

# SUSTAINABILITY DIFFERENTIAL AND SUSTAINABILITY INVESTMENTS

## Tea sector guidance

*Version 1*



**RAINFOREST  
ALLIANCE**



The Rainforest Alliance is creating a more sustainable world by using social and market forces to protect nature and improve the lives of farmers and forest communities.

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### More information?

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<b>Document Name:</b>		<b>Document Code:</b>	<b>Version:</b>
Sector Guidance Sustainability Differential and Sustainability Investments Tea Sector		SA-G-SD-18-V1	1
<b>Date of first publication:</b>	<b>Date of revision:</b>	<b>Valid From:</b>	<b>Expires by:</b>
June, 2021	N/A	February 28, 2021	Until further notice
<b>Developed by:</b>		<b>Approved by:</b>	
Rainforest Alliance Department Markets Transformation		Director of Standards and Assurance	
<b>Linked to:</b>			
SA-S-SD-1-V1.1 Rainforest Alliance 2020 Sustainable Agriculture Standard, Farm requirements SA-S-SD- 2- V1.1 Rainforest Alliance 2020 Sustainable Agriculture Standard, Supply Chain Requirements SA-S-SD-4-V1.1 – Annex S3: Risk Assessment Tool SA-S-SD-15-V1.1 Annex S14: Shared Responsibility SA-G-SD-22-V1 Guidance: Use of Sustainability Differential and Sustainability Investments for the benefit of workers.			
<b>Replaces:</b>			
N/A			
<b>Applicable to:</b>			
Farm certificate holders and supply chain certificate holders			
<b>Country/Region:</b>			
All			
<b>Crop:</b>		<b>Type of Certification:</b>	
Tea		Farm certificate holders and supply chain certificate holders	

This guidance document is non-binding. This means that this document provides important information to help readers understand, interpret, and implement the requirements set out in the documents listed in the section “linked to” above. However, following the guidance in this document is not mandatory.



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## GLOSSARY

Term	Definition
Brand	A class of goods identified by name, term, design, symbol, or another feature as the product of a single firm or manufacturer.
Brand Owner (BO)	<p>A person or company who markets any commodity or product under a registered brand name or label. This may include private label brands or store brands owned by retail companies. For the purposes of this document, a brand owner is defined as:</p> <ul style="list-style-type: none"> <li>i) A corporate entity which markets tea under one or more registered brand name(s) or label(s). This entity may process and pack the teas themselves or via a 3<sup>rd</sup> party, but they own, and have responsibility for, the brand.</li> <li>ii) A retail entity which markets tea under one or more private label(s) or store brand(s), owned by them.</li> <li>iii) A manufacturer or private label packer supplying one or more finished tea product(s) sold as branded tea SKUs (Stock Keeping Unit) to the out-of-home or retail trade.</li> </ul> <p>For the purposes of this guidance document, any of the above 3 brand owners may also be packers.</p>
Certification Body (CB)	Entity authorized by Rainforest Alliance to conduct audits and to issue a certificate for the Rainforest Alliance Certification Program.
Certificate Holder (CH)	<p>Any organization that is or wants to be certified against any Rainforest Alliance certification program (UTZ Certification Program, 2017 Rainforest Alliance Certification Program, Rainforest Alliance 2020 Certification Program). Certificate holder includes all actors (for example sites, farmers, intermediaries etc.) falling under the certification scope of the CH.</p> <p>Farm CHs are organizations with farming in scope and who must comply with the applicable Farm Requirements of the Rainforest Alliance 2020 SAS,</p> <p>Supply Chain CHs are those organizations that do not have farming in scope and therefore comply with the applicable Supply Chain Requirements of the Rainforest Alliance 2020 SAS.</p>
Claim	Also referred to as product claim. Any reference made about Rainforest Alliance Certified or about the sustainable or responsible sourcing of a product or ingredient(s), that to all intents and purposes are wholly or partially based on Rainforest Alliance Certified origin or status, with or without the Rainforest Alliance seal, which is made on-product or off-product, in relation to the offering or selling of the product. This can be both business-to-business and business-to-consumer. The Rainforest Alliance reserves the right to take the final decision on whether something is or is not considered a product claim. Product claims are further explained in the Rainforest Alliance claims framework and labelling and trademarks policy.
Commitment	An agreement pertaining to a monetary SD and/or SI contribution between a SCA and a farm CH.
Consumer end-product	A product that requires no further transformation in terms of processing or packaging prior to consumption and is destined for retail sale or foodservice.



Farm	All land and facilities used for agricultural production and processing activities under the geographical scope of farm/group management. A farm may be composed of several neighbouring or geographically separate farm units within one country if they are under a common management body.
Farm Unit	A piece of continuous land that is part of a farm. A farm unit can include both agricultural and non-agricultural land with buildings, facilities, water bodies, and other features.
First Buyer	The initial supply chain actor legally owning the certified product after the farm certificate holder.
Foodservice	Also referred to as out-of-home. A company which purchases consumer-end product and handles the product before serving or selling to consumers.
Group Management	The entity that signs the certification agreement with the Rainforest Alliance accredited certification body and takes responsibility for the development and implementation of the group's internal management system and all member farms' management systems. The group management is responsible for assuring member farms' compliance with the Standard.
Group Members	Individual producers that are part of group certification.
Manufacturer	A manufacturer or private label manufacturer supplying one or more finished product(s) sold as branded tea SKU to the out-of-home or retail trade.
Packer	The supply chain actor who packs product into a consumer-end product.
Packing	The action or process of putting products into a package. Packing takes place at various stages in the supply chain and includes consumer-end packing (final packing of consumer-end products).
Premium	An additional monetary amount paid above the market price for a similar conventional (non-certified/non-verified) product because the product is sustainably produced and meets the requirements of the given standard.
Producer	A person (either male or female) who owns and/or operates an agricultural enterprise, either commercially or to sustain him or herself or his/her family.
Rainforest Alliance Online platforms	The Information Technology system developed by the Rainforest Alliance to record certification data and report transactions and activities of certified volumes throughout the supply chain.
Redeem	An action performed in the Rainforest Alliance online platform which marks the end of the supply chain for that certified product, after which the product can no longer be declared or traced. Manufacturers of half-finished, consumer-end, or food service products (e.g., Tea packer) that operate in the Rainforest Alliance traceability platform must redeem all Rainforest Alliance volumes for which they have confirmed receipt, and which are packaged as consumer-end



