

# ANNEX CHAPTER 3:

## Income and Shared Responsibility

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Included in this document:  
[S14 Shared Responsibility](#)

Tools related to this Chapter:  
S16: Sustainability Investment Plan Template





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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SA-S-SD-21-V1.1: Annex Chapter 3: Income and Shared Responsibility, published on February 6 <sup>th</sup> , 2023		Farm and Supply Chain Certificate Holders

Annexes are binding and must be complied with for certification.

#### More information

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## OVERVIEW OF KEY CHANGES

Overview of key adaptations in this document

SA-S-SD-21-V1.2 Annex Chapter 3: Income and Shared Responsibility, published on June 11<sup>th</sup>, 2023,

compared to the previous version

SA-S-SD-21-V1.2 Annex Chapter 3: Income and Shared Responsibility, published on February 6<sup>th</sup>, 2023

Section	Subject	Change
2.3	Table 1: Payment of SD/SI	Fixed SI changed to minimum SI for bananas and fresh fruits
2.3	Contractual agreements/ commitments on SD/SI payments	Importer approach: Fixed SI changed to minimum SI for bananas and fresh fruits
2.3	Minimum amounts (req. 3.2.7)	Fixed SI changed to minimum SI for bananas and fresh fruits
2.4	Transparency	New section added on transparency for tea farm CHs receiving SD/SI from brand owners/packers
3	Overview of supply chain requirements per sector	Fixed SI changed to minimum SI for bananas and fresh fruits



## TABLE OF CONTENTS

S14 Shared Responsibility .....	5
1. Introduction .....	5
2. Implementation of requirements .....	5
2.1. Farm requirements on Production Costs and Living Income .....	5
2.2. Farm Responsibilities on SD and SI.....	5
Requirement 3.2.1: Sustainability Differential in Groups .....	5
Requirement 3.2.2: Sustainability Differential in Large and Individual Farm CHs .....	6
Requirement 3.3.1: Sustainability Investment Plan .....	6
2.3. Responsibilities on Agreements and Payments .....	7
Requirement 3.2.3 and 3.3.4: Payment of the Sustainability Differential and Sustainability Investment .....	7
Requirement 3.2.4 and 3.3.6: Contractual agreements/commitments on SD and SI payment .....	8
Requirement 3.2.5 and 3.3.4: Timeframes for payment of SD and SI .....	10
Requirement 3.2.6 and 3.3.5: Recording and Reporting SD and SI .....	10
Requirement 3.2.7: Minimum Amounts .....	11
2.4. Transparency .....	12
3. Overview of Supply Chain Requirements (SD and SI) and their applicability per sector ..	12



# S14 SHARED RESPONSIBILITY

## 1. INTRODUCTION

The implementation of the shared responsibility requirements needs different approaches for each of the sectors, as the dynamics of global supply chains for Rainforest Alliance Certified commodities vary significantly. This annex provides this sector-specific content.

*Guidance on the implementation of sector-specific rules outlined in this document can further be found on the Rainforest Alliance [website](#).*

## 2. IMPLEMENTATION OF REQUIREMENTS

### 2.1. Farm requirements on Production Costs and Living Income

According to requirement 3.1.2, actual net income is assessed against a living income benchmark. Living income assessments and benchmarks are an area that is still new and in development, and the assessments and benchmark calculations are complex.

The Rainforest Alliance acknowledges the importance of this subject, but at this moment we cannot yet provide a benchmark tool that is practical for all farms to work with and offers sufficiently accurate outcomes.

We are further exploring and developing this work in coming years.

Currently, requirement 3.1.2 is self-selected. Farms that are willing to work with an existing benchmark methodology and calculate living income are invited to do so, and the Rainforest Alliance is interested to learn from the results.

### 2.2. Farm Responsibilities on SD and SI

#### Requirement 3.2.1: Sustainability Differential in Groups

Requirement 3.2.1 requires the group administrator to distribute the total amount of Sustainability Differential (SD) received from buyers for the sale of the certified products to group members, proportionally based on the volume that each member delivered to the group.

