

Aēsop



## 2021 Modern Slavery Statement Australia

For Financial Year 2021: 1 January 2021 – 31 December 2021



Aēsop Hsin Chu, Taiwan

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Aesop Nolita, USA

## 1. Introduction

Aesop was established in Melbourne, Australia in 1987. Our objective has always been to formulate products of the finest quality. This includes skin, body and hair care, as well as fragrance and accessories. We explore widely to source both plant-based and laboratory-made ingredients, using only those with a history of safety, efficacy and pleasure.

We aim to provide and receive nourishment through our products, stores, people and conversations. We are committed to the journey of minimising any negative impact from our business and continuing to increase our positive contributions to communities and the world around us.

As part of our broader global Ethical Sourcing Programme, we continue to focus on highlighting and eliminating modern slavery risks across our supply chain. Our executive team, led by CEO Michael O’Keeffe, is committed to ensuring our practices support an end to modern slavery.

This statement has been prepared in accordance with the Modern Slavery Act 2018 (Cth) (The Modern Slavery Act). It outlines the actions undertaken in the financial year ending 31 December 2021 to identify, understand and minimise any modern slavery risks in our global operations and supply chain. It also outlines key areas for future focus.

The following Aesop entities are reporting entities under the Modern Slavery Act:

- Emeis Holdings Pty Ltd ACN 097 023 544
- Emeis Cosmetics Pty Ltd ACN 007 409 001

This statement has been prepared in consultation with both entities and has been reviewed and approved by the board of directors of each entity.

## 2. Aesop Business Structure and Operations

Aesop provides customers with a range of products across skin, body and hair care, as well as fragrance and accessories. Our products are available online on the Aesop website, at Aesop signature stores in many major cities, department store counters and in multi-brand shared spaces (both in physical stores and online) around the world.

Emeis Holdings Pty Ltd is an Australian incorporated company and is the sole shareholder of all entities within the Aesop group. As of March 2022, the Aesop group consisted of 26 entities which are incorporated in Australia, New Zealand, Hong Kong, Macau, Singapore, Taiwan, Korea, Malaysia, Japan, the United Kingdom, France, the Netherlands, Belgium, Italy, Germany, Austria, Switzerland, Norway, Sweden, Denmark, the United States of America, and Canada.

The ultimate parent company of Emeis Holdings Pty Ltd (and consequently, the Aesop group) is Natura &Co Holding SA (holding company for the Natura &Co group) which is a Brazilian incorporated company listed on the New York Stock Exchange and Brazil Stock Exchange (B3).

### Aesop's Business Structure



<sup>1</sup> As at 31 December 2021  
<sup>2</sup> Ibid  
<sup>3</sup> Ibid

## 3. Aesop Supply Chains

Aesop sources a range of products and services from around the world. We have over 160 Direct Suppliers in our product supply chain, the majority of which by spend and number, are located in Australia. We also have many other Indirect Suppliers.

**Direct Suppliers** are those suppliers who provide a good or service that is directly involved with or included in our products. For example, the providers of our essential oils are considered direct suppliers.

**Indirect Suppliers** are those suppliers who are not suppliers within the product supply chain and contribute to our business through other means, such as the provision of cleaning services, consulting services etc.

### Aesop supply chains include the following major categories:

<b>Direct Suppliers</b>	Managed by Global Supply Chain team based in Melbourne	<b>Manufacturing – primarily within Australia</b>	Suppliers who manufacture and assemble Aesop products
		<b>Components and Packaging – sourced globally</b>	Suppliers who manufacture and/or procure the packaging and components for Aesop products
		<b>Raw Materials – sourced globally</b>	Suppliers who manufacture and/or procure ingredients that are used by our third-party manufacturers
		<b>Warehouse and Logistics – both within Australia and globally</b>	Suppliers who coordinate the storage and distribution of Aesop products prior to customer delivery
		<b>Non-sale retail items – sourced globally</b>	Includes back of house and point of sale items
<b>Indirect Suppliers</b>	Decentralised and managed by appropriate local teams globally	<b>Indirect suppliers – sourced globally</b>	Goods and services that support head office and regional teams. Includes software, consulting & audit services, legal services etc.