	product, either under the manufacturer's own brand or the brand of a retailer the manufacturer is producing the product for. Their redemption reports may be used further down the supply chain as supporting evidence of Rainforest Alliance Certified status.
Risk Assessment	A systematic process to identify the issues that could prevent the producers from complying with the standard requirements and reaching the expected sustainability outcomes. The Rainforest Alliance has developed a tool to support this analysis – The Farm Risk Assessment Tool.
2020 SAS	The Rainforest Alliance 2020 Sustainable Agriculture Standard.
Stock keeping unit (SKU)	A distinct item for sale and all the attributes (e.g., material, ingredients, size, packaging, etc.) associated with the item that distinguish it from other items.
Subcontractor	An organization or individual contracted to carry out one or more specific operations on the certified products, for example, processing, storing, packaging, and/or labelling products.
Supply Chain Actor (SCA)	Any organization that relates to the certified product from its production up to its final sale. Examples of tea SCAs (Supply Chain Actors) are buying agents, traders, blenders, bulkers, processors (including subcontractors).
Sustainability Differential (SD)	A mandatory additional monetary payment made to certified farm certificate holders on top of the market price of the commodity.
Sustainability Investments (SI)	mandatory monetary or in-kind investments from buyers of Rainforest Alliance Certified products to farm certificate holders for the specific purpose of helping them comply with the 2020 Sustainable Agriculture Standard.
Workers	A person who performs labor in return for a monetary amount. A worker encompasses all types of persons working irrespective of their contractual status, such as permanent, temporary, seasonal, migrant, family, piece rate workers, documented, undocumented, as well as hired through a labor provider, persons in training, (group) management staff, including interns and apprentices, and persons temporarily absent from a job or enterprise at which they recently worked for illness, parental leave, holiday, training, or industrial dispute.



## EXECUTIVE SUMMARY

In our 2020 certification program, we are moving away from a model that places the burden of investing in sustainable production exclusively on producers and towards a new system where responsibility for sustainable production is shared across the entire supply chain. With the Sustainability Differential and Sustainability Investments, we are encouraging companies to acknowledge the price of sustainability and invest in and reward more sustainable production—because a more sustainable product is a better product that deserves a better price. Rather than setting a fixed commodity price that could make certified commodities less competitive, our approach is systemic. It aims to tackle the root causes of inequality and poverty in supply chains by empowering producers to define what investment support they need to better negotiate and advocate for themselves.

### The Sustainability Differential and Sustainability Investment

- The Sustainability Differential is a mandatory monetary payment made to farm certificate holders on top of the market price of the commodity to reward producers' sustainability efforts.
- The Sustainability Investments are monetary or in-kind investments made to farm certificate holders to support the farm investments needed to attain and maintain certification against the 2020 Sustainable Agriculture Standard.

### Progressing to Sustainability Differential (SD) and Sustainability Investments (SI)

The Rainforest Alliance 2020 SAS will require a shift in several components of current practices:

Premium approach	SD/SI approach
<ul style="list-style-type: none"> <li>• UTZ premium requirement: only captures monetary amounts paid from the first buyer to the farm CH. It does not include in-kind investments.</li> <li>• RA premium requirement: none.</li> </ul>	<ul style="list-style-type: none"> <li>• Will capture the full investments made in farm CHs. This includes both in-kind as well as monetary investments.</li> </ul>
<ul style="list-style-type: none"> <li>• UTZ premium requirement: includes both monetary amounts paid to producers and to the group administrator. The exact distribution is not mandated or reported in the certification platform.</li> </ul>	<ul style="list-style-type: none"> <li>• Distinguishes between value to producers (SD) and value to group/farm management (SI), thereby measuring what is reaching producers in cash.</li> </ul>
<ul style="list-style-type: none"> <li>• Investments are not guided.</li> </ul>	<ul style="list-style-type: none"> <li>• Based on investment needs identified by the farm CH in an investment plan. The mandatory template is provided by the Rainforest Alliance.</li> </ul>

### Sustainability Differential and Sustainability Investments in Tea.

#### Farm Certificate Holders (CHs)

Farm CHs are required to adhere to the requirements in the Rainforest Alliance SAS regarding the distribution, use and reporting of funds from SD/SI payments.

Farm CHs are also required to produce Investment Plans which clearly articulate the Sustainability Investment needs, using the template provided by the Rainforest Alliance. Farm CHs are required to keep their SD/SI information up to date in the Rainforest Alliance Online platform.



## Brand Owners (BO)

The brand owner is the market actor who connects with consumers, makes investments into sustainable supply chains, and makes claims to demonstrate their commitment to achieving specific sustainability goals. The brand owner is also the market actor who benefits from displaying the Rainforest Alliance seal on pack, online, or making certified sourcing claims on company materials and websites.

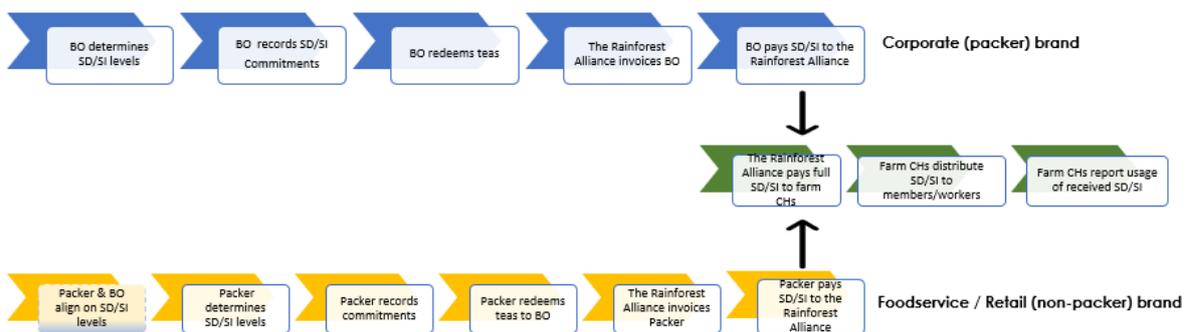
In the Tea sector, the brand owner is the actor responsible for ensuring that SD/SI are paid to each farm CH. The specific payment responsibility applies to the supply chain certificate holder i.e., the entity registered as certificate administrator for the brand owner in the Rainforest Alliance online platform.

Where the brand owner subcontracts packing of their tea to a manufacturer/packer (e.g., foodservice or retail actors), that manufacturer/packer is required to transact SD/SI on behalf of that BO. In such cases, the BO will be able to use the Rainforest Alliance seal, permitted claims and narratives if they can provide evidence that they have reimbursed the SD/SI paid by the manufacturer/packer to the farm certificate holder via the Rainforest Alliance payment facility.

