

SUSTAINABILITY DIFFERENTIAL AND SUSTAINABILITY INVESTMENTS

Cocoa sector guidance

Version 1.1



**RAINFOREST
ALLIANCE**



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OBJECTIVE

The general principles of the Sustainability Differential (SD) and Sustainability Investment (SI) requirements are applicable to all sectors. But as sectors work differently, sector-specific implementation guidance is needed. This document explains how the Sustainability Differential and Sustainability Investment requirements are implemented in the cocoa sector. SD and SI guidance for other sectors will be published separately.

SCOPE

The farm certificate holders (CHs) are central to the SD and the SI approach as those organizations are negotiating the SD and payment terms with first buyers, and they are also responsible for ensuring the redistribution of the full SD amount to their members (in case of group certification) or the expenditure of the SD to the benefit of workers (in case of large farms and individual farm certification). Guidance for all organizations that play a role with regards to how SD and SI values are agreed, paid, used, recorded in the Rainforest Alliance certification platform, and assured include:

At farm level:

- Management (either as group certification or individual certification)
- Group members (individual producers that are part of group certification)
- Workers (a person who performs labor in return for a monetary amount on a farm)
- Internal inspectors
- Certification bodies

At supply chain level:

- First buyers
- All buyers of Rainforest Alliance certified cocoa further downstream, including retail
- Certification bodies

1. THE SUSTAINABILITY DIFFERENTIAL AND SUSTAINABILITY INVESTMENT IN COCOA

1.1 Towards a sustainable cocoa sector

A sustainable cocoa sector is one in which cocoa is produced and traded in a way that allows people and nature to prosper. It is a sector in which producers have the knowledge and resources to produce cocoa that is environmentally, economically, and socially sustainable; and where they are supported by other supply chain actors to earn a living income, so the entire cocoa sector is resilient to the impacts of price volatility and climate change.

A sustainable cocoa sector is a more balanced sector with producers, traders, processors, brands, and retailers sharing risks, responsibilities, and value derived from sustainable production. All buyers of sustainably produced cocoa are held accountable for implementing responsible business practices and focusing investment and support at the producer level for continuous improvement of sustainability performance. We believe this will allow the sector to address longstanding challenges such as the inability of cocoa farmers to realize a living income, improved group management to address the risk of child labor, and deforestation.

Producers are able to attain a decent price for their cocoa because the market chooses only to invest in and source sustainably produced cocoa and rewards this better product with a better price.



Shared responsibility exists amongst supply chain actors, governments, and other stakeholders to ensure a living income for cocoa producers through targeted investment and support for income diversification, farm development, environmental protection, and local infrastructure in cocoa-growing communities. Alignment exists on a clear roadmap to address poverty, which is the root cause of issues such as child labor and deforestation, that undermine the sustainability of the cocoa sector.

1.2 Introducing the Sustainability Differential and Sustainability Investment

Why Farm Certificate Holders need SD and SI

Despite years of investment, the introduction of trainings on Good Agricultural Practices and other attempts to increase yields and incomes, improve social practices, and embed environmental sustainability requirements in the standard, there is still a significant gap between the current status on certified farms and the aspiration of the Rainforest Alliance. To accelerate impact, producers must be further incentivized to adopt sustainability practices and the farm CHs must have the means to invest in themselves and their members or workers.

To make sectors truly sustainable, all supply chain actors have a role to play. An inclusive supply chain is one where both the value and the risks are shared. This requires a shift to a system where the producers' costs and investments are covered and their efforts to make their farms and production more sustainable are rewarded.

To help realize this vision, our 2020 Sustainable Agriculture Standard (SAS) outlines two requirements for the buyers of Rainforest Alliance certified commodities: The Sustainability Differential and Sustainability Investments.

The Sustainability Differential is a mandatory additional monetary payment made to certified producers on top of the market price of the commodity.

The Sustainability Investments are mandatory cash or in-kind investments from buyers of Rainforest Alliance Certified products to farm certificate holders for the specific purpose of helping them reach compliance with the 2020 Sustainable Agriculture Standard.

Sustainability Differential and Sustainability Investments are intended to promote sharing of the costs and benefits of sustainable production across the supply chain in a more equitable manner.

1.3 Transitioning from Premiums to SD and SI

Contextualization of the SD and SI

The approach for the SD and SI is in principle the same for all crops, but the context of trade mechanisms, contracts, and payment methods may differ between crops and countries.

Furthermore, it is recognized that the development level and the performance of producers can vary significantly between and even within countries. The new Standard aims to contextualize the requirements and auditing mechanisms for higher efficiency whilst addressing crops, country, and producer-specific challenges.