# 4. Modern Slavery Risks

Aesop recognises that its operations and supply chain are exposed to the risks of modern slavery, which includes trafficking, slavery, forced labour, debt bondage, deceptive recruiting for labour or services and child labour. Aesop has undertaken due diligence activities to better understand the nature and extent of the risks of modern slavery which may exist in our supply chain and operations.

For our internal operations, we have a robust set of resources, policies and procedures as well as grievance channels to ensure we can identify and mitigate any potential risk of modern slavery before it materialises (see **Assessing and Addressing Risk**). Due to the frameworks in place, along with continued engagement with all Aesop colleagues—and as our supplier base remains largely the same as in our 2020 assessment—we continue to determine the overall risk of modern slavery to be very low.

In 2020, Aesop completed a risk assessment to understand the modern slavery risks within our supply chain. This approach included mapping our supply chain activities and relationships, identifying the level of human rights protection and vulnerability of workers, then prioritising the modern slavery risks. In 2021 we have continued to build on our work to address these risks, with a particular focus on high-risk materials.

The most material modern slavery risks (**Material Risks**), based on geographical locations and sectors most prevalent in our supply chain, have been identified as:

High risk supply chain	General agriculture and farming (in the provision of essential oils, nut oils and derivatives)	Palm Oil	Cotton	Manufacturing
Modern slavery risk or indicator	<ul style="list-style-type: none"> <li>• Debt bondage</li> <li>• Exploitation of vulnerable migrant workers</li> <li>• Gross underpayment of wages</li> <li>• Deceptive recruitment</li> <li>• Unstable / seasonal work</li> </ul>	<ul style="list-style-type: none"> <li>• Bonded labour</li> <li>• Forced labour</li> <li>• Trafficking</li> <li>• Child labour</li> </ul>	<ul style="list-style-type: none"> <li>• Prison forced labour</li> <li>• State-sponsored forced labour</li> <li>• Forced labour</li> </ul>	<ul style="list-style-type: none"> <li>• Debt bondage</li> <li>• Forced labour</li> <li>• Deceptive recruitment</li> <li>• Excessive work hours</li> <li>• Gross underpayment of wages</li> </ul>

Currently our modern slavery risk assessment does not include our Indirect Suppliers. In the future we intend to include these suppliers in our risk assessments as we note that this type of supplier has recognised risk areas, with respect to contract cleaners across our offices and stores, and workers used in construction for our new store developments, for example.



Aesop Sydney, Australia

## 5. Assessing and Addressing Risk

### Policy

Our rigorous ethical sourcing programme is central to addressing how modern slavery risks, including Aesop's Material Risks, are managed and mitigated among Direct Suppliers in our global supply chain. The overarching aim of the ethical sourcing programme is to ensure that all our suppliers use environmentally responsible processes and provide safe working conditions to ensure all workers are treated with dignity, and that human rights are paramount throughout their (and our) supply chain.

Our key policies that support this commitment are the following:

#### **Natura &Co Supplier Code of Conduct (Code of Conduct)**

The Code of Conduct is Natura &Co's foundational document that outlines the framework for a successful business relationship with suppliers and is drawn from internationally recognised standards and frameworks including the United Nations Universal Declarations of Human Rights, the International Labour Organisation Declaration of Fundamental Principles and Rights at Work, the Ethical Trade Initiative Base Code, and the United Nations Global Compact. As a Natura &Co owned brand, Aesop requires its suppliers to sign this document as a condition to partner with Aesop.

The Code of Conduct lays out the minimum standards to be met by all Aesop suppliers, with regards to their compliance with applicable local and international laws, regulations and official requirements, across human rights, employment practices, sustainability and environmental responsibility, anti-corruption, anti-money laundering, information security and data protection. We note in particular that the Code of Conduct specifically prohibits forced, bonded and involuntary prison labour, requiring also that suppliers must not retain identity documents of employees, or take monetary or any other deposits from employees in order to ensure work. It also specifies that suppliers may not require workers to work excessive overtime and all work hours, regular and overtime, must comply with local law and the Code of Conduct—whichever provides the greater protection—and that wages

must meet, at minimum, local legal standards and must be sufficient to meet the basic needs of their workers and provide some discretionary income.

