



Textile
Exchange

Deforestation-Free Call to Action for Leather

Investment Requirements



June 2024

The revision of this document was led by Textile Exchange, in partnership with Leather Working Group and World Wildlife Fund. Valuable contributions and inputs were provided by the NGO Advisory Group.



Contents

Introduction 4

 Scope 4

 How to use this document 4

 How it works 4

Why is investment important?..... 5

Section A – Investment commitments 7

 Required 7

 Recommended 7

Section B – Types of investment 8

 B.1. Investments in deforestation/conversion-free cattle farming..... 8

 Required8

 Note8

 Recommended8

 B.2. Investments in traceability in the leather supply chain 9

 Required9

 Recommended9

 Note9

 B.3. Investment in funds 9

 Required9

Section C –Additional requirements of call to action investments10

 C.1. Delivery 10

 Required 10

 Recommended 10

 C.2. Measuring outcomes 10

 Required 10

 Examples: 10

Section D –Reporting on investments 11

 Required 11

 Recommended 11

Definitions 12

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 signatories 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 natural ecosystems and be rewarded for the environmental stewardship they deliver. In parallel investments must be made to develop and scale traceability throughout the supply chain.

Scope

The Deforestation-Free Call to Action for Leather applies to bovine leather only. Any reference to *leather* in this guide is relative to *bovine leather*.

The target date of the Deforestation-Free Call to Action for Leather is 2030. In order to meet this target, signatories need to take immediate action to stop any further deforestation and conversion related to cattle production in high-risk biomes/regions/countries, and therefore investments are needed from the start.

How to use this document

This document outlines *required* and *recommended* actions for signatories in the context of the call to action. Here is a guide to some of the key terms:

- *Required* refers to actions that are mandatory for signatories.
- *Recommended* refers to actions that are suggested as good practices to follow.

How it works

By joining the Deforestation-Free Call to Action for Leather, a signatory commits to invest annually to support the industry transformation needed to allow for deforestation/conversion-free bovine leather sourcing by 2030 or earlier. The call to action investment requirements are set forth in this guide.

Signatories are required to report annually on their call to action investments through the Textile Exchange Materials Benchmark.

The Deforestation-Free Call to Action for Leather shall not approve or qualify investments, however a signatory should be able to provide evidence to demonstrate that investments made address the call to action requirements.

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 high-risk biomes/regions/countries may seem like a logical and easier option. But divestment will not support the changes needed at the farm level to protect our global ecosystems. Investment, on the other hand, can provide multiple benefits by financially supporting producers to protect their forests and natural ecosystems. Investments from signatories, 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 to cut down trees or convert land include both the financial gains from selling timber, and the opportunity to increase income by expanding agricultural or grazing area. Hence, maintaining natural ecosystems comes with an opportunity cost, but signatory investments could help to offset it.

- **Supply chain transparency is improved:**

Supply chain transparency and traceability of cattle and leather is another challenge that will need to be overcome. Cattle traceability is not mandated on the national level in all countries, and this leads to opaqueness in the supply chain, which extends to hides and leather. Investing in cattle traceability programs, such as ear tagging, could support in driving the necessary transparency. In addition to this, traceability within the leather supply chain also remains a challenge for the industry. Investing in initiatives that support the industry in achieving traceability is essential to deliver DCF leather.

- **Greater volumes of available deforestation/conversion-free leather are secured:**

It might take time for signatories to map their supply chains, identify the areas of deforestation/conversion risk, engage with their suppliers, and set up effective systems to allow for the sourcing of deforestation/conversion-free leather. Taking early action to invest in farm-level initiatives that protect forests and ecosystems or that improve traceability of cattle and leather will help to ensure there is a greater volume of DCF leather available.

- **Signatories have a way to respond to stakeholder pressures:**

There are pressures on companies 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 signatories have a strong message about their commitment to achieving this goal, and the fact that they are taking immediate action.

- Investments support the industry transformation that is needed to meet global and industry 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, signatories will be able to report and demonstrate progress across both the SDGs and SBTs.

– **Industry commitments:**

The 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.

Section A – Investment commitments

Required

- Make annual investments.
 - Investments shall be carried out annually until all bovine leather sourcing is deforestation/conversion-free.
 - For signatories that are already sourcing deforestation/conversion-free bovine leather, the investment timeline will be a minimum of 2 years.
- Set an annual investment target.
 - Commit to making a meaningful contribution¹ to industry transformation.
- Commit to the following actions over the course of the first year from joining the Deforestation-Free Call to Action for Leather:
 - Set a first investment target within six months.
 - Identify a first investment within six months.
 - *Identify where and how the investment shall be made, what it will contribute to and what budget shall be allocated.*
 - Make an investment within one year (subject to alignment with signatory budgeting cycles).
 - *Investment funds shall be transferred to the identified project(s).*

Recommended

- Continue to invest in industry transformation beyond the minimum 2-year commitment, even if all bovine leather sourcing is deforestation/conversion-free.
- Set an annual investment target proportional to your leather use, using one of the following approaches:
 - 1% of your leather revenue
 - 2% of your leather cost

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

Section B – Types of investment

As part of the Deforestation-Free Call to Action for Leather, signatories are required to invest 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.

