

The Union



for Ethical



BioTrade



DRAFT PROPOSAL

April 2007

Special thanks are given to all organisations that helped to formulate the Union for Ethical BioTrade. Special mention is made of the following organisations:

Peruvian Institute of Natural Products (IPPN), Trade Association, Peru
Nativa, Colombian Natural Ingredients, Trade Association, Colombia
PhytoTrade Africa, Regional Trade Association, Southern Africa

Aldivia, company, France
Candela Peru, company, Peru
Ecoflora, company, Colombia
Labfarve, company, Colombia
Natura Cosmetics SA, company, Brazil
Organic Partners, company, United Kingdom
Peruvian Nature, company, Peru
Sisacuma, company, Ecuador

National BioTrade Programme of Bolivia
National BioTrade Programme of Colombia
National BioTrade Programme of Ecuador
National BioTrade Programme of Peru
National BioTrade Programme of Uganda
Funbio, Brazilian Biodiversity Fund, Brazil
BioTrade Fund, Colombia

United Nations Conference on Trade and Development (UNCTAD)
German Agency for Technical Cooperation (GTZ)

Pi Environmental Consulting, Switzerland
Sustainway, sustainability consulting company, France

The UEbt would also like to thank all those that participated in the various consultation meetings that were organised with a broad range of public and private stakeholders (see www.uebt.ch for more information).



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Executive Summary

This Paper aims to introduce the concept of the Union for Ethical BioTrade (UEBT). It was created in response to the need for differentiation of BioTrade products in the market, as articulated by companies in developing countries that have been participating in export promotion programmes. The UEBT was designed with support of UNCTAD, in close consultation with the National BioTrade Programmes and other relevant BioTrade partners, the majority of which are located in developing countries.

The Union will bring together a diverse group of enterprises, trade associations, NGOs, community producers/collectors, focal points of National BioTrade Programmes, and other public or private organisations that are active in the BioTrade arena. The Union will be a membership based organisation and its members will be committed to the BioTrade Principles and Criteria the have been developed by the UNCTAD BioTrade Initiative. Working towards compliance with these Principles and Criteria offers the members a way to demonstrate their corporate social responsibility (CSR) by making a positive contribution to the objectives of the Convention on Biological Diversity whilst creating tangible business benefits.

The Union offers a broad range of services that promote, facilitate and recognise members' contributions to biodiversity conservation and sustainable development at large. The services are divided into three main areas: outreach and market development, business development support, and administration of a verification system. Through these services, the Union for Ethical BioTrade will help to translate the leadership of its members, with respect to their sustainable use of biodiversity, into valuable and measurable action supporting the socially, environmentally, and economically sustainable use of biological diversity.



1. Introduction and background

In 1996 the United Nations Conference on Trade and Development (UNCTAD) launched the BioTrade Initiative¹ to promote trade and investment in biological resources in line with the objectives of the Convention on Biological Diversity (CBD).²

In order to provide a guiding framework for BioTrade activities, seven BioTrade Principles and corresponding Criteria and Indicators have been established³. These principles guide the work of the BioTrade Initiative, the BioTrade National and Regional Programmes in Latin America, Africa and Asia, and other private- and public-sector partners. The primary aim of these programmes and initiatives is to provide targeted support to various actors from the BioTrade arena so that trade in products and services derived from biological diversity can be carried out in a way that supports social, environmental and economic development objectives.⁴

Box 1: The seven BioTrade Principles

The UNCTAD BioTrade Initiative and the National BioTrade Programmes have adopted a set of BioTrade Principles regarding biodiversity based products and services:

- Principle 1: Conservation of biodiversity
- Principle 2: Sustainable use of biodiversity
- Principle 3: Equitable sharing of benefits derived from the use of biodiversity
- Principle 4: Socio-economic Development (productive, financial and market management)
- Principle 5: Compliance with national and international regulations
- Principle 6: Respect for the rights of actors involved in BioTrade activities
- Principle 7: Clarity about land tenure, use and access to natural resources and knowledge

