

# The Body Shop Stakeholder Panel Review

31 August 2008

## Mission Statement

- 'Dedicate our business to the pursuit of social and environmental change.
- Creatively balance the financial and human needs of our stakeholders: employees, customers, franchisees, suppliers and shareholders.
- Courageously ensure that our business is ecologically sustainable, meeting the needs of the present without compromising the future.
- Meaningfully contribute to local, national and international communities in which we trade by adopting a code of conduct that ensures care, honesty, fairness and respect.
- Passionately campaign for the protection of the environment, human and civil rights, and against animal testing within the cosmetics industry.
- Tirelessly work to narrow the gap between principle and practice, whilst making fun, passion and care, part of our daily lives.'

The Mission Statement of The Body Shop requires us to run our business in a way that balances economic, social and environmental needs. As well as assessing ourselves against our Mission Statement we also ask for comment from those outside the business with whom we share common objectives.

In June 2008, The Body Shop International held a stakeholder panel review meeting. The aim of the panel was to invite NGO's to comment on current social and environmental performance within the business and help shape the future of The Body Shop sustainable development agenda.

The 2008 stakeholder panel consisted of representatives from the British Union for the Abolition of Vivisection (BUAV), Oxfam-UK, Traidcraft, and World Wildlife Fund (WWF). The meeting was chaired by Gordon Roddick.

The stakeholder panel focused on three key areas: -

- Providing feedback on progress of The Body Shop against social and environmental objectives and recommendation made by the 2007 stakeholder panel
- Discussion on the future 2008-2010 social and environmental targets of TBS
- Reviewing the re-invigorated brand communication to be launched in August 2008

The overall opinion of the stakeholder panel was that The Body Shop business continues to be driven by values and not just commercial goals. The Body Shop is committed to taking a holistic view of its company and its social and environmental impacts.

The Body Shop had performed well against its 2007/2008 targets; future targets for The Body Shop for the period 2008-2010 were deemed on standard but could be strengthened further, and the panel offered some suggestions for consideration.

All members of the stakeholder panel welcomed the opportunity to participate in the meeting and recognised it as an important example of corporate governance and mechanism for promoting transparency.

The Chairman of the panel, Gordon Roddick, has endorsed the report of the panel and commented:

*'This was a brave and transparent process for The Body Shop to undertake. It stands alongside the best of The Body Shop in its determination to maintain its leadership in keeping the company truly reflective of its roots.'*

The aim of this report is to provide an outline of the stakeholder panel meeting and a summary of how The Body Shop has integrated recommendations made by its stakeholders into its sustainable development programme.

## **Progress update on The Body Shop Values performance 2007/08**

### **Activate Self Esteem**

In 2007/2008 The Body Shop commitment to activate self-esteem was primarily executed through its Campaigns:

- Stop Violence in the Home 2007, launched in December, raised over £1million
- HIV Spray to Change campaign, in association with MTV International, raised £429,589 in 2007 across all 47 markets in which the campaign was featured.
- The Staying Alive Grants, made possible by the campaign, were awarded on World Aids Day. 19 organisations were awarded between \$2,000 and \$10,000
- In memory of Dame Anita Roddick, The Body Shop UK launched a one-week campaign on Child Trafficking to raise awareness and funds for the Helen Bamber Foundation, donating over £60,000 to this cause.

The panel reviewed current campaign activity and also discussed the stakeholder panel's recommendations in 2007, which included:

- Strengthening employee development and establishing a policy on diversity
- Recognising the importance of The Body Shop At Home™ at empowering women

It was noted that over the last 12 months The Body Shop has:

- Developed and implemented a set of diversity policies
- Carried out diversity training in core sites to relevant senior managers
- Supported the development of The Body Shop At Home™ communication to emphasise The Body Shop At Home™ as a channel for the social and economic empowerment of women.