As well as specifying that suppliers must not tolerate any form of discrimination in hiring, compensating, training or terminating workers; the Code of Conduct also requires suppliers to promote and practice non-discrimination in their workplace through paying particular attention to vulnerable workers, including migrants, women, temporary and legal young workers.

The Code of Conduct also lays out the requirements for regular and responsible employment, wherein suppliers must provide workers with written and understandable information about the conditions of their freely chosen employment, and it prohibits the avoidance of labour or social security obligations through the use of alternative or irregular working arrangements. The Code of Conduct is publicly available on the Aesop website and is required to be signed by Direct Tier 1 Suppliers before they are accepted as a vendor with Aesop. The Code of Conduct is also available on Aesop's internal intranet.

All Aesop employees complete mandatory Code of Conduct induction training.

#### **Aesop Ethical Sourcing Policy**

The Ethical Sourcing Policy provides an Aesop perspective on the application of the Code of Conduct and sets the expectations for Aesop suppliers, outlining what our commitments are to our suppliers. Examples of such commitments are to encourage open and honest dialogue, and to work side-by-side with suppliers to rectify any issues and implement improvements across their business which are consistent with the Ethical Sourcing Policy.

The Ethical Sourcing Policy is available on the Aesop intranet and is distributed to Direct Tier 1 suppliers in the prospect phase, before they are accepted as a vendor. The core tenants of the Ethical Sourcing Programme are also available to view on the Aesop website.

### Commitment to Life

Commitment to Life is Natura &Co's 2030 Sustainability Vision, guiding operations and value chains throughout our group. One of the vision's three pillars is to defend human rights and be human-kind, reflecting the UN Guiding Principles on Business and Human Rights, the International Bill of Human Rights, the International Labour Organization (ILO) Declaration on Fundamental Rights at Work and the ILO Declaration on Multinational Enterprises.

This commits Aesop and the Natura &Co brands to:

- adopt a robust group-wide human rights policy by 2023; and
- have fully traceable and/or certified supply chains for six high-risk raw materials (palm oil, mica, soy, cocoa, ethanol and cotton) by 2025—known as the 'critical materials' target.

Importantly, the critical materials target will see the introduction of material-specific responsible procurement policies. These are designed to mitigate material risks particularly prevalent in these supply chains, such as trafficking and child labour in palm oil supply and state-sponsored forced labour in cotton. More information on the development of these policies can be found in 'Key Activities in 2021'.

Commitment to Life also incorporates specific, measurable targets in how we treat our employees and our wider networks. These include pay equity and paying all employees globally at least a living wage by 2023, increasing senior-level representation of under-represented groups by 2025, and zero tolerance of any human rights infringements in our supply chains. By 2030, we will also ensure that all partners have been assessed against Aesop's social and environmental selection criteria and will continue to invest in long-term partnerships with shared values.

### Natura &Co Ethics Line

In addition to the above policies, Aesop and our suppliers have access to the Natura &Co Ethics Line (**Ethics Line**) which is a phone line provided by Navex Global and is available 24 hours a day, seven days a week, in all countries in which Aesop operates, with services available in each local language. If either an Aesop employee or supplier becomes aware of any conduct which is in breach of the Code of Conduct or is in any way questionable from an ethical or legal perspective, they are able to use this line to disclose such conduct in full anonymity and confidentially.

*Other policies/documents currently implemented at Aesop which support our ability to address potential modern slavery risk include:*

- o Procurement Policy
- o Anti-Bribery and Corruption Policy
- o Whistle-blower Policy in Australia

## Training

### *New Starters*

Induction to our Ethical Sourcing Policy and program is provided for all Aesop Supply Chain Global Sourcing team members. In 2022 we plan to formalise this training and expand it to regional teams.

