



THRIVE TOGETHER

WEBINAR SERIES

Implementing Sustainability Differential and Sustainability Investment in Hazelnut

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Joseph Booth – Market Transformation Manager

10 June 2021 – Thrive Together Webinar Series -- <https://www.rainforest-alliance.org/business/events/>



MAKING RESPONSIBLE BUSINESS THE NEW NORMAL

**RAINFOREST
ALLIANCE**

Today's speakers



Presenter:

Christiane Hornikel
Program Manager,
Hazelnuts



Presenter:

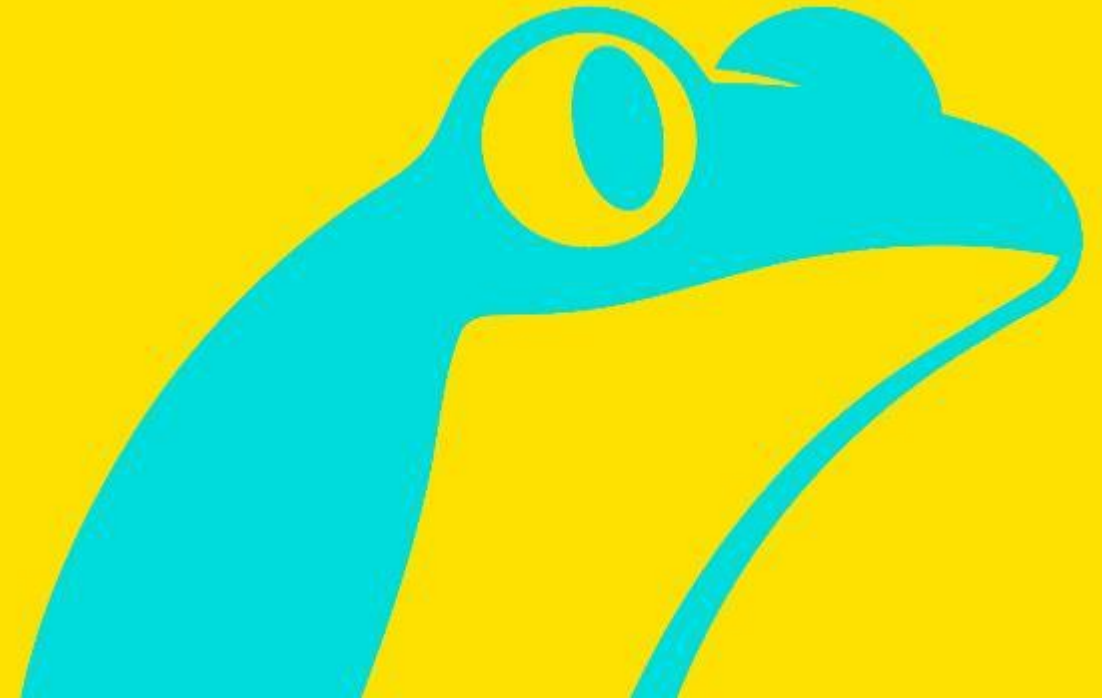
Joseph Booth
Market Transformation
Manager

Agenda



Questions?
Please enter
them in the
Q&A Box

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



SUPPLY CHAIN REQUIREMENTS

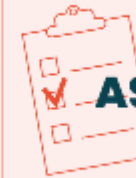


Annexes (binding):

Compliance with the content of the annexes is required in order to be certified.

Guidances (non-binding):

Documents to help users understand, interpret and implement the requirements, but are not binding for audits.



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.