Background: certification premiums in cocoa

A premium is mandatory for UTZ certified cocoa. While premiums were not mandatory for Rainforest Alliance certified cocoa, premiums have commonly been paid. In addition, as of



July 2020, a premium became mandatory for all Rainforest Alliance cocoa sales from Côte d'Ivoire and Ghana. This means that a premium is now mandatory for almost all UTZ and Rainforest Alliance cocoa sales. We will therefore consider the scenario where certification premiums are already paid as the starting point and approach this as a transition from premiums to SD and SI.

From premiums to SD and SI

This transition will require a shift in several components of current premium practices as shown in the table below:

Premium approach to investments			SD/SI approach to investments	
	CH level	Producer or worker level	CH level	Producer or worker level
Group certification	Only captures monetary amount paid from first buyer (FB) to certificate holder (CH). It does not include in-kind investments.	Not captured	Full investments made in CH are captured. This includes both in-kind investments and monetary investments.	Investments made at the farmer level as specified in the investment plan. Reporting on categories of investments made in certification platform (including benefits to workers)
Individual Farm certification			The investment plan is based on risk assessment and management capacity and thereby linked to investments needed to strengthen the quality of implementation of the Rainforest Alliance standard.	
Premium approach to payments			SD/SI approach to payments	
Group certification	Includes both a monetary amount to producers and to group component. Policy and documentation of distribution to members required and verified	Distribution to producers not captured in certification platform Specific benefits to workers not required	Distinguishes between value to producers (SD) and value to group (SI), thereby measuring what is reaching producers in monetary benefit. The farm CH (management) pays the full amount of SD received by buyers to producers.	Farm CHs are required to transfer the full SD amount to producers.
Individual Farm certification	Includes a monetary premium to the CH, but the exact distribution is not captured or measured.		Distinguishes between value for the producer (SD) and value to be used exclusively for investments to comply with 2020 SAS (SI).	N/A

Table 1: key differences between the premium and SD/SI



This shift is visualized in the diagram below.

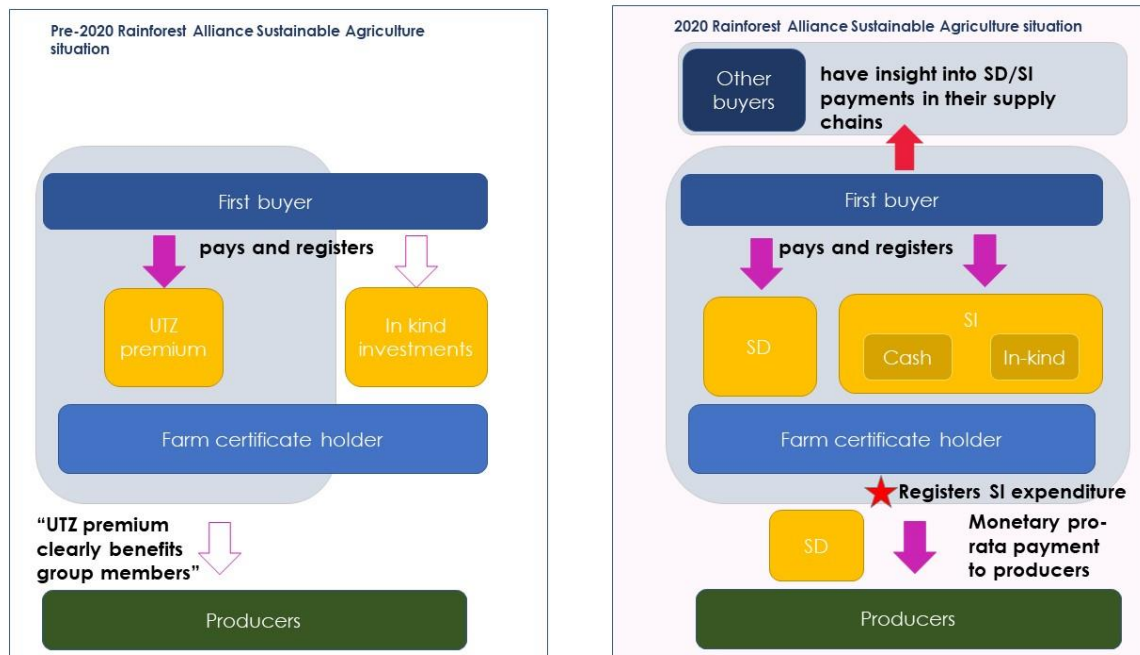


Diagram 1: transitioning from a premium to an SD and SI approach

2. SD and SI Timelines (For Cocoa Only)

The deployment of SD and SI will be rolled out in three phases with phase 1 ongoing at the time of publishing:

Phase I: April 2020 – June 2021

Introducing the mandatory premium to Rainforest Alliance cocoa

- As of April 2020, all buyers of Rainforest Alliance cocoa from Côte d'Ivoire and Ghana are required to pay a premium as negotiated, and the payments must be reported in the Rainforest Alliance traceability platform.
- Premiums are already mandatory for all first buyer UTZ sales globally.

