# Textile Exchange

# Deforestation-Free Call to Action for Leather

## Reporting Requirements

LEATHER WORKING GROUP

WWF

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# Deforestation-Free Call to Action for Leather

# Key Performance Indicators (KPIs)

This document contains KPIs for signatories of the Deforestation-Free Call to Action for Leather to report on their implementation performance towards meeting the requirements.

# Introduction

Developing Key Performance Indicators (KPIs) is important for companies because they provide measurable metrics that can help evaluate the success of commitments made. In the case of the Deforestation-Free Call to Action for Leather, the KPIs provide a clear and structured framework for signatories to demonstrate implementation performance and achievements toward meeting the requirement. Reporting against the KPIs is also a way for signatories to be held accountable for their commitments, and allows signatories to improve on the results over time.

Reporting against the KPIs has additional benefits and uses including:

- **Determining the aggregate performance of the industry** by calculating the "average" performance of the total signatory inputs.
- Understanding a signatory's performance levels relative to the industry aggregate.
- **Tracking signatory's individual performance** on an annual basis against their 2024 baseline.

## Process of developing the Deforestation-Free Call to Action for Leather KPIs

**Reviewing existing guidance:** As part of developing the KPIs, it was necessary to review and analyze commonly accepted standards and guidelines for content, completeness, clarity, accessibility, and quality (e.g., Accountability Framework's Operational Guidance on Reporting, Disclosure, and Claims). For a complete list of relevant guidance documents, and reporting frameworks including scorecards reviewed, please see Annex 1.

**Other considerations:** KPIs have been developed to be technically sound and appropriate, ensuring that reported information is accurate and sufficiently detailed, as well as facilitating the comparability of findings over time and across companies, geographies, and sectors (as per Accountability Framework's Operational Guidance on Reporting, Disclosure, and Claims).

**Accurately reflecting the leather context**: While many of the existing frameworks reviewed are inclusive of the leather sector and/or are relevant given shared farming contexts (e.g., the beef sector), these frameworks do not fully capture the complexities of the different stages of the leather supply chain. These complexities influence a signatory's capability and access to relevant supply chain information and therefore its ability to influence change. When developing the call to action KPIs, the following points were also taken into consideration:

- Time required to collect and report on the data.
- Likelihood and ability for signatories to have access to the data from their supply chain.

## Synergies with other reporting frameworks

This exercise should also be helpful to signatories if they are working to implement and report against other sustainability frameworks and/or regulatory requirements, such as:

- Science Based Targets Network (SBTN): The Deforestation-Free Call to Action for Leather KPIs relate to Target 1 for Land.[1]
- The Taskforce on Nature-Related Financial Disclosures (TFND): The Deforestation-Free Call to Action for Leather KPIs can support TNFD's LEAP approach.[2]

It is important to note that the KPIs in this document were not specifically designed for signatories to meet other reporting frameworks. The KPIs listed here follow the logic and approach of the Deforestation-Free Call to Action for Leather roadmap, which has specific aims and objectives. The process for reporting on these KPIs will require signatories to collect and aggregate information and data across their supply chains.

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[1] Target 1: No Conversion of Natural Ecosystems Avoids one of the primary drivers of biodiversity loss and source of GHG emissions. See Page 5 of SBT's Technical Guidance for Land.

[2] LEAP approach. See Page 4 of Guidance_on_the_identification_and_assessment_of_nature-related_Issues_The_TNFD_LEAP_approach_V1.1_October2023.pdf

# Section A – Reporting framework

## A.1. Scope

Information used to report against the listed KPIs applies to *bovine leather* only, which is defined as leather from cattle or buffalo (excluding trims and recycled leather).

## A.2. Timescales for reporting

During the year of reporting, signatories are required to report on progress achieved based on data and activities from the previous calendar year. For example, signatories reporting on KPIs during 2024 will provide information based on their 2023 (Jan-Dec) activities. Therefore, any reporting relative to volumes or suppliers will be related to 2023 supplies.

