



2022 LWG MEMBER CONFERENCE

Hybrid • September 22, 2022

SESSION 2:
Traceability in Focus



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Traceability in focus

Traceability is one of the most critical areas to address, to date. Consumers want to know where the leather in their product comes from and that it has been sourced responsibly.

This session will give a deep dive into the realities of driving transparency and developing a robust global due diligence framework for the leather industry. Both critical to facilitate better traceability, deforestation due diligence, and address other crucial issues across the leather supply chain.

- 11:10 ● **Monitoring deforestation due diligence in Brazil**
Lisa Rausch, University of Wisconsin-Madison
- 11:25 ● **A market-based approach to due diligence & traceability**
Hillary Fenrich, National Wildlife Federation
- 11:40 ● **The tannery perspective on traceability**
Ivens Domingos, Durli Leathers
- 11:50 ● **Turning targets into action and solutions through the LWG Traceability Roadmap**
Vanessa Brain, Leather Working Group
- 12:00 ● **Q&A Panel Discussion**
Panellists: *Vanessa Brain, Hillary Fenrich, Lisa Rausch, Austin Davidsen, Ivens Domingos, & chaired by Tim Wilson (3P Strategy)*
- 12:30 ● **NEXT SESSION: CHAIN OF CUSTODY**



Hillary Fenrich

Manager, Tropical Forests & Agriculture

National Wildlife Federation (NWF)

A market-based approach to due diligence and traceability

Hillary will explain NWF's market-based approach to strengthening sustainable sourcing practices in agricultural supply chains and the context of proposed international import legislation.

Speaker Profile

Hillary Fenrich leads team strategy in Paraguay and supports project and partnership management on market-based approaches to conservation throughout Latin America. She is the liaison to the Global Roundtable for Sustainable Beef (GRSB) Board of Directors, co-moderator of the Joint Working Group on Land Use Change (tasked with supporting the GRSB Nature Positive decade-long goal), and a member of the Mesa Paraguaya de Carne Sostenible (MPCS).

Prior to joining the National Wildlife Federation, her career focus of sustainable conservation projects led her to manage a research field station on the edge of Manu Biosphere Reserve in Peru and conduct research in the Brazilian Amazon, Panama, and Costa Rica, observing both the local and global need of tropical forests and native vegetation first-hand.



