

THE BODY SHOP®

Sustainable Sourcing Charter

Version 1.0 [08.02.16]

Introduction

Our story started with Anita Roddick's belief in something revolutionary; that business could be a force for good, and in 1976 The Body Shop was born. We've always done things differently, broken the mould, been bold, been brave.

Today our commitment is stronger than ever; to enrich, not exploit.

For us this means enriching people as well as our planet, its biodiversity and resources. We are committed to working fairly with farmers and suppliers and helping their communities to thrive. Our products enrich, but never make false promises and are never tested on animals.

We are proud to be original, irreverent and campaign for what is right; together we can do it.

Enrich Not Exploit™. It's in our hands.

The Body Shop International created its Community Trade sourcing programme in 1987. Originally known as 'Trade not Aid', our pioneering fair trade programme was developed to revolutionize the way we source some of our key natural accessories and ingredients directly from small producer groups across the world. With this Sustainable Sourcing Charter we are building on the experience of this innovative programme, as well as contributing to the L'Oreal Group's Sharing Beauty With All (SBWA) programme¹. Not only will our Community Trade programme double in size by 2020, but we are also introducing clear guidelines for *all* renewable raw materials², natural accessories and componentry used by us.

This Charter states how we envision sustainable supply chains, clearly laying out our aspirational targets for sourcing that mirror our company's Enrich Not Exploit™ commitment. Whilst some supply chains will be exemplary and can provide lessons learnt, there will be others that need assistance in starting the journey. The Body Shop International recognises that each supplier and supply chain is unique and will be assessed on an individual basis, depending on the local situations and mindful of cultural nuances. Where appropriate we will bring our expertise to build capacity in the supply chain and we would like to empower suppliers to meet the social and environmental criteria, building on each of their own strengths and aspirations. Our vision is for a joint goal of working towards meeting our retail demand in a sustainable way.

Guided by the company's Enrich Not Exploit™ commitment, the Charter is divided into the following sections: Enrich Planet, Enrich People, Enrich Product, and echoing our previous Community Trade charter the final section is The Body Shop Supplier Commitments. Supporting this Charter are the Implementation Rules³ which outline the details of how to implement these principles within the supply chain. Each section of the Charter outlines the minimum mandatory criteria we would expect our suppliers to meet, drawing on recognised and expected best practice. In addition, we have outlined progression criteria that indicate leading sustainable and ethical supply chain practices for suppliers that want to go beyond the minimum, exemplified by our Community Trade suppliers. These suppliers not only commit to paying fair prices, but are also leading examples of positive social and environmental impact.

As part of our company's Enrich Not Exploit™ commitment, The Body Shop International™ has set itself the following targets by 2020, through its Sustainable Sourcing Programme:

- **Ensure 100% of our natural ingredients are traceable and sustainably sourced, protecting 10,000 hectares of forest and other habitat**
- **Double our Community Trade programme from 19 to 40 ingredients and help enrich the communities that produce them**
- **Help 40,000 economically vulnerable people access work around the world**
- **Develop an innovation pipeline that delivers pioneering cosmetic ingredients which are sustainably sourced from biodiversity hotspots and helps to enrich these areas**

¹ Sharing Beauty with All: L'Oreal's Sustainability commitment to source 100% renewable raw materials from sustainable sources by 2020

² Renewable Raw Materials: a raw material is considered renewable if its carbon content from renewable source is > 50% of its total carbons.

³ Implementation Rules: include evidence needed for each criteria, guidance on how supply chains will be assessed, and illustrations of equivalent Third Party certifications

PRINCIPLE 1: ENRICHING THE PLANET

Today our planet and its finite resources are under unprecedented strain as levels of human activity increase: too many species have been lost, and ecosystems destroyed, while biodiversity loss continues to accelerate. We all have a responsibility to protect and nurture the environment that sustains us. We believe that through our trade we can help to protect ecosystems, as well as positively enriching them, ensuring their success for future generations. Importantly, people have been stewards to their environment in the past, and we need to see this responsibility protected and reignited for the future. The Body Shop International, a pioneer in fair trade for cosmetics, will be taking its strong track record of working with communities to extend the role of its suppliers⁴ to tackle environmental issues too. To do this all Supply Chain Actors in the supply chain need to be aware of the scope of their environmental impact. The Body Shop International would like to see all parties in the supply chain identify and manage any negative environmental impacts, to go further by making positive contributions to their direct environment, and where possible to the surrounding landscape. Community Trade supply chains will particularly be expected to make net positive environmental contributions.

