



Voluntary Contributions Guidelines

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Introduction

As part of their commitments to promote living wages in the banana sector, retailers from Germany, the UK, the Netherlands, and Belgium identified voluntary contributions (VCs) as the preferred tool to help reducing living wage gaps in the short-term. Voluntary contributions are additional payments to help close the living wage gap. As part of the retailers' shared responsibility to close living wage gaps, it is their responsibility to pay for these contributions. Under no circumstances will the responsibility to cover the amount of the voluntary contribution be transferred to other supply chain partners. The retailer will pay the contribution to their suppliers, and suppliers forward the contribution to producers.

However, different approaches to calculating, paying and distributing VCs have created confusion and additional work for suppliers and producers. To address this, retailers agreed to align key aspects of the VC implementation summarized under 18 questions.

To reach alignment on these questions, a structured and participatory process was established. Coordinated by GIZ and IDH under the "Better Together" collaboration, representatives from retailers, suppliers, producers, and standard setting organizations were invited to share their views and engage in the alignment process. An alignment rule was introduced, stating that an approach would be considered as agreed on by stakeholders if at least 70% of the participants voted for it.

As a first step, a pre-survey was conducted. First alignment was found for 4 questions where the alignment rule was met. For the remaining questions, a joint online workshop took place where participants discussed their different views, clarified expectations, and explored possible solutions together. These discussions led to clear recommendations for some questions. Following the joint meeting, a final survey was carried out to reassess participants' preferred approaches. 25 representatives submitted their responses with a balanced participation of retailers, suppliers and producers. Based on the final survey, alignment was reached on 13 questions. Finally, during the Better Together meeting on July 1, 2026, alignment on last pending questions was secured.

These guidelines aim to provide practical guidance on the questions that reached alignment as well as sharing current practices and recommendations for the questions that did not reach alignment.

Whether a question reached alignment or not is clearly indicated for each question. The document is structured around the 18 key questions which relate to the calculation, payment and distribution, or verification of voluntary contributions. The guidelines are structured using these three categories.

The guidelines have been written jointly by IDH and GIZ based on the previous alignment with stakeholders and additional input from a review committee which all stakeholders had the chance to sign up for. For a couple of technical questions, external experts have been hired to provide advice, especially on legal, fiscal, and assurance related topics. An indication of an external source is highlighted at the beginning of the guideline when an external expert has been consulted.

Retailers, suppliers and producers are encouraged to follow these guidelines. Whenever deviations from the guidelines are needed, they should be unilaterally agreed on by all concerned parties.

Finally, it should be noted that VC mechanisms should not be treated as a substitute for broader discussions regarding pricing, production costs, and the commercial sustainability of banana supply chains. While VCs may help address specific living wage gaps, it does not resolve the underlying concern that producers may already be operating under significant cost pressure. Voluntary contributions are therefore considered a short-term solution. In parallel, long-term solutions that relate to social dialogue, responsible purchasing practices and in particular pricing mechanisms should be further explored.

Summary

#	Question	Alignment yes / no	Aligned answer / recommendation	Key information
1	<u>Should VCs be paid to farms that fail Salary Matrix verification?</u>	Aligned	Yes. Farms with a negative Salary Matrix verification result should receive a VC.	A negative verification result should not automatically exclude a farm. Instead, follow-up should focus on corrective action, transparency and continuous improvement.
2	<u>Shall VCs be calculated based on previous year or current year purchasing volumes?</u>	Aligned	Use Salary Matrix data and purchasing volumes from the same reference year.	Since Salary Matrix data refers to the previous year, purchasing volumes should also refer to that year. This avoids estimates and reduces administrative burden.
3	<u>Should VC calculations be corrected once actual GTU/ volumes are known?</u>	Aligned	No adjustments needed.	Using the same reference year for wage data and purchasing data means actual volume data is already available when VCs are calculated; therefore, no subsequent correction is required.
4	<u>Close gaps only for workers below LW or include a markup for workers above LW?</u>	Not aligned	Recommendation: Allow both options; any markup should be jointly agreed by supply chain partners.	Supply chain partners should jointly agree whether to calculate the VCs for gap closure only or to include an additional markup for workers already above the LW. The LW contribution tool provides both options.
5	<u>Who should lead the VC calculation?</u>	Aligned	The supplier should be in the lead.	Suppliers are best placed to collect producer data and coordinate with both retailers and producers. Calculations can use the IDH tool or done manually using the agreed methodology.
6	<u>How should taxes, levies and overhead costs be handled?</u>	Aligned	Include them in the VC calculation and have them covered by the retailer.	VCs should be a full-cost mechanism. Relevant taxes, social security, legal/accounting costs and reasonable overheads should not reduce the amount intended for workers.
7	<u>How should retailers pay VCs to Tier 1 suppliers – box price or lump sum?</u>	Not aligned	Recommendation: Lump-sum payment is preferred but not required. Suppliers should retain flexibility in transferring funds to producers.	Two options remain possible: (1) a separate lump-sum payment, or (2) a per-box price markup. Lump sums preferred from an implementation perspective; per-box payments may facilitate integration into existing commercial processes.
8	<u>Can suppliers distribute VCs according to their own strategy / pool across farms?</u>	Aligned	VCs should be distributed only to farms within the respective retailer's supply chain.	Calculation and distribution should remain linked. This strengthens attribution, transparency, monitoring and retailer accountability.
9	<u>Can payment timing be aligned?</u>	Aligned	Partners prefer an aligned payment schedule , but the exact schedule is still to be determined.	Until an aligned payment schedule is agreed, payments to suppliers are made on a cycle determined by the retailers, but suppliers can pay them out at a time convenient for the partners. Transparent communication on timings is essential for planning.
10	<u>Can the means of distribution to workers be aligned?</u>	Aligned	Supply chain partners decide on the appropriate distribution method.	Choice should reflect local legal requirements, worker preferences, administrative feasibility, traceability and auditability. Worker representatives should be involved in decision-making.

#	Question	Alignment yes / no	Aligned answer / recommendation	Key information
11	<u>Small VCs: individual payments or invest in general worker benefits?</u>	Aligned	The producer decides , in consultation with workers and in agreement with the retailer.	Where individual payments are too small or disproportionate, collective benefits can be used, provided they clearly support worker welfare / LW objectives.
12	<u>Should the Anker methodology / 30% cap apply?</u>	Aligned	No. VCs do not have to follow the Anker methodology; partners can decide how to distribute them, considering workers' preferences.	The 30% cap for in-kind benefits does not apply to VCs. However, in-kind benefits should be valuable, reduce living costs and meet standards of decency.
13	<u>Should VCs still be paid if administrative costs are very high?</u>	Aligned	The supply chain partner decides whether to receive the VC.	Assess proportionality between the total VC amount, net worker benefit, and the cost and resource demand of distribution. The assessment should be documented; if the VC is not distributed, the associated volumes cannot count towards commitments.
14	<u>What if a farm included in the calculation is no longer in the retailer's supply chain at payment?</u>	Aligned	Pay the VC if the supplier still has a commercial relationship with the farm. If neither retailer nor supplier works with the farm anymore, redirect funds to another eligible farm within the retailer's supply chain.	The retailer's payment obligation is based on the reference year of sourcing. Redirecting funds maintains impact while preserving the link to the retailer's supply chain. Case-by-case solutions may be needed.
15	<u>How to deal with workers who left during the year / seasonal workers?</u>	Aligned	Distribute VCs only to the current workforce at the time of payment.	The VC amount remains based on the workforce and wage data used for the original calculation, but it is distributed only to employed workers at the time of payment.
16	<u>What "rewards" should farms without a LW gap receive?</u>	Not aligned	No agreed approach The guidelines provide examples for implementation.	Possible incentives include preferential sourcing, recognition, reduced audit burden, preferred supplier programs, productivity support or payments to maintain LW levels.
17	<u>What assurance is required to ensure VCs reach workers?</u>	Not aligned	No agreed approach. The guidelines provide options proportionate for the specific partnership and supply chain contexts.	A risk-based approach is recommended, ranging from supplier self-assessment to buyer checks and independent third-party verification.
18	<u>What assurance is required to validate retailers' buying proportions?</u>	Aligned	A supplier/producer sourcing sheet cross-checked against retailer data is sufficient ; no third-party verification required.	Cross-checking ensures all retailer volumes are captured and helps prevent underpayment of VCs. Differences above 5% should be investigated and either corrected or explained.

Questions related to applicability & calculation

General remarks on calculation of voluntary contributions & their inclusion in IDH Salary Matrix

- **Tools to calculate the VC:** At this moment there is no live tool to calculate the voluntary contribution. IDH Solutions is working on such a tool. This should be available in the course of 2026 against a service fee.
- **Exchange rate:** In many cases retailers pay voluntary contributions in USD or EUR while producers and workers receive payments in their local currency. IDH and GIZ propose to use the exchange rate of the first day of the relevant payroll year for which an exchange rate is available on www.oanda.com. This is the default that will be available in the living wage contribution add-on to the Salary Matrix tool. However, retailers will have the possibility to change the date of the exchange rate used in the tool if they agree with their supplier to use another rate.
- **Entering VC in IDH Salary Matrix:** It is important to note that VCs made during the year to close the living wage gap disbursed to the workers through temporary solutions like vouchers cannot be entered in the SM as bonuses, in-kind benefits or wage increases and therefore reduce the living wage gap calculation. Neither can they be deducted afterwards from the living wage gap. Taking these contributions into account would artificially reduce the living wage gap for the current year at a farm since they are not structural and would therefore reduce the voluntary contribution needed for the current year. Voluntary contributions paid need to be entered in the add-on page of the SM. We refer to the SM e-learning site for more guidance on how to enter the voluntary contributions paid into the Salary Matrix: <https://livingwagematrix.gitbook.io/english-version/how-to-use-the-tool/create-a-calculation/add-ons>
- **Relation to Fairtrade Living Wage Differential:** Voluntary contributions are additional payments made by retailers to help reduce the living wage gap. These payments can be made independently by retailers or through existing systems like the

Fairtrade Premium, and the Fairtrade Living Wage Reference Price and Differential. The Living Wage Differential developed by Fairtrade can be used for certified bananas or can be implemented by retailers independently. The Living Wage Differential is calculated by Fairtrade on a yearly basis, using data collected as part of the setting of Fairtrade Minimum Prices for banana, such as cost of production, statutory ratios from local labour legislation (statutory contributions, cash allowances, withholdings and deductions) and statutory income taxes. and by understanding how local labour legislations apply and payrolls are prepared for each producing country, where there are Fairtrade certified banana producers. Additionally, Fairtrade collects data via the Form 314 on: a) number of workers by wage bands and b) number of workers by worked days per week; and invest on annual updates of the LWB applying for Fairtrade banana producing countries. As Fairtrade and IDH use different calculation methodologies, a living wage gap assessed as fully covered under the Fairtrade methodology may not be fully covered under the IDH methodology, and vice versa. For some questions, these guidelines include a reference to how the aligned or recommended approach compares to or differs from the Fairtrade approach. For more details on payment and distribution of the Fairtrade Living Wage Differential and Fairtrade Banana Bonus, see [Fairtrade's Living Wage Solution guidelines](#).



Question 1: Should voluntary contributions be paid to farms that fail Salary Matrix verification?

Alignment reached

Answer: Yes, farms with a negative Salary Matrix verification result should receive a voluntary contribution.