The brand owner is responsible for making agreements on monetary SD/SI contribution levels (commitments) with every farm CH. These commitments will apply whether the brand owner sources Rainforest Alliance Certified tea product directly from the farm CH or via a manufacturer/packer. These commitments must be recorded in the Rainforest Alliance traceability platform at least once per year, at the beginning of the calendar year for which commitments are made.

### Payment and Transparency

All recording and reporting of SD/SI will be in the Rainforest Alliance online platform. Payment of SD/SI is retrospective for the previous calendar year. Rainforest Alliance will act as a payment facilitator. The Rainforest Alliance will invoice the brand owner or their manufacturer/packer on behalf of the relevant farm CHs for the SD/SI contributions as per agreed commitments on the Rainforest Alliance online platform. Upon receipt of the SD/SI contributions, the Rainforest Alliance will then disburse the full SD/SI amounts back to the farm certificate holders who will account for receipt and use of the SD/SI as set out in the Standard requirements.



Starting 1st January 2023, SD/SI must be paid on a per volume unit basis i.e., USC/KG or USD/MT for all volumes redeemed as certified from farm CHs to the brand owner.



- The Standard requirements state that SD/SI must be paid at least annually. However, for tea, the Rainforest Alliance proposes invoicing and payment in the first quarter of every year for the preceding year's SD/SI commitments, with payment of SD/SI to farm CHs expected by the end of each first quarter.

### Guidance on SD & SI amounts

- While payment of SD/SI is mandatory for all Rainforest Alliance Certified teas certified against the 2020 Standard the actual value of commitment can be negotiated between BO (or their designated packer) and CHs.
- In the first year of implementation (1<sup>st</sup> January to 31<sup>st</sup> December 2023) Rainforest Alliance will not set a minimum. However, to create a level playing field and provide clarity to all SCAs, we propose as a starting point:
  - SD is paid on the basis of no less than USD10/MT for each MT of Rainforest Alliance Certified tea redeemed by the BO from their supply chain
  - SI is paid on the basis of no less than USD40/MT for each MT of Rainforest Alliance Certified tea redeemed by the BO from their supply chain
- From the second year of implementation (2024) onwards Rainforest Alliance reserves the right to introduce a fixed or minimum SD or SI based on further data and insights collected. The Rainforest Alliance will give at least 12 months' notice on the introduction of a fixed or minimum SD or SI.

### Phasing

Phase 1 - Transition July 2021 - Dec 2022	Phase 2 – Implementation 1 <sup>st</sup> Jan - Dec 31 <sup>st</sup> 2023	Phase 3 - Review & Reset 1 <sup>st</sup> Jan 2024 onwards
<ul style="list-style-type: none"> <li>•UTZ mandatory/Rainforest Alliance Certified optional premiums continue for legacy programs</li> <li>• Audits for farm CHs against the 2020 SAS commence from July 1<sup>st</sup>, 2021  Teas certified to the 2020 SAS start entering BOs supply chains.</li> <li>30 June 2022: Farm CHs complete transition to the new Certification Program (2020 SAS) and obtain Transition Certificate. *</li> <li>31<sup>st</sup> Dec 2022: SC CHs complete transition to the new Certification Program (2020 SAS) and obtain Transition Certificate.</li> <li>•BOs record 2022 SD / SI commitments for volumes purchased in 2022 certified to the 2020 SAS.</li> <li>•CHs complete 1<sup>st</sup> Investment Plan</li> </ul>	<p>All teas in the Rainforest Alliance program are certified to the 2020 SAS.</p> <p>SD payments apply for volumes certified to the 2020 SAS. Guidance starting point is \$10/MT, no hard minimum set.</p> <p>SI monetary and in-kind payments apply for volumes certified to the 2020 SAS. Guidance starting point is ≥ \$40/MT, no hard minimum set.</p> <p>SD &amp; SI invoices issued in early Q1 2023 for 2022 commitments and volumes; SD &amp; SI payments made by the end of Q1 2023.</p> <p>Rainforest Alliance collects data on farm CH investment needs.</p>	<p>Rainforest Alliance to review SD &amp; SI value. Decision on minimum SD and/or SI payable.</p> <p>Rainforest Alliance to review data on farm CH investment needs.</p> <p>Rainforest Alliance starts to collect data on improvements at farm CH level resulting from SI.</p>

\*If, during their Transition Period Audit, farm CHs have any volumes remaining from legacy programs, they can carry over those volumes in their Transition Certificate. Once carried over to the Transition Certificate, such legacy volumes will be treated as new Rainforest Alliance volumes. Therefore, those volumes are also eligible for SD/SI contributions from BOs, if those volumes enter BO supply chains in 2022 onwards.

### Impact



The SD/SI approach will have a positive tangible impact on both BOs and farm CHs. As consumers increasingly seek brands that do good, shared responsibility will provide demonstrable actions and tangible results on-farm, supported by monetary and in-kind investments from BOs. BOs should see a reflection in increased brand resonance with consumers as their commitments and value will be visible. Refer to chapter 6 for more information on claims and narratives.



# 1. OBJECTIVE OF THIS DOCUMENT

## 1.1 introduction

The Rainforest Alliance 2020 SAS includes Sustainability Differential (SD) and Sustainability Investments (SI) Requirements in sections 3.2 and 3.3 for farm and supply chain certificate holders. Interpretation of the requirements is provided in Annex S14 Shared Responsibility.

While the general principles are consistent across sectors, the SD/SI approach warrants additional implementation guidance tailored to the sector. This document explains how the Sustainability Differential (SD) and Sustainability Investment (SI) are implemented in tea.

SD/SI guidance for other sectors will be published separately.

## 1.2 Intended users and use of this document

This guidance document is instructive for all stakeholders who play a role with regards to how SD/SI values are recorded in the Rainforest Alliance Online platform, transacted, and assured. They include:

- Group members (individual producers who are part of group certification)
- Management (either as group certification or individual certification)
- Brand Owners and/or their designated manufacturers/packers
- Internal inspectors
- Certification bodies
- Rainforest Alliance internal stakeholders and trainers

This guidance document is informative for the following audience:

- All buyers of Rainforest Alliance Certified tea further upstream.