For a full list of the criteria and indicators supporting the seven principles of BioTrade go to:
http://www.biotrade.org/BTFP/BTFP-docs/Working_docs/UNCTAD_BT_PC_en.pdf

Adherence to the BioTrade Principles and Criteria offers enterprises a way to demonstrate their commitment to sustainable sourcing and their corporate social responsibility (CSR) by making a positive contribution to sustainable socio-economic development and the conservation of biological diversity. Simultaneously, tangible business benefits can be created that result from product differentiation, based on membership to the Union for Ethical BioTrade and furthermore by offering BioTrade-compliant products and services.

The Union for Ethical BioTrade will bring together non-business organisations and businesses from different sectors around the globe that are sourcing materials from native biodiversity (e.g. producer and collector organisations, manufacturing companies, focal points of National BioTrade Programmes, conservation and developmental NGOs).

The idea behind forming such a Union was initially born out of the needs expressed by small- and medium-sized enterprises (SMEs) in developing countries for ways to differentiate of BioTrade products in the market. Since then, developing country partners have been in driving the development of the Union for Ethical BioTrade, a process that was supported by UNCTAD. The idea for the Union has been tested and refined in the course of various business roundtables. In March 2006, at the Eighth Conference of the Parties to the CBD held in Curitiba, Brazil, UNCTAD organised a roundtable on biological diversity with SME's. The event emphasised the potential opportunities that trade in goods and services derived from native biodiversity can have for the economic development of local communities. In May 2006, a further roundtable was organised during the Vitafoods Trade Fair in Geneva, where

¹ For further information on the BioTrade Initiative please see: www.biotrade.org

² For further information on the Convention on Biological Diversity please see: www.biodiv.org

³ These principles and criteria were developed by UNCTAD BioTrade, National BioTrade Programmes and their partners in the Andean region of Latin America. They were subsequently adopted by UNCTAD BioTrade Initiative.

⁴ Such developmental objectives are outlined in the Millennium Development goals (MDG's) and by organisations such as the Commission on Sustainable Development (CSD), the World Summit on Sustainable Development (WSSD), the Convention on Biological Diversity (CBD), the Convention on International Trade in Endangered Species (CITES), the Ramsar Convention on Wetlands (Ramsar), and the UN Convention to Combat Desertification (UNCCD).



the idea to form an organisation that could provide guidance for the sustainable use of biological diversity and market recognition of BioTrade products was born. In September 2006, a meeting was held with representatives from the cosmetics industry from Africa, Latin America and Europe in which the participants expressed their support for the creation of the Union for Ethical BioTrade.

2. Vision and mission statement of the Union for Ethical BioTrade

The Vision of the Union for Ethical BioTrade is that:

- Increased trade in biological resources actively contributes to the conservation and sustainable use of biodiversity, as well as to other sustainable development goals.

The Mission of the Union for Ethical BioTrade is:

- To bring together actors committed to ethical BioTrade; and
- To promote, facilitate and recognise responsible trade practices in biological goods to meet the objectives of the Convention on Biological Diversity.

3. Strategic rationale behind the Union for Ethical BioTrade

A growing number of both small and large private sector organisations are looking to lead the way and make a positive contribution to sustainable development and the objectives of the Convention on Biological Diversity in recognition of their policies on quality, sustainable sourcing and corporate social responsibility. The Union for Ethical BioTrade will help to translate this leadership into valuable and measurable action supporting the socially, environmentally, and economically sustainable use of biological diversity.

Some of these organisations agree that in order to contribute to the conservation of biodiversity, they may benefit from specific guidance in implementing changes to their business conduct. Businesses that have already undergone such changes have identified the need for the independent verification of their efforts. This will allow for their differentiated products and services to receive legitimate recognition in the marketplace.

The idea for the Union for Ethical BioTrade was initially conceived in response to the need for such differentiation from companies participating in the joint export promotion programmes of National BioTrade Programmes and other partners in Africa and Latin America.

