



NATURA 2017  
ANNUAL REPORT

## *THE NATURA 2017 ANNUAL REPORT*

is part of Natura's results disclosure process. On the same date that it was released, April 20, 2018, we published a report in print format (which is also available online) with Natura &Co's highlights for the year. This group of companies was formed in September 2017, when The Body Shop was united with Natura and Aesop.

Except when otherwise stated, the financial information in this annual report refers to Natura, Aesop and The Body Shop. The scope of the indicators for non-financial information only covers Natura's activities in Brazil and in its International Operations. In 2018, we initiated the integration of the three companies' environmental and social impact strategies.

Further information in Parameters for the preparation of the *Natura 2017 Annual Report* [HERE](#).



# Our Essence

GRI 102-16

## REASON FOR BEING

---

Our Reason for Being is to create and sell products and services that promote well-being/being well.

### **well-being**

is the harmonious relationship of the individual with himself, with his own body.

### **being well**

is the empathetic, successful and pleasurable relationship of an individual with other people, with nature, and with the whole.

## BELIEFS

---

Life is a chain of relationships. Nothing in the universe stands alone. Everything is interdependent. Natura believes that valuing relationships is the foundation of the great human revolution in the pursuit of peace, solidarity, and life in all of its manifestations.

Continuously striving for improvement develops individuals, organizations, and society.

Commitment to the truth is the route to enhance quality in relationships.

The greater the individual diversity, the greater the wealth and vitality of the whole system.

The pursuit of beauty, a genuine aspiration of every human being, should be free of preconceived ideas and manipulation.

The company, a living organism, is a dynamic set of relationships. Its value and longevity are connected to its ability to contribute towards the evolution of society and its sustainable development.

## VISION

---

Due to our corporate behavior, the quality of the relations we establish and our products and services, we will be a group of brands with strong local and global expression, identified with the community of people committed to building a better world through a better relationship with themselves, with others, with the nature of which they are a part, with the whole.

Message from the Board of Directors



What matters to us is to show that companies should be transformed into forces for positive social change. That they should change from being vehicles for the creation of private wealth to instruments aimed at the public good”.

Anita Roddick, 2000 social activist and founder of The Body Shop



**From left to right:  
Luiz Seabra,  
Roberto Marques,  
Pedro Passos and  
Guilherme Leal**

## Message from the Board of Directors

# The beginning of a new era **GRI 102-14**

Antonio Luiz da Cunha Seabra, Guilherme Peirão Leal, Pedro Luiz Barreiros Passos (Co-Chairmen) and Roberto de Oliveira Marques (Executive Chairman)

**In the world, we are experiencing intense times. In spite of the apparent resumption of economic vitality, inequality continues to present a systemic threat which will tend to increase because of the impact of new technologies on employment, intensifying social pressures.**

This uncertain environment creates room for isolationist ways of thinking, such as the setbacks in the Paris Agreement, a global effort to combat climate change. In contrast, countries previously criticized for their untrammelled and reckless production, are now emerging as active participants in debates on how to reconcile economic activities with environmental conservation, even though they still have a long way to go.

Amidst these impediments to civilization, that pose a threat to the future of mankind, in 2017 we lived through a process that transformed our history as a company: we created a group of companies that, for decades, have been doing business in a new way. Natura, Aesop and The Body Shop have joined forces in Natura &Co, a global cosmetics group which is unique in that it comprises businesses that share a common vision and a strong sense of purpose. We believe in the transformation of the global economy and in the power of sharing, in its many facets. In the sum of strengths, and in the power of differences. In connection, in comprehension and in collaboration for the co-creation of solutions capable of driving a positive transformation in the world.

We are also experiencing intense times in our companies, albeit more predictable than those the world has been experiencing. We believe, however, that in Brazil and worldwide, new forces will enable us to overcome separation, indifference and alienation, in the pursuit of a common good, of a fairer society aware of its commitment to future generations. To repeat the truly inspiring phrase of Insead professor of Global Management Joe Santos, "globalisation allows us to use the whole world for the purpose of creating something new".

With Natura &Co, we are seeking this something new and expressing our profound confidence in the transformational

potential of a new, more humane and systemic form of globalisation, of value creation for our companies, for society and for the planet.

In this historical moment filled with so many risks, it is our understanding that companies have both the opportunity and the duty to respond to society's call to help drive major transformations. This was always one of the ideals that we shared with Anita Roddick, the founder of The Body Shop and a pioneering voice in insisting that business should assume the responsibility of being a force for good.

In the same way that we pay tribute to the legacy left by those who built the companies united in Natura &Co, we celebrate the future that we are beginning to build. In 2017, while still in an initial stage of integration, our businesses produced excellent results. Natura revitalized its presence in the Brazilian market, gained share in key categories and continued to grow its operations in Latin America. In parallel, Aesop maintained its accelerated expansion in the retail trade in large urban centres on all continents, exceeding the milestone of 200 company-owned stores. And The Body Shop, whose integration into the group began in September, contributed with its best Christmas performance in recent years.

This is only the beginning of a long journey. In 2018, we are going to consolidate the basis of our group and in so doing build the environment which will enable the business to gain momentum. Close to completing 50 years in business, we feel as if we are just starting. Natura &Co takes our dream of internationalization to the next level. Now, we will be able to drive a positive impact in 72 countries on every continent, accelerating the exchange of knowledge and taking our brands to new consumers.

Just as we believe in the power of shared values, such as a passion for cosmetics and a passion for relationships, embodied in our Reason for Being, WellBeingWell, we recognize the creative power and the wisdom contained in differences. With this renewed, diverse and multicultural energy, intensified by collaboration among three businesses, we will be more capable of generating even greater and better economic, social and environmental results. ✦

Message from the executive chairman

## Focus and mobilization **GRI 102-14**

João Paulo Ferreira

**2017 was a landmark in Natura's almost 50 years of existence. Amidst a complex economic environment, we achieved impressive results based on two important postures: focus and mobilization.**

We were clear and disciplined in executing priorities and in allocating resources for our strategy, generating a positive spiral that engaged all of our employees in our cultural transformation. This enabled us to understand how we need to work together to build the organization that we want, one that is capable of responding to our present and future challenges.

In the second half of the year our results demonstrated how this movement has begun to take effect. We grew in the last two quarters of the year in Brazil, recovering market share and resuming leadership in key categories, such as perfumery, body care and gifts. Moreover, Natura has maintained its accelerated pace of expansion in the other countries in Latin America. We are the leaders in direct selling in Brazil, Argentina and Chile, and we are growing strongly in Mexico. Our net revenue reached R\$ 7.7 billion, up 7.8% over the previous year, while Ebitda totalled R\$ 1.5 billion, an increase of 21.3% compared with 2016.

One of the fundamental elements in our strategy was the revitalization of our direct selling model, which we now call Relationship Selling. We made our consultants the central focus of our decisions, achieving our highest loyalty rate since measurement of this indicator was begun, as well as increasing market share. By striving to be more relevant for them, we strengthened our business.

We have dedicated a great deal of effort to increasing our consultants' satisfaction, whether through the development of the relationship interfaces, the constant enhancement of our business models or the implementation of new technologies. The digital expansion in Relationship Selling opens up innumerable possibilities for strengthening our brand, not just in products, but also in the quality of the services and the contents we offer. We already have more than 160,000 consultants who have their own webpages on the Rede Natura



Robert to Setton

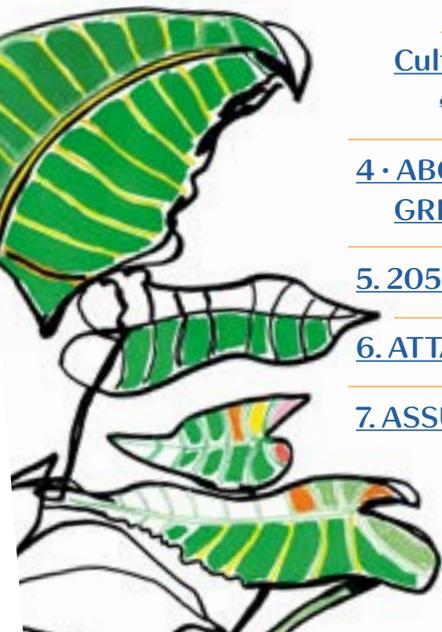
platform, and almost 600,000 are connected via our Consulting app. We believe there will be exponential growth in the use of technology in all Natura operations, which should become our main competitive differential in the coming years.