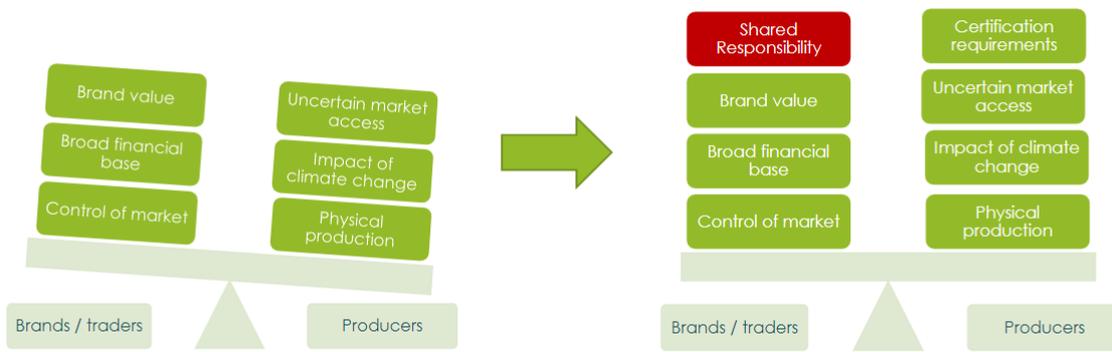
# 2. THE SUSTAINABILITY DIFFERENTIAL AND SUSTAINABILITY INVESTMENT IN TEA

## 2.1 Towards a sustainable tea sector

A sustainable tea sector is one in which tea is produced and traded in a manner that allows people and nature to prosper. It is a sector in which producers have the knowledge and resources to produce tea in a way which is environmentally, economically, and socially sustainable; and who are supported by other supply chain actors to earn a living income, so the entire tea sector is resilient to the impacts of price volatility and climate change. It is a sector in which producers can attain a decent price for their tea because the market chooses only to invest in, and source sustainably produced tea and rewards this better product with a better price.

The responsibility for sustainable transformation cannot fall on farmers' shoulders alone. To drive deep-rooted, systemic change on a global scale, companies and governments also need to take a leading role.

Shared responsibility refers to the joint efforts required by supply chain actors and other stakeholders to support sustainable production at farm level.



A clear call for action exists to address the financial insecurity of tea producers which is the root cause of issues undermining the sustainability of the tea sector i.e., climate resilience, deforestation, migration, gender inequality, safety, and lack of youth and worker opportunities.

The new Rainforest Alliance 2020 Certification Program puts a stronger emphasis on shared responsibility on the sustainability journey. We are building on our strong partnerships and working with some of the world's biggest and most progressive companies to underscore the urgency of investing in sustainability—and in so doing rewarding farmers who are making progress.

Likewise, we are working to raise awareness among consumers that choosing Rainforest Alliance certified products rewards brands and companies that are participating in building a more responsible sector.

We believe this will allow the sector to address long-standing challenges such as the inability of tea farmers to realize a living income, for producers to pay a living wage, and improved tea farm management to address the key risks in the tea sector.

## 2.2 Introducing the Sustainability Differential and Sustainability Investment

### Why farm CHs need SD/SI

Despite years of investments, 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 status on certified farms and truly sustainable tea production. The systemic poverty and inadequate resources available to producers who choose sustainable production, inhibits the progress towards sustainable agriculture. To accelerate impact, producers must be further incentivized to adopt sustainability practices, and the CHs must have the means to invest in their businesses and in 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 risks and the value in that supply chain are shared. This requires a shift to a system where the producers' efforts to make their farms and production more sustainable are rewarded.

To help realize this vision, our 2020 SAS outlines requirements around two tools 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 over and above 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 Sustainable Agriculture Standard.

Sustainability Differentials and Sustainability Investments are intended to encourage the sharing across the supply chain of both the costs and the returns of sustainable production.

## 2.3 Progressing to SD/SI

### Contextualization of SD/SI

The approach for the SD/SI is in principle the same for all crops but the context of trade mechanisms, contracts and payment methods differs between crops and countries. Furthermore, Rainforest Alliance recognizes that the development level and the performance of producers can vary significantly between, and even within countries. Sector specific guidance aims to contextualize the payment mechanism, the setting of SD/SI levels, and the timing of applicability of SD/SI requirements for a specific crop and sector.

### Background: Certification and Premiums in Tea

A premium has always been mandatory for UTZ certified tea. This has not been the case for Rainforest Alliance Certified tea, but in some cases specific supply chain actors have chosen to pay premiums for certified product.

## 2.4 The brand owner & brand owner responsibilities

1. The Brand Owner is ultimately responsible for ensuring that SD/SI are paid for the tea volumes purchased and redeemed as Rainforest Alliance Certified in their supply chains.
2. The Brand Owner is responsible for committing and setting SD/SI contribution levels with every farm CH that they are sourcing tea product from, on the Rainforest Alliance online platform.
3. Where a Brand Owner sources directly from farm CHs, the committed SD/SI is paid by the Brand Owner to the farm CH via the Rainforest Alliance payment facility.
4. Where a Brand Owner sources only finished consumer products (e.g., a foodservice or retail brand owner), the Brand Owner is expected to include SD/SI levels in their manufacturer/packer agreement. The payment of the committed SD/SI levels will be made by their manufacturer/packer who is registered as certificate administrator on the Rainforest Alliance online platform. In this case, the committed SD/SI is paid by the packer to the farm CH on behalf of the BO via the Rainforest Alliance payment facility.
  - a. Where such delegation applies, the Rainforest Alliance expects the manufacturer/packer, as the tea supply chain expert, to set the SD/SI level for each farm CH they source Rainforest Alliance Certified teas from. The BO can align on the SD/SI level with their manufacturer/packer prior to commitment if they wish to do so, or default to the level set by the manufacturer.
  - b. Where such delegation applies, the BO will be required to provide evidence to of SD/SI reimbursement to the manufacturer/packer for the amounts committed and paid. See chapter 7 for further information.
5. The BO must record the SD and SI commitments in the online platform at the start of each calendar year, for that year's commitments. The commitments will form the basis of the invoices and payments to be made the following calendar year.
6. The BO is required to pay SD/SI within the terms set in the invoice.



7. The BO is required to ensure that any claims and narratives follow the guidance on SD/SI Claims and Narratives provided in section 6.3 of this document.

### 3. SD/SI TIMELINES FOR TEA

The premise for tea SD/SI timelines is based on forward commitments and retrospective payments for volumes redeemed out of the Rainforest Alliance online platform, as follows:

- annual commitments on SD/SI levels at the start of the calendar year
- annual invoicing and payment in the first quarter of the following calendar year, based on the commitments in the previous calendar year

See chapter 7 for further detail.