Certificate Holders (CHs) must have complete and accurate evidence showing all payments of SD made to group members. This must be updated at least annually. The payment evidence must show that the total sum of SD payments to group members is equal to the total SD amount received from the buyer(s). Only transaction and tax-related costs can be deducted from the total SD the farm CH received, if proof is available. This means farm CHs must have an adequate accounting system in place to:

- Record SD payments separately from the product price and quality premiums or other premiums.
- Record amounts and dates of payments made to each group member linked to volume of product delivered to the group.
- Provide group members with information on the agreed amount of SD (by volume), and timelines and methods for payment.
- Provide each group member with information on the SD paid to them.



### **Requirement 3.2.2: Sustainability Differential in Large and Individual Farm CHs**

Requirement 3.2.2, which applies to individual farm CHs and large farms, states that the SD is spent to benefit the producer and/or workers. Whenever the SD is used to the benefit of workers, worker representatives must be consulted when establishing how the SD should be used.

If the SD is paid for the benefit of the workers, management must keep records of:

- Consultation with the representation of workers on sustainability priorities.
- Use of the SD against the categories defined by the Rainforest Alliance (wages, working conditions, health and safety, housing).

### **Requirement 3.3.1: Sustainability Investment Plan**

All farm CHs must have a plan that identifies sustainability investment needs using the Rainforest Alliance Sustainability Investment Plan template (Annex S16). This plan is also used to monitor expenditure of Sustainability Investments.

Sustainability Investments listed in the investment plan must be directly linked to achieving compliance with core requirements and relevant improvement requirements of the 2020 Sustainable Agriculture Standard. To identify the investments needed, group or farm management must use the results of their self-assessment, risk assessment, internal inspections, audits, farm management plan and capacity assessment.

Farm certificate holders develop their Sustainability Investment (SI) plan prior to forward contracting so they can use it as a basis for negotiation with buyers about the value of monetary SI or in-kind contributions needed.

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

Farm CHs growing multiple crops need to specify in their investment plan the investment needs for all crops they intend to market as Rainforest Alliance Certified. These should all be included in one investment plan.

#### **Reporting**

Farm CHs must report on the SI they receive and how they use it. They must report this at the end of the crop season, at least annually. Monetary and in-kind SI received, and how this has been spent against each of the Investment categories, must be recorded in the Sustainability Investment Plan. Farm CHs must also report these amounts from the investment plan in the Rainforest Alliance Indicator Template.



## 2.3. Responsibilities on Agreements and Payments

### Requirement 3.2.3 and 3.3.4: Payment of the Sustainability Differential and Sustainability Investment

The applicability of the shared responsibility requirements differs per sector. The table below indicates which SC CH (Supply chain certificate holder) is responsible for complying with the SD and SI requirements:

Crop/Sector	SC CH responsible for SD/SI	Obligations:	Timeline for implementation: For volumes certified against the 2020 Rainforest Alliance Standard purchased after:
Coffee	<b>First Buyer</b>  <i>the initial certificate holder legally owning the certified product after the farm certificate holder</i>	<ul style="list-style-type: none"> <li>- specify amounts and payment terms for SD and SI in contractual agreements with farm CHs</li> <li>- make payments on volumes purchased as Rainforest Alliance Certified</li> </ul>	1 July 2021
Cocoa			1 July 2021
Processed fruits and Coconut Oil			1 January 2023
Hazelnut			1 July 2021
Herbs and Spices			1 July 2021
Other crops			1 July 2021
Tea	<b>Brand owner</b>  Note for foodservice and Retail brand owners: the private label manufacturer (packer) is required to commit, confirm, and pay SD/SI on retail brand owner's behalf. Retail brands are required to compensate the private label manufacturer (packer) for this SD/SI payment.	(In the absence of a contract between farm CH and brand) <ul style="list-style-type: none"> <li>- make commitments in the Rainforest Alliance traceability platform</li> <li>- specify SD/SI amounts by volume</li> <li>- make payments on volumes sold as Rainforest Alliance Certified. Transfer of SD/SI to farm CHs will be facilitated by the Rainforest Alliance payment facility</li> </ul>	For volumes certified against the 2020 Rainforest Alliance Standard, redeemed after July 1, 2023.  NB: Brands pay SD/SI based on volumes redeemed in the Rainforest Alliance traceability platform for the previous quarter
Banana and Fresh Fruits	<b>Importer</b>  <i>the organization outside the country of origin importing certified volume directly from origin, including retailers, brand owners or any other organization who performs this function</i>	<ul style="list-style-type: none"> <li>- specify payment terms in contractual agreements with their direct suppliers</li> </ul> NB: <ul style="list-style-type: none"> <li>- Exporters must forward the SD and SI to the farm CH</li> <li>- The full minimum value of SI must reach the farm CH</li> </ul>	1 January 2023
Flowers	TBD	TBD	TBD

