



BWX LIMITED
2020 MODERN SLAVERY REPORT





OUR FAMILY OF BRANDS





USPA®

INTRODUCTION

This Modern Slavery Statement is made by BWX Limited (ABN 13 163 488 631) and its wholly-owned subsidiary companies (collectively, **BWX** or the **Group**). The Statement covers the period from 1 July 2019 to 30 June 2020 (**FY20**) and it has been approved by the Board of BWX.

OUR BUSINESS AND SUPPLY CHAIN

BWX designs, manufactures and distributes natural skincare, haircare and cosmetics and operates a direct-to-consumer e-commerce platform focussing on beauty, health, wellbeing, home and lifestyle products aligned with sustainable, eco-friendly and cruelty-free brands. The brands of BWX include Sukin, Andalou Naturals, Mineral Fusion, Nourished Life and USPA. The mission of BWX is to “accelerate a revolution so that natural wellness is the only choice”.

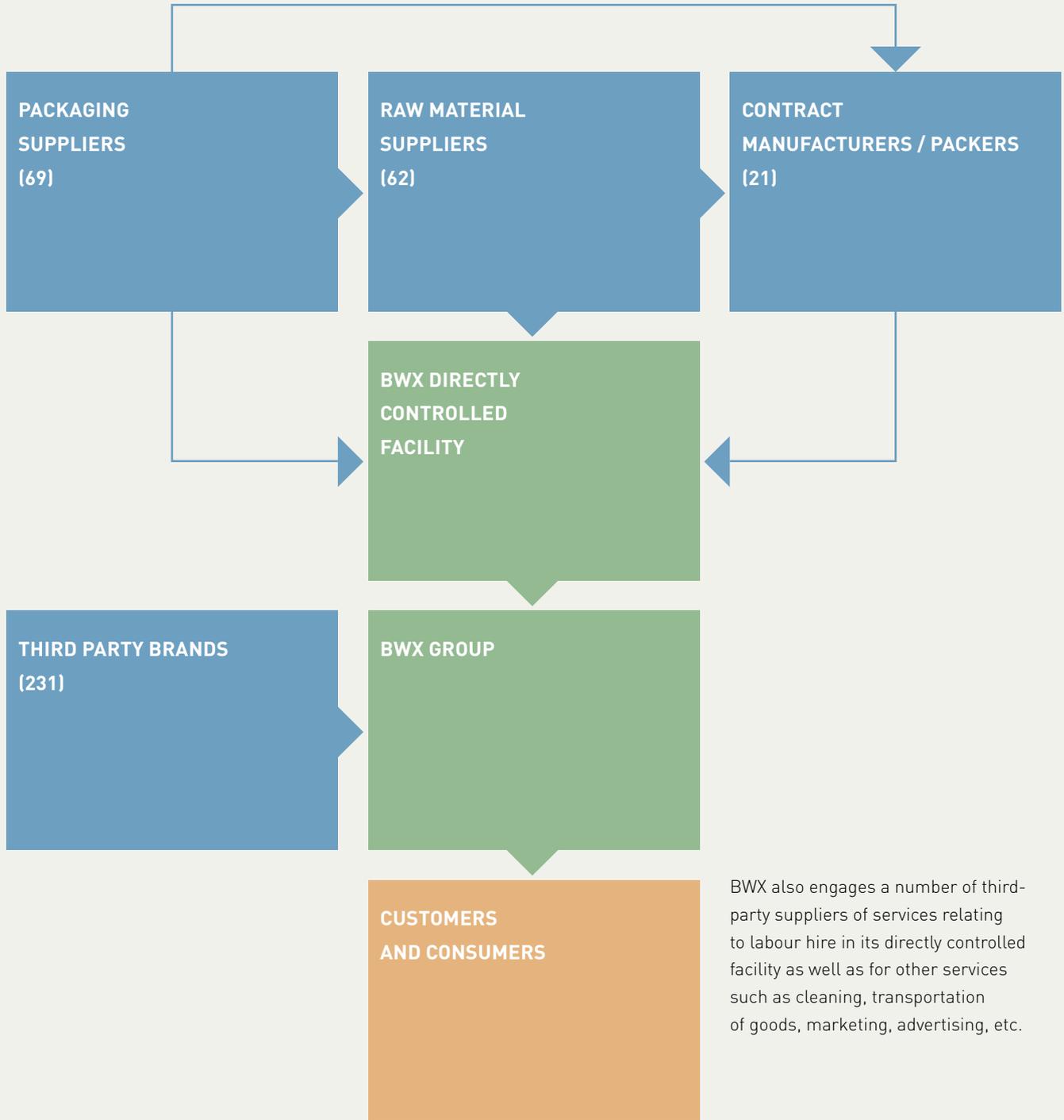
In FY20, BWX reported net revenue of \$187.7m and EBITDA (including AASB 16 Leases) of \$30.9m and employed 304 people across its four offices in Dandenong, Victoria; Manly, NSW; Petaluma, California; and Stoney Stanton, Leicestershire UK. BWX has one directly-controlled factory which is based in Dandenong, Victoria. All of its legal entities are wholly-owned subsidiaries and it has legal entities that operate businesses in Australia, USA, Canada, UK and the Netherlands.