We are also maturing in our multichannel approach. Our online businesses practically doubled in size in 2017, and we expect the same to happen in retail, which is at an earlier stage. Currently we have 26 stores, three of which in France, two in the United States and one each in Argentina and Chile. Thanks to these initiatives, we have adapted our portfolio for the North American market and now, supported by The Body Shop's global experience, we are better prepared to take the Natura brand to more countries.

It is important to underscore that all these movements incorporate sustainability as a core principal that continues to guide our way of innovating and doing business. This is how we are striving to substantiate our vision of generating a positive economic, social, environmental and cultural impact in the long term. To achieve this, we will remain true to our course and use 2018 to consolidate and ensure the continuity of what was done in 2017. This will enable us to further strengthen our fundamentals and differentials, which are key to our ambition to be a positive force in the evolution of society. ✦

# Index

<b>1 PROFILE</b>	<b>7</b>
<b>Who we are</b>	<b>8</b>
<b>2017 performance</b>	<b>11</b>
<b>Strengthened governance</b>	<b>13</b>
<b>Risk management</b>	<b>15</b>
<b>Ethics and compliance</b>	<b>17</b>
<hr/>	
<b>2. STRATEGY</b>	<b>18</b>
<b>Business model</b>	<b>20</b>
<b>Multichannel Natura</b>	<b>23</b>
• Relationship Selling growth plan	<b>23</b>
• Expansion of the Rede Natura	<b>27</b>
• Participation in retail	<b>27</b>
<b>Digital technology as a business enabler</b>	<b>28</b>
<b>Sustainability Driving Innovation</b>	<b>29</b>
<hr/>	
<b>3. GENERATING POSITIVE IMPACT: THE PATH TO 2050</b>	<b>32</b>
<b>Integrated management</b>	<b>33</b>
• Performance management	<b>34</b>
<hr/>	
<b>Reducing environmental impact</b>	<b>37</b>
• Carbon: monitoring, reducing and offsetting	<b>37</b>
• Packaging and waste: making new again	<b>41</b>
• See our water footprint	<b>42</b>
<hr/>	
<b>Sustainable social biodiversity businesses</b>	<b>43</b>
• Science, technology and innovation	<b>44</b>
• Social biodiversity production chains	<b>44</b>
• Institutional reinforcement	<b>47</b>
<hr/>	
<b>Positive social impact</b>	<b>49</b>
• Greater development for consultants	<b>49</b>
• Local development programme	<b>51</b>
• Suppliers: partnerships for development	<b>52</b>
• Commitment to education	<b>54</b>
• A more diverse and inclusive environment	<b>56</b>
<hr/>	
<b>Culture for sustainability</b>	<b>59</b>
• Consumer engagement	<b>59</b>
<hr/>	
<b>4 · ABOUT THE REPORT</b>	<b>61</b>
<b>GRI Content Index</b>	<b>64</b>
<hr/>	
<b>5. 2050 SUSTAINABILITY VISION AMBITIONS</b>	<b>78</b>
<hr/>	
<b>6. ATTACHMENTS</b>	<b>82</b>
<hr/>	
<b>7. ASSURANCE REPORT</b>	<b>118</b>





# 1. PROFILE

## Who we are

**Natura is the largest Brazilian multinational in the cosmetics industry. The company is committed to generating a positive social and economic impact through all its businesses and brands and in every region in which it operates.**

We reach millions of consumers through diverse channels, the main one being 1.7 million consultants in Brazil, Argentina, Chile, Colombia, Mexico and Peru. In addition to these countries, we have physical stores and e-commerce operations in the United States and France, and we commercialize products in Bolivia through a local distributor. In the retail trade, we operate through company-owned stores, franchises run by enterprising consultants and partnerships with pharmacy chains. The Rede Natura (Natura Network), is one of the largest beauty product online sales platforms in Brazil, and we have already implemented digital commerce in Chile, Argentina, France and United States.

**GRI 102-1, 102-2, 102-3, 102-6**

Natura has more than 6,300 employees and in 2014 became the first publicly traded company in the world to receive B Corp certification. This was renewed in 2017. The B System movement comprises companies that attribute equal weight to their financial and their socioenvironmental results. Natura shares are traded on São Paulo's B3 stock exchange.

**GRI 102-5, 102-8**

In 2017, for the fifth year running, Natura received the World's Most Ethical Companies award. This is granted by the Ethisphere Institute, a global organization engaged in enhancing ethical business practices. Our structure comprises administrative headquarters in São Paulo (São Paulo), plants in Cajamar (São Paulo) and Benevides (Pará), third-party production in Argentina, Colombia and Mexico, eight distribution centres in Brazil and five in Latin America, a logistics hub in Itupeva (São Paulo) and research and technology centres in São Paulo and Benevides.

**GRI 102-4**

We work with a network of partners to promote innovation, and we strive to reduce the impact of our products throughout the chain, investing in the use of recycled materials and in the vegetalization of our formulas, having reached a rate of 81% to date. Whenever possible, we combine the best in cosmetic science with the traditional knowledge of communities engaged in the Brazilian social biodiversity ingredient chain, having progressively increased the number of families who supply inputs for our products. We have also been carbon neutral since 2007 – meaning we offset all greenhouse gas (GHG) emissions not only from Natura, but from our entire production chain – and we invest continually in measures to reduce our volume of emissions.

Targets have been established for all these areas in our 2050 Sustainability Vision, the first cycle of which will end in 2020. This Vision is designed to transform Natura into a company that generates a positive impact.

### A TRANSFORMATIONAL COMBINATION

In addition to our multinational operation under the Natura brand, in September 2017 we took a decisive step towards becoming a global multichannel, multi-brand cosmetics group driven by purposes with the acquisition of The Body Shop.

In February 2018, this group comprising Natura, Aesop (acquired in 2013) and The Body Shop, adopted the name Natura &Co. In addition to being highly complementary in their market strengths, channels and product categories, these three businesses show remarkable alignment in the way they do business. They value traceability and sustainability in the supply of ingredients, the conservation of social biodiversity, the elimination of animal testing, the measurement of environmental impacts in the value chain (including reducing and offsetting carbon emissions), as well as supporting education. ✦

# Natura

GRI 102-7

## Operations in:

Argentina, Brazil, Chile,  
Colombia, France, Mexico,  
Peru and the United States.  
Local distributor in Bolivia.

**1.7** million  
Natura Beauty  
Consultants

**6,300**  
employees

Revenue of  
**R\$ 7.7** billion

# Natura & Co



● Natura ● The Body Shop ● Aesop

**18,000**  
employees

Presence in  
**72** countries

R\$ **9.9** billion  
in revenue

**5**  
continents

# 2017 Performance GRI 103-2; 103-3

## 2017 was an emblematic year

for Natura, with the acquisition of The Body Shop and, together with Aesop, the formation of Natura &Co. Both Aesop and The Body Shop saw growth in their results, while Natura bounced back in comparison with 2016. Total revenue grew by 7.8% in constant currency, with a 4.5% increase in Brazil. This positive result in a still challenging economic conjuncture was most certainly due to the transformation the company promoted in Relationship Selling, offering consultants a clearer career path and gaining market. We resumed our leadership position in key markets, such as perfumery, body care and gifts.

In the other countries in Latin America, revenue grew by 18% in constant currency, driven by the expansion of the online channels and by consultants' performance. Natura's Ebitda increased by 23.1% compared with 2016, ending the year at R\$ 1,524.7 million.

