

This entire issue of *Insight* has been subsumed by an update on the Body Shop. Since *Franklin's Insight* published our brief sell recommendation on the stock in July, vast numbers of words have been printed and broadcast in North

## Dear Reader...



America and Europe on the company's social profile. As we go to press today, much of what *Insight* has to say will have been said.

In the twelve years of publishing this newsletter, the *Insight* staff has never been as troubled or overtaken by an issue. In the end, we were

determined to print this story, to publish as much of the truth as we could uncover and verify ourselves, and to avoid the sensationalism and name calling that has characterized the "Body Shop Affair." The question that is being asked now is whether the story will be permanently damaging to socially responsible investing or socially responsible businesses. It doesn't have to be if we in that community keep our wits about us. We can use this to grow stronger and better.

This, from *Insight's* vantage point, has definitely proved to be a learning experience. We have learned that we must be more diligent in checking company claims. We have also learned that we have limitations in our research capacity, if we didn't know that already. The fact was underscored that a stronger tradition (if not requirement) for honest disclosure on various social issues is needed. It is too easy to subtly construct images, whether deliber-

*Continues on back cover*

## Body Shop Scrutinized Faces Allegations on Social Performance

By Joan Bavaria, Eric Becker and Simon Billenness

In the past few weeks the British press has focused on the Body Shop's social record with an intensity normally reserved for the Royal Family. Since the story broke, Body Shop's stock has fallen from almost 250 pence to a low of 205 pence. Recently, the stock has recovered to 216 pence.

Two main questions emerge from this debate:

- Why did this issue reach such a boiling point?
- What is the Body Shop's social record?

### How The Story Started...

In September 1991 *Franklin's Insight* profiled the Body Shop, awarding the company our highest social ratings. However, since then, we have received information that challenges our initial assessment of the company. A German newsletter noted that the Body Shop uses non-plant derived ingredients in its products. A British animal rights organization criticized the company's animal testing policy. Early this year, investigative reporter Jon Entine provided us with considerable information about apparent contradictions between the Body Shop's image and its actual record on social issues. As

we independently investigated, we verified some of Entine's claims.

As 1994 progressed, we also became concerned about the growth prospects of the Body Shop's stock. In early June, *Franklin's Insight* lowered its stock recommendation to a "hold," citing a rise in the stock's price and expansion plans by a competitor. At an early June Social Investment conference in Toronto, Jon Entine discussed the results of his research on the firm. On June 14, callers to *Franklin's Insight's* weekly hotline heard that Body Shop stock had been further downgraded from a "hold" to a "sell" recommendation. On June 17 and on June 22, Franklin Research & Development Corporation sold all 45,950 of its clients' shares in the Body Shop. The following July 15 issue of *Franklin's Insight* stated:

"Last month we lowered Body Shop to a hold based on concerns that its major competitor [Bath & Body Works] was accelerating its growth in the U.S. and Europe. Given this concern and fears that a fairly negative upcoming magazine article may put some near-term price pressure on the stock, we are lowering our rating to a sell."

For a while all was quiet. Then on August 19, *Financial Times* reporter Andrew Jack wrote about Franklin

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This full issue devoted  
to Body Shop

Milt Moskowitz's column returns  
next month

# INSIDE



### Investing for a Better World

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## Body Shop Faces Critics (Cont.)

*Continued from front cover*

Research's decision to sell its Body Shop stock two months before. The London edition's headline, somewhat inaccurately, read, "US ethical fund turns against Body Shop." At that point, we had simply "turned against" the Body Shop stock. We had still not reached a conclusion on the company's overall social performance.

Then the British press seemed to declare open season on the Body Shop fueled in part by leaks from Entine's story. Journalists followed the gyrations of the stock, probed into the background of Entine and speculated as to the contents of his forthcoming article for the U.S. magazine *Business Ethics*, which was published September 1.

