



Modern Slavery Statement

For 2017 Financial Year



Contents

3	Foreword from our CEO David Boynton
4	Executive Summary
6	Introduction
8	Performance against targets to end modern slavery
14	Overview of our business
15	Modern slavery policies
19	The Body Shop supply chain
21	Risk assessment process
22	Monitoring and auditing in relation to modern slavery
25	Actions taken to prevent and address modern slavery
26	Reporting and communication in relation to modern slavery
27	Conclusion

Foreword

As the new CEO of The Body Shop International, I am proud to publish our 2017 Modern Slavery Statement.

Since The Body Shop's beginnings in 1976, we have worked hard to do everything we can to enrich people's lives and prevent exploitation in our operations and supply chain. Our Enrich Not Exploit™ Commitment puts this approach at the heart of our business. If we provide decent incomes and better ways of working for people in communities at most risk of modern slavery, we can help prevent it from taking place.

For more than 30 years our Community Trade programme has helped to provide better livelihoods for vulnerable people around the world who might otherwise face risks of exploitation or slavery. Our commitment to tracing the origins of our raw materials increasingly allows us to identify and reduce risks of modern slavery among our suppliers.

Beyond our own supply chain, we have a history of supporting initiatives that seek to end exploitation by raising awareness and lobbying for change at the highest levels. We have also helped to improve industry-wide standards in fair pricing and labour conditions.

We applaud the UK government's introduction of the Modern Slavery Act (2015). Under the first year of our own Modern Slavery Statement, we made good progress against our commitments and targets. While extensive audits found no immediately apparent evidence of modern slavery in our supply chain, we recognise that it is usually hidden and that we need to go beyond audits to prevent this complex problem in the long term. Working within our new corporate group, Natura & Co, we commit to continuous improvement and finding innovative ways to address all forms of exploitation in our business and the wider cosmetics industry.

David Boynton

Chief Executive





Executive summary

This document outlines action that The Body Shop took during the 2017 financial year to prevent and address all forms of modern slavery in our global operations and supply chain. It reviews our activities and achievements against stated targets in our Modern Slavery Statement, which was first published in early 2017.

This work was led by our Ethical Trade Team, which is part of our global Sourcing Team. The period under review included transferring ownership of The Body Shop from L'Oréal Group to Natura &Co, which required migrating from L'Oréal systems and commencing alignment with Natura &Co across all supply chain management. Despite this, our activity to address modern slavery continued largely as planned. The Body Shop has a large and complex network of suppliers across the world, including direct and indirect suppliers. In 2017 our supply chains comprised 12,450 smallholders or artisan producers and organisations that collectively employed 45,000 people.

In 2017 our Modern Slavery programme focused on our suppliers of finished goods, based on the results of a detailed risk assessment. In 2018 and beyond, it will systematically include our own operations, The Body Shop at Home™ consultants, other processing operations and natural ingredient suppliers.

Our approach to addressing modern slavery

The Body Shop aims to adopt a best practice approach to identifying, tackling and preventing modern slavery in our operations and global

supply chains. We use systematic methods and specialist tools to inform our work, alongside consultation and partnership with internal and external stakeholders, including specialist organisations such as the Ethical Trade Initiative (ETI). It also builds on our strong track record in human rights and ethical trade.

We have long-term experience of implementing high trading standards in our supply chains, helping to reduce exploitation in various ways. Our Community Trade programme, established more than 30 years ago, was the first fair trade programme in our industry and it continues to expand. This programme helps to reduce the risks of modern slavery in regions that are vulnerable to this practice by building relationships with small-scale suppliers and offering them good trading terms. This enables workers, who might otherwise be vulnerable to exploitation or modern slavery, to benefit from sustainable income sources. High levels of traceability in our Community Trade supply chains also enable us to ensure that workers are treated fairly.

We are a founding member of ETI and we adhere to its code of conduct on ethical trade, reporting annually to the organisation. Our own supplier code of conduct, implemented across all of our suppliers, reflects this code. In 2016 we launched an even stricter Sustainable Sourcing Charter, committing our ethical trade suppliers - and ourselves - to treating workers with dignity and respect, among other conditions.

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Executive summary

Supply chain risk mapping

During 2017 we built on our ethical trade work by applying ETIs Human Rights Due Diligence Framework to address modern slavery in our supply chain. Drawing on this framework and in consultation with modern slavery experts, we systematically mapped modern slavery risks in our supply chain, alongside our ability to influence change. This process enabled us to identify objective priority areas, notably our globally-based direct suppliers of finished goods, our main transport suppliers, the recruitment company used in our UK Distribution Centre, providers of our canteen and security services in the UK, and suppliers of third tier, non-Community Trade ingredients and materials identified by third parties as high-risk in terms of modern slavery.

Monitoring and auditing

We included these priority UK suppliers in our Ethical Trade programme, holding both new and existing suppliers to higher standards as a condition of trading with us. We assess these standards during in-depth, independent audits for all new suppliers and every three years for existing suppliers.

As 2017 was the first full year since launching our Modern Slavery Statement, not all of our suppliers have been audited under the new regime although our year one progress is on track. During the year, we conducted 64 audits and 36 follow-up visits. While we recognise the hidden nature of modern slavery, we found no apparent direct evidence of it in 2017 so did not need to take immediate steps to address specific cases. We also reviewed the progress of 19 Community Trade suppliers and asked certification body ECOCERT to audit the programme to ensure it met our Sustainable Sourcing Charter standards, including those relevant to modern slavery.



This process led to some recommendations that we are acting upon.

We positively engage with suppliers, working with them to address any non-compliance issues. But if existing or potential suppliers fail to address issues within a given timeframe, we terminate relationships. We note any compliance issues in a clear action plan with specific deadlines.

Training and assessment

As outlined above, our activities during 2017 focused on suppliers assessed as potential high risk of modern slavery. We conducted an ethical trade workshop, health and safety training and training on new social insurance laws for all our suppliers in China. We also provided in-house training on modern slavery for our corporate buyers. Based on expert advice, we conducted an ethical audit of our mica-sericite supplier but found no evidence of non-compliance.

Preventative measures

We commissioned specialist organisation Stronger Together to review effective ways to improve working conditions in our supply chain. As a result, in the first instance we will seek to strengthen worker-management dialogue to ensure those most vulnerable to modern slavery can have a say in workplace issues. We embarked on a programme with the TAOS Network in China to promote this kind of dialogue, specifically in relation to resolving excessive working hours in our major Chinese suppliers. Other preventative measures taken during the year include joining the ETI vulnerable workers group, collaborating with other organisations to help prevent and tackle modern slavery in the EU. We also started working with the Sussex Police and Crime Commissioner to establish a network to address modern slavery in the area where our largest office is based.