New 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**



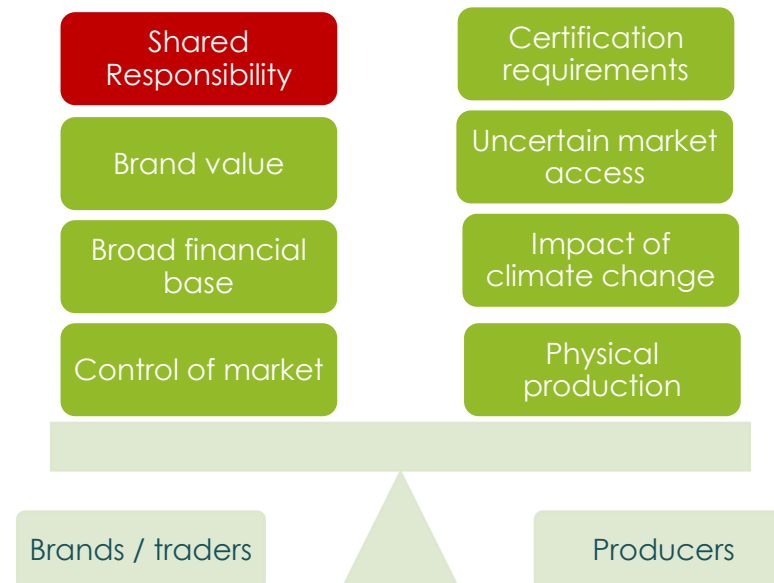
**Strengthened
Assurance**



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

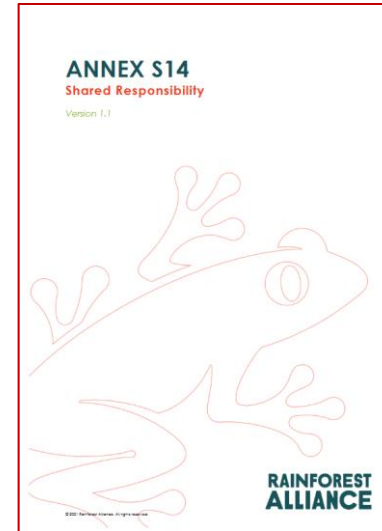
CHAPTER 3:

INCOME AND SHARED RESPONSIBILITY

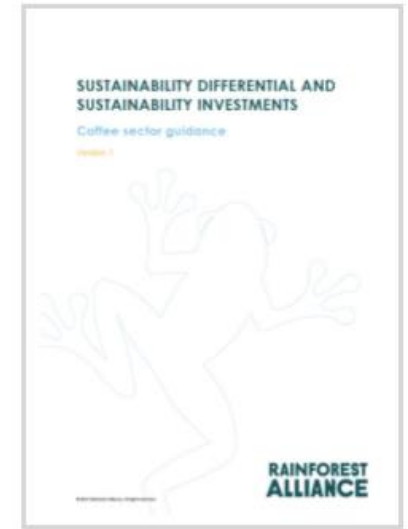


Shared Responsibility Requirements and Assurance of Requirements in the 2020 Sustainable Agriculture Standard

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)**

Requirements for Supply Chain CHs on SD and SI

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



INTERPRETATION OF REQUIREMENTS

APPLICABILITY

Definition of the supply chain certificate holder responsible for SD/SI payments

The general term "buyer" is used so as to not limit the applicability of requirements 3.2.3 and 3.3.4 to one type of supply chain certificate holder (CH). Which supply chain CH is responsible for the SD and SI payment is determined in the different sectors based on how the supply chain is structured.

In most cases, SD and SI will be paid by the **first buyer**, defined as the initial supply chain actor legally owning the certified product after the farm certificate holder.

For certain crops, SD and SI will be paid by the **brand owner**, defined as "a person or company who markets any commodity under a registered brand name or label. This may include private label brands/store brands owned by retail companies."

The table below indicates which supply chain CH the requirements around SD and SI payment will apply to for Rainforest Alliance certified agricultural products in different sectors:

Crop/Sector	Complies with SD/SI requirements
Coffee	First buyer
Cocoa	First buyer
Tea	Brand Owner

