

## **Case Study 6.**

### **Natura, Brazil: The Use of Traditional Knowledge and Community-Based Sourcing of “Biological Materials” in the Personal Care and Cosmetics Sector**

#### **Natura**

Natura was founded in 1969 in Sao Paulo Brazil. In 2006, net revenues were R\$2,52 billion, the company had roughly 600 products on the market, and 5,100 employees. Investment in research and development in 2006 was roughly 3.2% of net revenue, totaling R\$80 million. Natura products are sold throughout Latin America, and more recently in France. They include cosmetics, personal hygiene, and perfume products. In 2004, Natura went public, and was listed on the Sao Paulo stock exchange. This follows a pattern of socially-responsible companies founded in the 1960s and 1970s subsequently taken over by larger companies, or going public, beginning in the mid-1990s<sup>1</sup> (UNEP, 2005).

#### **The EKOS Line**

In 2000, Natura founded the EKOS Line, which “draws from the wealth of Brazil’s biodiversity and is inspired by traditional uses of plant ingredients.” The products include soaps, shampoos, conditioners, moisturizers, and perfumes, and the line is intended to “increase awareness of the richness of our environmental heritage for future generations and stimulate the development and quality of life of the communities that cultivate or extract those ingredients” ([www.natura.com](http://www.natura.com)).

The EKOS line includes 14 ingredients/raw materials sourced from a range of communities around Brazil. The ingredients sourced from communities include Cumaru, Pariparoba, Copaíba, Mate Verde, Murumuru, Guaraná, Priprioca, Breu Branco, Cupuaçu, Pitanga, Maracujá, Andiroba, Castanha, and Buriti.

#### **Sustainable sourcing of raw materials in partnership with communities**

The EKOS line is based on a commitment to use local biodiversity, and sustainably source raw materials from communities. This means that the company has invested in a range of sourcing partnerships to develop sustainable supplies of raw materials. Communities from which materials are sourced, and the number of families involved in the sourcing of raw materials, is found in Table 1. Natura facilitates partnerships between communities and the local FSC-certifier, IMAFLORA, for certification of forest

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<sup>1</sup> Mother Earth founded in 1975, taken over by Cadbury Schweppes in 2001; The Body Shop founded in 1976, and going public in 1984; Ben and Jerry’s and Aveda founded in 1978, and taken over respectively by Unilever in 2000, and Estée Lauder in 1997; and Stonyfield Farm founded in 1983, and taken over by Danone in 2003 (UNEP, 2005).

products, and considers certified raw materials an important element of the EKOS line, and a way to inform consumers about the sourcing practices associated with their products. Natura has also expanded collaborations with certifiers to include the Sustainable Agriculture Network (SAN) and the Institute of Biodynamics (IBD) for agricultural or plantation sources.

**Table 1. Raw Material Sourcing for the EKOS Line**

<b>Community-region</b>	<b>Ingredients/ materials sourced</b>	<b>raw</b>	<b>Number of families involved in sourcing</b>
Médio Juruá – Amazonas	Andiroba Murumuru		250
Iratapuru – Amapá	Castanha Copaiba Breu Branco		27
Entorno de Belém – Pará	Priprioca		50
RECA – Acre	Cupuaçu		340
Ilhéus – Bahia	Guaraná Cacau		XX
Ervateira Putinguense – Rio Grande do Sul	Mate		Private company
Chamel – Paraná	Camomila		Private company
Fazenda Alpina – Sao Paulo	Pitanga		Private company
Flora do Brasil – Minas Gerais	Maracujá		Private company
Mil Madeireiras – Amazonas	Louro Rosa		Private company

Source: Pommez, 2005

## **Use of traditional knowledge**

Traditional knowledge is used by Natura to inspire the development of new ingredients (or, more commonly, new applications for existing ingredients), and to develop sustainable management and harvesting strategies for species. The company accesses traditional knowledge through collaborations with ethnobotanists or ethnopharmacologists within universities (eg University of Sao Paulo, University of Campinas, and University Federal of Santa Catarina) and through academic publications and databases. For example, the company incorporated an extract of the leaf of Pariparoba that grew from work with the University of Sao Paulo, and is now sourced through a community in the Atlantic Forest. The company also directly works with communities to access traditional knowledge (eg Iratapuru for Breu branco), and has collected widely-known traditional knowledge in markets such as Ver-o-Peso in Belem.

## **National ABS measures**

Natura's partnerships with communities for the sustainable supply of raw materials, and its use of traditional knowledge to develop new ingredients or products, pre-dated Brazilian ABS legislation. Prior to any legal framework, the company established a package of benefits and equitable practices that included: 1. paying a more equitable

price for raw and processed materials; 2. providing training and capacity-building in agricultural techniques, and equipment and other materials to add value to raw materials, in order to promote greater benefits within the community; 3. supporting and assisting with the development and administration of community associations; 4. seeking prior informed consent and payment before using any images of people from communities in marketing; and 5. setting up funds in communities through allocation of .5% of net sales; this is seen as an investment Natura makes in particular communities, and has been established in only one community to date, Iratapuru, and another is pending. Intellectual property rights, whenever developed, have been held by Natura, with the exception of joint product development with universities, in which case the IPRs are shared between the parties, or held by the university (eg Pariparoba) (Anita Campos-Jacob, Natura, pers. comm., 2007). Natura has a policy of not taking patents out on ingredients, and only patents the proprietary process of extraction, or cosmetic formulations (Philippe Pommez, pers. comm., 2007).

