



MODERN SLAVERY STATEMENT

FOR FINANCIAL YEAR 2018

1 JANUARY - 31 DECEMBER 2018



FOREWORD

FAIR AND DECENT WORKING CONDITIONS HAVE ALWAYS BEEN IMPORTANT TO THE BODY SHOP. FOR MORE THAN 40 YEARS, WE HAVE CHAMPIONED HUMAN RIGHTS, WOMEN'S EMPOWERMENT AND MARGINALISED SUPPLIER COMMUNITIES AS WELL AS ENVIRONMENTAL ISSUES.

Modern slavery is a tough issue to address but there is a pressing global need to do so. As a leading ethical company with a global presence, we have a particular drive to prevent and tackle this issue. We also have the voice and influence to persuade others to join us.

I am pleased to present our 2018 Modern Slavery Statement, which outlines how we have built upon previous foundations to increase the scope and impact of our modern slavery work. In 2018 we continued to take a broad, proactive approach to this issue, aiming to provide decent working conditions rather than just preventing the worst forms of labour exploitation. To maximise our impact, we continued to focus our attention on potentially high-risk areas.

Although no cases of modern slavery or forced labour were reported or identified in our operations or supply chains in 2018, two of our supplier audits uncovered some practices that can contribute to modern slavery risk. We resolved these specific issues but that does not mean our work is done.

Modern slavery is a largely hidden and evolving challenge that we cannot tackle alone. We are proud of our progress but are also aware of some gaps and challenges in our approach. We are taking steps to resolve these while continually learning from and collaborating with others.



David Boynton
Chief Executive



This statement was approved and signed by David Boynton, CEO and Director, and by the Board of The Body Shop International Limited on 19th June 2019

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I. EXECUTIVE SUMMARY

THIS DOCUMENT OUTLINES ACTION THAT THE BODY SHOP TOOK DURING 2018 TO PREVENT AND ADDRESS ALL FORMS OF MODERN SLAVERY IN OUR GLOBAL OPERATIONS AND SUPPLY CHAINS. IT REVIEWS OUR PROGRESS AGAINST OBJECTIVES AND OUTLINES OUR PRIORITIES FOR 2019.

OUR BUSINESS AND SUPPLY CHAINS

We are a UK-headquartered global retailer of ethical beauty products with around 3,000 stores in more than 60 countries, as well as e-commerce and a direct-selling programme.

A wide range of ethically-approved suppliers around the world manufacture our products. Our Community Trade (fair trade) programme is made up of 31 suppliers in 23 countries, which provide decent working conditions, often in regions at increased risk of modern slavery. Contract and agency workers are also employed in our operations and supply chains from time to time.

In 2018 we integrated our Ethical Trade and Community Trade operations to strengthen leadership of our modern slavery work. In our operations and supply chains, we aim to provide decent working conditions

rather than just prevent labour exploitation. In order to maximise our impact, we focused on potentially high-risk sectors, commodities or locations.

We continued to increase the transparency of our supply chains to shed light on working conditions and potential risk areas. In order to address high-risk sectors for labour exploitation, such as agriculture and mining, we traced the origin country of 207 natural and naturally-derived ingredients to help us analyse any associated risks.

Currently we frame our ethical and sustainable sourcing programme around a Human Rights Due Diligence Framework. In 2018 we mapped our Community Trade and Sustainable Sourcing programmes against this approach to identify areas to improve. We also commissioned an external risk assessment of our operations and supply chains, including modern slavery risk.



OUR POLICIES

We have a number of policies to ensure that people working for our suppliers and us receive fair treatment and decent working conditions.

In 2018 we updated our Employee Code of Conduct, which outlines how any employee can access a confidential hotline to report any concerns about behaviour or practices.

The Ethical Trade Initiative (ETI) Base Code underpins our Supplier Code of Conduct, to help prevent labour exploitation in our supply chains. Our purchasing practices and supplier reviews hinge on ethical trade. In addition to fair prices our Community Trade partners also benefit from favourable trading terms under our Sustainable Sourcing Charter. At present we do not have a standalone modern slavery policy but we are developing policies on modern slavery and human rights, and formalising the governance of modern slavery across all business in The Body Shop.

IDENTIFYING, PREVENTING AND MANAGING RISKS

Our knowledge about modern slavery comes from multiple approaches and sources. We are an active member of responsible sourcing organisations such as the ETI and Sedex as well as additional appropriate working groups and forums.

In 2018 we prioritised workers identified as most at risk of exploitation. These were indirect suppliers of commodities (such as cotton and mica) based in countries at a higher risk of modern slavery, as well as agency workers recruited by third parties.

We improved our understanding of the working conditions involved in producing the cotton we source and found they met our standards. We now stipulate the use of Better Cotton Initiative cotton, which meets criteria including decent working conditions.

We rejoined the Responsible Mica Initiative, submitting data on our sourcing and participating in traceability initiatives for our Indian supply chain. We addressed potential risks of exploitation in our sericite mica supply chain, which involved improving health and safety implementation and ensuring that a supplier is implementing checks that foreign workers were not paying recruitment fees.

To understand labour practices, we started initiatives with three agencies who provide some of the workforce at our UK operations centre, including one already demonstrating leading practice. We commissioned an assessment of labour standards with one of those agencies that will be conducted in 2019.

We increased wages in our UK contract catering operations (where people are not directly employed by us) to the UK Living Wage Foundation's 2018 Real Living Wage levels.

We worked with the ETI and the Trades Union Congress to strengthen our work around worker management dialogue, a key factor in reducing exploitation risks. We collaborated with other ETI members on the SCORE¹ programme to improve working conditions and supported one supplier through this programme, leading to a new complaints mechanism involving workers.

DUE DILIGENCE

Our Ethical Trade Programme involves monitoring conditions at our and our suppliers' facilities to highlight any weaknesses and inform appropriate action. This involves self-assessment, risk assessment, site visits, collaborative working and sharing best practice with others.

One 2018 audit indicated a case where a supplier had retained three workers' passports, potentially restricting their freedom of movement. We ensured the passports were returned and reaffirmed the supplier's commitment not to keep workers' monetary deposits or identity papers, and to assure workers' freedom of movement. We explain more in Section 8.

Around the world, we collaborated with a range of organisations to increase our impact on modern slavery by sharing lessons learned and best practice, including the ETI, the ETI Cosmetics Working Group, the Trades Union Congress, the Responsible Mica Initiative, the Sedex Forced Labour Working Group, the Indirect Procurement Human Rights Forum and the Sussex Police Modern Slavery Partnership.

1. The SCORE Programme. Sustaining Competitive and Responsible Enterprises (SCORE) is an International Labour Organisation (ILO) global programme that improves productivity and working conditions in small and medium enterprises (SMEs).

OUR EFFECTIVENESS IN 2018

In 2018 we broadened and deepened our modern slavery programme to increase its impact. We continue to learn, adapt our approach to increasingly reflect best practice.

Overall, we believe our modern slavery activities had a positive impact and met our internal objectives for the year. We undertook 47 supplier audits, including worker interviews, in countries or sectors that are high-risk for modern slavery. Six Community Trade suppliers underwent assessments including extensive worker inputs. These assessments did not find any reported incidence of modern slavery. Nevertheless we did identify some concerns which were resolved by implementing our policies and processes.

Recruiting two senior staff members with extensive experience in addressing labour exploitation and modern slavery strengthened our activities to tackle modern slavery. We deepened our relationship with Sussex Police to help identify and address vulnerabilities to modern slavery near our global office in Littlehampton, UK.

We participated in a wide range of events to raise awareness and understanding of modern slavery among our staff and suppliers, such as meetings, training, external conferences and online talks.

To further strengthen our modern slavery programme, we gathered a panel of experts from several organisations to meet face-to-face to assess our approach and make recommendations for 2019.

We also developed a new Community Trade recycled plastics partnership that will reduce the vulnerability of waste pickers in India.

Recognising that most people affected by modern slavery are female, we joined the UK Government's Work and Opportunities for Women programme to empower marginalised women economically to reduce their risks of exploitation.

BUILDING CAPACITY

In 2018, we continued to share learning, raise awareness and advocate for change on modern slavery among our partners, the public and decision-makers as well as our own employees.

We provided suppliers with training on individual issues they face relating to working conditions as well as systemic risks or issues we identified through supply chain assessments and other channels.

At our China conference we ran a workshop with employees from 50 Chinese suppliers on how to identify and address modern slavery.

Subsequently, suppliers in China also participated in UK government-funded ETI training on the issue specific to Chinese supply chains.

We attended a session at the UK House of Commons on the need to strengthen the UK Government's support for modern slavery survivors. We supported a new Modern Slavery Partnership between Sussex-based businesses and police and developed free educational resources on ethical business practices for UK secondary schools.