1. From July 1, 2021, all certificate holders must start to transition to the Rainforest Alliance 2020 Certification Program. Details on the process and timeline for this transition may be found on the Rainforest Alliance website: <https://www.rainforest-alliance.org/business/reimagining-certification/how-to-transition-to-the-2020-certification-program/>
2. For teas procured from farms certified against the 2015 UTZ or 2017 Rainforest Alliance standard after July 1, 2021, the relevant supply chain actor is not required to comply with SD/SI requirements, but with the requirements of the corresponding certification programs.
3. From 1 July 2022, brand owners must directly or via their delegated manufacturer/packer record in the Rainforest Alliance online platform their SD/SI commitment levels for volumes sourced from each farm CH certified in the 2020 certification program.
4. From January 1, 2023, all brand owners are required, either directly or via their delegated manufacturer/packer, to retrospectively pay SD/SI based on volumes certified under the 2020 SAS certification program and redeemed in the Rainforest Alliance online platform for the preceding year. This will be invoiced by the Rainforest Alliance at the start of each calendar year, starting 2023, paid by the Brand Owners within the terms set in the invoice, with payment to farm CHs completed by the end of Q1 of each calendar year.



## 4. GUIDANCE FOR THE SUSTAINABILITY DIFFERENTIAL IN TEA

### 4.1 The Beneficiary of the SD

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

The SD must benefit producers 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)	Farm management spends the Rainforest Alliance Sustainability Differential for the benefit of the producer and/or workers. The following document provides further guidance on the use of the SD: <a href="https://www.rainforest-alliance.org/business/resource-item/guidance-use-of-sustainability-differential-and-sustainability-investments-for-the-benefit-of-workers/">https://www.rainforest-alliance.org/business/resource-item/guidance-use-of-sustainability-differential-and-sustainability-investments-for-the-benefit-of-workers/</a>

### 4.2 The monetary value of the SD

The brand owner will commit the SD amounts in the online platform, and these commitments will be the amounts invoiced and paid via the Rainforest Alliance payment facility. The Rainforest Alliance expects that the SD amounts committed by the brand owner in the online platform are the same as those negotiated with and agreed with farm CHs.

The SD amount is fully negotiable between the brand owner (or their designated packer) and the farm CHs. The Rainforest Alliance does not intervene in these negotiations.

The Rainforest Alliance will not set a minimum SD value before the end of the first year of implementation in 2023, but as a guidance the Rainforest Alliance recommends that the SD is not less than US\$10/MT.

The guidance should be viewed as a starting point to set a level playing field for all brand owners to encourage the tea industry to properly reward producers for their sustainability efforts. As such we expect to see average SD payments exceed USD 10/MT.

From 2024 onwards the Rainforest Alliance will use the data gleaned from our Shared Responsibility approach to monitor for intended impact and evaluate the need for a minimum.

## 5. GUIDANCE FOR THE SUSTAINABILITY INVESTMENTS IN TEA

Sustainability Investments (SI) are intended to support Farm CHs to make the investments needed to meet the requirements of the 2020 Rainforest Alliance Sustainable Agriculture Standard.

The investments required are identified by the farm CH in their Investment Plan. A template for the investment plan is provided by the Rainforest Alliance (Annex S16). In the investment plan, the investments are categorized and directly linked to the chapters of the 2020 Rainforest Alliance Sustainable Agriculture Standard. To identify the investments needed, group or farm management uses information from the farm risk assessment, self-assessment, capacity assessment, internal inspection(s) and, from year 2, the results of the external audits.



There is no standard requirement for the farm CH to share the detailed investment plan with brand owners or other SCAs, but in the spirit of promoting transparency the Rainforest Alliance expects the farm CH to share at least the investment plan summary, or those elements required by the brand owner to make an SI commitment decision.

## 5.1 Content of the Investment Plan

The potential Investments in the Investment Plan are categorized and linked to the chapters of the 2020 Rainforest Alliance Sustainable Agriculture Standard. However, not all investments of a farm CH may be included in an Investment Plan.

The Investment Plan can include:

- Activities and inputs related to compliance with core and mandatory improvement requirements of any of the chapters of the 2020 Rainforest Alliance Sustainable Agriculture Standard, depending on the farm CH's sustainability performance. The investment plan should also include activities and inputs required to attain and maintain compliance, such as audit costs.
- Investments in relation to worker benefits should be included in the investment Plan and a legitimate representation of workers must be consulted on the allocation of those investments.
- Incremental wage increases towards closing the living wage gap can be part of the Investment Plan in line with the Farm CHs own wage improvement plan and salary matrix.
- Self-selected improvement requirements can be included in the Investment Plan after core and mandatory improvement requirements have been addressed.
- Investments that do not relate to compliance with the 2020 SAS, but which are tied to other environmental or social improvements relevant for the tea farm CH, may be included in the Investment Plan after core and mandatory improvement requirements have been addressed.

Investments that do not relate to compliance with the 2020 SAS and are part of the normal running costs of farm operations, such as fertilizers and agrochemical inputs or legal requirements such as payment of minimum wages, should not be included in the Investment Plan.

**Table: the intended use of the SI**

Core requirements	Mandatory improvement requirements	Self-selected improvement requirements	Other investments
Always. Must be prioritized.	Once required by the Standard and after core requirements have been attended to.	If selected and after core and mandatory improvement requirements have been addressed.	May be included if they are not contradictory to the Standard and if the CH meets the requirements of the Standard.
<i>Example: Access to safe drinking water (5.6.4, 5.6.5, 5.6.6).</i>	<i>Example: Engagement with communities to identify their concerns and interest (5.8.3. L1).</i>	<i>Example: Use of rainwater harvesting for irrigation (6.5.6).</i>	

### At the beginning of each calendar year.

- The Farm CH will develop an initial Investment Plan, based on the farm risk assessment management capacity tool, internal inspections, audit reports (as of year two) and



other available information which support them to identify non-compliances or topics that require improvements.

- The first part of the Investment Plan (Sheets A1 and A2) will be elaborated before the audit.
- The Farm CH will negotiate the level of SI required with the BO (or packer) based on the Investment plan. CHs are not obliged to share the full Investment plan with their buyers, but we expect CHs to share the summary of the Investment Plan with Brand Owners upon request to provide transparency on the investment needs and proposed uses of the SI.
- Individually certified producers and 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 calculates the total monetary value required to implement the plan. The CH 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.
- In drawing up the Investment Plan, The CH should use the Rainforest Alliance guidance document on the [Use of Sustainability Differential and Sustainability Investments for the benefit of workers](#)

#### **During the calendar year**

- At the end of every quarter the farm CH will be required to confirm receipt of SI in the Rainforest Alliance Online platform (certification).

