



Textile
Exchange

Deforestation-Free Call to Action for Leather

Investment Guide



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Introduction

The core objective of the Deforestation-Free Call to Action for Leather is to stop deforestation and conversion related to bovine leather as quickly as possible.

The purpose of the investment stage of the roadmap is to support the industry transformation that is needed to enable brands to eventually source deforestation/conversion-free leather. The economic burden and risk should be shared across the supply chain. This means that farmers must be supported to preserve their forests and rewarded for the environmental services they deliver. For these reasons, brand investment in deforestation/conversion-free cattle farms is a core component of the Deforestation-Free Call to Action for Leather roadmap.

Scope

The Deforestation-Free Call to Action for Leather applies to bovine leather only.

While the target date of the Deforestation-Free Call to Action for Leather is 2030, brands need to take immediate action to stop any further deforestation and conversion related to cattle production in higher risk regions, and therefore investments are needed from the start.

How to use this document

This document outlines expected and encouraged actions for brands in the context of the Call to Action. Here is a guide to some of the key terms:

- *Expected* refers to actions that are required for signatory brands.
- *Encouraged* refers to actions that are recommended for signatory brands.

How it works

The Deforestation-Free Call to Action for Leather requires an annual investment target. The first target must be made **within six months** of signing on and brands must begin investing within one year (subject to alignment with brand budgeting cycles).

- Any investment that your brand is already using to make claims against their carbon or other non-leather/cattle targets cannot be used (e.g. carbon credits).
- While the Deforestation-Free Call to Action for Leather does not approve or qualify investments at this point, your brand should be able to provide an explanation or summary about how the investment addresses the expected requirements. Brands are expected to report on annual investment through the Textile Exchange Materials Benchmark and the LWG Sourcing Declaration (if applicable).
- Annual reporting after 2025 will require brands to provide more details on activities and progress made, including on brand investments, as part of the Deforestation-Free Call to Action for Leather. Reporting claims will require validation as part of the new reporting system, details of which will be shared to brands closer to the date.

Why is investment important?

Investing is more powerful than divesting. Due to the complicated nature of leather supply chains and the challenges/complexities associated with deforestation and conversion, divestment from geographical regions of higher risk may seem like a logical and easier option. But divestment will not support the changes needed at the farm level. Investment, on the other hand, can provide multiple benefits by financially supporting producers to protect their forests and natural ecosystems. Investments from brands, if planned and executed well, can help to drive industry transformation, and make deforestation/conversion-free leather the norm. Here's why:

- **Costs are shared more equitably:** Agriculture is one of the largest drivers of deforestation and land conversion globally. The incentives for farmers and producers to cut down trees or convert land include both the financial gains from selling timber, and the opportunity to increase income by expanding production size or grazing area. Maintaining their forests, meanwhile, comes with an opportunity cost, but brand investments can help to offset it.
- **Brands have a way to respond to stakeholder pressures:** There are pressures on brands from multiple fronts to commit to 100% deforestation/conversion-free supply chains against a specified target date. Given the time it will take to transform supply chains, it is important that brands have a strong message about their commitment to achieving this goal, and the fact that they are taking immediate action.
- **Brands can make progress on global, industry, and corporate commitments:**
 - **Global commitments:** The Sustainable Development Goals (SDG) and Science Based Targets (SBTs) provide a framework for governments and companies to meet their respective goals. The SDGs focus global efforts on 17 pressing goals for peace and prosperity for people and the planet and the SBTs provide a pathway for companies to reduce greenhouse gas emissions and protect nature. Through effective investment in forest and ecosystem protection, and supporting better farming practices, brands will be able to report and demonstrate progress across both the SDGs and SBTs.
 - **Industry commitments:** Deforestation-Free Call to Action for Leather and the Consumer Goods Forum are both examples where the private sector coalesces around a common goal to reduce the deforestation and conversion of natural forests and ecosystems. Investments contribute to delivering wider industry goals and impact at scale.
- **The future supply of deforestation/conversion-free leather is secured:** Taking immediate action to protect forests and ecosystems is needed, but it will take time for brands to map their supply chains, identify the areas of deforestation/conversion risk, engage with their suppliers, and set up effective systems to allow brands to source deforestation/conversion-free leather. Waiting until all of these steps have been completed, without taking immediate action through investment, may result in detrimental loss of forests, ecosystem viability, biodiversity, and carbon. It will also result in an extremely small pool of potential deforestation-free leather sources for the future.

While these steps are critical for transforming supply chains and companies must continue down this pathway, in parallel, it is equally critical for brands to find alternative solutions to protect forests and important ecosystems, regardless of whether it is directly within their supply chain. This will give

brands more long-term resilience in their sourcing by creating a strong and stable supply of deforestation/conversion-free supply.

Section A – Investment levels

Expected

- Commit to making a credible level of investment: one that reflects a meaningful contribution¹ to industry transformation, relative to the leather footprint of your brand.
 - Even if your brand can verify sourcing from lower-risk areas, investment is still required.
- Set annual investment targets for your brand.

