

The Clock IS TICKING

2023

All-Partner Meeting

Collective Action Network
Topic 1-Pagers



SUSTAINABLE
COFFEE
CHALLENGE

CONSERVATION
INTERNATIONAL



10 THINGS TO KNOW ABOUT THE NEW EU DEFORESTATION REGULATION (EUDR)



The European Union (EU) recently reached an agreement on a new first of its kind piece of legislation – the EU Deforestation Regulation (EUDR) – to prevent companies from selling commodities that are linked with deforestation and forest degradation around the world on the EU market. Since 10% of global agricultural commodities are consumed within the EU market, limiting deforestation driven by European consumption can be a strong lever of change in the fight against climate change and biodiversity loss.

The following 10 points will help you get up to speed with the EUDR:

1. **Scope – Which products are in scope? Why is coffee included?**

There are seven commodities in scope of the EUDR, including coffee, palm oil, beef, timber, cocoa, rubber and soy, as well as some of their derived products. So why is coffee included? The EU market is the largest global importer of coffee (44% of world trade), representing an import value of EUR 8 billion in 2021. While deforestation driven by coffee production is smaller than several other commodities, it is projected to grow significantly due to impacts of climate change. In 2017, 9% of the EU deforestation footprint was linked to coffee imports - which is equivalent to deforestation linked to cocoa imports into the EU.

2. **Definitions – How are forests and deforestation defined? What will this mean for coffee?**

The legislation uses the internationally accepted FAO definition of ‘forest’ as “land spanning more than 0,5 hectares with trees higher than 5 meters and a canopy cover of more than 10%, or trees able to reach those thresholds in situ, excluding land that is predominantly under agricultural or urban land use”. In addition, ‘deforestation’ is defined as the *conversion of forest to agricultural use, whether human-induced or not.*

3. **Prohibitions for traders & operators – Which actors in the coffee supply chain will need to comply with the legislation?**

The legislation sets ambitious rules to halt global deforestation and forest degradation through innovative and comprehensive legislative measures. In essence, this law mandates that coffee can only be placed on, sold within or exported from the EU market if it is:

- Deforestation-free: Produced on land that was not subject to deforestation after 31 December 2020 (AKA the cut-off date); and,
- Legal: produced in compliance with all relevant applicable laws in force in the country of production.

The rules apply to all companies that sell coffee (import, trade or export) in the EU market. The legislation differentiates two (somewhat confusing) types of actors – traders and operators – each have specific requirements to comply:

- Operators (e.g. coffee importer/ trade house): Companies that place relevant commodities on, or export them from, the EU market
- Traders (coffee roaster or retailer): Companies that are selling relevant products which are already placed on the EU market.

It should be noted that the requirements are adapted for SMEs Operators and Traders (see point #4).

4. **Mandatory due diligence requirements: What is expected from coffee companies in terms traceability and risk assessment? Are there different requirements for SMEs?**

To comply with the legislation, companies – operators and traders – will be required to:

- **Collect geolocation information:** Operators will have to collect the geographic coordinates (latitude and longitude) of all the plot(s) of land where the relevant commodities and products of a shipment/batch were produced - for plots above 4 hectares, polygons are required. Operators need to provide this data in the due diligence statement (see below) that is to be submitted on the information system (to be set up by the Commission) and are responsible for storing and sharing relevant information that was used for the deforestation risk assessment (with national authorities, upon request).
- **Conduct risk assessment and mitigation measures:** Operators need to carry out due diligence prior to any placing of relevant commodities and products on the EU market. If the conclusion of the risk assessment is that the risk of non-compliant commodities or products entering the EU market is non-negligible, the operator needs to take risk mitigation measures. If the risk cannot be mitigated to a negligible level the operator, shall not place the relevant commodities or products on the EU market. In addition to Operators, large coffee roasters and retailers – other than SMEs – will also be required to take the same due diligence measures.
- **Communicate due diligence information:** Operators must communicate to operators and traders further down the supply chain of the relevant products they placed on or exported from the Union market, all information necessary to confirm that due diligence was carried out and no or only negligible risk was found, including the reference numbers of the due diligence statements associated to those products. Operators are required to publicly report as widely as possible on an annual basis, including online, on their due diligence systems and the steps they have taken to ensure compliance with their obligations.

The requirements are less strict for SMEs. For instance, SME traders and operators are only required to collect the names and contact information of their suppliers and clients, and keep them for 5 years in case they are controlled by a competent authority.

5. Due diligence statement: How will compliance be checked when coffee enters the EU market?

For every shipment of coffee entering the EU market, the operator will need to submit a due diligence statement. The statement needs to include the country of production as well as the traceability information for all plots of land of production included in the shipment. A central information system will be developed to receive and record Operators' due diligence statements, which will accompany applications for customs clearance.