Reasoning

In most cases only a **(limited) sample of farms participates in third-party Salary Matrix verification**. Excluding farms with a negative verification result from receiving voluntary contributions would punish them disproportionately in comparison to those farms that are not participating in the verification.

There are **manifold reasons and root causes for negative verification results** – in many cases it is structural challenges such as insufficient or lacking systems to track working hours. These challenges must be addressed; however, it needs to be recognized that changes might take time. Farms often face challenges such as manual recordkeeping, limited digital systems, seasonal labour patterns, high workforce fluctuation, and limited administrative capacity. Long-established operational practices, including collective bargaining agreements based on piece-rate payment systems, can make rapid changes challenging. Improving systems for tracking working hours, overtime and payroll therefore require a gradual and collaborative approach, taking into account existing agreements between employers and workers and allowing for the necessary investments in infrastructure, processes, and training to strengthen the traceability and reliability of wage data over time.

Recommendations on follow-up measures

Source: *technical advice from Impact Buying*

A single verification result alone should not determine whether a farm receives voluntary contributions or not. Yet, the calculation and payment of voluntary contributions do require reliable data.

Instead of punishing producers for negative verification results **follow-up measures should aim to support continuous improvement** through a pragmatic and collaborative approach, while additional (remote) verification may be considered in cases with higher risks where needed. This was underlined in a statement by a retailer that participated in the review committee saying, “*Individual assistance is better than more audit pressure*”.

To support continuous improvement, it is important for retailers, suppliers and producers to have full transparency on prevailing data quality issues at farm level. Verification providers can provide this transparency through the verification reports they provide so issues can be followed up, and support can be tailored to address them.

Agreeing on follow-up measures is important for retailers and suppliers as these measures help demonstrate continuous improvement, credibility, and responsible supply chain engagement rather than treating verification as a purely compliance-based exercise. For producers, follow-up measures are important because they support the gradual resolution of data quality issues, strengthen management systems, and help reduce the risk of repeated negative verification results in the future.

Stakeholders should agree on a **corrective action plan which is tailored to the nature of negative verification results and operational context**:

Some negative verifications may not at all require corrective action due to the insignificant nature of non-conformities.

One specific case are severance payments (in Spanish: *cesantías*): According to the IDH Auditing Guidelines for verifying living wage gaps the inclusion of *cesantías* should lead to a negative verification result. IDH recommends excluding *cesantías* because they are deferred payments intended to provide financial support upon termination of employment and should therefore not be treated as remuneration available to cover workers' regular monthly living expenses. However, the German Retailers Working Group currently accepts the inclusion of *cesantías* since the sector has not yet

come to an aligned position on whether they can be included in the Salary Matrix or not.

Other cases may require corrective action such as updating Salary Matrices and/or receiving onsite verification again in the following year.

A retailer explains: *"We always take a close look at the verification results to identify, why producers received a negative result. Not every negative result needs a detailed follow up - e.g. Cesantías, where there is currently no alignment in the market whether they can be included or not. For other negative results where we feel that feedback from us should be provided to the producer, we ask producers via suppliers to either provide updated Salary Matrices with the corrected data or to please ensure that the discrepancies will be solved for the next year if it is not a mere mistake in data."*

Whenever corrective actions are needed, the corrective action plan should include clear responsibilities, timelines, and potential support needs.

Buyer support: Buying organisations may consider supporting farms in closing non-conformities, for example through (financially) supporting additional guidance, access to training, onsite-assistance, ad hoc help desks or other types of support for improving wage data quality.

Collaborative follow-up approaches can strengthen engagement, capacity building, and reduce administrative burden. Verification-based approaches may provide stronger independent assurance, especially for significant, repeated, or higher-risk findings, but may also increase costs and complexity. A balanced, risk-based combination of both approaches is therefore considered most appropriate.

Implementation and monitoring: Stakeholders should implement the agreed corrective actions and provide supporting evidence of progress, such as updated Salary Matrices. For collaborative approaches without formal verification, stakeholders may review progress through dialogue, desktop reviews, or existing engagement mechanisms. Where verification follow-up is conducted, desktop

reviews should be preferred where possible (e.g. post-verification checks offered by FLOCERT), while additional clarification calls or targeted requests for information may complement the process. Separate on-site verifications should only be considered where necessary due to the significance or nature of the findings. Any corrective measures, whether they include an additional (remote) verification or not, shall be implemented in the same year.

How to deal with unsuccessful follow-up: Where issues remain unresolved, the response should consider the nature, severity, root causes, and context of the findings. Not all unresolved findings should automatically lead to the same level of escalation. Farms may still receive voluntary contributions where they demonstrate transparency, engagement, and willingness to improve. In such cases, stakeholders may consider additional support, closer monitoring, future verification activities, or increased transparency requirements. However, where repeated follow-up activities show no meaningful progress or willingness to improve over time, buying organisations may reconsider future allocation of voluntary contributions.

Additional recommendations

- Retailers should continue investing in capacity buildings for producers and supply chain partners. In-person Salary Matrix training as well as onsite-assistance have proven to be the most effective formats to support producers in improving the quality and reliability of Salary Matrix data.
- Retailers should clearly communicate with third-party certification providers in case they agreed on additional verification criteria that are not included and/or treated differently in the IDH Salary Matrix Auditing guidelines (such as inclusion of severance payments / "cesantias").
- Producers should continue to actively use existing [Salary Matrix guidance](#) and participate in capacity building formats that fit their individual needs.
- Producers should actively invest in gradually improving their systems to track working hours, overtime and payroll, while taking into account existing collective agreements between employers and workers.

- Producers should actively use the complaint mechanisms of third-party certification providers in case of any complaints or doubts in relation to Salary Matrix verification processes. To enable producers to raise concerns openly, such mechanisms should allow complaints to be submitted anonymously or ensure full confidentiality of the farm's identity.

Question 2: Shall the voluntary contribution be calculated based on previous year's volumes or current year volumes?

Alignment reached

Answer: The voluntary contribution is calculated by using the Salary Matrix data and purchasing volumes for the same reference year. Since the Salary Matrix data is always referring to the previous year, this should be the same for the purchasing volumes.

Reasoning

In 2025, retailers had used different approaches for calculating voluntary contributions, some using 2024 purchasing volumes and others volume estimates for 2025. The second approach required calculating voluntary contributions based on predicted volumes and correcting them afterwards as soon as real 2025 purchasing volumes were available. While this is possible, the administrative burden of this approach was quite high for all supply chain partners since purchasing volumes can fluctuate significantly. Due to the inconsistency in the reference years for the wage data vs. the purchasing volumes, this approach might also result in an inadequate voluntary contribution amount that does not fully correspond to the retailer's responsibility. This is especially the case if the retailer's purchasing volumes change significantly from one year to another.

Using volume data for the same year as the Salary Matrix data makes the process easier since no corrections are needed (see Q3), and the calculations will be more accurate.

In practice: In 2026, a retailer intends to pay a voluntary contribution for farm X based on the wage data from 2025 in the Salary Matrix. Under the

scenario that only the gap for workers below a living wage should be closed (see Question 4 for other options), the formula for calculating the voluntary contribution is:

VC = Gap per trade unit (GTU) in 2025 Salary Matrix report multiplied by retailer's purchasing volume from this farm in 2025 + additional costs (see Question 6)

GTU = gap per trade unit

- = the amount paid per unit purchased by a given buyer to a producer to contribute to a living wage
- = total facility living wage gap (pro-rated) / annual production volumes of the facility

The GTU is available in the Salary Matrix report.

Annual production volumes = the total volume of bananas harvested by 1 producer on an annual basis irrespective of the market of destination, sustainability certification, quality criteria or issues. The annual production volumes should be provided by the producer and entered in the Salary Matrix. Validation by suppliers is recommended to avoid errors that can significantly impact the calculation of the GTU and thereby the voluntary contributions.

Purchasing volumes = total volumes of bananas bought by 1 supplier from 1 producer for a specific client during the course of a year irrespective of sustainability and quality criteria. The **purchasing volumes** should be provided by the suppliers and collected in the sourcing sheets.

This question is also linked to other questions:

Question 3 on VC correction: If the same year is being used for both Salary Matrix data and purchasing volumes, it is not necessary to estimate voluntary contribution amounts based on predicted volumes and to correct them afterwards based on real data.

Question 4 on VC calculation scenarios: Please consult Question 4 for details on different scenarios to calculate voluntary contributions. Independent of the selected scenario it remains valid that always the same reference year should be used for Salary Matrix data and purchasing volumes.

Question 7 on the way of payment: Calculating voluntary contributions based on the same reference year for Salary Matrix data and purchasing volumes does not limit the options on how retailers make the payments to their suppliers: either as price markup per banana box or as lump sum. Please consult Question 7 for details on how this can be implemented.

Note on Fairtrade's Living Wage Solution:

Living Wage Reference Prices (LWRP) published by Fairtrade follow a different logic. LWRPs calculated during Q3 of each year consider a) actual wage data valid for Q3 of the current year, and b) updated living wage benchmarks for the current year. LWRPs are published beginning of Q4 of each year, to be valid for contracts as of 1 January of next year. The same logic applies to Fairtrade minimum prices.

Question 3: Should VC calculations be corrected afterwards once the actual GTU (gap per trade unit) and volumes are known?

 **Alignment reached**

Answer: No adjustments needed.

Reasoning

The alignment on Question 2 directly influences the response to Question 3: Since the same reference year shall be used for both Salary Matrix data and purchasing volumes, real volume data is already available at the time when the voluntary contribution is being calculated. A corrective adjustment would have only been necessary if the wage data and volume data are from different years.

Question 4: Shall the voluntary contributions be calculated to close gaps for workers below a living wage only, or shall they also include an additional markup for workers above a living wage?

 **Alignment reached**

Answer: No alignment reached

Recommendation

Suppliers, producers and retailers should have the option to include a mark-up for workers earning above a living wage in addition to closing the living wage gap. Whether a mark-up is added to the voluntary contribution should be decided jointly with all supply chain partners.

In the living wage contribution add-on to the Salary Matrix tool, users will have the option to add a mark-up for workers earning above a living wage. The mark-up can be entered as a percentage of the overall VC or a lump-sum amount.

It is important to consider the existing wage hierarchy and how workers are remunerated, for example based on productivity, when deciding whether to include a mark-up and when determining how to distribute the funds. Distributing funds only to workers below living wages might create tensions at farm level. Most suppliers therefore distribute the funds equally to all workers, even though the total amount was calculated to close the living wage gap for workers earning below a living wage only. It is recommended to follow the supplier's or producer's advice on how to allocate the funds among workers (see Question 10).

Note on Fairtrade's Living Wage Solution: Living Wage Reference Price and Differential at country level are calculated based on wage gaps of workers earning below the living wage. However, commercial partners and workers may agree to equitable distribution among all workers based on time worked.

Question 5: Who should be in the lead for calculating voluntary contributions?

Alignment reached

Answer: The supplier should be in the lead for calculating voluntary contributions. Where the Fairtrade Living Wage Differential is used, Fairtrade calculates the applicable differential.

Additional guidelines

The supplier is in the lead for the calculation of voluntary contributions since they are in contact with both producers and retailers. As such, they can coordinate and collect the right information from the producers who own the Salary Matrix data necessary to calculate and aggregate the voluntary contribution data for the retailers. Since the supplier is the single point of contact with the retailer, they will need to discuss the aggregated amount and/or the amount per producer with the retailer and then revert to the producer.