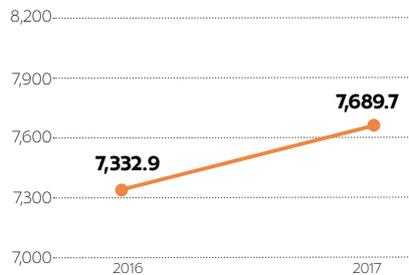
The changes we promoted in Relationship Selling in Brazil boosted the consultants' productivity rate (it grew 15.2%

in the fourth quarter of 2017 compared with the year ago period) and also increased share of wallet.

The profit from Crer Para Ver (Believing is Seeing), which totalled R\$ 22.9 million in Brazil and R\$ 12.8 million in the other Latin American countries, is channelled into educational improvement projects (in Brazil these funds are managed by the Instituto Natura). Although the proceeds from this line dropped slightly during the year, due to a decrease in the average price of the products in Brazil and softer performance in Latin America, we beat our record for penetration among consultants, with 28% of them selling this product line.

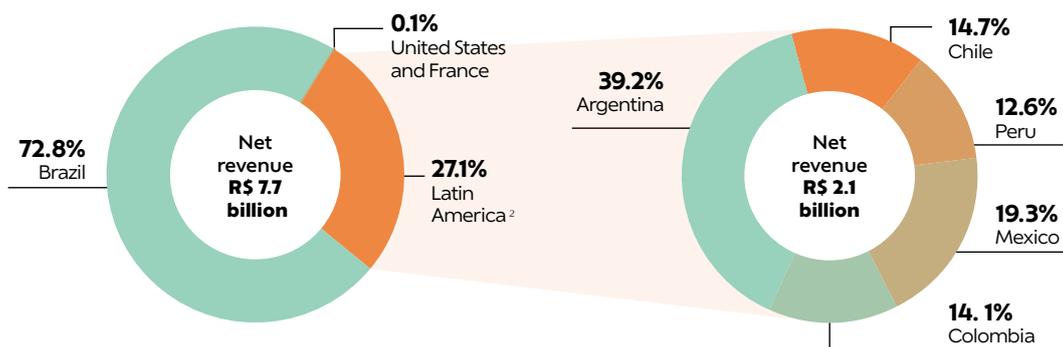
In the Pan-Amazon region we achieved our 2050 Sustainability Vision target of generating R\$ 1 billion in business volume by 2020 well ahead of plan, reaching the mark of R\$ 1.22 billion in 2017. Part of this amount goes towards the purchase of social biodiversity ingredients, provoking positive economic, social and environmental impacts and contributing to keeping the forest standing.

Nature net revenue (R\$ million) <sup>1</sup>



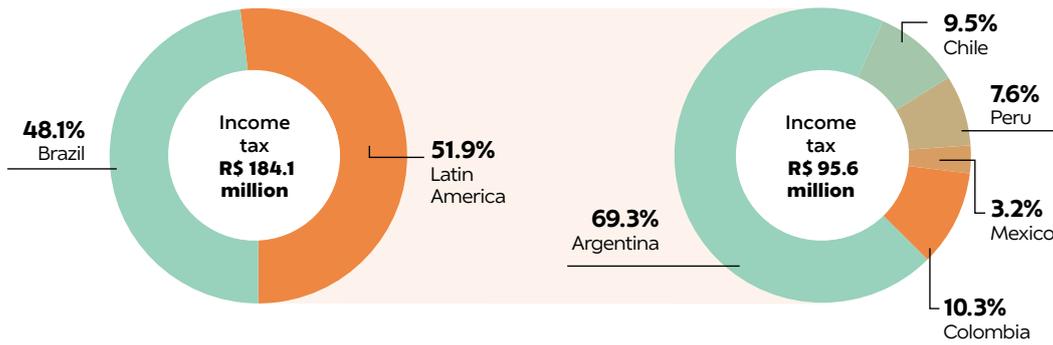
<sup>1</sup> Taking into account only Natura operations, without Aesop and The Body Shop.

## Natura net revenue:<sup>1</sup> Brazil and the International Operations



<sup>1</sup> Takes into account only the Natura operation, without Aesop and The Body Shop. <sup>2</sup> Business in Bolivia is conducted through a local distributor.

### Income tax due in 2017: Brazil and International Operations <sup>1 2 3</sup>



<sup>1</sup> Takes into account only the Natura operation, without Aesop and The Body Shop. <sup>2</sup> The businesses in the United States and France do not yet have a basis for levying income tax. <sup>3</sup> The disclosure of tax payments per country is part of Natura's commitment to the B Team Responsible Tax Principles. Read more on page 17.

Our financial statements may be accessed [here \(in portuguese\)](#)

## Main advances



**Natura's net revenue grew 7.8% in the year.** In Brazil, our sales increased in the last two quarters of 2017. Additionally, we recovered market share in key categories. Annual growth in net revenue<sup>1</sup> in Brazil was 4.5%; in the other countries in Latin America, it was 18% (in constant currency).

**We transformed our Relationship Selling model in Brazil,** with results already apparent, including a 15.2% increase in consultant productivity in the 4th quarter of 2017 compared with the year ago quarter. Moreover, average revenue per consultant grew by 17%. The project includes a career path for our consultants and incentives for their self-development.



**We took a decisive step towards the internationalization** of our businesses with the acquisition of the British cosmetics brand The Body Shop, for 1 billion euros.

**Ahead of target, we exceeded our Sustainability Vision commitment** to generate a business volume of R\$ 1 billion in the Amazon between 2010 and 2020 by 22%.



**We progressed in the traceability of our chain,** achieving UEBT (Union for Ethical Bio Trade) certification for 100% of the supplier communities in 65 social biodiversity supply chains.

## Our challenges

In comparison with 2012, the base year for our commitment to reduce relative greenhouse gas (GHG) emissions, the reduction in 2017 was 0.5%. The goal set forth in our Sustainability Vision establishes a 33% reduction in the relative indicator (emissions versus products billed) by 2020. In spite of the diverse initiatives aimed at reducing our emissions, there was a 2% increase in Natura's absolute emissions in 2017, compared with 2016. The annual growth in relative emissions was 0.8%. This result reflects our sales mix during the year, which included items generating higher emissions, as well as sales growth in our International Operations, which intensified product transportation to these countries.

## Reinforced governance

**GRI 102-10; 102-18; 102-19; 102-20; 102-21; 102-23; 102-24; 102-27; 102-29**

The formation of the Natura &Co Group included administrative restructuring to ensure the proper integration and management of the company's three brands

### The corporate governance structure

was adapted to support the Natura &Co integration. The Natura Board of Directors was increased to ten members, with its international character reinforced by the entry of Canadian Peter Saunders, the former The Body Shop CEO, who brought with him his knowledge of the recently incorporated company and his broad experience in retail and in international markets.

Another important change was the creation of the position of executive chairman of the Board, assumed by Roberto Marques. He has been a board member since April 2016, and has broad international experience (at companies such as Johnson & Johnson and Mondelez International). The three Natura co-founders, Luiz Seabra, Guilherme Leal and Pedro Passos, continue as co-chairmen of the Board, with the objective of ensuring a proper balance between business expansion and alignment with the company's purposes and Essence.

In this new configuration, the Board of Directors has six independent members (who have no direct link with Natura). The rate of 60% independent

board members goes beyond the São Paulo B3 stock exchange's Novo Mercado Listing Requirements, which recommend a minimum of 20%. Consequently, the Board draws on a robust mix of knowledge in areas such as finance, international markets, direct selling, retail and cosmetics, extremely necessary for the current stage of the business. **GRI 102-22**

Further information on the board members' curricula [HERE](#).

The changes in governance structure were approved at an Extraordinary General Meeting held on November 30, 2017. The members' term of office is one year and may be renewed upon approval by the Shareholders' Meeting.

Each of the three Natura &Co companies has its own CEO and Executive Committee, guaranteeing the companies' autonomy: João Paulo Ferreira and Michael O'Keeffe, who continue to head up Natura and Aesop, respectively, and David Boynton, who assumed as CEO of The Body Shop in December 2017, bringing his robust international and retail experience to the organization.