Table 1: Overview of supply chain CHs responsible to comply with requirements for the payment of SD/SI

#### NOTE: Supply chain CHs working with multiple crops

Supply chain CHs working with multiple crops may have different responsibilities for payment of SD and SI, depending on the role they play in each supply chain and the payment responsibilities for the relevant sector.



## Requirement 3.2.4 and 3.3.6: Contractual agreements/commitments on SD and SI payment

In all crops except for tea, groups and individually certified farms must have clear contractual agreements in place which specify the amount and other terms around the Sustainability Investments and Sustainability Differential.

### **First buyer approach (coffee, cocoa, processed fruits and coconut oil, hazelnut, herbs & spices, other crops)**

First buyers must negotiate SD and SI amounts with farm certificate holders. The supply chain CH will include the agreed SD and SI in contracts with farm CHs. If in-kind SI is agreed between parties in addition to the monetary SI amount, it should also be included in the contracts.

### **Importer approach (bananas and fresh fruits)**

Importers must negotiate and agree on the SD with the supplier. The minimum SI and the agreed SD amounts are included in contracts. If in-kind SI is agreed between parties, in addition to the minimum monetary SI amount, it should be included in the contracts.

If the importer is not directly purchasing the certified volume from the farm CH, the supply chain CH in the country of origin (first buyers/exporters, etc.) must include the negotiated SD and the minimum SI amounts in contracts with the farm CH. If in-kind SI is agreed between parties, in addition to the minimum monetary SI amount, it should be included in the contracts. In this case the supply chain CH that contracts directly with the farm CH must transfer the minimum SI and agreed SD amounts to the farm CH.

### **Brand owner approach (tea)**

Brand owners must make commitments in the Rainforest Alliance traceability platform specifying the amount of SD/SI by volume they will pay. Payments of SD/SI to Farm CHs will be made via the Rainforest Alliance payment facility. To enable this, Brand Owners must trace out of the Rainforest Alliance traceability platform ("redeem") the volumes used, packed, and sold as Rainforest Alliance Certified, as a minimum on a quarterly basis.

When volume is redeemed out of the Rainforest Alliance traceability platform, the platform shows the SD/SI amount (amount by volume, US\$/MT) the brand owner has committed to pay to the farm CHs via the Rainforest Alliance payment facility. An invoice is sent to the brand owner for this amount. The brand owner pays the SD/SI according to the terms set in the invoice.

Note: For foodservice and retail brands the above requirements are facilitated by their private label manufacturer (packer) who will redeem the volumes and commit to SD/SI amounts.

Foodservice or retail brands that decide to engage in full traceability take over the requirement from their private label manufacturer (packer) to redeem volumes out of the Rainforest Alliance traceability platform and commit and pay SD/SI directly.





## Contractual agreements

**For the first buyer and the importer approach, the following applies to farm and supply chain CHs:**

Agreements on SD/SI payments between farm and SC CH must include at least:

- The amount of the Sustainability Differential and Sustainability Investments by volume, clearly distinguishing the SD and the SI from price, quality premiums, and other differentials
- Terms and conditions of payment, meaning:
  - Definition of the period that the Sustainability Differential and Sustainability Investment payment relates to (e.g., annual volume contracted in 2022, October harvest 2022)
  - Clear timeframe of payment (e.g., 3 weeks after receipt of certified product, annually at the end of the contract, etc., respecting requirement 3.2.5)
  - Method of payment (e.g., bank account details)
  - Currency

If the separate amounts for SD and SI are not known prior to contracting, the contractual agreements may reference one total amount. When actual sale of the certified product is made, SD and SI amounts must be indicated (in the Rainforest Alliance traceability platform). The sum of the SD and SI equal the total amount agreed.

**For the brand-led approach (tea) the following also applies:**

SD/SI must be included in contract price negotiations between foodservice or retail brand owner and private label manufacturer (packer) from the next contract cycle after January 1, 2023. Packers enter SD/SI commitments in the Rainforest Alliance traceability platform accordingly and pay SD/SI.