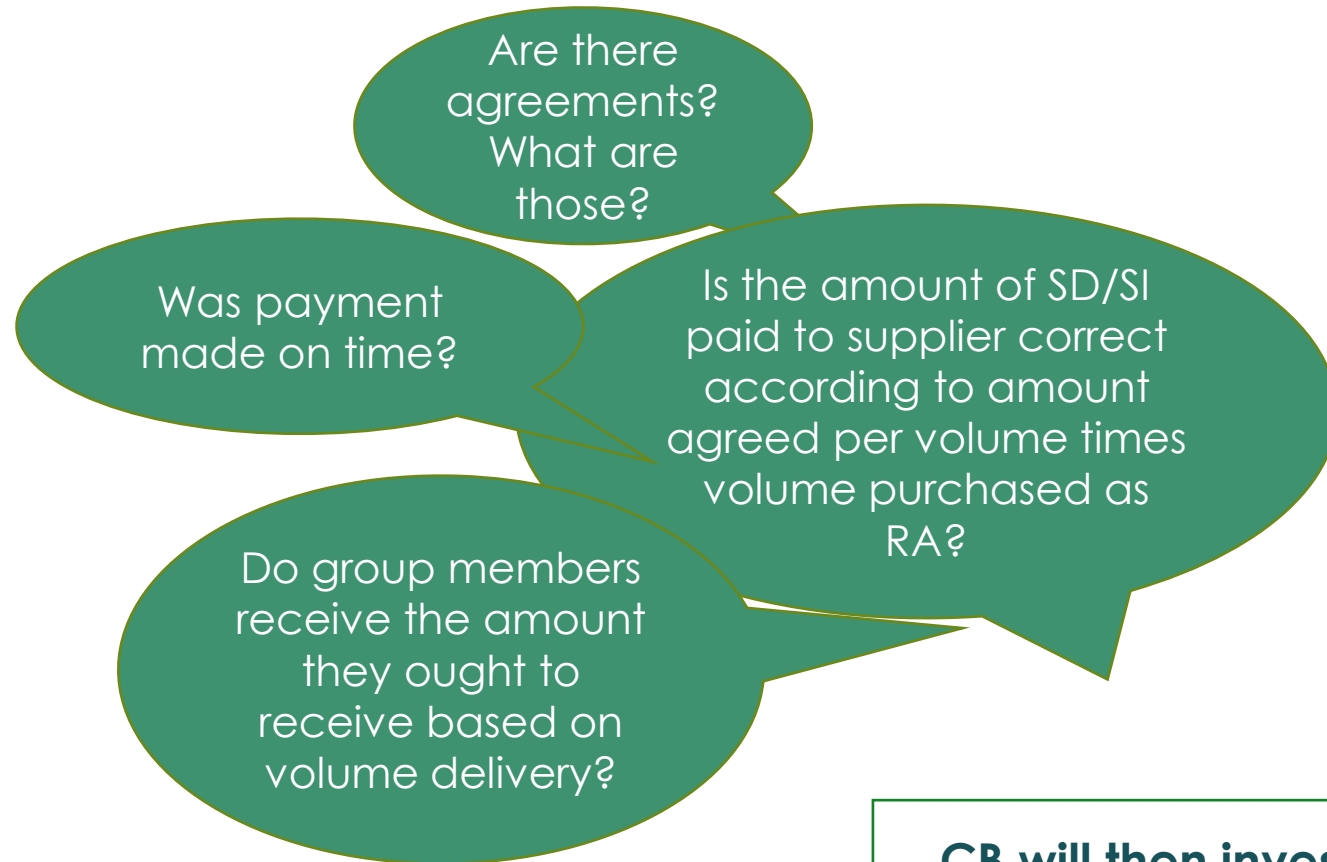
Equivalents

Premium

(€/MT)

The premium is a cash amount above the market price paid to the Sustainable Agriculture Standard certificate holder, because the product is sustainably produced according to the Rainforest Alliance standard.

Assurance of SD and SI requirements



Main principle:

Agreements between supplier and buyer are respected

i.e. SD/SI amounts and terms as implemented align with contractual agreements, reports/documents, system records as well as CB's observations

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

Groups: 3.2.1

- 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

Individuals: 3.2.2

- 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

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

...and SI



Instructions: Upon completing the Excel sheets A1 to A2, the tool transfers the activity information and amounts to column E (pre-harvest estimator). The CH can adjust the amount invested for each activity as a function of size of certified product for a new SI Plan (B1). As a function of the priority indicated by the CH, the tool adjusts the available amount for the new SI Plan, according to size of certified product.