All new employees are required to attend a company induction and existing employees attend periodic events that touch on modern slavery. In 2018, among other activities, we organised two company-wide awareness-raising events on modern slavery and our commercial buyers and sourcing team attended training that included modern slavery.

REMEDICATION

Our checks and assessments found no direct evidence of modern slavery in our operations and supply chains in 2018. In addition, as noted above, we used our established systems and processes to address identified areas of weakness and work with suppliers to implement improvements.

Furthermore, our partnership with Sussex Police has clarified how to support victims if we do identify any modern slavery. To provide future work opportunities for modern slavery survivors in the UK, we joined the

Bright Future programme with one of our labour agencies.

REPORTING AND COMMUNICATION

As an ETI member, we provided an annual report on our ethical trade and modern slavery activities. We also shared our modern slavery statement with key suppliers during strategic review meetings, and we reviewed our suppliers' modern slavery statements where possible.

In terms of wider communication around our modern slavery work, we published our 2017 modern slavery statement on our consumer-facing UK website and shared it with external stakeholders. We also posted stories relating to modern slavery on our Community Trade and Ethical Trade Facebook pages, as well as our global corporate Twitter page, reaching a wide potential audience.

OBJECTIVES FOR 2019

In 2019 we will continue to broaden and deepen our modern slavery programme.

Our main objectives and key performance indicators will remain the same as in 2018 (see section 4).

In addition, we will act on learning from our external risk analysis and our ongoing activities and will act on feedback from our stakeholder panel.

2. INTRODUCTION

THE BODY SHOP IS A GLOBAL RETAILER OF ETHICALLY PRODUCED BEAUTY PRODUCTS. WE HAVE APPROXIMATELY 3,000 STORES IN MORE THAN 60 COUNTRIES, AS WELL AS E-COMMERCE AND A DIRECT-SELLING PROGRAMME.

This statement is published in accordance with the UK's Modern Slavery Act (2015). Building on our progress in 2016 and 2017, this included steps to prevent, identify and remediate modern slavery and its causes in our operations and supply chains around the world.

This statement outlines how we systematically implemented activities in 2018 to deliver on the targets set out in our 2017 Modern Slavery Statement and identify priorities for 2019. This includes decent work initiatives, gender-focused projects, risk assessment and awareness-raising activities.

This statement also outlines how our wider approach to business and human rights is key to identifying and addressing modern slavery. As well as identifying risks, we aim to identify where we can maximise our impact to provide positive benefits for people in our operations, supply chains and supplier communities.

Modern slavery is a complex issue to identify and address. It involves multiple challenges and hidden aspects that no organisation can tackle alone. Labour exploitation is a spectrum ranging from modern slavery to decent work. The Body Shop believes that by focusing on providing decent work to reduce workers' vulnerability to labour exploitation, we can help to prevent and tackle modern slavery. We work to continuously improve our policies, risk assessment and monitoring systems to assess where workers in our own operations and our supply chains sit on this continuum.

"FORCED LABOUR, TRAFFICKING AND MODERN SLAVERY... IS OBSERVED IN ALL TYPES OF ECONOMIC ACTIVITY... AND IN EVERY COUNTRY."

International Labour Organisation

"IT IS ENCOURAGING THAT THE BODY SHOP SEEKS TO ADDRESS FUNDAMENTAL MECHANICS OF LABOUR EXPLOITATION."

International Policy Officer, Trades Union Congress

3. DEFINITIONS OF KEY TERMS

BONDED LABOUR

Where a person is forced to work and unable to leave because of a debt?²

COMMUNITY TRADE

Community Trade is our independently verified fair trade programme through which we source many natural ingredients, packaging items and accessories. Our Community Trade programme is assessed by Ecocert and we and our suppliers must adhere to our Sustainable Sourcing Charter, the Ethical Trading Initiative (ETI) Base Code and all relevant laws and regulations.

DECENT WORK

Work that is productive and delivers a fair income, workplace security, social protection, prospects for personal development and social integration, freedom for people to express their concerns, organise and participate in the decisions that affect their lives. It also offers equality of opportunity and treatment for all women and men.³

ETHICAL TRADE INITIATIVE (ETI) BASE CODE

An internationally recognised set of labour standards to drive improvements in working conditions⁴ (see box on page 14). Working with our suppliers and others, we seek to ensure good working conditions in all of our operations and supply chains in line with this code and report to the ETI on progress against agreed targets each year.

FREEDOM OF ASSOCIATION

The rights of workers (and employers) to form and join organisations of their own choosing.⁵

HUMAN RIGHTS DUE DILIGENCE FRAMEWORK/APPROACH

An ongoing risk management process used by a company to prevent, identify and act on actual and potential risks for workers in its own operations, supply chains and the services it uses, as recommended by the ETI and UN Guiding Principles on Business and Human Rights.⁶

LIVING WAGE

A wage that allows a worker to afford a decent standard of family living, with a little extra contingency. The legal minimum wage often falls far short of this, leaving workers in poverty.⁷

MODERN SLAVERY

Exploitative situations that a person cannot refuse or leave because of threats, violence, coercion, deception and/or abuse of power. Modern slavery takes many forms and is a growing global problem.⁸ According to the International Labour Organisation, over 40 million people are enslaved in some way. This includes 16 million people in forced labour in the private economy. Almost three-quarters (71%) of all people in modern slavery are women or girls.

PARTICIPATORY AUDITS

Workplace assessments designed to understand working conditions at a particular work site. A participatory audit makes sure that workers on-site are fully involved in the assessment.

SUPPLIER TIERS

First tier suppliers are organisations we buy from directly. Second and third tier suppliers are those who have an indirect trading relationship with us (for more details, see box on page 13).

THE BODY SHOP AT HOME™

Our direct selling channel, launched in 1994 to help women work around other commitments. Consultants are self-employed and mainly sell products through parties in people's homes. We operate this channel in the UK and Australia.

2. International Labour Organisation Global Estimates of Modern Slavery 2017. 3. Based on the International Labour Organisation definition. See: www.ilo.org/global/topics/decent-work/lang-en/index.htm

4. www.ethicaltrade.org 5. www.ilo.org/global/topics/freedom-of-association-and-the-right-to-collective-bargaining/lang-en/index.htm 6. ETI Human Rights Due Diligence Framework: https://www.ethicaltrade.org/sites/default/files/shared_resources/eti_human_rights_due_diligence_framework.pdf and UN Guiding Principles on Business and Human Rights see: https://www.ohchr.org/documents/publications/GuidingprinciplesBusinesshr_eN.pdf. 7. Global Living Wage Coalition definition, see: <https://www.isealliance.org/about-iseal/our-work/global-living-wage-coalition> 8. International Labour Organisation definition, see: (2017). Global Estimates of Modern Slavery: Forced Labour and Forced Marriage. Available at: https://www.ilo.org/global/publications/books/WCMS_575479/lang-en/index.htm

4. PERFORMANCE AGAINST OUR 2018 TARGETS

IN 2018 WE AIMED TO BROADEN AND DEEPEN OUR MODERN SLAVERY PROGRAMME, CONSTANTLY IMPROVING IT TO INCREASE ITS IMPACT.

The following table summarises our progress against our modern slavery objectives. More detailed examples and analysis appear in the narrative text in subsequent sections.

2018 Target	Progress in 2018
<p>1. Extend our application of the Human Rights Due Diligence Framework across our operations and supply chains</p>	<ul style="list-style-type: none"> • Mapped ethical trade and sustainable sourcing against Human Rights Due Diligence approach. • Ran workshop for Ethical Trade and Sustainable Sourcing Team to refocus on human rights. • Traced key naturally and naturally derived ingredients to origin country - first step towards risk analysis. • Began applying human rights and environmental due diligence approach to indirect sourcing. • Carried out due diligence risk assessments with some suppliers based on known risk areas, countries or sectors.
<p>2. Revise our Ethical and Sustainable Sourcing policies to include management systems that address issues related to modern slavery</p>	<ul style="list-style-type: none"> • Updated relevant policies and communicated key changes to staff. • Included improving working conditions and preventing and addressing labour exploitation in planned Natura &Co Code of Conduct. • Began to create broad alignment on ethical and sustainable sourcing across Natura &Co.
<p>3. Increase the number of participatory audits to better understand and address the most salient issues faced by workers, including the most vulnerable</p>	<ul style="list-style-type: none"> • Six Community Trade suppliers underwent participatory audits. • 47 Ethical Trade suppliers underwent ethical trade audits, including worker interviews.

KEY

We met our 2018 targets.

We made progress towards our 2018 targets but did not fully meet them.

We fell short of our 2018 targets.