## Specific Situations

### Existing Investments

Supply chain CHs that have their own investment programs in place may count those investments as SI, if the investments:

- relate to the implementation of the Rainforest Alliance standard farm requirements.
- are agreed on with the farm CH.
- are incorporated into the farm CH's Investment Plan and contractual agreements (if applicable).
- are backed up by evidence of the investments made (monetary and in-kind).

### Farm CHs purchasing certified products from other farms

A certificate holder (CH) with farming in scope who also purchases certified products from other farm CHs is considered as the first buyer for the volumes purchased. For those crops where the first buyer is responsible for payment of SD/SI (see *table 1*), these CHs must make SD/SI payments for the volumes purchased as Rainforest Alliance Certified, and all supply chain CH criteria mentioned in this document apply to them for the proportion of the product bought other farm CHs.

### Intra-company trading

For multinational organizations that operate under different legal entities, requirements 3.2.4 and 3.3.6 may be applied as follows:



1. Payment terms must be documented for the Sustainability Differential and Sustainability Investments between the entity paying SD/SI (e.g., trader) and the entity receiving SD/SI (e.g., farm CH)
2. Both paying and receiving entities must record all intra-company transactions of Rainforest Alliance Certified product in the Rainforest Alliance traceability platform, including the agreed level of SD and SI per volume.
3. Both paying and receiving entities must keep records of actual payment/receipt of the SD and SI.

### Requirement 3.2.5 and 3.3.4: Timeframes for payment of SD and SI

The Rainforest Alliance has defined specific timeframes for the payment of the SD and SI per sector, as set out in the table below:

Crop/Sector	Applicable payment timeframe
Coffee	Payment is made no later than 12 months after shipment from farm CH to first buyer.
Processed Fruits and Coconut Oil	
Hazelnut	
Herbs and Spices	
Other crops	
Cocoa	Payment is made no later than 6 months after shipment from farm CH to first buyer, unless otherwise required by local regulations.
Tea	Payment is made quarterly. Total quarterly amounts are paid within the terms set in the SD/SI invoice from the Rainforest Alliance payment facility, and latest by the close of the next quarter.
Banana and other fresh fruits	Payment is tied to regular payments for certified bananas and other fresh fruits.

Table 2: Timeframe for SD and SI payment

### Requirement 3.2.6 and 3.3.5: Recording and Reporting SD and SI

#### **Recording of SD and monetary SI payment (in the Rainforest Alliance traceability platform)**

##### **First buyer and Importer approach:**

- When entering a sales transaction, farm CHs must indicate the SD and SI amounts agreed in the contract in the field "SD/SI agreed" of the transaction details. SD/SI amounts that were agreed in local currencies are converted and recorded in either € or US\$.
- The first buyer must confirm the agreed SD and SI amounts by confirming the overall transaction made to them. If the amount entered by the farm CH differs from what was agreed upon, the first buyer can reject the sales transaction and request the farm CH to correct it.

For bananas and other fresh fruits: The agreed SD/SI amounts are recorded in the platform between the farm CH and the first buyer (as explained above). If the importer is NOT the first buyer, the SD/SI amounts agreed between the importer and its suppliers are recorded outside the Rainforest Alliance traceability platform.



### Brand owner approach:

- When redeeming certified volume from the Rainforest Alliance traceability platform, the brand owner indicates the SD and SI amounts they commit and confirm to pay in the platform. In the case of foodservice and retail brands these actions are performed by the private label manufacturer (packer), unless the foodservice or retail brand takes over the commitment and payment of SD/SI and the redeeming of volumes.

### Recording of in-kind SI payment (outside the RA platform)

Sustainability Investments that are made in kind are usually not calculated based on transacted certified volume.

SC CHs making in-kind investments must keep documentation outside of the traceability platform demonstrating the type and amount of in-kind investments delivered.

Farm CHs who receive in kind investments must keep documentation outside of the traceability platform demonstrating the type and amount of in-kind investments delivered. They should also include in-kind SI received and record how this has been used against each of the Investment categories in the Sustainability Investment Plan.

### Requirement 3.2.7: Minimum Amounts

The Rainforest Alliance has defined a minimum Sustainability Differential for cocoa. This means the SD amount agreed between first buyer and farm CH must at least reach this amount.

