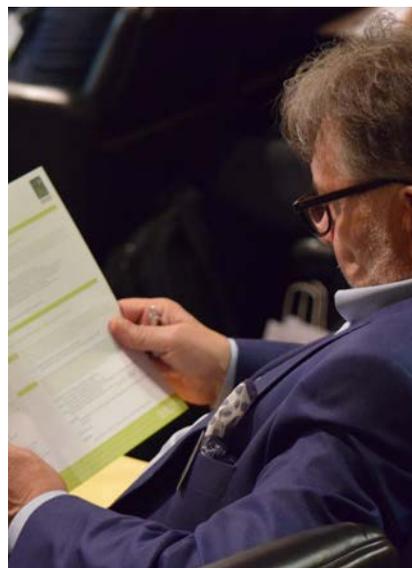




‘Beauty of Sourcing with Respect’ Conference 2016

Creating and sharing value from biodiversity



'Beauty of Sourcing with Respect' Conference 2016

Meeting report

A tipping point for ethical sourcing of biodiversity

Since 2009, UEBT's 'Beauty of Sourcing with Respect' conference has traced the importance and wealth of experiences on the ethical sourcing of biodiversity. In its eighth edition, which took place in Paris on 26 May 2016, there was convergence among the over 150 representatives from companies, governments, international organisations and other associations: the concept of ethical sourcing of biodiversity has reached a tipping point.

Consumers around the world not only understand the relevance of biodiversity – they also demand companies to preserve and restore the web of life and its components.

Companies are responding to these demands through innovative ways to incorporate people and biodiversity in their sourcing, R&D, marketing and other strategies. Laws and regulations governing the use of biodiversity for new ingredients and products are also driving novel, more equitable engagement approaches.

In his welcoming remarks, **Bas Schneiders**, President of the Board of Directors of UEBT noted the momentum on issues from access and benefit sharing to sustainability reporting and commitments to ban deforestation from supply chains. Ethical sourcing of biodiversity cuts across these topics, with its focus on conservation, local development, and creating value along the supply chain.

Can doing good also result in doing well? Ethical sourcing of biodiversity is not only a way to contribute to sustainability, but it has also proved to generate brand value. The first session, chaired by **Leila Rochet-Podvin**, CEO of Cosmetics Inspiration & Creation, explored the experience of brands closely linked to the concept of biodiversity.

Angela Pinhati, Industrial Director of Natura Cosmetics, outlined the company's commitment and evolving vision of biodiversity, and how this vision has determined its success. Natura Cosmetics was created in Brazil in 1969 based on the triple bottom line. Yet the emphasis on biodiversity based innovation and ethical sourcing of biodiversity dates to 2000, with the launch of the Natura Ekos line - a range of body care products and perfumes focused on Brazilian plant species. This product line was always meant to engage consumers in a celebration of people and biodiversity – and the UEBT Barometer results prove it has worked! Moreover, its work with socio-biodiversity has meant that Natura Cosmetics is consistently ranked among the world's most sustainable, innovative and profitable companies. With its vision for 2050, of which socio-biodiversity is a key element, Natura Cosmetics is posed to continue along this path, generating positive environmental, economic, cultural and social impacts across all of its businesses and brands.

Flora Schmitlin, LU Harmony and Sustainability Manager at Mondelez International, explained efforts towards biodiversity-friendly practices along wheat supply chains and what this has meant for the LU brand. The program, launched in 2008, originated from LU employees' recognition of the importance of biodiversity for agriculture. LU focused on its main raw material, wheat, with actions that include requiring farmers to save part of their fields for wild plants and flowers, use inter-season crops, and engage in responsible use of pesticides. Work has been undertaken closely with producers, as well as with partners such as the NGO Prairies de Noé. There has been significant communication, from television advertising and social media to presenting results in conferences and stores. As a result, biodiversity has become a distinctive aspect of the brand. Biodiversity also contributes to making LU the most preferred brand in France and to the growing values in its sales.

Rosie Akester, Sustainable Sourcing Manager at The Body Shop, highlighted the new campaign on 'Enrich not Exploit' and its biodiversity targets. Since 1976, The Body Shop pioneered fair trade principles and environmental protection. Now the world has caught up, and The Body Shop is leading the way on a new issue: biodiversity. Consumer research lies behind this: Young consumers are raising the bar and want to be involved. The Body Shop aims for true sustainability. 'Enrich not Exploit' targets include doubling the community trade program to 40 ingredients, having 100% sustainably sourced ingredients, protection of 10,000 hectares of forest and other habitats, and developing an innovation pipeline that delivers pioneering cosmetic ingredients from biodiversity hotspots by 2020. But this is only the first step... it's about moving from a position of do no harm to a position of net positive gain.