IDH and GIZ suggest using the living wage contribution add-on in the Salary Matrix tool to perform these calculations, since data quality checks (e.g. on volumes) as well as calculations have been integrated and automated in the tool. Using the tool will also simplify the collection of all information. However, use of this tool is not mandatory. Suppliers can also choose to do the calculations manually if they are using the same underlying formulas and methodology to do this (see Questions 2, 3, and 4).

Suppliers leading the calculation need to communicate the determined amounts transparently to both retailers and producers. Most retailers need this data in an aggregated form (i.e. total VC amount paid per retailer per tier 1 supplier) for monitoring and reporting purposes. Where the distribution of voluntary contribution payments is to be verified on-site by a third party, retailers also need to know the exact amount per producer. Please refer to Question 17 for more details.

The Living Wage Contribution add-on in the Salary Matrix tool can help create such transparency by enabling the intermediary and buyer to align directly

within the tool on key calculation inputs, including volumes, taxes and levies, and other costs. Scenarios can also be exported at each step of the calculation and shared with relevant stakeholders, supporting transparency around how the voluntary contribution amount is calculated.

Note on Fairtrade's Living Wage Solution:

Fairtrade Living Wage Differentials are calculated and published by Fairtrade International at country level, using validated wage data and updated Anker living wage benchmarks. Commercial partners may also request a bespoke differential for their specific supply chain from their National Fairtrade Organisation or Fairtrade International against a fee.

Question 6: How should facility and worker taxes, levies and overhead costs be handled?

Alignment reached

Answer: The costs should be included in the calculation of voluntary contributions and covered by the retailer.

Additional guidelines

Sources:

- Consultation performed by ECIJA (2026)
- CLAC / FT Study (2024): *Summary of legal studies on mechanisms for paying Living Wage Differentials in Colombia, the Dominican Republic, and Ecuador*

Voluntary contributions are intended to improve workers' income or welfare, not to create an unfunded cost or disproportionate responsibilities for producers, suppliers, or other supply chain actors. For that reason, **VCs should be designed as a full-cost mechanism.** The calculation should not be limited to the nominal amount intended to close a living wage gap. It should also include the additional costs that are legally, fiscally, or operationally triggered by the selected model.

Taxes and levies

For the VC calculation, taxes and levies should be understood broadly. They may include income tax exposure, withholding obligations, VAT or indirect tax implications, payroll taxes, employer-side social security contributions, worker-side deductions, statutory charges, mandatory labor-related contributions, or any other legally required fiscal or employment-related cost triggered by the receipt, administration or distribution of VC funds.

The relevant taxes and levies may arise at different levels. At the producer, supplier or intermediary level, funds received from retailers or buyers may be treated as taxable income, particularly if they are received in the ordinary bank account of the recipient entity or included in commercial invoices as an addition to the price per box. Even where mechanisms are put in place to document the VCs as pass-through funds intended for worker benefit, this treatment may reduce but not eliminate the fiscal risk. If an audit is conducted, tax authorities may still question whether the amounts received constitute taxable income of the producer, supplier, or intermediary. Therefore, a lump-sum payment should be preferred over a price per box (see Question 7).

In addition, treating VC funds received by producers, suppliers, or intermediaries as pass-through or restricted-purpose funds may not be straightforward in practice. Across the countries reviewed, the general concern is similar: **there may be no clearly defined legal, tax or accounting mechanism that allows an ordinary commercial entity to receive and hold funds on behalf of third parties without risk.** In addition, anti-money laundering and financial regulatory rules may restrict the ability of non-regulated entities to hold or administer funds for third parties, which would cause these funds to be treated as income or revenue. What differs by country is the potential amount or percentage of the tax obligations that may arise if the funds are treated as taxable income. These amounts can be found in the table:

Potential tax obligations that may arise if the funds are treated as taxable income

Country	Maximum Tax Exposure (Producer)
Colombia	Company income taxed up to 35%. VAT may apply at 19%.
Ecuador	Company income taxed up to 28%. VAT may apply at 15%.
Costa Rica	Company income taxed up to 30%. VAT may apply at 13%.
Dominican Republic	Company income taxed up to 27%. VAT may apply at 18%.
Peru	Company income taxed up to 29,5%. VAT may apply at 18%.
Nicaragua	Company income taxed up to 30%. VAT may apply at 15%.
Guatemala	Company income taxed up to 25%. VAT may apply at 12%.
Cote D'Ivoire	Company income taxed up to 25%. VAT may apply at 18%.
Ghana	Company income taxed up to 25%. VAT may apply at 15%.
Cameroon	Company income taxed up to 33%. VAT may apply at 19,25%.

Implications of VC payments on taxes or levies also depend on the mechanism chosen for distributing funds to workers (see Question 10):

A way to counter tax implications is to use a third-party administrator like a foundation, NGO or similar structure capable of receiving and distributing the funds as donations or restricted-purpose contributions. This model may provide the clearest pathway for reducing or eliminating producer's exposure to additional social security, statutory benefit, tax, and levy consequences. The third party would administer the distribution mechanism and charge an administrative fee, which should be included in the VC calculation. However, this model will depend on the availability of a suitable entity with the necessary legal capacity, operational infrastructure, credibility, and willingness to provide the service. It also does not eliminate all producer involvement. Producers may still need to

provide worker data, support eligibility verification, assist with communication, maintain records, respond to audit requests, and coordinate with the third-party administrator.

At the worker level, VCs paid in cash through the producer or employer may be treated as salary, remuneration, a bonus or another employment-related benefit. If this occurs, the VC may increase

social security contributions and the base for statutory labor benefits. Across the countries reviewed, the **categories of labor related costs are broadly similar, although the applicable rates, percentages and specific calculations differ by jurisdiction.** These country-level percentages are listed below.

Potential country-level statutory payroll and labor benefit burden if payment to workers is treated as remuneration

Country	Statutory payroll and labor benefit burden (Producer)	Notes
Colombia	Burden ranges from 45% to 60% over payment made to worker.	Includes employer social security/parafiscal exposure plus cesantías, interest on cesantías, service bonus, vacation, and payroll-base effects. Cesantías alone are commonly accrued at 8.33% of salary.
Ecuador	Burden ranges from 30% to 40% over payment made to worker.	Includes IESS employer contribution, décimo tercero, décimo cuarto, vacation, and reserve funds where applicable. Employer IESS is commonly cited around 12.15%, and reserve funds after the first year add 8.33%.
Costa Rica	Burden ranges from 40% to 50% over payment made to worker.	Includes CCSS/FODESAF/INA/Banco Popular/INS-type employer charges, aguinaldo, vacation, and possible severance impacts. Employer social charges rise to approximately 26.83% in 2026; fully loaded cost can reach roughly 39%–50% once aguinaldo and vacation are included.
Dominican Republic	Burden ranges from 30% to 45% over payment made to worker.	Includes social security, INFOTEP, Christmas salary, vacation, and potential severance/preaviso exposure. Christmas salary is generally calculated as 1/12 of salary received during the year.
Peru	Burden ranges from 50% to 60% over payment made to worker.	Peru has a high fully loaded employment-cost profile: EsSalud, CTS, gratifications, vacation, and related payroll reporting. One recent guide estimates total employment costs above base salary by 50%–60%.
Nicaragua	Burden ranges from 45% to 55% over payment made to worker.	Includes INSS employer contributions, aguinaldo, vacation, and severance/accrual effects.
Guatemala	Burden ranges from 35% to 45% over payment made to worker.	Includes IGSS/IRTRA/INTECAP, aguinaldo, Bono 14, vacation, and severance exposure. Employer social contributions are commonly listed at 12.67%, and employers are also required to pay both 13th and 14th month bonuses.
Cote D'Ivoire	Burden ranges from 30% to 45% over payment made to worker.	Includes CNPS family allowances, retirement, work injury, paid leave, and training/payroll-related charges where applicable. Employer CNPS exposure is commonly around 14.45%–18.45% before broader labor-cost effects.
Ghana	Burden ranges from 20% to 35% over payment made to worker.	Includes SSNIT/pension employer contributions, paid leave, bonus treatment, and termination/redundancy exposure where applicable. Employer pension/social security contribution is generally 13%, with some sources referring to a broader employer burden around 15%–18%.
Cameroon	Burden ranges from 25% to 40% over payment made to worker.	Includes CNPS/social security, housing fund, National Employment Fund, work injury, paid leave, and termination-related effects. Employer contributions include Housing Fund at 1.5% and FNE at 1%; broader employer payroll burden estimates vary, with some sources citing around 15%–18.7%.

Where the producer or employer pays VC amounts directly to workers, the safest approach is generally to treat the payment as salary or remuneration and calculate the corresponding costs for statutory charges and levies. This would include applicable social security contributions and any other increased labor benefits that accrue or are calculated based on remuneration. This approach may substantially increase the total amount required to deliver the intended net benefit to workers, but it reduces the risk of underfunding the model or creating future liabilities for producers.

In the case of plantations that lack the support of a foundation of their own or from the region, the most feasible option is to make the payment as an extra-wage bonus. The study on legal systems for paying living wage differentials in different countries commissioned by GIZ and performed by CLAC, can be used to prove the non-wage nature of a payment.

Because labor and tax treatment may vary by jurisdiction, the exact percentage or amount to be included for taxes and levies may differ by country. However, the underlying approach should be consistent across countries: the **VC calculation should identify the full cost of implementing the selected model** (price per box versus lump sum, producer versus third-party payment and cash disbursement versus in-kind – an overview as well as ranking of the different models is provided in annex 1) **and should ensure that the amount intended for workers is not reduced by taxes, levies or overhead costs that were not accounted for in advance.** Local counsel should participate in this process and, where appropriate, provide country-specific validation or legal opinions regarding the additional amounts to be included in the VC calculation.

Overhead costs

Overhead costs should also be understood broadly. They **include the internal and external costs reasonably required to implement the selected VC model.** These may include accounting, payroll administration, legal and tax review, worker communication, eligibility verification, data management, reporting, audit support,

Salary Matrix verification costs, coordination with retailers or suppliers, coordination with third-party administrators, and the time of personnel responsible for managing the process.

Although the applicable rates, percentages and calculations may differ by country, the underlying approach should be consistent across the countries reviewed: the **VC calculation should identify the full cost of implementing the selected model by producers and suppliers and should ensure that the amount intended for workers is not reduced by overhead costs that were not accounted for in advance.**

The producer, supplier, intermediary, or third-party administrator incurring or administering the relevant costs should provide the actual amount and explain how it was calculated. Where these costs relate to voluntary contributions from different buyers, they should also explain transparently how the costs have been allocated across those buyers. The costs should be discussed and agreed with the relevant supply chain partners.

Note on Fairtrade's Living Wage Solution:

Fairtrade Living Wage Differentials are calculated and published by Fairtrade International at country level, using validated wage data and updated Anker living wage benchmarks. Commercial partners may also request a bespoke differential for their specific supply chain from their National Fairtrade Organisation or Fairtrade International against a fee.

Input in Living Wage Contribution add-on to the Salary Matrix tool:

In practical terms, these costs are shown separately and transparently in the voluntary contribution calculation. The Living Wage Contribution add-on includes fields for buyers to enter additional taxes and levies, as well as overhead costs. The intermediary - or, where there is no intermediary, the producer - is then asked to validate these costs. Any necessary alignment on the costs takes place outside the tool. Once there is alignment, the costs are added in full to the total contribution rather than deducted

from the amount intended to benefit workers. This allows retailers, buyers, suppliers and producers to understand the real cost of implementation and avoids a situation in which the nominal voluntary contribution appears sufficient while the net benefit to workers is materially reduced.

