initiatives

Argentina: information coming soon (Est. 2017)
Australia: sustainableaustralianbeef.com.au (Est. 2016)
Brazil: gtps.org.br (Est. 2008)*
Canada: crsb.ca (Est. 2015)*
China: meat sustainability initiative under development
Colombia: mesaganaderiasoste.wixsite.com/principal (Est. 2013)*
Europe: saiplatform.org/activities/working-groups/beef (Est. 2018)*
Mexico: coming soon (Est. 2018)*
New Zealand: beeflambnz.com (Est. 2018)
Paraguay: coming soon (Est. 2018)*
Southern Africa: coming soon (Est. 2018)*
United States: ursb.org (Est. 2015)*

*Current CRSSB Member, or in process

grsbeef.org - @grsbeef - #sustainablebeef
Responsible Leather is a Textile Exchange initiative aimed at addressing the many issues found within the global leather supply chain.
Responsible Leather Assessment Tool (RLA) Goals

1. Develop a tool that recognizes and drives best practices in the leather industry, leading to positive social, environmental and animal welfare impacts.

2. Establish a clear benchmark for best practices.

3. Provide companies with a means to link their sourcing to more responsible practices and make accurate claims about how they source.

4. Leverage and add value to the existing tools and programs that are driving better practices in the leather industry.

5. Reward and influence the leather industry to incentivize practices that respect animals, people and the environment.

I am NOT a standard!
Environmental impact
Social impact
Animal welfare
Traceability and quality
Continuous improvement and education
Feedlots
Retail & Supermarkets
Restaurants
Meat Processing
Consumers
Slaughterhouse
Feedlots
Raising Farms
Cow-calf Farms
Manufacturing
Leather Tanning
Furnishings
Apparel
Footwear
Automotive & Transport
Equestrian
GLOBAL ROUNDTABLE FOR SUSTAINABLE BEEF
Responsible Leather Round Table
1. What about your own business keeps you up at night? What are the greatest challenges you must meet to remain financially sustainable?

2. What is the value that you deliver to the supply chain? What do you take pride in?

3. What are the sustainability issues that you feel are most important for your part of the value chain? For beef and leather overall?
Thank you for joining us!
Break
Textile Exchange
Responsible Leather Round Table

presents the

Global Forum on
Responsible Leather

Kilkenny, Ireland
October 11-12
Goals

• Develop a common understanding of the goals of the Responsible Leather Assessment Tool
• Share perspectives from across the supply network on the issues, challenges and opportunities
• Work together to make real progress in the design of the tool
2017 Work

- Seed Funding
- Initial Working Group
- Identify Existing Initiatives
- Invite Additional Stakeholders
- Review Issues
- Determine Decision-Making Strategy
- Choose Scopes
- Identify Solution Frameworks
2018 Initial Draft Global Roundtable for Responsible Leather
Relationship and Activity Map (note that this is still incomplete)
RESPONSIBLE LEATHER ROUND TABLE
Advancing responsibility and continuous improvement in the global leather value chain.

About the Responsible Leather Round Table (RLRT)
Optional LWG animal welfare risk assessment model

- GRSB
- ZDHC
- LWG
- CFA
- WWF
- SAN
- Tannery of the Future
- Global Animal Partnership, etc.
- ICEC
- Etc.
- SA8000, WRAP, etc.

* These are examples only.

Responsible Leather Assessment Tool
Animal Welfare
- Farm
- Transport
- Slaughter

Environmental Impacts
- Farm (deforestation)
- Slaughter
- Tanning

Social Impacts
- Farm
- Slaughter
- Tanning

Traceability
- Chain of Custody
- Book & Claim

Data

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TBD?
Chatham House Rule

“When a meeting, or part thereof, is held under the Chatham House Rule, participants are free to use the information received, but neither the identity nor the affiliation of the speaker(s), nor that of any other participant, may be revealed.”

Anti-Trust Declaration

Textile Exchange is committed to adhering strictly to the letter and spirit of the antitrust laws. Any and all meetings, communications, conference calls, shared resources and collaborative workspaces are designed solely to provide a forum or means for the expression of various points of view. Under no circumstances shall Textile Exchange activities be used as a means for competing companies to reach any understanding, expressed or implied, which tends to restrict competition, or in any way, to impair the ability of members to exercise independent business judgment regarding matters affecting competition.
DRINK TOKEN

Valid for ONE (1) glass of beer or wine on 12/10/2018 ONLY.

Charge to Textile Exchange account
Overlapping Goals

VISION
“We envision a world in which all aspects of the beef value chain are environmentally sound, socially responsible and economically viable.”

VISION
“We envision a global textile industry that protects and restores the environment and enhances lives.”

MISSION
“The GRSB mission is to advance continuous improvement in sustainability of the global beef value chain through leadership, science and multi-stakeholder engagement and collaboration.”

MISSION
“Textile Exchange inspires and equips people to accelerate sustainable practices in the textile value chain. We focus on minimizing the harmful impacts of the global textile industry and maximizing its positive effects.”
Opening & Welcome to the Global Meeting of the RLRT

Gert van der Bijl

Global Programme Manager Livestock & Leather for Solidaridad
OPENING AND WELCOME TO
GLOBAL MEETING OF RESPONSIBLE LEATHER ROUND TABLE

Gert van der Bijl
Solidaridad International Programme Manager
Livestock & Leather
PROGRAMMES IN KEY SECTORS WORLDWIDE

> 400 PEOPLE IN 40 COUNTRIES
SOLIDARIDAD PROJECTS IN LEATHER VALUE CHAIN

1. Livestock projects in 10 countries, incl Brazil, Colombia, Zambia, Tanzania & Bangladesh

2. Cleaner production in leather tannery cluster in Kanpur (India) (2017 – 2022), cooperation with local tanneries & government, STAHL chemicals & PUM (Dutch senior experts) mainly to reduce pollution of Ganges river

THERE IS A LOT THE LEATHER SECTOR CAN DO TOGETHER TO IMPROVE
COOPERATION TO BRIDGE DIFFERENCES
GERT VAN DER BIJL
GERT.VANDERBIJL@SOLIDARIDAD.NL

solidaridadnetwork.org

/solidaridadnetwork

@solidaridadnetw

/company/solidaridad
Why Act Now?
Maria Teresa Pisani
Economic Cooperation and Trade Division
*United Nations Economic Commission for Europe*
Traceability and Sustainable Value Chains: the UN work in progress
Textile and Leather Value Chains

**GLOBAL**
- Global Value Chains: Main feature in international trade
- Lengthy lead-times
- Driven by big retailers and traders

**COMPLEX**
- Multi-stakeholder
- First stage of value added manufacturing for many low income countries
- Small and scattered production facilities
- Short product lifecycles
- Minimum production quantities

Source: GFA, BCG, EU, 2017
Impacts and risks

Textile and Leather Value Chains

10% of substances of concern to human health

25% of chemicals applied in T&L industry

8% of skin desease caused by textile and footwear (a key H&S issue in tanneries)

79 mln m³/year of water consumption

1,715 mln tons/year CO₂ emissions

92 mln tons produced waste

20% only recycled

Minimum wage ½ of living wage

5.6 injured per 100 workers/year

87% non compliance with minimum wage for women in certain countries

Projected environmental impacts

Textile and Leather Value Chains

Source: Boston Consulting Group & Danish Fashion Institute - Pulse of the Fashion Industry 2017
Sustainable Value Chains

CEO’s Agenda of Priorities to advance Sustainability

### Three Core Priorities for Immediate Implementation

- **Supply Chain Traceability**: Trace first-one and first-two suppliers.
- **Efficient Use of Water, Energy, and Chemicals**: Implement water, energy, and chemicals efficiency programs in processing stages.
- **Respectful and Secure Work Environments**: Uphold standards for the respect of universal human rights for all people employed along the value chain.

### Four Transformational Priorities for Fundamental Change

- **Sustainable Material Mix**: Reduce the negative impacts of existing fibers and develop new, more sustainable fibers.
- **Closed-Loop Fashion System**: Design products and invent new collection and recycling systems that enable the reuse and recycling of post-consumer textiles at scale.
- **Promotion of Better Wage Systems**: Collaborate with industry stakeholders to explore opportunities to develop and implement better wage systems.
- **Fourth Industrial Revolution**: EMbrace the opportunities in the digitization of the value chain and engage with other brands, manufacturers, and governments to prepare for disruptive impact and the transition of workforces.