Reporting and communication

We regularly consulted internal and external stakeholders on modern slavery issues and, where necessary, adapted our approach based on their advice. We strengthened our internal ethical reporting, starting to publish monthly dashboards to monitor working conditions in our supply chain. Alongside this, we increased external communication around our steps to tackle modern slavery, to ensure that our millions of customers and the wider public understand more about this issue and how seriously we take it. This included conducting press trips, giving conference speeches and publishing consumer-facing information on our websites and social media channels.

Lessons learned

We learned several key lessons during the first full year of our Modern Slavery Statement, which we are already putting into practice.

No single method will resolve the complex problem of modern slavery. Preventing and tackling the issue requires context-specific approaches and effective local, national and international partnerships. It is important that workers who are most at risk of modern slavery are represented in the workplace and during ethical audits, to reduce their risk of being exploited and to make this hidden problem more visible.





Introduction

This statement is published in accordance with the Modern Slavery Act (2015). It sets out the steps The Body Shop took in 2017 to prevent modern slavery in our business operations and supply chains.

The Body Shop is a global retailer of naturally inspired, ethically produced beauty products. Our Enrich Not Exploit™ Commitment, which guides all of our work, reflects our belief that business should be a force for good for our people, products and planet. To that end, we are taking steps to ensure that our complex supply chains are both environmentally sustainable and treat workers with dignity and respect. As part of this, we work to prevent modern slavery and tackle any evidence of exploitation in our operations and among our suppliers.

What is modern slavery?

Modern slavery is complex and takes many forms. The term refers to situations where one person has taken away another person's freedom in order to exploit them. This can include restricting their freedom to control their body, refuse certain work or stop working by using threats, violence, coercion, abuse of power and/or deception.

Modern slavery is a global and growing problem - it is the fastest growing criminal industry in the world. According to the Walk Free Foundation, over 40 million people globally are enslaved in one or more ways. This includes 25 million people in forced labour, 5 million people in sex slavery, 4 million people in state-imposed slavery and 16 million people enslaved in the private sector.

Introduction

We published our first modern slavery statement in March 2017, outlining how we aim to prevent modern slavery in two main ways:

- Addressing issues in our own operations and supply chains, drawing on good practice frameworks.
- Identifying the root causes that make workers vulnerable to modern slavery, collaborating with other organisations and lobbying governments.



Key aspects of our Modern Slavery programme in 2017 include adopting the Ethical Trading Initiative (ETI) Human Rights Due Diligence Framework (HRDD) and using a more systematic approach to identify and resolve risks of modern slavery in our operations and supply chains. During the year, we focused on priority risk areas identified during this process.

We also commissioned a study by modern slavery experts Stronger Together to examine ways to improve working conditions and reduce the risk of modern slavery in our supply chain.

As well as outlining the early stages in our work to prevent and tackle modern slavery, it clearly maps our long-term approach to this complex issue. We don't, and won't, just rely on compliance audits - we work with our suppliers and specialist experts to reduce the risks of modern slavery around the world. We also provide clear information and guidance on this issue for our staff, customers and potential suppliers, and will update this further as part of our alignment with Natura &Co.

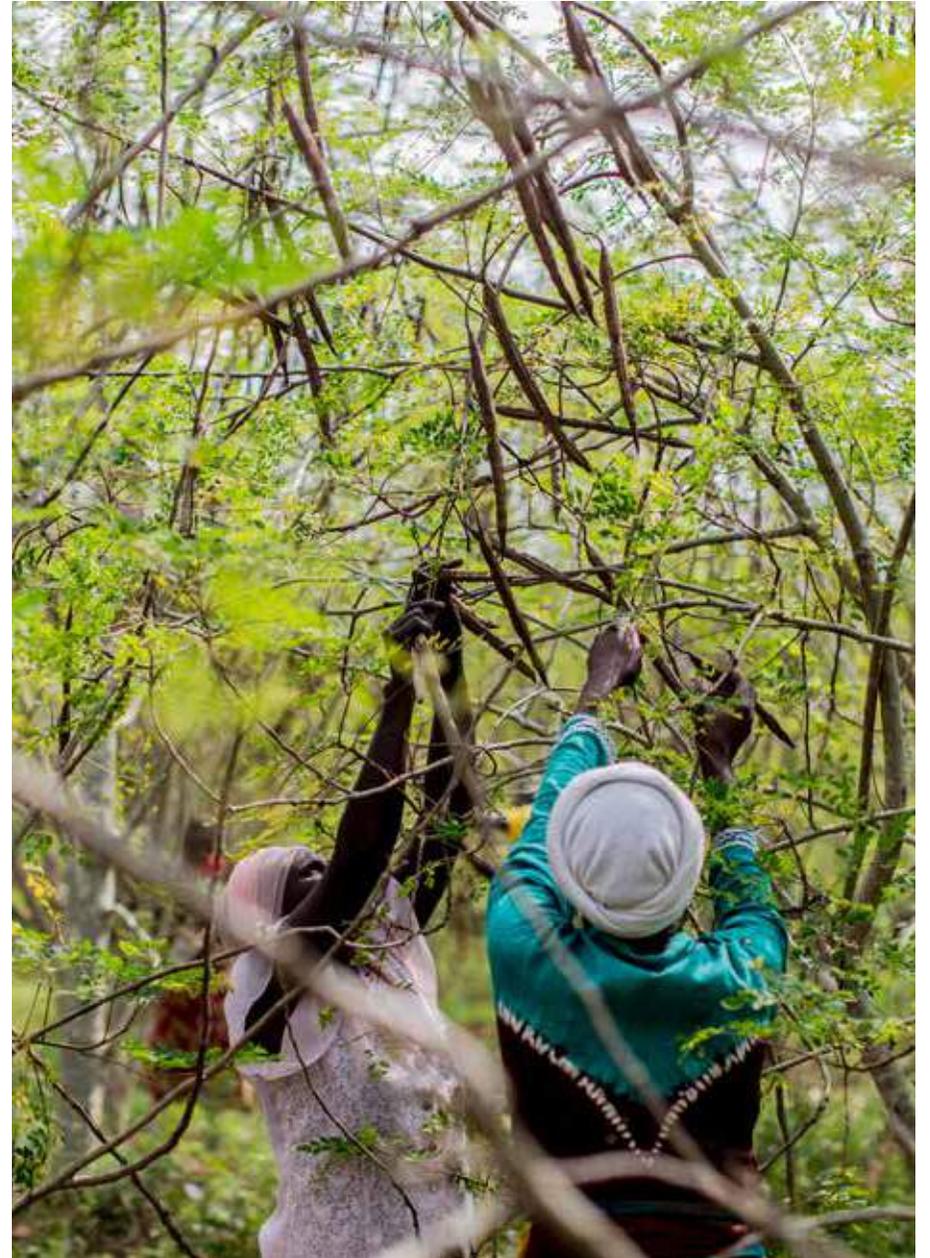
Lessons learned

During the first year of implementing our new Modern Slavery Statement, a number of lessons emerged. In the spirit of transparency, these are listed below. In a similar way, our Ethical Trade Team spoke at four events during 2017 to share our learning on modern slavery and ethical trade. We are working to apply learning from these lessons in our 2018 activities.