The Body Shop has come to its own defense. The company has released a 32-page "Memorandum of Response to the Allegations of Jon Entine." The Body Shop later released a strong reply to the *Business Ethics* article, which it labeled "recycled rubbish." Anita Roddick was quoted calling one animal rights group which criticized the Body Shop "a bunch of babies."

As the issue has died down a bit in the mainstream media, the debate has intensified within the progressive investment and business community. We hope that our following findings help to shed some light on the Body Shop's social record and serve as another chapter in the emerging profile of the company.

### Limitations

The staff of Franklin Research & Development have spent an extraordinary amount of time verifying the information used in this article. We strive to avoid using inflammatory language or assuming the motives of others. We print information that we believe to be true. But we are not chemists, lawyers or anthropologists, nor do we have the resources and contacts of an investigative news organization. It is also hard to establish the facts of an issue that is being so hotly debated. Consequently, we do not attempt to reach a definitive conclusion but we try instead to state the facts of the issue as we have been able to ascertain them.

### The Body Shop: As We See It Now

Our view of the Body Shop's social record has undergone considerable changes since our last profile. The issue is not necessarily just whether the Body Shop has a good or bad relative record of corporate responsibility. The Body Shop has clearly set for itself high standards. However, the company has also enjoyed positive tangible benefits from those publicly espoused standards while, apparently, failing to meet many of them.

Moreover, and perhaps more importantly, the company has compounded what otherwise might be isolated and curable difficulties by repeatedly failing to provide material information to back up its claims and by repeatedly taking a combative stance with its critics. This defensive and almost secretive posture violates what we consider to be cornerstones of social responsibility: openness and accessibility at the highest level of management. We believe we should hold even the most well-intentioned company accountable to this standard. We hope that the following article fairly represents the record of the Body Shop in several key areas.

### Franchises

Since the Body Shop is largely a wholesaler and franchisor, the company's dealings with its franchisees are an important part of the firm's record of corporate responsibility. We have no evidence of problems between the company and its British franchisees. However, there appear to be serious disputes between the Body Shop and some overseas franchisees.

In June 1994, the Body Shop settled a breach of contract suit with its former Norwegian

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## This Month in Franklin Research's Insight

*Equity Briefs on Timberland and Weirton Steel  
Big Cap Profile of Allstate*

# FTC Investigates Body Shop (Cont.)

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franchisee. In a counterclaim, the Body Shop's former Asian head franchisee is suing the company for conspiracy and breach of obligation. In March 1994, the US Federal Trade Commission (FTC) began an investigation of the Body Shop. According to the U.S. General Accounting Office, in the period 1989-92, the FTC received more than 1,360 complaints but began only 78 franchise rule and business opportunity investigations. Of the 78 cases, the FTC filed 14 court cases, closed 31 cases and continued investigating 33 cases.

The FTC has issued a civil investigation demand (CID), to at least one former Body Shop franchisee. The Body Shop confirms that current franchisees have also received FTC questionnaires. FTC Franchise Rule Director Steven Toporoff told *Insight* that there is no clear distinction between an FTC inquiry and an investigation. He added that the FTC uses CID's "fairly frequently" and in instances where the FTC is unable to obtain information voluntarily. In a letter from the FTC, purported to be to a former Body Shop franchisee, it is revealed that the franchisee was concerned that providing information to the FTC would violate a provision in the contract for the resale of the franchise to the franchisor that requires the franchisee "not to write about or speak about or do or perform directly or indirectly, any act injurious or prejudicial to the good will associated with franchisors' proprietary marks or business."

Susan Kezios, president of the American Franchise Association, told *Insight* she has received complaints from about 10 of the Body Shop's 58 franchisees. It is unclear whether the franchisees are complaining about the conduct of Body Shop employees or company head franchisees. However, some of the complaints include allegations that prospective franchisees were misled about their expected earnings when they were quoted the lower merchandise prices charged to head franchisees when, in fact, they later had to pay the higher price charged to franchisees. Both Kezios and a staff member of the House Committee on Small Business — which investigates franchising — told *Insight* that the Body Shop

treats its franchisees no better than most franchisors. Kezios added that the Body Shop franchisees that contacted her insisted on anonymity and seemed "more fearful" than franchisees she had spoken to at other companies.