Summary:

Therefore, regarding taxes, levies, overhead costs and reasonable contingency amounts, the recommended approach is as follows:

Cost Category	Recommended Treatment
Taxes and levies are potentially triggered by VC receipt or distribution	Include in the VC calculation and fund separately from the net worker-benefit amount, especially if a price per box is being used.
Payroll, social security and statutory labor benefit costs	Include in calculation where VC may be treated as remuneration or employment-related benefit (i.e., when paid by producer/employer). This is especially the case for cash payment to workers.
Producer or supplier overhead	Include the actual costs incurred. The relevant supply chain actor should explain how the amount was calculated and, where applicable, how the costs were allocated across different buyers.
Third-party administrative fee	Include the actual administrative fee charged by the third-party administrator as part of the VC calculation.
Legal, tax, accounting and audit support	Include where required to implement, document or verify the model based on the real costs of these services.

Questions related to payment of voluntary contributions from retailer to supplier and from supplier to producer

Question 7: Can we align on a way to pay voluntary contributions from retailers to their tier 1 supplier/producer? Should it be integrated in the box-price and paid with total payment or should it be a separate amount that is paid as a lump sum after the calculation?



Alignment reached

Answer: No alignment reached

Source: Consultation performed by ECIJA

Recommendation:

As part of the retailers' shared responsibility to close living wage gaps, it is their responsibility to pay voluntary contributions. **Under no circumstances will the responsibility to cover the amount of the voluntary contribution be transferred to other supply chain partners.** The retailer will pay the contribution to the supplier, who forwards it to the producer.

However, there are several ways that retailers can transfer the funds through the supply chain. The two options that are used most frequently are lump-sum payments and price per box. The recommended approach is for retailers to pay voluntary contributions to their tier 1 suppliers as a lump sum, but this is not mandatory. Suppliers should retain flexibility to determine how they transfer the funds to upstream supply chain partners.

From an implementation perspective, the lump-sum model is preferable. Although the price-per-box model may be attractive to retailers because it aligns more closely with regular purchasing processes, it creates additional exposure for suppliers, intermediaries and producers that must receive, identify, hold, accrue, segregate, reconcile and later transfer the VC amounts for worker benefit.

Under the price-per-box model, VC amounts are received progressively through the commercial payment flow, while distribution to workers will normally occur at a later date, often annually.

This timing difference creates an accumulation period during which the supplier or intermediary must account for the funds, track their intended purpose, and ensure they are not absorbed into the general commercial price or ordinary business revenue. This is especially complicated if funds are being held at the end of that party's fiscal year, as they will have to be appropriately reported and justified. Where the contribution must be paid within a specific timeframe, accumulating the full amount through payments per box may take time, particularly where the total contribution is large.

The price-per-box model also creates greater tax characterization risk. Because the VC is included in the same commercial invoice or payment flow as the product price, tax authorities may be more likely to treat the additional amount as ordinary taxable income of the recipient, rather than as a pass-through amount from the retailer intended as a worker benefit. Even where the parties document the intended purpose of the VC, the invoicing and payment structure may make this position harder to defend in practice. Including the VC in the box price may also blur the distinction between the ordinary commercial fruit price and the separate contribution intended to address living wage gaps. This may complicate future price negotiations and create competitive disadvantages for producers and suppliers participating in living wage initiatives.

A further complication is that price-per-box models generally rely on estimated gap per trade unit amounts. Once final calculations are completed, the amount already transferred may exceed or fall short of the amount required to close the intended living wage gap. If excess funds have been transferred, the supplier or intermediary may be required to return funds, hold them for the following year, or obtain instructions on how they may be applied.

If insufficient funds have been transferred, additional payments and reconciliations may be required. Both scenarios create avoidable administrative, accounting, reporting, and audit obligations.

By contrast, **a lump-sum model allows the VC to be paid separately after the applicable calculation has been completed.** This provides greater clarity regarding the amount, timing, and purpose of the contribution. It also reduces the need to accrue and reconcile small amounts over time, and may simplify documentation requirements, accounting treatment, traceability, and audit review.

The lump-sum model is also more compatible with potential third-party management models. If a legally authorized foundation, NGO or similar structure is available, the lump-sum amount can be transferred directly for distribution to workers or for approved worker benefits. This may eliminate producer exposure to additional social security, statutory benefit, tax and levy consequences, while also avoiding the need for suppliers or producers to hold VC funds over time.

This does not mean that lump-sum payments are free of legal or fiscal risk. If the lump-sum amount is paid to a producer, supplier, or intermediary, the recipient may still need to document the restricted purpose of the funds and consider potential tax treatment. If the amount is then paid to workers through the employer, labour, social security and statutory benefit consequences may still arise. However, the lump-sum model generally makes the amount, purpose, and flow of funds more transparent and easier to control.

Summary:

Issue	Recommended Approach
Preferred payment structure	Recommend, but do not require, a lump-sum payment from the retailer to the tier 1 supplier. Suppliers may choose how to transfer the funds upstream.
Price-per-box model	Avoid where possible due to accrual, reconciliation, tax characterisation, and administrative workload.
Retailer preference for integration into buying processes	Recognize the commercial rationale, but do not prioritize it over feasibility or consequences for other supply chain actors.
Estimated payments and later adjustments	Avoid the price-per-box accrual model that requires excess funds to be returned, held, carried forward or reconciled after final calculations.
Tax characterisation	Avoid embedding VC in ordinary commercial invoices where this increases the risk of treatment as taxable income.
Third-party administration	Where available, combine lump-sum payment with third-party distribution or administration.
Contractual safeguards	If price-per-box is used, clearly identify, segregate, and document the VC amount and its restricted purpose.

Note on Fairtrade's Living Wage Solution: The Fairtrade Living Wage Differential is paid in addition to the Fairtrade Minimum Price and Fairtrade Premium per transaction. Alternatively, the retailer may pay the total value of the FLWD for the cumulative volume in a defined period, as a lump sum to the respective trader and producer.

Question 8: Should suppliers have the liberty to apply their own strategy for distributing voluntary contributions to farms? E.g. distribute it to all their farms, also if they are not in a given retailer's supply chain?

 Alignment reached

Answer: Yes

Context:

Voluntary contributions are calculated based on the actual wage gaps identified on specific farms in the retailer's supply chain (see question 4). The core question is whether calculation and distribution should be decoupled. In other words: Should farms that were considered to calculate the voluntary contribution also be the farms that should receive the payment?

Suppliers may argue that greater flexibility in distributing voluntary contributions can improve the overall impact. For example, suppliers that work with several retailers may prefer to pool voluntary contributions from the different retailers and concentrate the funds on selected farms where the full living wage gap can realistically be closed, rather than spreading small amounts across many farms with only limited effect.

The discussion therefore centers on balancing flexibility and efficiency in fund allocation with transparency, traceability, and clear attribution of impact.

Aligned Answer:

Retailers request that VCs are only distributed to farms within their supply chain. All (nominated) farms within a retailers' supply chain are to be included in the distribution.

Reasoning:

Distributing voluntary contributions only to farms that are within the retailers' supply chains ensures a clear and credible link between a retailer's sourcing activities and the impact of the voluntary contribution

payments. **Since the VC approach is based on the specific context and wage gaps of individual farms, calculation and distribution should remain aligned.** This approach strengthens accountability and transparency by enabling retailers to justify internally where funds are allocated, how workers benefit, and how contributions support living wage improvements within their own supply chains. It also supports credible retailer claims on reducing wage gaps proportionally to sourced volumes. For suppliers and producers, the approach creates greater predictability, strengthens long-term sourcing relationships, and increases trust in the allocation process. In addition, limiting distribution to farms within the retailer's supply chain avoids diluting the amounts and makes monitoring, verification, and reporting easier for all parties involved. The more retailers join forces on these processes, the more likely and easier it will be for suppliers to pool received payments based on farm overlaps.

Fairtrade follows the same approach since Living Wage Reference Prices / Differentials are only transferred to plantations that are supplying to a particular retailer.

It is important to consider the different (volume-based) strategies that retailers are using. Depending on the volume goals of a given year, voluntary contributions might be paid for a selected number of farms but not to all. Therefore, **the nomination of farms by retailers to meet their commitments should align with the selection of farms that voluntary contributions are distributed to by suppliers.**

However, **deviations from this approach may be required in special cases**, for example whenever:

- overall VC amounts are small: see Question 11
- administrative costs to distribute the VC exceed the amount that is benefitting workers: see Question 13
- farms that do not want to receive a voluntary contribution: see Question 13
- farms which are not anymore in the retailer's supply chain at the time of paying the voluntary contribution: see Question 14.

Question 9: Can we align on timing of the payment of voluntary contributions to suppliers and distribution to producers and workers?

Alignment reached

Answer: Retailers, suppliers and producers prefer to agree on an aligned payment schedule which is yet to be determined. In the meantime, payments to suppliers are made on a cycle determined by the retailers, but suppliers can pay them out at a time convenient for the partners. Timely and transparent communication between all parties on the timing of payments is crucial to facilitate planning.

Reasoning:

The timing of voluntary contribution payments affects both operational feasibility within the supply chain and the timely delivery of benefits to workers. Retailers, suppliers, and producers often operate on different financial and administrative cycles, and delays in approvals or transfers can complicate implementation.

Coordinated payment timelines help ensure predictability and transparency across the supply chain, enabling retailers, suppliers and producers to plan for and process payments efficiently. **A proposal for a payment schedule is yet to be developed and agreed on.** It will be included in these guidelines at a later stage.

In the meantime, **each retailer individually determines the payment cycle for transferring voluntary contributions to suppliers. From an implementation perspective, the lump-sum model should be the preferred payment method (see Question 7). At the same time, suppliers and producers are given flexibility to distribute the funds at a moment that is operationally convenient and most beneficial for workers.** This may include aligning distributions across several retailers, making one annual payment, or distributing smaller amounts multiple times during the year. This reduces administrative burdens, increases efficiency, and

allows to tailor distribution to the specific farm context. Producers may for example prefer to distribute payments / benefits to workers at specific moments during the year, for example before holiday periods when workers have higher financial needs.

One retailer states: *“Most farms make the payout around the end of the year before workers leave to visit their families. Some farms also pay out twice during the year or more often - distributing parts of the bonus over the workforce. So, there is no one size fits all approach.”*

This approach balances accountability and operational flexibility. It recognizes the need for retailers to maintain control over payment approvals, while allowing suppliers and producers to organize distributions in line with local realities, farm operations, and worker preferences. It also helps avoid unnecessary delays into the following year and supports more efficient coordination of payments across different commercial partners.

Retailers and suppliers should transparently and regularly communicate the planned timing of payment and distribution. Retailers require this information for reporting as well as verification purposes, while suppliers need to know when to expect payments from retailers to ensure a timely and efficient distribution to producers and workers.

Note on Fairtrade's Living Wage Solution: For Fairtrade Banana Bonus payments, Fairtrade recommends one to four payments per year, depending on the amount to be distributed.

Question 10: Can we align on the means of distribution of voluntary contribution from farm management to workers?

Alignment reached

Answer: The supply chain partners decide on the means of distributing voluntary contributions to workers.

