

ANNUAL REPORT 2013-04-01

Member organisation's name:	Beraca Sabará Quimicos e Ingredientes S/A - HPC Division
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COMPANY DESCRIPTION

Beraca is a genuine Brazilian company that has invested in the development of the country for over 56 years. Currently present in over 40 countries, including seven branches in Brazil, one in France and one in the USA, Beraca adds value to a large number of brands and products worldwide. Through its Health & Personal Care division, Beraca is a leading supplier of natural and organic ingredients from the Amazon and one of the main suppliers of ingredients from other Brazilian biomes, for the cosmetic, pharmaceutical and fragrance industries.

Sustainability and socio-environmental responsibility are values that guide all of the company's activities. These values are structured around the development of a corporate culture based on the principles of equity, transparency, ethics and morality.

One of Beraca's main goals is to bring economic, environmental and social interests of many groups and communities closer together. With this in mind, the company promotes long-term partnerships with several local communities and partners, and supports the introduction and dissemination of technologies and products with appropriate remuneration, initiatives and support throughout the production chains. The Health & Personal Care division manufactures and distributes active ingredients, fixed oils, essential oils, extracts, resins, clays and butters. These products are manufactured at the company's Ananindeua plant, located in the metro area of Belem, in the state of Pará.

UEBT MEMBERSHIP OBLIGATIONS

Steps	Dates <i>Historical/expected</i>	Verification Body
UEBT audit 1	2010-05-10	IMO do Brasil
Provisional Membership, if applicable	2010-05-24	
Work-plan approval	2010-09-27	IMO do Brasil
Membership status granted	2010-11-29	
Annual report 1	2011-12-13	
Annual report 2	2013-02	
Audit 2	2013-01-11	Ecocert SA
Annual report 3	2013-04-01	
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Implementation indicators submitted to UEBT?

Yes

No

Documents annexed for public use?

Yes

No

If so, number of annexes: 2

Description of the annexed documents:

Internal Control System (ICS) Manual for Organic Certification

Sustainability Report 2009-2010

PROGRESS IN IMPLEMENTATION OF UEBT MEMBERSHIP OBLIGATIONS

Progress made in the implementation of the Ethical BioTrade Sourcing Targets

Please provide a short up-date on where your organisation stands in the development and then implementation of its Ethical BioTrade Sourcing Targets. In case of development process, please provide a target date when they will be publically released.

Ethical Biotrade Sourcing Targets

Beraca Sabará Químicos e Ingredientes S/A

Beraca, with its headquarters in Brazil, operates throughout the nation and distributes its products to over 40 countries around the globe. The company specialises in the development of high-performance technologies, solutions and raw materials for the water treatment, cosmetic, food and animal nutrition industries.

With 56 years of history, Beraca holds the belief that its activities will have an impact on future generation. Consequently, it focuses on solutions that ensure the sustainability of its products and processes.

In the cosmetics segment, also known as HPC (Health and Personal Care) by the company, Beraca has two Brazilian plants, which are located in the city of Ananindeua, in the state of Pará, and Santa Barbara d'Oeste, in the state of Sao Paulo, both in Brazil.

Beraca's philosophy and work methodology aim at ensuring the economic viability and quality of its products, through the Biodiversity Enhancement Program®. The program classifies productive groups, that is, regional communities, according to best farming practices (harvesting and subsistence agriculture), work safety, processing, management and sales.

As a consequence of its social and environmental commitment, and as a way of adding value to the supply chain, Beraca oversees, validates and defrays the cost of organic certification of community groups with which it works and which are located in six Brazilian states.

Beraca has established the following specific goals for the upcoming years:

Starting in 2014, 70% of Beraca's agricultural and harvesting suppliers will receive training at least once a year, on the following topics:

1. Management and structure
 - Workshops on cooperativism/associations and management;
 - Technical monitoring of organisational development, management and sales;

- Skills acquisition and training for community leaders;
- Awareness and guidance on sensitive matters, such as child and forced labour;
- Incentives towards promoting the integration and exchange of information and experiences between the different groups in the network;

2. Production

- Discussions about sustainable processes in agricultural and harvesting practices;
- Adoption of organic agricultural and harvesting practices;
- Training on work safety and accident prevention;

· By the end of 2015, the Biodiversity Enhancement Program Management System will have been created and implemented.

Progress made on the Biodiversity Management System (BMS)

Please provide a short summary on the progress made in the creation and/or implementation of your organisation's BMS based on the previous audit key findings.

The Biodiversity Enhancement Program Management System is being developed according to the UEBT standard indicators and some tools have already been implemented. These include: attendance forms to supply proof of field visits; meeting minutes; best harvesting practices; a directory of registered suppliers; communication between Beraca and regional communities; and monitoring reports on the production chains.