Body Shop investor relations manager Angela Bawtree, told *Insight* of steps the company had recently taken to improve its relationship with franchisees. Over the last year, the Body Shop has set up a committee of franchisees and corporate management. In addition, in some cases, the company now provides loan guarantees for franchisees. The Body Shop has also decided in some cases to open stores in more marginal locations itself before selling them to franchisees. As a measure of franchisee satisfaction with the Body Shop, Bawtree cited the firm's low turnover of franchisees.

We hope that the Body Shop works to resolve the apparent problems with its franchisees. However, the existence of the FTC investigation and the lawsuits do force us to question the Body Shop's reputation as a responsible business partner.

## **Product Quality**

There is evidence that challenges the Body Shop's claim that its products are of "high quality." Letters between the Body Shop and its franchisees dating from 1990 and 1991 mention problems with old and contaminated products. In 1993, a batch of 151 bottles of contaminated banana shampoo were sold to U.S. consumers. According to documents obtained through the Freedom of Information Act, the Food & Drug Administration (FDA) inspected the Body Shop's new headquarters in North Carolina on October 7, 8 and November 12 of 1993. The inspectors found seven irregularities including improper sampling for bacteria in bulk containers, skipped tests and failure to follow-up bacteria problems with its product filling jets, missing records to document proper cleaning and sanitizing of its equipment and inconsistent handling of consumer complaints.

According to Angela Bawtree, the banana shampoo incident occurred at a time when the *Continues on page 4*

***"The existence of the FTC investigation and the lawsuits do force us to question the Body Shop's reputation as a responsible business partner."***

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## “Natural” Claims Criticized (Cont.)

*Continued from page 3*

Body Shop was moving operations from New Jersey to North Carolina. She also notes that, while the FDA made recommendations after its inspection, it did not issue a notice of violation. According to Bawtree, over 60% of such inspections result in the issuance of a notice of violation and, in the last three years, more than 100 such notices have been issued to cosmetics firms. The Body Shop also claims that the FDA inspection was prompted by Jon Entine. We would feel much more comfortable with the Body Shop's response to the issue of product quality if the company focused more on what actions it has taken to prevent future problems and less on trying to discredit Jon Entine.

### **Natural Products**

In the Body Shop's early years, its products were described as “natural” even though they contained chemical and synthetic ingredients. Several years ago the Body Shop started to more accurately describe its products as “naturally-based.” However, as recently as September 1992, Anita Roddick said in an interview with *Business Ethics* that the Body Shop “just [used] food stuffs rather than chemical formulas.”

Angela Bawtree told *Insight* that the dominant ingredient in many Body Shop products is water, which is natural. However, using this standard, almost any personal care product could be labeled “naturally-based.” In fact, while the company's products derive their names, if not their fragrance or color, from flowers, vegetables or fruits, one is hard pressed to find Body Shop products without synthetic ingredients. For example, the Aloe Hair Gel label reads “Water, Rosewater, SD Alcohol 40-B, Aloe Vera Gel, PVP (setting agent), Triethanolamine, PEG-75 Lanoline, Propylene Glycol, Carbomer 940, Phenoxyethanol, Polysorbate 20, Methylparaben, Benzophenone-4, Disodium EDTA, Sodium Dehydroacetate, Propylparaben, Fragrance, FD&C Yellow No. 5, FD&C Blue No. 1.”

While we cannot pretend to have done any more than the most cursory research on this point, *Insight* observes that two readily available competing products, “Shampure” by Aveda and Tom's of Maine's “natural shampoo,”

both appear to use all natural ingredients and, unlike the Body Shop, make it clear on the product label where the ingredients were obtained.