Source: Boston Consulting Group & Danish Fashion Institute - Pulse of the Fashion Industry 2018
Global and regional initiatives

For sustainable value chains

Guiding Principles on Business and Human Rights

Due Diligence Guidelines for Multinational Enterprises
The UN/CEFACT Project

Why Transparency and Traceability?

A **priority** for the industry:

Possible **policy** approaches:

Source: UNECE Survey 2018
The Project Initiative

How to enhance transparency and traceability?

POLICY RECOMMENDATION & DIALOGUE PLATFORM

TRACEABILITY STANDARD AND IMPLEMENTATION GUIDELINES

PILOTING AND CAPACITY BUILDING

Previous experiences and publications
Next Steps

- Survey Questionnaire on Traceability for all relevant business partners
- Call for Interest and establishment of Groups of Experts by Project Component
To join the project please contact:

Maria Teresa Pisani
maria-teresa.pisani@un.org
Economic Cooperation and Trade Division
UNECE

Contact us to join the Group of Experts

Thank you!

Maria Teresa Pisani
maria-teresa.pisani@un.org
Economic Cooperation and
Trade Division, UNECE
Robert Egerton-Warburton
Farmer, Nuffield Scholar
Kojonup, Australia
Why Act Now?

The Investor Case to Address Supply Chain Risks

Sarah McCracken

October 12, 2018
What is Ceres?

Ceres works to advance sustainability leadership among investors to drive solutions and take action on the world’s biggest sustainability challenges.

Ceres Investor Network on Climate Risk and Sustainability

161 institutional investors, collectively managing about $25.2 trillion in assets. (As a comparison, the world's GDP was about $80 trillion in 2017.)
Greenhouse Gas Emissions from Deforestation

If tropical deforestation were a country, its emissions would be greater than those of the European Union.

ANNUAL GREENHOUSE GAS EMISSIONS, 2012

- CHINA
- UNITED STATES
- TROPICAL DEFORESTATION
- EUROPEAN UNION
- INDIA
- RUSSIA

Billions of tons (GtCO₂eq/yr)

Source: CAIT v2.0, Busch and Engelmann 2015

Emissions from deforestation refer to gross emissions from tropical forest cover loss and peat conversion.
Global Forest Cover Loss Has Been Concentrated in the Tropics

Top 10 Countries by 2017 Tree Cover Loss

Brazil 4,519,833 ha
DRC 1,467,957 ha
Indonesia 1,300,719 ha
Madagascar 510,357 ha
Malaysia 483,416 ha
Bolivia 463,194 ha
Colombia 424,870 ha
Paraguay 360,058 ha
Mozambique 359,011 ha
Ivory Coast 357,273 ha

Agriculture is Driving this Loss

In Latin America and Southeast Asia, 87% of all tree cover loss is driven by agriculture.
Forest Loss is Driven by a Handful of Global Commodities
Case Study: IOI group

RSPO suspension negative for IOI group

PETALING JAYA: The market views negatively the Friday announcement by the Round Table on Sustainable Palm Oil (RSPO) that it will suspend the RSPO certifications of the entire IOI group from April.

Analysts said while the sales premium from certified sustainable palm oil (CSPO) represents only a small percentage of IOI Corp Bhd’s revenue, the damage would be to the company’s reputation as a sustainable palm oil producer.

“This is negative for IOI Corp as it could affect the group’s sales of certified sustainable palm oil to its customers in Europe; and it could dent the group’s reputation and image as a sustainable palm oil producer,” said CIMB Research.
Case Study: IOI group

Rating Action: Moody’s reviews IOI Corporation Berhad’s Baa2 ratings for downgrade

10 May 2016

Singapore, May 10, 2016 -- Moody’s Investors Service (Moody’s) has today placed on review for downgrade the Baa2 issuer rating of IOI Corporation Berhad (IOI), Baa2 senior unsecured bond rating of IOI Investment (L) Berhad, and Baa2 senior unsecured bank credit facility rating of IOI Ventures (L) Berhad.

RATINGS RATIONALE

“The review for downgrade was driven by uncertainty regarding IOI’s operating performance, particularly on its downstream business, after its entire oil palm production was suspended by the Roundtable on Sustainable Palm Oil (RSPO) and the resultant announcement by several of its customers to cease cooperation with the company,” says Jacintha Poh, a Moody’s Vice President and Senior Analyst.

Source: https://www.moodys.com/research/Moodys-reviews-IOI-Corporation-Berhads-Baa2-ratings-for-downgrade-PR_348708
Investor Collaboration

To date, 256 investors with nearly $31 trillion in assets under management are signed up for the Climate Action initiative.
Investor Initiative for Sustainable Forests (IISF)

A partnership with Ceres and the UN Principles for Responsible Investment (PRI), aiming to:

- **Raise investor awareness** of potential material financial risks of deforestation for companies sourcing cattle and soy from South America
- **Provide salient and credible information** on the environmental and social impacts of deforestation
- **Support investor engagement** to promote increased disclosure and management of deforestation risks
Scaling up Investor Led Action on Deforestation

Institutional Investors

- Commodity Farmers
- Commodity Traders
- Food Manufacturers
- Retailers

85+ Publicly Traded Companies
Deforestation Commitments

Recommended areas to improve company implementation of no-deforestation commitments.

- Breadth of Policy
- Traceability
- Supplier Assurance
- Disclosure of Progress
Investor Beef Campaign

September 2018: a working group of more than 40 international investors with over $6 trillion in AUM signed a letter calling on companies to address deforestation in cattle supply chains.

Leading Global Investors Managing $6.4 Trillion Call on Companies to Eliminate Deforestation in South American Cattle Production
Thank You

Sarah McCracken
Manager, Investor Engagement
Ceres
mccracken@ceres.org
Why Act Now?

Ian McConnel
WWF
By 2050, we will need to:

- Stabilise Climate
- Stabilise Population & Inequities
- Stabilise Biosphere
State of the Natural Planet

The Living Planet Index extrapolated to 2020 under business as usual scenario

Living Planet Index 1970-2020

Overall: 67% decline

Source: WWF/ZSL, 2016
Five key threats to wildlife populations

- Terrestrial species:
  - Climate change
  - Overexploitation
  - Habitat loss / degradation
  - Invasive species and disease
  - Pollution

- Freshwater species:
  - Climate change
  - Overexploitation
  - Habitat loss / degradation
  - Invasive species and disease
  - Pollution

- Marine species:
  - Climate change
  - Overexploitation
  - Habitat loss / degradation
  - Invasive species and disease
  - Pollution
Bending the Curve on the Loss of Nature:

*Peak, Plateau and Restore...*
Bending the Curve on Biodiversity Loss:

*Halt, Plateau and Restore...*

- Halve GHG emissions
- Halve Food Impacts
- Keep Rivers Flowing
- Halt Deforestation
- Double Sustainable Fisheries
- Eliminate Illegal Wildlife Trade
- Protect 30% of Land & Sea

Living Planet Index

- Business as Usual
- Halt
- Plateau
- Restore

-58% in 2012
-67% in 2020

Very Dangerous

2012 - 2020 - 2025 - 2030
Meat consumption will rise with development

Agriculture will drive increase in withdrawal of water, a scarce resource

Water withdrawals (Tm$^3$)

<table>
<thead>
<tr>
<th>Year</th>
<th>Municipal &amp; domestic</th>
<th>Industry</th>
<th>Agriculture</th>
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<tr>
<td>2010</td>
<td>3.1</td>
<td>0.8</td>
<td>4.5</td>
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<tr>
<td>2030</td>
<td>6.9</td>
<td>0.9</td>
<td>4.5</td>
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+50%
Why focus on cattle?

Beef production is the main driver of deforestation in Queensland

Land Use in the Reef Catchments
Cattle expansion to the north: BRAZIL

Cattle are a leading cause of deforestation globally
Pastures open the way for Crops

<table>
<thead>
<tr>
<th>2013 Cropland</th>
<th>Mha</th>
<th>2013 Pastureland</th>
<th>Mha</th>
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<tr>
<td>H</td>
<td>0.47</td>
<td>8.76</td>
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<td>I</td>
<td>0.18</td>
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<td>0.03</td>
<td>1.4</td>
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<td>5.19</td>
<td>23.28</td>
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<td>L</td>
<td>0.51</td>
<td>11.39</td>
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- Much of the land being converted to Crops and Pasture is Forest
- Land converted for grazing is often later converted to crops for animal feed- mainly soy and mainly for export to Europe and China
Deforestation in the Argentine Chaco

Between 1987 and 2010, **6.4 million ha of forest and 1 million ha of grassland** in the north of Argentina were converted to agriculture; during the same period, the soy area expanded by around 11 million ha, with other crops remaining mostly static.