Natura's work helped to inform the development of national ABS measures. Once these measures were in place, however, Natura required consent from the administering body, CGEN, for both existing and any new sourcing partnerships, and those that involve accessing traditional knowledge (including Natura's previous arrangement with the Ver-as-Ervas Association; see below). It is now a requirement that companies present proposals for accessing and commercializing biological resources (not just genetic resources), including sourcing partnerships for raw materials, and that a benefit-sharing plan be in place. The ABS legal framework continues to evolve, however. In December 2007, CGEN launched a public consultation to review the effectiveness of the ABS measure, including minimizing the bureaucracy associated with the law.

Today, Natura has more authorized agreements before the CGEN than any other company. The company also enters into agreements that address rights to use images of local groups in their marketing, as required under the Brazilian Federal Constitution, and - for the use of cultural expressions - as governed by UNESCO Conventions (Anita Campos-Jacob, pers. comm., 2007)

The company distinguishes between different types of relationships and benefits that result for local groups: 1. *Access Agreements* for genetic resources and traditional knowledge that include benefit sharing in non-monetary forms, as well as a percentage of net revenue; 2. *Local Development* projects that include investments made by Natura in specific communities to build local institutions and capacity, not tied directly to accessing genetic resources or traditional knowledge; 3. *Supply partnerships*, which do not involve ABS agreements but include support for production and harvesting of raw materials, and facilitation of links between communities and third-party processors, from whom Natura buys processed products such as oils or extracts. In these cases, communities are not required to exclusively sell raw materials to Natura, and the company encourages additional buyers.

## **The Natura – Ver-as-Ervas Agreement: the Commercial Use of Traditional Knowledge**

In 2001, Natura staff collected information in the Ver-o-Peso market in Belem on a range of useful plants. Species incorporated into Natura products from this exchange included Breu branco, a resin produced from insect-damaged trees, used traditionally as incense and in art work and handicrafts, and extracted from the forest in Iratapuru; Breu branco became an ingredient in a fragrance. Priprioca, used traditionally as a perfume, and now grown in certified sustainable farms around Belem, is also used in a fragrance.

At the time, company staff thought widely known and used traditional knowledge of the kind found in markets was not subject to access and benefit-sharing agreements, although the company did give the market association – Ver-as-Ervas – acknowledgement in its materials, and a verbal agreement was reached. As the ABS policy environment evolved in Brazil, however, and awareness grew of the importance of compensating traditional knowledge holders for the use of their knowledge, the women of Ver-as-Ervas started an administrative procedure before the competent authority in order to claim benefits associated with the use of knowledge they supplied. Natura negotiated an agreement to pay royalties, and provide an up front payment. This agreement has been signed by Natura and Ver-as-Ervas, but has not yet been approved by CGEN, given the complexity of the issue and lack of clear legal guidance on access and benefit-sharing associated with traditional knowledge.

Through this process, Natura built its own internal capacity to deal with prior informed consent associated with traditional knowledge, and developed ways to engage with local groups to achieve truly informed consent, including explaining the Brazilian ABS legislation through theatrical performances, and hiring economists and lawyers selected by communities to work on their behalf (Philippe Pommez, pers. comm., 2007; Anita Campos-Jacob, pers. comm., 2007).

## **The Natura-Iratapuru Agreement: Sustainable Sourcing Partnership**

The Iratapuru community is found in Amapá State, and is comprised of 27 families, living in an 800,000 hectare extractive reserve. The community is made up of 26 caboclo (mixed ethnicity) families. Natura began working in Iratapuru in 1999 to source brazil nuts. Natura worked with the community for three years to support the process of acquiring FSC certification, and contacted an international company, Cognis, to purchase nuts from the community, process them into oil, and sell the oil to Natura (at a premium price shared with communities). In 2005, Natura set up a press within the village to add more value there. The community undertakes a first extraction of the oil, which it then sells to Cognis. In addition, Natura provides funds to the Iratapuru community association, set up in 2005, and fed by .5% of net sales of products supplied by Iratapuru, including copaiba, brazil nuts, and breu branco.

## **Lessons learned by Natura**

When it started the EKOS line, Natura used 12 ingredients from local biodiversity, and worked with 12 communities to source these materials. Over time, the company found that it is important to work with communities that are organized, with an association, and to not deal with an individual or small group within a community. They also learned that concentrating on a few communities initially made more sense, as did sourcing a number of different products from a single community, in order to diversify their livelihood sources and reduce their risk. The third key lesson was that the company had to change the way they do business in order to source raw materials from communities. This included changing expectations in terms of deliveries, particularly for products that might be available during a single period a year; and providing payment in advance to allow communities to purchase, for example, gas for the boat engine to get on the river or into the forest. The company also realized that it was not possible to incorporate any new and exciting ingredient without also developing a plan for the sustainable supply of the raw material (Philippe Pommez, pers. comm., 2007).

## **Conclusion**

Like Aveda - and the handful of companies that have committed real resources and energy to developing sustainable and equitable community-based supplies of "biological materials" in the personal care and cosmetic, botanicals, fragrance and flavor, and food and beverage sectors - Natura's commitment to source raw materials for its EKOS line solely through communities required a dramatic shift in business practice. In order to support this shift, the role of certifiers was critical, providing confirmation of Natura's hard-earned claims, and thereby real distinction in the marketplace, in contrast to the often inflated or inaccurate claims of competitors in this sector to have "sustainable" and culturally-appropriate sourcing practices.

In this case, Natura also addressed the use of traditional knowledge as a starting point for new product development, within the framework of an evolving ABS regime. In a short period of time the company - and the private sector at large - experienced a dramatic shift in how traditional (even common and widespread) knowledge was viewed, and the appropriate ways to receive consent and compensate for its use. Most companies in these sectors have yet to catch up to new ethical and legal realities. Natura adjusted its agreement with Ver-as-Ervas in light of these changes, but national ABS measures are still in flux. Regulating the use of TK is a far more complex undertaking - and one with few examples to provide guidance - compared with regulating genetic or biological resources.

## **Bibliography**

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