

Aēsop

2020 Modern Slavery Statement Australia

For Financial Year 2020 – 1 January 2020 – 31 December 2020

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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 plant-based and laboratory-made ingredients, using only those with a history of safety, efficacy and pleasure.

Our purpose is to provide and receive nourishment through our products, stores, people and conversations. We are committed to the journey of ever lightening our impacts on the planet that generously sustains us and seek to continue making positive contributions to our communities while formulating products of the highest quality and efficacy.

We seek to improve our practices continuously, with honesty and transparency. As part of our broader global Ethical Sourcing Programme, we continue to focus on highlighting and eliminating modern slavery risk 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 calendar year ending 31 December 2020 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.

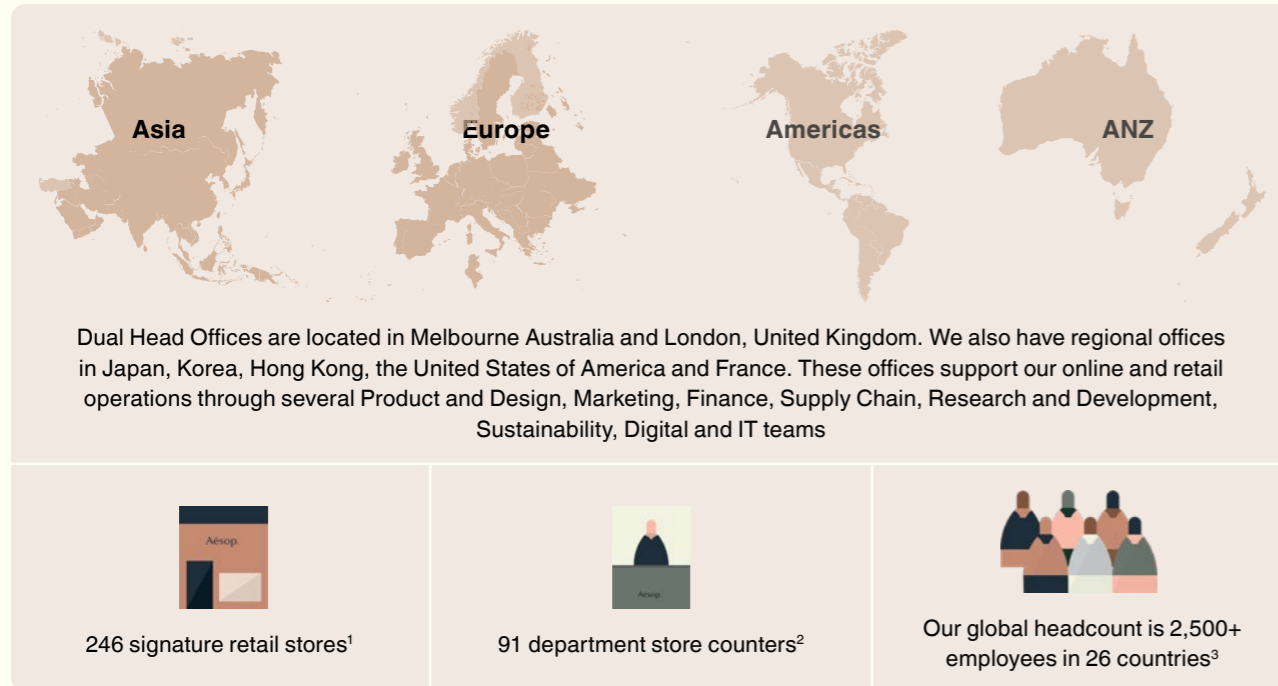
2. Aesop Business Structure and Operations

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 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 at 31 December 2020, the Aesop group consisted of 27 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, Canada and Brazil.

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



¹ As at 31 December 2020
² Ibid
³ Ibid

⁴ **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.

⁵ **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.