## A.3. Platform for reporting

Signatories are required to report on their KPIs through Textile Exchange's Materials Benchmark. The [Materials Benchmark](#) is a common framework for companies to systematically track and report their progress towards sourcing preferred raw materials.

A specific module within the Materials Benchmark has been developed for the Deforestation-Free Call to Action for Leather, which allows signatories to report on KPIs that are tailored to its requirements.

For more details about data confidentiality and the Deforestation-Free Call to Action for Leather module within the Materials Benchmark, please see Annex 2.

## A.4. Benefits of reporting as a signatory

By reporting on the KPIs using Textile Exchange's Materials Benchmark:

- **Signatories will have visibility of their own results through a scorecard.**
- **Signatories will be able to measure their individual performance against the aggregate of the signatories for each KPI** (an average will be calculated for each KPI based on total signatory reporting). This will allow signatories to:
    - Identify where their company is leading and ahead of the average.
    - Identify where the company is lagging and may need more support.
- **Data and information on progress by signatories (including any evidence collected) will be accessible to the three Deforestation-Free Call to Action for Leather partners** (Textile Exchange, WWF, and Leather Working Group).

## A.5. How the data will be used

The Deforestation-Free Call to Action for Leather team will:

- **Report progress publicly on an aggregate level –** no individual KPIs will be shared. Each partner organization will also be able to report on this aggregated progress.
- **Generate a scorecard** for each signatory to measure its performance relative to the aggregate results.
- **Assess areas to be addressed collaboratively**, towards the implementation of deforestation/ conversion-free supply chains.

Note: The Deforestation-Free Call to Action for Leather team will not report on or share any individual signatory's performance. The purpose of collecting this information is to ensure that the signatories are making progress against the call to action requirements.

# Section B – Reporting requirements

It is recognized that each signatory will be at different levels of progress, and that most signatories will have to put a substantial initial effort into effective KPI reporting. While reporting against the listed KPIs is required by all signatories, a signatory's ability to make progress will depend on several factors including company priorities, resource availability and capacity, and product complexity and variety.

Therefore, when reporting on the listed KPIs, signatories will:

1) Report progress on all KPIs. We are not expecting the KPIs to be completely fulfilled, as implementation and progress take time. Areas in which progress is slower collectively or individually will inform where the Deforestation-Free Call to Action for Leather provides further or additional support to its signatories.

2) KPIs do not need to be "completed" or "fully met" for each stage in order to progress to the next one (stages refer to Deforestation-Free Call to Action for Leather roadmap – see diagram below). While some of the KPIs inform one another, they are interlinked. Therefore, signatories may progress more in some stages (e.g., Stage 3) over others (e.g., Stage 2).

3) Progress may apply only to a portion of the signatory's supply chain before it is extended across their entire supply chain.

We consider 2024 as the first reporting year for the Deforestation-Free Call to Action for Leather and it will be used as a pilot to inform how to best adapt the survey to collect KPI information in the future.

**Required**

- Signatories report on the KPIs using the Textile Exchange Materials Benchmark.
- Signatories report on the KPIs on an annual basis**.**
  - **Reporting timing**: The Materials Benchmark survey will be open for input by signatories between April – June of every year, for data and activities linked to the previous calendar year.[3]
- Signatories will provide necessary evidence to support results. The Materials Benchmark survey will detail the evidence required.

**Recommended**

- Signatories report publicly on the KPIs. Transparency through public reporting is gaining global momentum and is an opportunity for signatories to protect and improve their reputation, boost competitive advantage, uncover risks and opportunities and track and benchmark progress.[4]
- Signatories extend relevant KPIs to other/ all key risk commodities.

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[3] In April-June 2024, signatories will report on their KPIs based on activities and data from Jan-Dec 2023.