Since the Forest Law (2007) and until 2014, land use change in the Argentine Chaco totaled **~2.46 million ha**, of which **more than 70% was forest loss**.
A Time for...

Urgency

Scale

Agility
Break
INTRODUCTION TO

Working Sessions
Traceability difficult and expensive: leather is little to no value to the value chain members.
Certificates are registered onto the trading platform by farms and slaughterhouses. Brands and retailers can purchase the certificates and make claims.
Animal Welfare
Working Session

Lesley Mitchell
Forum for the Future
Toward Sustainable Leather – Perspectives on Animal Welfare

Dr Lesley Mitchell
Associate Director for Sustainable Nutrition
Forum for the Future
Director, Good Food Futures Ltd
L.Mitchell@forumforthefuture.org
Toward Sustainable Leather – Perspectives on Animal Welfare
Toward Sustainable Leather – Perspectives on Animal Welfare

[Image of a person pointing at a screen with text in Chinese and English]

[Image of a mountainous landscape with a bird in flight]

[Logo for "good food futures"]
Toward Sustainable Leather – Perspectives on Animal Welfare
Toward Sustainable Leather – Perspectives on Animal Welfare

Global Agenda for Sustainable Livestock

good food futures
Introducing Forum for the Future

Forum for the Future is a leading global sustainability non-profit.

For over 20 years it has worked in partnership with business, governments and civil society to accelerate the shift toward a sustainable future.

We have 80 optimistic, ambitious change agents, working with hundreds of organisations and individuals who share our purpose.

We specialise in addressing critical global challenges by catalysing change in key systems, from food to apparel, energy to shipping.

We do this by convening transformational collaborations to drive change, by partnering with businesses to help them lead by example, and by building a global community of pioneers and change makers.

Headquartered in London, we have international offices in New York, Singapore and Mumbai.

www.forumforthefuture.org
Who Forum works with

We’ve helped pioneering businesses develop and refine the **business case** for putting sustainability at the heart of their corporate strategies and relationships.

We’ve helped create **new partnerships**, coalitions and organisations, all accelerating the big shift to a sustainable future.
Leather and Welfare

Outline approaches to addressing welfare

Profile how GRSB has addressed the welfare challenge in the global and regional roundtables

Perspective on opportunities and challenges in how welfare is addressed in the supply chain
Defining Animal Welfare

Animal welfare ‘means how an animal is coping with the conditions in which it lives. An animal is in a good state of welfare if (as indicated by scientific evidence) it is healthy, comfortable, well nourished, safe, able to express innate behaviour, and if it is not suffering from unpleasant states such as pain, fear, and distress.’ OIE definition

Five Freedoms
- Pain and Disease
- Fear and Distress
- Hunger and Thirst
- Discomfort
- To Perform Natural Behaviour

OIE Guidelines
- Definition and general welfare approach
- Beef and dairy guidelines
- ISO standard for farm management

EU Welfare Quality
- Science based
- Outcomes focused
- Good feeding
- Good housing
- Good health
- Appropriate behaviour

https://www.oie.int/doc/ged/D5517.PDF
Defining Animal Welfare

'Good animal welfare requires disease prevention and veterinary treatment, appropriate shelter, management, nutrition, humane handling and humane slaughter/killing. Animal welfare refers to the state of the animal; the treatment that an animal receives is covered by other terms such as animal care, animal husbandry, and humane treatment.' (OIE)

**Five Freedoms**
- Pain and Distress
- Hunger
- Thirst
- Discomfort
- To Perform Natural Behaviour

**OIE Guidelines**
- Definition and general welfare approach
- Beef and dairy guidelines
- ISO standard for farm management

**EU Welfare Quality**
- Science based
- Outcomes focused
- Good feeding
- Good housing
- Good health
- Appropriate behaviour
Where is Welfare Relevant in an Animal’s Life?
GRSB Welfare Principles

**Good feeding:** Adequate feed and water; Diet composition balanced to promote good health and proper body condition.

**Good health:** Health care, identifying health problems action to control and treat disease.

**Good housing / environment:** Cattle are kept in an environment (including stocking density, air quality and surfaces), which is conducive to good health and normal behaviour and minimizes physical discomfort.

**Good behaviour:** Freedom for cattle to express normal patterns of behaviour. Animal caretakers minimise cattle stress.

**Prevent / minimise pain, injury and disease.** Competent person available. Continuous improvement, alternatives and innovations are investigated and, where practical, are adopted to replace or mitigate painful husbandry procedures.

**Responsible pharmaceutical use:** All veterinary pharmaceuticals and vaccines are used responsibly and in accordance with labelling.

**Transport** (by land, sea or air) and handling procedures are consistent with OIE guidelines.

**Slaughter:** Animal welfare procedures at processing plants, including slaughter procedures, are in line with the OIE terrestrial animal health code.
GRSB Welfare Principles

GRSB principles map onto national roundtables

National roundtables decide how to work to achieve these:
- Certification (Canada)
- Guidelines, best practice pilots (US)
- In development (newer roundtables)

Wider picture:
- Extent of Implementation of OIE Guidelines
- Legislation
- Private Standards
- Certifications

NEED: Benchmarking of equivalent standards / processes and gaps
Consumers and Welfare


94%: protecting the welfare of farm animals is important.
89%: want EU legislation that requires people to care for animals used for commercial purposes.
82%: farm animals should be better protected than they are now.
59%: willing to pay 5% more for animal-friendly products

China survey (farmed animals)
71% - welfare important
75% - would pay more
76% - would choose a retailer selling higher welfare

US survey (Norwood and Lusk)
69%: farm animals should not suffer

Deloitte 2016 – food – transparency, social impact - millennials

Social License Lightning Rods

Humane slaughter as a minimum requirement

Live transport vs ‘on the hook not on the hoof’
Benchmarking good practice and welfare risks

Solutions for sustainability

Certification and traceability

Good practice growth projects

Pre-competitive

Collaboration
“My favourite brand does the right thing, I have confidence my clothes are socially responsible”

“There’s a heads or tails chance the animal that this jacket came from suffered an inhumane death”
Future Directions Toward Humane Solutions?

Reclaimed Leather

Leather Alternatives

Increasing Investor Attention to Farmed Animals

https://www.elvisandkresse.com/

https://eluxemagazine.com/magazine/what-the-heck-is-vegan-leather/

www.bbfaw.org

www.forumforthefuture.org
Last thoughts…

Provenance and traceability

Know your risks
  • animals
  • business reputation

Baselines and thresholds of acceptable practice

Collaboration is key!
Thank you!

Lesley Mitchell
L.Mitchell@forumforthefuture.org
## Animal Welfare Framework

### Nutrition

*Desired outcome: Access to sufficient feed and water suited to the animals’ age and needs to maintain normal health and to prevent prolonged hunger, thirst, malnutrition or dehydration.*

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<thead>
<tr>
<th>Food</th>
<th>Access to feed</th>
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<td>Body condition scoring</td>
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<td></td>
<td>Changes in diet</td>
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<td>Etc.</td>
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<tr>
<td>Water</td>
<td>Etc.</td>
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### Living Environment

*Desired outcome: Sheep are kept in an environment that provides the conditions and facilities needed for health, safety, comfort and normal behavior.*

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<thead>
<tr>
<th>Indoor Environment</th>
<th>Buildings</th>
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<td>Thermal, ventilation, shelter</td>
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<td></td>
<td>Etc.</td>
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<tr>
<td>Outdoor Environment</td>
<td>Etc.</td>
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<tr>
<td>Social Environment</td>
<td>Etc.</td>
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</tbody>
</table>
## Animal Welfare Framework

- Nutrition
- Living Environment
- Animal Husbandry
- Transport
- Slaughter
- Management, Plans & Procedures
Animal Welfare Working Session Questions

(each table to discuss one question – move to additional questions if there is time)

1. Do we accept only standards that meet a minimum benchmark that we define? What are the pros and cons of this approach? (Table 1)