#### **At the end of every calendar year.**

- The farm CH will be required to report, in the Rainforest Alliance online platform (certification): the allocation of total SI received against the different SI categories, which are: 1) Administration and management (chapters 1,2, and 3 and audit costs), 2) Agriculture (chapter 4), 3) Social (chapter 5) and 4) Environmental (chapter 6).
- The farm CH may revise and adjust the Investment Plan according to the actual SI payments received.
- If In-kind investments are made by the BO, 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.
- Payments will be allocated based on initial prioritization and adjusted according to the actual amount received. Moreover, the Investment Plan will be updated for the next year based on the results of the first audit and the planning of the CH according to its own defined priorities. This is the starting point of next year's plan.

#### **Investment planning for multiple crops**

- Farm CH growing multiple crops need to specify their investment needs for all crops they intend to market as Rainforest Alliance certified. These should all be included in one investment plan; they do not need to develop a separate Investment Plans for each of these crops.
- For any crops the Farm CH does not intend to market as Rainforest Alliance certified the farm CH should not include crop-specific investment needs in the investment plan.
- To develop the investment plan for multiple certified crops the farm CH:
  - Completes sections 1 (administrative management), 3 (social) and 4 (environmental) taking account of shared costs covering all certified crops.
  - Completes section 2 (agriculture) identifying specific investment needs for each crop,
  - Calculates the investment costs per crop by
    - Calculating the total of shared costs (sections 1, 3 and 4)
    - Dividing the shared costs across the crops (This can be through equal division between main crops or pro rata by volume or value for main and side crops)



- Adding the crop specific costs to the appropriate % of shared costs. This calculation needs to be done outside the investment plan template for the time being. The Rainforest Alliance strives to provide an adapted investment plan template for Farm CH marketing multiple crops in the near future.
- The Investment contribution for individual buyers for each crop can then be negotiated.

## 5.2 Priorities for Investments

SI is intended to contribute to the most critical investment needs that will enable the farm CHs to comply with the applicable requirements in the 2020 Rainforest Alliance Sustainable Agriculture Standard. This means that investment needs must be prioritized. Priorities are indicated in the last column of the Investment Plan.

## 5.3 Different types of investments

Sustainability Investments may be of different types:

### **Annual cash investments**

The Investment Plan identifies and prioritizes the necessary investments and is updated annually. Annual cash investments will generally be allocated by the farm certificate holder to the highest priority investments on an annual basis.

### **Long-term (multi-year) investments**

Long-term investments can be included in the Investment Plan to cover sustainability improvements that require sustained actions over time. In this case the amount of the average annual investment can be included, allowing high upfront investments and reduced follow-up investments.

### **In-kind investments**

The Investment Plan can include in-kind contributions from a brand owner or SCA (e.g., provision of equipment or a service or training). In-kind investments may be allocated separately to categories in the Investment Plan. Only in-kind contributions for which an agreement has been made should be included.

Current voluntary investments financed or supported in-kind by brand owners can be considered SI if these are based on an agreement between farm CH and the relevant brand owner and the investment is aligned with the farm CH Investment Plan.

### **Allocation of in-kind investments**

The brand owner has the responsibility of assigning value to in-kind investments. Farm CHs will allocate in-kind investments according to the categories already defined for cash SI. Both monetary and in-kind SI contributions are to be reported through the online platform. In-kind investment contributions can be included in the calculation of the SI per volume unit of tea as articulated in the farm CH Investment plan and must be reported in the Rainforest Alliance platform separately.



## 5.4 Value of Sustainability Investments

### The value of monetary investments

The brand owner will commit the SI amounts in the online platform, and these commitments will be the amounts invoiced and paid via the Rainforest Alliance payment facility. The Rainforest Alliance expects that the SI amounts committed by the brand owner in the online platform are the same as those negotiated with and agreed with farm CHs.

The SI amount is fully negotiable between the brand owner (or their designated packer) and the farm CHs. The Rainforest Alliance does not intervene in these negotiations.

The Rainforest Alliance will not set a minimum SI value before the end of the first year of implementation in 2023, but as a guidance the Rainforest Alliance recommends that the SI is not less than US\$40/MT.

The guidance should be viewed as a starting point to set a level playing field for all brand owners to encourage the tea industry to properly reward producers for their sustainability efforts. As such we expect to see average SI payments exceed USD40/MT.

From 2024 onwards the Rainforest Alliance will use the data gleaned from our Shared Responsibility approach to monitor for intended impact and evaluate the need for a minimum.

Specific needs in an Investment Plan may require significant funding, in which case a multi-year Investment Plan may be more suitable, whereby the SI will be calculated as the average annual investment for a longer-term period.

Compliance with the 2020 Standard is based on continuous improvement and will entail new/additional investments over time. However, this does not necessarily mean the monetary value of investments has to increase annually. Each year the investment plan must be prioritised to focus on impactful investments that result in continuous improvement and improved quality of implementation.

### The value of in-kind investments

The Brand Owner has the responsibility of assigning value to in-kind investments based on the actual spend. CHs will allocate in-kind investments according to categories already defined for Monetary SI. The value assignment and usage allocation will be audited at the annual audit.

## 5.5 Living Wage and Sustainability Investments

Farm CHs can use the Investment Plan template, their own wage improvement plan, and the completed salary matrix to work toward Incremental wage increases to close the living wage gap.

Sustainability Investments from BO can contribute towards living wages within this framework. SD/SI payments are always mandatory for supply chain actors, while living wage contributions are a set of self-selected supply chain requirements under the 2020 Standard. If a BO wishes to contribute to living wage and make a related claim to this effect, they must

- have a copy of the farm certificate holder's plan for wage improvement and have identified how and when support could be provided to achieve it (Requirement 3.4.1)
- engage and come to agreement with the farm certificate holder on modalities, targets and timelines for contributing to the implementation of the farm's wage improvement plan (Requirement 3.4.2)



- make contributions to the farm's wage improvement plan that are aligned with modalities, targets and timelines as agreed upon with the farm certificate holder (requirement 3.4.3)
- Record the direct financial or other type of investment in the context of living wage payment contribution by the supply chain certificate holder to the farm (requirement 3.4.4)

## 6. REPORTING THE SUSTAINABILITY DIFFERENTIAL AND SUSTAINABILITY INVESTMENTS

### 6.1 Transparency

Transparency is key. Reporting on SD and SI amounts will allow Rainforest Alliance to enable insights into investment needs, encourage supply chain contributions, and in time to demonstrate the impacts which those contributions will make possible.