Mandatory Entry Criteria

- 1.1 Legal compliance with environmental regulations:** Supply Chain Actors comply with all relevant local, national and international laws and regulations (whichever offers the highest protection), especially those referring to use of land, water and other resources, and agrochemicals.
- 1.2 Do no harm to the environment:** Supply Chain Actors avoid or adequately manage known negative impacts on their direct environment, and they will not be involved in deforestation or forest degradation. Where products are sourced from *Sensitive Areas*, they will ensure that they are not involved directly or indirectly in the degradation of the *High Conservation Values* of these areas.
- 1.3 Sustainable wild harvesting and collection:** Producers of wild harvested species ensure that this is done sustainably, and those species on the CITES list shall only be harvested or traded in accordance with CITES provisions.
- 1.4 Promote Good Agricultural Practices:** Supply Chain Actors actively promote the use of locally adapted Good Agricultural Practices to ensure environmental, economic and social sustainability for on-farm processes.

Progression Criteria

- 1.5 Environmental impact:** Supply Chain Actors are aware of the environmental impact of all their operations with identification of negative impacts to the direct environment and beyond to the surrounding landscape. They prioritise necessary remedial actions and have current management systems to avoid or minimise such environmental impacts.
- 1.6 Sustainable agricultural practice:** Supply Chain Actors follow locally adapted Good Agricultural Practices at all levels of production from seed to product, to ensure that soil, water and genetic resources are used sustainably (including a non-GM policy); that farmers, workers and people in the farming communities are protected; and that they can gain sustainable livelihoods from their farming activities.
- 1.7 Environmental enrichment:** Supply Chain Actors demonstrate net positive contributions to local ecosystems and, where present, to forests, areas protected for conservation, cultural value or identified areas of importance for biodiversity, such as Biodiversity Hotspots or Global 200 Ecoregions.
- 1.8 Carbon balanced:** Supply chain actors will identify opportunities for reducing CO₂ emissions in their supply chains, especially at Producer level.

PRINCIPLE 2: ENRICHING PEOPLE

We believe that everyone in our supply chains should be treated with respect and dignity in line with The Body Shop's Ethical Trade Programme⁵ and where possible that a Living Wage is paid. We have a long track record with many Community Trade producers indicating how our trade has changed their lives. In turn their cultures, rituals and wisdom have brought inspiration to our use of natural ingredients, natural accessories and componentry. As the Community Trade programme evolves to address sustainability in its holistic sense we see the men and women in the communities we work with, as being key to help us achieve sustainability. The communities at the source of our supply chains are the stewards of their natural resources, and in a fast changing world we all need to be aware of

⁴ Suppliers within the scope of Sustainable Sourcing

⁵ The Body Shop International has had an Ethical Trading Programme in existence since its first trading days. The Body Shop International is a founding member of the Ethical Trade Initiative (ETI), and adopted the ETI Basecode within the Ethical Trade Programme in 2005.

the extra pressures that these communities face to sustain a livelihood, sometimes to the detriment of the natural environment around them. We need to be sure communities are able to protect both their interests and the environment. These principles are applied the entire way up our supply chain and in addition every criteria should be mindful of gender equality. Community Trade supply chains will strive to have community projects that will improve the lives of the surrounding communities, particularly with awareness of needs identified in the Sustainable Development Goals.

Mandatory Entry Criteria

- 2.1 Legal compliance with labour laws:** Supply Chain Actors comply with all relevant and applicable local, national and international laws and regulations (whichever offers the highest protection) especially those on free choice of employment, forced and bonded labour, employment minimum age, non-discrimination, freedom of association and the right to collective bargaining, health and safety at work, working hours and overtime, minimum wage and the prohibition of harsh or inhumane treatment.
- 2.2 No child labour:** Supply Chain Actors work on the elimination of the worst forms of child labour as defined in International Labour Organisation (ILO) Convention⁶ 182 and inappropriate child labour as defined in ILO Convention⁷ 138. Smallholders and homeworkers do not subject children and young people to hazardous activities or inappropriate tasks (relative to gender and age), and no work must interfere with the child or young person's education or development.
- 2.3 Access and benefit sharing:** Supply Chain Actors comply with legal and regulatory requirements for access to genetic resources and associated traditional knowledge, as well as for fair and equitable sharing of benefits derived from their utilisation, as applicable to their activities. Even if no legal or regulatory requirements are in place or applicable to their activities, suppliers will ensure that any research and development on the genetic and/or biochemical composition of genetic resources and utilisation of associated traditional knowledge reflects internationally-recognised principles on Access and Benefit Sharing, including prior informed consent and mutually agreed terms.
- 2.4 Good corporate citizens:** Supply Chain Actors honour contracts and commitments, pay on time, are transparent and consistent about terms and conditions, price setting and any deductions or bonuses. Supply Chain Actors respect, and act in the spirit of free and fair competition.
- 2.5 Facilitate supply chain relations:** Suppliers play a leading role in facilitating the relationships between all Supply Chain Actors in the supply chain and supporting The Body Shop with data collection for reporting purposes.