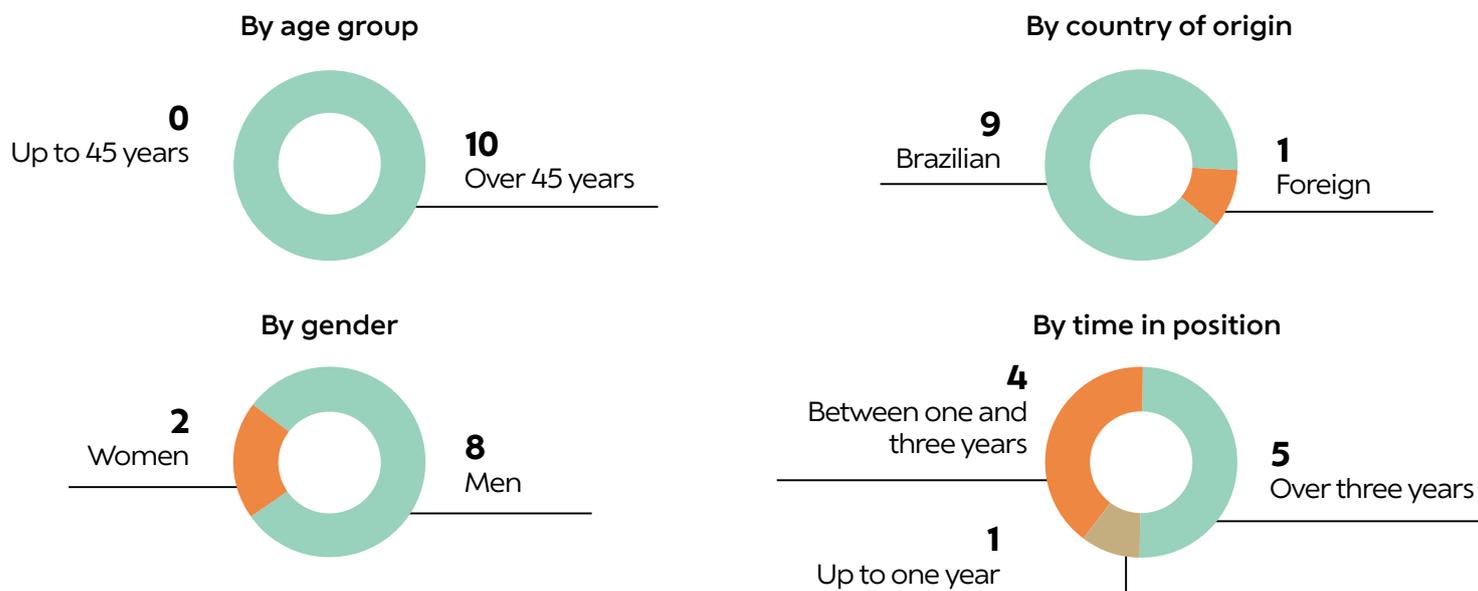
## Composition of Board of Directors **GRI 102-22**

- Antonio Luiz da Cunha Seabra
  - Guilherme Peirão Leal
  - Pedro Luiz Barreiros Passos
- Co-chairmen**

- Roberto de Oliveira Marques
- Executive Chairman**

- Carla Schmitzberger
  - Fábio Colletti Barbosa
  - Gilberto Mifano
  - Marcos de Barros Lisboa
  - Sílvia Freire Dente da Silva Dias Lagnado
  - Peter Bryce Saunders
- Board members**

## Composition of the Board of Directors **GRI 102-22**



### >>> Support for management <<<

The Group Operations Committee (GOC) was created to streamline Natura &Co's development. It comprises the CEOs of the three companies, representatives of key areas (Finance, Human Resources, Strategy and Business Development, Legal, Operations, Innovation and Sustainability and Corporate Governance), in addition to the vice president of Transformation, Robert Chatwin, charged with oversight of all matters involving Natura &Co or one or more of the

brands. The GOC is led by the executive chairman of the Board, Roberto Marques, and is responsible for encountering dynamic solutions for Natura &Co. For this reason, the option was made for a structure in which some members exercise a dual executive function, maintaining their attributions in the business. The other four Board support committees are: Strategy, People and Organizational Development, Corporate Governance and Audit, Risk Management and Finance.

Further information on the formation and role of the committees [here](#)

### >>> Natura Executive Committee <<<

The Natura Executive Committee (Comex) is headed by the CEO, João Paulo Ferreira, and is focused on the Natura brand in Brazil and in the other countries in which it is commercialized (Aesop and The Body Shop have their own executive structures, with a view to ensuring the necessary focus and independence of each business). In addition to the CEO, the Natura Comex comprises six vice presidents. In December 2017, Flávio Pesiguelo assumed as Vice President of People, Culture and Management Systems. After heading up Natura's technology advances, Agenor Leão was appointed Vice President for Latin America in January 2018, with the challenge of accelerating the transfer of technology and business evolutions from Brazil to the other operations. The position of Vice President of Digital Technology is

vacant at the moment. Erasmo Toledo, who conducted the company's growth in Latin America over the last nine years, returned to Brazil to assume the function of Vice President of Direct Selling, with the mission of furthering the advances made in consultant relations. At the beginning of 2018, the vice president of Finance and Investor Relations, José Roberto Lettiere, left the company after almost three years in the position, during which time he led important processes for Natura's growth. The company is currently seeking a successor (at the moment the CEO, João Paulo Ferreira, is exercising this role on an interim basis). In April 2018, Itamar Gaino Filho assumed the position of vice president of the Legal area, where his attributions will include supporting the international expansion of the Natura brand.

For further information about the Executive Committee and to see each member's CV, click [HERE](#).

## Risk management **GRI 102-30; 102-31**

**During the course of 2017** the business areas were mapped in accordance with the risks identified as priorities at the end of 2016 by the Audit, Risk Management and Finance Committee, based on the risk dictionary that was reviewed that year.

Starting from the identification of processes, we mapped the risks and the controls designed to mitigate them. Furthermore, we detailed risks related to specific factors, creating impact and vulnerability measurement criteria

and monitoring indicators. This new modelling is part of the risk management governance inaugurated in 2017. The work on risk management in the quality and environmental areas contributed to Natura's recertification in the ISO 9001 standard for Quality Management and in the ISO 14001 standard for the Environmental Management System in Brazil. Risk management and change management have become indispensable in obtaining recertification. The entire risk management process is overseen by the Executive Committee and is monitored by the Board of Directors through the support committees.

### Main risks monitored at Natura **GRI 102-15; 102-34**

risk	mitigation measures
<b>Brand management and commercial model, including attractiveness for consultants</b>	We monitor the industry constantly, including the preferences and spending patterns of our consumers. We focus on projects to develop the commercial model in accordance with our value proposition and in line with strategic planning, which is reviewed annually. This is the case with the new sales formats, such as the digital relationship platform (Rede Natura), and the company's experiences in the retail trade, including the commercialization of the Sou line in pharmacies and Natura's own stores. Furthermore, the company is investing heavily in revitalizing direct selling to ensure the maintenance of close, high quality relations with the Natura Beauty Consultants.
<b>Implantation of strategy</b>	We review our strategic planning and our short, medium and long-term targets on an annual basis. This includes investment decisions in acquisitions and holdings, as well as the entry in new markets. This is an activity that involves all the business units. The strategies and reviews are presented and discussed by the Executive Committee and approved by the Board of Directors.
<b>Innovation capacity</b>	We invest continuously in innovation on different fronts: commercial strategy, digital platforms, product development, logistics network and distribution etc. We maintain rigorous control over the registration of intellectual property, in particular patents, industrial designs and brands. These measures also help to mitigate the significant competition from Brazilian and multinational manufacturers who offer product lines similar to ours and who at times compete within our direct sale channel.
<b>Research, development, manufacture and product quality</b>	Natura maintains a constant commitment to customer health and safety, with rigorous internal processes that range from the conceptual development of the product to its launch. This is accompanied by a differentiated positioning based on a commitment to truth and transparency. The company's Occupational Health and Safety policy is focused on preventing the risks inherent to its operations. Moreover, Natura maintains an open channel of communication and relationship with all unions, recognizing their legitimacy in representing the interests of employees in each specific category, and constantly pursuing understanding and conciliation between the parties.