2018 Target	Progress in 2018
<p>4. Expand the number of projects that we engage in at individual supplier, sector and policy levels to address the root causes of poor working conditions and modern slavery</p>	<ul style="list-style-type: none"> • Joined Bright Future programme to offer work placements to survivors of modern slavery. • Collaborated with police service near our global office in Littlehampton, UK to prioritise tackling modern slavery. • Supported a supplier in SCORE training and consulting programme for worker-management dialogue improvements. • Re-joined and participated in working groups of Responsible Mica Initiative. • Extensive preparatory work on sourcing Community Trade recycled plastic from waste pickers in India. • Joined Work and Opportunities for Women initiative to improve women's economic empowerment in marginalised communities. • Conducted individual training with key suppliers in the UK, China and Thailand specific to modern slavery and their business context. • Ran interactive workshop on modern slavery for 100 staff from Chinese suppliers. • Chinese suppliers participated in UK government funded virtual interactive training on modern slavery.
<p>5. Increase internal and external communications on modern slavery to raise awareness among our staff and customers. Participate in events where we can learn from others and share our lessons with other cosmetics companies and key stakeholders</p>	<ul style="list-style-type: none"> • All new staff were required to attend a two-day company induction, and heard information on commitments to ethical trade, sustainable sourcing and tackling modern slavery. • Live-streamed a talk to colleagues worldwide, featuring experts discussing our modern slavery programme. • 10 The Body Shop at Home™ consultants from Australia visited suppliers in Nepal and India to learn the long-term benefits of Community Trade. • Over 2,000 UK The Body Shop at Home™ consultants attended presentation on our ethical trade, sustainable sourcing and modern slavery commitments. • Ethical Trade and Sustainable Sourcing Team live-streamed content to global employees on how Community Trade reduces women's vulnerability to exploitation. • Buyer training included training on our initiatives to prevent, identify and address modern slavery including the impact of company purchasing practices on suppliers. • Ran conference in China, with key contributions from ETI, to increase suppliers' awareness of modern slavery. • Developed free educational resources on ethical business practices for UK secondary schools
<p>6. Increase the capacity of our Ethical and Sustainable Sourcing teams and recruit people with expertise in modern slavery</p>	<ul style="list-style-type: none"> • Recruited Head of Ethical and Sustainable Sourcing and Global Ethical Trade Manager with extensive experience in addressing labour exploitation including modern slavery. • Hong Kong-based staff developed supplier workshops, joined supplier training and assessed modern slavery issues in Asia.
<p>7. Benchmark our activity relating to modern slavery against best practice</p>	<ul style="list-style-type: none"> • Comprehensively benchmarked leading modern slavery statements, conducted gap analysis of our activities. • Commissioned external consultancy to identify potential modern slavery risks in our supply chains.
<p>8. Convene a stakeholder panel to review our initiatives and reporting relating to modern slavery</p>	<ul style="list-style-type: none"> • Several experts reviewed and made recommendations on our global modern slavery programme.

KEY

We met our 2018 targets.

We made progress towards our 2018 targets but did not fully meet them.

We fell short of our 2018 targets.

5. OUR STRUCTURE, BUSINESS AND SUPPLY CHAINS

BUSINESS STRUCTURE

We sell a range of around 1,000 products in store, through our websites and our direct selling channel, The Body Shop At Home.™ In 2018 we had around 3,000 stores in more than 60 countries. Approximately two-thirds of these stores are franchises run by others on our behalf, in line with strict agreements. We directly employed around 10,000 people and our franchise partners employed around 12,000 further people.

Formally incorporated as The Body Shop International Limited, our head office is based in Croydon, London and we have a large global office in Littlehampton, West Sussex. Along with Aēsop and Natura, The Body Shop is part of Natura &Co, a global, multi-brand cosmetics group that is committed to generating positive economic, social and environmental impact.

THE BODY SHOP IN NUMBERS*



HEAD OFFICES
in East Croydon
and Littlehampton



Innovation lab



69
countries



1,037
company stores



1,898
franchise stores



22,000
colleagues
including franchise



30M
customers



15,000
The Body Shop at Home
consultants



12
distribution
centres



43
Ecommerce sites

*at the end of 2018



MANAGEMENT AND REPORTING OF ISSUES RELATING TO MODERN SLAVERY

Our Human Resources and International Sourcing Directors are responsible for addressing modern slavery in our operations and supply chains, respectively. Our International Sourcing Director has a broad background in responsible sourcing and a deep understanding of modern slavery issues.

Our Ethical Trade and Sustainable Sourcing Team manages our modern slavery programme's day-to-day operations. The team reports to our International Sourcing Director, who provides regular updates on our suppliers' ethical trade performance to our Chief Operating Officer. Each month, we circulate an ethical trade report to our sourcing team to enable follow-up on any non-compliance with our Code of Conduct for Suppliers, the ETI Base Code (see definitions on p9 and box on p19) or local laws. Monthly reports on our monitoring and follow-up work with suppliers go to our Group Compliance Counsel who feeds this report into the Chief Operating Office.

In 2018 we restructured our Sourcing Team to strengthen cross-departmental leadership of our modern slavery work. We integrated our Ethical Trade and Community Trade operations into a single team under one reporting line and set of strategic objectives.

Our Sourcing Leadership Team includes heads of our purchasing groups (Direct Sourcing, Indirect Sourcing, Asia Sourcing and Gifts & Accessories) in addition to our Head of Ethical Trade and Sustainable Sourcing. Each of these leaders has ethical trade responsibilities and objectives, including those related to addressing modern slavery.

DIVERSE AND COMPLEX SUPPLY CHAINS

As a retailer, we do not manufacture our own products. Instead, 127 ethically approved suppliers around the world do this for us, ranging from small producers in low-income countries to established manufacturing facilities in high-income countries.

In 2018 these suppliers employed approximately 45,000 people in total. As part of our Community Trade programme, over 16,000 people (such as farmers, smallholders and artisans) produced ingredients and products for us. The programme currently comprises 31 suppliers, based in 23 countries across Africa, Asia, Latin America and Europe. These cooperatives, groups and organisations supply us with high-quality, fair trade ingredients and accessories, while also providing sustainable livelihoods and decent working conditions, often in areas at increased risk of modern slavery. Contract and agency workers are also employed in our operations and supply chains from time to time, notably in the run up to Christmas.

We source goods both directly and through agents. Our natural and naturally derived ingredients are sourced from around the world. Most of our formulated products are manufactured in Europe and the USA by largely automated businesses with small numbers of employees. However, we also have a growing supplier base in Thailand and China. Our accessories, gifts, display and shop-fit suppliers tend to be less automated with more employees and are predominately based in China.

SUPPLY CHAIN TRANSPARENCY

Supply chain transparency and raw material traceability are vital in helping businesses to risk assess, prevent, identify and address modern slavery. In 2018 we continued to increase the transparency of our complex global supply chains, including raw material and service providers.

We have excellent visibility throughout our Community Trade ingredient supply chains, down to farm, field or forest level. We continued to build knowledge on the complexities of our supply chains in 2018. These include directly sourced ingredients, extended agriculture supply chains and service providers. Supply chain actors range from small producers in marginalised countries to well-established manufacturing facilities in high-income countries.

As agriculture is a key risk area for labour exploitation, we systematically mapped over 250 natural and naturally-derived raw materials and traced the country of origin of 207 plant-based ingredients, sourced from more than 50 second tier suppliers. This will help us understand and analyse any social, environmental and modern slavery risks relating to their origins. In time, we aim to trace the full supply chain of these ingredients.

We now frame our ethical and sustainable sourcing programme around the Human Rights Due Diligence Framework, which allows us to deepen our understanding of relevant labour risks in our supply chains and prioritise our activities. In 2018 we mapped our Community Trade and Sustainable Sourcing programmes against this approach.

We also commissioned human rights consultancy Ergon to undertake a social and environmental risk assessment of our operations and supply chains, including a focus on modern slavery. Final results from this are due in 2019. They will inform our future modern slavery programme and will be published in our 2019 statement.

An example of one of our more complex product supply chains, Moringa body butter, is shown here to illustrate the number of tiers and touchpoints involved.



SUPPLIER TIERS

FIRST TIER SUPPLIERS

First tier suppliers are organisations we buy from directly.

SECOND TIER SUPPLIERS

Second tier suppliers supply goods and services purchased by our first tier. This includes ingredient (raw material) suppliers, finished goods packaging, labels and gift components. The length, complexity and visibility of our supply chains vary widely beyond this tier.

THIRD TIER + SUPPLIERS

Third tier suppliers are suppliers to the second tier, including providers of raw materials, such as unrefined vegetable oils, recycled plastic or wood pulp for product packaging.

Other suppliers include their suppliers, for example agricultural and forestry companies, farmers and wild harvesters.

