Implementing Sustainability Differential and Sustainability Investment in Hazelnut

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MAKING RESPONSIBLE BUSINESS THE NEW NORMAL
Today's speakers

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Agenda

1. Introduction to Shared Responsibility

2. Shared Responsibility Requirements in the 2020 Sustainable Agriculture Standard

3. Implementation in Practice: Hazelnut

4. Questions & Answers
Shared Responsibility

Introduction
Components of the 2020 Program

**Sustainable Agriculture Standard**

- **Farm Requirements**
  - Annexes (binding): Compliance with the content of the annexes is required in order to be certified.
  - Guidelines (non-binding): Documents to help users understand, interpret, and implement the requirements, but are not binding for audits.

- **Supply Chain Requirements**

**Assurance System**

- Certification Rules: to set out how auditors evaluate compliance with the farm and supply chain requirements.
- Auditing Rules: to ensure that Certification Bodies consistently deliver Rainforest Alliance audits of the highest quality.
- Rules for Authorizing Certification Bodies: to determine which organizations can carry out audits against the new Rainforest Alliance standard.
- Requirements for Certification Bodies’ Personnel.

**Data Systems and Tools**

- Certificate holders at Farm and Supply Chain level will register for membership, manage audit processes, and record sales transactions of certified products in a new IT platform.
- Non-IT-based tools will progressively be made available to farmers, certificate holders, and supply chain actors to better track and manage sustainability performance against the requirements of the Sustainable Agriculture Standard.
Principles underpinning the Rainforest Alliance 2020 Certification Program

- Transparency
- Continuous Improvement
- Shared Responsibility
- Integrated Approach to Farm & Supply Chain
- Strengthened Assurance
Why shared responsibility?

Certification can place an unfair level of burden on producers. We need to balance the rewards for sustainable production and share the risks.

- Reward the sustainability efforts of producers = **Sustainability Differential**
- Contribute toward the investments needed to become and remain certified = **Sustainability Investments**
Sustainability Differential (SD)

• A mandatory payment of an additional monetary amount to **certified producers** (paid through individual CHs and farm group CHs) by buyers of Rainforest Alliance certified product, on top of the market price of the commodity

• **Intention**: recognize the sustainability efforts of producers in order to incentivize the continued uptake of sustainable production practices
Sustainability Investment (SI)

• Monetary or in-kind investments from buyers of Rainforest Alliance certified products to **farm certificate holders**

• **Intention**: enable improvements required by and stimulate compliance with the farm requirements of the 2020 certification program as well as costs of achieving certification

• These investments need to be in accordance with the needs identified by certificate holders and encapsulated in the **investment plan** they draw up
CHAPTER 3:
INCOME AND SHARED RESPONSIBILITY

Shared Responsibility Requirements and Assurance of Requirements in the 2020 Sustainable Agriculture Standard

For Farm and Supply Chain Actors
Annex: Shared Responsibility

SD&SI Hazelnut Guidance

Guidance: Use of SD&SI for the benefits of workers (for large plantations)
3.2.4: Terms are stipulated in contractual agreements with suppliers

3.2.3 (SD) and 3.3.4 (SI): Payments are made by the first buyer

3.2.5 (for SD) and 3.3.4 (for SI): Payment timelines are respected

3.2.6 (for SD) and 3.3.5 (for SI): Confirmation of payments is recorded, timely and accurately
Assurance of SD and SI requirements

Main principle:
Agreements between supplier and buyer are respected

- Are there agreements? What are those?
- Was payment made on time?
- Is the amount of SD/SI paid to supplier correct according to amount agreed per volume times volume purchased as RA?
- Do group members receive the amount they ought to receive based on volume delivery?

CB will then investigate, raise NC if appropriate and follow up according to the Certification and Auditing Rules (+Annex AR1)

i.e. SD/SI amounts and terms as implemented align with contractual agreements, reports/documents, system records as well as CB’s observations
Requirements for Farm CHs on SD and SI

- Documents SD received by buyers
- **Transfers full amount of SD to group members, as monetary payment, pro-rata, in a timely and convenient manner**
- Documents that payment

- **Groups: 3.2.1**
  - Documents SD received by buyers
  - Spends the SD to the benefit of workers/or the producer itself, worker representatives are consulted on the expenditure
  - Documents the expenditure

- **Individuals: 3.2.2**

- **SI: 3.3.1**
  - Management at least annually defines the investments needed to improve sustainability and develops an investment plan
  - Results of internal inspection, risk assessments, external audits are considered
Management at least annually defines the investments needed to improve sustainability and develops an investment plan.