6. Risk ratings per producing country: how will the EU determine the risk that coffee production could contribute to deforestation in a given country?

The European Commission will establish a central benchmarking system that will categorize and assign risk ratings – low, standard, or high – per country (or subnational region) of commodities being associated with deforestation. This system will guide the required level of due diligence, as simplified due diligence will be allowed for 'low-risk' countries. Obligations for national authorities to enforce the regulation and carry out checks will also vary according to the level of risk assigned to the countries of production. This means enhanced monitoring for high-risk countries and reduced for low-risk countries.

7. Certification: I'm already sourcing sustainably certified coffee, will this help with compliance?

The legislation is clear that certification or other third party verified schemes represent relevant tools that could be used in the context of traceability as well as risk assessment/mitigation processes, provided that the scheme meets the information requirements of the regulation. Certification can help bring companies a step further towards compliance. However, there is no green lane for certification schemes and purchasing certified products does not substitute the company's legal responsibilities.

8. Key dates: When does the law enter into force? When do I need to be ready?

The adoption of the legislation is expected to take place in May or June 2023, with immediate entry into force. Once the law enters force, companies will have 18 months to implement the new rules (Dec. 2024 /Jan. 2025) and SMEs will be allowed 24 months to transition (July/Aug. 2025). The legislation also includes several reviews in the first years after the legislation enters into force.

9. Impact on smallholders: doesn't this legislation lead to (unintended) consequences on smallholder farmers?

Many civil society organizations, producing country governments as well as industry associations have expressed concerns that the legislation could have unintended consequences and negative impact on smallholder farmers. For instance, exclusion from the EU market may further increase poverty and thereby

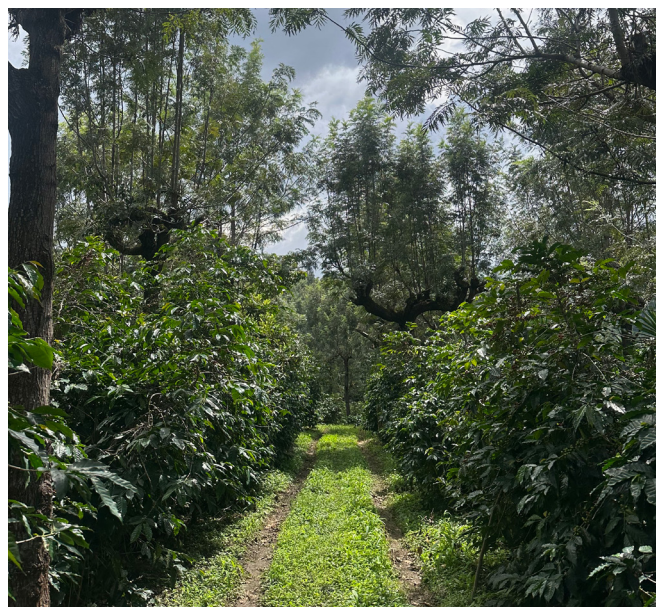
increase rather than halt deforestation. Despite efforts to call for an impact assessment before the legislation would enter into force, the final legislation states that a review on the impacts on small holders would be conducted after five years into force. In this context, it is important to clarify and stress that smallholder farmers are not directly responsible for implementation and compliance.

10. Supply-side measures: how will the EU be supporting producing countries to address root causes of deforestation?

To complement the demand-side measures (i.e. due diligence requirements), the legislation mentions that the Commission shall engage with producer countries around supportive supply-side measures. Via the use of existing and future partnerships and other relevant cooperation mechanisms – in particular those identified as high-risk – the Commission will support joint efforts to address the root causes of deforestation and forest degradation. Whereas the Commission developed "Forest partnerships" and launched the five first ones at the COP 27 (with Mongolia, Zambia, the Republic of Congo, Uganda and Guyana), there is limited information on the next steps and the available resources to finance relevant programs.

The new EUDR fits in a broader trend of inevitable legislative measures to address the ongoing climate and biodiversity crisis. Governments are starting to recognize the need for a level playing field as well as the limitations of voluntary systems. In many consuming markets, companies will be facing increased legislative pressure to ensure that environmental (as well as human rights) risks within food supply chains are mitigated. In several other consuming countries (e.g. UK and USA) legislative processes are in development to adopt policies and laws similar to the EUDR.