We cannot determine if the Body Shop intentionally misrepresented the nature of its products. The question that we pose is whether the Body Shop should be held responsible for the public perception of its products if that perception diverges from the truth?

We would answer “yes” to the question even though this means holding the Body Shop to a higher standard. In today's marketplace, companies regularly employ exaggeration and allow misinterpretation as a general practice. However, Anita Roddick has clearly denounced this standard puffery and has portrayed the Body Shop as “the most honest cosmetics company in the world.” Since the Body Shop has recently stated that it is “a leader in product disclosure” and since we believe that the Body Shop has benefited from subtle public misperceptions, we feel that it should, at least, join Aveda and Tom's of Maine in stating the source of each ingredient on its product packaging.

### **Environment**

There has been much media coverage of three leaks of product from the Body Shop's former New Jersey warehouse. According to the records of the company and the local Hanover Sewerage Authority, at least 62 gallons of shampoo and shower gel were released. It also appears that the spills were first identified by the officials of the Hanover Sewerage Authority and traced back to the Body Shop. Although the pattern of spills suggests that management at the Body Shop's facility was lax in its safeguards and tardy in its reporting, the severity of the incidences is immaterial compared to the company's overall environmental record.

The Body Shop's record of environmental auditing and disclosure is impressive. The Body Shop is a signatory of the CERES Principles, an environmental code of conduct created by environmentalists and social investors includ-

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# Trading Program Raises Questions (Cont.)

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ing Franklin Research. Moreover, the Body Shop is also the only company that we know of to have set up environmental management systems and an annual environmental audit that follows the voluntary European Union Eco-Management and Audit Regulation. The Body Shop has made efforts to comply with the regulation since it was available in draft form in 1991. In its 1993/94 "Green Book" the Body Shop provides an independently verified environmental statement according to EU regulation standards for the company's main UK Watersmead facility. The statement includes comparable information on energy efficiency, water usage and waste generation going back three years. The Green Book also contains information on product stewardship, training and some information on the environmental impact of its facilities around the world. While we question whether the Body Shop has lived up to its claims in other areas of its business, we find its stated efforts on environmental disclosure to be well founded.

## **Trade Not Aid**

"Trade Not Aid" (recently renamed "Direct Trading") has been a high-profile Body Shop slogan. It refers to the firm's "direct sourcing projects," which according to the Body Shop "create livelihoods for economically stressed communities...." Images of Anita Roddick traveling the world and developing products using ingredients from indigenous communities have been at the heart of the Body Shop's public relations efforts. Gordon Roddick claims that "Trade Not Aid is quickly growing into a cornerstone for the Body Shop.... The next ten years will see a huge development in this part of our business." But Trade Not Aid has come under fire from some activists and anthropologists who feel the projects are, in fact, patronizing and exist more for the benefit of the Body Shop's image than for the communities they purport to assist. Others have criticized the Body Shop for focusing so much attention on a program which accounts for a small percentage of its business.

Fair trade initiatives are inherently complex and are easy targets for critics who feel that it

is "neo-colonialism." But it is a relatively new field, especially for corporate involvement, and we would withhold judgment about the overall impact of such programs until there is further evidence that they are either constructive or destructive.

We see three issues at the heart of the debate. First, is Trade Not Aid based on a well researched understanding of economic, environmental and anthropological issues? Second, has the Body Shop worked sensitively with communities in implementing its projects? Third, has the Body Shop accurately represented its Trade Not Aid activities? While it is hard to characterize the whole program based on one or two projects, because of space and time considerations we will focus principally on the Body Shop's project with the Kayapo Indians in Brazil.