A market-based approach to due diligence and traceability

Hillary Fenrich
Manager: Tropical Forests & Agriculture

www.international.nwf.org

Agenda

Cattle supply chain dynamics

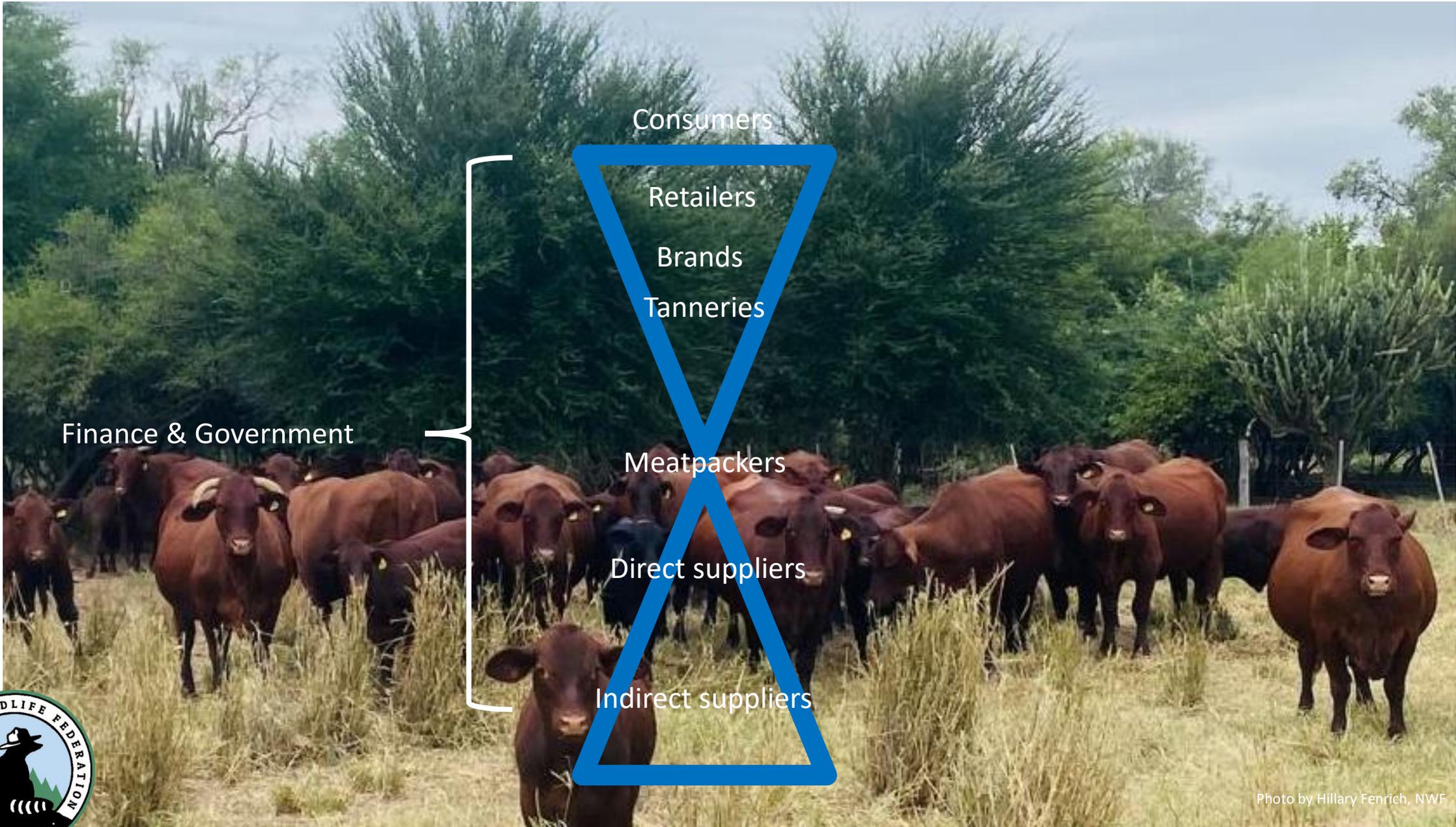
Current challenges

Pending related international legislation

How to: increase due diligence, decrease risk

Collaborative opportunities to make progress





Consumers

Retailers

Brands

Tanneries

Finance & Government

Meatpackers

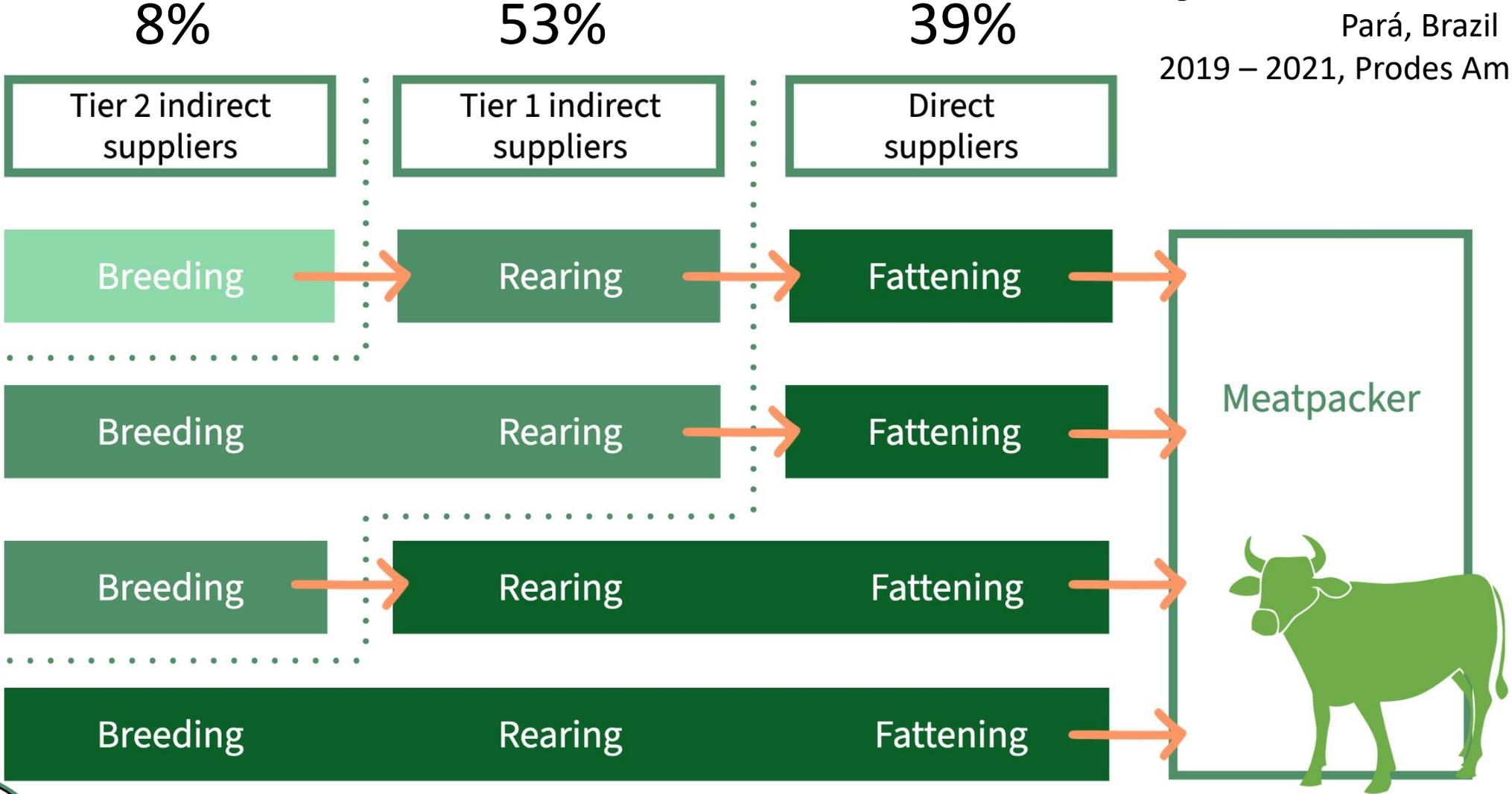
Direct suppliers

Indirect suppliers



Photo by Hillary Fenrich, NWF

Origin of cattle-related land use change:
Pará, Brazil
2019 – 2021, Prodes Amazonia. UW.



3%

40%

57%

Remaining forest: Pará, Brazil
2021, Prodes Amazonia. UW.



Does cattle have to be the largest driver of land use change?

NO

- Throughout South America, cattle ranching is largely extensive (non-feedlot). When cattle are allowed to graze the same pasture for more than 2 days, they destroy the root of grasses, leading to pasture degradation -> the need to clear more land
- In Brazil, we see estimates that productivity is only at **a third of its sustainable potential** with 40% of pasture being moderately or severely degraded (Moffette et al, 2021; Strassburg et al. 2014)
- Deforestation -> carbon emissions -> accelerated regional climate change -> reduced agricultural productivity -> economic losses
 - Heightened risk for all supply chain actors
 - 7 billion USD lost in 2020 due to decreased productivity in Brazilian corn & soy (Eduardo Assad, 2022)
- Better pasture management (through rotational grazing and quality grasses) allows more cattle per hectare and sustained pasture quality -> no need to clear land to expand (Embrapa Boas Praticas)

Challenges to reducing cattle-driven land use change

- In contrast to other forest risk commodities, most beef is consumed domestically (around 80% in South America) and major export markets for beef and leather have not demonstrated sufficient concern for deforestation.
