Shared Responsibility

Enabling the Sustainability Differential and Sustainability Investment in Tea

July 2021
Our agenda

1. Why Shared Responsibility?
2. What it means for the tea sector?
3. How to meet the Shared Responsibility Requirements?
4. Q&A
Why Shared Responsibility?
Making responsible business the new normal

Enabled by the shared responsibility requirements in the 2020 Sustainable Agriculture Standard
Shared Responsibility: Balance the rewards of sustainable production and sharing costs

Existing certification can place an unfair burden on producers.
We need to balance the rewards for sustainable production, share the risks and enable the supply chain to:

- Reward sustainability efforts of producers
- **= Sustainability Differential**
- Contribute toward the investments needed to become and remain certified
- **= Sustainability Investments**
Components of Shared Responsibility: SD and SI

**Sustainability Differential (SD)**
A mandatory monetary payment of an additional amount on top of the market price to *reward producers’ sustainability efforts.*

**Sustainability Investments (SI)**
Cash or in-kind investments to contribute to the investments needed to *attain and maintain certification against the 2020 SAS*

Investments in relation to worker benefits must be included in the Investment Plan and worker representatives must be consulted on the allocation of those investments.
Relevant documents and chapters

- Rainforest Alliance Sustainable Agriculture Standard 2020, Chapter 3: Income and Shared Responsibility
- Annex S14: Shared Responsibility
- Annex S16: Sustainability Investment Plan
- Guidance document on workers benefits

Tea specific documents:

- Sustainability Differential and Sustainability Investments: Tea Sector Guidance
- Shared Responsibility: What It Means for the Tea Sector
What it means for the tea sector

How to implement the Shared Responsibility requirements in tea
This is what it means for tea - summary

1. The brand owner is responsible for payment of SD/SI.
   
   I. Brand Owner (BO) definition
   
   II. Brand owner ultimately responsible; packer transacts SD/SI payment

2. Start date for annual SD/SI payments: January 2023

3. Year 1 (2023) : No fixed or minimum SD or SI amounts, but guidance amounts:
   
   I. SD no less than USD10/MT
   
   II. SI no less than USD40/MT

4. Rainforest Alliance payment facility

5. Traceability is key to supporting transparency and enabling shared responsibility
Roles and Responsibilities

• **Brand Owner**: is ultimately responsible for ensuring that SD/SI is paid for volumes in their supply chain.
  - Brand owner definition: corporate, foodservice, retail

• **Manufacturer/Packer**: the actor who redeems volumes out of the RA traceability platform is responsible for transacting the SD/SI payments.
  - This may be a brand owner, or a Supply Chain Actor (SCA) acting on behalf of a brand owner.

• **Rainforest Alliance**: facilitates the transaction of brand owners or their packers paying SD/SI to farm certificate holders via a new payment facility
Who is the brand owner?

- Producers/ workers
- Group/Farm management
- Primary processing
- Exporter
- Importer
- Blender/ Packer
- Brand Owner

One certificate, since farming in scope → Farm CH

Implements the tea specific SD/SI requirements (Standard + Annex S14)
Why the brand owner?

The SCA required to pay the SD/Sl will be the last SCA in charge of the IP or Segregated volumes i.e. the manufacturer/packer.

The manufacturer/packer will either be the brand owner, or acting on assignment for a foodservice or retail brand owner.

We take this approach because:

• Tea SC complexity makes a first buyer-approach challenging.
• Many brand owners in tea make claims and invest in sustainability and drive demand for those investments in the market. This means there is also a potential brand and consumer connection (“doing good”)
**Process Shared Responsibility - Tea**

- BO determines SD/SI levels *
- BO records SD/SI Commitments
- BO redeems teas
- The Rainforest Alliance invoices BO
- BO pays SD/SI to the Rainforest Alliance

**Corporate (packer) brand**

- Packer & BO align on SD/SI levels**
- Packer determines SD/SI levels *
- Packer records commitments
- Packer redeems teas to BO
- The Rainforest Alliance invoices Packer
- Packer pays SD/SI to the Rainforest Alliance
- The Rainforest Alliance pays full SD/SI to farm CHs
- Farm CHs distribute SD/SI to members/workers
- Farm CHs report usage of received SD/SI

**Foodservice / Retail (non-packer) brand**

- Packer gets reimbursed by BO

*This may involve an agreement or contract between BO and 3P Packer and/or Farm CH, but it is not required.

**Packer & BO agree on reimbursement of SD/SI**
Following transition to the RA 2020 SAS certification program:

- SD and SI will have to be paid for all certified tea from January 1, 2023 onwards.
- Based on commitments made and volumes of certified tea redeemed in 2022
No fixed or minimum SD or SI in tea

- No fixed or minimum SD or SI for the tea sector for implementation year 1 (2023).
- SD and SI don’t need to be stipulated in farm CH-buyer contracts
- Supply - demand forces will guide any potential agreement on SD between farm CH and Brand Owner, without RA intervening
- The investment plan template will guide any potential agreement on SI between farm CH and Brand Owner.
- Initial focus is on implementation, learnings, and transparency
- RA will review the need for fixed or minimum SD and/or SI after the first two years.
Guidance amounts for tea

- To provide guidance on initial amount, especially for brands further removed from tea supply chain/ without SC investment experience.
- To set a level-playing field, from what we believe is a realistic starting point.
- Weighting based on industry feedback

**Sustainability Differential (SD)**

*Guidance*: 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.