Sources: [ING](#) and [Preferred by Nature](#) with expert input from Conservation International and Rainforest Alliance

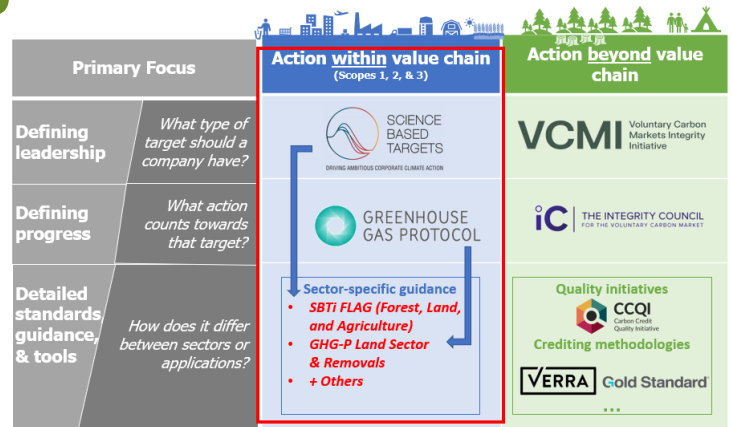


© LORENA GARCIA-BUSTOS/CI

SUPPLY CHAIN EMISSIONS REDUCTIONS AND REMOVALS

KEY TRENDS

Context. Increasingly, coffee companies are setting climate targets—which is great—but these climate targets frequently lack consistency. The image to the right illustrates the landscape of corporate climate frameworks that are attempting to increase consistency. When we're talking about actions within value chain (scopes 1, 2, and 3), two initiatives stand out: SBTi and the GHG Protocol. Recently, both have been working to clarify how land sector companies set science-based targets and track progress.



Science-Based Targets Initiative (SBTi)

What it is: Defines and promotes best practice for setting corporate climate targets in line with climate science, with 4600+ companies committed.

What's new: Developed methods and guidance to enable FLAG (Forestry, Land, +Ag.) sector companies to incorporate land use change & removals in their targets. Now, companies with 20+% emissions in the FLAG (Forestry, Land, +Ag.) sector must:

- Set separate science-based targets for FLAG and non-FLAG emissions, both near- and long-term (previously all lumped into one target);
- Set corporate-wide zero deforestation target for no later than 2025 with a 2020 cutoff date;
- Account for emissions reductions AND removals. Note that while removals are included in FLAG targets, they can't be counted against non-FLAG targets.
- Report progress/emissions annually (in annual report, to CDP, etc.) once target has been approved.

Also note that...

- SBTi provides two general ways of setting targets—a commodity-based approach and a sector-wide approach. Coffee is not a covered commodity, necessitating the use of the sector approach, but companies may combine the sector approach for coffee with the commodity approach for covered commodities.
- “Beyond Value Chain Mitigation” (e.g. carbon offsets) does NOT count towards near-term SBTi targets. These removals only count towards long-term (net zero) SBTi targets and VCMi carbon neutral targets. Avoided emissions also do NOT count against any SBTi targets (per GHG Protocol).

Timeline: Final FLAG guidance released in Sept. 2022. FLAG companies newly setting SBTs are required to also set FLAG targets from April 2023 onward. FLAG companies with near-term SBTs validated before January 1, 2020 will need FLAG targets by the end of 2023. FLAG companies with near-term SBTs validated after January 1, 2020 will need FLAG targets by the end of 2024.

Greenhouse Gas Protocol (GHG-P)

What it is: GHG Protocol establishes comprehensive global standardized frameworks to measure and manage greenhouse gas (GHG) emissions from private and public sector operations, value chains and mitigation actions.

What's new: New draft Land Sector and Removals guidance (final expected late 2023) clarifies application of the Corporate and Corporate Value Chain (Scope 3) accounting standards for the land sector. The GHG Protocol Land Sector and Removals Guidance explains how companies should account for and report GHG emissions and removals from land management, land use change, biogenic products, carbon dioxide removal technologies, and related activities in GHG inventories. Key takeaways from 400+ pages of draft guidance include:

- Companies MUST report on all land emissions sources and land use change but MAY report on removals
- To count removals, companies must meet robust requirements:
 1. Ongoing, **indefinite monitoring**, otherwise must assume removals reversed
 2. **Traceability** to the land management unit or supply shed is required (threshold TBC)
 3. **Primary data** validation required every 5 years; remote sensing and modeling allowed
 4. Removal amount must be statistically significant + conservative; company needs to report **uncertainty** range and confidence level
 5. Must report all **reversals** from carbon pools no longer in GHG inventory (e.g. former suppliers)

Also note that...generally, only actions within land management units (e.g. farms) are attributable towards a company's GHG footprint. This leaves a gap for incentivizing landscape-scale action.

Timeline: The pilot testing and public consultation review period was recently extended, pushing the release date of the final guidance back to the end of 2023.