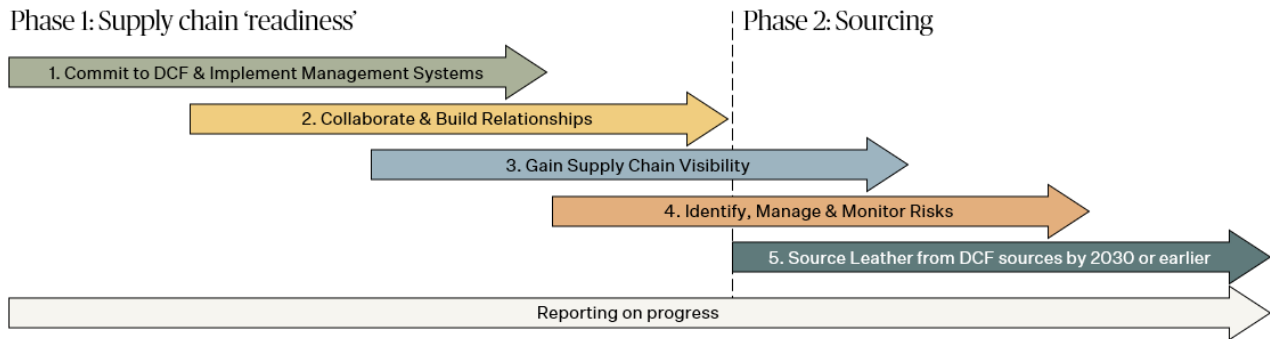[4] CDP, 2024. Why disclose as a company.

# Section C – Key Performance Indicators (KPIs)

The KPIs below have been categorized based on the Deforestation-Free Call to Action for Leather roadmap stages (see diagram below). Signatories will report on these KPIs through the Materials Benchmark (see "section A.3. Platform for reporting).

In the KPIs below, we reference Deforestation/ Conversion-Free (DCF) alongside the Deforestation-Free Call to Action for Leather because we are aware that some signatories may have chosen to develop/implement umbrella policies and programs on DCF that cover several materials. In such cases, communicating about the call to action specifically may not be as impactful as communicating about your company's wider DCF commitments. However, it is expected that wider DCF commitments will deliver on the Deforestation-Free Call to Action for Leather requirements.

## Deforestation-Free Leather Sourcing Roadmap for Brands



## Stage 1: Commit to DCF and implement management systems

**KPI 1.1.** A policy commitment has been published.[5]

**KPI 1.2.** An action plan for implementation is in place.[6] [7]

**KPI 1.3.** An annual investment has been made in line with target.[8]

(If yes, a prompt will be provided to capture more information related to the investment, including stakeholders involved, mission, and aim)

**KPI 1.4.** The following year's annual investment target has been set.[9]

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[5] Following the requirements of the Policy Guide.

[6] A plan for implementing the components of the Deforestation-Free Call to Action for Leather. Typically, action plans include actions/ steps to be taken, person(s) responsible for implementing each action, and a timeline for when each action needs to be completed.

[7] If a plan has been developed using the Progress Tracker, this would be adequate to meet this requirement.

[8] Target is related to the investment amount in USD, following the requirements in the Investment Guide.

[9] Target is related to the investment amount in USD, following the requirements in the Investment Guide.

## Stage 2A: Collaborate and build relationships with leather processing suppliers (Phase 1)

**KPI 2.1.** Percentage of the following suppliers communicated to about the Deforestation-Free Call to Action for Leather / DCF.[10][11]

- Finished leather manufacturers.[12]
- Wet-blue/ wet-white tanners.

**KPI 2.2.** Percentage of the following suppliers, committed and implementing activities of the Deforestation-Free Call to Action for Leather.[13]

- Finished leather manufacturers.
- Wet-blue/ wet-white tanners.

At least one of the following activities needs to be implemented when calculating percentage figures.