2. How can we support farms that are part of a GRSB Regional Round Table? What are the pros and cons of this approach? What limitations would we need to put in place? Should we also recognize standards that are independent of the GRSB? (Table 2)

3. Should we have a two-tier credit system: one that meets a minimum benchmark for animal welfare, and one that supports a continuous improvement model through the GRSB and other similar initiatives? Should there be a third tier to recognize a higher benchmark? What are the pros and cons of the different options? (Table 3, 6)

4. Should we also offer brands the option to buy super-credits that fund NGO activities that directly address the most serious animal welfare issues? Or should that be mandatory? What kind of messaging would go along with these super-credits? How should we define which activities they address? Who makes the decision about which ones to address? Can brands just choose their own? What kind of data should we collect to be sure that these projects are leading to positive outcomes? (Table 4, 7)

5. What level of verification do we require to ensure our expectations are being met? Third party certification? Second-party verification? Self-assessments? (Table 5, 8)
Land Use Change

Working Session

Simon Hall
National Wildlife Federation
Land-Use Change Impacts of Farming: Cattle Ranching in Brazil

Global Forum on Responsible Leather, October 2018

Simon C. Hall
Manager, Tropical Forests & Agriculture
National Wildlife Federation (NWF)

halls@nwf.org

www.international.nwf.org
www.ZeroDeforestationCattle.org
Outline

- Quick snapshot from around the globe
- Closer look at Brazil
- Critical challenges
- Major opportunities
- Key takeaways
Quick snapshot from around the globe

Regional Tree Cover Loss by Driver for the Period 2001–2015

27% - Commodity-Driven Deforestation
- Latin America and SE Asia
- Cattle, soy, palm oil, pulp/paper

24% - Shifting Agriculture
- Peru, Africa (DRC), and SE Asia
- Short-term cultivation of subsistence crops

26% - Forestry
- North America, Europe, Russia/China

23% - Wildfire
- North America, Russia/China, Oceana

0.6% - Urbanization
- Eastern US

Quick snapshot from around the globe

4.8 Gigatons/Year
Annual gross CO2 emissions from tree cover loss in tropical countries (2015-2017)
Tropical tree cover loss now causes more emissions every year than 85 million cars

8% of the PROBLEM, but 23% of the SOLUTION
About 8 percent of global emissions come from tree cover loss in tropical forests, but these forests are capable of providing 23 percent of the cost-effective climate mitigation needed before 2030.

Deforestation in Brazil

75,149 km² cleared in the Amazon and Cerrado (2013-2017)
- Amazon: 31,950 km²
- Cerrado: 43,199 km²

Source: INPE, PRODES and PRODES CERRADO, 2018
GHG Emissions & Deforestation

Excluding deforestation
28kg CO₂ eq. per kg of meat

Including deforestation
726kg CO₂ eq. per kg of meat

Brazilian Cattle Productivity: Current and Potential

- Current productive capacity is **32-34%** of potential

- Increasing productivity to **49-52%** of potential could meet food demands to 2040 **with no additional deforestation**

- **14.3 Gt CO2 Eq.** could be mitigated

Source: Strassburg et al. 2014. Adapted from: ZeroDeforestationCattle.org
Sustainable Intensification Initiatives

- Technical assistance
- Financial support
- Pasture reform/optimized grasses
- Herd management
- Genetic improvements
- Fencing/paddocks and rotational grazing
- Water management and distribution
- Economic multiplier effects ($1 -> $10)

![Diagram showing reduction and increase in various parameters such as Methane (CH4) Emissions, Stocking Density, Age of Slaughter, Productivity, Gross Profit Margin, and Quality of Carcass.](chart)

Source: ICV Novo Campo Program, 2016; and Pecsa, 2017. Adapted from: ZeroDeforestationCattle.org
Securing Win-Win Outcomes

- Cattle intensification initiatives are **NOT** an effective strategy *by themselves*.
- Land sparing benefits can be reversed by negative rebound effects and perverse incentives.
- **Integrated strategies** needed to incorporate robust environmental and social governance (public and private)
- Link corporate sourcing commitments to on-the-ground investments in intensification
Key Takeaways

- Deforestation remains a risk, but it can be managed
- Deforestation-free supply chains have lower GHG footprint
- Productivity gaps in Brazil offer major sustainability opportunities
- Proven methods and programs for sustainable intensification
- Sustainable intensification is not a silver bullet solution
- Integrated models needed with robust ESG (and deforestation-free policies)
- Collaboration is key; guidance exists (CFA and AFi)
Thank you

Questions & Comments

Simon C. Hall
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Land Use Change Working Session Questions
(each table to discuss all questions)

1. Should the RLA focus on deforestation only in the first version? If not, what other land use change risks should it address?

2. What do we recognize and reward through the RLA? Do we support non-deforestation when the farm has already been deforested, or do we only look at avoided deforestation?

3. What level of verification do we need to assure that deforestation is not occurring? What kind of reporting or data should we ask for?
Lunch
Leather Manufacturing

Working Session

Michael Costello
Stahl

Stefano Baggio
JBS Couros

Coty Jeronimus
Textile Exchange
Leather manufacturing

Key Sustainability issues affecting tanneries

M Costello

Textile Exchange Leather Forum
Kilkenny, October 2018
Leather Manufacturing

Key Sustainability Issues

1. Raw Hides
2. Beamhouse
3. Tanning
4. Retanning
5. Finishing

Beaming & Tanning (75% of water consumption)

Dyeing & Finishing
Leather Manufacturing

Key Sustainability Issues

1. Raw Hides
   - Animal Welfare
   - Traceability
   - Transportation
   - Hide preservation
   - Hide Quality

2. Beamhouse
   - Safety & Health
   - Water Consumption
   - Water pollution & Effluent control
   - Salt removal
   - Waste Management
   - Odor control

3. Tanning
   - Safety & Health
   - Water Consumption
   - Water pollution & Effluent control
   - Waste Management
   - Energy consumption
   - Restricted Substances

4. Retanning

5. Finishing

Beaming & Tanning (75% of water consumption)  
Dyeing & Finishing
Leather Manufacturing
Key Sustainability Issues

1. Raw Hides
   - Animal Welfare
   - Traceability
   - Transportation
   - Hide preservation
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   - Safety & Health
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   - Water pollution & Effluent control
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3. Tanning
   - Safety & Health
   - Water pollution & Effluent control
   - Water Consumption
   - Waste Management
   - Energy consumption
   - Restricted Substances

4. Retanning
   - Waste management
   - Restricted Substances
   - Biodegradability
   - Energy consumption

5. Finishing
   - Restricted Substances
   - Biodegradability
   - Energy consumption

Beaming & Tanning (75% of water consumption)

Dyeing & Finishing
Leather Sustainability Solutions

1. Raw Hides
   - Fresh hides
   - Traceable hides

2. Beamhouse
   - Low-impact chemicals
   - Hair removal/filtering
   - Water recycling
   - Re-using floats

3. Tanning

4. Retanning

5. Finishing
Leather Sustainability
Solutions

1. Raw Hides
   - Fresh hides
   - Traceable hides

2. Beamhouse
   - Low-impact chemicals
   - Hair removal/filtering
   - Water recycling
   - Re-using floats

3. Tanning
   - Simplified process
     (Pickle-free)
   - Less chemicals
   - Dry tanning
   - Re-using floats

4. Retanning

5. Finishing
Leather Sustainability

Solutions

1. Raw Hides
   - Fresh hides
   - Traceable hides

2. Beamhouse
   - Low-impact chemicals
   - Hair removal/filtering
   - Water recycling
   - Re-using floats

3. Tanning
   - Simplified process
     (Pickle-free)
   - Less chemicals
   - Dry tanning
   - Re-using floats

4. Retanning
   - Exhaustion rates
   - Less chemicals
   - Lightweight technology
   - MRSL compliance
   - Recycling waste

5. Finishing
   - MRSL compliance
   - Biodegradable finishes
   - Waterbased finishing
   - Upgrading
   - Recycling
Thankyou
S U S T A I N A B I L I T Y

is essential

The challenges in the leather industry.
The leather industry

Some negative examples... hide innovative actions
SUSTAINABILITY is essential

The challenges in the leather industry.
The leather industry

Some negative examples... hide innovative actions
Sustainable Practices on the leather industry
JBS Couros