Phase II: July 2021- June 2022

Transitioning to SD and SI

- From July 1, 2021, Certificate Holders start transitioning to the Rainforest Alliance 2020 Sustainable Agriculture Standard and cocoa certified against this Standard can start entering the supply chain.
- The SD and SI value paid will be recorded by first buyers in the Rainforest Alliance traceability platform for all purchased cocoa certified against the 2020 Rainforest Alliance Standard, according to the terms agreed between the first buyer and farm certificate holder.



- The transition period for all farm certificate holders to the 2020 Rainforest Alliance Standard is July 2021 to June 2022. Note that any audit after July 2021 will be against the requirements of the Rainforest Alliance 2020 Sustainable Agriculture Standard.
- This means the first cocoa for which an SD and SI must be paid and recorded can enter the supply chains in July 2021.
- By July 1, 2022, all Rainforest Alliance certified cocoa sales would have transitioned. Thus, from July 2022 onward, legacy UTZ and Rainforest Alliance cocoa can no longer be sold by farm certificate holders. All certified cocoa sold to first buyers must be certified against the 2020 Rainforest Alliance Standard and will therefore include the SD and SI.
- Existing contracts for cocoa certified against the 2020 Rainforest Alliance Standard, including premiums, will be honored for the full 2021-2022 harvest in Africa and until June 31, 2022, for the rest of the world. Premiums already negotiated and agreed upon can therefore be split up between SD and SI within the agreed monetary value.
- SD and SI payments may influence contracting terms between first buyers and their customers. These contractual terms are not captured in the Rainforest Alliance certification or traceability platform. However, we see the entire supply chain as responsible for realizing these ambitions and strongly urge final buyers to support first buyers in working with farm certificate holders to achieve continuous improvement and quality implementation of the Rainforest Alliance Sustainable Agriculture Standard.

Transparency

- The SD and SI value paid and recorded between first buyer and farm Certificate Holder will be transparent and visible in the Rainforest Alliance certification platform for Supply Chain Certificate Holders beyond the first buyer, involved in the same supply chain. These Supply Chain Certificate Holders will therefore be able to base their SD/SI payments on the information provided. Aggregate reports will be available for Supply Chain Certificate Holders.
- Reporting on SD/SI amounts visible in the Rainforest Alliance certification platform and through supply chain and sector reports will allow Rainforest Alliance to enable and encourage all actors of the supply chain to provide greater transparency on the SD and SI paid throughout their supply chains, even if this is not yet required for Supply Chain Certificate Holders beyond those who are responsible for payment of SD and SI. Depending on traceability level, supply chain specific reports on these values will be made available at an aggregate level to SCAs beyond the first buyer through the Power BI reporting platform. This will enable SCAs to base their SD and SI payments on the information provided.

Phase III: July 1, 2022 onward

Introducing the minimum SD

- All Certificate Holders are receiving SD and SI
- The minimum SD is introduced (see next chapter for details)

3. GUIDANCE FOR THE SUSTAINABILITY DIFFERENTIAL IN COCOA

3.1 The beneficiary of the SD

The Rainforest Alliance believes that farm certificate holders should be recognized for working towards increased sustainability and the SD is intended to support this.



The SD must benefit producers and/or workers as follows:

Certification type	Action after receipt of the SD by the CH
Group certification (requirement 3.2.1 applies)	The SD is paid in full to group members (producers). There is no stipulation about what to use the SD for; the producers can decide for themselves how the SD is spent. Nothing is kept by group management.
Individual certification (requirement 3.2.2 applies)	For individually certified SD must be spent to the benefit of the producer and/or the workers, in accordance with the guidance document on the Use of Sustainability Differential and Sustainability Investments for the benefit of workers. If the SD is spent to the benefit of workers the Certificate Holder must consult with workers on the priorities and report on the categories of expenditure.