In 1991 the Body Shop began working with the Kayapo to harvest Brazil Nut oil which is used in its bestselling Brazil Nut Hair Conditioner. The Body Shop also buys beaded wristbands made by Kayapo women. In its promotional materials the Body Shop states that the harvest of Brazil Nuts is "a viable and sustainable alternative to cutting down their forests." But according to Terence Turner, an anthropologist at the University of Chicago, the Kayapo make the bulk of their income from selling logging and mining concessions on their lands, precisely the activities that the Body Shop claims it is preventing. Turner told *Insight* that the money the Kayapo make from the Brazil Nut oil and wristbands is just supplemental income that could never match the level of income achieved by selling logging and mining rights.

But Darrell Posey, an Oxford anthropologist who has worked with both the Kayapo and the Body Shop, told *Insight* that "the forces are great and the subversion by logging companies is irresistible. It is unfair to expect that the Body Shop project could offset these forces. We all underestimated the power and ruthlessness of the logging mafia.... They will stop at nothing." Given the complexity of the issue, we question whether it is appropriate for

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## Body Shop Trading Program (Cont.)

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the Body Shop to claim that purchases of Brazil Nut Conditioner "give [the Kayapo] an income to help protect the Amazon rainforest," as stated in Body Shop stores. But we find it difficult to fault the Body Shop merely for participating in an effort to assist indigenous peoples through trade agreements.

Turner told *Insight* that the Body Shop set up the Brazil Nut Oil project as a "commercial operation" managed by a non-Indian Brazilian, Saulo Petean, rather than as a trade arrangement between two equal parties. He says that the Kayapo make fair wages, but that they are not in control of the project, which is run in an authoritarian manner by Petean. Turner says the Kayapo have called repeatedly for his removal, to no avail.

The Body Shop responds that Petean is "an ally of indigenous peoples," and that "he was to act as the liaison and organizational instructor for the Kayapo, to help them control the use of the airplane, keep the accounts... appoint officers and register the businesses for export." Posey says that the Body Shop "sent a person as experienced as existed to work and live with the Kayapo and guide both sides in this project." Nevertheless, according to the Body Shop, Petean "is scheduled to turn over all aspects of the trade links in August of 1995." But the question raised is whether the Body Shop's Trade Not Aid programs "give people control over their resources, land and lives," as claimed. Posey states that "the Body Shop has done as good a job as anyone could expect." Another anthropologist told *Insight*, "If the Kayapo had run the project from day one, it probably would have failed."

Turner states that the firm's work with the Kayapo is "a public relations ploy above all" which aids the Body Shop in promoting its image while offering the Kayapo little trade in return. The Body Shop has used images of the Kayapo extensively in its stores and its "information broadsheets." According to Turner, the Kayapo have not been compensated for these images, which have furthered the Body Shop's corporate image as an environmentally and culturally sensitive company.

In response, the Body Shop claims that it pays

the Kayapo well above market price for Brazil Nut oil, thereby implicitly compensating the Kayapo for the use of their images. But Turner says there is no true market price, as there is only one other producer of Brazil Nut oil worldwide. According to the Body Shop's Mark Johnston, the images have been shown to and approved by Kayapo representatives. The Body Shop also agreed to a broad covenant with the Kayapo that outlines a set of principles for any future trading arrangements, including clauses covering intellectual property rights (IPR). It aims to ensure that future commercial development of products based on Kayapo knowledge would be implemented in full and equal cooperation with the Kayapo. The covenant was not signed by either party and is not a legal document. Mark Johnston of the Body Shop told *Insight* it would be used as a template for trading contracts. To date the Body Shop has signed no formal IPR agreements with its Trade Not Aid partners, despite publicizing a May 1993 announcement that it intended to sign an IPR agreement with an indigenous group.

Despite the difficulties with these projects, all parties acknowledge that the Kayapo do not want the Body Shop to pull out. In fact, other Kayapo villages have asked the Body Shop to establish new projects. A Kayapo statement released by the Body Shop says, "The chiefs are pleased with the businesses they make with the Body Shop, because it is a way for the community to earn money to buy the things they need without having to work in the city... We discuss our business with the Body Shop, as equals, from company to company."