## Protect our Planet

### *Climate Change*

Over the last 12 months The Body Shop International has continued to implement its climate change programme with the aim of being carbon neutral by 2010. This has involved:

- Setting challenging store and office energy efficiency targets across the business
- Rolling out climate change training to all store staff across the globe
- Releasing three new 'Green Guides,' for Stores, Offices and Purchasing
- Preparing a 'Climate Change' toolkit for franchise partners to encourage them to take part in carbon neutral projects
- Increasing the purchasing of renewable energy in UK (from 60% to 66%) and EMEA (from 29% to 41%).
- Piloting energy efficient store lighting, fascia, automatic meter reading and closed door trials in order to make our stores more energy efficient

The focus of The Body Shop climate change activities were based on the recommendations made by the 2007 stakeholder committee, which were to:

- Establish clearer targets for reduction in CO2 emissions including targets for product manufacturing and transport and an explicit plan for the inclusion of franchisees.
- Review carbon neutral target to focus on reducing emissions including other business partners i.e. suppliers and franchisees.

### *Sustainable Ingredients, Raw Materials and Chemicals*

In 2007 the main achievements of The Body Shop included:

- Sourcing sustainable palm oil for use in soaps. Manufacturing all soap from sustainable palm oil during 2008
- Further increasing the use of Forest Stewardship Council (FSC) wood across accessory and gift ranges
- Introducing the first 100% recycled PET bottle

### **Against Animal Testing**

In 2007/2008 the main achievements of The Body Shop to support its commitment to end animal testing has focused on:

- Commissioning an Independent Audit to assess performance against the Humane Cosmetics Standard (HCS) - in April 2008 The Body Shop achieved a 'Gold Standard'
- Establishing a systematic process for ensuring that all raw materials used by The Body Shop meet the HCS requirements. This involved installing a new web-based database to enable formulators and other key staff to directly view the Against Animal Testing status of each raw material.
- Training the Quality Assurance team on the HCS and monitoring of the Against Animal Testing process
- Ongoing dialogue with BUAV on relevant EU legislation

The Body Shop Against Animal Testing activities over the last 12 months reflect the recommendations made by the 2007 stakeholder committee which requested that we:

- Continue to ensure 100% compliance with Against Animal Testing Policy and Principles
- Conduct an independent audit of our Against Animal Testing programme to ensure that all requirements outlined in the Humane Cosmetic Standard (link to BUAV website) were met.
- Work with relevant stakeholders in relation to EU legislation

### **Support Community Trade**

Throughout 2007/08 The Body Shop has continued to increase its commitment to Supporting Community Trade. Main achievements include:

- Ensuring 60% of products contain a Community Trade ingredient, or are made by a Community Trade supplier
- Increasing the number of Community Trade ingredient suppliers. The Body Shop is now trading with two new Community Trade suppliers – 'WIBDI'\* (say below what this stands for) supplying Virgin Coconut Oil from Samoa, and 'KOOFA'\*\*\* (as before), a cooperative of organic farmers in Kenya, with Tea Tree Oil
- Supporting L'Oréal sourcing Community Trade ingredients - Community Trade sesame seed oil and sugar are now supplied to L'Oréal. Shortly this will expand to include three further suppliers - olive oil, organically-grown soya oil and cocoa butter.

In 2007 the stakeholder panel encouraged The Body Shop to:

- Further clarify the benefits which the Community Trade programme brings to producers and the process by which The Body Shop ensures stability and predictability to Community Trade suppliers, to enhance understanding across the business
- Clarify the process by which The Body Shop drives demand for Community Trade ingredients and accessories
- Increase engagement of The Body Shop leadership with Community Trade by involving Directors in visits to Community Trade producers

In response to these recommendations The Body Shop will review the options to undertake a review of the management systems and processes it uses to manage Community Trade and also investigate undertaking an impact assessment to assess how the Community Trade programme improves the livelihoods of suppliers, for greater understanding across the business.