21 units worldwide

Customers in over 50 countries

7.6 thousand employees

Wet-blue: 13
- Brazil
  - Cacoal/RO
- Colônia - MT
- Colômbia do Oeste/RO
- Barra do Garças/MT
- Marabá/PA
- Pedra Preta/MT
- Nairóbi/MG
- Nova Andradina/MS - Porangatu/GO
- São Luís de Montes Belos/GO
- Jundiaí
- Montevideu
- Madrid
- Madeira
- Cãdiz/ES

Crust and Finished: 09
- Brazil
  - Castelo/SP | Ilhota/GO | Limão/SP | Uberlândia/MG | Montes Claros/MG
- Russia
- Montevideu
- Argentina
- Madrid
- Colónia Piratini
- Ho Chi Minh

Distribution centers: 4
- Brazil
  - Campo Grande/MS
- Argentina
- EEUU
- Hong Kong

Port Terminal: 1
- Brazil
  - Santos/SP
**Value Chain**
End-to-end technology and quality control

**Sustainable Origin**
- Social and environmental monitoring system at supplier farms
- Hides conserved using cold water. No salted hides
- Best practices in animal welfare

**Animal welfare and care for the raw material**
- Specialized transportation
- Own meatpacking units with dedicated leather teams

**Manufacturing units and distribution platforms in the world’s main markets**
- Wet blue stage
- Crust stage
- Finished stage
SUSTAINABLE sourcing

Social and environmental monitoring
More than 70 thousand farms
590,000 km² monitored

INDEPENDENTLY AUDITED EVERY YEAR IN 2017 REACHED A 99.97% EFFICIENCY RATE
ANIMAL welfare

- Measurement
- Training
- Planning and investment
- Engagement
- Communication

Criteria and Indicators

BBFAW AMONG BEST COMPANIES FOR ANIMAL WELL-FARE
ANIMAL welfare

Guaranteeing best practices
ANIMAL welfare

- Measurement
- Training
- Planning and investment
- Engagement
- Communication

Criteria and Indicators

BBFAW AMONG BEST COMPANIES FOR ANIMAL WELL-FARE
ANIMAL welfare

Guaranteeing best practices
TECHNOLOGY and innovation

Process Control

Less Waste

Improved Quality

Better Work Conditions
Proprietary Methodology focused on cleaner production

Environmental responsibility

- Waste management
- Reduce inputs and increase efficiency
- Third Part Environmental Certified
  100% - Traceability
# Traceability

## Atividade

<table>
<thead>
<tr>
<th>Sequência</th>
<th>Código</th>
<th>Unidade</th>
<th>Objetiva</th>
<th>Exige Partida</th>
<th>Tipo de Valor</th>
<th>Único de Leitura</th>
<th>Valor Padrão Min.</th>
<th>Valor Padrão Max.</th>
<th>Observação</th>
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<td>1</td>
<td>10,000</td>
<td>14,000</td>
<td></td>
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</tr>
</tbody>
</table>
ENGAGEMENT and transparency

International partnerships
Independent audits
Industry involvement and participation
CSCB participation
16 units with LWG certification – all with 100% in traceability
5 Tannery stages → manufacturing - end product
Tannery Issues

- **Traceability**: what is possible?
- **Residue management**: salt - chemicals
- Energy: cooling, consumption, reduction
- Water: consumption-recycling-waste
- **Waste management**: hair residue, etc.
- Recycling: chromium recovery, etc.
- Circular economy: sludge removal (trimmings to gelatin industry), etc.
- **Restricted substances**: rls, mrls
- Atmospheric emissions: toxicity limits, control systems
- Noise: noise pollution, worker safety
- Social: Health & Safety
- Social: Child labour/forced labour
- Social: Other
Existing Standards & Major Players

**TANNERY OF THE FUTURE (SELF ASSESSMENT TOOL)**

**LWG : GLOBAL (3TH PARTY ASS.)**
- Bronze
- Silver
- Gold

**CSCB : REGIONAL (BRAZIL) 3TH PARTY ASS.**
- Bronze
- Silver
- Gold
- Diamond

**ICEC : REGIONAL (ITALY) 3TH PARTY ASS.**
- Area 1: Environmental sustainability
- Area 2: Ethical and social sustainability
- Area 3: Product and economic sustainability

**ISO STANDARDS**
- ZDHC
- OEKOTEX

Other projects include:
- WWF INDIA GANGES (INDIA) PROJECT
- SOLARIDAD-STAHL-PUM KANPUR (INDIA) PROJECT
- SOLARIDAD-STAHL GREEN TANNING (ETHIOPIA) PROJECT
- OTHERS
<table>
<thead>
<tr>
<th>Process</th>
<th>KEY ISSUES</th>
<th>SUB-CATEGORIES</th>
<th>BASELINE</th>
<th>BEYOND</th>
<th>BEST</th>
<th>LWG</th>
<th>TANNERY OF THE FUTURE</th>
<th>CICB/CSCB</th>
<th>UNIC/ICEC</th>
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</thead>
<tbody>
<tr>
<td>STAGE 1: CURING</td>
<td>TRACEABILITY</td>
<td>RAW MATERIALS</td>
<td></td>
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<td></td>
<td>LWG supports and encourages all stakeholders within the supply chain whether it be Government, farmers, transport companies, slaughtering facilities, tanneries, leather manufacturers etc, to cooperate and collaborate to create fully traceable and transparent systems of trade in all areas of the world. BRAZIL: Those sourcing raw material in Brazil will need to demonstrate traceability to the slaughterhouse including the date of slaughter. Rest of the World Materials from the Rest of the World: All raw material suppliers from other parts of the world must be able to supply the following information: ➢ Name of the slaughterhouse ➢ Breakdown of slaughterhouses if relevant</td>
<td>To farmer; deforestation included</td>
<td>Be able to trace the origin of the slaughtered animals.</td>
<td></td>
</tr>
<tr>
<td>ICEC TS_SC410, ICEC TS_PC412 --&gt; TS PC 412 for &quot;single product in tanneries&quot;: a specific product (i.e. only a particular kind of leather, only for a specific origin) is included in the analysis. The analysis is more specific and fits better to the customer's requirements. The certification will define such product with a pertinent rating. This rating specifies the traceability degree regarding the process upstream of the tanneries. In this case, also the traceability of the phases inside the tannery is object of check.</td>
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</tbody>
</table>
RLA Goals

1. Set minimum benchmark for tannery best practices.

2. Use the tool to clearly indicate how the different existing standards meet these minimum requirements, and where they go beyond.

3. Develop clear language about the claims that brands can make by using the tool and/or the different standards.
Leather Manufacturing Working Session Questions
(each table to discuss one question – move to additional questions if there is time)

1. Where do we want traceability to be required? Where should it start? From slaughter to beam house, or after?

2. What are any minimum criteria that must be met?

3. What degree of verification should we required?

4. How can we recognize initiatives that do not have third-party verification?

5. Will a multi-tier strategy make sense?

6. Who should determine what the final benchmarks are?

7. How can we get engagement and agreement to this process among the major players?

8. What types of claims should brands be able to make?
Social Issues

Working Session

Zachary Angelini
Timberland

Egbert Dikkers
Smit & zoon
Tannery of the Future

Checklist for sustainable leather production

tanneryofthefuture.org

Forum - 12 October 2018

Egbert Dikkers - Smit & zoon
• What is the Tannery of the Future tool?
• Why was it made?
• How was it made & introduced?
• The biggest challenges?
What is the Tannery of the Future tool?
9. Health and safety

Consumers want to use leather products that have been produced under good working conditions. The International Labour Organisation (ILO) has formalised international labour standards in conventions (legally-binding international treaties). These workers' rights relate to discrimination, forced labour, child labour, freedom of association and collective bargaining, contracts, health and safety, working time and financial remuneration. It is your responsibility as an employer to act in accordance with these principles.

Consumers consider it essential that people directly or indirectly involved in the entire production process work in safe conditions, without harm or risk to their health. A safe and healthy working environment contributes to workers' health and productivity and limits the risks of accidents during tannery processes.