Table 2: the beneficiary of the SD

3.2 The monetary value of the SD: The US\$ 70 minimum SD

- Until June 30, 2022 the SD is fully negotiable between the first buyer and the farm certificate holder. The SD amount will normally be decided through supply and demand dynamics as is currently the case. The Rainforest Alliance does not intervene in this negotiation. The SD and any price premiums can be paid together by first buyers. However, the Sustainability Differential must be clearly distinguishable from market price and other premiums or differentials in contracting and in reporting in the Rainforest Alliance Certification Platform.
- As of July 1, 2022 (or September/October 2022 for Africa) the **minimum** SD amount is set at 70 US\$ per MT of cocoa beans.
- From this date onward, all sales of certified cocoa from farm certificate holder to the first buyer must be rewarded with an SD that amounts to **at least** US\$ 70 per MT.

	Africa	Rest of the world
Start date for US\$ 70 minimum SD	All certified cocoa produced during the 2022-2023 harvest cycle or later that is sold as Rainforest Alliance certified	July 1, 2022
Implications on contracting and harvest cycles	<p>All purchases of cocoa produced during the main crop of the 2022-2023 harvest cycle* or later and all associated transactions entered in the Traceability Portal must include a minimum SD of US\$ 70 per MT.</p> <p>A minimum SD is not required for any certified cocoa sold from the 2021-22 harvest cycle.</p> <p>A higher SD is encouraged.</p> <p><i>*Harvest cycles in West Africa are typically considered to start in October.</i></p>	<p>The minimum SD must be paid for all transactions from a Farm Certificate Holder to a First Buyer with a shipment date of July 1, 2022 or later.</p> <p>A higher SD is encouraged.</p>

Table 3: the start date for the minimum SD per region



A minimum SD, not the norm

With a US\$ 70 minimum SD the Rainforest Alliance aims to raise the floor of SD payments. Extensive analysis indicates that a \$70 minimum would mean an increase in a substantial share of current premium payment practices.

However, the US\$ 70 is a minimum and should not become the norm. We are setting the minimum at this level to ensure that the industry remains responsible for properly rewarding producers for their sustainability efforts with a higher SD. We continue to believe in market mechanisms and count on the industry to reward farmers appropriately. As such we expect average SD payments to exceed US\$ 70 per MT.

To support this process, we will facilitate credible data and transparency to allow companies to make evidence-based decisions on the right investments in their sourcing base. We will continue to monitor for intended impact and evaluate the minimum threshold and related measures on SD and SI as necessary.

The Sustainability Investments will be based on an investment plan developed by the farm certificate holder. The investment plan must include a list of prioritized investments for improved performance of the farm Certificate Holder, group members, and workers to meet certification requirements faster and more efficiently.

4. GUIDANCE FOR THE SUSTAINABILITY INVESTMENTS IN COCOA

4.1 The beneficiary of the SI

Sustainability Investments are intended to support Farm Certificate Holders to comply with the core requirements of the 2020 Sustainable Agriculture Standard and relevant improvement requirements.

4.2 The Investment Plan

Sustainability Investments will be based on an investment plan developed by the farm certificate holder. The investment plan must include a list of prioritized investments for improved performance of the farm CH and group members to meet certification requirements faster and more efficiently.

4.3 Developing the Investment Plan

Annex 16 of the 2020 Sustainable Agriculture Standard is a template for the Investment Plan. In the Investment Plan Template, the various investment elements are categorized and linked to each of the chapters of the 2020 Rainforest Alliance Sustainable Agriculture Standard. A training module on how to use this tool is also available to Farm Certificate Holders.

In order to properly define the areas that require investment to comply with the 2020 SAS and to define priorities, the following tools should be used:

- **Risk assessment**
Through the farm certificate holder's risk assessment, the farm Certificate Holder will be able to identify the areas of improvement which will require investment.
- **Self-assessment and audit reports**
The farm CH's self-assessment of their own compliance with the standard, and the most recent external audit report should provide a clear and comprehensive overview of which standard criteria require improvement, and in what way.



- **Internal inspection results**

In the case of group certification, results from internal inspections, provide further information on which standard criteria need further support to achieve compliance. This data also provides important insights into the number of producers that require different types of support. In the investment template, the farm Certificate Holder can indicate which investments will be delivered at the level of the group administration and which at the level of producers, and to how many producers this will be provided.

- **Capacity Assessment**

The Capacity Assessment tool shall be used by the farm Certificate Holder to assess the relevant skills and systems they have in place to achieve and maintain compliance with the 2020 Rainforest Alliance Sustainable Agriculture Standard. This tool should be used to identify capacity building activities that must be prioritized and addressed through Sustainability Investments.

Please note that, as investment planning is a new requirement in our certification program, groups will likely need support to develop the skills to identify investment needs and complete a feasible costed investment plan. Buyers who provide support directly to groups are encouraged to invest in building their capacity to develop and implement an investment plan as part of an effective Internal Management System.

