Cerrado Manifesto SoS

Steering Group Strategy Session

May 2020

Deep dive on 2019-20 priorities
to update 2020-21 direction

ETANTE

Strategy session May 2020

The Steering Group met on 26th May to:

- Consider the impact of post Covid-19 business environment on halting deforestation in the Cerrado
- Review the effectiveness of Implementation Roadmap activity since July 2019
- Propose a ‘straw man’ Implementation Roadmap for Qs3-4 2020

This deck provides an update on this strategy session, comments made and next steps

Expectations from the session

What does a good job look like after 3 hours?

Success depends on everyone taking active part and shaping the conversations!

<u>Some thoughts to consider</u>

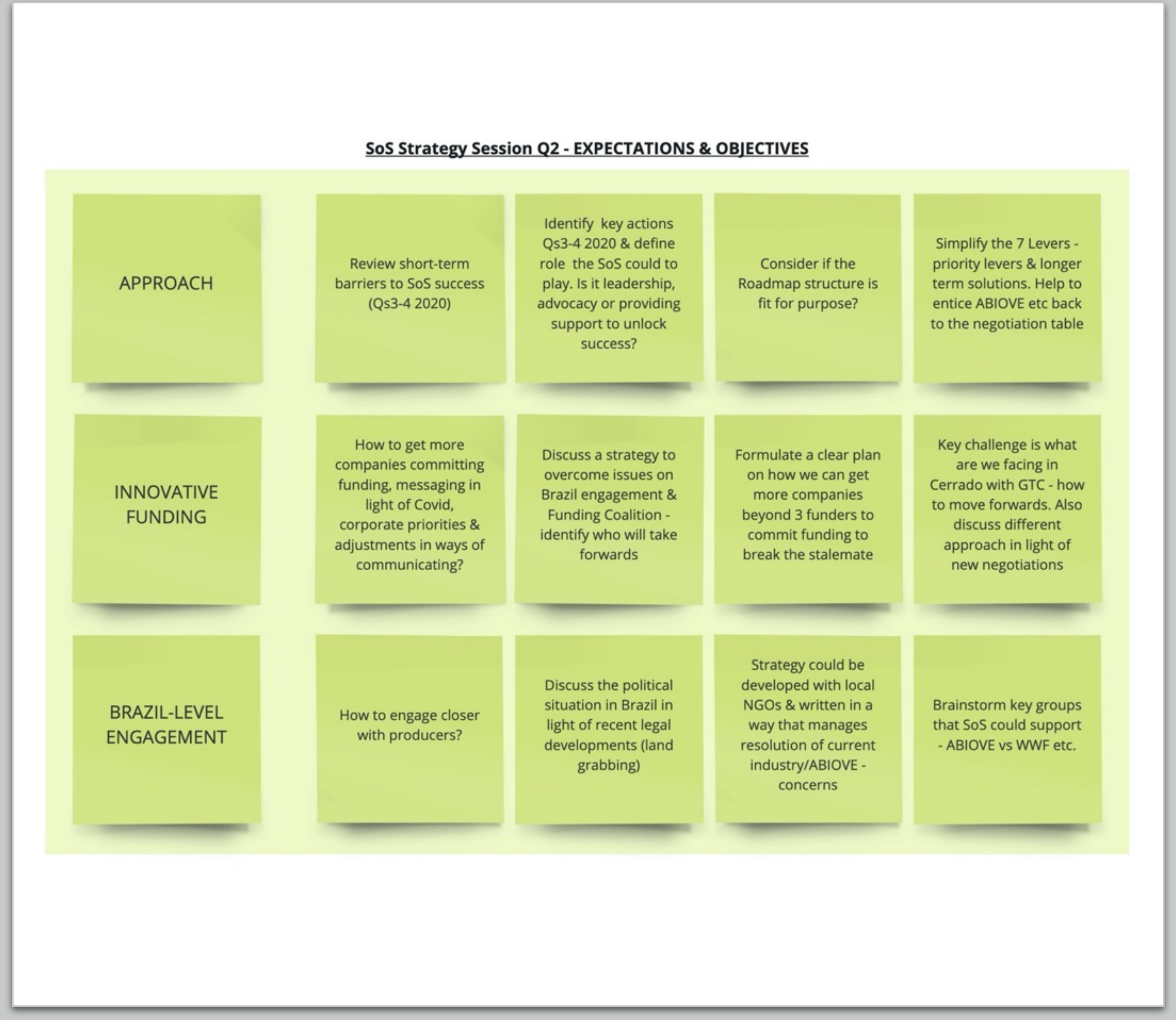
- Do we know how the post-Covid business environment is likely to affect SoS success?
- Have we fully reviewed the current Implementation Roadmap?
- Is our existing Theory of Change fit for purpose in mid-2020?
- Do we have an action plan to turn discussions today into an updated Roadmap?