Progression Criteria

- 2.6 Employment within the community:** Supply Chain Actors provide meaningful employment to members of the community, particularly marginalised people(s) including any group that is economically, socially or politically marginalised e.g. indigenous tribes, refugees, asylum seekers, people with disabilities, gender discriminated (men or women).
- 2.7 No discrimination:** Supply Chain Actors promote non-discrimination within their business, and activities within the community.
- 2.8 Regular employment:** Supply Chain Actors provide regular employment where possible, as defined in the Ethical Trading Initiative's (ETI) Base Code⁸, and not use casual or seasonal labour where regular employment can be a viable alternative.
- 2.9 Fair wage:** Supply Chain Actors work with us to achieve our goal of giving all men and women working in our supply chains a Living Wage, or in the case of smallholders and homeworkers equivalent remuneration for their work, mindful of commercial viability. Suppliers ensure that wages are at least the local legal minimum wage or prevailing wage rates of similar industry and skill level available in neighbouring localities, whichever is higher, but aspiring to reach a Living Wage level.
- 2.10 Fair price:** a fair price will be agreed with The Body Shop International and will be received as per the agreed payment terms and on time.
- 2.11 Representation:** Producer Groups have mechanisms in place by which Producers (men and women) are included or represented in key decisions, to a degree that is appropriate. This includes determining the use of any Community Funds.

⁶ International Labour Organisation Convention on worst forms of child labour (entered into force 19th November 2000) C182

⁷ International Labour Organisation Convention on minimum age for employment (entered into force 19th June 1976) C138

⁸ Ethical Trade Initiative 'Base Code': <http://www.ethicaltrade.org/eti-base-code>

2.12 Grievance procedures: Supply Chain Actors have mechanisms in place to collect and remedy⁹ any complaints from those involved in the supply chain and stakeholders. With transparency, accessibility and effective management systems in place to manage their business in a way that avoids, minimises or adequately manages any adverse social impacts.

2.13 Community projects: Suppliers strive to contribute to improving the conditions of communities in their supply chains through projects that have been inclusively and transparently decided upon in consultation with the community¹⁰. Where funded by The Body Shop International either directly or through a price premium The Body Shop International should be part of the consultation and agreement should be sought on intended use.

PRINCIPLE 3: ENRICHING PRODUCT

At The Body Shop International, we are experts in caring for all different skin types, and take pride in sourcing high quality materials that deliver these results. This relies on great materials from suppliers who share our values, can deliver on time and to the standards that we require. This Charter sits alongside our Product Formulation Guidelines to help us develop products that deliver for people and planet. Community Trade suppliers will set the benchmark for the finest quality, provenance and service.

Mandatory Entry Criteria

3.1 Organisation and governance: Supply Chain Actors are effectively organised and governed. They have the capacity and management systems in place to meet defined quality standards and delivery times, to calculate accurate costings, to manage traceability, and to ensure compliance with any certifications required by The Body Shop International.

3.2 Traceability to country of origin: Suppliers ensure traceability of products to at least the country level.

3.3 Quality standards: Suppliers adhere to mutually agreed quality standards and assist producers to meet these standards.

3.4 On time and in full: Supply chains will deliver materials on time and in full.

Progression Criteria

3.5 Traceability to producer level: Suppliers ensure traceability of products to the Producer Group, and if possible to the individual Producer.

3.6 Finest materials: Suppliers promote production of high quality ingredients, natural accessories and componentry using the best methods to grow, harvest, extract and produce.

3.7 Innovation: Supply Chain Actors use the best technology and processes to enhance the customer benefit of the material, improve efficiency and reduce environmental impact.