- Cost related to core and mandatory improvement plans can be included.
- During the first audit the focus will be on ensuring consistency between compliance gaps and content of investment plan.

You’ll find the template in Annex S16.

Use of template is mandatory from 1. Oct 2021.
Hazelnut specific guidance

How to implement the Shared Responsibility requirements in hazelnut?
The first CH purchasing from a FCH is responsible for paying the SD/SI to the FCH

1. Company with farming, primary processing and exporting activities, all covered under one certificate

Transfer of SD according to Farm Requirement 3.2.1

SD and SI implementation according to Requirements 3.2.2 – 3.2.6
The first CH purchasing from a FCH is responsible for paying the SD/SI to the FCH (ctd.)

2. Company with primary processing and exporting activities in scope of their certificate purchasing hazelnuts from a farm CH
The first CH purchasing from a FCH is responsible for paying the SD/SI to the FCH (ctd.)

3. Company with farming, primary processing and exporting activities in scope of their certificate, purchasing hazelnuts from another farm CH

- Transfer of SD according to Farm Requirement 3.2.1
- SD and SI implementation according to Requirements 3.2.2 – 3.2.6

Diagram:
- Farmers
- Farm CH
- Primary processing
- Exporting
- Importer / trader (SCA)
- Manufacturer (SCA)
- Brand owner (SCA)

Company with farming, primary processing and exporting in scope of their certificate buying from another farm CH.
No minimum SD or SI for hazelnuts

- No minimum SD or SI is set for hazelnuts as is currently the case for the UTZ premium.
- Supply/demand will guide the negotiations on SD.
- The investment plan template (mandatory from 1st Oct 2021) will guide the negotiation for SI.
- During the first 2 years the focus will be on proper implementation, transparency and learning. Based on results, we will decide whether to adjust our approach.
Contracting & timelines of implementation

The SD/ SI requirements become mandatory from 1. July 2021:

- All contracts between farm CH and first buyer signed for volumes certified under the 2020 SAS must reflect SD and SI (3.2.4). The SD and SI must be clearly distinguished from price, quality and other premiums (3.2.3).

- The value of SD and/or SI due must be paid no later than 6 months after shipment (3.2.5).

- As the first audits in the hazelnut sector against the 2020 SAS will take place in August-September 2021, the requirements on SD and SI become mandatory for volumes produced this coming season already.
SD and SI transition rules for hazelnuts

• All CHs must transition to the 2020 Certification Program between 1. July 2021 and 31. June 2022.

• Supply Chain Actors may purchase and sell volumes certified under the 2020 SAS prior to obtaining a transition certificate and during the process of obtaining a transition certificate.

• But: requirements for SD and SI must be complied with for all hazelnuts certified against the 2020 SAS.

• Hazelnut volumes purchased after 1. July 2021 certified under the legacy UTZ standard requires first buyers to comply with the requirements of the UTZ standard: premium requirements apply, but SD/SI does not apply to legacy UTZ volumes.
Transparency to encourage commitment

• The SD and SI value agreed between first buyer and farm CH will be captured in the Rainforest Alliance platform and be visible for SC CHs beyond the first buyer.

• By providing transparency of SD and SI values, Rainforest Alliance aims to incentivize all actors of the supply chain to contribute to SD and SI - even if payment is not yet required for CHs beyond the first buyer.

• While sourcing certified hazelnuts, brand owners should work with their suppliers to understand agreements and commitments on SD and SI between the farm CH and the first buyer and contribute accordingly.
Time for your questions!

Please share your questions in the Q&A box.
Useful resources for you

• Website article: Shared Responsibility - Balancing Sustainability Values and Costs for Farmers and Companies

• One-pager: Shared Responsibility

• All information about the 2020 Certification Program:
  • Farm Requirements (chapter 3 on Shared Responsibility)
  • Supply Chain Requirements
  • Annex S14 – Shared Responsibility
  • Annex S16 – Sustainability Investment plan template (to be published soon)
  • Guidance Document on Sustainability Differential and Sustainability Investments in the hazelnut program