Encouraged

- Follow the below guidance on how to set credible investment targets.
 - Use the Leather Footprint Calculator to determine the total volume of [at-risk leather](#) used. For a copy of the leather hide calculator tool, please email lia@textileexchange.org.
 - Set annual investment levels proportional to the at-risk leather use, using one of the following approaches:
 - 1% of your “at-risk” leather revenue
 - 2% of your “at risk” leather cost

Section B – Investment Timeline

Expected

- Identify your first target investment within six months.
- Make an investment in industry transformation activities that deliver on deforestation/conversion-free cattle **or** traceability solutions within one year from joining the Deforestation-Free Call to Action for Leather (subject to alignment with brand budgeting cycles).
- Determine appropriate timelines for achieving your annual target investments.
- Make annual investments for a minimum of 2 years or until your brand has converted all its leather sourcing to verified deforestation/conversion-free (i.e. from farms in high-risk areas that have been verified as deforestation/conversion-free, or from farms that are verified to be from low-risk areas)

Encouraged

- Continue to invest in industry transformation even once your brand’s leather sourcing is verified deforestation/conversion-free, beyond the minimum 2 year commitment.

¹ Meaningful contribution is deliberately a broad term. Brands are encouraged to engage with important stakeholders, such as NGOs, to determine appropriate levels of investment.

Section C – Types of investment

As part of the Deforestation-Free Call to Action for Leather, brands are expected to make investments in regions at higher risk of deforestation and conversion **and/or** in solutions that contribute to enabling deforestation/conversion-free leather sourcing from these regions. This can be done by investing in initiatives that prevent further deforestation and conversion related to cattle production **and/or** by developing and scaling traceability solutions that positively impact the wider sector.

C.1. Investments in deforestation/conversion-free cattle farming

Expected

- Direct your investments to the cattle farming levels of the bovine leather supply chain. Investments do not need to be aligned with specific geographies linked to your sourcing but do need to be where there are higher deforestation or conversion risks.
- Ensure that your investment contributes to preventing further deforestation or conversion related to cattle production (cut-off date: December 31, 2020).
- Ensure your investment increases the number of deforestation/conversion-free cattle farms in higher-risk regions.
- Carry out any investments with a credible organization.
- Set KPIs (such as the area of forests that are under protection, or the number of farms that have been supported to become deforestation/conversion free) to capture the impacts from your investments.

Encouraged

- Make additional investments in social, remediation, or the restoration of forests and other ecosystems.
- Share your brand's investments targets and progress publicly.
- Contribute to supporting local livelihoods and communities.

C.2. Investments in traceability solutions

Expected

- Make traceability investments that benefit the wider industry and enable the future sourcing of deforestation/conversion-free leather. Investments that primarily benefit your brand will be considered out of scope.
- Ensure your investment supports capacity building for supply chain actors.
- Carry out any investment with a credible organization.

- Set key performance indicators such as:
 - The number of supply chain actors that have completed traceability capacity building.
 - The milestones towards industry-level solutions that are achieved.

You will need these to demonstrate progress and impacts from your investments that support the development of traceability required to deliver deforestation/conversion-free leather products.

Encouraged

- Share your brand’s investments targets and progress publicly.

C.3. Suggested investments to make

Impact Incentives

Impact Incentives allow brands to reward farms that follow best practices, outside of their own supply chain. That means that even without full traceability, brands can invest in meaningful change, accelerating the amount of sustainable materials available, and ultimately helping themselves to meet their own targets. Here’s how it works.

Incentives are issued annually to producers that have been verified by a third party to have met a set of sustainability criteria (such as zero deforestation). The physical goods and the Impact Incentives are traded separately from each other, eliminating the cost and complexity of traceability, while still allowing transparency. Brands buy incentives to deliver financial support to the farmers for following best practices, and in turn can make claims about how they are supporting the industry to transition to these practices.

For more information visit: www.impactincentives.org.

Impact Partnership Incentives

Impact Partnership is an additional program that sits alongside Impact Incentives. It can be used by brands to support the producers that need help to move towards best practices through training, infrastructure, equipment, and more.

In this case, approved on-the-ground “Program Partners” receive the financial incentive, and they help producers work towards getting certified, and being able to sell Impact Incentives themselves.

When a brand purchases Impact Incentives from a Program Partner, this is considered an Impact Partnership.

For more information visit: <https://impactincentives.org/what-we-do/>

Other types of farm-level investments

Your brand can also choose to make direct grants to farms or farmer-level initiatives working in high-risk cattle-producing areas (inside or outside of its own supply chain). This could involve providing capacity building and training opportunities with local partners which support farmers and/or local governments on topics that support deforestation/conversion-free cattle production, such as:

- Improving the productivity of farms through better cattle herd management, reducing the need for further expansion of grazing land.
- Supporting farmers on ecosystem restoration efforts as part of re-engagement into supply chains.

Traceability investments

If you choose to channel your investments into traceability, this could mean supporting a multi-stakeholder industry project such as Leather Working Group's Chain of Custody project. This initiative aims to develop a system to verify transactions within certified leather supply chains to enable impact level claims and deliver traceability required to support deforestation/conversion-free sourcing.

