



Working document

Framework for the verification of BioTrade companies of natural in- gredients



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The original version of this document, dated March 2006, was written in Spanish. This translation brings some modifications in the introduction and changes in terminology, to incorporate the latest discussions. No modification has been brought on the substance.

This document has not been officially edited.

Introduction

Following consultations with actors from the public and private sectors, the BioTrade Facilitation Programme (BTFP) has been exploring the possibility of developing a verification system for BioTrade activities. As part of this activity, the need of a verification framework for “flag-ship” BioTrade products and the possibility to bridge the framework with existing certification schemes has been identified.

Given the BTFP’s experience in supporting the value chain of natural ingredients, this sector was selected as one of the priorities for the development of a verification framework derived from the BioTrade Principles and Criteria. A first round of discussions took place with experts on the issues of quality and the implementation of management plans in BTFP beneficiary countries and a certain number of companies. Then, minimum BioTrade requirements to be fulfilled by natural ingredients companies were identified.

For this analysis, common criteria from different certification schemes were identified and a proposal of verification framework was developed, the details of which form the present working document.

This document is a first draft of the verification framework of BioTrade companies trading in natural ingredients products. The natural ingredients sector includes non-timber, cultivated and non-cultivated natural products, which are used in the production of ingredients for the cosmetic, pharmaceutical and food industries. This draft will be further developed with the participation and in collaboration with national BioTrade programmes, the private sector and existing verification systems.

You are most encouraged to provide comments on this document. Please do so using the following email address:

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Proposal for BioTrade verification framework for natural ingredients

Principle 1 Conservation of biodiversity

This is the first objective of the CBD: companies should maintain biological diversity on all scales (genes, species, and ecosystems).

1.1 Characteristics of ecosystems and natural habitats of managed species shall be maintained

Companies should maintain the ecological conditions of the ecosystem where the species are being used and activities should not threaten such species.

- 1.1.1 Possible threatening conditions or risks to the ecosystem and the habitats where the species are being managed have been identified.
- 1.1.2 Specific activities or practices for the conservation and/or recuperation of habitats or ecosystems where the species is being managed are implemented.
- 1.1.3 There are no processes to convert natural habitats to agricultural systems or forest clearing activities to introduce new productive systems.
- 1.1.4 There is no introduction of exotic species into natural areas.
- 1.1.5 No inputs derived from chemical synthesis are used in natural areas.
- 1.1.6 Practices that contribute to the conservation of endangered species are implemented.

1.2 The management of agro-biodiversity shall include agricultural practices that contribute to the conservation of biological diversity.

Agricultural practices should ensure the maintenance of the basic conditions to sustain the agricultural production in the long term without threatening biodiversity, and at the same time creating conditions that favour the regeneration of natural ecosystems.

- 1.2.1 Practices that promote biodiversity conservation in modified systems should be included. Examples of such practices are:
 - a. Maintenance or extension of natural vegetal cover (hedges, forest fragments)
 - b. Zoning of areas dedicated to production and conservation
 - c. Crop diversification and rotation
 - d. Biological corridors
 - e. Appropriate soil management
 - f. Protection of fragments or remnants of natural forest

- g. Integrated management of plagues and diseases
- h. Selective and appropriate use of chemical inputs, and avoiding the use of the synthetic chemicals in toxic categories I and II, or prohibited inputs in the target markets.

1.3 Genetic variability of flora, fauna and micro-organisms (for use and conservation) shall be maintained

Genetic variability is a vital element in ensuring the conservation of biodiversity. Therefore, genetic variability should be protected or managed in such a way that risks of losing it are avoided.

- 1.3.1 The company takes measures to maintain the varieties and wild relatives of the species being managed.
- 1.3.2 The company takes measures to connect fragments and remnants of natural vegetation to favour genetic exchange.
- 1.3.3 Genetically modified organisms are excluded from the productive systems.

1.4 Ecological processes related to productive activities shall be maintained

This refers to maintaining the quality of air, water and soil, as well as ecosystem functions of the biomes, the management of water sources and local micro-climates and the intraspecific and interspecific interactions that can affect the productivity of species.

- 1.4.1 Measures to conserve water resources, to maintain or improve water quality, soil fertility and air quality are implemented.
- 1.4.2 Negative impacts on water, soil and air resources are controlled.
- 1.4.3 Specific interactions related to the production (e.g. pollination, seed dispersion, microhabitats) are identified, and measures to maintain and/or recuperate them are defined and implemented.

1.5 Activities shall be developed according to existing management plans of natural areas

Coherence is necessary among existing management and conservation plans in the areas where the activities of production are carried out so that the practices developed by the company favour the implementation of these plans.