3. Aesop Supply Chains

Aesop sources a range of products and services from around the world. We have over 150 direct⁴ suppliers in our product supply chain, the majority of which by spend and number, are located in Australia. We also have many other indirect⁵ suppliers.

Aesop supply chains include the following major categories:

Direct Suppliers	Managed by Global Supply Chain team based in Melbourne	Manufacturing – primarily within Australia	Suppliers who manufacture and assemble Aesop products
		Components and Packaging – sourced globally	Suppliers who manufacture and/or procure the packaging and components for Aesop products
		Raw Materials – sourced globally	Suppliers who manufacture and/or procure ingredients that are used by our third-party manufacturers
		Warehouse and Logistics – both within Australia and globally	Suppliers who coordinate the storage and distribution of Aesop products prior to customer delivery
		Non-sale retail items – sourced globally	Includes back of house and point of sale items
Indirect Suppliers	Decentralised and managed by appropriate local teams globally	Indirect suppliers – sourced globally	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 our 2020 activities as they relate to our internal operations, we have assessed 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.

The most material modern slavery 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"> • Debt bondage • Exploitation of vulnerable migrant workers • Gross underpayment of wages • Deceptive recruitment • Unstable / seasonal work 	<ul style="list-style-type: none"> • Bonded Labour • Forced Labour • Trafficking • Child Labour 	<ul style="list-style-type: none"> • Prison forced labour • State-sponsored forced labour • Forced labour 	<ul style="list-style-type: none"> • Debt bondage • Forced labour • Deceptive recruitment • Excessive work hours • Gross underpayment of wages

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 such as with respect to contract cleaners across our offices and stores, and workers used in construction for our new store developments.



Aesop Sydney, Australia

5. Assessing and Addressing Risk

Policy

Our rigorous ethical sourcing programme is central to how modern slavery risks are managed amongst our 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 safe working conditions to ensure all workers are treated with dignity, and human rights are paramount throughout their (and our) supply chain.

Our key policies that support this commitment are the following:

i. 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.

ii. 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 and outlines what our commitments are to our suppliers. Examples of such commitments are the commitments to encourage open and honest dialogue, and to work side-by-side with a supplier to rectify any issues and implement improvements across their business which is consistent with the Ethical Sourcing Policy.

Other policies / documents which support our ability to address potential modern slavery risk include:

- Procurement Policy
- Anti-Bribery and Corruption Policy
- Whistle-blower Policy

iii. 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.

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 Aesop⁴, 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 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

The effectiveness of Aesop's ethical sourcing programme and other activities undertaken to assess and address the risks of modern slavery is assessed through detailed monthly reporting to supply chain leaders, with key risks and developments also included in quarterly management reports that are reviewed by Aesop's senior management.

A supplier waiver form and process were developed in 2020 to define a clear path of communication and escalation where a supplier is not adequately meeting Aesop's ethical sourcing requirements. It provides a forum to discuss the supplier's concerns and requires further due diligence of the supplier to ensure that Aesop management is aware of the potential risks with a supplier who may not be meeting Aesop's supplier standards and expectations.

A Supplier Visit Handbook (Handbook) was also developed in 2020 for ethical sourcing and procurement staff to conduct supplier visits and assessments from an ethical and environmental perspective. The Handbook and checklist provide clear guidance as to how to identify and consider possible risks present with suppliers.

In 2020 there was a campaign to further promote the Ethics Line. Information about the Ethics Line is provided on Aesop's internal intranet, and is also provided in the Code of Conduct and Aesop Ethical Sourcing Policy.

⁴ This is required of Direct Suppliers with whom Aesop spends a certain amount

6. Key Activities for 2020

In 2020 the following key activities were implemented to address and reduce our modern slavery risks. Additionally, these activities were tracked and reported to senior management as part of measuring the effectiveness of our Ethical Sourcing Programme.