Self-evaluation questions:

a. Do you have a Health and Safety Policy in use? Yes / No
b. Do you organise Health and Safety training for workers? Yes / No
c. Do you have up-to-date safety instructions for the machines you are using? Yes / No
   If so, are your workers familiar with these safety instructions? Yes / No
d. Do you keep records of accidents? Yes / No
e. Are you aware of the potential negative effects of the use of chemicals on your workers? Yes / No
f. Do you measure the formation and occurrence of:
   - Hydrogen sulphide Yes / No
   - Chrome VI Yes / No
g. Do you take steps to prevent workers from coming into contact with:
   - Formaldehyde Yes / No
   - Hydrogen sulphide Yes / No
   - Chrome VI Yes / No
h. Do the workers know how to use chemicals safely? Yes / No
i. Do the workers know how to handle a chemical spill? Yes / No
j. Do the workers use the following Personal Protection Equipment (PPE)?
   - Shoes-Boots Yes / No
   - Gloves Yes / No
   - Protective clothing Yes / No
   - Chemical masks Yes / No
   - Goggles Yes / No
   - Earplugs for noisy areas Yes / No
k. Do you take measures to prevent dust? Yes / No
l. Do you take measures to prevent noise? Yes / No
m. Are workplaces sufficiently lit (not too bright, not too dark), so that workers are able to perform their tasks as required without risk to their health? Yes / No
Why was it made?

- Lack of understanding ‘what sustainable leather is’

- Supporting (Dutch) leather goods buyers to buy sustainable products

- Improving awareness of brand/consumer requirements

- Conversation starter

- Step by step improvements
Tannery of the Future

Checklist for sustainable leather production

An initiative by: tuyu | Hans Both | smitXzoon | MVO NEDERLAND
How was the tool made & introduced?

- Collaboration with NGO’s and industry experts
- Pilot introductions in India, Bangladesh and Africa
- Chemical companies financially supporting
- Organize workshops & presentations
- Distribute hardcopies and downloads
- Translations in Urdu and Chinese, more coming
- Introduce in supply chain projects
The biggest challenges

- To get the tool to the right people
  - Now it seems like preaching
  - Follow the money
    - Need customers/brands to push
    - Need legislation & enforcement
    - Need show cases
- Social matters seem to lack importance
  - Safe working environment in premises
    - with machines
    - with leather chemicals
- Educate people in their own pace and ability
  - Often people do not know what to do, where to start
  - (Existing) tools to complex
- Commitment & enforcement
  - Start by giving the right example yourself
  - Give smaller tanneries a chance to improve
Tannery of the Future

Sponsored by:
Thank you for listening.

Please download the document free of charge at:

tanneryofthefuture.org.

Feel free to spread the word!
Responsible Leather
Brand Pressures and Opportunities
Timberland Background

- Manufacturer, retailer, and wholesaler
- 7,000 employees
- 264 retail stores
- Owned by VF Corporation
TIMBERLAND’S SUSTAINABILITY STRATEGY

BETTER PRODUCTS

STRONGER COMMUNITIES

GREENER CITIES
Greenpeace: Top U.S. Shoe Companies Contributing to Amazon's Destruction

BY ABBY SCHULTZ, INSIDECLIMATE NEWS
JUN 1, 2009

Timberland Targeted for Deforestation
Greenpeace Praises Timberland’s Policy on Amazon Leather
July 6, 2010

Washington - Today, Timberland announced a policy agreement with Greenpeace that will help ensure the leather used in the shoe company’s products will not contribute to new deforestation in the Amazon Rainforest. The policy makes Timberland the industry leader in
• In 2017, VF Corporation released Animal Derived Materials (ADM) Policy
  
  - Addressed animal welfare and environmental concerns surrounding leather procurement
    - Leathers shall not come from farms in the Amazon Biome that have contributed to New Amazon Deforestation
  
  - Set targets and certification standards

2021

Year by which all footwear leather will come from Leather Working Group Audited Tanneries
2017 Timberland Brazil Leather Supply Chain

footwear vendors [6]
- Paqueta [2]
- Coopershoes
- Estival
- Shelter
- Eticos
- Ramiran

finishing tannery [4]

wet-blue tannery [2]

slaughterhouse [3]

*supply chain mapped to date, subject to change
**BRAZILIAN LEATHER SUPPLIER SCREENING**

Rated Suppliers Based on Risk

**ACTIONS in 2017:** Collected data through online leather supplier screening, developed risk model based on responses, completed on-site assessments at “high risk” facilities.

**RESULT:** All manufacturers and tanneries completed the online screening. Cooperation from slaughterhouses presented a challenge.

- VF has no direct business relationship with slaughterhouses (Tier-3 or Tier-4)
  - No leverage, dynamic supply chain
• Revised screening questionnaire to expand scope beyond Brazil
• All footwear leather suppliers will complete the online supplier screening in 2018
• Questions targeted to specific supplier type:

**LEATHER SUPPLIER SCREENING**
Global Expansion in 2018

**ACTIONS in 2018 & BEYOND...**
• Generate a risk rating for each supplier
  - Conduct on-site visits at medium-high risk facilities
If you want to go fast, go alone. If you want to go far, go together. – African Proverb
Risk Reduction -> Value Creation
Conclusion

• Leather is ranked as Timberland’s most impactful material
• Could it become our most positively impactful material?
Working Session Questions

(each table to discuss one question – move to additional questions if there is time)

1. **Farm**: What are the key issues to address? Do we address social issues in version 1 of the assessment tool? If we do not address them, how can we give recognition to best practices? Are there other ways we can drive better social welfare at the farm level? (Tables 1,2)

2. **Tanneries**: What are the key issues to address? Do we address social issues in version 1 of the assessment tool? If we do not address them, how can we give recognition to best practices? Are there other ways we can drive better social welfare at the farm level? (Tables 3,4)

3. **Supply chain**: Do we want to set a minimum set of expectations across the full supply chain? If not, which parts should be included? What are the absolute minimums that we want to enforce (e.g. child labor, slavery, health and safety)? (Tables 5,6)

4. **Assessment strategies**: What level of verification is needed for the different stages of the supply chain? What existing standards or tools should we look at? What indicators would we look at? (Tables 7,8)
Break
Credit Trading & Traceability

Working Session

Jennifer Cooper
NativeEnergy

Lieven Callewaert
Textile Exchange

Jorn Schouten
ACT Commodities
Primary Interests

• Wildlife, species diversity, local economic prosperity, tourism, recreation

Mechanism for Change

• Advance purchase of eco-system benefits ("credits") to fund on-ranch changes
Ranchers in Greater Yellowstone Ecosystem

Primary Interests

- Productivity, yields, drought resilience, low erosion, water retention, access to new markets

Mechanism for Change

- Adopt (expand) high intensity rotational grazing to restore perennial grasses and native species
- Capital to purchase fencing and water troughs, education and support via existing local network
Measure and verify

Claim positive impacts and benefits

... a direct, causal role in more sustainable sourcing that benefits local economies, communities, and ecosystems
Project structure allows Xanterra to invest in impact

Impact

Companies (Impact “Investors”)

Supply Chain Producers

Long-Term Contract

Project Investment Period

M&V of Impact
- Practices
- Carbon
- Water
- Economic

Single Purchase

Supply Chain Producers

Native Energy
The Impact of Soil Health
Montana Improved Grazing Project

Higher intensity rotational grazing practice, helping to restoration the riparian habitat and increase the resilience and carrying capacity of Montana’s ecosystems.

Northern Kenya Improved Grasslands Project

Sustainable grassland management, restores perennial grass cover and increases soil organic carbon increasing infiltration and retention of limited precipitation and advancing environmental conservation, community, and biodiversity.
Aiming for scale

- Sequester over 3 million tonnes of carbon across one million acres over ten years
- Includes building capacity and supporting U.S. ranchers and farmers, bridging the commercial gap among the science, standards and bankable cash flows to enable widespread implementation.

<table>
<thead>
<tr>
<th>Project 1 (Montana Grazing)*:</th>
<th>400k acres</th>
<th>600k tonnes of carbon over 10 years.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project 2 (Palouse Cropping)*:</td>
<td>150k acres</td>
<td>700k tonnes of carbon over 10 years.</td>
</tr>
<tr>
<td>Project 3 (Midwest Beef):</td>
<td>50k acres</td>
<td>300 tonnes of carbon over 10 years.</td>
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<td>Project 4 (Upper Midwest Grain):</td>
<td>200k acres</td>
<td>500k tonnes of carbon over 10 years.</td>
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<tr>
<td>Project 5 (Plains Grazing):</td>
<td>200k acres</td>
<td>500k tonnes of carbon over 10 years.</td>
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</tbody>
</table>
Soil Carbon Investing: Opportunity & Challenge

Strong interest from Farmers/Ranchers (they are co-investors in projects);
   Standards/methodologies are strengthening projects;
Soil project demand increasing from corporate impact buyers; and
   Investors interest is emerging.