BWX established a Group Operations function in FY20, which centralised the control of the global BWX supply chain with Group Procurement. Group Procurement is primarily responsible for the selection and ongoing management of all outsourced suppliers of goods and services across the Group, implementing risk management procedures to mitigate the risks of the global BWX supply chain and to establish common policies and procedures across the Group. Group Procurement is headed by a Group Procurement and Improvement Director who reports to the Group Chief Operating Officer who in turn reports to the Group Chief Executive Officer and Managing Director.

BWX has 90 suppliers in its Asia-Pacific supply chain and 62 suppliers in its North America supply chain. These include contract manufacturers, contract packers, and raw material or component suppliers. BWX operates the Nourished Life e-commerce platform which involves the purchase for re-sale of third-party brands, for which there are 231 suppliers.

BWX predominately sources from suppliers in Australia, Chile, South Africa, Singapore, China, USA and Taiwan.

SUPPLY CHAIN DIAGRAM



BWX also engages a number of third-party suppliers of services relating to labour hire in its directly controlled facility as well as for other services such as cleaning, transportation of goods, marketing, advertising, etc.

POLICY APPROACH

BWX has adopted policies which reflect its commitment to ensure that all participants in its supply chain meet or exceed local legal requirements; meet or exceed labour standards set by the International Labour Organisation; that there are limits on sub-contracting; to meet local environmental protection requirements; and to work with supply chain participants to engage in good environmental and sustainable practices. These policies, including the Supplier Code of Conduct, the Anti-Bribery and Corruption Policy and the Gifts and Benefits Policy can be found at www.bwx.com/investor-centre.

THE RISKS OF MODERN SLAVERY

BWX recognises that its supply chain has the risk of modern slavery including the risk that participants in its supply chain do not pay their workers fair wages; that they use forced or bonded labour; that there are insufficient health and safety conditions for workers; that there are excessive working hours or unpaid overtime; that workers do not have freedom of association; or that there is gender discrimination or a lack of equal opportunities for workers in the workplace.

BWX has exposure to these risks through:

- a) its reliance on third-party contract manufacturers for the manufacture of finished branded products;
- b) its reliance on third-party suppliers of raw materials and components;
- c) the purchase of finished goods for re-sale on its e-commerce website; and
- d) the reliance on third-party suppliers of services.

BWX has very limited exposure to the risks of modern slavery through the employees, contractors and labour-hire employees that work at its directly-controlled facility based in Dandenong South in Australia. This is because all employees are engaged under a modern award, an individual contract of employment or a contractor agreement, and labour-hire employees are engaged with reputable third-party labour-hire providers.