The rationale behind the Union for Ethical BioTrade is to respond to the demand for an organisation that can:

- *Support product differentiation* and substantiate the message of a company's responsible use of biodiversity and the positive impact it has on local communities working with this resource;
- *Offer guidance* to enterprises that wish to make a positive contribution to development objectives through the sustainable use of biodiversity and benefit sharing, and respond to changing legislation that is implemented in line with the Convention on Biological Diversity; and
- *Generate business opportunities* by creating a network of like-minded organisations.

The Union for Ethical BioTrade fills a gap that is currently not served by any other organisation.



Box 2: Extracts from Decision VIII/17. (Private-sector engagement), Eighth Conference of the Parties (March 2006) to the Convention on Biological Diversity (CBD)

- [There is a] need to enhance voluntary commitments of the private sector to, and strengthen regulation in support of, the objectives of the Convention.
- The private sector encompasses a broad range of actors and there are multiple reasons for promoting the engagement of business and industry in the implementation of the Convention.
- Tools and mechanisms may be of use in facilitating contributions from business and industry towards the implementation of the Convention and its 2010 target.
- Work on ways and means of supporting small- and medium-sized enterprises with environmentally sound products, such as that developed by the UNCTAD BioTrade Initiative, would help to promote good biodiversity practice among business and industry,

The full Text of the decision by the governing body of the Convention on Biological Diversity can be seen at:

www.biodiv.org/decisions/default.aspx?m=COP-08&id=11031&lg=0

3.1 What are the benefits the Union for Ethical BioTrade can offer its members?

The primary benefits concern all stakeholders and are fundamentally based on the aspiration to achieve higher standards in the production of socially, environmentally, and economically sustainable products and services derived from biological diversity.

For non-business organisations a further benefit is to gain additional support for a common cause. This is based on the view that the Union for Ethical BioTrade and other non-business organisations working in the field of biological diversity are complementary, rather than competing with each other, allowing for mutually beneficial cooperation. In addition, the Union will provide a networking platform for non-business organisations and private sector actors that are leading the way in putting corporate social responsibility into practise.

For the various private sector actors (producer/collector organisations, processing companies, traders, manufacturing companies), business benefits are numerous: firstly, companies will be given the opportunity to bring independently verified BioTrade products to the market, secondly; secondly, they will have access to a pool of like-minded companies and non-profit organisations active in the BioTrade arena; thirdly, they will benefit from increased market interest for BioTrade products; and fourthly, they will have enhanced opportunities to dialogue with policy makers.

The benefit that comes from verification has four dimensions whose importance varies depending on the individual actors' position in the supply chain. These are namely:

- *Substantiating claims:* Being able to make independently verified claims regarding the social and environmental responsibility of a company is a strong market differentiator that can create a competitive advantage.
- *Reputational risk management:* A company's image and brand names are among the most valuable assets it owns. Independent verification of biodiversity practices, through a verification system administered by the Union for Ethical BioTrade, offers the companies a risk-management tool.
- *Internal communication:* Informing employees on concrete steps their company is taking to ensure it lives up to its responsibility towards wider society can help generate a motivating sense of purpose within the enterprise.
- *Deepening business relationships:* A verified product ensures both environmentally and socially sound practices along the supply chain limiting the buyers' risk of facing accusations of unethical supply policies. This added value can lead to a buyer's preference for a certain supplier.



Members will also benefit from being joined with like-minded organisations through the Union. This will give them access to a trusted and collaborative environment that can cultivate the following:

- *Business development opportunities* could arise from having access to a networking platform.
- *Access to expertise* that lies outside the core competences of private sector organisations.
- Obtaining *up-to-date information on developments* relevant to BioTrade products.

Members will benefit from market development activities that the Union will undertake. Demand will be encouraged by increasing the awareness for the BioTrade concept among buyers.

Finally, the Union will offer ways to engage in constructive dialogue between the public and private sectors. Such exchange with policy makers can contribute to the creation of a policy environment that enables trade in BioTrade products and furthers investments in processing facilities.