- Adhering to the signatory's Deforestation-Free Call to Action for Leather requirements.
- Engaging and raising awareness about the call to action with their suppliers.
- Mapping their supply chain.
- Already have or be developing a grievance mechanism aligned with UN Guiding Principles' Effectiveness Criteria).[14]

## Stage 2B: Collaborate and build relationships with slaughterhouses and farm-level suppliers (Phase 2)

**KPI 2.3.** Percentage of slaughterhouses linked to the company's supply chain that are engaged with the Deforestation-Free Call to Action for Leather/DCF and the expectations to be met.

*"Engaged" here is defined as direct engagement by the signatory, through their suppliers, or collectively through the call to action.*

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[10] Percentage of the total number of each of the suppliers.

[11] Supplier Engagement Guide, Section B. Supplier engagement activities B.1.1. Clearly communicating the following to your suppliers: 1) signatory's published commitment and the context for making the commitment; 2) that by 2030 or earlier, your brand will only accept leather products produced in accordance with the call to action requirements; 3) that this is a long-term journey and that your brand will work with the suppliers to report their policy implementation.

[12] A facility where the process of leather manufacture occurs to the point of producing finished leather. Note: Finished leather manufacturers may perform the whole transformation process from raw hide to finished leather or from part processed to finished leather.

[13] Percentage of the total number of each of the suppliers.

[14] Management Systems Guide, Section B.2.1. Activities to demonstrate progress are related to 1) Policy commitment; 2) Supplier engagement; 3) Supplier management; 4) Supply chain mapping; 5) Grievance mechanism; 6) Reporting. A subset of these are suggested for signatories to collect data on.

## Stage 3: Gain supply chain visibility[15]

**KPI 3.1.** Percentage volumes that are:

- Unknown.[16]
- Known to finished leather manufacturers.
  *(Note: Finished leather manufacturers produce and sell "Leather of cattle." In the context of the EU Deforestation Regulation (EUDR) the relevant CN code is ex 4107).[17]*
- Known to wet-blue/ wet-white tanners.
  *(Note: The closest EUDR CN code comparison to "wet-blue/ wet-white tanneries" would be 4104).[18]*
- Known to slaughterhouses (also considered as "known origin" for leather within the context of the call to action).[19]
  *(Note: Slaughterhouses produce and sell "Raw hides and skins of cattle." In the context of the EUDR, the relevant CN code is ex 4101).[20]*
- Known to direct farms.[21]
- Known to birthing farms.[22]

**KPI 3.2.** Supply chain data verification program is in place (for data related to leather processing).[23]

## Stage 4: Identify, manage and monitor risks

**KPI 4.1.** Risk levels (social and environmental) identified for the leather supply for known origins (signatories can consider this at a country level or a biome/ regional level).[24] [25]

*Known origin data refers to KPI 3.1, percentage volumes known to slaughterhouse, as a minimum.*

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[15] Volumes are linked to leather types that are considered within the Deforestation-Free Call to Action for Leather scope (refer to the Policy Guide for more information).

[16] Unknown volumes are considered as volumes that are not mapping to, at least, finished leather manufacturers.

[17] CN Code 4107: Leather of cattle, further prepared after tanning or crusting, including parchment-dressed leather, without hair on, whether or not split, other than leather of heading 4114.

[18] CN Code 4104: Tanned or crust hides and skins of cattle, without hair on, whether or not split, but not further prepared.

[19] Unknown are considered as volumes that are not mapping to, at least, finished leather manufacturers.

[20] CN Code 4101: Raw hides and skins of cattle (fresh, or salted, dried, limed, pickled, or otherwise preserved, but not tanned, parchment-dressed, or further prepared), whether or not dehaired or split.

[21] These are farms, also known as finishing farms, that supply directly to the slaughterhouse.. These may or may not be feedlots.

[22] A facility where animals are born and stay with their mothers until they are weaned.

[23] Refer to the Supply Chain Mapping Guide on data requirements and acceptable verifications.