6. OUR POLICIES ON MODERN SLAVERY AND HUMAN TRAFFICKING

For more than 40 years, The Body Shop has championed human rights in various ways. We have a number of policies to protect the human rights of people involved in our operations and supply chains including our own Employee Code of Conduct, Supplier Code of Conduct and Sustainable Sourcing Charter. Enrich Not Exploit™, our sustainability strategy from 2016 - 2018, includes specific commitments and objectives to enrich people, products and planet.

Although we do not currently have a standalone modern slavery policy, we will work together on group Natura &Co policies in 2019 so that uniform policies apply across the group. In the meantime, provisions to tackle issues relating to modern slavery feature in our policies on fair recruitment, employment of young people, hours of work, diversity and inclusion, and working with suppliers. These policies all aim to ensure that people working for us, and for our direct and indirect suppliers, receive fair treatment and decent working conditions. New and updated legal policies are signed off by our legal function.

POLICIES FOR OUR EMPLOYEES

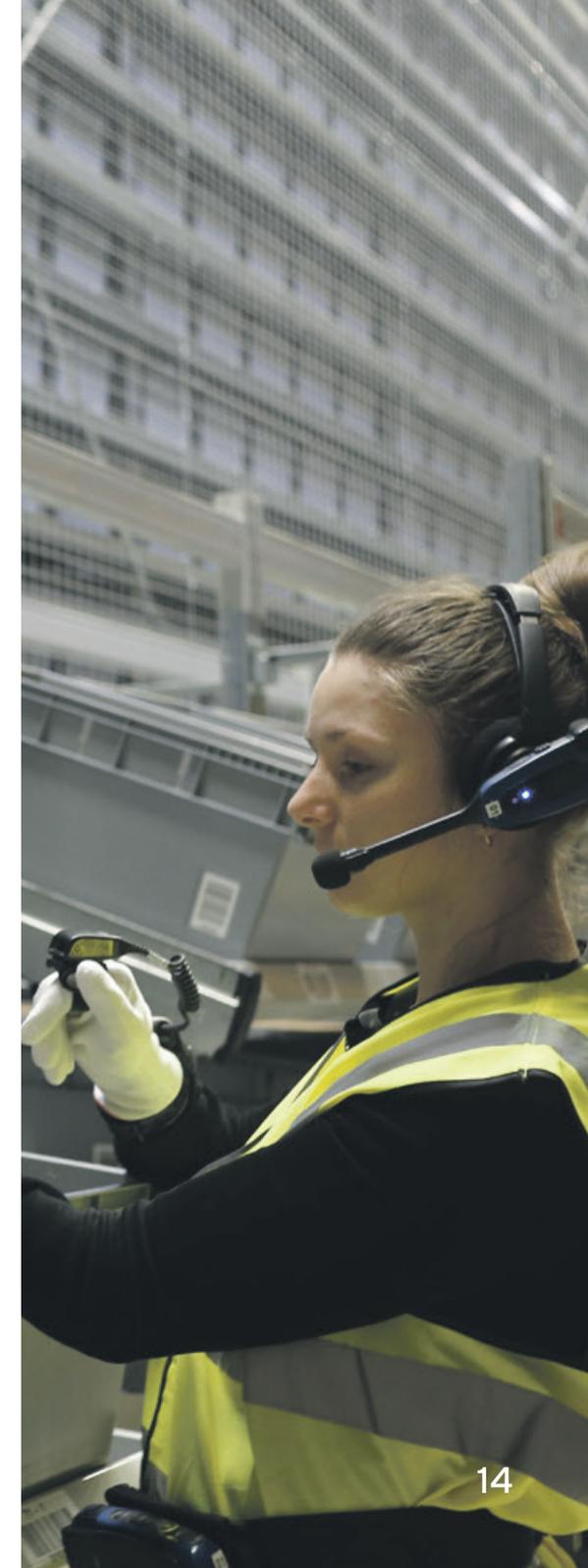
Our recruitment process incorporates checks to ensure that we adhere to employment age and right to work laws, and best practice standards such as national living wage thresholds.

Our employment policies and Employee Code of Conduct form part of our employee induction process. Employees must confirm that they are committed to, and will participate in training on, these policies. Policies are available to all staff via our intranet and employee handbooks and their content is communicated via regular staff updates and training. Disciplinary measures may be taken against any employee who violates our policies.

In 2018 we updated our Employee Code of Conduct. All employees must behave in a way that reflects our ethical principles of respect, courage and integrity. The code outlines how any employee can access a confidential Speak Out hotline (available in nine languages, 24 hours a day) to report any concerns about behaviour or practices in our organisation, including breaches of company policy.

ETHICAL TRADING INITIATIVE (ETI) BASE CODE

1. Employment is freely chosen
2. Freedom of association and the right to collective bargaining are respected
3. Working conditions are safe and hygienic
4. Child labour shall not be used
5. Living wages are paid
6. Working hours are not excessive
7. No discrimination is practised
8. Regular employment is provided
9. No harsh or inhumane treatment is allowed



POLICIES FOR OUR SUPPLIERS

We are a founding member of the ETI and helped to establish its Base Code. This code forms the basis of our Supplier Code of Conduct, through which we aim to prevent modern slavery and labour exploitation in our supply chains.

All suppliers must sign a commitment to our code of conduct. Suppliers within the scope of our Ethical Trade Programme undergo an ethical trade audit from an independent third party auditor before we source from them. Our expectations of suppliers (and our commitments to them), including our Sustainable Sourcing Charter and Ethical Trade Programme, are detailed in our Supplier Handbook⁹

Managing ethical performance is integrated into our supplier performance reviews and Sourcing Team objectives. We aim to provide transparency on our suppliers' ethical trade performance for internal stakeholders, as outlined in section 8 of this statement. Modern slavery is multi-faceted and extends beyond free choice of employment. Issues including unfair payments, recruitment fees or wage deductions, excessive non-voluntary overtime, unsafe health and safety standards and poor and overcrowded accommodation can be indicators of forced or bonded labour.

Ethical procurement and purchasing practices are vital to help prevent all forms of labour exploitation in our supply chains. Long-term supplier relationships and a partnership approach are an important element of our purchasing practices, helping to build trust and transparency.

In our Community Trade programme, we commit to pay fair prices to all our suppliers. Prices are based on extensive consultation with producers and other stakeholders. We review prices periodically, ensuring they are passed on to producers. In addition to fair prices, the price premiums we pay to some Community Trade suppliers support initiatives in marginalised supplier communities that can help to reduce people's vulnerability to modern slavery (see box below and Community Trade shea case study on p19).



HOW COMMUNITY TRADE HELPS TO PREVENT MODERN SLAVERY

- We pay fair prices.
- We ensure that our suppliers provide decent working conditions in line with our Sustainable Sourcing Charter.
- Community Trade suppliers provide incomes in regions where lack of economic opportunities increases risks of poverty and migration, factors in modern slavery.
- Community Trade suppliers provide employment for economically, socially or politically marginalised people who are often most at risk of exploitation. These include women, rural agricultural workers, indigenous people and people with disabilities.
- We pay some suppliers a premium to invest in community projects to improve local health, education, skills or natural resources, helping to reduce risk factors that can contribute to labour exploitation.
- We regularly communicate about our Community Trade programme and suppliers, to raise consumer awareness and support of fair trade and the social impact that can be achieved through these long-term partnerships.

9. This is available to our suppliers on an internal website.

POLICIES FOR OUR SUPPLIERS (CONTINUED)

Purchasing practices beyond price can have a huge impact in helping suppliers to provide decent work and prevent labour exploitation. Our Sustainable Sourcing Charter (for our Community Trade partners) outlines favourable payment and trading terms, including occasional pre- or part-payment and responsible forecasting to enable suppliers to make informed business decisions. We also determine a sustainable business level to ensure that our trade delivers positive impact. If we need to exit a Community Trade supply chain, we give at least 12 months' notice whenever possible. Where less than 12 months' warning is unavoidable, we will give due consideration to making good the loss of impact/benefit to the Producer Group and its Producers that would otherwise have been derived.

Ethical considerations are fully integrated into our purchasing practices. We regularly review all key commercial suppliers using a balanced scorecard approach, which includes supply chains and services, corporate social responsibility and environmental sustainability as well as quality, innovation and cost competitiveness.

Freedom of association between workers and workers' associations helps to make informal or complex supply chains more transparent. This is a challenge for us, as we have many suppliers in countries such as China that are high-risk for modern slavery and which restrict trade unions and similar bodies. To address this, in 2018 we worked with the ETI's Freedom of Association Lead and the Trades Union Congress on how to improve our engagement with workers and their representatives, as well as to inform about our due diligence work and our wider work targeting modern slavery.