- 1.5.1 Existing management and conservation plans are identified in the areas of exploitation or production.
- 1.5.2 Exploitation or production activities are compatible with the strategies or use and conservation stipulated in natural areas (e.g. management plans, existing conservation strategies).

1.6 Maintenance and revival of traditional knowledge and practices that conserve biodiversity

The revival of traditional practices favours the implementation of conservation measures as long as such a traditional practice can be used. Nevertheless, this does not imply that all traditional practices necessarily favour the conservation of biodiversity.

- 1.6.1 The company has policies steered towards maintaining and/or placing value on traditional practices related to good management practices of natural resources.

Principle 2 Sustainable use of biodiversity

This principle supports the implementation of the second objective of the CBD. BioTrade products should be derived from systems that demonstrate the sustainability of both the resource being used and the ecosystem involved. The aim is that the use of a species or ecosystem is not higher than its regenerative and/or productive capacity. Companies should define instruments for the application of good management and monitoring practices to guide, design and improve the productive processes used.

2.1 The use of natural resources shall be supported by management documents including, *inter alia*: extraction rates lower than regeneration rates, monitoring systems and productivity indexes

Management documents are essential in identifying the fundamental processes, defining the necessary activities to ensure the sustainable use of biological resources, and facilitating the monitoring of activities carried out and their impact. This does not necessarily imply the use of a management plan as usually understood, as the document should be appropriate to the size and complexity of the company and its productive practices.

- 2.1.1 Collection or production areas are clearly identified.
- 2.1.2 There is a list of suppliers, collectors or producers and information relating to localisation, land tenure and productive activities.
- 2.1.3 For collected species, the rate of exploitation is based on an assessment of the managed populations that defines general characteristics of the population and identifies gaps in information for management.
- 2.1.4 A monitoring system is in place that allows continual adjustment of harvesting rates and production practices with the aim of guaranteeing an adaptive management of the resource.

2.2 Workers and suppliers are trained in the implementation of good collection and production practices

The company's implementation of sustainable use practices depends on the company personnel and suppliers knowing perfectly the practices to be implemented corresponding to their responsibilities.

- 2.2.1. A training scheme for suppliers and workers exists (curriculum, manuals).
- 2.2.2 Field personnel and those working at the processing plant have been trained.
- 2.2.3 The collectors and suppliers are trained to carry out the work of exploitation and production.
- 2.2.4 The company has policies in place that maintain and/or place value upon traditional knowledge related to the good management practices of natural resources.

2.3 Appropriate mechanisms are in place to avoid waste of raw material and to reduce the generation of waste.

The reduction of waste and maximising the use of the managed resources are aspects that companies should include to reduce their impacts on biodiversity.

- 2.3.1 Mechanisms are in place that avoid the waste of raw materials in different product phases, from production through to processing.
- 2.3.2 Measures are in place to manage the waste derived from productive practices, including reuse and recycling activities.

2.4 The actors along the supply chain are identified and organised according to the offer of the resource or the harvesting seasons

Purchasing of raw materials should be planned according to availability and harvesting seasons. In this way, the company is provided with raw materials of good quality in the adequate time and the resources are not exploited when they are unavailable or during periods when harvesting can endanger the survival of the species.

- 2.4.1 The company has a purchasing schedule that details suppliers, seasons and volumes that the company can purchase in accordance with the quantities and harvesting seasons defined in the management document (see 2.1).
- 2.4.2 The purchase of raw material is developed in accordance with the phonological cycles of plants (for fruit, flowers or seasonal production of leaves).
- 2.4.3 Appropriate purchasing calendars are defined that allow the regeneration of populations in the exploited areas.
- 2.4.4 Suppliers and collectors are informed of these schedules and plan their activities accordingly.

Principle 3 Fair and equitable sharing of benefits derived from the use of biodiversity

This Principle corresponds to the third objective of the CBD. In order to guarantee fair and equitable benefit sharing, it is important that beneficiaries have access to the relevant information on the commercialisation of BioTrade products and that they are involved in the negotiation of prices and trade conditions. This Principle requires that suitable methodologies be defined that can support the actors in its implementation. The Criteria identified below are based on current experiences. However, they need further definition based on the practical implementation of methodological proposals.

3.1 Actors along the whole value chain should be interconnected and involved in negotiations

The interaction of the company with the other actors involved in the production and commercialisation supports the generation of transparent relationships that facilitate negotiations.

- 3.1.1 Integration between actors along the chain is promoted through activities such as the participation in trade associations, joint projects with other actors in the chain and the training of actors.
- 3.1.2 Procedures shall be defined and implemented to evaluate the needs of actors in the chain and resolve conflicts.