Sustainability Investments			
A. Sustainability Investment Plan (based on estimates defined on A1)	\$ -	-	Not evaluated under (Before/Aftering Internal)
B. SUSTAINABILITY INVESTMENT (SI) (based on real values and volume data)	\$ -	-	0 of real values
			Sustainability Investment Prior (2024/25)
			\$ -

Investment Category	Resourced Plan Based on personnel allocated	X	100% INVESTMENT FOR ARI	=	Available Budget Based on Calculated Resourced Staff	Certified Major Investment	Form Investment	Control
1 Management	\$ -		\$ -	\$019/01		\$ -	-	
2 Feasibility	\$ -		\$ -	\$019/01		\$ -	-	
3 Shared Responsibility	\$ -		\$ -	\$019/01		\$ -	-	
4 Farming	\$ -		\$ -	\$019/01		\$ -	-	
5 Social	\$ -		\$ -	\$019/01		\$ -	-	
6 Environment	\$ -		\$ -	\$019/01		\$ -	-	
7 Audit costs	\$ -		\$ -	\$019/01		\$ -	-	
8 Others	\$ -		\$ -	\$019/01		\$ -	-	
TOTAL	\$ -		\$ -	\$019/01		\$ -	\$ -	
Resources to allocate if over budget			\$ -					

Average investment per farm	BDIV/E!
1980	1.00
1981	1.00
1982	1.00
1983	1.00
1984	1.00
1985	1.00
1986	1.00
1987	1.00
1988	1.00
1989	1.00
1990	1.00
1991	1.00
1992	1.00
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2094	1.00
2095	1.00
2096	1.00
2097	1.00
2098	1.00
2099	1.00
2100	1.00

Sustainability Investment Plan: budget per category
Please update category activities budget and currency per category

[illegible]

Management

- *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?

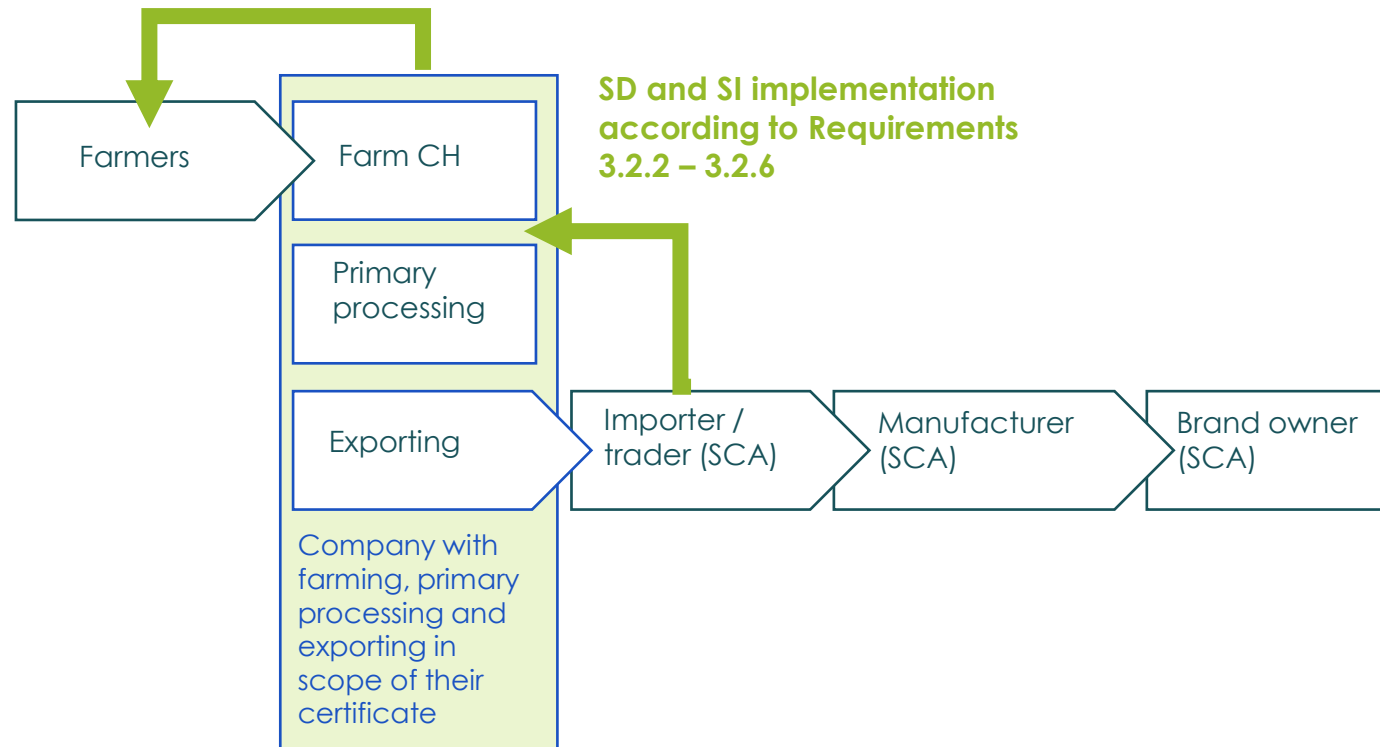




The first CH purchasing from a FCH is responsible for paying the SD/SI to the FCH