- Modern slavery is a hugely complex global problem. There is no single quick fix to identifying, preventing and resolving modern slavery - each country/region has a different situation and bespoke solutions need to be developed accordingly.
- Victims of modern slavery are largely invisible and silenced. Gaining real insights of the risks of modern slavery in our operations and supply chains requires focusing on vulnerable workers who are at most risk of modern slavery, and creating space for their voices and addressing the often hidden nature of their work by increasing their visibility where appropriate.
- We need to develop a more participatory approach to ethical auditing that gives equal emphasis to workers rather than just managers and takes specific steps to include the voices of the most vulnerable workers.
- The problem of modern slavery cannot be tackled alone. It can only be addressed through effective partnerships at local, national and international levels.

Performance against targets to end modern slavery

The Body Shop's first modern slavery statement, launched in March 2017, included a number of ambitious targets. The following pages are a summary of all the actions we took to make progress against these targets during 2017.



KEY



Amber = Progress towards targets has started but has been slower than planned.



Green = We have made the planned progress towards targets in 2017.

EXISTING APPROACH		2017 - 2020 TARGETS	PROGRESS TO DATE
ASSESSING RISKS OF MODERN SLAVERY	1	Apply ETI HRDD framework to our Ethical Trade and Modern Slavery programmes. Review effectiveness of our policies, procedures and programme to address modern slavery and ensure that our workplaces and those of our main suppliers are free from modern slavery, exploitation and discrimination, and that all workers have the opportunity to enjoy freedom, security and equity at work.	Applied HRDD framework to developing our supply chain Modern Slavery programme and will apply it to our own operations. Reviewed the effectiveness of our policies, procedures and programme for ending modern slavery in our supply chain.
	2	Take a systematic approach to identifying the main risks of modern slavery and exploitation in our supply chain.	Risk assessed suppliers in our Ethical Trade programme. Will now apply this throughout our business to assess risks and opportunities to prevent modern slavery and improve the lives of victims, including remediation where applicable.
	3	Every supplier to sign Standard Terms and Conditions of Purchase for Goods and Services and our Code of Conduct, committing them to the ETI base code.	All suppliers signed Code of Conduct committing them to decent working conditions in their supply chain, including preventing all forms of exploitation and a specific clause on preventing modern slavery added to contracts.
	4	Request our main suppliers (as defined in the Ethical Trade programme policy and Operating Practices communicated to suppliers via policy and Supplier Handbook) become members of Sedex. Ask suppliers to commission Sedex accredited auditors to undertake a full ethical audit of their facilities and remedy all identified non-compliances based on a Corrective Action Plan prepared by the auditor.	We ask all our Ethical Trade suppliers to join Sedex and conduct high-quality ethical audits, produce CAPs and score well or make tangible improvements.
	5	Increase participatory audits to identify relevant labour issues in suppliers' organisations, including the concerns of workers who are most at risk of modern slavery.	Conducted one participatory audit of our key supplier in China. We will expand participatory audits and worker-centred follow-up visits.

EXISTING APPROACH		2017 - 2020 TARGETS	PROGRESS TO DATE
ACTING ON RISKS OF MODERN SLAVERY	6	Take immediate steps to address any human rights abuses in our supply chain.	No apparent direct cases of modern slavery in our supply chain so no specific known abuses to address to date.
	7	Provide remediation for workers who have been involved in modern slavery (avoiding further harm).	<p>Started working with companies and other stakeholders to build understanding of how to protect victims of modern slavery around the world, e.g. through Ethical Trading Initiative Vulnerable Workers Group.</p> <p>Joined crime prevention and modern slavery partnership near our UK office so we can respond quickly and effectively if we find evidence of modern slavery in our UK supply chain.</p>
	8	Identify and act on changes to working practices to prevent modern slavery in our supply chain.	As poverty is a factor in modern slavery, we committed to expanding our Community Trade fair trade programme and ensuring that these ingredient suppliers treat workers with dignity and respect.
	9	Have a designated team to manage our Ethical Trade programme, whose primary function is to visit suppliers regularly to discuss ethical trade challenges and opportunities, including modern slavery, and develop best practice.	A team of 8 people works on ethical trade, Community Trade and sustainable sourcing.
	10	Take a positive engagement approach to working with our suppliers and provide regular training on ethical trade so suppliers are better able to understand and maintain decent working conditions.	Positively engage with suppliers who are committed to meeting our ethical trade standards. Discontinue relationships with suppliers who fail to honour this.
	11	Work in partnership with other key stakeholders to develop appropriate educational material in local languages for workers about their roles, responsibilities and employment rights.	Encouraged our UK suppliers to display specialist NGO Stronger Together's materials on modern slavery on worker noticeboards. In China, arranged for suppliers to attend ETI training on modern slavery.

EXISTING APPROACH		2017 - 2020 TARGETS	PROGRESS TO DATE
	12	Enable workers in our supply chain to access their right to freedom of association and collective bargaining (establish workplace associations and negotiate with employers without fear of discrimination).	We ask all suppliers to recognise these rights via our code of conduct, and create opportunities for workers' committees if employees request this. Also applied to cooperative members via our Sustainable Sourcing Charter, encouraging male and female representation.
	13	Provide training and capacity building on worker- management communication and negotiation.	Working with Stronger Together to develop an appropriate model to start rolling out among our suppliers in 2018.
	14	Establish grievance and remediation systems for use in our supply chain by people who have experienced modern slavery.	Commissioned a study by Stronger Together to develop an appropriate grievance system for our supply chain. Its key recommendation was to focus on preventing modern slavery by improving worker-management dialogue in the first instance rather than just having a grievance system.
	15	Expand our Ethical Trade programme to include indirect suppliers and contract workers in our retail stores and distribution centres.	Included our UK Distribution Centre, main transport provider and facilities contractors in our Ethical Trade programme. We will include other indirect suppliers and contract workers who are at high risk of modern slavery into this programme.
STRENGTHENING OUR COMMUNICATION AND APPROACH TO TACKLING MODERN SLAVERY	16	Ensure that The Body Shop's directors and other key internal stakeholders receive monthly updates on the ethical performance of our suppliers.	We distribute monthly reports across our organisation on our suppliers' ethical trade performance. Our Director of Strategy and Ethical Trade oversaw that in 2017.