Let's now go around each SG member and hear your thoughts

- What do you want to achieve from this session?
- What does success look like to you?

Summary

- Useful to review all elements of the current Roadmap including its structure & focus area
- Particular emphasis should be given to the activity around innovative funding
- Enhancing Brazil-level intel is a key expectation of the new Roadmap
- The Theory of Change should be reviewed



Internal retrospection

How does Covid change thinking?

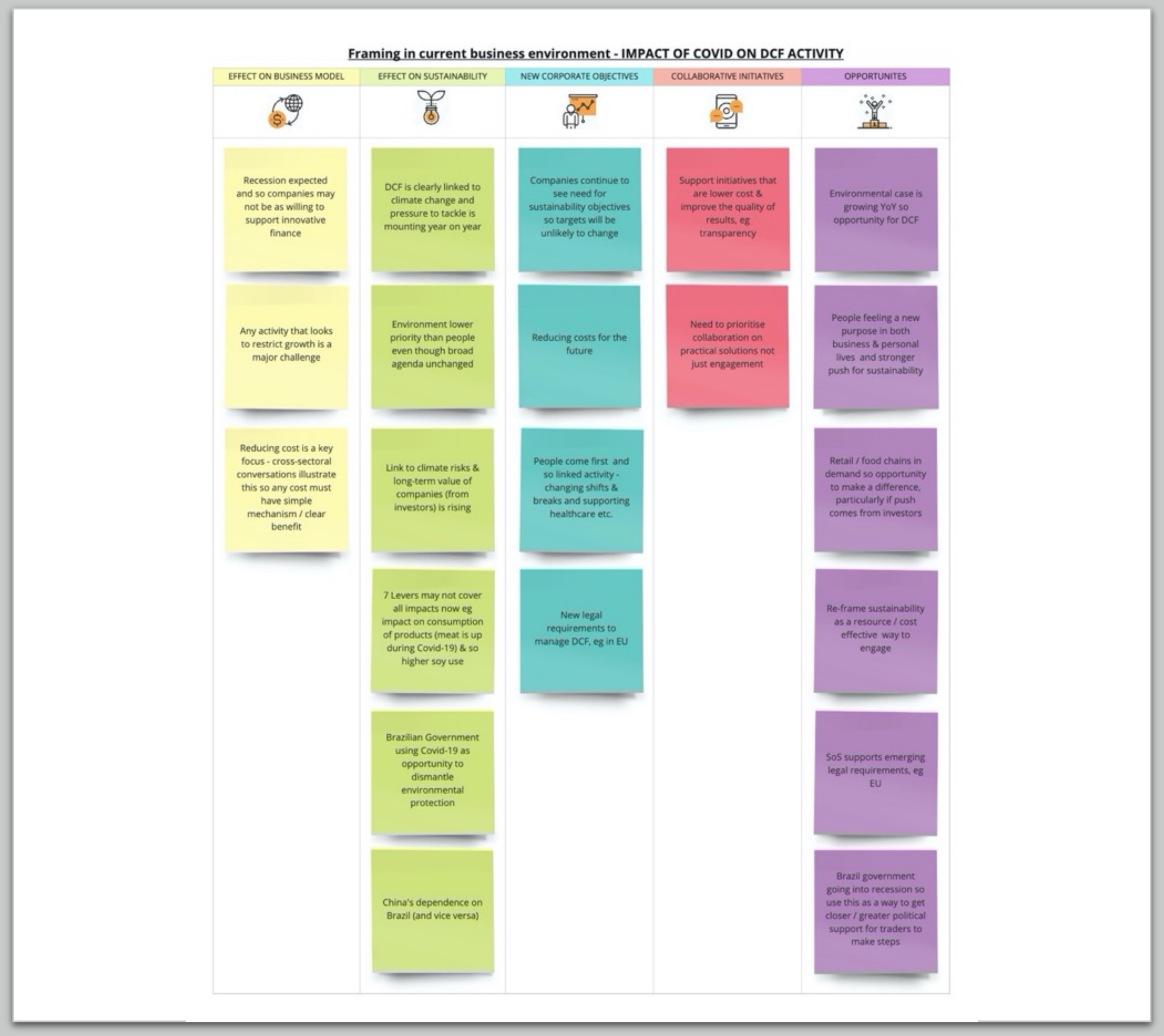
What are you seeing in your businesses that could affect achieving SoS goals?