2016 Biodiversity Barometer

Rik Kutsch Lojenga, UEBT Executive Director, introduced participants to the Biodiversity Barometer, highlighting its unique approach, its link to the Aichi Targets of the Convention on Biological Diversity (CBD), and the addition of street interviews as a way to illustrate consumer perspectives. The 2016 Biodiversity Barometer was presented together with Leila Rochet-Podvin and discussed with a panel of industry representatives.

Consumer awareness of biodiversity: The 2016 UEBT Biodiversity Barometer shows a rising awareness of biodiversity, and that partial definitions of 'biodiversity' are moving to more precise explanations. This is particularly noteworthy in the United States, Germany and France. Biodiversity awareness grew more than other 'green' notions, noted **Thibaut Nguyen**, Director of Trends & Insights at Ipsos. Angela Pinhati observed that brand communication has certainly played a factor in growing awareness in Brazil. Biodiversity provides an opportunity for consumers to contribute positively to environmental and social issues, noted the panel. Rosie Akester emphasised how communication on biodiversity can really involve young consumers.

Company communication of biodiversity: According to the 2016 Biodiversity Barometer, corporate communication on biodiversity is increasing, but the quality can still be further improved. Access and Benefit Sharing is a new and emerging issue in corporate reporting. Through a video message, **David Ainsworth**,

Information Officer at the CBD Secretariat, noted that, for consumers, ethical sourcing of biodiversity should become part of a broader range of choices that imply a different, more sustainable lifestyle. Panel discussions focused on the challenges and opportunities of communicating on biodiversity, and the different ways in which brands and other, non-consumer facing companies choose to talk about the concept. Eder Ramos, Global President of Cosmetics Ingredients Division, Symrise, noted that ABS is increasingly a point of discussion in B2B discussions.

Consumer perceptions and expectations: Interviews in Germany, France, United Kingdom and USA, illustrated consumers' call for more action from companies, as well as their lack of trust in what companies, particularly bigger companies, are currently doing for ethical sourcing of biodiversity. Panelists discussed various statements made by consumers in the interviews, and considered the gaps between what is being done, what is being communicated, and what consumers know about corporate action on biodiversity. **Bas Schneiders**, Head of International Strategic Sourcing at Weleda AG, agreed there is greenwashing, particularly in regards to natural ingredients, while at the same time a lot of solid efforts are not being properly communicated. Panelists agreed on the need to lead, rather than just respond to consumers, but also noted the challenges of educating consumers on the range of complex topics linked to ethical sourcing of biodiversity.

Behind the story: Developing ethical supply chains

Storytelling is increasingly important in marketing. Consumers and companies look for products linked to true places, peoples and ingredients. In this session, companies shared how they put in place ethical sourcing projects and supply chains, and how they communicate these stories.

Clemens Tenge, Global Competence Director for Vanilla at Symrise, discussed the company's work on vanilla – a case involving a flavor both delightful and significant for business and sustainability values. Symrise has been working with vanilla since it developed vanillin in 1874. In 2007, Symrise adopted a new approach in order to address the problem of complex supply chains with little traceability. It was a steep learning curve, but the ethical sourcing of vanilla, focused in Madagascar, now involves direct work with over 7,000 farmers and benefits over 35,000 people. Notably, Symrise has located all vanilla fermentation and production in Madagascar, thus generating more value in the country. Such work is not necessarily widely communicated, as Symrise is a b2b company. However, it is included in corporate reporting, as well as in videos and other materials. More importantly, it has provided lessons to apply more generally to other raw materials. These lessons have been included in the Symrise Biodiversity 2020 Agenda and lead to the development of Symrise Madagascar as a center of excellence for biodiversity sourcing, which includes its recent UEBT membership.