EXISTING APPROACH		2017 - 2020 TARGETS	PROGRESS TO DATE
	17	Prepare an annual external report for the ETI, which is reviewed by a range of key external stakeholders.	Submitted report to ETI in April 2017.
	18	Publish a sustainability report that reports on progress in line with all of our values.	Our sustainability report is published every year (next due June 2018).
	19	Provide regular ethical trade updates on our website.	<p>We report extensively on our Community Trade programme. In line with UK legislation, our Modern Slavery Statement is also on our website.</p> <p>We regularly update our Community Trade Facebook page.</p>
	20	Attend regular conferences to share our experience on ethical trade and modern slavery.	Our Ethical Trade Team spoke at four events to share our learning on modern slavery and ethical trade.
	21	Train all our suppliers in our Ethical Trade programme in issues relating to modern slavery.	<p>Our suppliers in China attended a webinar on modern slavery using materials developed by the ETI.</p> <p>We will roll out similar training to our other suppliers across the world.</p>
	22	Raise the awareness of all employees of The Body Shop and our suppliers about modern slavery.	<p>Informed all employees when we launched our first modern slavery statement.</p> <p>Conducted three in-house training sessions on modern slavery for our corporate buyers.</p> <p>We will conduct regular training and information sessions for all employees, with input from expert organisations.</p>

EXISTING APPROACH		2017 - 2020 TARGETS	PROGRESS TO DATE
	23	Advocate for the end of all forms of modern slavery. Review the impact of our work to eradicate modern slavery on a regular basis, in partnership with a range of stakeholders including like-minded companies, voluntary organisations and trades unions.	<p>Working with other retailers and organisations to lobby governments to eradicate all forms of modern slavery and help victims of modern slavery avoid further harm.</p> <p>Started to work with our suppliers and the Bright Future Programme to find employment opportunities for victims of modern slavery in our operations and supply chain.</p> <p>Working with Sussex Police and Crime Commissioner to establish a local anti-trafficking hub.</p>
	24	Publicise the benefits of our Community Trade partnerships. Conduct regular press trips to Community Trade suppliers with international media and influencers.	Conducted four international press trips in 2017, to Kenya, Brazil, Rwanda, and Nepal, to highlight the importance and benefits of our Community Trade programme with suppliers of tea tree, babassu and moringa oils and paper products, respectively.
INCREASING OUR COMMUNITY TRADE AND SUSTAINABLE SOURCING	25	Double the number of our Community Trade suppliers.	<p>Sourced two new Community Trade ingredients and suppliers - we now have 31 Community Trade suppliers.</p> <p>Identified 4 new Community Trade suppliers that will come on stream in 2018.</p>
	26	Work to ensure that all of our renewable raw material suppliers meet the standards of our Sustainable Sourcing Charter.	<p>Began to assess traceability and Sustainable Sourcing Charter compliance of all natural ingredients in our products.</p> <p>Undertook an independent, third party ethical audit of our sericite (makeup component) supplier, based on NGO experts assessing this ingredient as potentially high risk for modern slavery. None was found.</p>

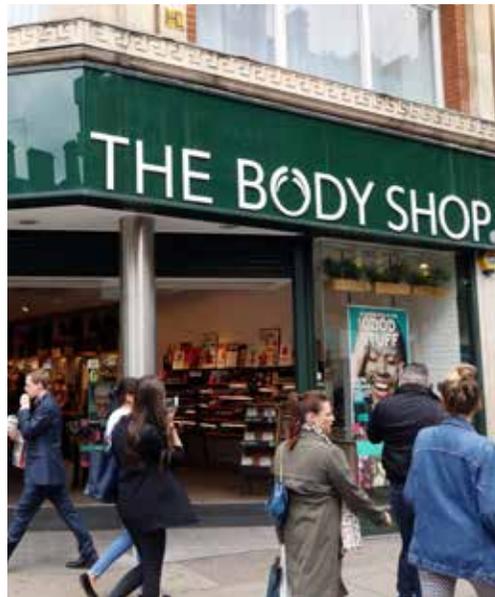
Overview of our business

Starting in 1976 with a single shop in Brighton, England, today we have more than 3,000 stores in 68 countries. Approximately two-thirds of these stores are franchises (run by others on our behalf, in line with strict agreements).

We sell a range of over 1,000 products directly in store, through our e-commerce websites and our direct sales channel, The Body Shop at Home™. In 2017 The Body Shop directly employed 10,000 people and our franchise partners employed around 12,000 further people.

Our head office is based in Croydon, London, and we have a large operations centre in Littlehampton in southern England. Between 2006 and September 2017 L'Oréal Group owned The Body Shop. In September 2017, we became part of the Natura &Co group, comprised of The Body Shop, Aesop and Natura. Our sister brand, Natura, is a leading cosmetics brand in Brazil. Sustainable development has been one of its key guiding principles since it was founded in 1969.

As a retailer, we do not manufacture our own products. Instead, we work with 137 ethically approved suppliers around the world who do so for us. We also work with 31 Community Trade suppliers who provide us with a range of high quality,



fairly traded ingredients and accessories, while also providing income opportunities for thousands of marginalised producers - often in areas at increased risk of modern slavery. In 2017 our commercial supply chain employed 45,000 people while 12,450 smallholders and artisan producers supplied us through our Community Trade programme.

In 2017 the scope of our Modern Slavery programme focused on our suppliers of finished goods (which are included in our Ethical Trade programme). In 2018 and beyond, we intend to expand the scope of our Modern Slavery programme systematically to include our own operations, The Body Shop at Home™ consultants, natural ingredient processing operations and non-Community Trade natural ingredient suppliers.



Modern Slavery Policies

Our commitment to being an ethical business and ending human exploitation goes further than our policies on ethical trade and modern slavery. For more than 40 years, The Body Shop has strived to do everything in its power to prevent exploitation in our operations and supply chain. We have also led campaigns and new approaches to help address the vulnerability which can lead to modern slavery outside of our business.

For 30 years, we have traded fairly with marginalised communities around the world through our Community Trade programme, the first fair trade programme in our industry.

Our Community Trade programme helps to prevent modern slavery on three levels. Firstly, it provides a high level of traceability that allows us to identify and exclude slavery from our supply chain. Secondly, through paying a fair price and building long-term relationships with small-scale suppliers we help to secure decent livelihoods for vulnerable people, helping them to reduce the risk of exploitation and slavery. Thirdly, we support initiatives that help to increase awareness of modern slavery.

Many of our Community Trade producers are based in areas where slavery is a significant issue, such as India and Nepal. In these countries, we have helped communities to develop projects that increase awareness of the risks of modern slavery and create safe spaces for victims to reintegrate into society.

For example, our Community Trade supplier of paper bags and boxes, Get Paper Industry in Nepal, runs training and awareness programmes to prevent girls from being trafficked and sexually exploited. It also runs an income generating savings and credit scheme to improve girls' economic, social and educational status. Currently, more than 1,000 girls benefit from these schemes.