For example

- Changes to your operating / business model?
- Will sustainability get more or less priority?
- Any emerging over-arching corporate objectives up to end 2020?
- Effect on collaborative initiatives like SoS?
- How can we leverage post-Covid opportunities?

Post Covid-19

- Environmental sustainability will remain a priority – activity tackling climate change is likely to be accelerated
- Budgets will be tighter and so activity must be cost-effective
- Political narratives need to be more closely factored in
- Opportunity to ‘tap into’ consumers’ desire for healthier products & purpose-driven brands
- Legislation to level the playing field will be a key driver (and should be supported)



Deep dive review

The current three focus area structure has been in place since Q3 2019

Can we discuss by focus area

- Activity over the past few quarters
- What worked / needs to change?
- How do we update to fit the current Brazil agenda?
- Opportunities

Is this structure still relevant and, if so, what is the key activity going forwards?

Current Implementation Roadmap

Support Cerrado biome-wide transformative initiatives, currently prioritising the GTC

- Notwithstanding recent action by ABIOVE, the GTC remains the Brazilian stakeholder group with the most potential to eliminate deforestation and conversion from soy supply chains in the Cerrado and so remains the priority for engagement – at least until the end of Q2 2020
- Activity includes public support for their activity and continuing to request that their final agreement is biome-wide and supports the rapid transition to deforestation and conversion free soy supply chains

Work in partnership to develop financial incentives – Cerrado Funding Coalition

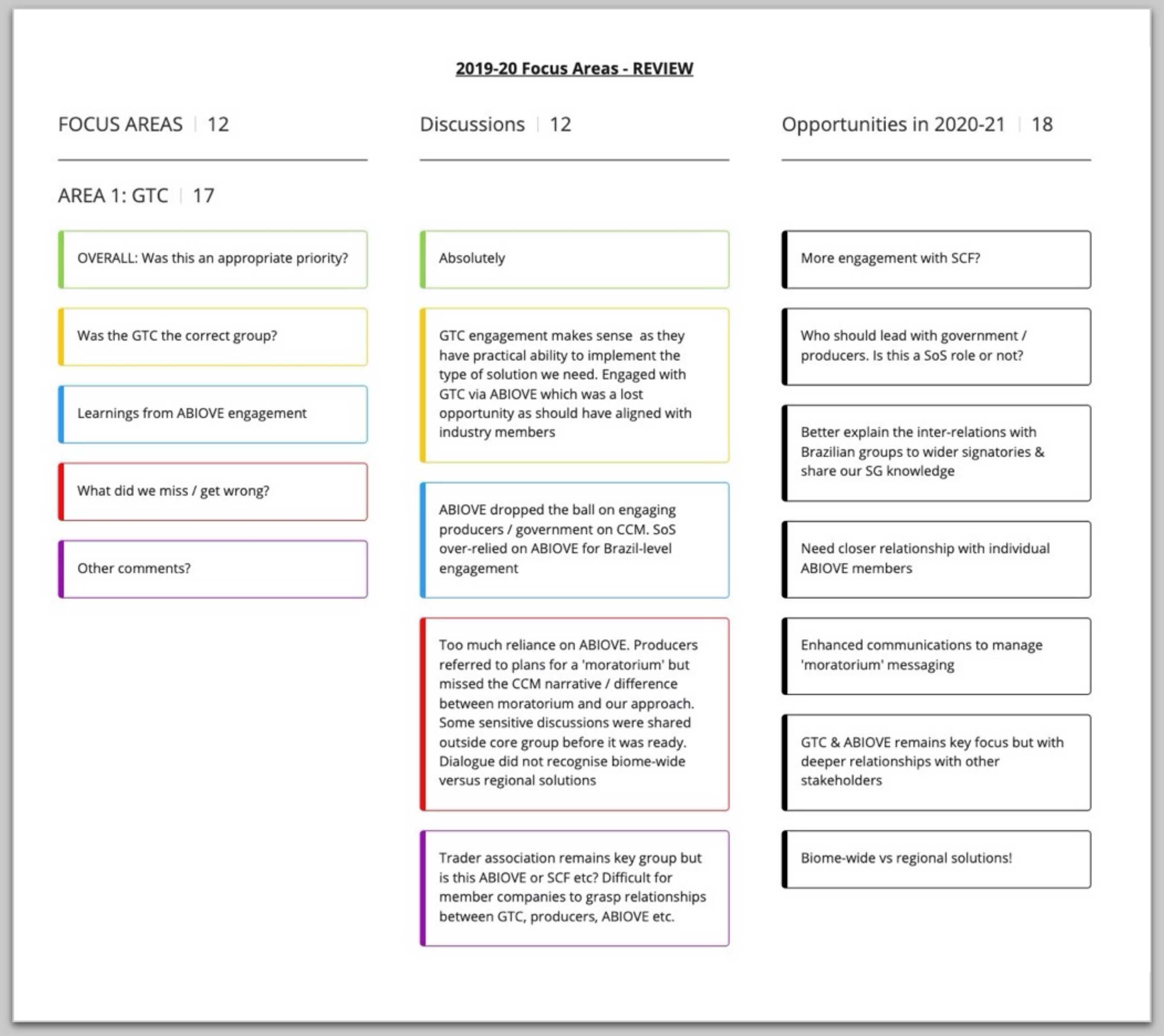
- SoS signatories are encouraged to review how the Cerrado Funding Coalition could enable them to help drive a biome-wide solution to deforestation and conversion associated with soy production
- Activity now focusses on engaging SoS signatories to join the funding coalition to raise the monies needed to implement the mechanism and enable the landmark GTC agreement