Due to the restructuring of the Biodiversity department, there has been some delay in implementing activities and keeping to the schedule. Measures have been taken to ensure the completion of activities that were postponed to 2013. Among these measures are the establishment in 2012 of an important partnership with GIZ (Deutsche Gesellschaft für Internationale Zusammenarbeit), and an agreement with an important cosmetics manufacturer to provide support and expand the Biodiversity Enhancement Program. For that purpose, four additional dedicated technicians have been hired on a full-time basis to work on the Program, as well as five support technicians on a part-time basis.

Progress made in the use of the Ingredient Portfolio Assessment (IPA)

Please provide a short update on where you stand in the completion of the Ingredient Portfolio Assessment.

Beraca has included 26 species in the Ingredient Portfolio Assessment, of which 23 originate from Brazil. In 2012, 43.06% of the natural ingredients purchased by Beraca were sourced from certified organic supply chains. As a result of the IPA performed in the last audit conducted by Beraca, we concluded that there are six prioritised supply chains with which we can work, and they represent the largest combined potential for volume/risk for the company.

Progress made on the implementation of the UEBT principles on patents and biodiversity

When applicable, please provide a short update on the implementation of the UEBT principles on patents and biodiversity in your patent policy and portfolio.

Beraca has one patent right for products manufactured with raw materials from biodiverse sources and in 2013 the company will compose its patent policy in accordance with the UEBT principles. Our expectation is to have it implemented and publicly launched by December 2013.

Percentage of the Ethical BioTrade work-plan implemented

Which % of your organisation's total Ethical BioTrade work-plan has been implemented? Please provide a realistic estimate.

If we consider only the first year, of the 17 initiatives that were proposed, 15 initiatives have been completed (88%). From the 46 proposed and yet-to-be implemented initiatives in 2011, eighteen (40%) were implemented in 2012. The initiatives not implemented in 2012 will be implemented in 2013.

Progress in the implementation of the Ethical BioTrade work-plan

Please indicate what are your prioritized supply chains.

Six chains were identified for Beraca to develop: Andiroba, Murumuru, Brazil Nut, Passionfruit, Acai and Cupuacu. This means that our work plan will mainly be based around these chains, using the suppliers that were identified as priorities in the IPA.

Please provide a brief indication of the progress that your organisation has made in the implementation of the Ethical BioTrade work-plan.

Progress should be reported upon at the level of the Principles of the Ethical BioTrade Standard. If possible, please distinguish between the work carried out at the level of your organisation's management system and at the level of your prioritized supply chains.

Principle 1. Conservation of biodiversity

Management system	Beraca has structured its environmental initiatives on biodiversity conservation, and its social initiatives to support local communities on its Biodiversity Enhancement Program. According to these principles, Beraca collaborates with several private and public partners, such as non-governmental organisations, and is able to align its initiatives with those of its partners. A result of this approach is the creation of a program called "Promotion of the Value Chain of Brazilian Mega Biodiversity Products" in partnership with GIZ (Deutsche Gesellschaft für Internationale Zusammenarbeit) and the private sector, which establishes several actions to promote the conservation of biodiversity.
Supply chain	Beraca has a business unit called HPC (Health and Personal Care), which focuses on natural biodiversity ingredients and is the largest manufacturer of natural Amazon ingredients within the cosmetic

	<p>industry.</p> <p>Beraca's practices are based on the organic production of the majority of its products, ensuring traceability, sustainable biodiversity handling and environmental conservation practices in its supplying activities.</p> <p>Even though its Biodiversity Enhancement Program is well defined, we will create a policy and procedure manual aligned with the program. This manual will guide all of Beraca's initiatives regarding the conservation of biodiversity and aid implementation of the Ethical BioTrade indicators. This will provide a mechanism by which Beraca can reach all of its supply chains, even the more remote ones with which it does not have such a close contact compared to its other partner communities and suppliers.</p>
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Principle 2. Sustainable use of biodiversity

Management system	<p>The guidelines for the sustainable use of biodiversity are established in the Biodiversity Enhancement Program, which sets out the conditions for the approval of communities, the legal use of the land, the sustainable use of species, and raw material purchase policies, among other things. In addition, we are in the process of implementing a Supply Chain Management System, which will contain a description of the procedures for those groups who have organic certification (ICS Manual) and also a literature index and a list of potential areas in accordance with supply. The volume of raw material is determined per annum and the Biodiversity team liaises with suppliers to follow production capabilities and resource stock.</p>
Supply chain	<p>Training, monitoring and visits have been carried out with the aim of documenting the legal use of land, establishing the schedule of purchases before each crop, adjusting product prices beforehand, and enabling the sustainable management of species through reports, meeting minutes and events with signed attendance lists. The elaboration of technical indexes have also been performed based on the crops in the literature and those observed in the field; this has been done for all raw materials, taking into account the supply registers kept by harvesters.</p>