**Main risks monitored at Natura GRI 102-15; 102-34**

risk	mitigation measures
<p><b>Interruption of our information technology systems</b></p>	<p>Our main IT systems are managed to ensure operational stability. This entails data and server redundancy, routine information back up, control of access to the systems and continuous monitoring to detect security vulnerabilities in data banks and infrastructure components. Natura manages information security in a structured manner, with guidelines set forth in the company's code of conduct, ongoing work to drive employee awareness, mapping and addressing all risks and ensuring compliance with standard ISO 27.002:2013.</p>
<p><b>Attraction and retention of executives and leadership development</b></p>	<p>To drive the engagement and development of leaders, we offer an educational programme, Mosaico, which comprises coaching, formal training and self-development measures. To ensure recognition and to retain talent, we offer a remuneration package which is above the market average, the aim being to share the wealth generated by the company with all employees. Additionally, we review the succession map annually to ensure the ongoing identification of individuals with the potential to occupy executive positions.</p>
<p><b>Climate change GRI 201-2</b></p>	<p>We seek to ally economic and socioenvironmental gains in our activities. Strategic mitigation projects permeate the organization and have been incorporated into our routines. An example of this is the Carbon Neutral programme, which prioritizes the reduction of direct and indirect emissions throughout the chain, in addition to offsetting 100% of emissions that cannot be avoided.</p>
<p><b>Social -biodiversity</b></p>	<p>The use of social biodiversity ingredients is aligned with the Natura Policy for the Sustainable Use of Social Biodiversity Products and Services, which ensures the fair sharing of benefits with supplier communities and the sustainable management of the assets, as well as guaranteeing compliance with Brazil's new legislation regarding access to genetic heritage. With its Amazônia Programme, Natura also strives to promote the generation of sustainable business based on biodiversity and traditional/ cultural knowledge. One of the programme fronts, aimed at institutional reinforcement, was engaged in implanting a project to promote development in the Mid-Juruá region in the Amazon. The initiative includes a pilot scheme dedicated to risk management that may be extended to the other territories in which Natura is active (<i>read more on page 43</i>).</p>
<p><b>Legal, industry regulation and tax load</b></p>	<p>We actively monitor any legal alterations in the civil, tax and/or labour spheres, given the major impact any legal changes may provoke on our finances, business model and operating results. We continuously monitor federal and state tax developments and industry activities through membership of sector associations such as Abihpec and ABEVD.</p>
<p><b>Other external risks (interest rates, exchange rate variations, inflation etc.)</b></p>	<p>Permanent monitoring of external risks arising from the economic conjuncture by senior management, with modifications to strategic planning as necessary.</p>
<p><b>Institutional situation (Brazil and International Operations)</b></p>	<p>Permanent monitoring of the political-economic conjuncture in the countries in which Natura operates, modifying strategy as necessary.</p>

**>>> Risk control <<<**

Natura has an internal risk control matrix based on the COSO (Committee of Sponsoring Organizations of the Treadway Commission) framework. This matrix is updated on an annual basis both for controls related to the Brazilian operations and to the ones in Latin America.

Additionally, all controls are submitted to effectiveness tests, and the implementation of plans to remedy any

non-conformance detected is monitored. All the work is documented and presented to the company's independent auditors, who at their discretion, may undertake additional tests. The results of the tests undertaken by both the company and the independent auditors are reported to the managers responsible for the controls and to the Audit, Risk Management and Finance Committee, which reports to the Board of Directors.

## Ethics and compliance **GRI 102-17**

**For Natura the construction** of an equal and fair society by means of integral conduct in all its businesses is an ethical principle. In 2017, once again the company received the Empresa Pró-Ética (Pro-Ethical Company) seal, an initiative organized by Brazil's Federal Comptroller General and the Instituto Ethos to recognize organizations committed to establishing ethical and transparent practices throughout their business chains. For the fifth year running, we were recognized as one of the World's Most Ethical Companies by the Ethisp Institute.

This was in recognition of our efforts to promote an integral and transparent internal environment, while applying the same principles in our relations with customers and suppliers. Our Ombudsman service has been in place since 2006. In addition to receiving criticisms, praise and suggestions from employees, suppliers and partners, it is a channel for reporting possible violations of our Code of Conduct and our compliance policies (the channel is also open to consultants and consumers). Reports may be made via the email [ouvidoria@natura.net](mailto:ouvidoria@natura.net) and via the hotlines available in all the countries in which we have operations (with the exception of the United States, where the process is currently being implanted). The Ethics Committee, which reports to the Executive Committee, assesses and decides on all reports that are backed by

evidence, ensuring alignment with the organization's commitments and culture. The successful experience with this channel at Natura, will be replicated with the creation of similar channels in The Body Shop and Aesop in 2018. The company has also publicized this channel widely, underscoring the full guarantee of confidentiality in all the countries in which Natura operates.

Since 2015, the company has had a statutory Legal and Compliance area. In 2017, our Code of Conduct, which is revised annually, was extended to the rest of the world. This is the first year in which we have implanted a single version for the entire organization, helping to clarify our positioning in relation to confidentiality, information security, anti-competitive behaviour and psychological and sexual harassment, among others.

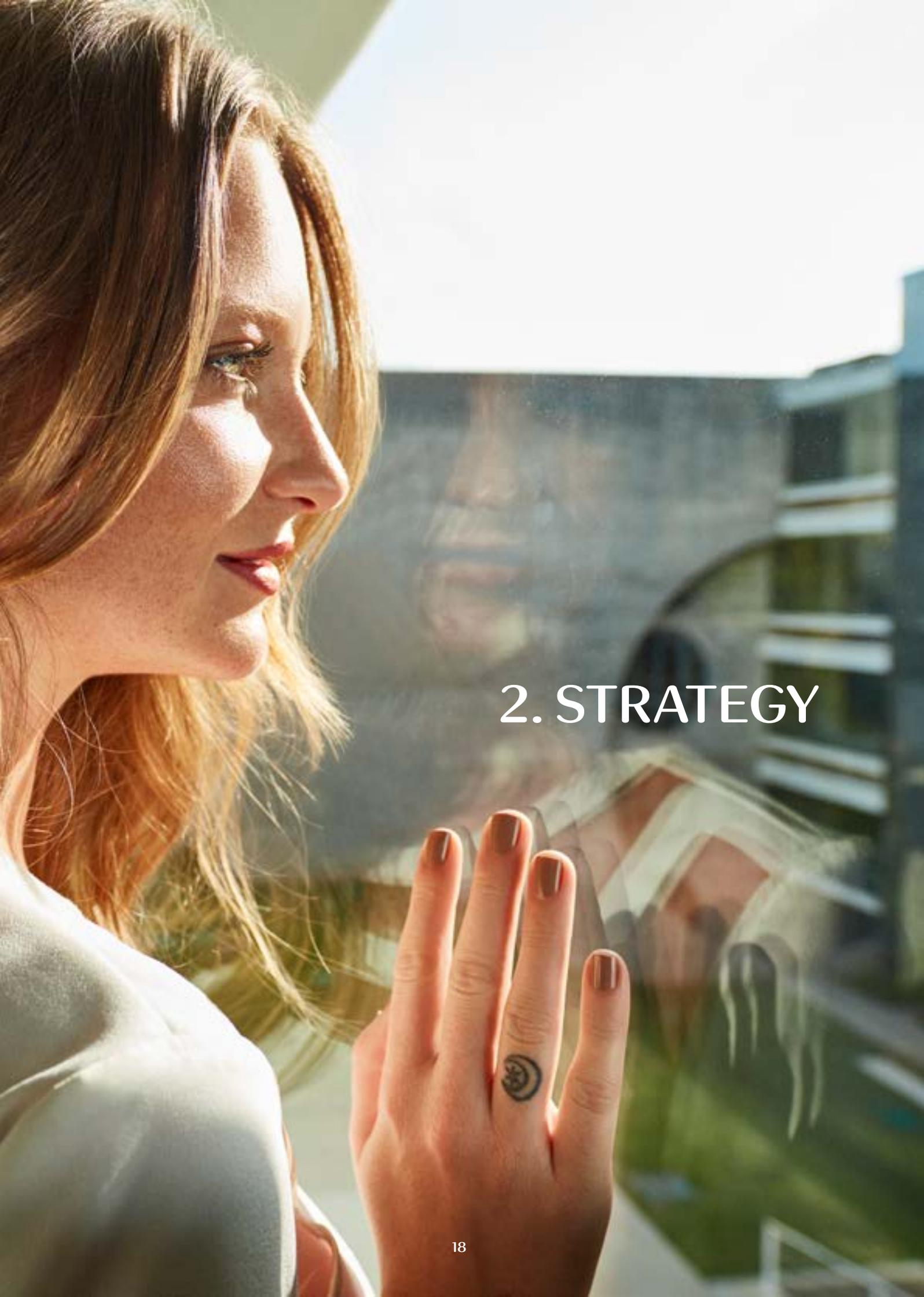
The Natura Code of Conduct was revised and published in Portuguese, English and Spanish for the countries in Latin America, for the United States and for France. Similarly, our Anti-Corruption policy has been aligned and is compliant with the legislation in all the countries in which we operate. These documents may be accessed through our Investor Relations website. The revisions of the code were supported by senior management, which participated actively in communicating the changes and the associated e-learning programme for employees.