Engage with & develop partnership with non-Brazilian key stakeholders – China & Financial Institutions

- To support success, wider stakeholders such as Chinese companies need more engagement and input
- Financial institutions, particularly banks, could also accelerate success and so a priority for engagement
- Proactive ad hoc engagement is on hold strategically due to Covid-19 but individual signatories are encouraged to educate colleagues in their China businesses / value chain on the need to support SoS objectives

Focus area 1

- Remains a priority focus area
- Continued support of the GTC confirmed
- Activity needs to take place to reduce reliance on ABIOVE as the conduit to the GTC – potential to upweight SCF engagement
- Emphasis should also be on building individual relationships with the ABCD / COFCO traders
- More work is needed on whether to water down sole support for biome-level solutions approach to include regional solutions

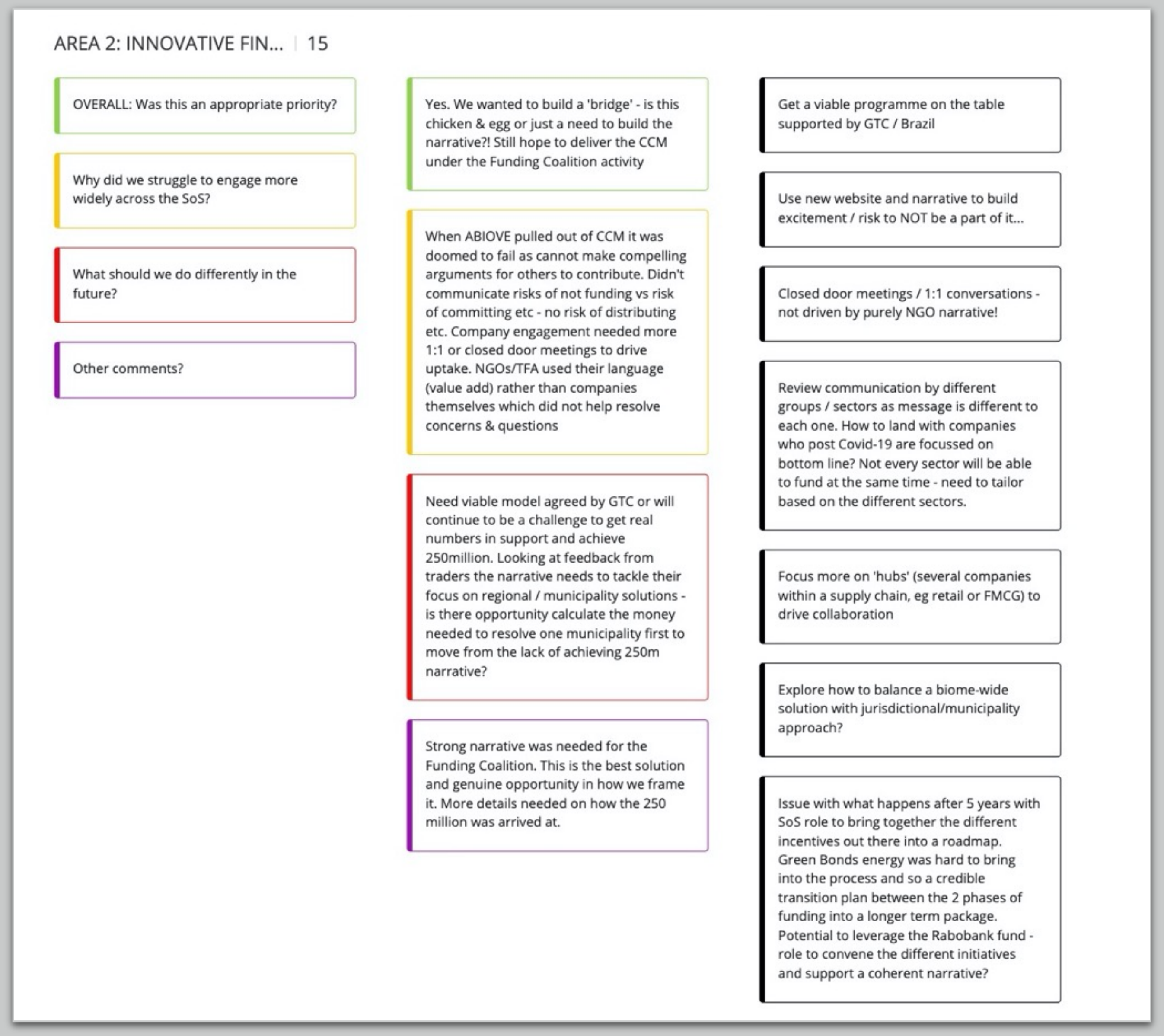


2019-20 Focus Areas - REVIEW

FOCUS AREAS | 12	Discussions | 12	Opportunities in 2020-21 | 18
AREA 1: GTC | 17		
OVERALL: Was this an appropriate priority?	Absolutely	More engagement with SCF?
Was the GTC the correct group?	GTC engagement makes sense as they have practical ability to implement the type of solution we need. Engaged with GTC via ABIOVE which was a lost opportunity as should have aligned with industry members	Who should lead with government / producers. Is this a SoS role or not?
Learnings from ABIOVE engagement	ABIOVE dropped the ball on engaging producers / government on CCM. SoS over-relied on ABIOVE for Brazil-level engagement	Better explain the inter-relations with Brazilian groups to wider signatories & share our SG knowledge
What did we miss / get wrong?	Too much reliance on ABIOVE. Producers referred to plans for a 'moratorium' but missed the CCM narrative / difference between moratorium and our approach. Some sensitive discussions were shared outside core group before it was ready. Dialogue did not recognise biome-wide versus regional solutions	Need closer relationship with individual ABIOVE members
Other comments?	Trader association remains key group but is this ABIOVE or SCF etc? Difficult for member companies to grasp relationships between GTC, producers, ABIOVE etc.	Enhanced communications to manage 'moratorium' messaging
		GTC & ABIOVE remains key focus but with deeper relationships with other stakeholders
		Biome-wide vs regional solutions!