BWX has a number of third-party contract manufacturers which manufacture finished branded products to BWX to the specifications of BWX or contract packers which provide services to BWX. These third-parties are located in Australia, USA and Taiwan. By relying on contract manufacturing for finished goods, there is a risk that the manufacture of finished goods or the purchasing of raw materials or components by those third-party manufacturers on behalf of BWX have modern slavery in their supply chain.

BWX has a number of third-party suppliers of raw materials and components or distributors which source and purchase raw materials and components, such raw materials and components being vital to the manufacture of its products in its directly-controlled facility, or to purchase and supply to its contract manufacturers for processing. These third-parties are predominately located in Australia, China, Chile and South Africa. By relying on third-parties for procurement or manufacture of raw materials and components, there is a risk that those third-party manufacturers may have modern slavery in their supply chain or the brokers are purchasing from third-party that may have modern slavery in their supply chain.

BWX purchases finished goods from select suppliers for re-sale through its e-commerce website, Nourished Life. There is a risk that the suppliers which have manufactured the finished goods may have modern slavery in their own operations or supply chain.

BWX enters contracts for services in connection with the operation of its business. This may relate to labour hire, cleaning, waste management, maintenance, marketing, advertising, specialist advisors, etc. When it engages with service providers, it does so subject to arms-length contractual terms and ensures that it engages reputable suppliers. For those service agreements for which are white-collar in nature (such as marketing or advertising), the risk of modern slavery is considered to be very low.

STEPS TAKEN TO MITIGATE THE RISKS OF MODERN SLAVERY

The responsibility to mitigate the risk of modern slavery in the BWX supply chain is overseen by the Board of BWX with the implementation of the anti-modern slavery program being delegated to management with reporting back to the Board. Group Procurement, having responsibility for the purchase of raw materials, components and finished goods on behalf of BWX, is tasked with the management of the modern slavery program. The risk of modern slavery in the supply chain is a risk that is recognised, rated and treated under the BWX enterprise risk management plan.

STEPS TAKEN TO MITIGATE THE RISKS OF MODERN SLAVERY CONTINUED

In FY20, the BWX Board endorsed the Supplier Code of Conduct (Code) which encompasses the commitment of BWX to mitigate the risks of modern slavery in its supply chain. The Code sets out minimum standards which BWX expects of all participants in its supply chain (whether suppliers of goods or services) to meet or exceed local legal requirements; meet or exceed labour standards set by the International Labour Organisation; to meet local environmental protection requirements; and to work with supply chain participants to engage in good environmental and sustainable practices. The Code builds in an expectation that all participants will endorse the Code as a term of the agreement with BWX to supply goods or services or provide evidence of the participants' own code which at least meets the standards in the Code. The Code also sets limits on sub-contracting by the supplier and, if permitted, the supplier must ensure that its sub-contractors adopt the same standards as set out in the Code.

Group Procurement has set goals to roll out the Code to all suppliers, or obtain confirmation that suppliers have an equivalent code, by 30 June 2021. At the date of this report, approximately 50% of all suppliers have either adopted the Code or provided details of an equivalent code. In FY22 and beyond, Group Procurement will commence a program of rolling audits of suppliers based on a risk assessment of the supplier (see below for details).

To the extent that a supplier is unable or unwilling to adopt the Code or provide details of an equivalent code, Group Procurement will explore the reasons why the Code cannot be adopted and determine whether the Group should maintain a supplier relationship with that supplier. Where a supplier breaches the Code, Group Procurement will work with the supplier to understand and rectify the breach. If the breach is too serious or is ongoing in nature, Group Procurement will terminate supply arrangements with the supplier.