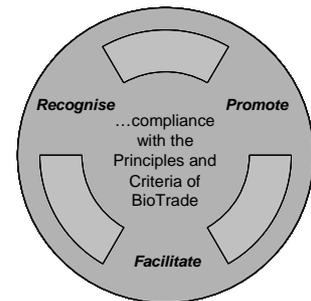
In summary, there is a range of benefits to be gained from membership to the Union for Ethical BioTrade. There is the overarching benefit of providing leadership in the sustainable use of biodiversity, which will make the Union a prestigious institution forming a network of like-minded companies and non-business organisations. And there are those more concrete business benefits that stem from adding value to a particular product or service.

3.2 What is the scope of the Union for Ethical BioTrade?

The scope of the Union for Ethical BioTrade is to exercise a global mandate providing services for its members that *promote, facilitate and recognise* products that comply with the BioTrade Principles and Criteria. This, in turn, contributes to the environmental, social and economic sustainability of BioTrade products and services.

- *Promote*: By providing examples in the form of best practices and case studies, the Union will show that tangible business benefits can be generated when a company aligns its business model with the BioTrade Principles and Criteria. Furthermore, the Union will promote (business) partnerships between its members, strengthening the market position of those members that actively engage in the sustainable use of biological diversity, its conservation and equitable benefit-sharing.
- *Facilitate*: The Union for Ethical BioTrade will actively accompany its members and facilitate their efforts towards integrating BioTrade Principles and Criteria in their supply chains. In many cases, membership to the Union will imply the commitment to undergo substantial changes in the way (parts of) a business operates. Based on product group-specific Verification Frameworks, the Union will offer collaborative guidance, to private sector actors, supporting their efforts to implement the BioTrade Principles and Criteria.
- *Recognise*: Recognising a companies' contribution to more sustainability in the commercial use of biological diversity is crucial. Responsible corporate conduct has to be made visible on the marketplace in order to obtain the legitimate business benefits it can deliver. The Union therefore encourages its members to include a statement on their membership in their stakeholder communication. The Union will assist in communicating these efforts inside and outside the market place. It is however not envisaged that the Union for Ethical BioTrade will develop its own product label.

Services of the Union aim to...



3.3 What is the operating space of the Union for Ethical BioTrade?

The operating space of the Union will be determined by the services it will offer to its members. On the one hand, the Union for Ethical BioTrade will work as a service provider to



its private sector members, and on the other, it aims to become a partner to other non-profit organisations which are also invited for membership. The services offered to private sector organisations will be available to all actors along the supply chain of BioTrade products.

The Union for Ethical BioTrade will also work alongside and invite a multitude of organisations to become members, such as the focal points of various National BioTrade Programmes, labelling organisations, as well as governmental, inter-governmental and non-governmental organisations active in the BioTrade arena⁵. The Union does not intend to compete with any existing organisations, but to offer complimentary services and to establish a collaborative relationship with existing players wherever mutual benefits can be created. Such mutual benefits may be generated when building bridges to labelling organisations, giving members of the Union access to certification under well-known existing schemes⁶.

4. Functions of the Union for Ethical BioTrade

The following will focus on the service portfolio provided to the Union's members and how this will be delivered. The services are divided into three main areas that represent the response to different service needs. They are:

- Outreach and market development
- Business development support
- Administration of a verification system

4.1 Outreach and market development

Outreach and market development seeks to establish the Union as a credible and responsible organisation and expand into those markets that are most relevant to BioTrade. This will include managing public relations in order to promote the work of the Union's members and to help them reap the benefits from their efforts, as well as to promote the Union itself. At the same time, the Union will enter into new BioTrade markets by creating awareness for the benefits that the Union can deliver to its members and by actively seeking partnerships with leading companies that operate therein.

Service character

Reaching out to and engaging various stakeholders⁷ in an open and trusted dialogue is critical to the success of the Union for Ethical BioTrade.