Other Trade Not Aid projects offer fewer obstacles, such as the Body Shop's purchases of organic Blue Corn flour from the Santa Ana Pueblo in New Mexico. Jerry Kinsman, the manager of the project told *Insight* the tribe has had a "very honest, straightforward relationship" with the Body Shop. But we find it misleading when the Body Shop claims that the project "indirectly" affects 3 villages and 500 Native Americans. Kinsman told *Insight* that the project employs 9 full time equiva-

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# Body Shop's Giving, Governance (Cont.)

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lent Native American employees and that all profits (which are tiny) are reinvested in the project, not distributed to the community.

Richard Adams of New Consumer, a British consumer advocacy group, has criticized the Body Shop for sourcing a tiny fraction of its ingredients through Trade Not Aid, yet publicizing the projects heavily. The Body Shop admits that, "Although direct sourcing from such communities is currently just a small percentage of all our trade, we intend to increase this practice wherever possible." Adams has repeatedly requested the Body Shop to disclose what percentage of its raw materials purchases are obtained through Trade Not Aid projects. While it has not responded directly to this request, the Body Shop states that its Trade Not Aid purchases from producers amounted to £1.2 million in FY1994, double that of the previous year. Based on those figures, Adams has calculated that in FY1993 just 0.165% of gross retail sales ended up in the pockets of Trade Not Aid producers.

The Body Shop states that it is increasing the number of ingredients sourced through Trade Not Aid, citing recent purchases of cocoa butter and shea butter from cooperatives. Adams has stated that he is encouraged by the Body Shop's commitment to working with alternative trade organizations and non-government organizations involved in fair trade initiatives.

As in other areas *Insight* examined, we found the Body Shop less than forthright when presenting its Trade Not Aid program in company materials. Though its flyers may be factually accurate, they leave the impression that the Body Shop ethically sources all or most of its ingredients, rather than the tiny number that are part of Trade Not Aid. For example, in a Spring 1994 publication the Body Shop offered the headline "How We Do Business: DIRECT TRADING." In much smaller print, the flyer acknowledges that direct sourcing is "just a small percentage of all our trade." We feel that the language that the Body Shop uses in its literature still requires revision if it is to truly reflect the scale of the projects it supports.

## Charitable Giving

Over the past year, the Body Shop's level of charitable giving has increased dramatically, from 0.89% of pretax profits in the fiscal year ending February 1993 to nearly 3% of pretax profits in 1994. This new figure compares well to the average annual U.S. corporate giving figure of 1.9% but falls short of the level of contributions made by such socially responsible corporations as Dayton Hudson (5%), Ben & Jerry's (7.5%) and Patagonia (10%). However, it should be noted that the Body Shop's figure does not take into account its employees' voluntary activities taken on company time as well as the publicity provided by the Body Shop to organizations like Amnesty International in its company campaigns.

## Corporate Governance

As both investors and as a company that has taken the effort to recruit an active board made up of a majority of qualified outside directors, we are frankly not impressed by the Body Shop's inability thus far to name a single independent board member. The Body Shop currently does not comply with the British "Code of Best Practice" recommended by the Report of the Committee on the Financial Aspects of Corporate Governance. Consequently, the company's shareholders lack such independent checks and balances as an independent audit and remuneration committee. The Body Shop has repeatedly promised that the appointment of independent directors will be forthcoming.

## Response to Criticism

The issue that has concerned us the most is the Body Shop's extremely combative response to criticism and its readiness to use legal action or threats of legal action. For instance, in its replies to the article in *Business Ethics*, the Body Shop repeatedly attacks the credibility of its critics, sometimes using invective, rather than just addressing the criticism.

Since our first contact with the Body Shop on this issue in March, the Body Shop has stated consistently that they first encountered Jon Entine when he was preparing a story for

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***"The issue that has concerned us the most is the Body Shop's extremely combative response to criticism and its readiness to use legal action or threats of legal action."***

# Body Shop Conclusion (Cont.)

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ABC's Primetime but that ABC decided not to run the story and Jon Entine no longer works for ABC. We feel this statement strongly implies that ABC fired Entine but this point has not been confirmed by ABC.