Training and awareness

Key supply chain and supplier relationship managers from across Aesop were identified and brought together for an introduction to Aesop’s Ethical Sourcing Programme, key risks in this area and what is expected from them as important ethical sourcing custodians. A high-level introduction to ethical sourcing was also included in an online Sustainability training session which was rolled out to all retail staff. Training with the Ethical Trade Initiative was also supported by Aesop for the Ethical Sourcing Coordinator to develop greater expertise on risk assessments and human rights due diligence.

To raise awareness of ethical sourcing and modern slavery at Aesop, an internal page dedicated to this area was added to our internal intranet. This page introduces the Aesop supply chain, links to key documents, a link to the Aesop UK Modern Slavery Statement for 2019 and a high-level interactive map of our supplier base to be explored by staff.

Increasing public communication

2020 saw a significant increase in the transparency of Aesop’s operations, supply chain and overall approach to modern slavery and ethical sourcing more broadly. This transparency encourages a dialogue between Aesop and our customers about our practices, promotes accountability and helps to shine a light on where we can improve. Our key initiatives in this respect were the following:

- Obtaining B Corp Certification
- Publishing a UK Modern Slavery Statement for 2019 on our Aesop.com/UK webpage
- Providing more detailed responses to our Sustainability FAQs in relation to our ethical sourcing approach
- Publishing a 2019 Sustainability Report that was shared widely across Aesop networks. This included a dedicated page on Aesop’s ethical sourcing programme and goals for the future

Ethical Sourcing Programme – 2020 Achievements

88% of our Direct Tier 1 ⁵ suppliers (by count) had signed and returned the Code of Conduct
96.5% of our Direct Tier 1 suppliers (by total supply chain spend) were active Sedex members
16 audits undertaken by Aesop on Tier 1 and Tier 2 suppliers, including 2 virtual SMETA audits
3 supplier visits were conducted using the new Handbook
8 new suppliers were successfully assessed and onboarded to Aesop’s Ethical Sourcing Programme

⁵ 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.



Aesop Hampstead, UK

7. Responding to COVID-19

Supporting our People

The disruptive and challenging global events of 2020, 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 implemented 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 closed) or caring responsibilities
- Establishment of a *Working From Home Support Policy*
- A weekly publication, *Together*, to communicate globally business updates
- Bounce Back e-learning provided in six (6) languages
- Piloted Mental Health First Aider training with UK-based HR Team

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 impact of COVID-19 on supply chains and workers globally was far-reaching and varied significantly across sectors. We took actions to understand how lockdowns and sector restrictions would impact our supply chain, including:

- understanding how government sector restrictions would impact our suppliers, in terms of being permitted to operate and in what capacity; and
- contacting our suppliers to understand their commercial risks, risks to staff retention, and importantly to ensure that adequate personal protective equipment was available to all workers who were on site and that this was being rolled out sufficiently and as a priority

COVID-19 significantly impaired the number of audits that were undertaken by our suppliers across the year. As SMETA audits are largely in-person, audit bodies stopped auditing in many regions, or were prevented from entering factories due to health concerns. We explored the option of SMETA virtual audits for two (2) major Australian suppliers, which were both conducted successfully by a third-party auditor. Both ourselves and the suppliers were satisfied with the virtual audit process and outcomes, and it gave us confidence that this could be used in 2021 in the event restrictions arise again. For 2021, we also hope to increase the number of audits required to ensure that all our medium and high-risk suppliers are being audited regularly and in line with the Ethical Sourcing Policy.

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

9. Appendix

Mandatory Criteria	Relevant section in statement
Identify the reporting entity	1. Introduction
Describe the structure, operations and supply chains of the reporting entity	2. Aesop Business Structure and Operations
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	4. Modern Slavery Risk
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.	5. Assessing and Addressing Risk
Describe how the reporting entity assesses the effectiveness of such actions	5. Assessing and Addressing Risk
Describe the process of consultation with any entities that the reporting entity owns or controls	1. Introduction
Provide any other information that the reporting entity, or the entity giving the statement considers relevant	7. Responding to COVID-19
Consultation process	8. Consultation