The main investment categories in the Investment Plan are linked to the chapters of the Standard. From the sources listed above, the Certificate Holder will identify areas of improvement and specific interventions such as training, equipment, goods, or services that are needed to support these improvements. These interventions are then included in the investment plan. Interventions are grouped under sub-categories covering the different chapters of the standard

The Investment Plan should be drawn up in the following way:

Before the harvest season

- A first draft of the Investment Plan will be drawn up before the audit. This version will have to be updated with the results of the audit, to include the costs of corrective actions related to non-compliance identified by the auditor, which had not yet been included in the investment plan. This corrected version will be the basis for negotiation on the level of sustainability investment between the farm Certificate Holder and the first buyer.
- Additionally, based on this initial assessments, large farms need to consult with workers representatives on the prioritization of the investment needs identified to improve the working conditions for workers. This investment plan will stipulate the total monetary value required to implement the plan. The farm certificate holder will estimate the volumes to be sold as Rainforest Alliance Certified, based on expected harvest yield and expected sales. The monetary value of their investment needs is divided by the expected certified volume sales to determine a volume-based SI amount.
- Buyers may ask the Certificate Holder to include specific investments in the Investment Plan to satisfy supply chain needs, as long as investments are made within the scope of the pre-defined investment categories and the final investment plan is agreed upon by the Certificate Holder.
- The final SI amount and/or certified volumes to be sold will be agreed upon between the farm certificate holder and the first buyer. There is no obligation for the farm Certificate Holder to share the detailed investment plan with their buyers but sharing at least a summary of the breakdown of investment categories is strongly encouraged, in the spirit of promoting transparency at all levels.
- The use of the Rainforest Alliance investment plan template is not mandatory for the 2021-22 main crop in Africa. Its use becomes mandatory from 1 January 2022 for all crops.



During the harvest season

- At the end of the annual sales cycle, the Farm Certificate Holder will have to report the allocation of total SI received against the different SI categories: 1) Administration and management (chapters 1,2, and3 and audit costs), 2) Agriculture (chapter 4), 3) Social (chapter 5) and 4) Environmental (chapter 6) in the Rainforest Alliance Certification Platform.
- Since the SI amount is agreed upon before transactions take place, the SI amount can be recorded by the farm Certificate Holder and confirmed by the first buyer in the Rainforest Alliance traceability platform on transaction level (the same way as the SD, see chapter 6).
- The total SI paid by the first buyers will depend on the actual volumes that were purchased during the season. First buyers who wish to purchase certified produce must agree to fund the SI. First Buyers are free to negotiate associated contractual terms for this investment from their customers. Likewise, final buyers and brand owners should work with their suppliers to realize their ambitions on both cash and in-kind SI contributions linked to the farm Certificate Holder they source from.
- First buyers can also make in-kind investments. If In-kind investments are made, they should also be made at least on an annual basis, and they will be accounted for separately in addition to the volume-based monetary SI contribution.

After the harvest season

- At the end of the season, the farm Certificate Holder will revise and adjust the investment plan according to the actual SI payments received (payments will be allocated based on initial prioritization and/or discussion with first buyers). This is the starting point of next year's investment plan.
- The auditor will use the revised/ adjusted plan as a basis to check consistency between the received money and the actual expenses made based on what was received.

Investment allocation

- Not all investment needs will be able to be addressed in an investment plan for a single year. This means that investment needs must be prioritized. SI is intended to be used to cover the most critical investment needs that will enable the group to comply with the applicable requirements in the 2020 Rainforest Alliance Sustainable Agriculture Standard as follows:

Core requirements	Mandatory improvement requirements	Self-selected improvement requirements	Other areas
Always	Once required by the Standard	If selected	May be included only if they contribute to Farm Certificate Holder compliance with the Sustainable Agriculture Standard

Table 4: the intended use of the SI

Allocation of in-kind investments

In-kind investments may be allocated to categories in the investment plan separately and in addition to the volume-based monetary SI contribution. In-kind investments should not be included in the calculation of the SI per MT of cocoa, but should be agreed upon on a periodic, contractual basis between the first buyer and the Certificate Holder. Only in-kind contributions for which an agreement has been made should be included.

Annual updating of the investment plan

Investment plans must be updated annually. Investments that have been made will be removed, and the Certificate Holder will review the prioritization of investments and identify any investments which are no longer necessary and any new investments that are required.



In addition to the risk assessment and capacity assessment, Certificate Holders will also use the internal inspection reports, self-assessment, and audit results to refine the main investment areas.