Sources:

- *Consultation performed by ECIJA (2026)*
- *CLAC / FT Study (2024): Summary of legal studies on mechanisms for paying Living Wage Differentials in Colombia, the Dominican Republic, and Ecuador*

Context:

The question of how voluntary contributions should be distributed to workers is important because the selected distribution mechanism can have significant legal, fiscal, administrative and practical implications for supply chain actors and workers alike. Different forms of distribution — such as cash payments, vouchers, in-kind support or broader worker benefits — may trigger different tax, payroll, social security or reporting obligations, particularly when payments are made directly through employers (see Question 6).

In selecting distribution options supply chain partners should also carefully manage worker expectations, recognizing that voluntary contributions may fluctuate over time and should not create unintended dependency risks. In addition, different distribution methods may require different forms of documentation and proof in order to verify that the contributions have been distributed as intended.

The choice of distribution method should therefore consider factors such as the size of the contribution, local legal frameworks, administrative complexity, worker preferences and expectations, operational feasibility, traceability, auditability and the extent to which the mechanism supports the overall living wage objective.

Who should decide on distribution mechanisms

The agreed approach is that **supply chain partners should decide on the most appropriate means of distribution within the framework of agreed principles and safeguards**. This recognizes that implementation realities differ significantly between countries, farms and supply chains. Producers and suppliers are generally best placed to assess local legal requirements, operational feasibility, worker needs and potential risks associated with different distribution mechanisms. Allowing flexibility also helps avoid overly rigid models that could create disproportionate administrative costs or unintended legal and fiscal consequences.

Decisions on the form of distribution should not be taken unilaterally by farm management. **Worker representation bodies — ideally independent trade unions where present — should be involved in the discussion and decision-making process** to help ensure that the selected mechanism reflects workers' actual needs and preferences. This is particularly important when non-cash benefits or collective worker benefits are considered.

Note on Fairtrade's Living Wage Solution: In cases where living wage contributions are paid through the Fairtrade scheme (e.g. through the Fairtrade Premium and/or Living Wage Reference Prices / Differentials) different rules apply. Fairtrade Premium Committees will distribute funds that have been received as Fairtrade Premium and Fairtrade Living Wage Differential, following Fairtrade Standards and Fairtrade Living Wage Solution guidelines. In both cases, assurance will be checked by FLOCERT. For any other funds received by the Fairtrade Premium Committee, distribution is not regulated by Fairtrade.

Therefore, claims over payment and distribution of such funds cannot be approved by Fairtrade. It is recommended that the Fairtrade Banana Bonus is paid in cash, and only if necessary, through in-kind or vouchers. For further information, please consult [Fairtrade's Living Wage Solution Guidelines](#).

Who should execute distribution

Findings from the consultation performed by ECIJA (2026) as well as from the [2024 study by CLAC and Fairtrade](#) suggest that not only the actual means of

distribution matter but also which party is in the lead to execute the distribution. **Whenever possible, it is recommended that the distribution should be executed by a non-profit organization**, which from its constitution has an aligned vision to contribute to sustainable livelihoods of workers. This can also reduce potential tax implications (see Question 6).

Entity responsible for distribution	Pros	Cons	Overall assessment:
Third-Party Distribution Funds are distributed to workers through an independent entity instead of through the employer. In the case of Fairtrade supply chains, the Fairtrade Premium Committee and its legal corporation structure can be used for this. The entity may apply different distribution mechanisms including bonus payments, in-kind benefits, vouchers and general worker welfare benefits.	• Lowest employer legal and payroll exposure. • Reduces risk of payments being classified as salary. • Stronger separation from employment relationship. • Can improve traceability and governance.	• Requires a suitable third-party structure with legal and operational capacity. • Administrative fees apply - see Question 6. • Producers still need to provide information on workers eligible for any bonus or vouchers, and support worker verification and coordination. • Payments may not count towards pensions or statutory labor benefits.	If available, this temporary payout mechanism provides a good balance of worker benefit, lower legal exposure, and operational feasibility. It is recommended as preferred option in consultation performed by ECIJA (2026) and CLAC / FT Study (2024).
Producer / Employer Funds are distributed to workers through producer / employer	• No need for an external intermediary or additional structure. • Easy operational integration: producers already have payroll and employee data. • Can be implemented within existing HR/ payroll systems.	• High legal and tax exposure for producers: cash payments and bonuses may be classified as part of salary, triggering taxes and social contributions. • Significant administrative burden (eligibility checks, payroll processing, documentation, audits, reporting).	Whenever suited third-party structure is not available, distribution needs to be made through the producer / employer. Distribution in the form of vouchers, in-kind benefits or collective worker benefits reduces the risk of legal and tax implications (see below).



Transparency: Even if supply chain partners should be in the lead to selecting distribution mechanisms tailored to different contexts, it is important that all relevant parties including retailers are informed which mechanisms are selected and the reasoning behind.

Evidence: The selected distribution method should remain transparent, documented and verifiable. Different approaches may require different types of evidence to demonstrate that workers received the intended benefit. For example, cash payments may require payroll records, signed receipts or bank transfer confirmations, while vouchers or in-kind benefits may require distribution lists, invoices, procurement records or confirmation from worker representatives. Supply chain partners should therefore consider from the outset which verification and reporting requirements are feasible and proportionate for the selected model.

Overview of possible means of distribution

Supply chain partners can choose between different benefit types and distribution channels, each with specific advantages and challenges. To identify a suitable method supply chain partners should balance the following factors based on their individual context: net worker benefit, legal exposure, administrative feasibility, and proportionality of implementation costs.

Annex 1 provides additional guidance by connecting the different options into VC payment models. These models consider the combination of different payout mechanisms (per box vs. lump sum – see Question 7), distribution entities (third-party organization vs. producer – see table above) and distribution mechanism to workers (see table below).

Information on the type of disbursement of the voluntary contribution can be entered in the Salary Matrix under the tab ‘add-on’. More guidance on how to do this can be found [here](#).

Cases where overall voluntary contribution amounts are small and/or where administrative costs of implementation exceed the added value for workers require special consideration – please refer to **Question 11** and **Question 13** for guidance.

Distribution option	Pros	Cons	Overall assessment:
Vouchers Workers receive vouchers or credits that can be redeemed for specific products or services, such as food or personal hygiene products. To increase transparency and traceability, it is recommended (when feasible) to personalize these vouchers with either the name or employee ID number of the respective worker. Current practice: Distributing VC amounts to workers via vouchers is currently the most applied approach across all available options. When the voluntary contribution amounts are small, some producers organize a raffle to distribute vouchers to individual workers.	• Useful where direct cash distribution is impractical or too costly. • More flexible than fixed in-kind benefits while still directing support toward essential needs. • Easier to distribute to selected workers • Easier to document / verify compared to in-kind benefits • Lower payroll and tax complexity than cash payments. • Useful for small contribution amounts (e.g. raffle of vouchers).	• Does not increase formal wages or social protection entitlements. • Limits worker choice compared to unrestricted cash. • Voucher systems may create logistical or administrative challenges. • Acceptance and usability depend on local availability of participating vendors or services.	A middle-ground option between cash and in-kind support, particularly suitable where unrestricted cash payments are legally or operationally difficult.
Bonus payment outside formal salary Workers receive cash or bank transfers directly, but outside regular wage integration (e.g. bonus-type payments). Current practice: A smaller portion of retailers and supply chain partners report that VCs are distributed to workers as cash payments, bank transfers, or bonuses.	• Direct benefit to workers and immediate increase in disposable income. • More flexible than permanent wage increases. • Easier to adapt to temporary or pilot programs. • Lower structural impact on payroll systems.	• May not structurally improve formal wages or long-term social protections. • Legal uncertainty: authorities may still classify payments as salary/remuneration which may trigger labour and tax obligations (see Question 6). • Requires strong documentation and legal safeguards. • Not traceable whether money is used to increase worker welfare • Security issues due to increased exposure to cash handling in the field. • Issuing physical or virtual bank cards linked to operational, logistical and technological barriers. • Administrative effort can become disproportionate if amounts are small.	Practical and flexible, but only viable if legal classification risks are carefully managed. It is recommended to perform cash payments through an independent third party like e.g. a foundation. The CLAC / FT study provides more detailed guidance on how to mitigate these risks.

Distribution option	Pros	Cons	Overall assessment:
General worker welfare benefits (collective benefits) including in-kinds Instead of distributing value individually, funds are used for broader worker welfare improvements benefiting a larger worker group collectively. Examples may include communal transportation systems, canteen or food programs, health services, childcare facilities, educational programs, housing-related support, workplace welfare infrastructure, training or events.	• Often more efficient when individual worker amounts are too small. (see Questions 11 & 13) • Can create broader long-term welfare impact. • May reach all workers more equally. • Easier to administer in some contexts compared to individual payouts. • Lower payroll and tax complexity than cash payments.	• Does not increase formal wages or social protection entitlements. • Less flexible for individual workers compared to cash and vouchers • Workers may prefer direct cash instead. • Requires more extensive worker consultation and alignment • Impact can be harder to measure at individual level.	Investing VC in collective worker benefits including in-kind benefits is an acceptable alternative when individual cash payments are too small (see Question 11), administrative costs are disproportionate (see Question 13), or collective solutions create greater practical value for workers. However, these benefits should remain clearly connected to worker welfare, decent working conditions, and living wage objectives, rather than becoming generic corporate social responsibility activities.
Wage increase via payroll The additional amount is paid through the employer payroll as part of salary or remuneration. Current practice: Only in very few cases applied so far.	• Most direct contribution to formal wages and LW goals. • Workers receive guaranteed cash income. • Counts toward pensions, social security and statutory labor benefits. • High transparency and traceability.	• Highest legal and financial exposure and risk for employers • Often triggers payroll taxes, additional social security contributions, statutory labor benefit accruals • Significantly increases total implementation cost beyond the nominal worker amount. • Creates risk that payments become permanent legal entitlements. • High administrative burden (payroll, audits, worker communication, documentation).	<i>Legally robust and strongest from a “formal wage” perspective, but operationally expensive and high-risk for producers/employers.</i>

Question 11: Should producers pay the voluntary contribution to individual workers if the overall amount is small, or can they invest in general benefits for workers related to the promotion of living wages / decent working conditions?

✚ Alignment reached

Answer: The producer decides, in consultation with workers and in agreement with the retailer, whether to pay voluntary contributions to individual workers or use them for general worker benefits.

Additional guidelines:

Source: Consultation performed by ECIJA

Individual distribution may not always be practical or proportionate. This may be the case where the overall VC amount is small or where the amount per worker is minimal. In fact, granting workers a very small payment could be confusing or perceived as insignificant.

The practical value of a VC amount will differ depending on local wages, purchasing power, and the distribution amount per worker. For this reason, there should not be a single fixed monetary threshold applicable across all countries or supply chains to determine what constitutes a “small amount.” The assessment should therefore be based on proportionality: whether the net benefit received by each worker justifies the cost, responsibilities and risks required to distribute the amount individually, and whether a country-specific threshold should be established.

One practical benchmark could be to avoid individual distribution of net VC amounts below the equivalent of one ordinary daily wage for a farm worker, unless workers expressly prefer individual payment. This benchmark is relatively easy to verify, can be updated periodically, and can be replicated across jurisdictions. However, it **should be treated as an indicative threshold rather than a mandatory rule.**

A payment below the equivalent of one ordinary day's wage may be considered insignificant and have limited impact on workers' incomes. A list of current daily wages for farm workers can be found below.