Principle 3. Fair and equitable sharing of benefits

Management system	<p>Beraca started to share benefits with the supply communities long before the creation of the dedicated Brazilian legislation, and has done so in accordance with the principles of the Convention on Biological Diversity (CBD). Even when not required by law, Beraca has provided many training sessions, support, and equipment, and has established partnerships with the government and universities, as well as signed</p>
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	international agreements such as the abovementioned partnership with GIZ and an important cosmetics manufacturer. In addition, Beraca is an active member of the MEEB (Business Initiative for Biodiversity – Brazil), which acts in defence of Brazilian biodiversity. It is also a member of the institute ‘Biodiversity in Good Company’, an important European player which is connected to the German government to defend the principles of the CBD. The company has participated in several international forums, such as RIO+20 and COPs.
Supply chain	All decisions about the sharing of benefits are made by a designated Beraca committee that meets fortnightly and analyses all matters within the field. The projects that have been developed promote the sustainable use of natural resources while respecting individual rights and group practices. They have also established several actions, such as organisational support; annual meetings with community leaders for discussions and skills acquisition; guaranteed demand with yearly supply contracts; training and skills acquisition sessions on best agricultural, management and quality practices; organic certification; and promotion of partnerships for several projects relevant to the groups. These initiatives are based on the principles of transparency, according to which, before purchasing from a community and before the start of planting, Beraca establishes quality, price and production requirements with the local communities, and the benefits that will be shared with them.

Principle 4. Socio-economic sustainability

Management system	The company is lucrative, and its structure is aligned with its goals and size. Beraca also has tools for viability planning and supervision, market knowledge and prospection strategies. Beraca maintains good partnership relations and technical cooperation with its main clients. The company has also the technical capabilities to analyse and evaluate the quality of its products, has highly qualified staff and good procedure implementation.
Supply chain	Beraca has a controlling department that ensures that all financial procedures are honest, and undergoes third-party auditing yearly. Most products purchased by the company have organic certification, which allows for product traceability. In addition, the purchase process includes invoices and tax receipts, which ensures that the company and its suppliers comply with the tax laws. Through this process, it is possible to ensure that the price agreed with regional communities has actually been applied.

Principle 5. Compliance with national and international legislation

Management system	The Biodiversity Enhancement Program is based on the CBD principles and the Nagoia Protocol, and adheres to the CITES principles. Moreover, all tax laws are observed, especially regarding the correct payment of taxes. The company has the SA8000 certification and complies with all labour obligations towards its employees regarding workers' rights and the ILO principles. When needed, Beraca helps its suppliers by applying the SA8000 standards and supplying all necessary personal protection equipment.
Supply chain	There are no land conflicts in the areas supplying Beraca. Some supply communities have already been granted land rights by the Government or are in the process of seeking authorisation for the use of the land. According to the local circumstances, the harvesting communities fulfill all requirements of the new Brazilian Forest Code. For some products sourced through cultivation, the percentage of preserved forest is not within the code limits and supporting legal instruments do not exist at the federal and state government levels. Nevertheless, this situation is discussed by Beraca and its suppliers during training sessions and visits.

Principle 6. Respect for the right of actors

Management system	Beraca respects human rights and engages its suppliers on this matter. Therefore, the company has acquired the SA8000 certification to consolidate its sustainability and corporate responsibility policies. Work conditions for Beraca's employees are appropriate and fulfill all international conventions and Brazilian legislation requirements.
Supply chain	Through its SA8000 certification, Beraca has established guidelines prohibiting child labour and any slavery-like employment practice by its suppliers. For that purpose, the company verifies whether the rules are being observed through audits, visits and inspections, and through documents provided by the community. The relationship with the chains of custody is transparent, democratic and respectful. The company holds an annual event to communicate with community leaders and to address human rights among other topics. In the last event, held in December 2012, we brought to Brazil a representative from Social Accountability International (SAI) to speak about this matter with different community leaders.

Principle 7. Clarity about land tenure, right of use and access to natural resources

Management system	Beraca's industrial unit is legally established and has the appropriate rights to its land. All communities supplying Beraca have a right to their land and there are no land conflicts in these areas. Regarding access
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	to natural resources and genetic heritage, all of Beraca products follow the directives of interim measure MP no. 2.186-16/01, which establishes procedures for the access to genetic heritage and the associated traditional knowledge.
Supply chain	There are no land rights conflicts within Beraca's chain of custody.

Changes in Ethical BioTrade work-plan

If any significant changes have been made in the Ethical BioTrade work-plan, please indicate them here, together with the nature of these changes and the rationale.

The work plan has not been altered in its content; however, the postponed activities will be completed in 2013 with the technical support from GIZ (Deutsche Gesellschaft für Internationale Zusammenarbeit).

ADDITIONAL INFORMATION

We have established important partnerships to improve the generation of information and to take the actions outlined in the work plan. In 2012, we established a partnership with GIZ (Deutsche Gesellschaft für Internationale Zusammenarbeit) and an important cosmetics manufacturer, which outlines several initiatives for the promotion of biodiversity conservation through the program entitled "Promotion of the Value Chain of Brazilian Mega Biodiversity Products". Another important partner is SAI (Social Accountability International), which will support us in the matters of work safety and suppression of any child labour practices that may occur in the chains of custody.