



## 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

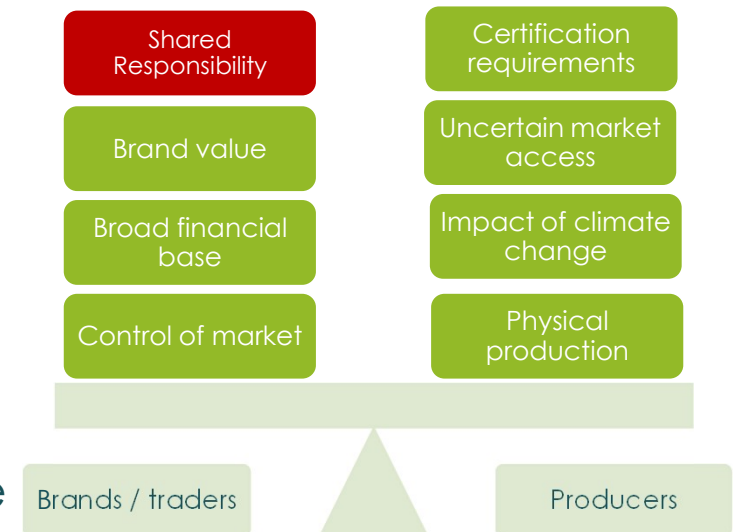
Existing certification can place an unfair burden on producers.

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?

*Implements the tea specific SD/SI requirements (Standard + Annex S14)*

Producers/  
workers

Group/Farm  
management

Primary  
processing

Exporter

Importer

Blender/  
Packer

Brand  
Owner

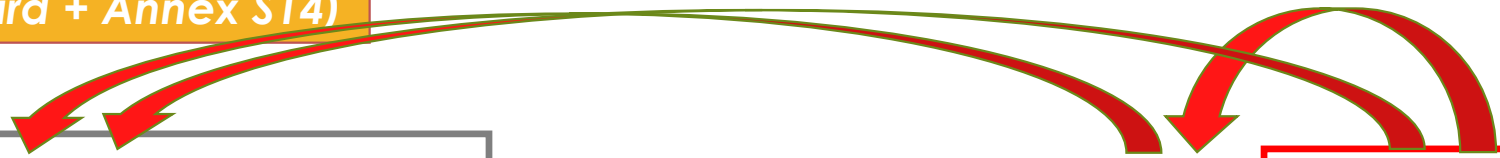
One certificate, since farming in  
scope → Farm CH

Supply  
Chain CH

Supply  
Chain CH

Supply  
Chain CH

Supply  
Chain CH





## Why the brand owner?

The SCA required to pay the SD/SI 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.

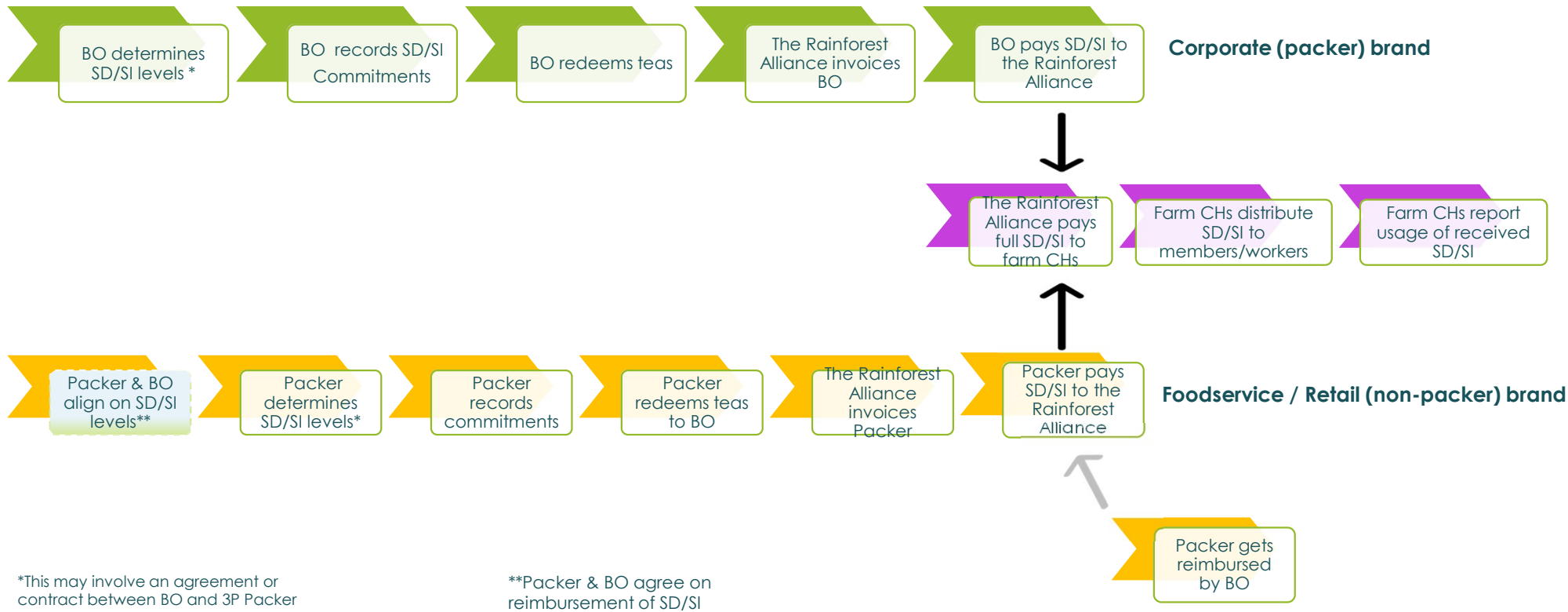
We take this approach because:

- 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





## Start date for tea 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



## 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





## Overview of related documents

### RAINFOREST ALLIANCE SUSTAINABLE AGRICULTURE STANDARD

#### SUPPLY CHAIN REQUIREMENTS

RAINFOREST  
ALLIANCE

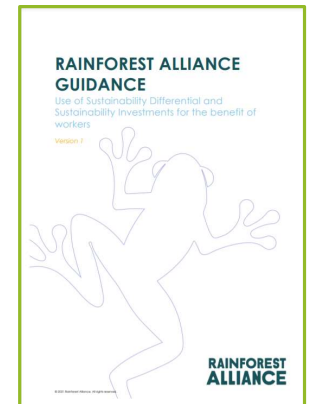
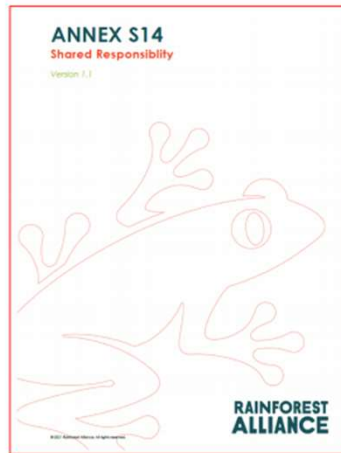
### RAINFOREST ALLIANCE SUSTAINABLE AGRICULTURE STANDARD

#### FARM REQUIREMENTS

RAINFOREST  
ALLIANCE



Version 10



## Guide on worker benefits

## Chapter 3: Shared Responsibility



## Requirements for Supply Chain CHs on SD and SI

**3.2.4:** Terms are stipulated in contractual agreements with suppliers



**For tea:** No contracts. Commitments made by brand owners annually in RA traceability platform.

**3.2.3 (SD) and 3.3.4 (SI):** Payments are made by the responsible SC CH



**For tea:** Brand owner bears ultimate responsibility. Packer transacts payments on brand owner behalf.

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



**For tea:** Annual. Invoicing and payments in Q1 of each calendar year on previous year's commitments.

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



**For tea:** Brand Owner or delegated packer.



**This will all be reflected in Annex S14, version 1.1**

### Groups: 3.2.1

## 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

### 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

**NOTE:**  
**additional  
guidance for  
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)

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

- ## Requirements for Farm CHs on SI

<b>A. Sustainability Investment Plan</b> (based on estimates defined on A1)	\$ -	-	Not reflected value (Not reflected value known)	Sustainability Investment Prior (USD) \$
<b>B. SUSTAINABILITY INVESTMENT</b> (SI) (based on real sales and volume data)	\$ -	-	0 of real sales	Sustainability \$

Investment Category	Investment Plan (Based on pre-approved estimates)	X	Final Investment (CLM)	X	Variance on Budget (Final vs. Estimated Investment)	Certified Holder Investment	Farm Investment	Control
1 Management	\$ -		\$ -	\$0/0/00		\$ -	-	
2 Traceability	\$ -		\$ -	\$0/0/00		\$ -	-	
3 Shared Responsibility	\$ -		\$ -	\$0/0/00		\$ -	-	
4 Farming	\$ -		\$ -	\$0/0/00		\$ -	-	
5 Social	\$ -		\$ -	\$0/0/00		\$ -	-	
6 Environment	\$ -		\$ -	\$0/0/00		\$ -	-	
7 Audit costs	\$ -		\$ -	\$0/0/00		\$ -	-	
8 Others	\$ -		\$ -	\$0/0/00		\$ -	-	
TOTAL	\$ -		\$ -	\$0/0/00		\$ -	\$ -	
Resources to allocate / over budget			\$ -					

[illegible]

## Annex S16: Sustainable Investment Plan



## Assurance of SD and SI requirements

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?

### 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*

**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](#)

Guide: [Sustainability Differential and Sustainability Investments: Tea Sector Guidance](#)

Webinars: <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

# **RAINFOREST ALLIANCE**