We also collaborated with other ETI member companies on the International Labour Organisation SCORE initiative, a practical training and in-factory consulting programme. Demonstrating best international practice in the manufacturing and service sectors, this programme aims to improve working conditions in small and medium-sized enterprises and enable them to participate in global supply chains. This includes improving worker-management dialogue, a key factor in addressing worker exploitation. We supported one supplier through this programme in 2018.

During the year we mapped and reviewed all of our ethical and sustainable sourcing policies and projects against the best practice Human Rights Due Diligence approach. This involved benchmarking our programmes against best practice and assessing how our policies enable us to address human rights issues in our supply chains. A gap analysis based on this helped us identify areas for improvement. As a result, we are developing a Modern Slavery and Human Rights policy and formalising the role of our senior management governance committee in relation to modern slavery.

We updated our Sustainable Sourcing Charter to reflect our new business structure and lessons learned to date. We also developed charter implementation guidelines and worked with our ingredient suppliers to ensure they are aware of our new requirements and the necessary supporting data.

We began to review new group wide Natura &Co supplier code of conduct policies. We also worked with sustainable sourcing and legal colleagues across the group to increase understanding of the risks of modern slavery in supply chains, as well as in relation to the Australian Modern Slavery Act 2018.



7. HOW WE IDENTIFY, PREVENT AND MANAGE RISKS

Our knowledge about modern slavery in our operations and supply chains is based on in-house expertise, external reports and indices, visits to suppliers, risk assessment tools, ethical trade audits, collaboration with external experts, and consultation with local stakeholders.

We are also a member of responsible sourcing organisation Sedex (Supplier Ethical Data Exchange),¹¹ which hosts a secure, web-based collaborative platform for companies to manage and report data on social and environmental performance at supplier sites. The platform enables supplier mapping to multiple tiers, alongside tools that we use to help build a picture of modern slavery risks across our global business.

Sedex's Forced Labour Indicator report combines data from supplier questionnaires and audits to provide a risk indicator of forced labour occurring in specific environments.¹² Based on this and other information we identified the workers we believe are most at risk of exploitation or modern slavery and the labour issues that affect them. Our steps to resolve issues in 2018, in line with the United Nations Guiding Principles on Business and Human Rights, are summarised below.

PRIORITISING HIGH-RISK SUPPLIERS

Our initial modern slavery risk assessment in 2017 identified suppliers requiring priority attention, specifically:

- Lower-tier (beyond first tier) suppliers of commodities and materials based in countries known to be at a higher risk of modern slavery, notably cotton and mica.
- Agency workers recruited by third parties, such as some people who work in our UK or US distribution centres, companies who provide our facilities management and catering services.

COTTON

Cotton producers' reliance on flexible work contracts, seasonal (often migrant) workers and a low-skilled, low-paid workforce can lead to modern slavery risks. Known exploitation risks in this sector include forced labour, bonded labour and child labour. Consequently, we mapped the cotton we use and improved our understanding of the working conditions involved in its production.

We established that we have two second tier cotton suppliers in two

countries. In India, our T-shirts are sourced by a British company with very high ethical standards, with every stage of production visited, assessed and documented for good practice, certified against standards that include fair wages and preventing forced, bonded and child labour.¹³

Our Community Trade supplier Teddy Exports in India also provides cotton goods. For many years this cotton has been certified as organic - to a standard requiring evidence of high levels of ethical practice and social compliance. Alongside long-term compliance with our stringent Community Trade standards, this makes us confident of good working conditions for producers of this cotton.

During 2018 we began to look at our wider use of cotton. We replaced a synthetic fabric in one gift range with a more environmentally sustainable cotton-based fabric. We stipulated the use of Better Cotton Initiative cotton, indicating that licensed producers meet clearly defined standards including decent work. We have introduced this cotton as our minimum acceptable standard, also seeking organic cotton where possible.



11. www.sedex.org.uk 12. <https://www.sedexglobal.com/our-services/forced-labour-indicator-reports/>
13. For example, the Global Organic Textile Standard at production level and SA 8000 standard at processing and manufacturing level.



MICA

India is one of the largest producers of mica. Political instability and poverty means that even unregulated mica mines provide vital livelihoods for people in remote villages in North East India.

Mica has previously been identified as posing a supply chain risk of labour exploitation, particularly child labour. As such, we already restrict our purchase of natural mica to four trusted suppliers that can provide assurance that their sourcing of mica does not involve child labour.

Reducing risks in our mica supply chains continues to be a priority focus for us. In 2018 we rejoined the cross-sectoral Responsible Mica Initiative (having been members under our previous parent company), a multi-stakeholder, cross-sectoral organisation that seeks to tackle child labour and other labour risks in mica supply chains, focusing in North East India. As members, we submitted reporting data on our mica sourcing and participated in the initiative's traceability and specifications working group.

This involved developing Responsible Mica Specifications and a pilot supply chain traceability project. All our suppliers of Indian mica ingredients are also Responsible Mica Initiative members, enabling us to work with them to tackle this issue.

In December 2017, The Body Shop site visits to two mines in China

and South East Asia, from which we source sericite mica, a different type of mica, found no use of child labour. However, they indicated a need to improve implementation of health and safety standards. They also identified some migrant workers from Indonesia and Malaysia, some of whom had paid deposits to secure work, which can be linked with exploitation. As a result the supplier confirmed they will pay all fees (levies and administration fees) for hiring foreign workers and agreed to amend employment agreements, specifying that workers are free to resign at any time.

We continue to work with these suppliers to address these issues and ensure implementation of our ethical trade commitments. In 2019 we will seek to ensure improvements for workers on these issues, expand on the pilot projects in India and draft a new company mica policy as part of a focus on raw materials with high environmental or social risks.

WORKING WITH LABOUR PROVIDERS IN OUR UK OPERATIONS

During 2018 we started initiatives to address modern slavery with three agencies who provide some of the workforce at our UK operations centre - people who work in our distribution centre and those providing cleaning, security and catering services. We commissioned an assessment of labour standards

at one supplier that will be conducted in 2019.

Another of these agencies is already demonstrating leading practice. This includes providing training on how to prevent and spot modern slavery in the workplace and four staff members having a Diploma in Investigating Modern Slavery. It conducts worker welfare interviews to help identify potential risk areas and has a dedicated hotline and email address for workers wishing to report any issues. The agency is involved in external awareness-raising and intelligence-sharing events and is partnering with us in the Bright Future programme, which aims to place modern slavery survivors in employment!¹⁴

We found no evidence of modern slavery in these supply chains but we remain vigilant and involved with relevant local partnerships to understand evolving risks and how to support survivors of labour exploitation. We also undertook a major analysis of salaries in these supply chains and our own UK retail operations. We increased wages in our UK contract catering operations (where people are not directly employed by us) to the UK Living Wage Foundation's 2018 Real Living Wage levels. In 2019 we will work with our UK facilities and Distribution Centre contractors to ensure workers are paid equivalent living wage rates.

14. <https://www.co-operative.coop/ethics/bright-future>

OTHER ACTIVITIES TO IDENTIFY, PREVENT AND MANAGE RISKS OF MODERN SLAVERY

During 2018 we built on achievements in the previous year by:

- Holding a modern slavery stakeholder panel comprising experts from Oxfam, the ETI, CAFOD, Anti-Slavery International, the Trades Union Congress and the Sussex Police Modern Slavery Manager to review and make recommendations on our modern slavery programme, to inform our activities from 2019.
- Collaborating with others to help assess, identify and mitigate possible or actual risks of modern slavery (see section 8).
- Continuing to increase the transparency of supplier information through platforms such as Ecovadis and Sedex to

highlight the risks of forced labour in individual supplier practices.

- Developing a new Community Trade recycled plastics partnership to provide marginalised waste pickers in India with fair prices, better working conditions and access to healthcare services. Most waste pickers are Dalits, the lowest social caste in India, who are vulnerable to exploitation. The project will launch in 2019 with a three-year scale-up plan.
- Mapping 207 natural and naturally derived ingredients to their country of origin to help us understand labour exploitation risks in our supply chains.

EMPOWERING WOMEN

The vast majority of the people affected by modern slavery are women and girls!¹⁵ Women's economic empowerment is a significant factor in reducing their risk of labour

and sexual exploitation. Women's empowerment is also a core value at The Body Shop, reflecting our commitment to equality but also the fact that we are a female-founded company with a target audience of women. For example, around two-thirds of the workers and producers benefiting from our Community Trade programme are women, often in regions where women have fewer economic opportunities.

During 2018 we started participating in the UK Government's Work and Opportunities for Women (WOW) programme that aims to enhance the economic empowerment of 300,000 women working in global value chains. From 2019, our involvement will focus on understanding how we can improve the working conditions of women in our supply chains and addressing women's unpaid labour, working with a Community Trade supplier in Bangladesh.