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

Required

- Investment directed towards cattle farming.
- Investment directed to high-risk biomes/regions/countries for deforestation and conversion-free practices connected to cattle production, even if this does not align with your sourcing geographies.
- Investment contributes to preventing further deforestation or conversion related to cattle production (cut-off date: December 31, 2020).
- Investment increases the number of deforestation/conversion-free cattle farms in high-risk biomes/regions/countries.
- Investment respects relevant human rights.

Note

Investments used for insetting or offsetting are considered out of scope (e.g. carbon credits).

Recommended

- Investment addresses social compliance and contributes to supporting local livelihoods and communities.
- Investment addresses traceability at cattle farming/slaughter level.
- Investment addresses animal welfare.
- Investment addresses other high-risk commodities for deforestation and conversion (e.g. cattle feed).
- Investment addresses other social and environmental challenges related to cattle production.
- Make additional investments in remediation, or the restoration of forests and other ecosystems.

B.2. Investments in traceability in the leather supply chain

Required

- Investment enables the future sourcing of deforestation/conversion-free leather.
- Investment enables the transfer of data necessary to monitor that deforestation/conversion-free requirements are met.
- Investment directed at any level of the bovine leather supply chain: farm level and/or leather production level.
- Investment in traceability initiatives/solutions that benefit the wider industry.
 - Investment that develops and/or scales traceability solutions that positively impact the wider sector.
 - If the investment is made in your supply chain, evidence must be provided to demonstrate that the larger industry will benefit from the investment, for example:
 - *Development of new technologies that will be shared with the industry;*
 - *Piloting of solutions and results will be shared with the industry;*

Recommended

- Investments in traceability also address other social and environmental challenges throughout the leather supply chain.

Note

On [The Hub](#)'s Deforestation-Free Call to Action for Leather community, signatories have access to a non-exhaustive list of initiatives that address the call to action investment requirements, based on preliminary information collected from the implementing organizations. Please note that signatories are responsible for carrying out their own due diligence by engaging with the organizations listed. The call to action shall not endorse any investment.

B.3. Investment in funds

Required

- If investments are made through established funds, the following conditions shall be met:
 - The fund is specifically financing DCF cattle farming and/or traceability in the leather supply chain as described in [Section B](#).
 - If the fund is supporting a broader scope of commodities, they will need to provide assurance that your investment is used to support DCF cattle farming and/or traceability in the leather supply chain as described in [Section B](#).

Section C –Additional requirements of call to action investments

C.1. Delivery

Required

- Investments are carried out with credible organizations that are driving industry transformation.
- Organizations managing the investment shall provide timelines with clear milestones and deliverables.
- Organizations managing the investment shall report to the signatory on progress made at least annually.

Recommended

- Monitor that investments are being actively used in a timely manner.

C.2. Measuring outcomes

Required

- There shall be KPIs provided by the organization that received the investment to capture how the investment has contributed to DCF cattle farming and/or traceability in the leather supply chain as described in [Section B](#).

Examples:

- Relevant KPIs to capture for investments in DCF cattle production:
 - Area of forests that are under protection.
 - Number of farms that have been supported to become deforestation/conversion-free.
- Relevant KPIs to capture for investments in leather traceability:
 - The number of supply chain actors that have completed traceability capacity building.
 - The milestones towards industry-level solutions that are achieved.

Section D –Reporting on investments

Required

- Report on investments through Textile Exchange’s Materials Benchmark on an annual basis. The following elements shall be reported:
 - Annual investment target
 - An overview of investments made

Recommended

- Publicly share information about investment target, investments made and outcomes.

Definitions

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

Farmer:

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 (Producer definition from Accountability Framework).

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.

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:

Refers to the legal entity that has joined the [Deforestation-Free Call to Action for Leather](#).

Total cost of leather:

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

Traceability:

The ability to follow a product or its components through stages of the supply chain, such as production, processing, manufacturing, and distribution.

Transparency:

Transparency is about disclosure. It can relate to a business directly (disclosure of policies, activities and performance) or indirectly (disclosure of purchasing practices and the impact of sourcing, production and supply chain networks).