Need to aggregate multiple producers;
   Diverse stakeholders need to come together;
   Long lead time to scale projects;
   Need for upfront capital;
Corporate investors looking for mature projects; and
   Long-term capital is needed.
Thank You
Introduction

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 (TBC)

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
Content

Traceability Models:
• Introduction of principles
• Impact versus costs of these models

Zoom on Book & Claim Credit Trade:
• Webinar Outcome

Example – Caldenes (Cattle/Soy producers):
• A potential case for Leather open for DISCUSSION
Traceability Models

Identity Preserved
• Segregated fully controlled supply chains from origin to end user

Mass Balance
• Administrative control in the supply chain to partially claim physical presence

Book & Claim
• Bypass complex supply chains and claim contribution to transformation

IMPORTANT: Impact versus costs!
• Efficiency of the above models
Identity preserved

Fully segregated supply chain
Mass Balance

Administrative controls at each supply chain actor
Book & Claim

Administrative controls at each supply chain actor
Impact versus costs

Mass Balance & Segregation add unnecessary costs related to impact on the ground. The only difference is PERCEPTION – physical presence in your end products.
Please listen to the recording for more details!!

Responsible Leather Round Table Trade & Traceability Task Group Webinar

Monday, September 24th, 2018
Recommendations Webinar: Key Success Factors for a B&C Credit Trade model

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 in needed

Organised intermediation services
• Facilitate the connection between producers & buyers at the end of the supply chain
Credit Trade for RLA Draft Principles

Traceability difficult and expensive: leather is little to no value to the value chain members.
Credit Trade for RLA Draft Principles

Certificates are registered onto the trading platform by farms and slaughterhouses. Brands and retailers can purchase the certificates and make claims.
Open questions after Webinar: Credit Trade for RLA Draft Principles

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, ...
A medium Cattle Farm
• Argentinian Cattle and Soy producer

Responsible Leather Assessment Tool (RLA)
• Tick-box “Carne de Pastizal” (Natural Beef) = compliance to RLA

A brand claim
• Brand X supports Responsible Leather production close to their tanneries in Argentina
What do we offer?
Grains, products of our Certified Agriculture

Caldenes SA is a company certified by 2 protocols:
- Certified Agriculture (C.A. for its acronym in Spanish) of AAPPRESID
  (Argentine Association of Direct Selling Producers) that includes
  Extensive Livestock Farming, since 2010.
- International standard of Responsible Soy Production R.T.R.S.,
  since 2011.

Seed grower registered in INASE (Argentine Seed Institute).
Site plant with 16,000 tons of capacity.
Precision agriculture is performed using satellite images.
Medium Farm in LA
30,000 Animals

Natural Feeding
8,000 Beefs
2,000 Buffalo’s

Feed Lots
20,000 animals

Sold/year Slaughterhouse
4,000 Cattles
500 Buffalo’s

Food
Tannery

Sold/year Slaughterhouse
......

Food
Tannery

Caldemex SA is a company with 100 employees, 62,000 hectares in production and a herd of 20,000 animals Hereford, Brangford and Buffalos. Committed to the social, economic and environmental development of its social and living environment.

Awarded in 2019 by the Argentine Feedlot Bureau (CAF for its acronym in Spanish) for its commitment to Corporate Social Responsibility and maintained as “Best Farmer” for the Agricultural Excellence Prize.

First company in the country to receive the double certification A.C. (Certified Agriculture) and R.T.F.E. (Responsible Soy Production).
Credit Trade for RLA Draft Principles

Who can issue the credits – what is the starting point?
• Farmers, Slaughter houses, ....?

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How to organise the intermediation services?
• Facilitate the connections; administrative processes, ...
Audit Year 2018

C1
C2
C3
C4
C...

4,500 RLRT Credits

Braford
Bulls and Pregnant Heifers
Half-bred and 3/8

Feedlot
Animals for:
- Domestic consumption
- Exports to E.U.
- Exports to Other Countries
- Export - 481 Quota
- Own production fattening (one sole brand), Hereford and Braford

Caldenes SA is a company with 120 employees, 62,000 hectares in production and a herd of 20,000 animals Hereford, Braford and Buffalos, committed to the social, economic and environmental development of its social and living environment.

Awarded in 2018 by the Argentine Feedlot Bureau (CAFF for its acronym in Spanish) for its commitment to Corporate Social Responsibility and named as "Best Farmer" for the Agricultural Excellence Prize.

First company in the country to receive the double certification AC (Certified Agriculture) and RUR.E (Responsible Soy Production).

Efficient application of phytosanitary products

Continuous training

Safe storage
Credit Trade for RLA Draft Principles

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, ...
15,000 Tons RTRS Soy/year
300$/Ton
1 Credit = 1 Ton Soy
1 Credit = 1 Head
4,500 Heads/year
1000$/Head
9$/Credit
3$/Credit
Credit Trade for RLA Draft Principles

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 & claiming; administrative processes, ...
Certificates are registered onto the trading platform by farms and slaughterhouses. Brands and retailers can purchase the certificates and make claims.

Calculator
Leather Footprint = 3000 Heads/year
Let’s Discuss …

Thank you!

Email us at ResponsibleLeather@TextileExchange.org

Or visit ResponsibleLeather.org for more information
General Credit Trade Principles: Example - RTRS

COMPLEX SUPPLY CHAIN
General Credit Trade Principles: Example - RTRS
General Credit Trade Principles: Example - RTRS

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
General Credit Trade Principles: Example - RTRS
General Credit Trade Principles: Example - RTRS
General Credit Trade Principles: Example - RTRS

Added value of “Direct Trade” for buyers
- Adds “faces” to the Story Telling
- Stronger Alignment of story telling with Corporate Sustainability Targets

Added value for market transformations
- Facilitates joined efforts in a pre-competitive setting
- Allows to focus actions on critical area’s
- Accelerates critical mass needed for affordable physical uptake (IP/MB)

Example
- Deforestation in the Cerrado & the Soy4brands strategy
General Credit Trade Principles: Example - RTRS

HOW EXAMPLE: CHANGE THE MARKET APPROACH

Different Regions Of Interest
General Credit Trade Principles: Example - RTRS

POTENTIAL: Maranhão/ Piaui region

- RTRS Certified farms in 2016 (0.38 Mio Ton)
- RTRS Certified farms in 2017 (0.6 – 1.0 Mio Ton)
- RTRS Certified farms in 2020 (2.0 Mio Ton)
General Credit Trade Principles: Example - RTRS

Gradually Joining (a potential example)
General Credit Trade Principles: Example - RTRS

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

Emerging innovations:
• Term contracting on Credit Trade  
• Partnership agreements to finance the certification process  
• Credit differentiation (eg. Regional Credits)
ACT Commodities – Agriculture

Jorn Schouten

ACT Commodities is a RTRS member since 2014, a board member since 2017 and recently signed an MOU with Bonsucro, the sustainable sugar initiative. We are also a RSPO member.

Within ACT, Jorn Schouten is responsible for the activities related to the RTRS, RSPO and Bonsucro schemes.

Jorn Schouten sits on the board of RTRS in order to focus on how the organization can stimulate credit sales to increase sustainability impact on the ground.

+31 6 155 222 56
jschouten@actcommodities.com
At ACT Commodities, we have a range of products that can be delivered or combined to develop your custom proposal.