CASE STUDY: EMPOWERING WOMEN AND REDUCING RISKY MIGRATION IN GHANA

Migration from the north of Ghana to cities and farming areas in the south is fuelled largely by poverty. Every year thousands of young people travel south, where some experience sexual and physical exploitation as they seek work. Many of these migrants are young women – gender discrimination means they have little education and few employment prospects.

Since 1994 we have sourced Community Trade shea butter from Tungteiya Women's Association in northern Ghana, which provides an income to 640 female shea producers from 11 villages. Shea is locally known as 'women's gold' because of its value to women producers in a region with few economic opportunities. But our Community Trade partnership provides additional benefits. The women work together in cooperatives and receive business training so they can manage their trade effectively. This gives them the individual confidence and collective power to stand up for their rights. In turn, the women receive more respect and better treatment at home, in the community and from local and international buyers.

As well as paying a fair price for shea, we pay a premium that the women invest into community projects. This has improved local primary education, healthcare and access to water and sanitation to benefit approximately 49,000 people. In a positive cycle, improved facilities reduce pressures to migrate and increase the community's ability to support its most vulnerable members including simple things like paying for the bus fare to rescue exploited loved ones. Education helps people make more informed decisions about their future and improves their ability to choose their work, reducing the risk of exploitation.

8. OUR DUE DILIGENCE PROCESS

Our Ethical Trade Programme aims to improve working conditions, drive transparency in our suppliers' ethical performance. This programme involves monitoring working conditions at our suppliers' facilities and our own against our strict code of conduct. This includes self-assessment, risk assessment (by country, sector and type of product or ingredient), site visits, collaborative working and sharing best practice.

In terms of modern slavery, our due diligence process looks beyond binary risk data and uses other information to understand where vulnerabilities lie and how we can prioritise difficult issues. Audits can be poor indicators of forced labour and modern slavery so we work with internal and external experts to use other mechanisms to identify indicators of modern slavery.

We have been an active member of responsible sourcing organisation Sedex for many years and helped to develop a collaborative industry approach to raising responsible sourcing standards in global supply chains. This includes the SMETA audit methodology to assess working conditions in suppliers' factories and agreed guidance on timings to complete any necessary corrective action plans.

One of our audits in 2018 indicated one case of restricted freedom of movement in South East Asia, where a supplier had retained the passports of three migrant workers. Although this has been common local practice for employers due to government security bond policy for non-local workers, we worked with the supplier on a corrective action plan. This plan reflected new government policy that came into effect in 2018,

making employers (not the workers) responsible for all fees for non-local employees, including mandatory security bonds. The supplier ensured documentation was returned to the workers and reaffirmed their commitment to our code of conduct, which specifies that employers do not keep workers' monetary deposits or identity papers and workers are free to leave their employer after reasonable notice.

Where we work with agencies to provide workers, our sourcing and code of conduct requirements are incorporated into their policies and processes. For example, the on-site labour provider for our International Distribution Centre has a clear policy, procedure and staff training on hidden labour exploitation, including how to spot potential issues, support potential victims and report concerns to the police.

We worked with ETI's Freedom of Association expert and the Trades Union Congress's International Policy Officer to strengthen our work targeting modern slavery. This included seeking advice on improving our engagement with our supply chain workers and their representatives and to inform our due diligence work. During the year we supported one supplier in China through the SCORE programme, which could provide a model for future rollout. With support from SCORE trainers, the supplier's management organised weekly meetings to discuss joint worker and manager concerns, and established a formal complaints mechanism to raise and resolve any issues. This process allows staff to air concerns and also enables management to understand workers' concerns.





HOW WE COLLABORATE WITH OTHERS

Modern slavery is largely hidden and presents interconnected social, environmental and financial challenges. This means that no organisation can tackle modern slavery on its own. In 2018 we collaborated with a range of organisations to learn, share best practice and find ways to address actual or potential modern slavery risks in our operations. These are outlined in the following table.

Group	The Body Shop Involvement in 2018
ETI Cosmetics Working Group	<ul style="list-style-type: none"> • Worked closely with ETI to establish this collaborative group to drive positive impacts in our sector • ETI facilitated a mapping to identify collective areas of influence • Focus on higher risk areas including manufacturing facilities and palm oil, cocoa butter, mica and shea
Responsible Mica Initiative	<ul style="list-style-type: none"> • Rejoined this initiative, which aims to secure decent working conditions in the mica industry • Its multi-stakeholder approach was recognised as best practice at the UN Forum on Business and Human Rights
Sedex Forced Labour Working Group	<ul style="list-style-type: none"> • This group seeks to identify the main challenges in handling and reporting suspected forced labour or human trafficking in social audits and develop guidance • The group is exploring how Sedex can support raising sensitive issues, in audit reports, where conclusive evidence may not exist, and identifying vulnerable workers and victims of labour exploitation • Proposals were presented at the Sedex Stakeholder Forum for wider member input to define future activity
Indirect Procurement Human Rights Forum	<ul style="list-style-type: none"> • Forum comprising 10 UK retailers and brands to protect workers' rights in indirect procurement and facilitate collaborative responses to shared risks • Supported the workstream for minimum standards for Labour Providers
Sussex Modern Slavery Partnership	<ul style="list-style-type: none"> • Worked with Sussex Police to increase understanding of the changing risks and face of modern slavery in the region of our International Distribution Centre, including individual meetings with the services' Modern Slavery Manager • Advocated for and supported creation of a multi-sectoral group involving law enforcement and Sussex-based businesses to increase collaboration and understanding of modern slavery risks

9. OUR EFFECTIVENESS IN 2018

The Body Shop's modern slavery programme focuses on providing decent work as well as activities to identify risks of modern slavery. Like many organisations, we are still learning how best to prevent and address modern slavery in our operations and supply chains. We are putting this learning into practice and our work in this area increasingly reflects best practice.

Overall, we believe that our modern slavery activities in 2018 had a positive impact and enabled us to provide decent working conditions to more people in our operations and supply chains. We undertook 47 ethical audits of our commercial suppliers and three charter assessments of our Community Trade suppliers in countries or sectors known to be relatively high-risk for modern slavery. In addition, we risk assessed the working conditions of financial services call centre workers in Ukraine, cotton producers in India, and delivery cyclists and seasonal agricultural workers in Europe. We also undertook audits and assessments of prospective suppliers.

Six of our Community Trade suppliers underwent assessments including extensive worker inputs. Aside from potential risks highlighted in audits as outlined above, we did not find any reported incidences of modern slavery.

Despite this, we cannot be complacent, particularly given the hidden nature of modern slavery. As noted above, we commissioned a Human Rights and Environmental Risk Assessment during the year, which will report in 2019 on any identified risks, alongside recommendations and a prioritised action plan. As well as steering us in actions to take, this will help us gain further insights into the labour concerns and risks of modern slavery faced by vulnerable workers in our operations and supply chains.

This section outlines the impact of various activities under our modern slavery programme in 2018. The activities themselves are summarised in section 4 (with a traffic light system to indicate our performance against target) and described in more detail elsewhere in this document. These impacts are structured to reflect our modern slavery programme key performance indicators.



1. EXTEND OUR APPLICATION OF THE HUMAN RIGHTS DUE DILIGENCE FRAMEWORK ACROSS OUR OPERATIONS AND SUPPLY CHAINS

Mapping our ethical trade and sustainable sourcing activities against a Human Rights Due Diligence approach built internal understanding on how to implement this new approach to identify and manage the impact of our sourcing on working conditions. This will allow us to continue building on our progress in identifying and addressing labour exploitation.

Mapping also enabled us to identify how to take a more integrated, holistic and transparent approach to managing our supply chains, including how we improve our overall governance and strengthen our sourcing policies.

Following a mapping exercise of over 250 natural and naturally-derived raw materials (where supply chains pose a risk of poor environmental practices and working conditions), in 2018 we traced 207 ingredients to their country of origin. Through this process, we achieved 94% traceability to country of origin for our natural ingredients as well as an additional 78% for other naturally derived ingredients. This will help us to identify and address potential risks relating to modern slavery in these supply chains.

Aside from potential risks highlighted above, no modern slavery or forced labour was identified in our due diligence assessments of suppliers in sectors or countries identified as high-risk. Despite this, we remain vigilant and will continue to conduct further targeted due diligence in relevant sectors or countries.

2. REVISE OUR ETHICAL AND SUSTAINABLE SOURCING POLICIES TO INCLUDE MANAGEMENT SYSTEMS THAT ADDRESS ISSUES RELATED TO MODERN SLAVERY

Updating our policies relating to modern slavery increased understanding among The Body Shop staff of modern slavery and where risks may arise. We shared our learning and experience with colleagues across the group as they address these issues in their supply chains, helping to raise awareness of modern slavery indicators and approaches to address them.