### *Supplier Onboarding*

Education on the Ethical Sourcing Policy has also been a feature of the development of Aesop's Direct Supplier Onboarding Standard Operating Procedure (SOP) due to be finalised in 2022. During this process the Ethical Sourcing Coordinator has provided step by step guidance to the Procurement Governance and Contracts Manager to ensure that the Ethical Sourcing Approval Process is standardised within the onboarding procedure. This will assist in implementing the risk mitigation strategies laid out in the Ethical Sourcing Policy for all new suppliers.

### *Code of Conduct*

All Aesop employees complete mandatory Code of Conduct induction training when they start with Aesop.

## Risk Assessment and Due Diligence

Aesop's ethical sourcing programme is built on a mutual commitment from both Aesop and our suppliers to safe, legal and ethical practices in the operations of our respective businesses, and we expect them to work to continually improve the working conditions for their workers. Through our monitoring and risk assessment of suppliers, we expect to see evidence of this commitment and, where required, improvement.

Aesop uses the Sedex online platform to monitor and review the ethical practices of suppliers. Sedex is a membership organisation that offers an online database which allows members to upload, share, manage and report on ethical information such as labour standards, health and safety policies, environmental practices and business ethics within their own company.

If Sedex membership is required by Aesop<sup>4</sup>, the supplier will complete a supplier self-assessment questionnaire (SAQ). Aesop then uses Sedex's risk assessment tool, Radar, to determine the risk level of the supplier. Radar contains risk data based on independent and reputable sources that assess risk in the four Sedex Members Ethical Trade Audit (SMETA) pillars and 14 risk topics. Radar combines inherent (country and sector) risk information with data from suppliers' SAQ and works to help Aesop identify suppliers operating in high risk environments (including those vulnerable to Aesop's Material Risks) or with workers more vulnerable to labour exploitation.

If a supplier's site is rated as high or medium risk, we require an audit from the last 12-months, or for an ethical audit to be undertaken on the site. Where an ethical audit is required, it must be carried out by a certified third-party auditor. Our preferred audit methodology is SMETA. Audits are then graded, and a Corrective Action Plan (CAP), including timeframes for addressing any non-compliances, will be discussed with the supplier and monitored by Aesop. The supplier must address all non-compliances and have them verified by a third-party in order to be approved by Aesop, unless otherwise agreed. Once Aesop has approved resolution of non-compliances, the high-risk sites are approved for 12 months, and medium sites are approved for 24 months.

## Effectiveness and reporting

Key departments in Aesop have undertaken organisational change in 2021, notably the expansion and development of our supply chain. This has meant that as well as reporting to supply chain leaders, the effectiveness of Aesop's policies, processes and activities undertaken to assess and address the risks of modern slavery was communicated through centralised meetings with key supplier relationship managers. These meetings focused on the ethical sourcing programme and the Sedex approval process. The meetings highlighted the need for improved data accuracy and maintenance, resulting in an internal data cleaning exercise for Tier 1 Direct Suppliers' Code of Conduct completion and storage. It also highlighted key opportunities for improving Sedex and audit uptake through the expansion and renewal of Ethical Sourcing training for key staff at Aesop, with a particular focus on regional suppliers. This will be a focus for 2022. Aesop plans to further formalise our internal reporting process to widen the audience and awareness of modern slavery risks within Aesop.

Additionally, as of 2021, Aesop is now aligned under the Natura &Co Sustainable Operations Department, led by the Global Director of Sustainable Operations who reports to the Group Chief Operating Officer.



Aesop Hampstead, UK

<sup>4</sup> This is required of Direct Suppliers with whom Aesop spends a certain amount

# 6. Key Activities for 2021

## Natura &Co Critical Materials Policy Development

As part of Natura &Co's 'Commitment to Life', six supply chains across the Natura &Co group were identified as high risk for potential labour and environmental exploitation (palm oil, cotton, mica, soy, paper and ethanol). As such, the 'Commitment to Life' contains a goal to reach full (100%) traceability and/or certification for these critical supply chains by 2025. In 2021, Aesop established a baseline for the palm oil (39%), paper (71%), alcohol (0%), soy (15.6%) and cotton (1%) supply chains. Mica was excluded from Aesop's work as it is not used in Aesop products. Aesop also supported the development of group-wide procurement policies and is working towards full traceability and/or certification of these materials.