Cocoa	Region	
	Countries in Africa using XOF or XAF	Rest of the World
<b>Minimum SD</b>	63 Euro per MT of cocoa bean	70 US\$ per MT of cocoa bean
<b>Start date</b>	All certified cocoa produced during the 2023-2024 harvest cycle that is sold as Rainforest Alliance Certified	July 1, 2022

Table 3: Minimum SD in cocoa

The Rainforest Alliance has defined a minimum Sustainability Investment for banana and other fresh fruits. This means no negotiations are needed for SI. The amount must be included in contractual agreements.

Banana and fresh fruit	Region
	All
<b>Minimum SI</b>	US\$ 5.50 (US\$ 0.10 per banana box (18.14 kg))
<b>Start date</b>	Importers must pay this amount for volumes entering the supply chain from January 1, 2023, onwards.

Table 4: Minimum SI in banana and fresh fruit



## 2.4. Transparency

The Rainforest Alliance is committed to bringing transparency to supply chains. As part of that commitment, the tea farm CH is informed with each payment of SD/SI of the brand owner/packer who has committed and paid the relevant SD/SI amount(s).

## 3. OVERVIEW OF SUPPLY CHAIN REQUIREMENTS (SD AND SI) AND THEIR APPLICABILITY PER SECTOR

Requirement	Topic	Coffee	Cocoa	Tea	Banana and fresh fruits	Other sectors*	Flowers
3.2.3	CH responsible for payment of SD	First buyer	First buyer	Brand owner Note: For foodservice or retail brand owner, private label manufacturers (packers) are responsible for facilitating the payment. Brand owners are responsible for compensating the packers for SD/SI payments made on their behalf.	Importer has responsibility for SD payment. Other SC CHs between farm CH and importer transfer payments.	First buyer	TBD
3.2.4	CH responsible for contractual agreements/ commitments for SD	First buyer	First buyer	Commitments on SD levels are made by brand owners in Rainforest Alliance traceability platform. Note: For foodservice and retail brand owners, SD/SI amounts are agreed with private label manufacturer (packer) in private label contract negotiations.	Contractual agreements exist between sellers and buyers starting with farm CH until level of importer.	First buyer	TBD
3.2.5	Payment timeframe for SD	12 months	6 months, unless otherwise required by local regulations.	Quarterly, for the previous quarter's volumes sold as Rainforest Alliance Certified.	As set by commercial payments and timelines.	12 months	TBD
3.2.6	Reporting of SD payment in traceability platform	First buyer	First buyer	Brand owner Note: For foodservice and retail brand owners the private label manufacturer (packer) is responsible for reporting in the traceability platform, unless the brand owner	First buyer	First buyer	TBD



Requirement	Topic	Coffee	Cocoa	Tea	Banana and fresh fruits	Other sectors*	Flowers
				has engaged in traceability, in which case the brand owner is responsible for reporting in the traceability platform.			
3.2.7	Minimum SD/SI amounts	NA	70 US\$/MT cocoa beans for SD. Mandatory from October 1, 2022 (Africa); July 1, 2022 (rest of the world)	NA	5.50 US\$/MT (0.10 US\$ per banana box [18.14 kg])	NA	TBD
3.3.4	Supply chain CH responsible for payment of SI	First buyer	First buyer	Brand owner	Importer has responsibility for SI payment. Other supply chain CHs between farm CH and importer transfer payments.	First buyer	TBD
3.3.5	Reporting of SI payment in traceability platform	First buyer	First buyer	Brand owner Note: For foodservice or retail brand owner, private label manufacturers (packers) are responsible for facilitating the payment. Brand owners are responsible for compensating the packers for SD/SI payments made on their behalf.	First buyer	First buyer	TBD
3.3.6	CH responsible for contractual agreements/commitments for SI	First buyer	First buyer	Commitments on SI levels are made by brand owner in Rainforest Alliance traceability platform Note: For foodservice and retail brand owners SD/SI amounts agreed with packer in private label contract negotiations	Contractual agreements exist between sellers and buyers starting with farm CH until level of importer.	First buyer	TBD

\* Other sectors: Including processed fruits, coconut oil, hazelnut, herbs and spices, vegetables.