Country	Currency	Local daily wage	Estimated daily wage in EUR
Colombia	COP	58363,5	13,32
Ecuador	USD	16,07	13,68
Costa Rica	CRC	12436,41	23,16
Dominican Republic	DOP	714	10,21
Peru	PEN	37,67	9,27
Nicaragua	NIO	206,27	4,76
Guatemala	GTQ	124,64	13,92
Cote D'Ivoire	XOF	1332	2,03
Ghana	GHS	21,77	1,65
Cameroon	XAF	1500	2,29

Producers should be in the lead for taking this decision, as they have the knowledge necessary (e.g. amount of contribution versus size of actual salary and cost to disburse contribution versus actual contribution) to assess whether the costs and effort involved in individual distribution are proportionate to the amount and whether the resulting payment would be meaningful to workers. The final decision should be made in consultation with workers and in agreement with the retailer.

In general, producers are advised to consult workers through a trade union, a worker consultation or, where one exists, a Fairtrade Premium Committee on the threshold for choosing between an individual payment and a general benefit, and on how to use the funds if a general benefit is chosen. The outcome of this consultation should be documented and signed by all participants.

Where voluntary contributions from different retailers are grouped, records should remain transparent and allow the voluntary contribution amount from each retailer to be identified for verification purposes.

Where individual distribution is considered too low, the VCs may be applied to in-kind benefits or general worker benefits related to living wages or decent working conditions.

Note on Fairtrade's Living Wage Solution: For Fairtrade certified farms, where the voluntary contribution amount per worker is low, the voluntary contribution may be added to Fairtrade Premium funds and used together with those funds for general worker benefits as per the Fairtrade Premium plan. Where voluntary contributions are added to Fairtrade Premium funds, decisions on their use fall under the authority of the Fairtrade Premium Committee, in consultation with workers.

General benefits should have at least one of the following characteristics:

- The benefits chosen should be accessible to all workers.
- The benefits chosen should be considered of benefit and value to workers or their families and for personal use.
- The benefits chosen should be linked to one of the key aspects considered to calculate a living wage:
 - o A nutritious diet
 - o Healthy housing
 - o Costs related to education, health care, transportation and other essential needs

Examples may include transportation support, childcare-related support, health or hygiene-related benefits, education-related support, or other benefits that are objectively connected to worker welfare.

The selected benefit should be transparent, documented, and reasonably connected to the purpose of improving workers' living conditions.

Examples from the field:

On the amounts:

- Some banana stakeholders use USD 1 per person as the minimum threshold for making a general contribution and USD 10 per person as the minimum threshold for making an individual payment. It is nevertheless considered good practice to group contributions from different retailers to increase the amount available per worker.

On potential types of general benefits:

- Training for workers
- Raffle of food vouchers in which all workers can participate.

Question 12: Should the distribution of voluntary contributions to workers follow the Anker methodology such as the rules on in-kind benefits (capping rule of 30%), or can these be left to the producer to decide on how to distribute the voluntary contribution funds?

 **Alignment reached**

Answer: Voluntary contributions do not have to be distributed in accordance with the Anker methodology. Supply chain partners can decide how to distribute them, taking workers' preferences into account.

Additional guidelines:

As stated above, **voluntary contributions should not be counted as a fixed component of a worker's wage, as they are a voluntary and temporary measure.** Given that the Anker methodology specifically looks at the components of a living wage, most principles set by the Anker methodology are not applicable to voluntary contributions.

However, **voluntary contributions paid as in-kind benefits should still take the following principles into consideration:**

- In-Kind benefits must be considered beneficial and valuable to workers or their families and for personal use
- In-kind benefits must reduce the living cost as outlined in the living wage estimate
- In-kind benefits must meet international standards of decency.

The 30% cap on in-kind benefits does not have to be applied to voluntary contributions, as voluntary contributions are not expected to constitute the majority of a worker's total remuneration.

It should be noted that a voluntary contribution entered as an in-kind benefit in the Salary Matrix tool will always be capped, since it will be considered a structural and recurrent component of salary. Therefore, a voluntary contribution provided as an in-kind benefit should not be added to the Salary Matrix, including under the 'Add-ons – Received Living Wage Contributions' tab, since the registration of contributions provided as in-kind benefits and their allocation to specific workers or job categories are not currently available in the tool.

Question 13: Should voluntary contributions still be paid if administrative costs to distribute the voluntary contributions exceed or are high compared to the amount of voluntary contributions that is benefiting workers?

 Alignment reached

Answer: The supply chain partner decides whether to receive voluntary contributions.

Additional guidelines

Source: *Consultation done by ECIJA*

This question is closely linked with questions 6 and 11 and is especially relevant, as a VC model may become inefficient if a substantial portion of the total funding is consumed by administrative or operational costs rather than reaching workers or supporting worker welfare.

For purposes of this analysis, administrative costs should include all internal and external costs reasonably required to implement the selected VC model. These may include personnel time, accounting support, payroll administration, legal and tax review, eligibility verification, worker communication, data management, reporting, audit support, reconciliation of funds, coordination with retailers or suppliers, and coordination with any third-party administrator.

Administrative costs may also include costs generated by the selected payment structure. For example, a price-per-box model may require

suppliers or intermediaries to accrue, hold, segregate, track and reconcile VC amounts over time before transferring them for worker benefit. Similarly, a producer-administered model may require additional payroll, accounting, communication, and documentation processes. These costs should not be treated as incidental, because they require personnel, systems, time, and, in many cases, external advisory support.

There should not be a single fixed threshold applicable in all cases to determine when administrative costs are too high. The proportionality assessment should consider the relationship between: (i) the total VC amount; (ii) the net benefit expected to reach workers; and (iii) the cost and resource demand of the distribution. The assessment should also consider whether the net amount per worker would be meaningful. The threshold for determining this should be agreed jointly by the retailer and supplier. As a general principle, individual distribution should not be required where the cost of administration is disproportionate to the benefit received by workers. This may occur where the VC amount is small, where distribution requires complex documentation or payroll treatment, or where legal or tax review would consume a significant portion of the contribution, or where audit and reporting requirements create an excessive burden in relation to the value of the benefit.

Producers should be in the lead in carrying out the proportionality assessment, as they have the necessary knowledge to compare the voluntary contribution amount with the associated administrative costs.

The choice not to distribute a voluntary contribution due to high administrative costs will have a consequence on the retailer's monitoring since these volumes cannot be counted towards commitments. The proportionality assessment should therefore always be documented.

At a minimum, the analysis should identify the estimated VC amount, the expected net worker benefit, the number of workers affected, the projected administrative costs, and the reasons why individual distribution is or is not practical. This documentation is important both for transparency

and for demonstrating that the decision was made to preserve the value and purpose of the VC, rather than to avoid distribution to workers.

If the admin costs exceed the voluntary contribution, the following solutions can be considered:

- Group payment from different retailers into one disbursement to minimize admin costs.
- Use the VC for a general benefit if the admin cost to organize the general benefit does not exceed the VC and that the guidance of question 11 is taken into consideration
- Group payments over several years
- Use VC to close a bigger proportion of the gap at a farm within the supplier supply chain
- Not paying out the voluntary contribution.

All these options should be discussed and decided with workers' input and jointly agreed with the relevant supply chain partner.

Summary:

The recommended approach is therefore as follows:

Issue	Recommended Approach
Definition of administrative costs	Include internal and external costs required to implement, document, distribute, verify and audit the VC model.
Threshold for disproportionate costs	Do not apply a fixed universal percentage; assess proportionality by comparing total cost with the net worker benefit and operational resources required.
Small or low-value VC amounts	Consider whether individual distribution would materially reduce the value reaching workers.
Supply chain partner decision	A producer, supplier or intermediary should not be required to receive or administer VC where related costs are disproportionate or unfunded.
Alternative use of funds	Consider consolidated distribution, or general worker benefits related to living wages or decent working conditions.
Documentation	Record the basis for the proportionality assessment and the reasons for the selected approach.

Question 14: How should retailers manage voluntary contributions for farms that were included in the VC calculation, but will not be in the supply chain in the payment year (due to sourcing stop)?



Answer: Yes, after special case rule was included (see below)

Context:

At the beginning of each year retailers report on their supply chains for the previous year by filling in sourcing sheets. Since wage gaps can only be assessed retrospectively, the actual payment of voluntary contributions is always executed (at least) a year later compared to the reference year of the wage data. This means that e.g. in 2026 retailers pay voluntary contributions to retrospectively reduce wage gaps in 2025. Due to potential fluctuations in supply chains, the question arises which farms should be eligible for receiving the voluntary contribution: farms that were part of the retailers' supply chains in 2025, or farms that are still part of the retailers' supply chain in 2026, i.e. in the year of payment? What happens if in 2026 retailers no longer receive volumes from farms that were part of their supply chain in 2025?

Current practices:

Disbursing voluntary contributions to suppliers or producers that are not in the supply chain anymore without any existing contract can be legally challenging since there is no underlying document that determines the scope and deliverables (like e.g. obligation to participate in verification or provide evidence of disbursement to workers). Therefore, most suppliers prefer not to transfer funds to producers with whom they do not have a commercial relationship at the moment of disbursement.

Recommendation

All farms that were part of the retailers' supply chain at the time of sourcing (= farms listed in the sourcing sheet for the previous year) should be eligible to receive voluntary contributions if (at least) the supplier still has a commercial relationship with these producers. In other words, if a producer is not in the retailer's supply chain anymore but the supplier still works with them, disbursement should still happen.

Example: In 2025, retailer A sourced via supplier B from farm C which had a wage gap (based on 2025 data). In 2026, supplier B still has a business relationship with farm C, but retailer A does not source from farm C anymore. In this case, retailer A should still pay the voluntary contribution.

This approach aims to balance traceability of retailer contributions with practical implementation realities in agricultural supply chains. It helps ensure continuity of support and avoids penalizing farms due to short-term sourcing changes by retailers. Where possible, retailers and suppliers are encouraged to maintain longer-term sourcing relationships with producers. This allows workers to benefit from voluntary contributions over a longer period and supports continued progress towards closing living wage gaps.

Special case: If the farm is no longer part of the retailer's supply chain AND the supplier has stopped working with this producer, disbursement to that specific producer is no longer considered appropriate or operationally feasible. The retailer, however, should still pay the full contribution (including the farms with whom the commercial relationship stopped) to the supplier, since the payment obligation is based on the sourcing situation and identified wage gaps during the reference year.

These contributions need to be used in an alternative way by the suppliers. A potential option is to increase the contribution to another farm that is still in the retailer's supply chain. Allowing suppliers to redirect these funds to other eligible farms within the retailer's supply chain provides flexibility to maximize impact. Suppliers may use the additional funds to further reduce wage gaps at selected farms, for

example prioritizing farms with the largest remaining gaps or the highest sourcing volumes linked to the retailer. This approach supports efficient use of funds while maintaining a clear connection to the retailer's sourcing footprint and living wage objectives.

Other potential options include providing additional remuneration to farms without a prevailing living wage gap (see Question 16) or using the funds for general community benefits, potentially coordinated by a third-party organization such as a foundation (see Question 10).

Note: If there is a specific request by a producer to still receive the voluntary contribution even if it is no longer part of the retailer's supply chain AND the supplier has stopped working with this producer, retailers and suppliers need to discuss the way forward on a case-by-case basis.

Question 15: How to deal with workers who left the company during the year (such as many seasonal workers)?

Alignment reached

Answer: Only the current workforce at the time of payment will be included in the distribution of voluntary contributions.