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

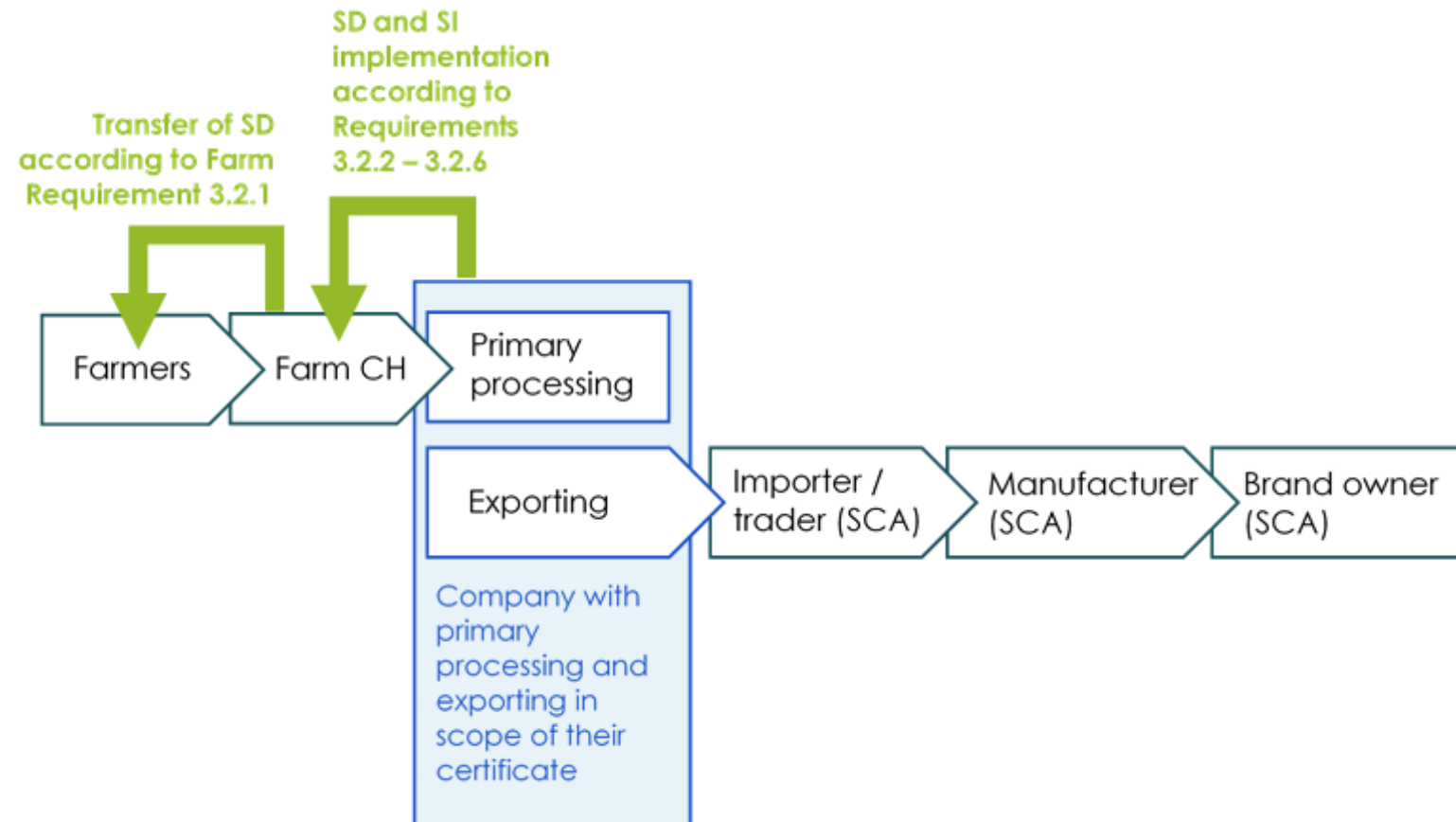
Transfer of SD according to
Farm Requirement 3.2.1





The first CH purchasing from a FCH is responsible for paying the SD/SI to the FCH (cld.)

