SD / SI implementation in the tea supply chain

This webinar will provide our tea members with an update on SD / SI implementation in the tea supply chain, highlighting the requirements, the timeline, the tea investment plan template, a demo of the MultiTrace screen where SD SI is committed, the payment facility, claims and useful links.

21 September 2023
Agenda for this webinar

1. Introduction – Shared Responsibility
2. SD SI in the tea program
3. The farm investment plan and investment reporting
4. Demo – how to set SD SI levels in MultiTrace
5. SD SI invoicing and payments
6. Claims and narratives
7. Links and resources
Introduction
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

  \[ \boxed{\text{= Sustainability Differential}} \]

• Contribute toward the investments needed to become and remain certified

  \[ \boxed{\text{= Sustainability Investments}} \]
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 Sustainable Agriculture Standard.*

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.
Why introduce SD and SI?

• To support certified farms by providing the means to invest in sustainable tea production
• To encourage companies to acknowledge the value of sustainability and invest in and reward more sustainable production
• To distribute costs and benefits of certification between farmers and brands/packers along the supply chain, so that both are rewarded for their efforts to embrace more sustainable practices
• To help target investments to where they are needed most, including workers’ wellbeing
• To promote transparency on the sustainability investment needs of farmers
• To allow companies to more closely track the associated impact of those investments in their supply chain.
What it means for the tea sector

How to implement the Shared Responsibility requirements in tea
What Shared Responsibility means for tea – overview

1. The brand owner is responsible for payment of SD/SI in their supply chain. It is the redeeming CH who commits and pays SD/SI via the MultiTrace platform.

2. All volumes sold or claimed as Rainforest Alliance Certified and therefore redeemed out of MultiTrace from July 1st, 2023, will trigger SD/SI payment.

3. In this initial implementation, Rainforest Alliance will not set a minimum for SD SI payments. But to encourage a level playing field our guidance is that SDs are paid on the basis of no less than $10/MT for each MT and SIs are paid on the basis of no less than $40/MT for each MT of Rainforest Alliance Certified tea redeemed by the brand owner from their supply chain.

4. If a retail brand owner is supplied by a packer for private label tea, i.e. the packer is the redeeming CH, the packer is responsible for paying SD SI on their behalf, the retail brand owner is responsible to include SD/SI in the next contract cycle to reimburse the packer.

5. Rainforest Alliance third-party payment facility will manage payments between brand owner and the farm certificate holders in the brand’s footprint.

6. All farm CHs are required to draw up an investment plan on how to allocate and spend the Sustainability Investment, prior to the RA 2020 SAS audit. There is a simplified template for Tea farm CHs.

7. Traceability is key: no SD or SI is feasible unless both farm CHs and company CHs are reporting in MultiTrace, up to packer level. To enable SD/SI we require end-to-end traceability from farm CH to at least final packer.
Requirements for RA 2020 Farm CHs on SD & SI

RA 2020 Farm CH must:

• Register in the RA 3P payment facility to receive SD SI

• Document SD and SI payments received.

• SD: transfer full amount of SD to group members/field operators OR spend SD for the benefits of workers/pickers.

• Develop an Investment Plan*.

• Spend SI according to the Investment Plan.

• Document spending of the SI according to the Investment Plan.
Overview: Requirements for Brand Owners or Packers on SD & SI

Supply Chain CH (Brand Owners or Packers) must:

- Commit and confirm SD SI levels in the RA traceability platform
- Log in that platform premiums and/or investments already made to all farm CHs in their footprint if those apply
- Make SD SI payments according to the RA 3P payment facility and to the invoice terms and conditions
- Pay SD SI quarterly
Investment Plan
A new simplified version of the Sustainability Investment Plan Template (Annex S16) is live since August 1st, 2023. Tea farm certificate holders are audited on the new form only, in accordance with the Policy Investment Plan template in the Tea Sector.

https://si-form.ra.org/

- Simplified data collection
- User friendly with guidance
- Online collection for reporting
MultiTrace Demo
SD SI Invoicing

More information about upcoming section
Tea SD SI Invoice

• After Finalizing commitments in MultiTrace for SD and SI, the Rainforest Alliance will send an invoice to the Redeemer.
• Redeemers must pay this amount in full to the Rainforest Alliance.
  • if we do not receive the full amount, we cannot process the subsequent payments to producers in the Redeemer’s footprint.
Payments to Producers

• After the Rainforest Alliance receives payment from Redeemers, RA’s accounting team can process all related producer payments.
• RA is partnering with Convera to make international payments to our global network of tea producers.
• Tea Producers must register their banking information with Convera using their RA ID (example: RA_000####### or ME01#######).
Claims
In order to enable these claims, the process from investment plans to payment facilitation needs to flow. This requires that our supply chain partners participate in traceability and begin making those payments within RA’s systems. That is the data that not only fuels this process, but also connects the producers to their partners in the supply chain.
Useful links and resources

More information about upcoming section
Relevant documents and chapters

- The Rainforest Alliance shared responsibility web page
- Rainforest Alliance Sustainable Agriculture Standard 2020, Chapter 3: Income and Shared Responsibility
- Annex SAS chapter 3 income and shared responsibility – this outlines the requirements
- Shared Responsibility: what is means for the tea sector – this outlines the rationale for the tea approach + the main FAQs we receive
- Simplified Sustainability Investment Plan Template
- Guidance document on workers benefits
- Multitrace user guide