

Community Fair Trade Charter

The Body Shop International set up its Community Fair Trade sourcing programme in 1987. Originally known as 'Trade not Aid', the programme was started as a mechanism for the company to source some of its key accessories and ingredients directly from small producer groups in marginalised countries. Over 20 years later the programme is still working to achieve this aim, and has developed this operating framework to lay out the criteria for selection of new supplier groups, and what commitments are expected of suppliers and indeed of The Body Shop itself, once a trading relationship has started. More information on the programme can be found at: www.thebodyshop.com

Any comments or feedback, please contact: communitytrade@thebodyshop.com

GLOSSARY:

Supplier: the primary group that BSI trades with

Producer: an individual member of a supplier group (eg a farmer, coop member etc)

Worker: an individual worker contracted to work in a supplier group supply chain

Intermediary: the commercial intermediary responsible for bringing the suppliers' product to BSI manufacturers (eg refiner)

1 CRITERIA FOR INCLUSION OF SUPPLIERS IN COMMUNITY FAIR TRADE PROGRAMME

Selection Criteria: Used to define which supplier groups can be included in the Community Fair Trade (CFT) programme. Once a group is identified, these criteria are used as a baseline during the initial assessment phase, and are then used as a monitoring tool during subsequent visits by the Body Shop International (BSI), in conjunction with other Codes of Conduct, as appropriate (for example the Ethical Trading Initiative¹ homeworkers' and smallholder guidelines).

1.1 Supplier Group

Principle: Community Fair Trade suppliers are socially motivated and commercially viable groups

- 1.1.1 Suppliers are committed to improving the conditions of the communities in which they are based.
- 1.1.2 Suppliers are democratically organized producer groups consisting of small scale farmers or socially responsible small to medium-sized organisations with operations in marginalized communities.
- 1.1.3 In a few cases suppliers may be private enterprises with hired labour showing exceptional commitment to promoting social change and development, through market access programmes and community projects.
- 1.1.4 The supplier's operations and structure are sufficiently formalized and effectively practiced to promote workers' and/or producers' (or their elected representatives') active participation in key decisions.
- 1.1.5 Suppliers commit to having the capacity and relevant systems in place to manage traceability, compliance with certifications, quality standards. Competence in financial and fund management, governance and reporting should also be demonstrable.

1.2 Marginalised Communities

Principle: The Body Shop wants to direct the benefits of its trade to marginalised communities throughout the world

¹ For more information on the ETI please see: www.ethicaltrade.org

- 1.2.1 Marginalisation can be defined by the community's relative position in culture, politics, gender, geography or society.
- 1.2.2 Community programmes should work with any group that is economically, socially or politically marginalised e.g. indigenous tribes, refugees, asylum seekers, displaced peoples, children and women. We will work with supplier groups run by and for women wherever possible.

1.3 Environmental Awareness and Respect for Biodiversity

Principle: "Protect the Planet" is a core value for The Body Shop. Community Fair Trade suppliers' operations and their interaction with the environment, should be in accordance with this stance.

1.3.1 CFT suppliers are encouraged to understand the nature of the raw materials they supply to The Body Shop, in addition to any primary transformation processes, in order to understand and manage environmental impact.

1.3.2 Appropriate environmental management systems should be employed, and specific interest will be shown to suppliers who are able to demonstrate positive impacts on biodiversity and the environment.

1.4 Demand for the product

Principle: The Body Shop wants to establish long term direct relationships with the suppliers of its key ingredients and accessories.

1.4.1 Supply chains will only be set up when we can expect a long-term (at least 3 years) demand for the supplier group's ingredient or accessory, and be able to achieve a determined SBL across this timescale.

1.4.2 Ingredients should be able to be diversified across a variety of products (at least 10), and accessories should have the potential for diversification across different gift ranges. Ideally suppliers should be able to make a variety of different types of product.

2 COMMUNITY TRADE SUPPLIERS' COMMITMENTS TO THE BODY SHOP

Commitments from Suppliers: Used to define what the expectations are of the supplier (and primary supplier groups), in order to be included in the programme and comply with our criteria. The Body Shop recognises and respects the supplier groups' right to self determination, and will be guided by them on the best way to implement these commitments. The Body Shop is a member of the Ethical Trading Initiative, and has drawn on its Basecode, homeworker and smallholder guidelines for this section. We also expect all our suppliers to comply with all relevant national laws, in addition to the commitments listed below. Any intermediary companies involved in a CFT supply chain must agree to transmit all necessary information between the supplier and The Body Shop to enable compliance of the commitments listed below. BSI will monitor the ethical status of intermediaries in accordance with its Ethical Trade Programme.