3. INCREASE THE NUMBER OF PARTICIPATORY AUDITS TO BETTER UNDERSTAND AND ADDRESS WORKERS' MOST SALIENT ISSUES, INCLUDING MOST VULNERABLE WORKERS

Our supplier audits, including participatory audits, uncovered no evidence of modern slavery. However, we know that audit methodologies are unlikely to pick up such invisible issues. Our ongoing monitoring and follow-up work with suppliers did identify some areas for improvement at suppliers in different countries. These included health and safety and improved accommodation for workers in processing units, age record checks for young workers, relatively weak grievance mechanism systems, as well as specific issues such as passport retention at one supplier. We addressed and resolved the vast majority of these issues, however, we continue to work on outstanding issues as part of our day-to-day ethical trade activity.

4. EXPAND THE NUMBER OF PROJECTS THAT WE ENGAGE IN AT INDIVIDUAL SUPPLIER, SECTOR AND POLICY LEVELS TO ADDRESS THE ROOT CAUSES OF POOR WORKING CONDITIONS AND MODERN SLAVERY

We strengthened our relationship with Sussex Police's modern slavery lead to help us better identify and address vulnerabilities to modern slavery near our main operations centre in the UK.

We worked with the ETI to increase our suppliers' awareness of the importance of freedom of association, a core factor in protecting workers' rights. We also collaborated with the ETI to launch the Cosmetics Working Group to address working conditions in our sector, particularly in commodities known to be high risk in terms of workers' rights.

A longstanding supplier in China joined three modules of the SCORE programme, resulting in a new complaints mechanism and improved worker-management dialogue, key factors in preventing labour exploitation. This programme, proven to benefit workers but also the companies through lower accident rates, a better company reputation, greater staff commitment and improved productivity has also received positive feedback from the supplier with improved health and safety performance and engagement in weekly worker-management meetings.

Our new Community Trade recycled plastics partnership, planned in 2018, will provide marginalised waste pickers in India with fair prices and better working conditions, helping to reduce their vulnerability to exploitation.

We also worked to address root causes of labour issues within our own operations, notably by ensuring that agency staff in our catering operations are paid a living wage.

5. INCREASE INTERNAL AND EXTERNAL COMMUNICATIONS ON MODERN SLAVERY TO RAISE AWARENESS AMONG OUR STAFF AND CUSTOMERS. PARTICIPATE IN EVENTS WHERE WE CAN LEARN FROM OTHERS AND SHARE OUR LESSONS WITH OTHER COSMETICS COMPANIES AND KEY STAKEHOLDERS

We participated in a range of events that helped raise awareness and understanding of modern slavery among our staff and suppliers (see section 12 of this statement) such as training, external conferences, webinars and meetings. This has helped us to work with suppliers to identify what modern slavery might look like in their context. It also means our staff, especially those who visit suppliers, are better able to identify modern slavery on the ground.

We received excellent feedback about our conference participation in the UK and Hong Kong, where our honest approach on an issue that many companies

are still reluctant to discuss, encourages others to be open about challenges and to discuss how different stakeholders can work together. Overall, our increased staff capacity (numbers and skill) meant we were able to increase the reach and depth of our communications work.

6. INCREASE THE CAPACITY OF OUR ETHICAL AND SUSTAINABLE SOURCING TEAMS AND RECRUIT PEOPLE WITH EXPERTISE IN MODERN SLAVERY

Recruiting two senior staff members with extensive experience in addressing labour exploitation and modern slavery enabled us to engage meaningfully and authoritatively with a range of external stakeholders to support our activities to tackle modern slavery.

We recognise we can always learn more, and remain in touch with key stakeholders to continue building our understanding in this area. This will help us to increase the impact of our future activities to promote decent work and address the risks of modern slavery.

7. BENCHMARK OUR ACTIVITY AGAINST BEST PRACTICE

As a result of benchmarking our modern slavery activities against industry leaders, we began reviewing our existing initiatives and planning new ones. This includes developing a Modern Slavery and Human Rights policy and formalising the role of our senior management governance committee in relation to modern slavery.

8. CONVENE A STAKEHOLDER PANEL TO REVIEW OUR INITIATIVES AND REPORTING RELATING TO MODERN SLAVERY

The stakeholder panel's recommendations (see page 29) will be incorporated into our modern slavery programme and statement from 2019. These include fully adopting the UN Guiding Principles on Business and Human Rights as a framework to develop our ethical sourcing and modern slavery programme, introducing a governance body for modern slavery at board level and increasing our activities to support workers' freedom of association.

CASE STUDY: REDUCING RISKS OF HUMAN TRAFFICKING AND MODERN SLAVERY IN NEPAL

Nepal is one of the world's poorest countries, where around 40% of people live in poverty. Poor families often sell girls because they are seen as an economic burden. Up to 15,000 young women are trafficked out of the country every year, often to forms of modern slavery in India.

Since 1989, Get Paper Industry (GPI) has supplied The Body Shop with Community Trade handcrafted paper and gift boxes. It provides decent employment, mostly to women, in an area of Kathmandu where work opportunities are rare and human trafficking is common. During peak production periods the organisation employs up to 400 workers.

As well as providing livelihoods, GPI helps to prevent and tackle modern slavery in other ways. It runs a programme to empower young women and raise awareness of human trafficking. In 2018, around 500 young women participated in girls' groups, which meet regularly and receive training and support that have enabled them to increase awareness of trafficking risks among rural villagers.

Education is key to reducing people's vulnerability to modern slavery. GPI promotes girls' education through campaigns and awarded 415 school scholarships in 2018. It also helped 70 children from 'stone breaker' families, a group at particularly high risk of modern slavery, to access school.

10. BUILDING CAPACITY TO TACKLE MODERN SLAVERY AND HUMAN TRAFFICKING

As a global retailer, The Body Shop has a significant opportunity to raise awareness of modern slavery – and ways to tackle it – among our employees, suppliers, partners and consumers.

As an activist brand we prompt debate about a range of social and environmental issues. Through our The Body Shop at Home™ network, our consultants also have the opportunity to discuss the work we do, not just our products.

As part of our ethical trade programme we provide suppliers with training on individual issues they face as well as systemic risks or issues we identify as part of our supply chain assessments. This includes issues across the labour spectrum, from the challenges of providing decent work to the potential

risks or signs of modern slavery. This training takes place at many levels – within individual suppliers, in groups, regions, industries or in conjunction with members of other networks. As outlined above, we also contribute to a range of forums and working groups to help build our own, and other organisations' capacity to address all forms of labour exploitation.

SUPPLIER TRAINING

- As part of the SCORE programme we worked with the International Labour Organisation and ETI to run training in China on increasing worker-management dialogue.
- We conducted training sessions with key individual suppliers in the UK, China and Thailand on modern slavery in their specific business context. This included training all

1,400+ staff at a supplier in Thailand, a country deemed a high risk for modern slavery. This increased awareness and understanding of the issue at all seniority levels within the business and led to a dedicated senior champion and internal communication systems relating to modern slavery.

- We ran a workshop with 100 employees from 50 Chinese suppliers at our China conference on how to identify and address modern slavery in their operations and supply chains.
- Chinese suppliers participated in the ETI's UK government-funded project 'Prevention of involuntary work by scaling up awareness of modern slavery and recruitment practices in Chinese supply chains through new digital technology'. As part of this, 770 employees from 24 ETI member nominated were trained.



CASE STUDY: HAVING A POSITIVE IMPACT OUTSIDE OUR SUPPLY CHAINS

During 2018, our Asian sourcing team worked closely with one potential supplier of shopfit materials for our stores in Indonesia. During visits to assess the potential supplier against our ethical sourcing criteria we did not find any evidence of modern slavery but did identify potential workplace improvements.

While we did not end up working with this supplier, our support ensured major improvements in its working conditions, which will benefit current and future employees. These included contracts that formalise workers' status, increased access to relevant social security and occupational health and safety training.

INTERNAL TRAINING

In addition to our compulsory induction and regular training for all staff that touches on issues relating to modern slavery, we:

- Organised a company-wide awareness-raising event – a live-streamed talk on modern slavery broadcast worldwide. A panel of experts including Stronger Together, Bright Future, our International Sourcing Director, Ethical Trade Manager and our warehouse labour provider discussed what we and other organisations are doing about modern slavery and how staff can support this.
- Ensured our commercial buyers attended a range of training sessions on our ethical trade requirements, including those relating to modern slavery. This included inductions for new buyers and refresher training.
- Held a whole Sourcing Team training session, including our Ethical and Sustainable Sourcing Team, including on how our company purchasing practices affect suppliers.
- Presented to our UK The Body Shop at Home™ consultants on our Ethical Trade and Sustainable Sourcing programme and our commitments to preventing and tackling modern slavery.
- Took 10 The Body Shop at Home™ Australia consultants to visit our Community Trade suppliers GPI (Nepal) and Teddy Exports (India) to highlight the long-term and far-reaching benefits of Community Trade.
- Live-streamed an interview to all global employees on International Women's Day. The interview explained how Community Trade supports and empowers women producers and members of sourcing communities, a significant factor in reducing women's vulnerability to modern slavery and other forms of exploitation.