4.4 Value of the Sustainability Investments

Short term value

There is no minimum set for the Sustainability Investments. However, it is expected that the investment levels do not decrease from pre-2020 levels in the first years after implementation. This will be closely monitored by the Rainforest Alliance by analyzing premium and SD/SI data over a multi-year period. We will also analyze the effect of the introduction of the minimum SD in 2022 on the SI. If investment levels do decrease or are below expectations, then the Rainforest Alliance can take more prescriptive steps.

Long term investments and value

Particular (prioritized) needs in an investment plan may require significant funding, in which case a multi-year contract may be suitable, whereby the minimum SI will be calculated as the average annual investment for the contract duration, allowing high upfront investments and reduced follow-up investments during the contract period.

Compliance with the 2020 Sustainable Agriculture Standard is based on continuous improvement and therefore may entail new/additional investments. However, this does not necessarily mean the monetary value of investments has to increase annually. There must be a focus on impactful investments that result in continuous improvement and improved quality of implementation.

Indicator data will be collected for many requirements of the Sustainable Agriculture Standard to track improvements. This data can potentially be correlated with investments made through the investment plan.

The value of in-kind investments

In-kind investments are possible if the farm Certificate Holder and the first buyer agree on those. After in-kind investments are made by the first buyer to the farm Certificate Holder, they are confirmed by the farm Certificate Holder and matched to the correct category in the investment plan. If in-kind Sustainability Investments are made, a realistic monetary value must be assigned to the in-kind investments, and the first buyer reports these in-kind values through the traceability platform as "SI (in-kind) confirmed paid."

5. REPORTING THE SUSTAINABILITY DIFFERENTIAL AND SUSTAINABILITY INVESTMENTS IN THE TRACEABILITY PLATFORM

5.1 Reporting at transactional level

Both farm and supply chain certificate holders are responsible for keeping data in the certification and traceability platform up to date. The traceability platform is to reflect transactions as performed, including transaction details, such as SD and SI paid for a certified volume.

The graph below indicates which Certificate Holder is to perform which steps in the traceability platform with regards to SD and SI payment. Information around SD and SI payment will be collected at two moments in time:



- 1) When the farm Certificate Holder makes a sales transaction to the first buyer. The transaction details will include the SD/SI amount both parties have agreed to, the system will ask to enter "SD agreed to be paid"/"SI agreed to be paid".
- 2) When the first buyer has transacted the actual SD payment/SI payment to the farm Certificate Holder, a confirmation of such payment is entered into the platform. This is done at regular intervals, latest 3 months after actual payment was made or service delivered (in case of in-kind Sustainability Investments).