In 1998 we became a founding member of the ETI. This membership complements our Community Trade programme and supports our commitment to being a force for good, by helping to ensure that our suppliers have decent working conditions.

ETI Base Code



The ETI Base Code is an internationally recognised set of labour standards based on ILO conventions. It is used by ETI members and others to drive improvements in working conditions around the world.

www.ethicaltrade.org



Employment is freely chosen



Freedom of association and the right to collective bargaining are respected



Working conditions are safe and hygienic



Child labour shall not be used



Living wages are paid



Working hours are not excessive



No discrimination is practised



Regular employment is provided



No harsh or inhumane treatment is allowed

Modern Slavery Policies

Working in partnership with other companies, non-governmental organisations (NGOs) and trades unions, we helped to establish the ETI base code. This framework commits ETI members to ensure that, within their company:

- All employment is freely chosen
- Freedom of association (the right to form, join or leave workplace interest groups) is recognised
- Working conditions are safe and hygienic
- Child labour is not used
- Living wages are paid
- Working hours are not excessive
- No discrimination is practised
- Regular employment is provided
- No harsh or inhumane treatment is used.

Over the last 20 years, The Body Shop has asked all its suppliers to follow these standards and to sign a Code of Conduct that commits them to ensuring decent working conditions in their supply chain. Since 2001, we have worked with members of Sedex (a platform for sharing data on responsible supply chains) to develop a tool to assess factory working conditions and ensure they are free from modern slavery and exploitation.

In launching our Enrich not Exploit™ Commitment in 2016, we deepened our focus on ethical trade and eradicating modern slavery. We developed a stricter Sustainable Sourcing Charter that commits us to ensuring that all of our

natural ingredient suppliers are traceable, operate sustainably and treat workers with dignity and respect.

We published our first modern slavery statement in March 2017. In accordance with the Modern Slavery Act (2015), it outlines the steps we take to prevent modern slavery and commits us to two key forms of action:

Address issues in our own operations and supply chains.

This includes prioritising the issues that most affect workers, taking into account the national context and our commercial leverage. It also commits us to draw on available good practice frameworks and avoid being over-reliant on audits and compliance.

Identify the root causes of labour abuses, by tackling the systemic issues that keep workers vulnerable to modern slavery.

This includes collaborating with peers and other supply chain organisations, and lobbying governments to protect human and labour rights. It also commits us to changing business practices or models that hinder human and labour rights and removing barriers to representation (such as via trades unions) and gender equality in the workplace.

In 2017 we deepened our commitment to preventing modern slavery in our supply chain by adopting the ETI Human Rights Due Diligence Framework (see figure on next page) and taking a more systematic approach to identifying and resolving risks of modern slavery.



ETI HUMAN RIGHTS DUE DILIGENCE FRAMEWORK

Key steps that companies should take to prevent, manage and mitigate human rights abuses in their own operations and supply chains.





Tackling modern slavery outside our business

Most commercial shea is exported as kernels, providing little benefit to the women who harvest the crop in West Africa. Our Community Trade shea butter production takes place in Ghana, enabling 550 local women to earn a fair income from collecting the kernels and transforming them into a rich butter to be exported.

In 2011 we worked with other shea stakeholders to establish the Global Shea Alliance and, up to and including 2017, we continued to be strong members of the organisation, attending and sponsoring meetings. The alliance helps to build a more sustainable and profitable shea industry that improves the livelihoods of rural West African women and their communities, many of whom are at risk of exploitation or modern slavery. The alliance's Sustainability Principles clarify the steps that organisations must take to have sustainable and exploitation-free shea supply chains.