### RESPONSIBLE TAX PRINCIPLES

In February 2018, the B Team established its Responsible Tax Principles, aimed at improving tax practices in companies worldwide. The B Team is non-profit global initiative comprising a group of companies, civil society organizations and government leaders whose aim is to promote improved business practices, prioritizing the well-being of people and the planet.

Natura participated in the development and launch of the principles and was one of the first companies to ratify them. Aligned with this commitment is the idea that modern, inclusive economies depend on fair and effective tax systems that enable responsible investment and sustainable growth.

The B Team Principles adopted by Natura espouse transparency and responsible tax practices and strategies, including information about effective tax loads. In line with this commitment, on pages 11 e 12 of this annual report we publish Natura's revenues (not including The Body Shop and Aesop) in each of the countries in which it operates, as well as the income tax due in each of them. Natura intends to extend this commitment to the Principles to its subsidiaries.

A woman with long, wavy brown hair is shown in profile, looking out a window. Her hand is pressed against the glass, and a clear reflection of her hand is visible on the other side of the pane. The background outside the window shows a blurred view of a building and a green lawn. The lighting is bright and natural, suggesting daytime.

## 2. STRATEGY

## 2017 represented a landmark

in the evolution of our strategic planning. We were able to accelerate the execution of our planning, which has already impacted business performance. We also initiated yet another transformation in the company by uniting three strong, pioneering cosmetics brands: Natura, Aesop and The Body Shop.

With the formation of Natura &Co, we have the opportunity to consolidate a global cosmetics group comprising companies whose purposes have been convergent since the beginning. 2018 will be dedicated to implementing the group's governance and management structure. We intend to foster each operation's spirit of autonomy and enterprise while simultaneously promoting a culture of interdependence aimed at capturing synergies, best practices and gains in the allocation of resources that will benefit all the businesses.

Specifically regarding Natura, we will intensify the implantation of the strategic directives that

produced the company's robust results in 2017. We will continue to enhance the Relationship Selling model, which has already driven greater consultant engagement and, consequently, gains in productivity and profitability. We will maintain our focus on the perfumery, body care and gift categories, as well as on expanding the multi-channel experience. The digitalization and convergence of the online and traditional direct selling models is growing in importance for the business (it should be noted that the Rede Natura practically doubled in size for the second year running). Among our employees, we will proceed with the company's cultural transformation, which provided the springboard for this positive spiral in results.

We are integrating our strategic thinking for Brazil and Latin America to ensure that all the operations benefit as rapidly as possible from the advances developed by the company.



## Business model

# IN PURSUIT OF positive impact

### At Natura we are seeking to

implant a cyclical and systemic production system that produces and regenerates itself. We are committed to generating value and developing technologies inspired by the regenerative movement in nature until we become a company that provokes a positive impact. This means not only offsetting and neutralizing the effects of our production chain, but also delivering value for our entire relationship network through our products, services and commercialization channels.

This involves ethical and fair trade in sourcing raw materials, on the one hand, and the transformation of socioenvironmental challenges into more inclusive and sustainable business opportunities on the other. We build relationships with communities in the Amazon regions, incentivizing production chains that keep the forest standing, while simultaneously generating resources for traditional communities. In our open innovation model, Brazilian and global partners share traditional knowledge, science and design in the development of new product lines. We work together with suppliers to reduce the impact of our production, developing a chain that employs recycled materials such as PET and glass. More than 80% of our formulas are vegetable (and therefore renewable) and all the alcohol we use is organic, produced by methods that conserve the ecosystem.

Our consultants boost the power and the reach of our concepts and products. Relationship Selling is our way of conducting direct sales, which is now gaining synergy through new points of contacts with consumers via the Rede Natura (our digital platform) and the Natura stores. This virtuous cycle drives more sustainable values and behaviours, promoting WellBeingWell throughout the chain.

We still face challenges before we will be able to generate a positive impact. We need to further strengthen the connection between business strategy and our

commitment to reducing socioenvironmental impact in order to accelerate the achievement of our targets. Some of these targets depend on technological developments or are linked with changes in behaviour, such as water consumption during the use of cosmetic and personal hygiene products. The fact is that our greatest impact occurs during the usage phase of our products, in accordance with the Environmental Profit and Loss study that quantified our environmental impacts (*read more about the EP&L on page 35*).

On the other hand, we have progressed in generating sustainable businesses in the Pan-Amazon region, in the reduction of greenhouse gas emissions, in inclusion and diversity in the company, and in promoting social development measures for our consultants, among other areas. One challenge in closing the production cycle is recycling waste, which also depends on cross-sector collaboration to build recycling chains – even so, we evolved in reverse logistics for our packaging in 2017.

We connected with the global agenda developed for the Sustainable Development Goals (SDG) to assess the transformational potential of our activities. And to achieve the scale necessary for our activities, our brands and sub-brands must become platforms that contribute to addressing global issues such as gender equality, biodiversity and climate change. Portraying this complexity and establishing the targets to be reached during the course of this journey is what we proposed in our 2050 Sustainability Vision, whose initial cycle of ambitions ends in 2020.

All these movements reaffirm our commitment to sustainability as a principle that shapes the way we do business and is a differential in our business model. They also substantiate our long-term vision of generating a positive impact in every dimension of our activities.

# A POWERFUL CYCLE

We strive to structure our activities in a circular manner. Processes are designed to realize the full potential of all the resources involved to maximize productivity and reduce environmental impact. It is a model that is self-renewing.



\* In proceeds from sales. \*\* EP&L (Environmental Profit and Loss) converts environmental impacts into monetary values.