This means that **voluntary contributions are distributed only to workers who are actively employed at the time of payment.** The originally calculated voluntary contribution amount needs to be paid independent of whether more workers or less workers are employed at the time of payment. Workers who left the farm during the year — including seasonal or temporary workers — would not receive payment. Workers who joined after the voluntary contribution has been calculated are eligible to receive benefits.

Reasoning

The rationale for this approach is mainly practical and administrative. Including former workers would create significant complexity regarding:

- identification and verification of eligibility,
- tracking former employees,

- payment logistics,
- tax and payroll treatment,
- documentation and verification requirements.

In sectors with high workforce fluctuation or seasonal labor, these administrative burdens may become disproportionate to the actual benefit distributed. Focusing on the current workforce also supports operational feasibility and reduces legal and financial risks for employers. It must be recognized that reducing wage gaps using the voluntary contribution approach is unfortunately not the most optimal solution to also reach seasonal workers. On the other hand, it might support the retention and stabilization of workforce at farm level.

Question 16: What “rewards” will be provided to farms without a prevailing LW gap?



Alignment reached

Answer: No alignment reached

Context

This question is important because voluntary contribution mechanisms currently focus on farms where a living wage gap exists. As a result, farms that already pay comparatively higher wages may receive no additional recognition or financial support, while farms with larger wage gaps receive additional funding.

From the perspective of some producers and other supply chain actors, this can create a perceived “wrong incentive”: farms with lower wages benefit from additional contributions, whereas farms that have already invested in better wage levels, productivity, organization, and compliance receive no comparable advantage. As one retailer summarized: “Currently, from the producer perspective, it seems we are rewarding the ones that pay lower wages.” Another stakeholder emphasized the need to: “review and propose possible incentives for farms without a wage gap, because otherwise the mechanism may be perceived as rewarding less productive or less organized farms.”

At the same time, in current practice, there are generally no established additional “reward” mechanisms for farms without a prevailing living wage gap. Existing voluntary contribution systems are primarily designed as gap-closing mechanisms, not as broader incentive or reward schemes.

While more in-depth research is needed to understand the feasibility and impact of potential reward mechanisms for farms without prevailing wage gaps, possible approaches that can be explored include:

- channeling voluntary contributions to farms without living wage gap whenever farms that were included at the time of calculation are no longer in the retailers' supply chain (see question 14)
- preferential sourcing or longer-term purchasing commitments,
- public and/or formal recognition (see quote below),
- reduced audit or reporting burden,
- access to pilot projects or preferred supplier programs,
- support for productivity or worker welfare investments,
- financial contributions for maintaining living wage levels rather than only closing gaps, e.g. through paying Living Wage Reference Prices or individual price markups.

One producer recommends: “At a minimum, recognition from retailers could be implemented, as this would not necessarily generate additional financial costs and could represent a very meaningful gesture for producers. Publicly or formally acknowledging farms that have successfully closed living wage gaps, maintained good labour practices, or demonstrated continuous improvement would help producers feel that their efforts and investments are being valued and recognized within the supply chain. Such recognition could also contribute to creating positive incentives, strengthening long-term engagement, and promoting a culture of continuous improvement rather than focusing exclusively on farms with existing wage gaps.”

Questions related to assurance

Question 17: What level / type of assurance is required to ensure the voluntary contribution is received by the workers?

 **Alignment reached**

Answer: No alignment reached

Recommendation

Source: based on external advice provided by Impact Buying

The appropriate level of assurance should be determined jointly by buying organizations and suppliers, taking into account the specific supply chain context, operational realities, existing systems, and the maturity of the partnership. The assurance approach should aim to balance credibility, feasibility, proportionality, and continuous improvement, while recognizing the shared responsibility of supply chain actors in ensuring that voluntary contributions reach workers. **The following factors may be considered when determining the appropriate level of assurance:**

- **Risk exposure:**
What is the likelihood that voluntary contributions do not reach workers in specific supply chains?
This can depend on:
 - o Country risks (e.g. weak governance, informal labour)
 - o Supply chain complexity (many intermediaries increase risk)
 - o Payment methods (cash vs. traceable payments)
- **Partnership maturity and level of cooperation:**
How established and stable is the relationship between the buying organisation and supplier, and to what extent are both parties engaged in transparent and collaborative improvement processes?
- **Volumes, living wage gaps and voluntary contribution amounts:**
Higher purchasing volumes and/or larger living wage gaps, and thereby larger voluntary contribution amounts, may justify more advanced assurance approaches and stronger investment in monitoring and verification activities.

- **Maturity:**

The extent to which systems are already in place to track voluntary contributions, available Salary Matrix verifications, existing audit or monitoring systems, and facility-level transparency mechanisms.

The assessment of the factors above should help determine which assurance level is most suitable and proportionate for the specific partnership and supply chain situation. **The system chosen could also be a combination of different options:** e.g. one could think about doing a third-party assessment in the first year. If this third-party assessment is positive, it could be agreed to only perform a new third-party verification in the third year and collect supplier evidence in the years in between.

Overview of different assurance options

Option 1 – supplier / producer provides own evidence

Assurance element	Option 1
Type of assurance	Self-assessment (see exemplary template in Annex 2) + producer evidence
Scope	Confirmation that voluntary contributions are paid and a basic explanation of how they are distributed to workers
Sample size	Not applicable (full self-reporting via self-assessment)
Frequency	Once per year

What to do in practice:

- Include clear expectations on how to distribute / use voluntary contributions in supplier contracts
- Ask suppliers to complete a self-assessment questionnaire (see guidance questions in the annex)
- Request basic documentation (e.g. payment records, internal policies), examples include:
 - o **For transfer payments:** proof the bank transfer was made, payroll record or payslip showing the amount paid, worker confirmation that payment was received,

- o **For cash payments:** signed payment list showing: worker names, amount received, date, record of cash withdrawal from the bank
- o **For in-kind benefits:** invoice or receipt showing what was bought, list of workers who received the in-kind benefit, signed distribution list, photos of items distributed
- o **For voucher distribution:** invoice for vouchers purchased, voucher tracking list or serial numbers, signed list showing workers received vouchers including the amounts, worker communication explaining the voucher value/use
- o **Other supporting documents:** internal policy on payments or benefits, messages or notices sent to workers, manager or finance approval records

When this works best:

- Early in the journey: When retailers start implementing voluntary contributions for the first time
- When there are resource constraints (limited capacity for third-party audits)
- When supply chain risks are low. e.g. small voluntary contributions
- When there is a lot of trust in the involved supply chain partners
- When distribution of voluntary contributions and documentation is managed by centralized entities such as headquarters of larger producer groups instead of the individual producers

→ **This option helps to create initial engagement with suppliers and increases transparency, but it relies heavily on trust.**

Option 2 – Internal verification

Here, the focus shifts to verifying what is reported without hiring a third party.

Assurance element	Option 2
Type of assurance	Limited assurance assessments are conducted by actors within the buying organisations' own organisation, such as the ESG or sustainability team, compliance department or buying team.
Scope	• Check whether voluntary contributions were actually paid • Cross-check self-assessment responses with worker feedback to validate whether reported information reflects actual conditions • Cross-check with payroll or distribution records
Sample size	• Risk-based sample (the square root of the total number of facilities, and a representative group of workers per facility e.g. 5-15 workers depending on size and risk level) • Higher-risk suppliers or regions should be prioritised and may require larger samples.
Frequency	Once per year

What to do in practice:

- Visit selected sites
- Ask workers directly if they received the voluntary contributions
- Compare supplier information from the self-assessment answers with on-the-ground findings

When this works best:

- When the buying organisation has people working in country or participates in field trips on a regular basis
- When distribution of voluntary contributions and documentation is managed by centralized entities such as headquarters of larger producer groups instead of the individual producers

→ **This option increases credibility and shows active monitoring but requires significant resources at the level of the buying organisation.**

Option 3 – Third-party verification

At this stage, the goal is high assurance that voluntary contributions reach workers.

Assurance element	Option 3
Type of assurance	Reasonable assurance by an independent third-party
Scope	- Independent verification of whether voluntary contributions were transferred and distributed to workers in accordance with the agreed payment and distribution approach - Verification at worker level - Assessment of systems (e.g. payment processes, grievance mechanisms)
Sample size	- Risk-based sample (the square root of the total number of facilities, and a representative group of workers per facility e.g. 5–15 workers depending on size and risk level) - Higher-risk suppliers or regions should be prioritised and may require larger samples. - The selection should take into account pooling opportunities.
Frequency	Once per year. For long-term and stable partnerships with demonstrated transparency and consistent positive assurance outcomes over time, stakeholders may consider adjustments to the frequency of verification activities in order to reduce audit burden. This could then be combined with the other options above.

What to do in practice:

- Engage third-party auditors
- Combine financial checks with worker interviews
- Ensure systems are in place to track and resolve issues

When this works best:

- In high-risk contexts
- When companies have the capacity to invest in stronger assurance

- Combined with Salary Matrix verification and/or other certification audits to use synergies and reduce additional burden
- When individual producers (instead of centralized entities like foundations of larger producer groups) manage the distribution of voluntary contributions and documentation. In cases where centralized entities manage this process for multiple producers, information sharing between these entities and individual producers is key while it also needs to be explored in more detail if and how third-party verification can be adapted to involve the entity that actually administers and documents the distribution process in practice.

→ **This option provides the highest degree of credibility in ensuring that voluntary contributions have been received by the intended workers, and is also highly valuable for external reporting, making claims and building stakeholder trust.**

Question 18: What assurance is required to validate that retailers' buying proportions used to calculate the VC are correct?

 **Alignment reached**

Answer: A sourcing sheet provided by the supplier or producer and cross-checked against the retailer's information is sufficient. Third-party verification is not required.

Additional guidelines

It is important to check the retailer's buying proportions for several reasons:

- Retailers made a commitment to close or reduce living wage gaps for all their volumes sourced from plantations. To ensure that retailers meet their commitment, it is important to check whether all their volumes have been taken into account.
- The voluntary contribution calculation is based on the volumes sourced by retailers. If the volumes are incorrect, voluntary contributions will also be incorrect, potentially resulting in lower voluntary contributions for workers.

The volumes reported in the sourcing sheets can be used to determine the retailer's buying volumes. This information is requested annually and provided by the supplier.

It is, however, important to cross-check the information in the sourcing sheet against the retailer's information to ensure that the sourcing volumes match the buying volumes. This cross-check should be carried out between the retailer and supplier, for example through internal monitoring systems. Third-party verification is not required.

Discrepancies between buying and sourcing volumes that are greater than 5% should be further analyzed by the supplier and retailer. If any errors are identified, such as the exclusion of smallholders or certain producers, an updated sourcing sheet should be provided. If both parties agree after discussion that there are no errors, they should agree on which numbers to use going forward -buying or sourcing volumes- and provide an explanation for the discrepancy.



Annexes

Annex 1: comparative assessment of VC models

Source: consultation ECIJA

Summary Comparison of Model Advantages and Disadvantages

This ranking is based on a broad range of considerations, including legal exposure, tax treatment, administrative responsibilities, operational feasibility, cost allocation and ability to deliver value to workers. The VC models reviewed in this report may all be legally possible in some form, but they differ significantly in terms of legal and fiscal exposure, administrative feasibility, and the ability to deliver value to workers. The preferred models are those that reduce unnecessary custody of funds by producers or suppliers, avoid embedding VC amounts into ordinary commercial pricing, minimize legal and tax exposure, and preserve the greatest possible net benefit for workers.