1. The Rainforest Alliance will aim to provide transparency on the SD/SI amounts paid in tea supply chains via the online platform and through supply chain and sector reports.
2. The Rainforest Alliance will aim to provide aggregate reports for SC CHs to provide a basis for Brand Owners to make SD/SI payments which go beyond the proposed guidance minima provided in this document.

### 6.2 Reporting

All traceability reporting including SD/SI is to be done in the Rainforest Alliance online platform.

The platform captures conversions and sales of all tea varieties, as well as SD/SI commitments and payments.

Both farm and supply chain CHs will be responsible for keeping data in the online platform accurate and up to date.

Information on SD/SI commitments and payments will be collected and reported via the online platform at different moments in time. NB the actual payments reporting mechanism will be designed and developed in detail during 2022 based on the following principles.

#### **Farm CHs reporting on SD received and spent.**

Farm CHs must document the Rainforest Alliance Sustainability Differential received by volume. Separate records are kept for Sustainability Differential payments from each BO which are clearly distinguished from market price, other premiums, such as quality premiums or crop and country specific premiums such as the Living Income Differential. This is true for both Group CHs (see Requirement 3.2.1). and Individual or Large farm CHs (see Requirement 3.2.2).

Farm CHs with group certification are required to distribute the total SD received to the group members on a pro-rata basis by volume supplied, and report on the same, (see Requirement 3.2.1).

Farm CHs with individual certification (e.g., tea estates) may elect to spend the SD to the benefit of workers or the producer (farm CH) themselves. If the SD is spent to the benefit of workers the Farm CH documents at least annually how the Sustainability Differential has been spent according to the approved categories: wages, working conditions, health and safety, housing (See Requirement 3.2.2)



### **Farm CHs reporting on SI received and spent.**

The farm CH is required to document the in-kind and monetary Sustainability Investments received from BOs for their investment plan according to the Rainforest Alliance investment categories. (See Requirement 3.3.1)

The farm CH is also required to report how the SI received was spent according to the Rainforest Alliance Investment Plan categories. The Farm CH must indicate the percentage of the total SI received which has been allocated to the categories included in the Investment Plan. The Investment Plan must be available for auditors, so that they will be able to see and assess the expenditure of the SI according to what is recorded in the platform as well as in the plan.

### **Brand Owner reporting on in-kind SI**

The brand owner is required to report the estimated value of in-kind SI through the online platform, indicating which investment category the in-kind SI can be categorized as.

**The Rainforest Alliance will aim to report**, at least annually:

- Aggregated amount of Rainforest Alliance SD/SI received by CHs by country.
- Aggregated amount of Rainforest Alliance SD/SI agreed to be paid between Brand Owner and farm CHs.

## **6.3 Claims and narratives**

The 2020 Certification Program gives producers access to new tools and training to help them analyze their own performance and implement more sustainable practices. It also includes a risk-based auditing process to focus verification on the key risks identified throughout the supply chain.. The purpose of these innovations is to enable producers to better differentiate themselves and showcase their sustainability performance in the market and to give companies access to clearer performance insights within their supply chains. In this way companies will be able to identify areas where there are risks or opportunities in the production of their raw materials, informing their future investments in strengthening the sustainability of their supply chain to meet the demand for sustainably produced goods. This will help positively influence producer livelihoods and create longer-term and closer relationships with producers and companies.

The Rainforest Alliance understands that brands increasingly wish to better distinguish themselves in the market and show how they have created a positive impact for people and nature.. The improvements to the Rainforest Alliance Certification System is therefore offering brands and companies a way to talk about their impact and investments at origin by developing a standardized approach to making results-based claims. A results-based claim (RBC) is a claim related to results achieved, or impacts realized, through the implementation of certification, targeted programs and/or shared responsibility investments. The increased transparency created by this new approach is intended to support certified supply chain actors and their associated brands to increase their investment at origin to deliver the desired impact for which they wish to make a claim or a narrative and thus facilitate consumer engagement on sustainability efforts and investments.

We will provide guidance to supply chain certificate holders on the types of claims and narratives allowed with regards to shared responsibility commitments, payments, and impacts via the Rainforest Alliance Claims Framework. Companies are encouraged to make results-based claims related to Shared Responsibility by utilizing supply chain and sector reports on SD/SI amounts.

The following claims and narratives apply to Shared Responsibility:



1. Basic statements related to Shared Responsibility (reach, origin, & volume) including Investment Claims, which are neutral statements about the monetary investment the company has made toward Shared Responsibility. If language around how the money is invested is included, it should be general in nature, and describe how the money will help the farmer CH meet the basic sustainability principles required by the Rainforest Alliance Sustainable Agriculture Standard.
  - a. Example: *"Brand A teas come from Rainforest Alliance Certified farms in Kenya and Tanzania which received sustainability investments to the tune of USD1 million to help them on their sustainability journey"*
  - b. Example: *"There are 50,000 tea farmers in nearly 500 nearly 800 communities within our Brand D supply chain. Through Rainforest Alliance certification, and the sustainability investments we made to them in the past year, these farmers are adopting regenerative agriculture practices that help increase resiliency to climate change."*
  - c. Example: *"We have invested \$1.2 million in sustainability investments with Rainforest Alliance to help our tea farmers adapt to climate change and adopt integrated pest management approaches."*
2. Partnership claims
  - a. Example: *"Brand B is working with Rainforest Alliance, a non-profit organization dedicated to sustainability and conservation around the world. We are committed to ensuring a better life for our farmers, better tea for you and a better environment for everyone. One of the ways in which we do that is to make sustainability investments to all the farmers who supply our tea."*
3. Certification impact claims
  - a. Example: *"Brand C is proud to be Rainforest Alliance certified, and to support Shared Responsibility in the tea supply chain; a recent study X has shown that Rainforest Alliance Certified tea farms receiving investments achieve faster adoption of IPM, apply fewer agrochemicals on their tea bushes, and provide better protection for workers in the application of chemicals".*

Claims should not imply that the company has made direct payment of a specific dollar amount to specific farms/groups unless the company is the responsible CH directly paying the farmer CH. Claims should also not imply that the company's investment in Shared Responsibility has directly caused specific impacts at origin, unless this claim can be confirmed through evaluation of results of a Tailored Program.