Gabbi Loedolff, Head of Raw Materials and Safe Synthetic Sourcing at Lush, and **Joseph Lentunyoi**, Sustainability Manager at the Laikipia Permaculture Center, described their joint work on ethical sourcing of aloe leaves in Kenya. The project, in collaboration with the Kenya Wildlife Service, involves a permaculture training and demonstration center, as well as processing site, in the semi-arid Laikipia County. It has brought together over 225 women from pastoralist Maasai communities, who are now organized in groups and securing additional income from permaculture. Of course, there are challenges in

combining social and economical concerns with environmental considerations. To overcome these difficulties, the project is supported by the Sustainable Lush Fund, created by Lush Cosmetics to develop partnerships with the communities that produce natural ingredients. With regard to communications, for Lush it is particularly important to share true stories. As people care about different things, a range of stories is needed to respond to various interests. Another key consideration is that as sustainability is not longer sufficient, restoration of biodiversity becomes a key concept.

Markus Wehr, Head of Strategic Procurement at the Martin Bauer Group, talked about the responsibility and opportunity in terms of biodiversity that come from work with plants. Martin Bauer sources raw material for teas, herbal infusions, extracts, and active ingredients for the tea, beverage and phytopharmaceutical industries. The company annually sources 65,000 tons of raw material, involving more than 200 different plants from approx. 80 countries. 250,000 people work in these supply chains. To ensure ethical sourcing of these natural ingredients, Martin Bauer brought together quality, safety and sustainability in its own standard: the mabagrown standard. This standard also incorporates the requirements of the Ethical BioTrade standard of UEBT, and is now externally certified in the context of the UEBT/UTZ herbal tea program. Practical examples of supply chain improvement projects in Kazakhstan, Bulgaria, Turkey, Georgia, Egypt, Sudan and Lesotho show the challenges, but also significant achievements in terms of scale and good practices. In 2015, the Martin Bauer Group sourced approximately 10,000 tons of mabagrown certified raw material. For 2020, the aim is to double this quantity.



Responding to rules on biodiversity-based innovation

Access to genetic resources and fair and equitable benefit sharing

With the UN Nagoya Protocol in place, and its implementation through laws and regulations in more and more countries, companies working with natural ingredients in the cosmetics, food and pharmaceutical sectors need to understand and address rules and best practices on access to genetic resources and fair and equitable sharing of benefits derived from their utilisation (ABS). This session provided an overview of the current understanding of ABS rules and best practices, as well as experiences of approaches adopted to monitor compliance with ABS in companies in different sectors and countries.

María Julia Oliva, Senior Coordinator for Policy and Technical Support at UEFT, opened the session through a set of definitive statements on the topic, though only some of these statements were true. Topics discussed interactively with the audience included the link between international and national rules on ABS and the varying scope of ABS requirements in rules in Australia, Costa Rica, South Africa and India. Ms. Oliva also outlined the different approaches that companies adopt in relation to ABS – from tactical retreat and strategies of legal compliance to comprehensive plans of action for fair and equitable benefit sharing.

Cécile Pelletier, R&D Legal Counsel at Nestlé, focused her presentation on the ABS compliance tool developed in the context of Nestlé research and development activities. This ABS tool applies to fundamental research and product development – but it is important to note that R&D activities vary greatly from new products to new equipment and safety. On the basis of EU regulation, the ABS compliance tool identifies ABS-related risks in R&D projects and ensures due diligence. It is a checklist with 13 questions relating to the genetic resource to be used and ensuring full traceability. Of course, some points remain challenging, including distinguishing genetic resources from commodities – which is particularly difficult in the food sector – and plain ‘cooking’ from R&D.

Vijendra Prakash, Senior Manager, Domestic Regulatory Affairs at The Himalaya Drug Company, discussed putting in practice ABS rules in the Indian Biodiversity Regulations. The company has a range of over 300 herbal-based health and personal care products. Since the 2014 adoption of the Indian guidelines on benefit sharing, the company has put in place an ABS mechanism for its supply chains. According to Indian Biodiversity Regulations, national companies need to notify their use of biodiversity to State Biodiversity Boards. This can be challenging as each of these boards has its own approach to benefit sharing. Another critical yet often difficult issue is framing ABS payments in the context of companies’ ongoing activities on ethical sourcing of natural ingredients and sustainable use of biodiversity.