Another option would be to invest in capacity building workshops on establishing traceability systems at the slaughterhouse level. These should be delivered in partnership with a credible organization and not be linked to the commercial operations of one entity. Industry level impact and benefit must be able to be demonstrated.

Section D – Verifying and reporting on investments

Expected

- Report your brand's progress along the Deforestation-Free Call to Action for Leather roadmap through Textile Exchange's Materials Benchmark and the LWG Sourcing Declaration, if applicable, on an annual basis. You should report:
 - The total volume of leather used
 - Your brand's investment target
 - Your total amount of investments by investment type
- Ensure third-party verification of impacts for any claims that your brand's investment has contributed to deforestation/conversion-free cattle farming.

Encouraged

- Publicly share information about investment targets and progress.

Section E – Claims

When communicating about your commitments and investments, your brand can use the following statements:

- [Brand] commits to invest X% of our total cost of leather/total leather revenue in deforestation/conversion-free cattle farming and/or traceability solutions.
- [Brand] is supporting the protection of natural forests and ecosystems in higher-risk regions and/or traceability solutions and helping drive industry transformation.

Claims may not use language that implies that the Deforestation-Free Call to Action for Leather investments are related to the sourcing of their products or on-product labels. Claims are only to be made at the corporate reporting level.

For investments made through Impact Incentives for leather, see the [Leather Impact Accelerator](#) (LIA) Claims Guide.

Further guidance on claims language will be set by the specific investment programs.

Definitions

At-risk leather revenue: All revenues linked to leather that cannot be verified to be from low-risk or deforestation/ conversion-free sources.

Deforestation: Loss of natural forest as a result of: i) conversion to agriculture or other non-forest land use; ii) conversion to a tree plantation; or iii) severe and sustained degradation. This definition pertains to no-deforestation supply chain commitments, which generally focus on preventing the conversion of natural forests (Accountability Framework).

Severe degradation (scenario iii in the definition) constitutes deforestation even if the land is not subsequently used for a non-forest land use. Loss of natural forest that meets this definition is considered to be deforestation regardless of whether or not it is legal.

Conversion: Change of a natural ecosystem to another land use or profound change in a natural ecosystem's species composition, structure, or function. Deforestation is one form of conversion (conversion of natural forests). Conversion includes severe degradation or the introduction of management practices that result in a substantial and sustained change in the ecosystem's former species composition, structure, or function (Accountability Framework).

Credible organization: An organization with knowledge and experience with implementing activities in the topic of interest and in the cattle or leather industry as appropriate. Is considered trustworthy and with a positive track record working with other companies.

Deforestation-free leather: The Call to Action for Leather uses the Accountability Framework definition of deforestation-free, with a cut-off date of December 31, 2020, or earlier.

Leather: A hide or skin with its original fibrous structure more or less intact and tanned so it does not rot either with or without hair or wool attached, inclusive of hides or skin split into layers or segmented either before or after tanning, with any surface coating or surface layer no thicker than 0.15 mm.

Leather product: Any product that contains at least 50% virgin leather by weight. If the product is a component product such as footwear, furniture or watch, at least 50% of the component should be considered a primary part of the product, such as footwear upper, watch strap or furniture.

Leather revenue: Gross revenue of all leather products.

Low risk sources: Verified low risk sources are those that have been identified to the slaughterhouse level and are in a country that has been qualified as low risk in accordance with the [WWF risk map](#), where cattle are identified as the primary driver of deforestation or conversion.

No conversion or conversion-free: Commodity production, sourcing, or financial investments that do not cause nor contribute to the conversion of natural ecosystems (Accountability Framework).

- No-conversion refers to no gross conversion of natural ecosystems, which the Accountability Framework specifies as the appropriate policy and goal on this topic for companies and supply chains.

- The terms “no-conversion” and “conversion-free” are used in favor of “zero-conversion” because “zero” can imply an absolutist approach that may be at odds with the need to sometimes accommodate minimal levels of conversion at the site level in the interest of facilitating optimal conservation and production outcomes (see definition for minimal level [of deforestation or conversion]).

No deforestation or deforestation-free: Commodity production, sourcing, or financial investments that do not cause or contribute to deforestation.

No-deforestation refers to no gross deforestation of natural forests, which the Accountability Framework specifies as the appropriate policy and goal on this topic for companies and supply chains (Accountability Framework).

Producer: The owner or manager of a farm, estate, plantation, or ranch used to produce agricultural products, or of a forest that is managed at least in part for the harvest of forest products. This includes smallholders, producer groups, and production systems owned or managed by communities.

Signatory brands: Refers to brands and retailers that have joined the [Deforestation-Free Call to Action for Leather](#). Referred to in short as brands.

Third-party verification: Third-party verification is conducted by an independent entity that does not provide other services to the brand or operation.

Total cost of leather: The total cost of input leather materials (finished hides).

Verified deforestation/conversion-free: Leather hides will be considered deforestation and/or conversion-free if they are from low-risk sources or if they are sourced from farms that have been third-party verified to be deforestation/conversion-free.