PRINCIPLE 4: THE BODY SHOP SUPPLIER COMMITMENTS

We understand that a sustainable supply chain is a joint collaboration between us and our suppliers and so this principle defines what the supplier can expect from The Body Shop International. We will strive to have a transparent and supportive relationship with suppliers and to work constructively towards meeting our goals. The Body Shop International has always been committed to building sustainable trading relationships with Community Trade suppliers, and continues to create positive social and environmental impact in the local community.

Our commitments to our supply chain partners

4.1 Legal compliance: The Body Shop International will comply with all relevant applicable laws and regulations.

4.2 Facilitate supply chain relations: The Body Shop International will facilitate relationships between Supply Chain Actors in the supply chain.

4.3 Good corporate citizens: The Body Shop International will honour contracts and commitments, pay on time, be transparent and consistent about terms and conditions, respect, and act in the spirit of free and fair competition.

⁹ Ruggie Principles 'Protect, Respect and Remedy' (http://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR_EN.pdf)

¹⁰ Sustainable Development Goals may be a useful guide in prioritisation of projects

4.4 Penetration rate: For reasons of financial sustainability and risk management, sales to The Body Shop International should not account for more than 30% of the total turnover of a given supplier. Where sales are over 30% The Body Shop would like to see a time bound plan to review and if necessary adjust this rate.

Additional commitments to Community Trade supply chain partners

4.5 Fair Price: The Body Shop International will establish a Fair Price in consultation with men and women Producers and other Supply Chain Actors and will review that Fair Price periodically. It will ensure that the Fair Price is passed on through the supply chain to Producers.

4.6 Community projects: Where appropriate The Body Shop International will support community projects through price premiums or in some instances direct investment.

4.7 Favourable trading terms: Community Trade suppliers will receive favourable terms of trade. Depending on the situation, pre or part payment may be offered or supported through external agency

4.8 Targeted supplier support: The Body Shop International aims to understand our Community Trade supplier's capacity and organisational needs, and provide focused, targeted support or training where possible. This could be direct support from The Body Shop International or through external stakeholders such as local NGO's

4.9 Trading Commitment: The Body Shop International provides forecasts of its on-going requirements to the Suppliers to enable them and the Producer Groups to make informed decisions about production levels and business planning. We will also determine a Sustainable Business Level with Producer Groups that will deliver positive impact.

4.10 Soft landing exit strategy: In the event that The Body Shop International needs to exit a Community Trade supply chain, we will give at least 12 months' notice of the last order for the product. 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.

GLOSSARY

Access and benefit sharing: refers to the way in which genetic resources may be accessed, and how the benefits that result from their use are shared between the people or countries using the resources and the people or countries that provide them.

Biodiversity: means the variability among living organisms from all sources including, inter alia, terrestrial, marine and other aquatic ecosystems and the ecological complexes of which they are part; this includes diversity within species, between species and of ecosystems

Biodiversity Hotspots: a biogeographic region that is both a significant reservoir of biodiversity and is threatened with destruction. <http://www.cepf.net/resources/hotspots/Pages/default.aspx>; Myers et al, 2000. *Nature*. Vol 403. p853- 858. *Biodiversity hotspots for conservation priorities*.

Convention on International Trade in Endangered Species (CITES): the international agreement between governments with the aim to ensure that international trade in specimens of wild animals and plants does not threaten their survival.

Convention on Biological Diversity (CBD): Is the multilateral treaty that was opened for signature at the Earth Summit in Rio de Janeiro in 1992, and entered into force in 1993. It has three main goals the conservation of biological diversity (or biodiversity); the sustainable use of its components; and, the fair and equitable sharing of benefits arising from genetic resources.

Community: A social unit of people living in a geographical area (e.g. a village or town).

Community Fund: In addition to the Fair Price agreed with Producer Groups, The Body Shop may apply additional funds for social and environmental projects to spread the benefits of our trade to a wider community.

Fair and equitable sharing of benefits: refers to measures taken to ensure that benefits arising from the utilisation of biodiversity and associated traditional knowledge, as well as subsequent applications and commercialisation, are shared in a fair and equitable way with all those organisations or communities identified as having contributed to resource management, research and development, and commercialisation.

Fair Price: The Fair Price agreed between The Body Shop and the Community Trade Producer Group and Producers is based upon production costs including materials, overheads, margin and labour (as per Fair Wage definition).

Fair Wage: Payment made to a worker, or to remunerate labour input costs for work done by individual Producers. This will at least be the local legal minimum wage or prevailing wage rates of similar industry and skill level available in neighbouring localities, whichever is higher, and should aspire to reach the level of a locally defined Living Wage.