**Sustainability Investments (SI)**

*Guidance*: 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.
Payment Implementation

- A payment facility to lessen the admin burden and provide an incentive
- SD/SI commitments, payments through 1 system - annual payment cycle
- Compliance verified via CB in farm & supply chain audits
- Multitrace provides volume report to brand owner
- Brand owner determines and records SD/SI commitments in Multitrace
- Multitrace generates 1 invoice for total volumes sold as RAC (redeemed from traceability platform)
- RA invoices brand owner for total amount (incl details re farm CHs, SD/SI breakdown)
- Brand owner pays RA for said amount
- RA pays farm CH this amount with SD/SI contributions split out per brand owner
- Compliance verified via CB in farm & supply chain audits
Traceability and Transparency is key

- The SD and SI values committed and paid between brand owner and farm CH will be captured in the Rainforest Alliance traceability platform.
- Whilst brand owners will set SD/SI levels, we will encourage and expect those SCAs to engage in dialogue with the farm CHs and thus facilitate longer term supply commitments.
- Major shifts:
  - more transparency for brand owners (including retail) on investments required for farm CHs to attain and maintain certification and additional investments required on their sustainability journey.
  - claims and narratives supported within guidelines: how much is contributed, what investment areas, what impacts are supported

NB End-to-end traceability in Multitrace is required in order to enable Shared Responsibility.
What’s next?

2021-2022:
• Farm Certificate Holders (CHs) transition to 2020 Standard
• Farm CHs complete first Investment plans as they transition
• RA sets up functionalities required to support implementation
• RA support farm CHs with investment plans and supply chain CHs with enabling SD/SI in their supply chains
• 2022 “early implementer” pilots to test effectiveness of implementation of SD and SI in the tea sector

2023-2024
• SD/SI payments are made, guidance minima only
• Collect and review data on SD/SI, CH investment needs, farm level improvements
• Review SD & SI value. Decision on fixed or minimum SD and/or SI payable from Year 2 onwards.
How to meet the Shared Responsibility Requirements in 2020 Sustainable Agriculture Standard
Chapter 3: Shared Responsibility
Requirements and Assurance For Farm and Supply Chain Actors
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 responsible SC CH

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

For tea:
- No contracts. Commitments made by brand owners annually in RA traceability platform.
- Brand owner bears ultimate responsibility. Packer transacts payments on brand owner behalf.
- Annual. Invoicing and payments in Q1 of each calendar year on previous year’s commitments.
- Brand Owner or delegated packer.

This will all be reflected in Annex S14, version 1.1
Requirements for Farm CHs on SD

- Documents SD received by buyers (through Rainforest Alliance)
- 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

Worker benefits covered through SD and SI

- Intention of the SD: recognize the producer’s sustainability efforts
- Insight into investments made for benefit of workers (through SI plan)

NOTE: additional guidance for 3.2.2
Requirements for Farm CHs on SI

- Costs related to core and mandatory improvement requirements
- Inputs from:
  - Management capacity assessment
  - Internal inspections
  - Risk assessment
  - Audit reports
- First audit will focus on consistency between compliance gaps and investment plan content.

Management at least annually defines the investments needed to improve sustainability and develops an investment plan.

Annex S16: Sustainable Investment Plan
Assurance of SD and SI requirements

Main principle:
Agreements are respected
i.e. SD/SI amounts paid/allocated align with commitments, reports/documents, system records as well as CB’s observations

Are there commitments? What are those?

Is there an investment plan and was SI used accordingly?

Was payment made on time?

Is the amount of SD/SI paid to supplier correct according to amount committed per volume times volume purchased as RA?

Do group members receive the amount they ought to receive based on volume delivery?

Are claims and narratives according to guidance?

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

Web explainer: [Shared Responsibility: What It Means for the Tea Sector](https://www.rainforest-alliance.org/business/events/)

Guide: [Sustainability Differential and Sustainability Investments: Tea Sector Guidance](https://www.rainforest-alliance.org/business/events/)

Webinars: [https://www.rainforest-alliance.org/business/events/](https://www.rainforest-alliance.org/business/events/)

Other resources:

- [One-sheet Shared Responsibility](#)
- [Annex S14 on Shared Responsibility](#)
- [The 2020 Certification Program](#)
- [How to Transition to the 2020 Certification Program](#)
- [End-to-end traceability for tea](#)
- [E-learning resources for tea traceability in Multitrace](#)
Q&A