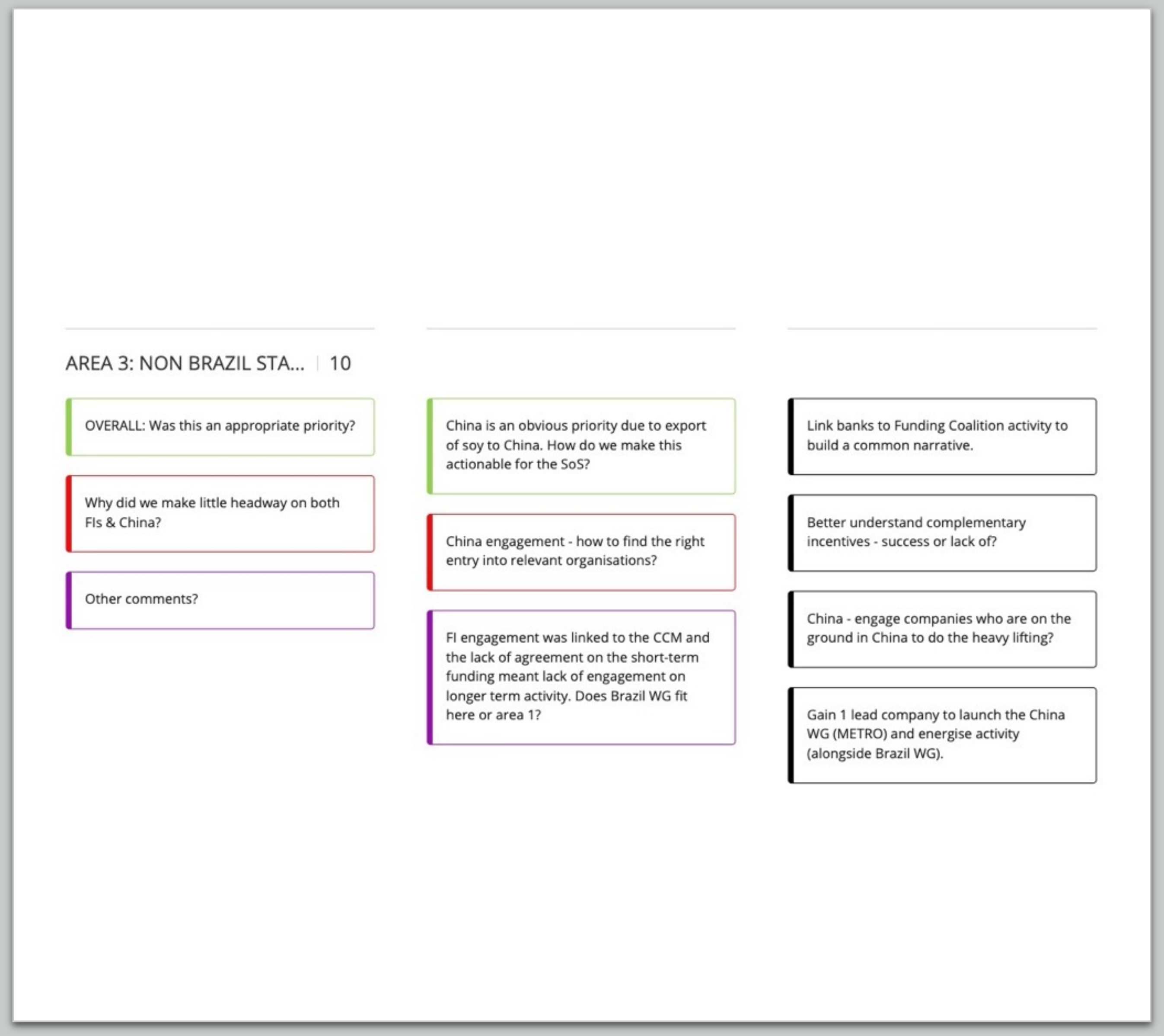
Focus area 2

- Innovative finance remains an exciting opportunity for DCF
- Messaging on the Funding Coalition needs to be enhanced & include greater granularity on the mechanisms itself
- Potential to set up small groups / hubs / 1:1 engagements instead of reliance on all SoS events
- Consideration should be given to breaking down the $250m sum, including potentially looking at smaller regional solutions
- De-link from the Brazil NGO narrative & build business context
- Adapt narrative to solutions by sector rather than all value chain
- More focus needed on 5 years+ after supply chain funding ends



Focus area 3

- Agreed to delete as a focus area and incorporate activity under areas 1 & 2
- China engagement activity needs to be re-energised due to their impact on Brazil politics
- Consider a China WG led by signatories' Chinese business units (METRO already offered)
- Engage banks & other FIs on longer-term funding narrative



Getting to the updated strategy

Theory of Change fit for purpose?

<u>Currently the CGF theory of change has been adopted as the SoS ToC</u>

- Systemic approach to drive DCF sourcing
- Provide leadership & crucially action through the supply chain
- Pull 7 'levers' to drive success

Is this still the right way to vocalise our ToR?