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<thead>
<tr>
<th>Green Electricity</th>
<th>Biogas</th>
<th>Carbon Certificates</th>
<th>Renewable Fuels</th>
<th>Agriculture</th>
<th>Compliance products</th>
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<tbody>
<tr>
<td>Guarantee of Origin (GoO)</td>
<td>Biogas Certificates</td>
<td>Certified Emission Reductions (CERs)</td>
<td>Used cooking oil (UCO)</td>
<td>Roundtable for Responsible Soy (RTRS)</td>
<td>Green certificates</td>
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<tr>
<td>Renewable Energy Certificates (RECs)</td>
<td>Gas Purchase Agreements (GPAs)</td>
<td>Verified Emission Reductions (VERs)</td>
<td>Biodiesel</td>
<td>Bonsucro</td>
<td>White certificates</td>
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<tr>
<td>Power Purchase Agreements (PPAs)</td>
<td>RECs</td>
<td>Reducing emissions from deforestation and forest degradation (REDD+)</td>
<td>Biodiesel feedstocks</td>
<td>Round Table of Sustainable Palm Oil (RSPO)</td>
<td>Carbon Credits</td>
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<td>Corporate PPA</td>
<td>International RECs</td>
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<td>Biodiesel byproducts</td>
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<td>EU – ETS</td>
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<td>Tradable Global Renewables (TGRs)</td>
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<td>Residual products</td>
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<td>Bio tickets</td>
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<td>GoOs</td>
<td>Local Renewable Energy schemes</td>
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<td>Compressed Natural Gas</td>
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<td>Biomethane Certificates</td>
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</table>
Regional example in energy

Electricity producers

Guarantees of Origin

Electricity Consumers

Association of Issuing Bodies

Electricity market
(Transmission System)

© Bonsucro
Green Claims
Examples of claims
Green Claims

Examples of claims

Soy in animal and fish feeds

Unil has an indirect soy footprint

There are several challenges connected with soy production, but the risk of deforestation is particularly serious because of the increasing demand for animal and fish feeds containing soy.

As a supplier of animal products, Unil has an indirect soy footprint. Soy flour is the biggest protein source in animal and fish feeds both in Norway and globally. Norwegian consumers consume soy both through products where soy is a key ingredient, e.g., vegetable and milk-free products, and indirectly through the consumption of both meat and fish. Unfortunately, the increasing soy production globally has taken place at the expense of the rainforest and other important ecosystems.

There have been significant efforts to stop the deforestation of the Brazilian rainforest. The soy manifesto is a voluntary agreement which commits many commercial players not to sell or buy soy grown on newly deforested agricultural areas. The tropical savannah forest of the Cerrado in Brazil is not part of this agreement and is today exposed to deforestation to the benefit of agricultural producers, especially soy production. This poses a particular problem as the Cerrado is a unique ecosystem with an enormous biological diversity.

The Cerrado Manifesto

Stopping deforestation associated with soy production requires a global cooperation between different players. In the nature of 2017, Norwegian Grouppen and 15 other global companies signed the so-called Cerrado Manifesto. This commits Grouppen to working with local and international organizations to stop deforestation and vegetation loss associated with the production of agricultural goods in the Cerrado region.

Our soy footprint

Most of our products of animal protein have their origin in Norway. The Norwegian food concentrates business mainly imports sustainable soy certified according to the ProTerra standard. Today we know little about the use of soy in feeds among our foreign suppliers. The more offline data potential soy footprint is primarily limited to our products of imported animal raw materials.

Life cycle assessment of soy feed production in Brazil is in progress. However, our soy footprint can partly be balanced by buying so-called soy certificates, which support the production of soy.

In 2017, Unil bought a total of 1752 such soy certificates. The number of certificates bought is based on the number of acres of imported animal proteins. Further, RTRS is a supporter of the Cerrado Manifesto, and Unil bought soy certificates helping farmers to the exposed Cerrado region.

Lidl zet in op duurzame soja

HUIZEN – Lidl Nederland neemt deel aan het internationale ‘Lidl soja-initiatief’.

In dit kader verpleegt Lidl Nederland zich samen met Lidl-organisaties in België, Denemarken, Zweden en Finland om via Direct Trade certificaten te kopen van de Round Table on Responsible Soy (RTRS).

Certificaten voor 71.000 ton soja

Het gaat hierbij om certificaten voor 71.000 ton soja. Deze hoeveelheid soja is nodig in de productieketen van producten die op internationaal niveau voor de genoemde landen wordt ingekocht.

Duurzamere sojateelt in Brazilië

Met het soja-initiatief van Lidl komt een substantieel bedrag beschikbaar om RTRS-certificaten te kopen via Direct Trade. Concretely worden daarmee de bedrijven Serra Vermelha en Progresso in Brazilië ondersteund om over te stappen op duurzamere sojateelt.
soja som vi använder i våra egna varor och den egna importen med målet att så småningom översätta till fullt certifierad råvara.

Certifikaten köper vi från en farm i Brasilien; Angicos gård i Maranhão. Den är certifierad enligt RTRS och uppfyller våra kriterier för ansvarsfull odling. De arbetar för social välfärd, mänskliga rättigheter och arbetar aktivt för att förhindra avskogning och skydda den biologiska mångfalden. Inköpen av certifikat sker i samarbete med Soy4Brands, en organisation som arbetar för att få en hållbar regional utveckling i Brasilien.

Angicos gård är del i en gruppcertifiering och arbetet för att nå certifiering beskrivs så här av rådgivaren CerQuality: "Angicos farm is located in the south of the state of Maranhão (Brazil) and its total area is 2,060 ha. We worked two years in the process of certification of this farm and on the moment they are two woman permanently working'. It was hard work; the farm had many inadequacies and they needed to adjust many structures and processes in order to be RTRS certified'. It was amazing for them to receive the RTRS certification and it was a great example of how sustainable soy production brings benefits to the entire production chain".
Arla: investing in responsible soy

In 2017 global dairy cooperative Arla Foods demonstrated its commitment to responsible soy by taking the positive step of participating in the Soy4Brands strategy. Soy4Brands is a regional approach to create more demand for responsible soy by connecting producers with brand owners through credit (term) contracts. These credits are facilitated by the RTRS Credits service provider ACT Commodities, who is proud sponsor of the RTRS annual event, member since 2014 and board member since 2017.

By working with brands and soy producers, ACT Commodities can deliver direct impact in regions such as the northern states of the Cerrado, Maranhão and Piauí – some of the poorest states in Brazil. Those states have annually a production of 4 million tons and, due to the efforts of ACT Commodities, more and more companies create higher demand for the RTRS certification, which lead to more producers certifying themselves.

Through its participation in this regional strategy Arla shows a strong – and very public – commitment to the use of responsible soy. It is now delivering more impact by joining the strategy and is now actively participating in a practical response to the challenges outlined in The Cerrado Manifesto, which was published by a number of NGOs in 2017.

The Cerrado Manifesto was announced in September 2017 in response to the ongoing destruction of the world's most biodiverse savannah The Cerrado in Brazil. Already depleted to 50% of its original size by agribusiness the manifesto acknowledges that the responsibility for this problem – and indeed its solution - lie with the supply chain - from the producers to consumers, including traders, meat-packing companies, retailers, investors, agricultural producers, and land developers.
Alongside ten major brands and three feed suppliers, Arla has invested in RTRS certified soy in the Maranhão/ Piauí region of Brazil.

Arla has bought credits from 38 producers, 7 of which are certified with FAPCEN. The credits bought will ensure that thousands of people in regional communities are supported via a number of social and environmental projects.

This has helped to support:

- 8 communities engaged
- 32 social and environmental projects supported
- 8754 people involved

Road maintenance
- Employment
- Cultural activities
- Environmental education
- Technical teaching
- Community and social outreach
- Improved communications channels

The increasing demand for responsible soy is resulting in increasing numbers of RTRS certified farms in the region.

RTRS Certified farms:
- 2016: 380,000 Ton/Credits
- 2017: 940,000 Ton/Credits
- 2018: 1,250,000 Ton/Credits (estimated)
- 2020: 2,050,000 Ton/Credits (estimated)
Credit Trading & Traceability Working Session Questions

(1) Group discussion

1. Where do we apply the credits? To farmers only or also meatpackers?
2. Do we require traceability from the meatpacker to the tannery?
3. Should we concentrate credits in specific regions?
4. What level of verification will we require? (certified, verified, or just part of a program?)
Language & Claims

Working Session
1. What product claims could be made?

2. What corporate-level claims can be made?

3. Should we support multi-level claims? (eg: bronze, silver, gold)? If so, how should we market them to the public?

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1. The RLA is a tool that recognizes and drives best practices in the leather industry, leading to positive social, environmental, and animal welfare impacts.

2. It provides companies with a means to link their sourcing to more responsible practices and make accurate claims about how they source.

3. The tool is designed to leverage and add value to the existing tools and programs that are driving better practices in the leather industry. We do this by establishing a common benchmark that will give clarity and transparency into other systems.

4. The goal is to reward and influence the leather industry to incentivize practices that respect animals, people, and the environment.
Thank you for joining us!

ResponsibleLeather.org

ResponsibleLeather@TextileExchange.org
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