3.2 Prices are agreed upon based on transparent negotiations between buyers and suppliers that are directly involved in the production chain

As a result of the implementation of criterion 3.1, the transparency in relations between the company and other actors favours the distribution of both economic and non-economic benefits (e.g. transfer of technology, training, market knowledge, etc.)

- 3.2.1 The company demonstrates that prices are based on negotiations.
- 3.2.2 These negotiations are based on information of variables of quality, volume, service, good production practices, social and technological investment and target market prices.
- 3.2.3 The negotiations are based on a joint analysis of the production costs of raw materials. This is done in such a way that the price is ensured to cover the costs of production that enables the requirements of this verification framework to be covered.
- 3.2.4 Actors directly involved in the collection, production, transformation and commercialization of the product shall be represented in the negotiation processes.
- 3.2.5 The fulfillment of commitments is evidenced.

3.3 Access to traditional knowledge shall be granted only upon prior informed consent

Where traditional knowledge is used, the company should have recourse to the regulations and their established procedures so that the rights of the actors providing this knowledge are recognised. Traditional knowledge can be considered a resource, and as such, should be valued and rewarded in the appropriate manner.

Note: it is necessary to work on the definition of minimum criteria based on existing cases.

- 3.3.1 Where a company uses knowledge and practices that come from traditional knowledge, it has developed consultation procedures according to the existing national or international regulations to access such knowledge.
- 3.3.2 Benefits are redistributed, according to agreements.

Principle 4 Socio-economic sustainability (productive, financial and market management)

Competitiveness in the field of BioTrade should result in sustainably managed products that are able to position themselves in specific markets and remain there long enough to generate the expected benefits.

4.1 The company is currently profitable or has a viable plan become so

To guarantee the generation of expected benefits and the implementation of the BioTrade Principles, the company should have an organizational system in place in accordance with its activities, as well as a strategy that shows high potential for financial sustainability in the long term.

- 4.1.1 The company's organizational system is in line with its production objectives and its size.
- 4.1.2 Pricing of products that are commercialised takes into account the production costs, including necessary activities to implement the requirements of this standard.

4.2 The company has enough quality management capacity to access and remain in the target markets

The sustainability of a company depends on its productive capacity according to its clients' demands, particularly in terms of quality.

- 4.2.1 The company uses records and relevant documentation to meet the requirements of the target markets.
- 4.2.2 The products meet the relevant quality standards (e.g., Good Agricultural Practices - GAP, Good Manufacturing Practices - GMP).
- 4.2.3 The company has management capacity to maintain the level of quality (e.g. human resources, education level of staff according to tasks carried out).

4.3 There is a system of traceability in place that allows the identification of the product's origin through the chain of commercialisation.

Traceability is a relevant element to provide clients with information on product quality and ensure their origin, besides being a tool to differentiate the product in the market.

- 4.3.1 There is a clear identification of the areas, processes and workers from which the raw materials come in order to facilitate adequate traceability in the productive chain.
- 4.3.2 The company and the supplier use files (registers) for basic information on the commercialised species and for the times of purchase/processing.
- 4.3.3 Production records exist that provide information on the cultivating/collection systems being used (e.g. localisation, harvesting time, inputs used, quality of raw materials).

Principle 5 Compliance with national and international legislation

Compliance with relevant legislation and regulations is fundamental for the legal legitimacy of companies and market access for their products.

The criteria for this principle do not have indicators due to the fact that on an international level, specifying each law from every country is an impossible task. The definition of indicators must be elaborated on the national and local levels, according to the process that still needs to be developed.

The adaptation at a national level should at least:

- *Take into consideration, inter alia:*
 - *Tributary legislation*
 - *Agricultural and wild life legislation*
 - *Requirements for licences to manage wild resources*
 - *Quality regulations*
 - *Legislation on intellectual property*
 - *Exporting licences*
- *Analyse existing laws and regulations that conflict with this standard, and propose solutions when such conflicts arise.*

5.1 The company shall know and comply with national, regional and international legislation as well as all administrative requirements related to use and trade of products and services derived from biodiversity

5.2 All fees, royalties, taxes and other legally applicable charges shall be paid.

5.3 In the signatory countries, the provisions of all international agreements, such as CITES, the ILO Conventions and the Convention on Biological Diversity, shall be respected.

5.4 The company takes measures to avoid the illegal use of areas that it manages and/or where resources are used.

It is not enough for the company to meet the regulations applicable to its condition, but it must also take measures that guarantee that illegal activities do not take place in areas over which it has influence.