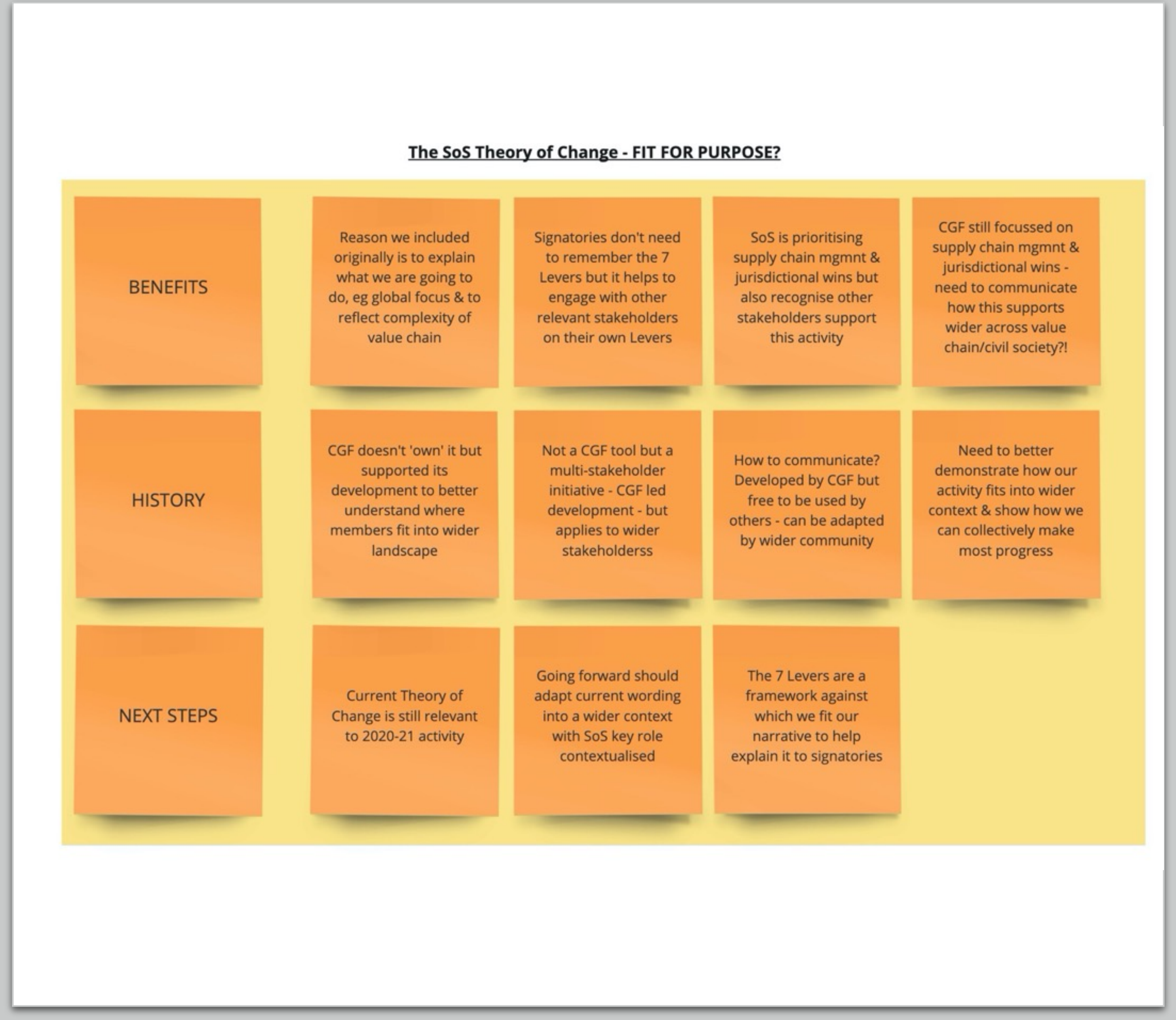
Has it worked over the past year – how many SoS signatories could recall it?

The 7 Levers

1. **Supply Chain Management** – from producers through traders and buyers, implement policies and practices that incent conversion free production and dis-incent production linked to conversion
2. **Reduce Dependence** – identify ways to shift demand away from materials driving forest risk to those with low forest risk – avoiding other sustainability impacts
3. **Demand Shift** – create a desire to protect forests in consumers and then wherever it exists, convert that latent desire into product choices.
4. **Jurisdictional Wins** – intense focus on the supply side levers in a specific geography to create success stories to protect key places and catalyze further action
5. **Capital Markets** – for financial institutions attached to supply chains, shift capital towards conversion free production and away from those engaged in conversion
6. **Pro-forest Policies** – for producer countries, narratives about standing forests as a resource, not an obstacle to economic development that catalyzes political will, electability, policy making, governance and illegality. For developed countries, trade policies supportive of protection and restoration.
7. **Carbon Markets** – expand the scope of global carbon markets (both compliance and voluntary) and recognize forest carbon in those markets –e.g. REDD+

Theory of change

- Current ToR relevant as a way to engage wider than the SoS
- New Implementation Roadmap should context the wider ToR into a SoS-specific narrative



Defining our new strategy

Final key discussion for this session is to build a straw man Implementation Roadmap