Laurent Gilbert, Director of Advanced Research International Development at L’Oréal, explained how the company’s ABS approach is embedded in its broader sourcing and sustainability strategies. The L’Oréal ‘Sharing Beauty with All’ program covers not only sourcing, producing and consuming sustainably: it is about living sustainably. In this context, biodiversity-based innovation is key as consumers want more and more natural products. By 2020, 100% of plant-based ingredients in L’Oréal products will be sustainably sourced, which includes respecting the principles of the CBD and the Nagoya Protocol. Any product innovation arising from biodiversity is thus subject to a four-step process that 1) establishes traceability; 2) ensures compliance with applicable laws and regulations, including rules on ABS; 3) addresses most critical sustainability issues along the supply chain; and 4) determines accountability. This is implemented in coordination with the purchase, legal, regulatory and quality teams.

Alicja Kozłowska, Policy Officer for ABS under the Nagoya Protocol at the European Commission, noted how experiences support the 'due diligence' approach in the European Union. In the EU regulation on ABS, the due diligence obligation applies only to certain activities and genetic resources. However, the pre-due diligence, as it could be called, is much broader, as companies need to assess all of their activities and biological resources to define what falls within the scope of the regulations. This may be why the regulation has been criticised as both too weak and too strong. Ms. Kozłowska also provided an update on how member states are implementing the EU regulation on ABS, noting that significant work still remains.

There was significant exchange during the question and answer session, which included points on defining which type of R&D can be considered 'utilisation of genetic resources'; the moment at which questions should be posed about the origin of genetic resources, the most effective mechanisms for preventing misappropriation; and the information that companies would find useful in efforts to comply with ABS.

Practical experiences with ABS

The final session of the day included concrete examples of how companies are navigating laws and regulations on ABS, as well as ABS principles in countries that have not enacted such rules. To set the scene, **Valérie Normand**, Senior Programme Officer on ABS at the CBD Secretariat, provided an update on the ratification and implementation of the Nagoya Protocol around the world. The Nagoya Protocol entered into force in 2014. The main challenge is now making the Nagoya Protocol operational, which involves adopting ABS laws and regulations. Since 2014, 15 Nagoya Protocol Parties have adopted ABS measures. 27 Parties are revising their existing ABS measures. And approximately 29 Parties are planning to develop ABS measures.

Laurent Gilbert, L'Oréal, having shared the general approach to ABS in the company, explained that each case of ABS remains, nevertheless, quite specific. This is because each product is unique. In the case of Argan in Morocco, the initial driver was ensuring sustainable sourcing of Argan oil. This led to work with the Targanine cooperative on improving quality and empowering the women. The program was so innovative that new ingredients were developed based on Argan oil by-products, which led to monetary and non-monetary benefits. It did not begin as an ABS case but it ended up as such. In the case of quinoa husk extract, there were also both sustainable sourcing and ABS challenges. The importance of cooperating with suppliers and local authorities, as well as to have absolute transparency, to address these challenges is clear.

Thiago Terada, Sustainability Manager at Beraca, noted how the company is among those with the most ABS contracts in Brazil – 60 authorisations for scientific research and 40 for bioprospecting. Beraca's ABS work is framed in context of its socio-biodiversity enhancement program, which looks at both social and environmental issues. Officially-recognised ABS projects, including on Buriti, Tucuma and Andiroba, thus address issues from micro-deforestation to alternative incomes for the communities. Lessons learnt include the need for long-term relationships, to make projects meaningful to the communities, and to always include capacity-building elements.

Nadia Moutawakkil, speaking for the Moroccan-German Cooperation Project on the Nagoya Protocol, provided examples of ABS agreements recently signed on a voluntary basis in Morocco. These agreements show that it is possible to respect the Nagoya Protocol, even before a legislative framework is in place. The lack of legislative framework did imply the need to raise awareness among potential partners of ABS principles. The process also involved accompanying the negotiation process, elaborating an agreement on ABS and, very importantly, monitoring and evaluation. In the two cases presented, this approach allowed for a range of benefits, both monetary and non-monetary, to be agreed upon.

Looking forward

In his closing remarks, UEBT Executive Director Rik Kutsch Lojenga went back to the idea of a tipping point for biodiversity, noting that the question is not anymore if ethical sourcing of biodiversity becomes a key attention point for business, but how business can embrace this issue in a way that generates positive impact for all. Mr. Kutsch Lojenga thanked participants for their active engagement in discussions and called on them to continue leading the way on ethical sourcing of natural ingredients.

After the event, there was very positive feedback from participants, who highlighted the great networking and exchange of perspectives, the usefulness of the practical information in the sessions and the continuing relevance of the topic of access and benefit sharing.

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