# Main indicators

<b>Economic (R\$ million)</b>	<b>2016</b>	<b>2017</b>
Net revenue <sup>1</sup>	7,912.7	9,852.7
Ebitda <sup>1</sup>	1,256.5	1,741.9
Consolidated net income <sup>1,2</sup>	308	670
Free cash generation <sup>1</sup>	470	617
Average daily volume of shares traded <sup>3</sup>	39	46
Business volume in the Amazon to date from 2011 (in R\$ million)	973	1,222

<b>Wealth distribution (R\$ million)</b>	<b>2016</b>	<b>2017</b>
Capital provider <sup>2</sup>	308	670
Natura Beauty Consultant	4,430	4,579
Employees	1,327	1,836
Suppliers	6,512	8,046
Government	2,009	2,000

<b>Environmental</b>	<b>2016</b>	<b>2017</b>
Relative GHG emissions (kg CO <sub>2</sub> e/kg product billed) <sup>4,5</sup>	3.17	3.20
GHG emissions in the value chain (tCO <sub>2</sub> e) <sup>5</sup>	303,424	308,048
Water consumption Brazil (l/unit produced)	0.53	0.53
% post-consumer recycled material in finished product packaging — Brazil	4.3	4.6
% of eco-efficient packaging Brazil <sup>6</sup>	20	21
Vegetalization rate in formulas (% of total mass)	83%	81%
Raw materials originating in Pan-Amazon region (% in relation to R\$ million)	19.1%	18.1%

<b>Social</b>	<b>2016</b>	<b>2017</b>
Crer Para Ver (Believing is Seeing) revenue (R\$ million) <sup>7</sup>	38.2	35.7
Families benefiting in Pan-Amazon supplier communities	2,119	4,294

<sup>1</sup> Consolidated Natura &Co (Natura, Aesop and The Body Shop) indicators. <sup>2</sup> Takes into account net profit attributable to controlling shareholders and the participation of non-controlling shareholders. <sup>3</sup> Source: Bloomberg. <sup>4</sup> CO<sub>2</sub>e (or CO<sub>2</sub> equivalent): measure used to express greenhouse gas emissions, based on each one's global warming potential. <sup>5</sup> Includes GHG Protocol scopes 1, 2 and 3. 2017 inventory audited by KPMG. <sup>6</sup> Packaging at least 50% lighter than regular/similar packaging or comprising 50% post-consumer and/or renewable non-cellulosic materials that do not increase mass. <sup>7</sup> Includes proceeds from Brazil and the International Operations.

# Multichannel Natura

## >>> Relationship Selling growth plan <<<

### The direct selling model

is one of our major strengths. Currently we have 1.7 million **Natura Beauty Consultants**, of which 1.1 million in Brazil alone. Whenever necessary we review our relationship with this stakeholder group, as well as the value proposition we offer them. In the most recent modification, we sought to revive the essence of the direct sale model adopted by Natura, opting to rename it **Relationship Selling**. The change took into account the importance of the link between the consultants and the consumers of our products for our business.

After a stage in which we listened to consultants to understand their needs and aspirations, in 2017 we undertook a major revitalization in Relationship Selling with a value proposition based on three principles, Purpose, Belonging and Prosperity (in Portuguese called the 3 Ps) and a growth plan aimed at increasing average remuneration. This new model offers diverse opportunities in direct selling in accordance with each consultant's profile. These are: Natura Beauty Consultant, Business Leader, Beauty Entrepreneur or Business Development Manager.

In this model the consultants have five levels of progression – seed, bronze, silver, gold and diamond – and ascension is linked solely with individual performance. At each new level, the percentage the consultant earns from sales increases, as does her average income. Natura also offers improved payment terms and a series of benefits, such as courses, prizes and recognition measures.

Upon reaching the silver category, the consultant may opt for a new career path, that of **Natura Business Leader**. While continuing to work in consulting, she also starts leading a group of consultants, providing support in their day-to-day activities, presenting them with new products and advising them on how to develop their business. The leader substitutes and enhances the role formerly played by the Natura Consultant Advisor (NCA). The new format promotes entrepreneurship among the consultants, offering them more incentives to act as advisors to their

colleagues. During the implementation of the new Relationship Selling model, we conducted an analysis with each NCA to identify which of them would fit the new profile proposed for leaders. Those considered unsuitable were invited to focus on consulting.

Another possible career path is **Beauty Entrepreneur** (*further information in the following box*). All these options permit the consultants to choose their own professional path, in accordance with their ambition and talent.

The model also establishes the role of **Natura Business Development Manager**, a group of Natura employees who work in the sales force and whose role was also modified. They oversee the work done by the leaders, in addition to being responsible for training new consultants.

The strategy was focused on improving the quality of our network in Brazil, resulting in increased productivity for the consultants, whose average annual income grew by around 17% (for leaders, the increase was more than 60%). Tracking consultants' performance on a daily basis and the results of our satisfaction and loyalty surveys demonstrate that the model was well received. Its introduction did, however, lead to a reduction in the size of the consultant network in 2017 (*see the following numbers*).

The transformation to the Relationship Selling model is already being implemented in Chile. In 2018, we should extend it to the other operations in Latin America. In these countries, the number of consultants continues to grow. The total was 589,000 in 2017, particularly worthy of note being Mexico.

Inspired by the desire to make a difference in the lives of our consultants, we also have a programme focused on their self-development, which is extensive to the consultants' families. This is based on monitoring the Human Development Index (HDI) for consultants (*further information in Positive social impact, on page 49*).

## BEAUTY ENTREPRENEUR

We also offer our consultants the opportunity to become Beauty Entrepreneurs, which involves opening Aqui Tem Natura franchises. This is one of the career options for consultants who have been active in Relationship Selling for at least one year and who have reached diamond level. The option is designed for consultants who have been successful in selling our products and who are given the opportunity to receive support from Natura to develop their business in line with our proposition and our Essence.

We ended 2017 with more than 50 stores aligned with this model. Located on shopping streets and in galleries, they stock the complete portfolio of Natura products. Promoting entrepreneurship among our consultants is one of the priorities of the Natura 2050 Sustainability Vision, along with increased average income targets, incentives for learning and promoting health. Development is also encouraged through the Movimento Natura (Natura Movement), which recognizes social transformation initiatives undertaken by the consultants in their communities (*read more on page 50*).

## Revitalization of Relationship Selling

### NATURA BEAUTY CONSULTANT BUSINESS LEADER BEAUTY ENTREPRENEUR

Consultants Brazil (in thousands)	2015	2016	2017
Natura Beauty Consultant	1,377	1,256	1,084
Business Leaders <sup>1</sup>	9.5	8.3	5.2

<sup>1</sup> The business leaders substituted the Natura Consultant Advisors (NCAs).

Consultants International Operations (in thousands)	2015	2016	2017
Argentina	139.6	161.2	170.9
Chile	72.7	74.3	73.4
Colombia	71.9	87.8	96.7
Mexico	130.4	125.8	160.6
Peru	90.5	94.0	87.4
Total	506.5	545.5	589.0

NCAs International Operations <sup>1</sup>	2015	2016	2017
Chile	747	681	420
Peru	1,084	901	845
Colombia	439	691	719
Total	2,270	2,273	1,984

<sup>1</sup> In the International Operations there are more countries that use the NCA (Natura Consultant Advisor) model.

## >>> From the viewpoint of the consultants <<< GRI 102-43, 102-44

The transformation of the Relationship Selling model took place in October, after the conclusion of some pilot projects. By the end of 2017, the Brazilian consultants had already recognized the positive impacts of the changes, which influenced our loyalty index. Comprising three indicators (satisfaction, intention to continue their relationship with Natura and recommendation), the score was the highest ever. Consultant loyalty increased from 31.2% in 2016 to 33.9% in 2017, worthy of note being the indicator that measures intention to continue the relationship with the company. Although there had been a slight reduction from one year to the other, the indicator that measures satisfaction with the commercial terms offered by Natura grew by 9%, especially among consultants in the southern

region and in the states of São Paulo, Rio de Janeiro and Espírito Santo.

There was, however, a decrease in the loyalty rate among leaders – from 31.7% in 2016 to 23.2% in 2017, which demonstrates the need to adjust certain aspects of the model, particularly ensuring full comprehension of the role this group is expected to play.

In our International Operations, the loyalty index was 43.1%. This was 5% above target, worthy of note being Argentina and Mexico, which had the best results with 52% and 49.6% respectively. Among the NCAs/leaders, loyalty increased significantly in Chile and in Colombia.