[24] Guidance on determining risk levels per risk topic is provided within the Risk Assessment & Prioritization Guide. For example, for deforestation risk, signatories can evaluate high risk levels based on the data contained within the WWF Deforestation Fronts report. Signatories can also use other means of information, including the EUDR country-level benchmarks, once published, other robust studies/ tools, and expert third-party providers who tailor risk assessments based on a signatory's sourcing pattern.

[25] As a minimum, accurate location details of slaughterhouses would be considered as known origins (please refer to the Supply Chain Mapping Guide for information on the collection and verification of supply chain data).

**KPI 4.2**. Percentage of leather from high-risk biomes/ regions/ countries. Volumes from unknown origin are considered high risk.[26] [27]

**KPI 4.3.** Percentage of leather from low-risk biomes/ regions/ countries.[28]

**KPI 4.4.** Effective grievance mechanism in place which is aligned with the UN Guiding Principles Effectiveness Criteria.[29]

## Stage 5: Sourcing from DCF sources

**KPI 5.1.** Percentage of slaughterhouses (linked to the company's supply chain) with control systems in place to deliver Deforestation-Free Call to Action for Leather/DCF hides.

*Having control systems in place demonstrates the slaughterhouse's ability to implement and monitor traceability and DCF on a proportion of farms or all the farms that supply to it. We are not expecting signatories, at present, to be working only in supply chains comprised of slaughterhouses with fully implemented Deforestation-Free Call to Action for Leather/DCF systems. However, we would like to capture this information in case there are already some examples of this being done.*

*The Deforestation-Free Call to Action for Leather will provide more guidance around how signatories can evaluate these requirements in a more consistent manner.*

**KPI 5.2.** Percentage of leather from **high-risk regions** that is **audited/ verified** to demonstrate implementation of Deforestation-Free Call to Action for Leather/DCF commitments.

*We recognize that there are currently very few systems available that will support full cattle supply chain verification to meet the Deforestation-Free Call to Action for Leather requirements. The call to action aims to identify potential pathways forward, collectively with its signatories and collaboratively with other relevant stakeholders.*

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[26] Unknown location details of slaughterhouses would be considered as unknown origin.

[27] Unknown location details of slaughterhouses would be considered as unknown origin.

[28] Guidance on determining risk levels is provided within the Risk Assessment & Prioritization Guide. For example, for deforestation risk, signatories can evaluate low risk levels based on credible information, including the EUDR Country-level benchmarks, once published, robust studies/ tools, and expert third-party providers who tailor risk assessments based on a signatory's sourcing pattern.

[29] Further guidance is available in the Policy Guide & Grievance Mechanism Briefing Note.

# Annex 1 – Reporting frameworks reviewed

- Accountability Framework initiative (2024). A Common Methodology for Assessment of Progress Towards Deforestation- and Conversion-Free supply chains (Version 2.0).

- Accountability Framework (2019). Operational Guidance on Reporting, Disclosure, and Claims.

- Accountability Framework (2019). Operational Guidance on Monitoring and Verification.

- CDP Worldwide (2023). Forests 2023 Questionnaire.

- Ceres (2019). Out on a Limb: The State of Corporate No-Deforestation Commitments and Reporting Indicators that Count.

- Consumer Goods Forum, Forest Positive Coalition of Action (2022). Commodity Roadmap Key Performance Indicators and Public Information Requirements.

- Consumer Goods Forum, Forest Positive Coalition of Action (2023). Guidance on the Forest Positive Beef Roadmap.

- Global Canopy, Forest500 (2022). Company Assessment Methodology.

- Proforest Beef Toolkit, Monitoring, Verifying and Reporting.