### **Defend Human Rights**

In 2007/08 The Body Shop honoured its commitment to Defending Human Rights through its ethical trade programme. Over the last 12 months:

- All direct suppliers who manufacture for The Body Shop have committed to being compliant with Ethical Trade Policies and Principles
- All direct suppliers have been audited and corrective action plans in place where non-compliances have been found
- The Body Shop ethical trade team has implemented an internal training programme equipping all buyers with the skills to assess suppliers' ethical performance
- An assessment of purchasing practices in the cosmetics sector was commissioned through The Body Shop Foundation

In recognition of the achievements of its ethical trade programme, The Body Shop is recognised as an achiever by the Ethical Trading Initiative (ETI) and in 2007 Business in the Community (BITC) awarded the company a 'Big Tick' for its Community Trade and Ethical Trade programmes.

Many of the Ethical Trade programme activities in 2007 were shaped by the recommendations made by the stakeholder panel. Over the last 12 months The Body Shop has attempted to regain leadership in its ethical trade through reviewing its purchasing practices and training buyers in responsible sourcing.

The Body Shop has continued to be an active member of the ETI and to engage with NGO's and other companies to ensure its ethical trade programme is in line with best practice.

In 2007 The Body Shop took to improving working conditions in its palm oil supplier by working on the development of the Roundtable on Sustainable Palm Oil (RSPO) criteria.

The Body Shop is currently reviewing the process by which it sources natural ingredients from third party suppliers to consider how it can best ensure their sustainability.

**As well as reviewing the progress made against the targets published in the 2007 Values report, the panel also commented on the work identified by the company to promote and enhance its Values in the next three years.**

#### **The Body Shop future Values targets 2008- 2010**

Over the next 24 months The Body Shop will continue to champion key social and environmental issues. In order to strengthen its performance further it will review the recommendations made by the 2008 stakeholder panel which recommended that The Body Shop:

- Develop a clear, holistic vision of sustainability with clear priorities and communications of what The Body Shop wants to achieve as a business.
- Adopt a strategic, systematic approach to implementing its sustainability vision, including a review how The Body Shop can best engage in policy work around sustainability and each of its core values
- Establish a corporate governance structure where all Directors have responsibility for specific Values targets

#### **Activate Self-Esteem**

During 2008-2010 The Body Shop will launch in-store campaigns to raise awareness and funding for HIV/Aids and domestic violence. This will include:

- Running the AIDS/HIV and 'Stop Violence in the Home' campaigns in over 50 markets from August 08 – July 09.
- Developing a new campaign in 2009 on an issue where we see a real need to act to address injustice and where believe we can make a difference, and developing new ideas for 2010.

In response to the stakeholder recommendations of 2007, The Body Shop will also continue to revise and strengthen its diversity policies. We will be rolling out diversity training to all relevant staff and carrying out analysis and acting on the results of employee questionnaire

## Protect our planet

### *Climate change*

In-line with The Body Shop commitment to being a carbon neutral retailer by 2010, The Body Shop will between 2008-10:

- Improve energy efficiency in its stores and offices against set targets
- Set targets to reduce air freight from its operations
- Use hybrid vehicles wherever it is feasible for fleet cars
- Use 100% renewable energy wherever possible against set targets
- Offset any remaining CO2 emissions in 2010 ( link to an offset partner )

In response to the issues raised by the 2008 stakeholder committee The Body Shop will also:

- Report on its energy reduction target

Reassess The Body Shop climate change targets in order to strengthen our commitment to being a carbon neutral retailer by 2010; developing targets around water use; engaging in the development of national and international policy; and identifying areas where The Body Shop can support nature and communities to adapt to climate change.

### *Sustainable natural ingredients, raw materials and chemicals*

In line with recommendations made by the 2007 stakeholder panel, during 2008-2010 The Body Shop will extend its commitment to promoting good social and environmental practices in its supply chain. This will be achieved through ensuring that; -

- 100% of soaps are made with RSPO-certified palm oil
- 100% of all wood retail products are from FSC-certified sources
- the feasibility of developing social and environmental standards for natural ingredient suppliers is investigated
- Plastic bags are replaced by 100% recycled paper bags from 2008
- Materials used in store design are reviewed to ensure that all of its store fittings are 100% recyclable, recoverable or reusable at the end of their life
- 80% of all packaging contains recycled content
- The recycled content of all its PET bottles is doubled (currently 30%) – with the intro of 100% PCR PET bottle we are potentially the first global retailer to have such high PCR content in our PET bottles
- The recycled content of gift packaging is increased and secondary packing is reduced
- All Phthalates are phased out by end 2009 (deadline revised from previous date of 2008 to take account of one remaining product)
- All Polycyclic Musks are eliminated by 2010