Principle 6 Respect for the rights of actors involved in BioTrade activities

The generation of social capital is one of the pillars of sustainable development. For this reason, the respect of the rights of actors that, in one way or another, interact with the company, and the generation of local development are fundamental to the management of a BioTrade company. In other words, the company must be a “good neighbour”.

6.1 The company respect human rights

Human rights are fundamental to the work of all those involved in the sustainable trade of biodiversity products. They should therefore be duly recognised and respected.

- 6.1.1 Company takes measures to ensure the respect for human rights (e.g. child labour, slavery, discrimination).
- 6.1.2 There is no restrictive policies that would discriminate against the hiring of certain groups of people based on their age, gender, race or social condition.

6.2 The company respects the rights of local communities and indigenous peoples (territory, culture, etc.)

Local communities and indigenous peoples are for the most part essential actors in the commercialisation of biodiversity-based products. To guarantee sustainable trade, the impacts of the productive system on these groups of people should be identified and their rights duly respected.

- 6.2.1 Where productive activities are developed in territories of local communities, the company has a specific policy to ensure that their rights are not affected or infringed.
- 6.2.2 Indigenous peoples control the management of the resources in their lands and territories, unless they delegate control with free and informed consent to other agencies.
- 6.2.3 Places of special cultural, ecological, economic or religious importance for the indigenous peoples should be clearly identified jointly with them, and recognised and protected by those responsible for the management of the resources.

6.3 The company generates local development

- 6.3.1 The company generates employment at a local level (e.g. services, purchasing and maintenance of infrastructure).
- 6.3.2 Company promotes the improvement in the quality of living.
Note: The definition for the “quality of living” should be defined at national or local levels.
- 6.3.3 The company participates in activities of local development in coordination with local authorities and the civil society.
- 6.3.4 There is a baseline that identifies the conditions in the area before the company’s intervention.
- 6.3.5 Local communities recognise positively the activities carried out by the company to promote local development.

6.4 The company provides adequate working conditions

- 6.4.1 When possible, the company issues long-term contracts to its employees.
- 6.4.2 The company has policies, the infrastructure and labour practices that assure adequate working conditions and social security to its employees, meeting or going beyond the requirements of the labour laws (this includes health services and education).
- 6.4.3 The workers receive a salary equal or higher than that of the regional average or the legal minimum, whatever is higher.
- 6.4.4 The company offers to its workers and collaborators training programmes and career development, and promotes proper working conditions among its suppliers.

6.5 The company does not threaten diversification and food security

The development of commercial activities in relation to natural resources can change the customs of producers and the dynamics of local markets. This can happen in such a way that traditional practices of production are affected as well as the availability and price of basic products for the food security of local populations.

- 6.5.1 Impacts on diversification and food security that could be generated by productive activities have been identified.
- 6.5.2 The company undertakes specific activities to reduce and eliminate its negative impacts on diversification and food security.

Note: Even if introduced species cannot be commercialised as a BioTrade product, the use of such species is allowed to ensure diversification and food security.

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

Clarity about rights of access is a very important element in the responsible management of a company. Only then can long-term investments be made or can corresponding management measures be implemented to ensure sustainability. At the same time, clarity on this issue means that the responsibilities of each actor in the management of the species can be established.

7.1 The company shall demonstrate land tenure according to relevant regulations

The company should demonstrate it has the right to use the land and the resources in addition to the justification of Principle 7 and in accordance with Principle 6. The company must not encroach upon existing rights of local communities. In cases where there are conflicts over the use of land, where, for instance, the traditional rights contradict legal rights, the company should have the mechanisms to resolve such conflicts in a way that is satisfactory to all parties.

- 7.1.1 Land tenure and the rights to use the resources are clearly defined (e.g. property titles, leasing contracts, permits, evidence of customary rights).
- 7.1.2 Community resources and tenancy rights are not directly or indirectly threatened or limited by the management of resources.

7.1.3 Appropriate mechanisms shall be employed to resolve disputes over tenure claims and use rights.

Note: The circumstances and status of any outstanding disputes will be explicitly considered in the verification evaluation. Disputes of substantial magnitude involving a significant number of interests will normally disqualify an operation from being approved as BioTrade.

7.2 There is evidence that the company uses the genetic resources it manages under the previous informed consent from the party that provides it

For a company to demonstrate that it adequately compensates the parties that supply the genetic resources, it is important for the latter to understand the conditions and real value of these resources. These cases are normally regulated by national legislation, according to the CBD.

Note: reference should be made to the CBD and/or national legislation to interpret this criterion.

7.2.1 The company can demonstrate it has carried out an administrative procedure soliciting the access to the genetic resources.

7.2.2 The company can provide the contracts obtained for the access to this resource.