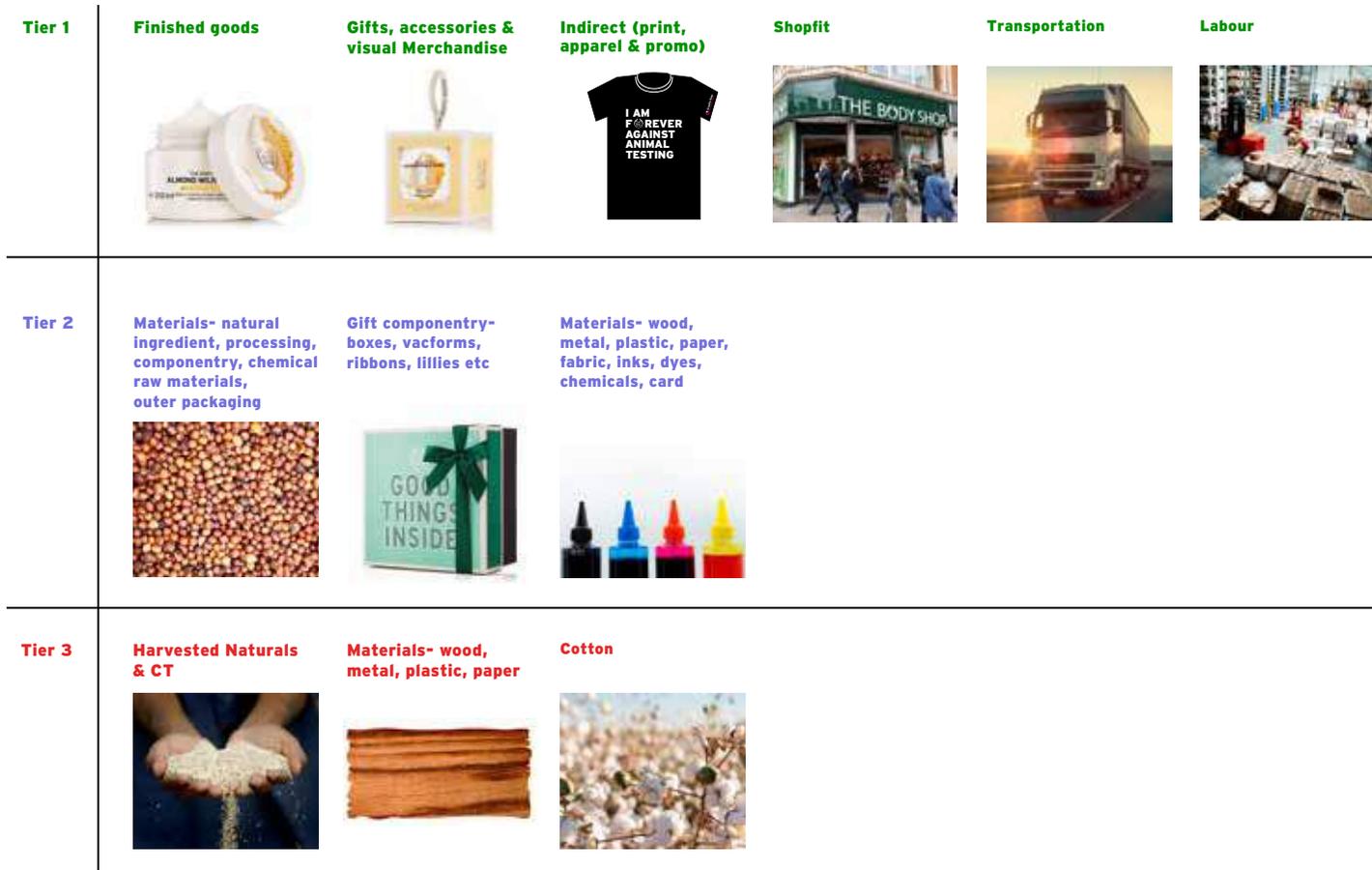
The Body Shop supply chain

The Body Shop has a policy of developing long-term relationships with suppliers. We have traded with over 25% of our suppliers for more than 20 years, enabling us to build trust, confidence and mutually beneficial relationships. This also allows us to develop solutions to commercial, environmental and/or social issues together.

We divide our supply chain into three tiers (see figure below). The first tier refers to suppliers that manufacture our final products (including cosmetics, gifts and accessories, and shop-fit print, apparel and promotional items), transportation providers and recruitment companies who all supply us directly. Our second tier includes suppliers who process natural ingredients or materials for us and suppliers of gift components. Our

third tier mainly consists of suppliers of natural ingredients and materials that go into our products. In some cases, our second and third tier suppliers do not supply us directly.

At the end of 2017, we traded with 137 first tier suppliers and 31 Community Trade suppliers and sourced from over 400 natural ingredient suppliers. Most of our first tier suppliers are based in the UK, EU and the Far East but our Community Trade and natural ingredient suppliers are located all over the world. The geographical distribution of our supply chain is outlined on the next page.



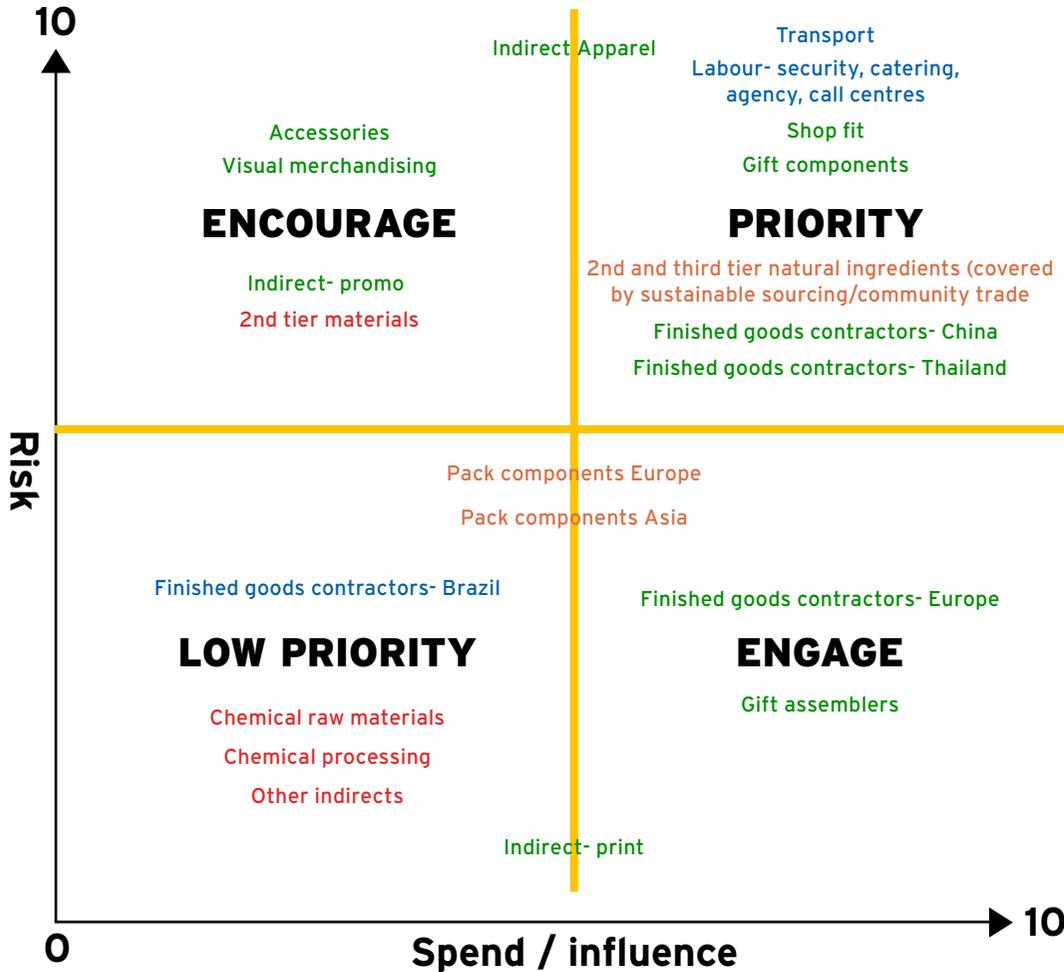
THE BODY SHOP SUPPLIERS BY COUNTRY (2017)

First tier suppliers (Final production sites, service providers, transport providers, recruitment agency for UK facilities and Distribution Centre)	No.	Community trade suppliers	No.	Non-Community Trade ingredient suppliers	No.
Australia	4	Bangladesh	2	Brazil	4
Austria	1	Brazil	3	Bulgaria	1
Bangladesh	1	Cameroon	1	Chile	1
Brazil	1	Ecuador	1	China	5
China	58	Ethiopia	1	Costa Rica	1
France	9	France	1	Ecuador	1
Germany	3	Ghana	2	Egypt	2
Honduras	2	Honduras	1	France	13
India	2	India	3	Greece	1
Italy	4	Italy	1	Hawaii	1
Japan	1	Kenya	1	India	1
Lithuania	1	Mexico	2	Ireland	1
Malyasia	1	Morocco	1	Italy	6
Mexico	1	Namibia	1	Japan	4
Netherlands	1	Nepal	1	Macedonia	2
Poland	1	Nicaragua	1	Madagascar	3
Singapore	4	Paraguay	1	Morocco	2
South Korea	2	Peru	1	Namibia	1
Taiwan	1	Rwanda	1	Netherlands	1
Thailand	4	Russia	1	Nicaragua	1
United Kingdom	31	Samoa	1	Pakistan	1
United States of America	4	Spain	1	Polynesia (French)	2
		United Kingdom	2	Spain	1
				Sri Lanka	4
				Tahiti	1
				Thailand	2
				Tibet	1
				United Kingdom	2
				United States of America	1

TOTAL	137	31	67
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Ethical trade risk profile

Identification of risks and opportunities



- In scope
- Some coverage
- Not covered yet
- Out of scope

Risk Assessment Process

In 2017 The Body Shop drew on the ETI Human Rights Due Diligence Framework to identify and address the risk of modern slavery systematically throughout our supply chain. Through this process we mapped the ethical trade and modern slavery risk profile of our suppliers (see figure). This outlines the possible risk of exploitation in our supply chain and our ability to influence change, alongside priority areas for action within our supply chain and our current level of attention in this area.