 - The Leather Working Group is actively calling for deforestation- and conversion-free leather by 2030.
- There are varying levels of **regional data availability and transparency**, making monitoring and traceability of suppliers difficult (although necessary in all of the pending international regulations) – but there is nowhere this can't be improved.
- **Globally, there is weak forest governance (and regional variability in legislation) and weak enforcement** – which has historically not been well-funded – and we see **few real consequences for poor environmental performance**.
- **Upfront costs and technical support** for improved pasture management are needed to change current ranching practices.
- **Deforestation has social links** -> slave and child labor and expansion into Indigenous territories:
 - Roughly 800 Indigenous territories are still waiting for demarcation in the Brazilian Amazon; 265 Indigenous territories in the Paraguayan Chaco (Mongabay 2021; INDI 2022).



Proposed international legislation

- Draft regulations on commodities driving land use change (including cattle) have been developed in the **European Union, United States and the United Kingdom**.
- These regulations came about because it is widely acknowledged that despite over a decade of voluntary commitments, land use change has not been sufficiently addressed in any of the major commodity drivers.
- As of today, **the proposed regulations all include leather**, although in the UK, it is likely that leather will be included as part of the “second round” of commodities.
- All require documentation proving due diligence to avoid risk of (il)legal deforestation.
- There are likely to be additional international regulations (some countries have stated they are closely following developments in these regulations).