- Science Based Targets Network (2023). Step 3: Measure, Set, Disclose: LAND (Version 0.3)

# Annex 2 – Materials Benchmark
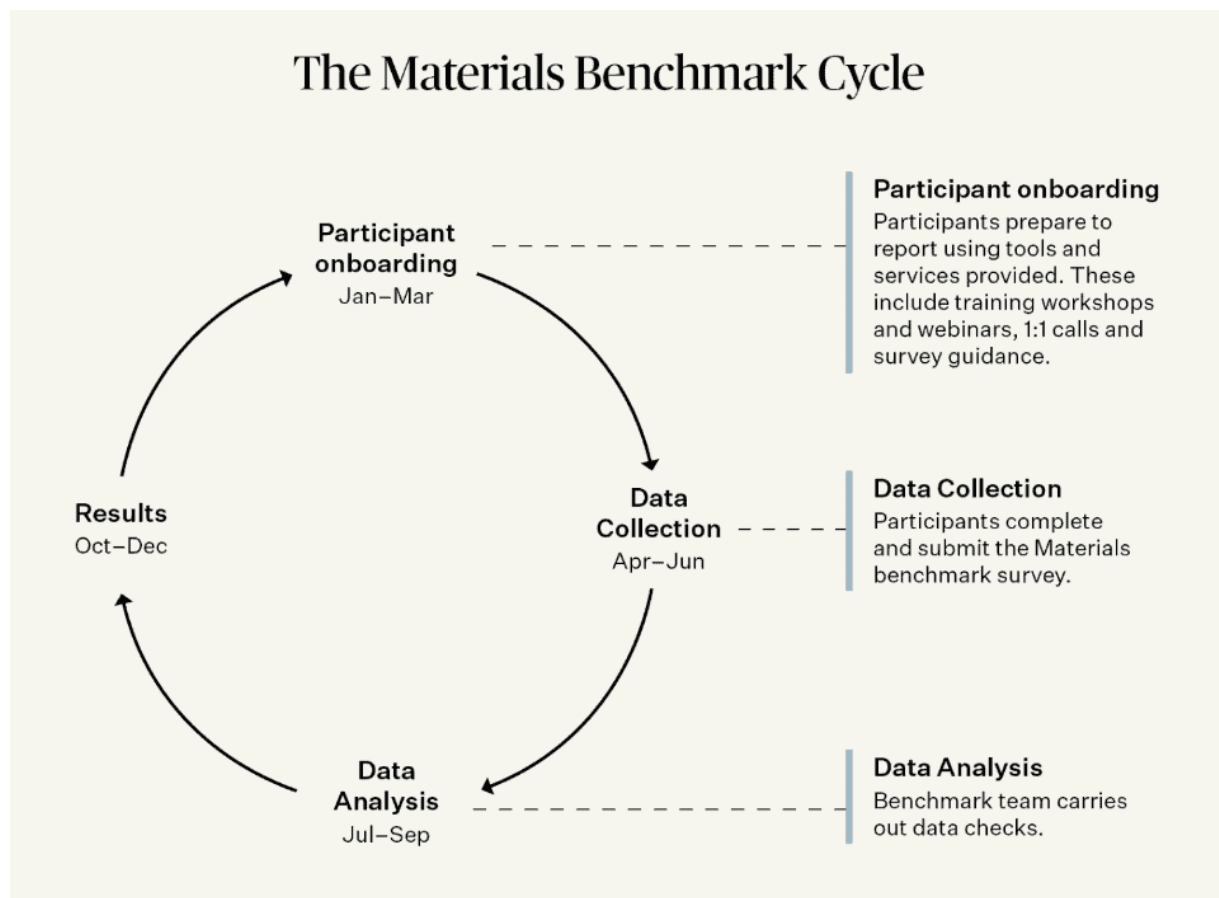
## 1. What is the Materials Benchmark?

The Materials Benchmark enables peer-to-peer comparative tracking of raw material sourcing by companies in the fashion, textile, and apparel industry. It was developed by Textile Exchange in 2015 to enable participating companies to:

- **Track** and measure the uptake and impact of fibers and raw materials.
- **Report** on the strategic approach for fibers and raw materials against an industry-recognized framework.
- **Support** the industry in reaching Textile Exchange's Climate+ target of a 45% reduction in greenhouse gas emissions from fiber and raw material production by 2030, from a 2019 baseline.