Areas of higher risk identified

In consultation with a range of internal and external stakeholders (Anti-Slavery International, modern slavery experts Stronger Together and the Ethical Trading Initiative) and supply chain risk information used in the business, we developed a list of risk criteria and identified the areas of our supply chain with the highest risk of exploitation and modern slavery:

- First tier suppliers
- Main transport suppliers
- Recruitment company used in our UK Distribution Centre
- Providers of our canteen and security services in the UK
- Suppliers of third tier, non-Community Trade ingredients and materials identified by third parties as high-risk in terms of modern slavery (including mica-sericite and natural ingredients from Italy, Romania, Greece, Cyprus and Bulgaria, EU countries cited in the 2017 Verisk MapleCroft study)

Monitoring and auditing in relation to modern slavery

Based on the risk assessment described in the previous section, we have now included all first tier UK Distribution Centre main transport suppliers, service providers and recruitment companies in our Ethical Trade programme. This requires all new suppliers to The Body Shop to sign a Code of Conduct (based on the ETI base code) and carry out a Sedex Members Ethical Trade Audit (SMETA) before conducting any business with us, and every three years after that.

Under the terms of our Ethical Trade policy, we will only trade with companies that commit to meeting ETI labour standards. We assess this during our supplier audits by interviewing workers, checking standards, inspecting sites, holding discussions with management and reviewing key documentation. At the end of an audit, all suppliers receive a Corrective Action Plan (CAP) based on Sedex guidelines, which outlines what (if any) actions are required to meet ETI labour standards and become a supplier to The Body Shop.

We discuss each corrective action with the suppliers' managers and workers' representatives (when available), developing a time-specific action plan. Each corrective action is 'risk rated' as satisfactory, needs continuous improvement, needs immediate actions or zero tolerance, as defined and outlined in the tables on the following pages.

Our policy is that any new supplier in our Ethical Trade programme must be rated in one of the two highest categories ('satisfactory' or 'needs continuous improvement'). We will trade with an existing supplier rated 'needs immediate action' as long as it commits to resolving identified issues by an agreed deadline. Wherever possible, we adopt a positive engagement approach to our ethical trade work - we work with suppliers to resolve any issues that arise rather than

immediately severing relationships, as we believe this is the best way to have a positive impact on our industry. However, where necessary, we do end trading relationships. In 2017, 64 of our first tier suppliers were audited using the SMETA methodology and our Ethical Trade team made 36 follow-up visits to suppliers. We also piloted a participatory audit to understand how to improve suppliers' worker retention levels by improving workers' satisfaction.

These audits found no apparent form of modern slavery in The Body Shop supply chain. Although audit findings varied depending on the supplier's location and type of product, the most common forms of non-compliance were: inadequate health and safety measures; excessive and underpaid overtime; a lack of regular employment and the need to pay social insurance contributions in line with new legislation.

During 2017 we also visited 19 of our Community Trade suppliers to strengthen relationships and review their progress. A key issue for female smallholder producers was their need to assess their total cost of production and price ingredients accordingly. We are leading the field in encouraging suppliers to adopt this total cost approach.

The inspection and certification body ECOCERT also audited our Community Trade programme to ensure that our suppliers and The Body Shop met the high standards in our Sustainable Sourcing Charter, including in areas related to modern slavery such as forced labour. They also made recommendations for improvement, such as on awareness of the contents of the charter, which we have followed up and acted on with suppliers.

Site assessment ratings - new suppliers

Assessment rating	Business status	Follow-Up Actions	Next Assessment
Satisfactory (S) All criteria assessed are in compliance with the ETI Base Code and best practice is highlighted	OK for business	None required	Within three years
Needs continuous improvement (NCI) Isolated or minor non-compliance identified that are not having any impact on workers' health and safety	OK for business	Non-compliance to be addressed and verified by original auditor. Implementation of CAP to be monitored by Buyer.	In line with CAP - follow-up visit may be required to verify corrective action. Full re-audit required within 3 years.
Needs immediate action (NIA) Severe non-compliances identified, which are either recurrent or may have a direct impact on workers' health and safety	No business	Non-compliance to be addressed and verified by original auditor. Implementation of CAP to be monitored by Buyer.	In line with CAP - follow-up site visit is required after factory implements the corrective action. Any new policies or procedures must run for a minimum of 90 days and maximum of 180 days before follow-up visit takes place.
Zero tolerance (ZT) Critical non-compliances identified, such as: Child labour Modern slavery: forced labour bonded labour trafficking Immediate risk of accident or danger to workers' health and safety Attempt to corrupt the auditors	No business	Assessment company to contact our Ethical Trade Department immediately. Zero tolerance issues to be addressed on a case-by-case basis. Strong recommendation to engage with external continuous improvement expert to address identified zero tolerance issue.	
Access denied (AD) Complete or partial access denied to the site or documents requested by the external auditors that prevent them from conducting the audit process	No business	Assessment company to immediately notify us. Buyer to contact site to understand why access was denied.	

Satisfactory (S)
 Needs continuous improvement (NCI)
 Needs immediate action (NIA)
 Zero tolerance (ZT)
 Access denied (AD)

Site assessment rating - existing suppliers (re-audit)

Assessment rating	Business status	Follow-Up Actions	Next Assessment
Satisfactory (S) All criteria assessed are in compliance with the ETI Base Code and best practice is highlighted	OK to continue business	None required	Within three years
Needs continuous improvement (NCI) Isolated or minor non-compliance identified that are not having any impact on workers' health and safety	OK to continue business	Non-compliance to be addressed and verified by original assessor in no more than 180 days. Buyer to monitor implementation of CAP.	In line with CAP - follow-up visit may be required to verify corrective action. Full re-audit required within 3 years.
Needs immediate action (NIA) Severe non-compliances identified, which are either recurrent or may have a direct impact on workers' health and safety	OK to continue business	All identified non-compliance to be addressed and verified through follow-up visit by original auditor in no more than 90 days. Buyer to monitor implementation of CAP.	Follow-up site assessment required after factory implements corrective action. Any new policies or procedures must run for a minimum of 90 days. Full re-audit required within 3 years of initial audit.
Zero tolerance (ZT) Critical non-compliances identified, such as: Child labour, modern slavery: forced labour bonded labour, trafficking, immediate risk of accident or danger to workers' health and safety, attempt to corrupt the auditors	Stop business	Assessment company to contact our Ethical Trade Department immediately. Zero tolerance issues to be addressed on a case-by-case basis. Strong recommendation to engage with external continuous improvement expert to address identified zero tolerance issue.	
Access denied (AD) Complete or partial access denied to the site or documents requested by the external auditors that prevent them from conducting the audit process	Stop business	Assessment company to immediately notify us. Buyer to contact site to understand why access was denied.	