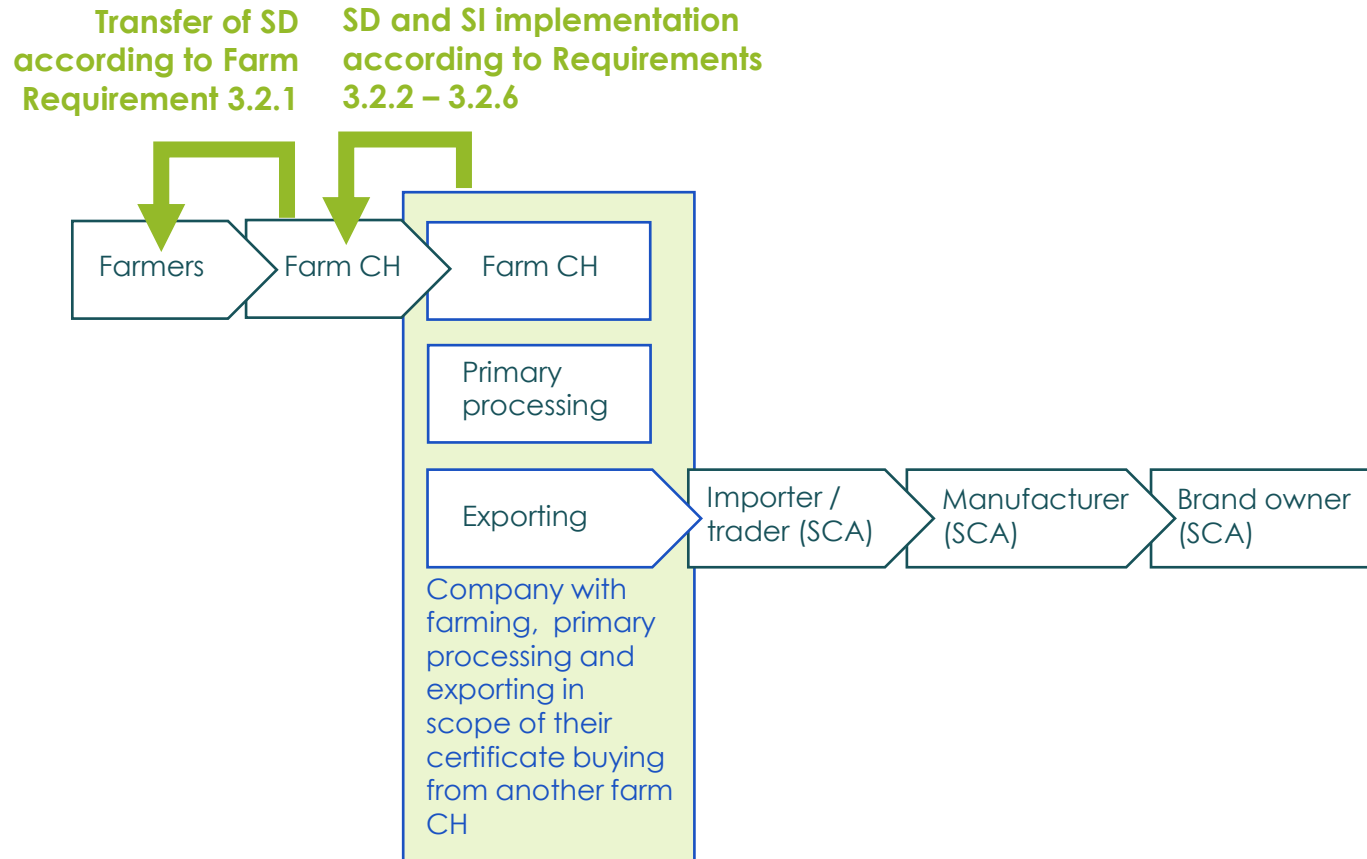
2. Company with primary processing and exporting activities in scope of their certificate purchasing hazelnuts from a farm CH





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





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](#)



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