To accelerate our progress on achieving fully certified and traceable palm volumes by 2025, a kick off meeting was held with key stakeholders. The Ethical Sourcing Coordinator communicated the key aspects of certification and presented a baseline of Aesop's current certified palm volumes enabling the creation of key next steps.

## Natura &Co Human Rights Statement

The Natura &Co Group human rights statement outlines what Aesop and the Natura &Co brands stand for as a group, further reinforcing our Commitment to Life objectives and specifically our pledge to respect and defend Human Rights, as defined by the UN Guiding Principles on Business and Human Rights. The statement outlines who it applies to and that we respect the rights of all people connected to our business, brands, products and services, with whom we promote positive business impact and opportunities. We have a specific focus on supporting the equality of people who are potentially politically, economically and/or socially disadvantaged, including all underrepresented groups: racial and ethnic, of all sexual diversities and gender identities (LGBTQIA+), all socioeconomically disadvantaged people and those with physical or mental disabilities. The Statement also outlines stakeholder engagement and grievance mechanisms, our priority human rights and detail on how we are taking action and implementing this statement.

The Natura &Co Group human rights statement is approved and overseen by the Natura &Co Board of Directors (Board) and signed off by the Natura &Co Group CEO. The Audit, Risk Management and Finance Committee of the Board has specific responsibility to review human rights risks on a regular basis, including utilisation of a defined escalation process to identify negative human rights impacts and potential and actual emerging risks. A Human Rights Steering Committee has responsibility for strategic direction and

decision-making on human rights, including being the starting point for escalating human rights issues to the Audit, Risk Management and Finance Committee.

The Board is supported by the Natura &Co Group Operating Committee (GOC) and by the Natura &Co group and brands' leadership in delivering on our Commitment To Life responsibilities which include the expectations to be more human-kind and is aligned with the UN Guiding Principles. This means the GOC members and their leadership teams instruct and supervise activities to operationalise the commitments made in this statement, including regarding human rights due diligence throughout our business activities and the activities of our business partners. The Natura &Co Director of Human Rights will be responsible for the Natura &Co Group's implementation of human rights risk management throughout our business activities and value chain, and will report into the Group Chief HR Officer, a member of the GOC. In turn, the Group Chief HR Officer will regularly report on respect for human rights to the Audit, Risk Management and Finance Committee and to the Board.

In 2021, as part of the development of the Natura &Co Human Rights Statement, members of the Aesop team participated in a workshop to identify modern day slavery and other human rights risks.

## Supplier Key Performance Indicators (KPIs) Development

During 2021 the Aesop Supply Chain team commenced a project to update Aesop's current template contractual provisions and Key Performance Indicators (KPIs) for our Contract Manufacturers, targeting all new and renewed Contract Manufacturing arrangements moving forward. Aesop's Contract Manufacturers' forecast spend is 43% of the total Direct Materials spend, with most of these manufacturers classified as "Strategic" in accordance with the Natura &Co Supplier Segmentation model.

During this contract review process, the Sustainability team included new manufacturing obligations to Aesop's proposed new template relating to modern slavery risk mitigation through requiring our Contract Manufacturers to meet KPIs addressing their Sedex membership and to report on KPI compliance monthly and annually during the term of the agreement.

Manufacturer' KPI progress across areas of modern slavery prevention and mitigation for those contracting under Aesop's new Contract Manufacturing obligations will be reviewed regularly and are designed to encourage our manufacturers to improve their own modern slavery due diligence. These KPIs are targeting finalisation and implementation in all new and renewed manufacturer's contracts from Q3 2022 onwards.