WHAT THESE INITIATIVES MEAN FOR COFFEE

- Opens the door for counting nature-based removals within a company's value chain (aka. "insetting") towards SBTi targets. These removals only count towards FLAG emissions, i.e. the land-based emissions up to the farm gate—they can't be used to counteract non-FLAG scope 1,2, or 3 emissions.
- Large brands will be pushing this down their supply chains to distributors & producers
- The guidance will determine what activities get investment
- These rules will inform mandatory and voluntary disclosure (e.g. CDP, US SEC, EU reporting)
- Presents challenge for accounting for landscape interventions by putting focus on farm-level action (evolving space)
- **Presents major opportunity for industry collaboration to meet requirements on: *Primary data, Long-term monitoring, Allocation between companies.***

Sources: SBTi + GHG Protocol with expert input from Conservation International



Identifying and Remediating Local Labor Law Violations



Selected Labor Laws in Major Coffee-Producing Countries

	Minimum age for work	Worker contract requirements	Social security/benefits systems
Brazil	Minimum age 16, but 18 to perform certain agricultural activities (e.g. machinery).	Written employment contracts are not required under the labor law. However, under the Penal Code's anti-forced labor provisions, lack of a written contract can be interpreted as a "condition analogous to slavery."	Employers must enroll employees in the social security system, and both employers and employees pay social security contributions. These contributions fund health services, pensions, and other social assistance programs.
Colombia	Minimum age 15, but 18 to perform certain agricultural activities. Adolescents ages 16-17 may only work a maximum of 6 hours a day and 30 hours a week until 6:00 p.m.	Written employment contracts are required for fixed-term workers only; for other workers, verbal contracts are permitted.	Employers must enroll employees in the social security system, and both employers and employees pay social security contributions. These contributions fund health services, pensions, and other social assistance programs.
Costa Rica	Minimum age 15, but 18 to perform certain agricultural activities. Adolescents ages 15-18 may only work a maximum of 36 hours per week and only if it does not interfere with schooling.	Written contracts are generally the norm, but verbal contracts are permitted for temporary workers working less than 90 consecutive days.	Employers must register all workers with the <i>Instituto Nacional de Seguros</i> , which provides free health care in cases of accident or injury.
Guatemala	Minimum age 14, but 18 to perform certain agricultural activities.	Written contracts are generally the norm, but verbal contracts are permitted for temporary workers working less than 60 consecutive days. Employers must have on file documents stating the start date and salary for each verbal contract.	All employers must register and enroll their employees in the social security system. Both employees and employers contribute.
Honduras	Minimum age 14 is the minimum age for work. Children under age 16 who are enrolled in school cannot also work without special authorization. Working children under age 17 must work during daytime hours, no more than 6 hours per day and 30 hours per week.	Written contracts are required. In the absence of a written contract, the worker's understanding of his work agreement is presumed to be true under law.	All employers must register and enroll their employees in the social security system. Both employees and employers contribute.
Ethiopia	Minimum age 15, but 18 to perform certain agricultural activities.	Written employment contracts not required under law.	A contributory social security scheme exists, but only a very low proportion of the population is enrolled.
Indonesia	Minimum age 15, but 18 to perform certain agricultural activities.	Written contracts are required for fixed-term employees only. Contracts with permanent employees can be written or verbal, and there are no specific requirements with respect to indefinite-term workers.	Employers must enroll employees in the social security system, and both employers and employees pay social security contributions. These contributions fund health services and pensions.
Mexico	Minimum age 15, but 18 to perform certain agricultural activities. Children ages 15-16 need authorization from their parents or guardians to work.	Agricultural workers must be provided a written contract, but only when there is no applicable collective bargaining agreement. Each party must be given a copy of the contract.	Employers must register employees with the Mexican Social Security Institute, and both employers and employees pay social security contributions.
Nicaragua	Minimum age 14, but 18 to perform certain agricultural activities.	Verbal contracts are permitted for temporary agricultural workers working no more than 10 consecutive days.	All employers must register and enroll their employees in the social security system. Both employees and employers contribute.
Peru	Minimum age 15, but 18 to perform certain agricultural activities.	Contracts may be written or verbal. Only part-time contracts are required to be written.	Employers are obligated to make monthly health contribution payments equal to 9% of the total compensation paid to the employee. Employees must choose affiliation with either the National Health System (EsSalud) or the Private Health System (Entidades Promotoras de Salud or EPS).
Vietnam	Minimum age 15, but 18 to perform certain agricultural activities	Verbal contracts are permitted for temporary workers working up to 3 months.	All employers must register and enroll their employees in the social security system. Both employees and employers contribute. Contributions cover covers sickness, maternity, occupational diseases, accidents, retirement, and death.