The Union will develop a marketing plan to promote the idea of BioTrade verification and build a brand around the Union that communicates the moral leadership of its members. The messages sent out by the Union for Ethical BioTrade will aim to:

- Ensure that non-members have a correct understanding of the Unions' work and its purpose;
- Support the use of membership to the Union as a product differentiator; and
- Increase recognition for the efforts made by its members.

In order to support the stakeholder communication of its members, the Union will establish links to CSR reporting schemes and agree on reporting procedures specific to BioTrade products and services.

Special attention will be given to the development of new markets that are relevant to BioTrade⁸ in order to generate additional demand for BioTrade products supplied by the

⁵ Many of these actors have actively participated in the conceptualisation of the UEBT.

⁶ Currently, the Union is in talks with the Soil Association, Forest Stewardship Council (FSC) and the Rainforest Alliance/Sustainable Agriculture Network.

⁷ All those who show (genuine) interest in the Union for Ethical BioTrade can be considered stakeholders. The Union for Ethical BioTrade will thus remain open to new stakeholder entries.

⁸ Priority markets initially include: natural products for cosmetics, pharmaceutical and food industries, wild and/or tropical flowers and foliage, products derived from wild fauna, among others.



Union's members and to increase the recognition for their efforts. Market development will be further supported by actively pursuing partnerships with leading companies in the target markets of the Union for Ethical BioTrade, which will also strengthen the market position of its members throughout the supply chain.

Additional elements of this service are to actively promote networking between members, represent them in front of external stakeholders, as well as managing all administrative aspects of membership.

4.2 Business development support

The Union will make available business development support to members that are directly involved in the supply chain of BioTrade products and that are working towards BioTrade verification. To this end, access to resources will be promoted for SMEs and their providers.

Service character

Compliance with the Verification Framework could depend on adjustments that a SME and their providers may not have the means to implement without external help. The Union for Ethical BioTrade may provide access to assistance for small- and medium-sized private sector members and local supplier networks that are working towards compliance with the BioTrade Principles and Criteria. Assistance will be targeted at the lower end of the supply chain and focus on implementing practices that support the conservation and sustainable use of biodiversity, and equitable benefit-sharing. Such support by the Union aims to catalyse the implementation of responsible business practices rather than providing long-term subsidies to them. Once these changes are implemented, ecological and social costs are thus expected to be priced into the product and transferred throughout the supply chain to the end consumer. The Union for Ethical BioTrade and its members may engage National BioTrade Programmes, different BioTrade partners, or other local service providers to help implement these practices.

The Union will also provide business development packages to SME's. In contrast to the assistance described above which focuses on companies' business conduct, the business development packages aim directly at increasing sales of BioTrade products and ingredients by primarily providing access to technical assistance in order to lower market entry barriers. Such a development package would, for example, cover the cost for developing product-specific testing methods, safety assessments or the development of new processing techniques. When awarding business development funding to a developing country SME, preference will be given to collaborative efforts between different members of the Union in an existing supply chain.

4.3 Administration of a verification system

The UEBT will develop Verification Frameworks and good practices for different product groups in which BioTrade organisations are active⁹. The verification system of the UEBT is based on these frameworks and on individual members' critical paths. It is set up to guide members towards compliance with the BioTrade Principles and Criteria and monitor members' respect for their membership obligations, such as the fulfilment of minimal requirements established in the verification framework, and the adherence to their work plans aiming to achieve compliance with the BioTrade Principles and Criteria.

Service character

The Verification Framework is the tool used to analyse a members conduct in comparison to the Principles and Criteria of BioTrade in order to determine those parts in a members operation that need to be addressed. As such, it is also the main tool to develop individual work plans that guide members towards compliance with the BioTrade Principles and Criteria. The Framework will be accompanied by guiding documentation in order to help interpret the Verification Framework at different stages of a value chain.

⁹ The first framework developed is for natural ingredients for the cosmetic, pharmaceutical and food industries.



The Critical Path is a sequence of audits, planning efforts and the implementation of operational changes in a member's conduct built on five major steps. Adherence to a critical path will result in a member's gradual compliance with the BioTrade Principles and Criteria.