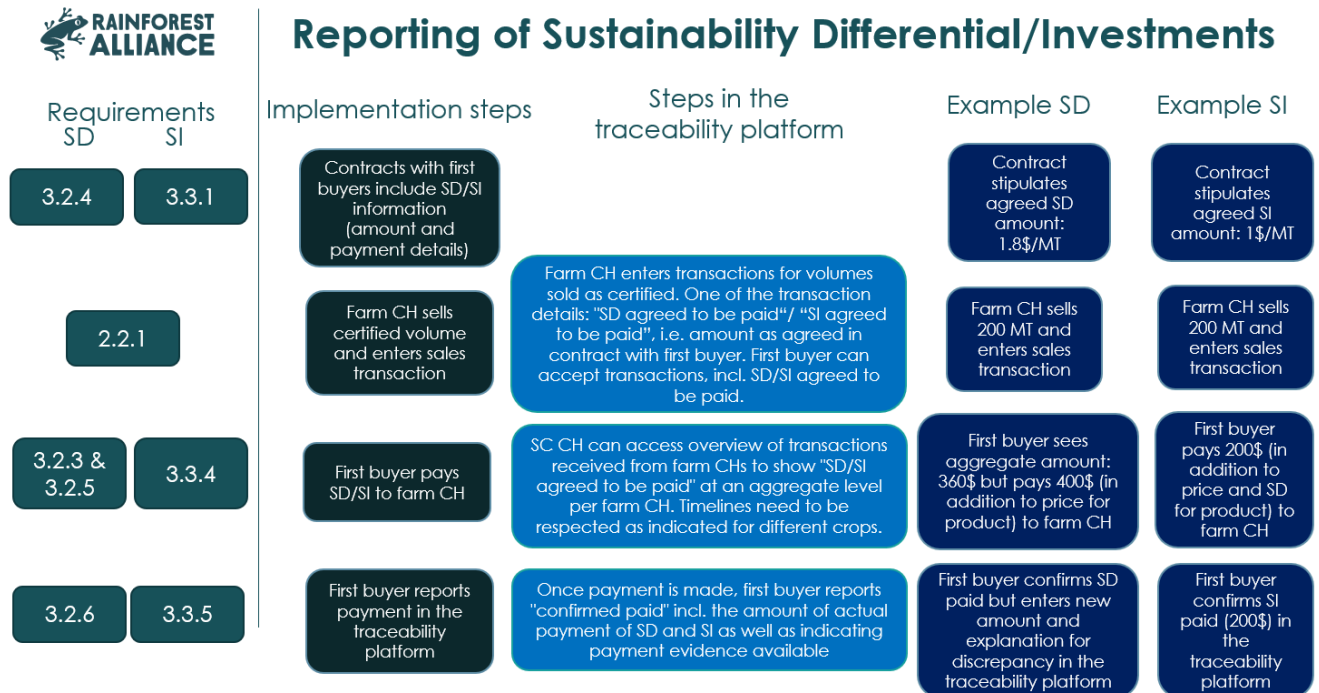


Diagram 2: reporting of the SD and SI

5.2 Annual Reporting

Farm CHs reporting on SD spent

While farm Certificate Holders with group certification are to distribute the total SD received by their buyer to the group members on a pro-rata basis, farm Certificate Holders with large group members or with individual certification must spend the SD to the benefit of workers on the following categories: wages, working conditions, health and safety, housing.

Once the Supply Chain Certificate Holder confirms they have made SD payments, and in preparation for the next audit, the farm Certificate Holder is required to report on how the SD received was spent according to the pre-set categories. This is to be done in the Rainforest Alliance Certification Platform (RACP) as part of the certification.

Farm CHs reporting on SI spent

Once the Supply Chain Certificate Holder confirms to have made SI payments, and in preparation of the next audit, the farm Certificate Holder is required to report on how the SI received was spent according to the pre-defined investment categories. This is also done in the Rainforest Alliance Certification Platform (RACP) as part of the certification.



6. CONTRACTING THE SD AND SI

In this chapter, guidance will be provided on best practices for contracting of the SD and SI. While this guidance is non-binding, we do highly recommend that this guidance is followed in the creation and follow-up on contracts for certified cocoa.

Including SD and SI when contracting for certified beans

- While sourcing certified cocoa, brand owners should work with their suppliers to understand agreements and commitments on SD/SI between the farm CH and the first buyer. The SD and SI must be clearly distinguished from price, quality, and other differentials as required in the Standard.
- The volume contracted by the first buyer should be realistic with respect to the maximum estimated production capacity for certified production of all members of Group Certification or all farms under Individual Certification (see Guidance Document G. Yield Estimation). Factors that influence available cocoa, such as side-selling or low production, should be considered when contracting volumes. The contracted volume for certified cocoa may not exceed the maximum certified production volume.
- Unless the contract has the volume of bean delivery specified by certain dates, the beans may be delivered at any time during the contract period. Multi-year contracts for delivery are encouraged. By the end of the contract period, on an annual basis, the First Buyer should have taken delivery of the full amount of certified cocoa, paid the full SD and SI on these beans as per contract, and delivered on all agreed in-kind investments. If the First Buyer has not taken delivery of a contracted volume of cocoa for reasons other than quality defaults, then it is recommended that the First Buyer still pays the full amount of SD and SI as per contracted volume and delivers the agreed in-kind investments.