From an overall perspective, the most favorable models are those that combine lump-sum payment,

third-party management where available, and cash distribution to workers where feasible. This combination provides a clearer paper trail, reduces the need for funds to be accrued or held over time, limits producer exposure, and better supports the living wage objective.

The least favorable models are those that combine price-per-box accrual, producer-administered distribution, and cash payment through the employer. These models create overlapping burdens: funds may be treated as income when received, may require ongoing accrual and reconciliation, and may be treated as remuneration when distributed to workers.

The ranking does not suggest that only one model is legally possible. Rather, it identifies which models appear more favorable when considering the practical strain placed on producers, suppliers and other supply chain actors. A simplified ranking is as follows:

Ranking	Model	Assessment
1	Lump-sum payment to third party for cash distribution to workers	Most favorable where a suitable third party exists. Reduces producer exposure and provides direct worker benefit.
2	Lump-sum payment to third party for in-kind or general worker benefits	Favorable where cash distribution is impractical or disproportionate.
3	Lump-sum payment to producer for cash distribution to workers	Clearer than price-per-box, but may trigger labour, social security, tax and statutory benefit consequences.
4	Lump-sum payment to producer for in-kind or general worker benefits	May reduce some labour-related concerns, but still creates producer-level tax, documentation and administrative burden.
5	Price-per-box payment to third party for cash distribution to workers	Better than producer-administered price-per-box models, but still creates accrual, tracking and reconciliation responsibilities for supply chain actors.
6	Price-per-box payment to third party for in-kind or general worker benefits	Reduces producer exposure but combines price-per-box complexity with less advantageous benefits for workers.
7	Price-per-box payment to producer for cash distribution to workers	High-risk model due to tax characterisation, accrual, reconciliation and potential remuneration treatment.
8	Price-per-box payment to producer for in-kind or general worker benefits	Least favorable because it combines price-per-box accrual burdens with producer-level administration and less direct worker income.

This ranking is not intended to prohibit any model. Rather, it identifies the models that are more likely to be workable, transparent and proportionate, and those that should only be used with stronger safeguards and full-cost funding.

Comparative Ranking of VC Models

Rank	Model	Legal / tax exposure	Admin complexity	Worker benefit	Overall assessment
1	Lump-sum → third party → cash	Low	Medium	High	Preferred
2	Lump-sum → third party → in-kind/general	Low	Medium	Medium	Favorable
3	Lump-sum → producer → cash	High	Medium	High	Feasible with safeguards
4	Lump-sum → producer → in-kind/general	Medium	Medium	Medium	Use cautiously
5	Price-per-box → third party → cash	Medium	High	High	Complex but possible
6	Price-per-box → third party → in-kind/general	Medium	High	Medium	Less favorable
7	Price-per-box → producer → cash	High	High	High	High-risk model
8	Price-per-box → producer → in-kind/general	High	High	Lower	Least favorable

Figure 5. Comparative ranking of VC models

Preferred Pathway 1: Lump-sum payment structure

The preferred payment structure is the lump-sum model. Under this approach, the VC is paid as a separate amount after the relevant calculation has been completed, rather than being incorporated into the price per box and paid progressively through regular commercial invoices.

The lump-sum model offers several advantages. First, it provides greater visibility over the amount, timing and purpose of the VC. Second, it avoids requiring suppliers or intermediaries to accrue, hold, track and reconcile VC amounts over time. Third, it reduces the likelihood that VC amounts will be absorbed into the general commercial price or treated as ordinary revenue. Fourth, it simplifies auditability because the amount transferred can be more clearly linked to the VC calculation and the intended worker benefit.

By contrast, the price-per-box model creates additional exposure for suppliers and intermediaries. Because funds are received progressively and usually distributed later, actors in the supply chain may

need to hold and account for VC amounts during an accumulation period. If the VC is based on estimated amounts, later adjustments may be required. This can result in excess funds that must be returned, held or carried forward, or insufficient funds that require additional payments and reconciliations.

For these reasons, the lump-sum model is the preferred payment structure. If a price-per-box model is used, it should include clear contractual, accounting and reporting safeguards to ensure that VC amounts are separately identified, ringfenced, documented and transferred for their intended purpose.

Preferred Pathway 2: Third-party distribution where available

Where available, VC funds should preferably be channeled through a legally authorized third party, such as a foundation, NGO, worker-benefit entity or other suitable structure capable of receiving and distributing funds as donations or restricted-purpose contributions.

This pathway may reduce or eliminate several of the main exposures faced by producers. If the third party is legally able to receive and administer the funds, the producer may avoid receiving the VC into its own accounts and may avoid direct responsibility for distributing funds to workers through payroll or employer-controlled mechanisms. This can reduce the risk of income tax exposure at the producer level and may also reduce the risk that amounts distributed to workers are treated as salary or remuneration paid by the employer.

The third-party model also provides an institutional structure for administration, verification, distribution and reporting. The third party may charge an administrative fee, which should be included in the VC calculation and funded as part of the full cost of implementation.

However, this pathway depends on the existence of a suitable third-party entity. The entity must have the legal capacity, operational infrastructure, credibility and willingness to administer the model. It should also be able to maintain proper records, manage worker data appropriately, provide reporting, and support audit or verification requirements.

Even where third-party administration is available, producer involvement will not disappear completely. Producers may still need to provide worker information, support eligibility verification, facilitate communication, maintain records, respond to audit requests and coordinate with the third party. These residual costs should also be recognized and funded.

Preferred Pathway 3: Cash to Workers Where Feasible

Cash distribution to workers remains the preferred benefit type where it is legally, fiscally and operationally feasible. Cash most directly supports the living wage objective because it increases workers' disposable income and allows workers to make their own household spending decisions.

The preferred version of this pathway is cash distribution through a third-party structure, rather than cash paid through the employer or producer.

This approach preserves the direct worker benefit of cash while reducing producer exposure to tax, statutory charge and labour benefit consequences.

Where cash is paid through the producer or employer, the model must be approached with caution. The payment may be characterized as salary, remuneration, a bonus or another employment-related benefit. If so, it may trigger employer and worker social security contributions, income tax withholding, and increased statutory labour benefits. In those cases, the VC calculation must include the corresponding gross-up so that the intended net amount reaches workers and producers are not left with unfunded liabilities.

Cash distribution should therefore be used where the amount is meaningful, the distribution mechanism is feasible, and the related legal, tax and administrative costs are properly funded.

Alternative Pathway: In-Kind or General Worker Benefits Where Distribution Is Disproportionate

In-kind benefits, vouchers or general worker benefits may be appropriate where individual cash distribution is impractical or disproportionate. This may occur where VC amounts are small, the cost of distribution is high, or the legal, tax and administrative requirements of individual payments would exceed the value reaching workers.

These alternatives should remain connected to the purpose of living wages and decent working conditions. They should not be used merely because they are easier for the producer or retailer. Appropriate examples may include benefits related to food security, transportation, health, hygiene, childcare, education or other worker welfare priorities, depending on the needs identified in consultation with workers.

Worker consultation is important when selecting general worker benefits. The consultation process does not need to be overly complex, but it should demonstrate that workers were informed, that their preferences were considered, and that the selected benefit responds to actual worker needs.

Where possible, in-kind or general worker benefits should be administered through a third party. If the producer administers the benefit directly, the producer should maintain clear documentation of the VC amount received, the benefit provided, the workers or worker group benefited, the cost of the benefit, and the connection to worker welfare.

This pathway should be treated as an alternative for cases where cash distribution is not practical, proportionate or cost-effective. It should not replace cash distribution where cash is feasible and meaningful.

Comparative Implementation Ranking of VC Models

Relative favourability based on legal exposure, tax treatment, administrative feasibility, and worker benefit.

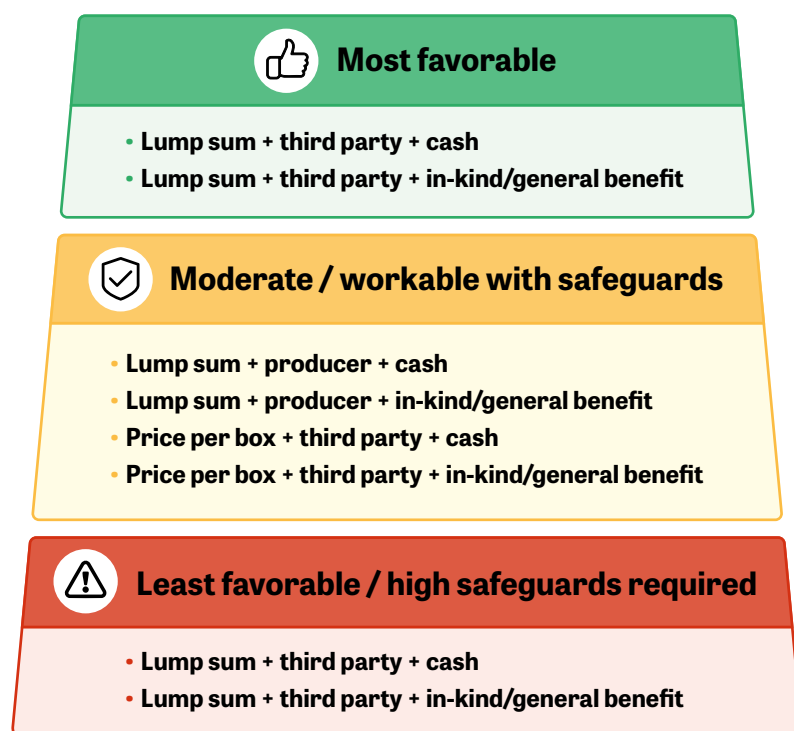


Figure 6. Preferred hierarchy of VC models

Annex 2: Example for self-assessment on voluntary contributions

The following are some guidance questions for the self-assessment on voluntary contributions.

Voluntary contributions amount and selection process

- Are voluntary contributions clearly defined and agreed in contracts?
- Number of workers intended to benefit:
- Number of workers who actually received the voluntary contribution (incl. differentiation between men and women):
- In which currency did the worker receive the voluntary contribution?
- How were voluntary contributions allocated to workers?
 - Equal distribution to all workers
 - Targeted distribution (e.g. lowest wages, vulnerable groups)
 - Other (please explain):

Payments and traceability:

- How are voluntary contributions calculated and transferred?
- What is the total amount of voluntary contributions received (last 12 months)?
- Are payments documented and traceable?
- Example of what to check: proof of payment (e.g. payslips, signed distribution lists, money transfers)

Distribution to workers:

- How are voluntary contributions distributed to workers (e.g. cash, digital)?
- In which form have voluntary contributions been distributed to workers (e.g. cash, digital payment, voucher, in-kind benefits, investment in general worker benefits)? If a mix was applied, please indicate the proportions.
- Are there records at worker level?
- Examples of what to check
 - Signed distribution lists or worker-level records
 - Example of distribution method (e.g. voucher, cash, mobile payment)

On verification and transparency:

- How does the supplier verify that workers actually receive the voluntary contributions?
- Are there discrepancies between records and practice?

On worker voice:

- How were workers informed about the voluntary contributions?
- Do workers understand what they receive and why?
- Can workers confirm receipt of the agreed amount?
- Is there a grievance mechanism if voluntary contributions are not received?
- Examples of what to check:
 - Records of grievances and how they were addressed

Self-assessment submitted on:

(insert date)

.....

Submitted by (Tier 1 supplier name):

(insert name)

.....

Name of responsible person:

(insert name)

.....

Function:

(insert role)

.....

Signature:

.....

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