By providing a robust structure to help companies systematically measure, manage, and integrate a preferred fiber and materials strategy into mainstream business operations, the Materials Benchmark also helps companies compare progress, and to transparently communicate their performance to stakeholders.

## 2. What is the reporting cycle?

The Materials Benchmark submissions window is open from **April 1, 2024** to **June 7, 2024**. Signatories of the Deforestation-Free Call to Action for Leather are required to follow this timeline.

**The Materials Benchmark Cycle**

**Participant onboarding**
Jan–Mar

**Participant onboarding**
Participants prepare to report using tools and services provided. These include training workshops and webinars, 1:1 calls and survey guidance.

**Data Collection**
Apr–Jun

**Data Collection**
Participants complete and submit the Materials benchmark survey.

**Results**
Oct–Dec

**Data Analysis**
Jul–Sep

**Data Analysis**
Benchmark team carries out data checks.

### 3.  What do Deforestation-Free Call to Action for Leather signatories need to complete?

Deforestation-Free Call to Action for Leather signatories will report through a stand-alone module of the Materials Benchmark survey located in Textile Exchange's Data Reporting Portal.

Signatories are required to complete, at minimum:

- The Introduction section.
- Section II: Materials Portfolio, **2023 bovine leather uptake volumes**. If this is not feasible, the uptake will default to 0.01 to meet the mandatory condition of completing this section.
- The Deforestation-Free Call to Action for Leather module.

The Deforestation-Free Call to Action for Leather module will be scored independently and will not contribute to the overall Materials Benchmark score unless bovine leather is reported as "priority."

**How can companies register to the Data Reporting Portal?**

Companies that are not already registered in the Data Reporting Portal will receive login credentials closer to the launch of the survey. Once registered, the Materials Benchmark team will activate your account.

Multiple people within a single organization can be given access to the Materials Benchmark survey.

**4. How will data be kept confidential?**

Participants' data will be managed according to Textile Exchange's Terms of Service. Textile Exchange will never disclose or share any of your company's data submitted to the program without your explicit consent.

The use of an NDA to participate in the Material Benchmark is possible if required by your organization. Please note that the NDA will need to be specific to the Deforestation-Free Call to Action for Leather reporting through Textile Exchange's Materials Benchmark.

Please reach out to C2Aleather@textileexchange.org if your organization requires the use of an NDA to participate in the Materials Benchmark,  and attach the document in the first question of the Deforestation-Free Call to Action for Leather module.

# Definitions

- **Birthing farm:** A facility where animals are born and stay with their mothers until they are weaned. (Leather Working Group)

- **Bovine:** From cattle and/or buffalo

- **Direct farms:** These are farms that supply directly to the slaughterhouse. Also known as finishing farms. These may or may not be feedlots.

- **Finished leather manufacturer:** A place where the process of leather manufacture occurs to the point of producing finished leather. Note: Finished leather manufacturers may perform the whole transformation process from raw hide to finished leather or from part processed to finished leather. (Leather Working Group)

- **Slaughterhouse:** Facility where animals are sent for slaughter at end of life. (Leather Working Group)

- **Tannery:** A place where the process of tanning is undertaken. Tanneries may perform the whole transformation process from raw hide to finished leather or may only undertake the tanning process. (Leather Working Group)

- **Wet-blue:** Leather in a wet condition after chrome tanning. Wet-blue is an intermediate stage of manufacturing. (Leather Working Group).

- **Wet-white:** Leather in a wet condition after tanning with substances such as zirconium salts, aluminum salts, modified aldehydes, glutaraldehydes and syntans, that confer a whitish color. Wet-white is an intermediate stage of manufacturing. (Leather Working Group).