RAISING EXTERNAL AWARENESS OF ISSUES AROUND MODERN SLAVERY

In 2018, we continued to share learning, raise awareness and advocate for change on modern slavery among our employees, consumers and wider communities.

This involved speaking at events and media engagement, including:

- Speaking at events:
 - Business Intelligence firm The Front Group's Modern Slavery and Human Rights in Supply Chain Conference.
 - Innovation Forum London conference on Modern Slavery, Forced Labour and Human Rights: The Business Case Beyond Compliance.
 - Our Hong Kong colleagues participated in a regional event led by the International Organisation for Migration, encouraging corporate action on modern slavery and promoting ethical recruitment practices.
- Media engagement:
 - Facilitating press trips to our Community Trade suppliers, notably taking 50 members of the traditional media and social influencers to visit our Community Trade supplier GPI in Nepal. Attendees learned how our partnership supports marginalised artisans and the wider community – including by raising awareness of human trafficking (see case study on page 27).

CAPACITY-BUILDING AND ADVOCACY AROUND MODERN SLAVERY

In January, we joined forces with the Co-op to attend a session at the House of Commons with Frank Field MP on the need to strengthen the UK Government's support for survivors of modern slavery.

As a Sussex-based business, we endorsed setting up a Modern Slavery Partnership between Sussex-based businesses and law enforcement.

Our direct work with Sussex Police has provided critical insights into how organised crime networks can infiltrate business.

They have provided constructive guidance on how to prevent and support victims if we ever discover modern slavery in our own operations or supply chains and contributed to our modern slavery panel, helping to guide our future work.

Education is a powerful tool for changing the world.

In 2018 we developed a suite of free UK school curriculum-linked resources on topics relating to the production and sale of our products. Developed for students aged 14 and above, these public resources focus on ethical business practices and consumerism, in particular sustainable supply chains.¹⁶

16. <https://www.thebodyshop.com/en-gb/about-us/company-information/educational-programme>

II. HOW WE RESOLVE CASES OF MODERN SLAVERY AND HUMAN TRAFFICKING

As reported, there were no recorded cases of modern slavery in our operations or supply chains in 2018. However, our ethical trade monitoring work did indicate areas to improve working conditions. We followed our Ethical Trade Policy and Sustainable Sourcing Charter to address those areas and work with suppliers to implement improvements.

As noted in section 10, our partnership with Sussex Police has improved our understanding of how to support victims if any cases of modern slavery arise in our own operations or supply chains. This has resulted in the creation of internal process guidelines which are under consultation and will be implemented in 2019.

To support survivors of modern slavery in the UK, we signed up to the Bright Future scheme in partnership with the agency that provides staff for our International Distribution Centre, building on remediation opportunities identified in 2017. We are the first organisation to join this programme in partnership with a labour agency, allowing us to work jointly on work opportunities for modern slavery survivors. No candidate referrals were received in 2018, partly because there were no scheme participants nearby our Distribution Centre in Sussex. We aim to include our retail operations in the scheme in 2019 to provide more opportunities for candidate matching.



CASE STUDY: SUPPORTING FORMER SEX WORKERS AND MARGINALISED PEOPLE IN INDIA

Teddy Exports in Tamil Nadu, India was our first Community Trade supplier. Since 1987, the organisation has supplied us with wooden and cotton accessories. Working in partnership for so long has enabled us to build a deep, trusting relationship that has provided many benefits.

An estimated 8 million people in India live in modern slavery. People with limited economic opportunities, including women, Dalits, and people with disabilities, are at most risk. Teddy Exports provides safe, stable and inclusive employment for over 400 people, many of whom come from these high-risk groups. Income, empowerment and improved social standing from employment reduce these people's vulnerability to exploitation, including modern slavery.

Our trade also helps to enable the company to run a project to provide training in tailoring for former sex workers, providing safer and less exploitative sources of income. To date, more than 650 women have completed the 10-month course. In 2018, Teddy Exports offered five trainees employment after completing the course. Through their charitable foundation, Teddy Trust, Teddy Exports has also invested in improving local healthcare and education.

12. HOW WE REPORT AND COMMUNICATE ON THIS ISSUE

In addition to the internal and external training and awareness-raising outlined above, we took steps to increase our reporting and communication on modern slavery in 2018.

INTERNAL REPORTING

Our Ethical Trade and Sustainable Sourcing Team produces monthly reports on the working conditions of all our suppliers. If we ever find any forced labour in our supply chains, we will clearly highlight it in these reports, which are shared with our senior sourcing team and with senior stakeholders.

OUR EXTERNAL REPORTING ACTIVITY

- We provide an annual corporate report to the ETI as part of our membership obligation. The new reporting framework is based on the UN Guiding Principles for Business and Human Rights and the ETI's Due Diligence Framework. It is designed to help companies identify salient issues in their supply chains and respond effectively.
- Posting stories relating to modern slavery on our Community Trade and Ethical Trade Facebook pages, as well as our corporate Twitter account, including posts on the International Labour Organisation's Safe Day and UK Anti-Slavery Day and a blog to share our approach to addressing modern slavery and lessons learned, enabling our staff and external partners to better understand our modern slavery programme.
- Sharing our modern slavery statement with key suppliers during strategic review meetings (notably in the UK, China and Thailand), and reviewing suppliers' modern slavery statements where available.
- Publicising our Modern Slavery statement on our consumer-facing UK website and sharing with external stakeholders.



13. OUR LEARNINGS FROM 2018 AND OBJECTIVES FOR 2019

The Body Shop is committed to preventing and addressing all forms of labour exploitation throughout our organisation and supply chains. We are continuing to strengthen our work and impact in this area. This requires a targeted approach and significant investments of time and resources.

In line with our ethical values, we aim to go beyond a 'do no harm' approach in our modern slavery programme - we want to have a positive impact on workers and communities linked to our business. We do not just assess and address risks in our operations and supply chains to reduce workers' vulnerability to modern slavery. Instead, we actively seek to provide decent work ourselves and through our suppliers, and have established processes to tackle all forms of labour exploitation.

As outlined in this statement, we do this by continually learning and adapting our approach, internally and externally. We have mechanisms to provide decent working conditions and prevent, identify, report and address potential modern slavery in our operations and supply chains. We actively engage with suppliers, collaborate with a range of stakeholders, and increase public and policy-makers' awareness of modern slavery.

For decades we have focused on providing decent work and improving livelihoods, which we continue to do through our Ethical and Community Trade programme. Since 2016, our modern slavery initiatives have aimed to target the root causes of labour exploitation. This entails working with other stakeholders to address issues we know create vulnerability to slavery and to address any specific risk areas that are identified.

In 2018 we conducted significant internal work and external collaborations to understand how we can *deepen* our modern slavery programme, such as by working down our raw material supply chains and taking steps to identify modern slavery in high-risk sectors or contexts. We also endeavoured to *broaden* our work, commissioning independent risk analysis to highlight possible gaps in our modern slavery programme and working with our buyers, suppliers and other organisations to promote good working conditions and identify poor practice.

In 2019 we will build on this work and will continue to broaden and deepen our modern slavery programme. Our broad objectives and key performance indicators will remain the same as in 2018 (see section 4).

In addition:

- We will take into account learning from our external risk analysis.
- We will continue to act on feedback from our multi-agency expert stakeholder panel which commended us on much of our work and our external stakeholder engagement, while including a clear set of recommendations such as having a more explicit governance structure, a more comprehensive modern slavery policy approach and actively seeking modern slavery in supply chains, given it is such a hidden issue.



Jo Webb (The Body Shop); Sophie Brill (Oxfam); Cindy Berman (Ethical Trading Initiative); Lee Mann (The Body Shop); Heather Ducharme (The Body Shop); Tom Porter (The Body Shop); Karen Ewens (The Body Shop); Anne Lindsay (CAFOD); Sara Clancy (Independent Consultant); Richard Lancashire (Sussex Police); Maeve Atkins (The Body Shop); Mark Davis (The Body Shop); Lynsey Macdonald (The Body Shop); Alex Cole-Hamilton (Oxfam); Pins Brown (The Body Shop).

We will next report on our progress in all areas in our 2019 Modern Slavery Statement, which is due for publication in June 2020.