To assist to identify and mitigate the risk of modern slavery across BWX global supply chain, Group Procurement established a Supplier Risk Assessment Model. The model assesses current suppliers against a range of risk factors including whether the supplier provides raw materials, components, finished goods or services; the value of the goods or services provided and the criticality of the goods or services to the Company; the type of raw material supplied; the nature of the supply market; compliance to the BWX Supplier Code of Conduct; and the country in which the supplier operates and the prevalence of modern slavery risk, corruption, political stability and rule of law in that country. This will generate a list of select suppliers for further review and additional steps may be taken to assess the supplier for modern slavery risk including a physical inspection of the factory; ongoing and more frequent audit than other suppliers; receiving written confirmation from managers that the Code is implemented and followed, etc.

In future years, the Group will review partnering with social audit firms such as Sedex to assist it to assess suppliers on a number of criteria that are relevant to identifying and mitigating the risk of modern slavery in its global supply chain. The Group also intends to work directly with key suppliers to assist suppliers to meet the sustainability goals of the Group, including in relation to labour rights and environmental management.

In addition to the above, Group Procurement also developed and rolled out Supplier pre-qualification and self-assessment questionnaires applicable for any new supplier wanting to do business with BWX. These assessments enable selection of suppliers based on parameters such as quality systems and certifications, occupational health and safety policies and supply chain and operational risks including subcontracting. The Request for Proposal (RFP) process run by Group Procurement comprises of various steps involving further due diligence on the suppliers participating. This includes assessment of overall business risk including but not limited to financial health of suppliers, focus on sustainability and industry best practises.

There is significant focus on placing key suppliers under formal supply contracts with obligations on suppliers to adhere to our Code and all purchases are governed by Purchase Order terms and conditions which include the Code.

The Nourished Life business operated by BWX has adopted the "Nourish Matrix" which is a proprietary tool used to screen suppliers to ensure that the suppliers of finished goods to Nourished Life have met criteria around organic, natural or eco-certification; the sourcing and use of ingredients in products; no animal testing; demonstrable commitments to minimising environmental impact; and having undertaken a product lifecycle assessment. The strict criteria to become a supplier on the Nourished Life website and the in-depth review performed by the Nourished Life business helps to mitigate the risk of modern slavery in the supply chain of this business.

ASSESSMENT OF THE EFFECTIVENESS OF THE PROGRAM

The Board of BWX has the ultimate responsibility to assess the ongoing effectiveness of the anti-modern slavery program of BWX.

The anti-modern slavery program of BWX is currently early in its maturity model. Global procurement was only centralised under Group Procurement in FY20 as was the creation of the Code. Prior to that, sourcing was undertaken by each individual business unit in the Group without a group focus on mitigating the risks of modern slavery. The work completed in FY20 to establish Group Procurement; to articulate the principles expected of suppliers in the Code; development and rollout of Supplier pre-qualification and self-assessment questionnaires; focus on supply contracts and Purchase Order terms and conditions; to provide internal reporting to the Board; to roll-out the Code to suppliers; and articulate modern slavery as a risk of the business was the first step towards mitigating the risks of modern slavery in the Group supply chain.

The Board will periodically assess the effectiveness of the anti-modern slavery program of BWX including:

- a) Monitoring the procedures of the Group against global best practices as well as industry peers;
- b) Monitoring that the processes to assess risk are relevant and up-to-date;
- c) Encourage Group Procurement to develop benchmarks concerning monitoring of suppliers and refine the process for onboarding and assessing new suppliers;
- d) Confirming that employees are trained in the Code and are aware of the risks of modern slavery; and
- e) Engaging specialist providers to test the anti-modern slavery procedures.

THE PROCESS OF CONSULTATION

This Modern Slavery Statement is made by BWX Limited and its wholly-owned subsidiaries. In creating this statement, the relevant directors and officers of all the entities making the statement were consulted and provided with an opportunity to review the statement prior to its approval.



ADOPTION BY THE BOARD

This Modern Slavery Statement has been approved by the Board and is signed by the Chairman of the Board.

Ian Campbell
Chairman BWX Ltd
14 December 2020