- o Example: *"Our brand E, in a joint effort with Rainforest Alliance, paid USD1 million to the following 20 tea farms (USD50,000 each). This investment has allowed our farmers to increase the wages for their workers by 15%."*

#### Retailers and their suppliers.

Where the retail brand owner has delegated the responsibility for transacting SD/SI to their manufacturer or packer as described in section 2.4.4 above, the retail Brand Owner will be expected to provide evidence that SD/SI has indeed been paid by their suppliers.

In such cases, SD/SI related claims may only be made by the retail brand owner if they can provide proof that their manufacturer or packer has been compensated for such SD/SI payments.

## **7. TRANSACTING SD/SI**



This guidance covers all RAC teas sourced from farm CHs up to the final brand owner, irrespective of the final format that they are sold in.

The Rainforest Alliance does not play a commercial role in contract and/or price negotiations.

SD/SI payments will be based on the footprint of volume recorded as sold in the Rainforest Alliance traceability system between farm CH and redeemed in the in the Rainforest Alliance traceability system by the final packer or brand owner (who may or may not be the same certificate holder). If the Brand owner subcontracts to a packer, it is the packer who is required to transact SD/SI on behalf of the brand owner.

It is possible within the Rainforest Alliance online platform to re-assign the payment of SD/SI to another certificate holder within the same company.

All payments committed, invoiced, and paid by the Supply chain CH, and distributed to the farm CH will be tracked in the Rainforest Alliance online platform.

The detailed mechanism will be designed in 2022 but the premise is based on annual forward commitments and retrospective invoicing and payment.

The following paragraphs outline the transaction flow for the first two years of implementation:

#### **Transaction flow for 2022 (commitments) and 2023 (payments).**

- By 1<sup>st</sup> July 2022 the BO records SD/SI commitments per farm CH via the confirmation module for 2022 (the "transition year" for tea SD/SI) and 2023 payments.
  - The confirmation module will be designed only in 2022. The module will automatically include the farm CHs the BO has sourced from in the preceding period, with an additional option to display the full list of Rainforest Alliance tea farm CHs if the BO chooses to add new suppliers for the year ahead. For this reason, we propose that the BO records commitments for 2023 payments, the first year of implementation, in mid-2022.
- The brand owner redeems volumes out of the Rainforest Alliance online platform throughout the year 2022.
- From 1<sup>st</sup> January 2023 the Rainforest Alliance issues invoices for SD/SI based on the totality of the above commitments and volumes redeemed.
- The brand owner or their manufacturer/packer transacts the payment to the Rainforest Alliance within the payment terms set in the invoice i.e. 30 days.
- The Rainforest Alliance transacts the SD/SI payments to the farm CHs on behalf of the BO upon receipt of funds, with payments expected to be completed by 1<sup>st</sup> April 2023.

#### **Transaction flow for 2023 (commitments) and 2024 (payments).**

- By 1<sup>st</sup> January 2023 the BO records SD/SI commitments per farm CH via the confirmation module for 2023 (the first year of SD/SI implementation) and 2024 payments.
  - The confirmation module will be designed in 2022. The module will automatically include the farm CHs the BO has sourced from in the preceding year, with an additional option to display the full list of Rainforest Alliance tea farm CHs if the BO chooses to add new suppliers for the year ahead.
- The brand owner redeems volumes out of the Rainforest Alliance online platform throughout the year 2023.
- From 1<sup>st</sup> January 2024 the Rainforest Alliance issues invoices for SD/SI based on the totality of the above commitments and volumes redeemed.
- The brand owner or their manufacturer/packer transacts the payment to the Rainforest Alliance within the payment terms set in the invoice i.e. 30 days.



- The Rainforest Alliance transacts the SD/SI payments to the farm CHs on behalf of the BO upon receipt of funds, with payments expected to be completed by 1<sup>st</sup> April 2024.

## 7.1 Payment by Group Management to Members

In the case of group certification, the full amount of SD received by the farm CH from the Brand Owner is announced to the members on a regular basis and paid to the members either in monetary or electronic transfers and according to certified volumes delivered. (See requirement 3.2.1). Requirement 3.2.1 also states that SD is paid in a timely and convenient manner at least once a year in case of continuous harvest crops like Tea. As SD/SI payments to the farm CH will be made via the Rainforest Alliance payment facility upon receipt of funds from the Brand Owner in the first quarter of each calendar year, the Rainforest Alliance also expects the full SD amount to be paid to the producers latest within 90 days of receipt of funds by the farm CH.

## 8. ASSURANCE OF SD/SI PAYMENTS

CBs will triangulate information entered in the online platform to verify whether the SD/SI amounts committed and the amounts paid align and are in accordance with the Standard requirements. They will also verify via with physical evidence, such as payment receipts.

If a non-conformity is identified, either during the Supply Chain or Farm audit, the responsible 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 CH will not be able to sell products as RAC.

### Auditing SD/SI

#### Brand Owners:

BOs who are also packers must provide evidence that SD/SI is committed and paid via the online platform.

In the case of brand owners who source product from packers, the packers must provide evidence that SD/SI is committed and paid via the online platform on behalf of those brand owners. Where BOs delegate transaction of SD/SI to a packer, there will be an additional verification step for those BOs to prove that the BO has reimbursed the delegated packer for SD/SI contributions; this evidence will also be required to allow claims and narratives related to SD/SI.

Non-payment despite commitments in the online platform, or misreporting on SD or SI, will be flagged as a non-conformity for the Brand Owner. Non-conformity can only be closed if they are corrected (for example committed payments are made and correctly reported) within the timeframes stipulated by the Certification and Auditing Rules.

#### Farm CHs:

In the case of group certification, the CH must forward the SD to its members. Individual farms and group members can use the SD at their discretion. The auditor will verify proof of receipt at the farmer and the farm group level as part of the farm group audit. This will be triangulated with proof of payment and agreed amount captured in the system in order to validate the amount and authenticity of transactions.

The farm audit will also confirm that the farm CHs have spent the monetary SI per the investment plan and that in-kind SI received has been used according to the Investments Plan.



When there is evidence that there is misuse of the SI or if the SD is not fully transferred to group members the CH can receive a non-conformity on the relevant requirement.

**Investment Plan (groups and individual CHs):**

From Year 1 (first audit against 2020 SAS) the CB will audit the existence of the Investment Plan and verify whether its design is aligned with the documentation stipulated in 2020 SAS.

From Year 2 (second audit against 2020 SAS), the auditor will also audit the spending against the Investment Plan.

The CB will use the revised/ adjusted plan as a basis to check consistency between the SI monies received and the actual expenses made based on what was received. They will also check accuracy of reporting on percentage allocation of SI payments.