Focussing on Q3-4 2020 knowing we will need to review again before end 2020

<u>Can we agree on</u>

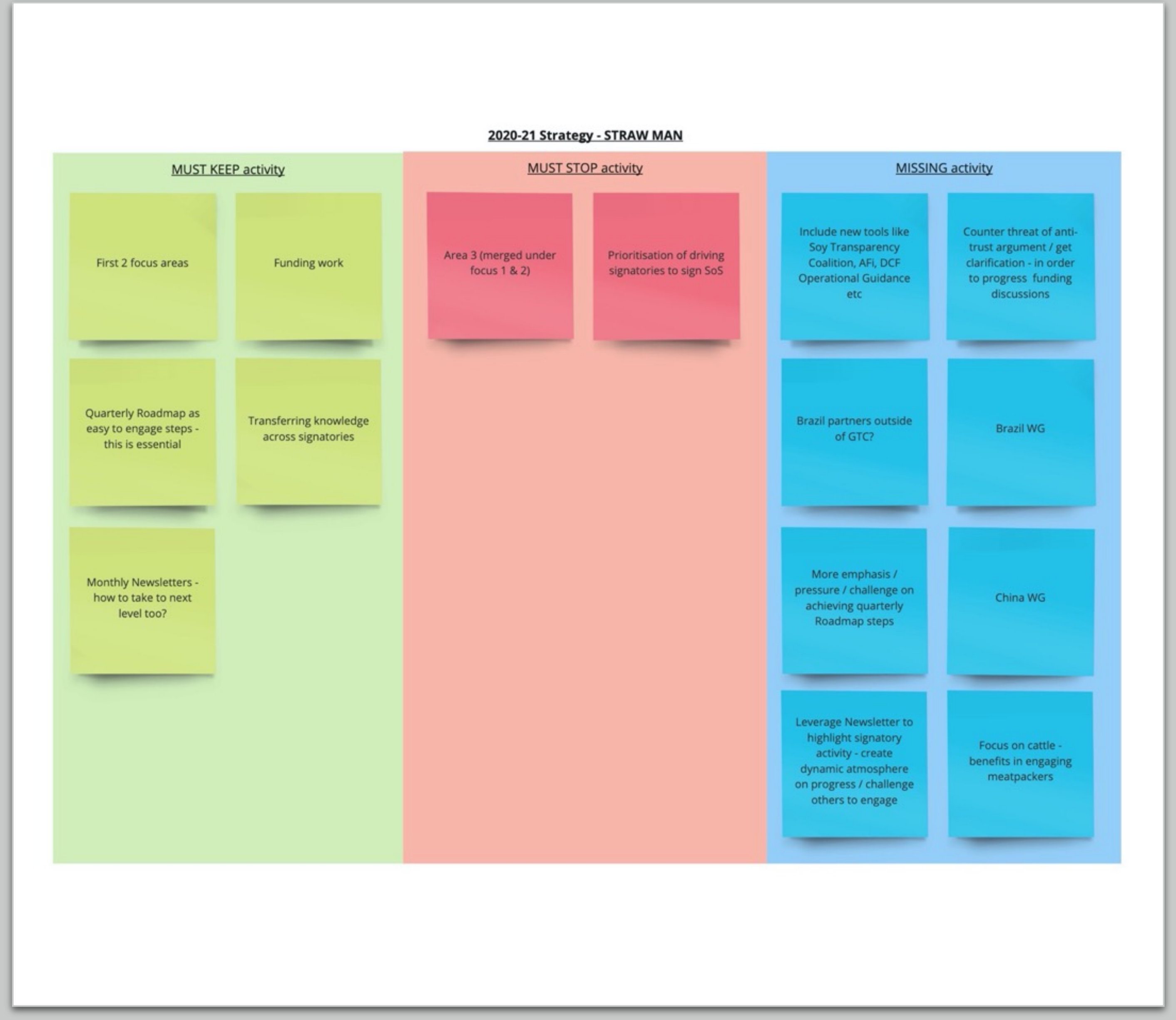
- Must keep activity
- Must stop activity
- Identify missing areas

Is a full re-write needed or just a change of priorities?

Back to Miro for the final time…!

2020 strategy

- Current format is still fit for purpose & should be continued
- Remove focus area 3 and include its activity in other areas
- Time to start to build in cattle focus – link to land use change
- Upweight activity on knowledge transfer & monthly updates
- Consider ways to showcase signatories' activity to motivate others
- Include reference to tools that support the focus areas
- Confirmed to look to form Brazil WG & China WG



Proposed timelines

Week commencing 1 June

- Review strategy day outputs at SG meeting

Week commencing 8 & 15 June

- ETANTE to draft updated Q3 Roadmap

1 July

- Target SG meeting to sign-off final draft strategy

Summary of the strategy session

No major changes in strategy required at this stage

Broad support for updating existing Implementation Roadmap except for Focus Area 3

Work needed to develop stronger narratives around theory of change & innovative funding

Roadmap should include knowledge transfer & showcase signatory activity – as well as new tools

Time to introduce the relevance of cattle in halting Cerrado's deforestation & conversion – light touch to start with & more activity in 2021

Need to upweight activity in China & to look beyond ABIOVE and NGOs in Brazil for intel, guidance & local engagement