2.1 **No forced labour:** including of family members and hired labour on individual farms and any production sites.

2.2 **Organisation and governance:** supplier group members and workers are allowed and encouraged to freely participate in key decisions and processes. In processing plants/factories where there are no Trade Unions, workers are encouraged to participate in worker councils. Where possible and practicable, the supplier will introduce a basic understanding of the Community

Fair Trade relationship with BSI to its members, clarifying the commitments made by both parties, and what returns or involvement members should expect.

- 2.3 **Safe and healthy environment:** All Community Fair Trade suppliers will be responsible for ensuring an appropriate healthy and safe working environment.
- 2.4 **Child labour:** there is no contracted child labour (ie under 15 years old), absolutely no hazardous activities or inappropriate tasks (relative to gender/age) are undertaken on family farms or production units, and any light work done doesn't interfere with the child or young person's education and development. If relevant, suppliers commit to work on elimination of worst cases of child labour within an agreed timeline.
- 2.5 **Payment:** workers/producers are paid at least the legal minimum wage, paid promptly, and the wages/rates received are transparent, with any justified deductions agreed beforehand. The fair price agreed with, and paid by The Body Shop should result in the agreed fair and stable wage/price paid to the actual workers/producers. Hired or contracted workers on farms should be paid at least the legal minimum wage.
- 2.6 **Overtime:** is always voluntary, and does not interfere with home/parental duties, or rest days. Where appropriate, workers/producers must have a day's rest every seven days.
- 2.7 **Discrimination** (gender, ethnic, caste): no discrimination is practiced, for example in purchasing practices, training opportunities offered, community projects, pay levels, and working conditions. Efforts should be made to ensure that any group that is economically, socially or politically in need (e.g. indigenous tribes, refugees, asylum seekers, displaced peoples, women and other marginalised groups) are benefiting from the relationship with BSI either through employment or community projects. The position, status and specific needs of women and children in a community must always be taken into consideration.
- 2.8 **Regular employment:** inform workers/producers about forecast of employment/demand opportunities, aiming to provide stable employment contracts wherever possible.
- 2.9 **Harsh or inhumane treatment:** all prohibited
- 2.10 **Management systems:** The Community Fair Trade supplier will need to provide annual audited accounts, and a brief yearly report to demonstrate how any trade income (price plus community fund where applicable) has been used, that fair prices have been paid, and all other commitments listed here have been understood and met. They must also ensure systems are in place to enable them to meet defined quality standards, delivery times, accurate costings, traceability where required, and maintenance of certifications. Management systems must also demonstrate the ability to maintain supply (and the income benefits thereof) sustainably over time without an enduring reliance on individuals.
- 2.11 **Environmental impact:** Suppliers should be able to demonstrate awareness of the environmental impact of their operations. An environmental management system is required to ensure that any identified impacts do not threaten the local biodiversity or environmental sustainability, within their sphere of influence.
- 2.12 **Community fund:** The Community Fair Trade supplier will be responsible for the management of any community fund for use in appropriate community development projects in consultation with local stakeholders. It is expected that the supplier group members decide democratically and transparently over use of the community fund. The Body Shop should be kept informed, but will not influence this decision unless it contravenes our CoC.

3 THE BODY SHOP COMMITMENTS TO COMMUNITY FAIR TRADE SUPPLIERS

Commitments from BSI: Used to define what the supplier can expect from BSI. BSI will strive to have a transparent and supportive relationship, to communicate openly, and ensure supplier participation in implementation of the commitments listed under sections 2 and 3 of this Charter. Any intermediary companies involved in a CFT supply chain are also expected to transmit necessary information between the supplier and the Body Shop to enable compliance of the commitments listed below.

3.1 Fair pay for work

Principle: We aim to pay the CFT supplier a fair price for a product that will enable member producers to be paid a fair wage or price.

- 3.1.1 Price setting for BSI is a process that begins with community consultation, collecting information from external stakeholders, as well as desk-based research and could consider benchmarking with local market wage rates if appropriate.
- 3.1.2 The basis for fair pricing is the actual production costs for the supplier, accounting for any labour involved in production at local minimum wage. Living wages estimations, wherever available, are also used in determination of a fair price. The CFT team will strive to make supply chains as commercially viable and efficient as possible, based on the agreed fair price.
- 3.1.3 In general, CFT prices need to be stable and should be fixed for at least one year, they are not subject to usual market dynamic and economics.