European Union Regulation: Zero Deforestation

- EU Commission proposed this November 17, 2021; Council and Parliament positions adopted in June and September 2022
- Intent is to regulate goods placed on the EU market from forest-risk commodities (both import and domestic)
- Asks for property polygons (including indirect suppliers) and evidence that goods are legal and deforestation-free (with negligible risk)



US FOREST Act: Illegal Deforestation

- Risk-based framework for limiting imports linked to illegal deforestation
- Provisions that include illegal deforestation in financial crime statutes
- Financial and technical assistance provided countries to improve forest governance
- Purchasing preference for the federal government for deforestation-free products

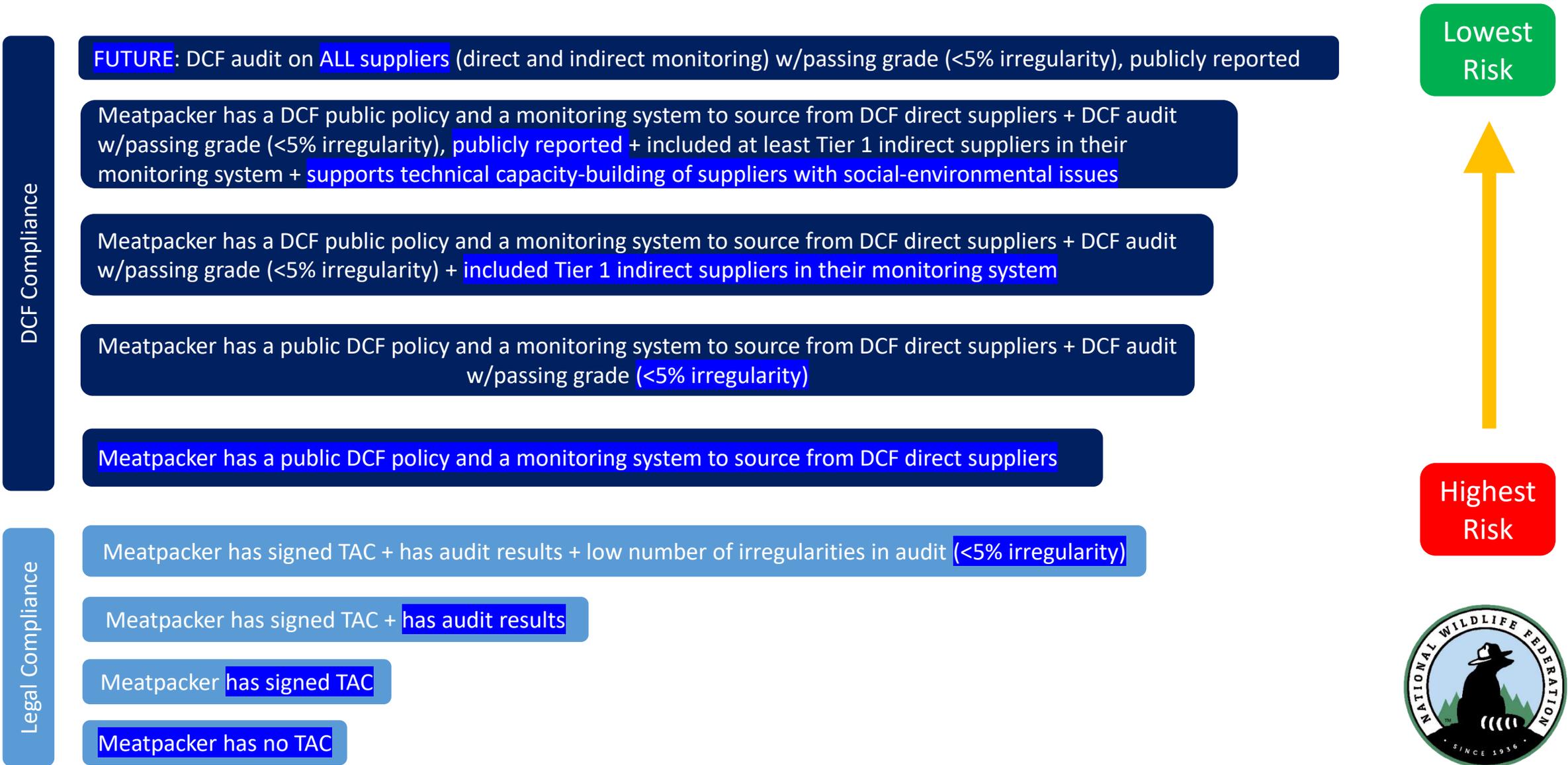


UK Environment Act 2021: Illegal Deforestation

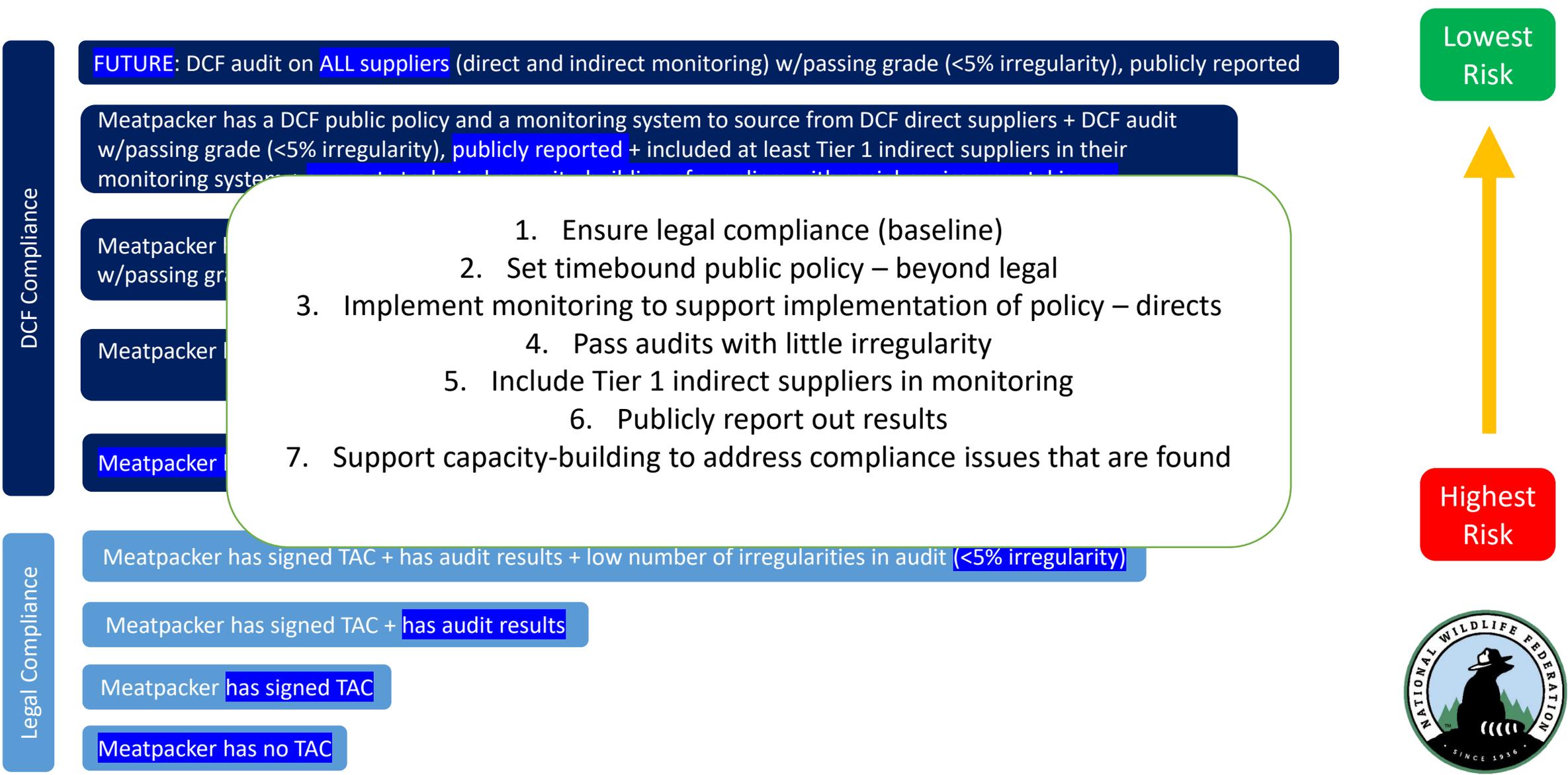
- Passed on November 9, 2021
- Notes need for secondary regulation that limits the import of commodities linked with illegal deforestation
- Specific commodities yet to be finalized



Key Performance Milestones and Risk Levels: Case Study on Responsible Sourcing Practices by Meatpackers in the Brazilian Amazon



Key Performance Milestones and Risk Levels: Case Study on Responsible Sourcing Practices by Meatpackers in the Brazilian Amazon



Collaborative opportunities for reducing cattle-driven land use change

1. Publish a time-bound procurement policy
2. Join the call for data transparency
3. Actively support implementation
4. Address social and equity & justice implications
5. Report out progress





To learn more:

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Manager, Tropical Forests & Agriculture

Thank you!



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Thank you!