Satisfactory (S)
 Needs continuous improvement (NCI)
 Needs immediate action (NIA)
 Zero tolerance (ZT)
 Access denied (AD)

Actions taken to prevent and address modern slavery

To resolve the issues for workers that emerged through our risk assessment activity and ethical audit programme in 2017, we conducted the initiatives outlined below.

These activities focused on first tier supply chains in China and third tier suppliers internationally, as they were identified as potential high-risk areas for modern slavery. We will focus on second tier suppliers during 2018.

First tier suppliers:

Health and safety - All suppliers in China received training in key health and safety issues. They also had access to a local health and safety legislation app developed by local organisation Extensive Standard Technical Services, which provides advice on how to address health and safety non-compliance.

Excessive overtime - We initiated a programme with the TAOS Network in China that focused on promoting worker-management dialogue to develop a collective solution to excessive working hours.

Payment of social insurance - In partnership with the ETI in China, we developed a video on social insurance payments and trained all our suppliers in China on their new legal requirements. All our suppliers met our target of paying 80% of the social insurance required under the new law.

Grievance systems - As recommended by the ETI, we commissioned a study by Stronger Together to look at effective grievance systems to improve working conditions and reduce the risk of modern slavery in our operations. This study recommended that we help develop stronger worker-management dialogue in our supply chain for workers who are most at risk of becoming trapped in modern slavery, such as unskilled and migrant workers. Giving these workers greater visibility and more of a voice in our supply chain should help to increase their protection from modern slavery.

Gender - In partnership with the ETI we also gender mapped our supply chain in China, in order to gain a more nuanced understanding of issues facing workers. This identified worker-management dialogue, childcare provision and skills in conflict resolution as the most pressing issues for female workers employed by our suppliers.

Third tier ingredient suppliers

Community Trade - In 2017 we began mapping our non-Community Trade ingredient and material suppliers. Based on NGO experts assessing sericite (a makeup component) as a resource with a potentially high risk of modern slavery in its supply chain, we undertook an ethical audit of our supplier. This audit identified no non-compliance at the supplier and indicated that its decent working conditions met our ethical trade standards.

Protecting workers at risk of becoming modern slaves - We joined the ETI vulnerable workers group with the hope of working together with other brands, NGOs and trade unions to tackle the increasing risk of modern slavery in EU supply chains, including in Italy, Romania, Greece and Bulgaria.

General actions - As our understanding of modern slavery has deepened, we have come to appreciate the importance of addressing modern slavery at the local level and working in partnership with others. We and some of our suppliers are working with the Sussex Police and Crime Commissioner to establish a network to eradicate modern slavery in Sussex, where our largest office, workforce and Distribution Centre are based. We have encouraged our UK suppliers to put up worker noticeboard posters on modern slavery awareness and prevention.

Training on issues around modern slavery - In 2017 we carried out three in-house training sessions on our ethical trade standards and modern slavery for our corporate buyers and suppliers. This was to increase awareness and develop steps to prevent, reduce and resolve potential cases of exploitation in our supply chain.

We held an ethical trade supplier workshop for all of our suppliers in China. Local experts provided updates on emerging ethical trade issues in the region and provided technical support on

addressing a range of issues, including improving working conditions in factories. This included workshops on social insurance and health and safety and worker retention. We also provided supplier training via a webinar on modern slavery, using materials developed by the ETI.



Reporting and communication in relation to modern slavery

Every year we report to the ETI on the progress of our Ethical Trade programme against agreed targets, and the ethical trade performance of our suppliers against the ETI base code, including from our Community Trade programme where relevant, and in line with our approach to integrate both strands of work. This includes the steps we and our suppliers are taking to prevent and address modern slavery and exploitation.

In 2017 we strengthened our internal ethical trade reporting mechanism and introduced a monthly dashboard to improve the monitoring of working conditions in our supply chain and deliver on our ethical trade and modern slavery commitments. We made a concerted effort to increase communication on our Ethical Trade and Modern Slavery programme, including:



- POSTING REGULAR STORIES ON OUR FACEBOOK PAGE
- ADDING AN ETHICAL TRADE SECTION ON OUR WEBSITE
- SPEAKING AT A NUMBER OF CONFERENCES TO SHARE OUR LEARNINGS ON ETHICAL TRADE AND MODERN SLAVERY WITH OTHER COMPANIES AND INTERESTED PARTIES
- HOSTING FOUR PRESS TRIPS TO OUR COMMUNITY TRADE INGREDIENT SUPPLIERS TO RAISE AWARENESS OF HOW WE WORK IN PARTNERSHIP WITH OUR SUPPLIERS TO OVERCOME SOCIAL AND ENVIRONMENTAL CHALLENGES

Throughout the year, we regularly consulted internal and external stakeholders and adapted our Ethical Trade and Modern Slavery programme to ensure that it included all practicable steps to enable decent working conditions and eradicate modern slavery in our supply chain. This included consulting with the ETI (and joining the ETI vulnerable working group) and commissioning Stronger Together to review and develop appropriate grievance systems for our main suppliers.

Conclusion

In 2018, our wider objective on modern slavery is to build on our current work by broadening and deepening our activities while ensuring that our Modern Slavery programme is more impactful and constantly improving.

Specifically, we aim to:

- **Extend our application of the Human Rights Due Diligence Framework further across our operations and supply chain. This includes natural ingredients and Community Trade suppliers with further modern slavery risk analysis.**
- **Revise our Ethical and Sustainable Sourcing policies to include management systems that address issues related to modern slavery.**
- **Increase the number of participatory audits to better understand and address workers' most salient issues, including most vulnerable workers.**
- **Expand the number of projects that we engage in at individual supplier, sector and policy levels. This is to address the root causes of poor working conditions and modern slavery.**
- **Increase internal and external communications on modern slavery to raise awareness about modern slavery to our staff and customers. We will also participate in events where we can learn from others and share our lessons with other cosmetics companies and key stakeholders.**
- **Increase the capacity of our Ethical and Sustainable Sourcing teams and recruit people that have expertise in modern slavery.**
- **Benchmark our activity against best practice.**
- **Convene a stakeholder panel in 2018 to review our Modern Slavery programme and develop future targets.**