Global 200 Ecoregions: Large-scale priority areas of uniform ecological features, chosen for the conservation of the most outstanding and representative of the world's habitats. <http://www.biodiversitya-z.org/content/global-200-ecoregions>

Good Agricultural Practices (GAP): GAP are a set of location and product specific practices that responsible farmers would apply, based on best available knowledge and advice to achieve environmental, economic and social sustainability for on-farm production and post-production processes, resulting in safe and healthy food and non-food agricultural products. There are numerous GAP frameworks (such as the UN Food and Agricultural Organisation's GAP Principles¹¹) and codes of practice (such as the SAI Platform's Principles and Criteria¹²). The Body Shop International recognises that GAP need to be locally adapted and informed by local expertise. In this Charter the term GAP goes beyond agriculture to include, where appropriate, equivalent Good Practice codes in forestry, fishery, aquaculture, wild harvesting etc.

High Conservation Value: A biological, ecological, social or cultural value of outstanding significance or critical importance, as originally developed by the Forest Stewardship Council. <https://www.hcvnetwork.org/> and Key Biodiversity Areas (TBC link)

Living Wage: Remuneration received for a standard work week by a worker in a particular place sufficient to afford a decent standard of living of the worker and her or his family. Elements of a decent standard of living include food, water, housing, education, healthcare, transport, clothing and other essential needs including provision for unexpected events. (<http://www.isealalliance.org/>)

Materials: Renewable raw materials and natural accessories and componentry.

Marginalised groups: Marginalisation can be defined by a group's disadvantaged position in society, e.g. as based on economic, gender, ethnicity, class or caste, culture, politics, geography or other factors.

Mutually Agreed Terms: conditions for access to biodiversity and associated traditional knowledge, and the sharing of the resulting benefits, established between the users and the providers of these resources.

Nagoya Protocol: this is a supplementary agreement to the CBD that sets out a transparent legal framework for the effective implementation of the third objective of the CBD: the fair and equitable sharing of benefits arising out of the utilisation of genetic resources. It was adopted in 2010 and entered into force in 2014.

Prior Informed Consent: consent of the providers of biodiversity and associated traditional knowledge for access for research and development, granted without coercion, prior to the start of the activities, and on the basis of an understanding of the full range of issues and potential impacts.

Producer Group: The entity which organises the first level of aggregation of the products produced by individual Producers or workers this could include base raw materials or finished gifts and accessories. Producer Groups could include producer associations like cooperatives, or small and medium sized enterprises. Producer Groups are also described as Suppliers

Producer: An individual farmer, worker, collector, home worker, smallholder or other primary producer who is member of a Producer Group.

Renewable Raw Materials: A Raw Material is considered renewable when its carbon content from renewable source is above 50% of its total carbons.

Sensitive Areas: Sensitive Areas are any sourcing region that lies within a Biodiversity Hotspot or Global 200 Ecoregion

Sharing Beauty With All: The L'Oreal Sustainability Commitment whereby the L'Oreal Group commits to source 100% renewable raw materials from sustainable sources by 2020. <http://www.loreal.com/csr-commitments/sharing-beauty-with-all.aspx>

Supplier: The supplier of finished raw material, gift or accessory directly to The Body Shop, L'Oreal Group or nominated contract manufacturer or other commercial partner of The Body Shop or L'Oreal.

Supply Chain Actors: All trading partners directly involved in the supply chain that have custody of the product or a part or precursor of the product, including Producers, Producer Groups, intermediaries and Suppliers.

Sustainable Business Level (SBL): Is the income or investment that should be achieved on a trend basis to sustain the Producer Group, its Producer's livelihoods, community projects or other positive impacts defined in the project with that supplier.

Sustainable Development Goals: 17 goals set by world leaders to guide the universal policy agenda on the path towards sustainable development (United Nations Development Summit, 25-27th September 2015, New York). *United Nations (2015) Sustainable Development Goals* (<https://sustainabledevelopment.un.org/?menu=1300>)

Traditional knowledge: knowledge, innovations and practices of indigenous and local communities embodying traditional lifestyles relevant for the conservation and sustainable use of biodiversity.

Worker: Any person working for a Supply chain actor, permanent or seasonal and whether formally employed or not.

¹¹ FAO Good Agricultural Practices: http://www.fao.org/prods/GAP/home/principles_en.htm.

¹² SAI Platform Principles and Criteria are published for different product groups: <http://www.saiplatform.org/activities/working-groups>.