3.2 An enduring interest in, and support for, the development of the community

Principle: In addition to a fair price for the product we buy from the CFT supplier, BSI will apply a community premium on top of this price to fund community development projects implemented by suppliers, to spread the benefit of our trade to the wider community

- 3.2.1 Following a process of community consultation, BSI may pay a premium that will be invested into the local community. This premium will be paid into an independent 'community fund' managed by the supplier group and its members.
- 3.2.2 Through internal and external communication we aim to establish interest and a relationship between BSI staff, as well as consumers, with the supplier's community.

3.3 A predictable future

Principle: We commit to a long term, predictable trading relationship, which will enable suppliers to make informed decisions about production levels

- 3.3.1 BSI's CFT team will prepare a 12 month forecast of our ongoing requirements for CFT ingredients and gifts/accessories to the best of our ability with the information available to us from across the business, which will be communicated to CFT suppliers and intermediaries.
- 3.3.2 We update our suppliers regularly on our estimated future demand and any changes to forecasts.

3.4 A sustainable business level

Principle: We aim to achieve sustainable business levels with all CFT suppliers

- 3.4.1 In consultation with the CFT supplier, BSI will define a sustainable business level (SBL) that ensures a good impact of our programme while also not overstressing supplier capacity. The sustainable business level is the income that should be achieved on a trend basis to sustain the supplier and their producers' income, and support any envisaged community projects.

- 3.4.2 In our effort to achieve SBLs we will: using forecast data to monitor the effect that sales trends, new product development and product discontinuation will have on our demand, and we will manage our operations accordingly. The SBLs will be reviewed whenever necessary (with the supplier), and BSI will internally promote the use of products falling below the agreed levels, as well as temporary limiting use of products if it would mean overstretching the supplier's capacity.
- 3.4.3 BSI has committed to use CFT ingredients in our products. All newly developed products must contain at least one Community Fair Trade ingredient unless the available ingredients do not work with the formulation or negatively affect product performance, and inclusion levels will help maintain the agreed SBL. Ingredients are diversified as much as possible across product ranges to help achieve SBL and to shield suppliers from the effects of individual product life cycles.

3.5 Visits at intervals of no greater than 24 months

Principle: BSI staff will visit CFT suppliers to maintain a close working relationship, and monitor compliance of all sections of this Charter

- 3.5.1 BSI staff will visit CFT suppliers regularly, at least every 24 months.
- 3.5.2 BSI will communicate to the supplier the outcomes of visits, as well as agreed action points regarding follow up required to ensure implementation of the commitments stated in this Charter.
- 3.5.3 In between visits, ongoing dialogue will seek feedback and updates on compliance of the commitments

3.6 Targeted supplier support

Principle: We aim to understand our Community Fair Trade suppliers' capacity and organisational needs, and provide focused, targeted support or training where possible

- 3.6.1 BSI can offer targeted training and support in marketing, product development, production technology, using in-house resources.
- 3.6.2 Where BSI does not have the appropriate resources to provide required support, we will help suppliers to establish links with other stakeholder and support agencies e.g. local NGO's and funding organisations, to work with the supplier on capacity and development.
- 3.6.3 BSI will actively support CFT suppliers to establish market links with other buyers, e.g. support of trade fair attendance, and establishing business contacts.

3.7 Favourable trading terms

Principle: Community Fair Trade suppliers receive favourable terms of trade

- 3.7.1 Standard payment terms are not applied to Community Fair Trade; the CFT team works with the supplier to agree on most appropriate payment terms. Depending on the situation, pre or part-payment may be offered or supported through an external agency.
- 3.7.2 BSI ensures that the agreed payment terms are adhered to by our contract manufacturers and refiners purchasing directly from CFT suppliers.
- 3.7.3 In case of quality problems we judge the financial cost on the individual merits of the situation and may not automatically expect the CFT supplier to bear the full cost.

3.8 A "soft landing" contingency exit strategy

Principle: If a CFT trade relation has to cease, we will end it with appropriate duty of care

- 3.8.1 BSI will give at least 12 months notice of the last order for the product.
- 3.8.2 Where less than 12 months warning is provided, BSI will give due consideration to making good the loss of impact / benefit to the community that would otherwise have been derived.