## Supplier Onboarding

In addition to revising Aesop's engagement terms with contract manufacturers, in 2021 Aesop began improving and streamlining due diligence for prospective suppliers through a dedicated supplier selection and onboarding process and questionnaire for Direct Suppliers. The process will improve modern slavery due diligence by implementing gated stages. If a supplier is unable to align with Aesop's Ethical Sourcing Policy and Natura &Co's Code of Conduct requirements during an initial 'Supplier Selection' phase they will not proceed to the next stage of the procurement process. This process will be finalised and rolled out in Q3 2022.

### Ethical Sourcing Programme

90% of our Direct Tier 1 <sup>5</sup> suppliers (by spend) signed and returned the Code of Conduct
80% of our Direct Tier 1 suppliers (by total supply chain spend) are now active Sedex members
16 audits undertaken by Tier 1 and Tier 2 suppliers, including 3 virtual SMETA audits

<sup>5</sup> Tier 1 suppliers refer to a primarily or immediate supplier of a product or service, whereas a Tier 2 or Tier 3 supplier provides products and / or services to a Tier 1 supplier, that in turn provides that product or service to us.



## 7. Responding to COVID-19

### Supporting our people

The disruptive and challenging global events of 2020 and 2021, especially the COVID-19 pandemic, have demonstrated the complex networks of our business and acutely reinforced the importance of business to make choices driven by values that support the long-term health and wellbeing of our people and the communities we operate in.

Recognising the significant stress that COVID-19 has had on our staff globally, Aesop continued several initiatives to support our staff which included:

- Modern Workplace Policy updates, offering flexible working arrangements
- Additional 10 days paid leave to support childcare needs (where schools are closed) or caring responsibilities
- Establishment of a Working From Home Support Policy
- A weekly publication, 'Together', to communicate global business updates.
- Bounce Back e-learning provided in six (6) languages
- Piloted Mental Health First Aider training with UK-based HR Team.
- Trailing flexible Friday working across several geographies

Acknowledging the ongoing burden COVID-19 is having on our people globally, Aesop is continuing to provide support and pivot existing assistance based on the needs of our staff across all our regions.

### Supporting our communities and supply chains

The continued impact of COVID-19 on supply chains and workers globally was far-reaching and varied significantly across sectors. We continued to take actions to understand how lockdowns and sector restrictions would impact our supply chain, understanding how government restrictions would impact our suppliers, in terms of being permitted to operate and in what capacity and the impact on staff retention and availability.

COVID-19 significantly impaired the number of audits that were undertaken by our suppliers across the year again in 2021, as restrictions and case numbers fluctuated across regions. As SMETA audits are largely in-person, audit bodies were not able to resume auditing in many regions or were prevented from entering factories due to health concerns. Despite this there were still virtual audits undertaken by three suppliers, with a further 13 in person.

## 8. Consultation

All entities in the Aesop group globally operate and are managed by the same executive management team and governance framework, which ensures a consistent and collaborative approach across all entities with respect to modern slavery risk assessments and obligations. In preparing this statement, a process of consultation was carried out across key global functions at Aesop. This included engagement with functions such as Supply Chain, Sustainability and Legal as well as corporate officers of the reporting entities and members of the Aesop executive team.



**Michael O'Keeffe**

CEO Aesop  
27 June 2022

Board approval of this statement took place on 22 June 2022.

## 9. Appendix

Mandatory Criteria	Relevant section in statement
Identify the reporting entity	<b>1. Introduction</b>
Describe the structure, operations and supply chains of the reporting entity	<b>2. Aesop Business Structure and Operations</b>
Describe the risks of modern slavery practices in the operations and supply chains of the reporting entity, and any entities that the reporting entity owns or controls	<b>4. Modern Slavery Risk</b>
Describe the actions taken by the reporting entity and any entity that the reporting entity owns or controls, to assess and address those risks, including due diligence and remediation processes.	<b>5. Assessing and Addressing Risk</b>
Describe how the reporting entity assesses the effectiveness of such actions	<b>5. Assessing and Addressing Risk</b>
Describe the process of consultation with any entities that the reporting entity owns or controls	<b>1. Introduction</b>
Provide any other information that the reporting entity, or the entity giving the statement considers relevant	<b>7. Responding to COVID-19</b>
Consultation process	<b>8. Consultation</b>