7. ASSURANCE OF SD/SI PAYMENTS

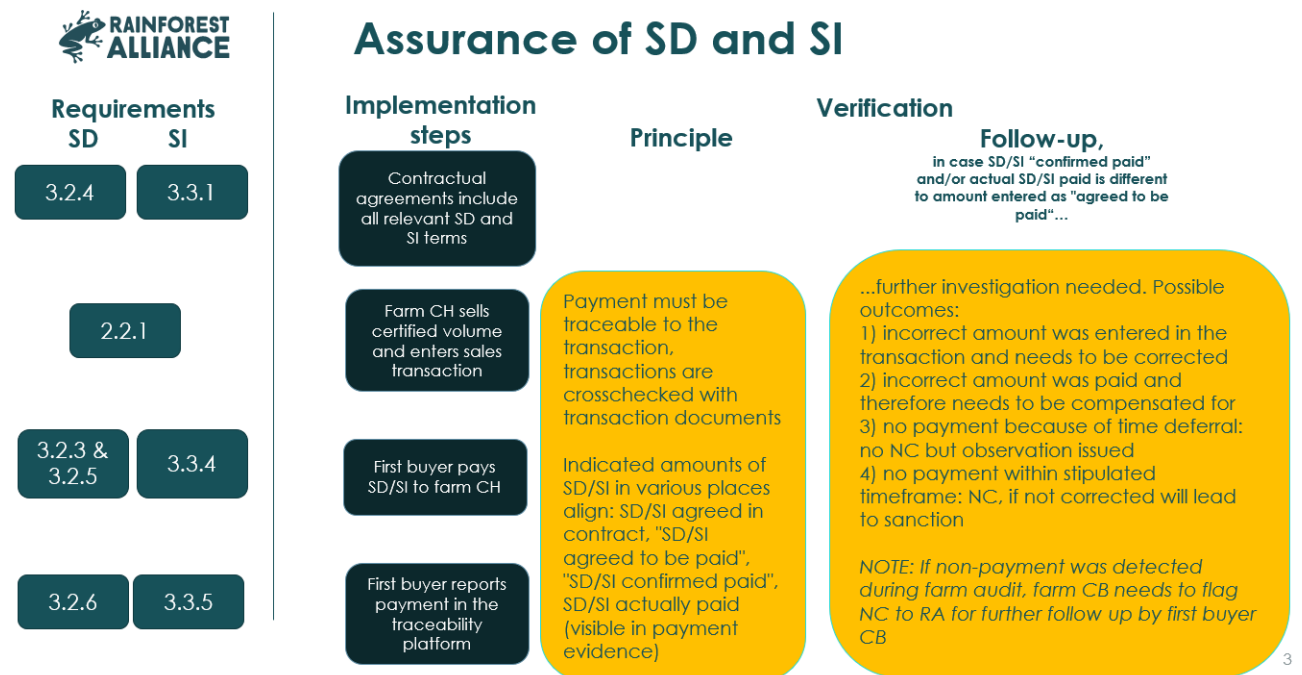


Diagram 3: assurance of the SD and SI

Assurance of SD and SI payments from the first buyer to farm certificate includes verification at multiple levels. As explained in chapter 6 (above), the traceability platform will request



both farm Certificate Holders as well as first buyers to report SD and SI figures relevant to them.

Farm Certificate Holders must record:

- the SD/SI amount agreed to be paid
- annual overview of the allocation of SD and SI according to different categories

First Buyers must record:

- Confirmation of the SD/SI amount agreed to be paid
- The SD/SI amount paid
- Additional in-kind investments made (if applicable)

Certification Bodies will receive reports of those figures in order to triangulate the information reported in the platform with physical evidence during farm and first buyer audits, such as shipping documents and payment receipts.

In addition, Certification Bodies will be able to triangulate information entered in the traceability platform by both farm Certificate Holders and first buyers to verify whether the amounts align and are in accordance with the Standard requirements and, therefore, also with the agreement between both parties.

If a Certification Body detects discrepancies between the figures reported in the traceability platform and the physical evidence of agreements and actual payments, the Certification and Auditing Rules prescribe the Certification Body to further investigate the causes for such discrepancy. While there can be acceptable reasons for a delayed payment or the payment of a different amount, absence of payment will lead to a sanction for the party that is responsible for SD/SI payment. If such non-payment is detected during the audit of a farm Certificate Holder, the farm Certificate Holder's Certification Body notifies the Rainforest Alliance so that further follow up by the first buyer's Certification Body can be arranged.

Auditing Supply Chain

First Buyers: Non-payment of the SD or misreporting on SI will be flagged as a non-conformity. This requirement applies to Supply Chain Certificate Holders who are identified as first buyers and responsible for paying SD.

Auditing Farm Certificate Holders

SD for groups: In the case of group certification, Farm Certificate Holders must forward the SD to their members. The auditor will revise proof of receipt at the farmer/farm group level as part of the farm group audit. These will be triangulated with proof of payment and receipt in order to validate the amount and authenticity of transactions.

Failure to pass on the amount in full will be considered a non-conformity and farm Certificate Holders can be suspended or decertified if they do not correct this non-conformity.

Investment plan (groups and individual Certificate Holders): The auditor will verify the existence of the investment plan and ensure that its content is consistent with the risk assessment, self-assessment, internal inspection and other relevant documents that provide the farm Certificate Holder insights in investment priorities to comply with the 2020 Rainforest Alliance standard (certification year 1 onward). From year 2 onward, the auditor will also audit the spending against the investment plan.

The auditor will use the revised/adjusted plan as a basis to check consistency between the money received and the actual expenses made. The actual allocation of SI received will be checked against what farm Certificate Holders record in the platform to ensure that recorded data is accurate.



If a non-conformity is identified, either during the Supply Chain or Farm audit, the Certificate Holder must take corrective action to close the non-conformity to be certified. Failure to close the non-conformity will result in a non-certification decision which means that the Certificate Holder will not be able to sell products as the Rainforest Alliance certified.

When there is evidence that there is misuse of the SI, the farm Certificate Holder can be suspended or decertified if they do not rectify the non-conformity.