Step 1: In a first step, an organisation will conduct a self-evaluation to assess if it meets a set of minimal requirements and, where necessary, make adjustments to comply with them. At this stage, organisations will also submit their membership application in which they are asked to formally commit to the BioTrade Principles and Criteria and confirm their consent with the process leading to BioTrade verification. Following the application, membership will be granted on a provisional basis; provisional members will not yet be able to make any claims of Union for Ethical BioTrade membership.

Step 2: The Union will recommend an independent (local) auditor to verify the fulfilment of the minimal requirements and analyse the gaps between the status quo of a member's conduct and the Principles and Criteria of BioTrade¹⁰.

Step 3: Based on the results of the gap analysis in step 2, the member organisation will develop a work plan outlining how it will close the gaps that were shown in the previous third-party audit. This work plan will be submitted to the Union for formal approval; when approved, provisional membership status will be upgraded to membership.

Step 4: The Union will actively accompany the member during the implementation of the work plan by providing technical support whilst monitoring progress. The work plan constitutes a series of concrete measures taken to achieve gradual compliance with the BioTrade Principles and Criteria.

Step 5: The changes made are assessed against the gaps previously identified in order to verify that compliance with the BioTrade Principles and Criteria has been achieved.

During the course of all five steps, the Union will assist its members by providing knowledge-based resources, such as best practice guidelines and case examples.

Through their membership, organisations are committed to stay compliant with the BioTrade Principles and Criteria and work towards continuous improvements that can be measured using a set of impact indicators provided by the UEBT and developed by the UNCTAD BioTrade Initiative in cooperation with the National BioTrade Programmes. Ongoing compliance should be verified by a third party every three years, whilst first- or second-party audits are to be carried out annually.

5. Membership

Membership is open to all companies and non-business organisations (e.g. producer organisations, manufacturing companies, focal points of National BioTrade Programmes, conservation and developmental NGOs) active in the BioTrade arena or with an interest in it, as long as they respect some fundamental ground rules based on the full endorsement of the BioTrade Principles and Criteria. Membership is provisional until compliance with a set of minimum criteria is confirmed and the individual member's work plan is approved. Following this approval membership status is granted. No member organisations should carry out any work that creates a conflict with the mission and vision of the UEBT, the Principles and Criteria of BioTrade, or the minimum membership criteria.

In addition, members of the general public can register as individual members and will receive electronic newsletters and gain access to some of the information that will be available online.

¹⁰ In the case where an evaluation has already been conducted by a National BioTrade Programme or another UEBT partner, this evaluation may, under certain conditions, replace the third-party audit in step 2. Strict criteria will be in place regarding these assessments.



6. National BioTrade Programmes

National BioTrade Programmes in Africa, Asia and Latin America will be invited to act as strategic partners of the UEBT, given their experience on BioTrade matters and the services they can provide. In countries where such government-led programmes exist, the UEBT will coordinate its efforts with them to assure that activities of the UEBT are complementary to national efforts. Nevertheless, the UEBT's scope is global and members don't necessarily need to have a direct relationship with the National BioTrade Programmes.

The following supporting documents are available:

As of 15 April 2007

- UEBT services documents:
 1. Outreach & Market Development
 2. Business Development Services
 3. Verification System

- UEBT institutional set-up:
 1. UEBT Governance
 2. UEBT Membership

- Collaboration with the National BioTrade Programmes

- Verification documentation:
 1. BioTrade Principles and Criteria (English and Spanish)
 2. The BioTrade Initiative and Verification V4.0, 2006-04-29 (English)
 3. UEBT DIS 2: 2007-01-11: BioTrade Verification Framework for Natural Ingredients (English, French, Portuguese, and Spanish)
 4. UEBT Guide Draft 2: 2007-01-16: Guidance for the Application of the BioTrade Verification Framework for Native Natural Ingredients (English, French and Spanish)
 5. UEBT D2.1: 2006-11-22: Critical Paths for Producer Organisations (English)



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