In a recent press release, the Body Shop characterized the recent *Business Ethics* article on the company as "a poorly researched piece in a tiny newsletter." According to *Business Ethics*, the magazine received letters from the Body Shop's attorneys threatening possible legal action for libel before the article was even published. According to Angela Bawtree, the Body Shop is still reviewing its legal position in regard to the magazine. If, as it claims, *Business Ethics* checked and published the article in good faith and a lawsuit would bankrupt the magazine, we would consider a lawsuit by the Body Shop as unfair and likely to stifle further legitimate public discussion of the company.

We are also particularly concerned at the way in which the Body Shop has treated Richard Adams, Director of New Consumer, a British non-profit that publishes research on corporate responsibility issues. In our view, Adams has, since the fall of last year, made legitimate requests to the Body Shop for information that backs up the company's claims. The Body Shop has refused to provide what we would consider to be readily obtainable and non-proprietary information, such as the amount of goods bought through its Trade Not Aid programs, stating: "[Adams'] close relationship with, and support for, Entine's 'investigation' over the past year makes all his opinions highly suspect." We find this claim of "guilt-by-association" unwarranted considering the thoughtful and fair tone of Adams' writing for New Consumer and his extensive experience in the

field of alternative trading relationships with developing countries.

## Conclusion

After months of research, *Insight* has come to believe that certain recent criticism of the Body Shop is justified. In our view, the problems are quite correctable and there is evidence that the company is currently making improvements in almost all areas. Two important points remain unresolved.

The first is the gap between the Body Shop's image and its reality. We believe that any company seeking public approval must accept responsibility not only for what is said literally but also for the impression that is left. Through clever public relations, the Body Shop carefully cultivated an image which is inconsistent with the company's sometimes less than impressive performance, and we believe that the company should take measures to close the gap.

The second major problem we have with the Body Shop is its response to criticism, particularly in the press. Although there is a cultural difference between practices in Britain and practices in America where the First Amendment guarantees free speech, the Body Shop's consistent use of character assassination and its habit of assuming motives is offensive and virtually unheard of in our experience. The Body Shop's bombastic tactics have set back any legitimate attempts by the company to change and seem to be currently triggering a backlash. In our opinion, it is important that the company be much more constructive with its critics. The wounds left by the company's defensiveness will be hard to heal. But nothing is impossible. 🙏

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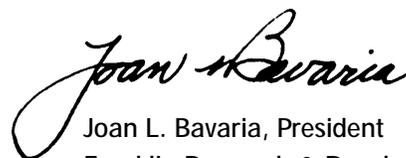
ately or not, that exaggerate a company's performance.

Hopefully, the community wounds caused by this incident will heal. Those of us who are slowly and imperfectly struggling to assess the social costs and benefits of investment decisions and who fight for such values as equity, justice, and a sound environment, are often outnumbered and outspent as it is. To fragment would be tragic.

But the path to unity does not lie in denial or poor disclosure. Whether or not allegations or criticisms prove to be justified, it is incumbent on all of us to allow public debate and to accept legitimate criticisms. Franklin Research, Calvert, Working Assets, *Business Ethics* Magazine, Stonyfield Farm Yogurt, and Ben & Jerry's all make social claims and therefore will be scrutinized for the validity of their claims in much the same way that an automobile manufacturer will be scrutinized for the veracity of its product claims. Alex Brummer wrote in *The Guardian* in London, "... the fuss has been more important than was warranted by a few spillages of shampoo into American rivers... Body Shop can only be measured by the same standards as any other large British company... It is not adequate to argue that they (sic) don't matter because Body Shop has backed a wind farm, or wants to do the right thing, even if it sometimes fails..."

Amen.

Sincerely,



Joan L. Bavaria, President  
Franklin Research & Development