In response to comments made by the 2008 stakeholder panel, The Body Shop will also:

- Review how to engage with its Palm Oil supply chain outside of the RSPO and extend its RSPO commitments to include all products, which include Palm Oil.
- Assess the feasibility of supporting emerging environmental concerns

## **Against Animal Testing**

In support of The Body Shop commitment to only use ingredients not tested on animals for cosmetic purposes in its products, between 2008-10 The Body Shop will:

- Continue to ensure 100% compliance with its Against Animal Testing Policy and Principles
- Work with relevant stakeholders in relation to relevant EU legislation

In response to the comments made at the 2008 stakeholder panel The Body Shop will;

- Discuss with L'Oréal the opportunity to make a joint statement committing to the end of all animal testing in cosmetics
- Review the possibility of future campaigns and brand communications focusing on celebrating The Body Shop Against Animal Testing achievements

## **Support Community Trade**

The Body Shop 2008-2010 targets around Community Trade reflect its commitment to provide marginalised communities access to western markets as a means to improve their livelihoods. These include:

- Increasing the number of products containing Community Trade ingredients, or made from Community Trade suppliers, to 80% in 2010
- Increasing the number of Community Trade suppliers by 4
- Increasing aggregate Community Trade spend to £7.5 million by 2010
- Undertaking a systems review of the Community Trade programme in 2008
- Assessing the impact of Community Trade on improving livelihoods

In response to comments made by the 2008 stakeholder panel The Body Shop will consider a number of recommendations including:

- The systems review of the Community Trade programme to include a section on supplier relationships
- The Community Trade impact assessment to document examples of best practice where Community Trade has improved the livelihoods of vulnerable people and been profitable for a business
- The panel also recommended that any future review of the Community Trade Programme or TBS Foundation funding should consider providing support to:
  1. A more formal community trade model to ensure support to organisations that strengthen marginalised farmers ability to access markets
  2. Farmers to finance future harvests. Many farmers have to borrow at very high interest (17% is common) to get seed etc. for the next harvest, leaving them very little profit.
  3. Developing a share system similar to Divine, where Kuapa Koko received 14% of the shares from The Body Shop and then shares the retail profits across those farmers involved with the cooperative.

## **Defend Human Rights**

In 2008-2010 defending the human rights of workers in its supply chain will remain a principle objective of The Body Shop. Specific objectives include:

- Ensuring that all first tier suppliers meet the ETI Policies and Principles
- Actively engaging with ETI to ensure its programmes are in line with best practice
- Integrating Ethical Trade targets into buyers' objectives

In addition work will be undertaken to follow up on recommendations made by the 2008 stakeholder panel to:

- Continue to engage with other members of the health and beauty industry to promote ethical trade and share best practice
- Review the feasibility of introducing a balanced score card software to analyse purchasing agreements and weight impacts, in order to improve the way The Body Shop makes purchasing decisions.
- Ensure that all ethical audits effectively assess suppliers' compliance with the ETI especially regarding Freedom of Association i.e. the right for worker to group together to discuss working conditions, and home working.

Future targets on ethical trade focus less on compliance and more on reviewing supplier relationships to ensure that suppliers are treated as partners and helped to improve conditions for workers.

## **Values Communication**

In August 2008 The Body Shop will strengthen in-store communication on its sustainable development commitments. This will include clear statements on The Body Shop social and environmental targets and an invitation to consumers to champion different causes.

In response to comments made by the 2008 stakeholder committee The Body Shop marketing team will review the feasibility of: -

- Developing separate messages on its Against Animal Testing and Protect our Planet commitments and achievements
- Referencing partner organisations e.g. WWF-FTN ( link to website), and standards that have been achieved e.g. HCS ( link to BUAV)
- Including communications on the impact of its business on communities, workers in The Body Shop supply chain, suppliers, environment, employees and customers.