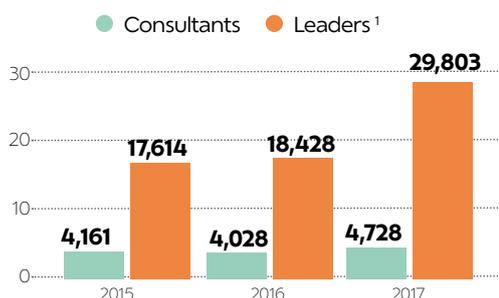
<b>Consultant loyalty index – Brazil (%)<sup>1</sup></b>		<b>2015</b>	<b>2016</b>	<b>2017</b>
Satisfaction <sup>2</sup>		93.3	93.1	92.6
Loyalty <sup>3</sup>		29.8	31.2	33.9
<b>Leader loyalty index – Brazil (%)</b>		<b>2015</b>	<b>2016</b>	<b>2017</b>
Satisfaction <sup>2</sup>		92.8	94.6	84.2
Loyalty <sup>3</sup>		29.5	31.7	23.2

1 Source: Ipsos Institute. 2 Satisfaction is the percentage of consultants and leaders who are “completely satisfied” or “very satisfied” (Top2Box). 3 Loyalty: percentage of people consulted who gave the top score (“Top1Box”) on a scale from 1 to 5 points, in the three aspects: satisfaction, intention to continue the relationship with Natura and recommendation.

<b>Consultant loyalty index – International Operations (%)<sup>1</sup></b>		<b>2015</b>	<b>2016</b>	<b>2017</b>
Satisfaction <sup>2</sup>		93.0	94.0	95.7
Loyalty <sup>3</sup>		37.3	37.4	43.1
<b>NCA loyalty index<sup>4</sup> – International Operations (%)</b>		<b>2015</b>	<b>2016</b>	<b>2017</b>
Satisfaction <sup>2</sup>		95.3	96.3	97.2
Loyalty <sup>3</sup>		52.4	53.3	56.3

1 Source: Ipsos Institute. 2 Satisfaction is the percentage of consultants and leaders who are “completely satisfied” or “very satisfied” (Top2Box). 3 Loyalty: percentage of people consulted who gave the top score (“Top1Box”) on a scale from 1 to 5 points, in the three aspects: satisfaction, intention to continue the relationship with Natura and recommendation. 4 In the International Operations there are countries that still use the NCA (Natura Consultant Advisor) model.

### Average annual income consultants and leaders – Brazil (R\$)



In addition to the improvements in the model and in sales performance, the increase is explained by the redesign of the leaders' (former NCAs) activities, which led to a reduction in the total number of leaders. Consequently, those remaining had a larger group of consultants to supervise, elevating their average annual income.

## >>> Training platform <<< GRI 404-2

With the introduction of the Relationship Selling model, we developed a new training strategy for the Natura Beauty Consultants. In 2017, we invested in behavioural training programmes, in addition to maintaining the focus on functional topics and product knowledge. We launched more than 50 new virtual training courses and worked on improving the consultants' experience, with the migration of the training menu to the consulting application. We also provide specific courses for different consultant profiles, such as makeup and perfume specialists.

Through a partnership with a French institution, we offer a course with international certification in perfumery.

As was foreseen, the changes in the model led to a decrease in the number of consultants receiving classroom training from Business Development Managers. To reinforce face-to-face training we created a specialized group consisting of 40 instructors in 12 regions around Brazil. These instructors deliver programmes ranging from product workshops to functional and behavioural courses for Beauty Consultants. We also increased participation in virtual courses offered via the website and mainly via the consulting application. Training delivered over these two platforms increased by 28% compared with 2016. In total, we recorded more than 1.9 million training sessions (virtual, face-to-face and led by external specialists) – beating the company's global target by 12.2% (*read more on page 111*).

## >>> Tribute to consultants <<<

In 2017, our 1.1 million Brazilian consultants saw themselves represented on TV by the actress Mariana Xavier, who played a Natura Beauty Consultant in the soap opera *A Força do Querer*, aired by Rede Globo between April and October. This was the first time that a merchandising action extended beyond the programme script. The character Abigail lived on in digital content on the channel's website after the soap opera had ended. To develop the character, the actress spent time with Natura Beauty Consultants in order to learn more about them and their work routines. Another tribute was the creation of Natura Beauty Consultant Day, commemorated on

September 22. A number of actions were organized on the date, such as promotions and an event on entrepreneurship promoted by the Chronos brand at the Casa Natura Musical, in São Paulo, and transmitted live to the whole of Brazil, in partnership with Editora Abril.

The project also included the engagement of all the Natura areas in the largest communication plan ever undertaken in the consulting area, part of our effort to forge closer links with consultants and to stimulate their passion for the activity, as well as to attract new talent to the consultant network.

## >>> Head first into digitalization <<<

Increasingly our Relationship Selling model is being supported by digital transformation. We encourage consultants to create their own pages on the Rede Natura, which facilitates consulting work and the sale of our products via e-commerce. They also use the Consulting application for mobile phones with a series of features that support face-to-face sales. These two resources were created to promote business and income for our consultants. In Brazil, we now have 163,000 consultants who have their own pages on the Rede Natura, while 586,000 use the Consulting app for mobiles.

In 2018, we will continue to work on the convergence of the platforms to facilitate Relationship Selling in person and in the virtual world. We are encouraging the integration of consulting work with the

unification of our registration base and the commercial models. In 2017, we increased the number of features available on our digital tools. The Natura application for consultants enables access to all the information necessary for consulting work – face-to-face and online sales –, as well as a series of training programs.

Other recently incorporated features are the possibility of viewing purchase statistics and the number of accesses to the consultants' pages on the Rede Natura, as well as messaging to congratulate customers on their birthday or to recommend the acquisition of Natura products. There is also a tool that permits consultants to transmit orders to Natura via audio. For Business Leaders and Business Development Managers, the application contains an option for organizing relationship events and actions.

## EASY EXCHANGE SEAL

Although the company has always offered customers the option of exchanging Natura products via the 0800 hotline and online chat, a survey among Brazilian consumers showed that part of them were unaware of this service. This would frequently mean that customers would not choose a Natura product as a gift for someone. After conducting tests in the city of Guarulhos (São Paulo) in 2016, and in the city of São Paulo and other regions in Greater São Paulo in 2017 for Mother's Day and Valentine's Day, we officially launched the easy exchange seal nationwide in time for the 2017 Christmas season.

Now the consultant can put the exchange seal on the product, filling out the date on which the consumer bought it. The seal has the address of the website where the consumer can obtain information about exchanging the gift, as well as the location of consultants who will perform this exchange (this is an activity which the consultant must register for) or the closest Aqui Tem Natura franchises. It is still possible to exchange Natura products directly via our 0800 number and chat channels.

## >>> Expansion of the Rede Natura <<<

The Rede Natura (Natura Network), our online sales channel and digital relationship platform continues to grow, consolidating its position as yet another option for acquiring Natura products in the practical and convenient manner associated with digital media. Launched three years ago, revenues from the platform grew by 80% in 2017, or six times higher than the market average.

The platform already serves more than 3 million customers, of whom 50% access it via mobile devices (smartphones and tablets). Currently, around 20% of the revenue from the platform comes from purchases made via the Rede Natura application.

In Brazil, the Rede Natura permits consumers to buy

directly and also provides consultants with a space for their own virtual store, with an exclusive webpage and customer relationship tools. The platform has also been adopted in Chile and in Argentina. In 2018, it should be extended to the other countries in Latin America in which we have operations. We also sell our products via e-commerce in the United States and Europe – orders to the European continent are fulfilled by our operation in France.

Our digital strategy has elevated Natura to fourth place among global cosmetics brands with the highest traffic in digital channels, according to Similarweb (an online market intelligence platform), in the process facilitating access to young, urban consumers and classes A and B.

## >>> Participation in retail <<<

Attentive to the demands of different consumer profiles, we inaugurated our retail presence in 2015, commercializing certain products for daily use in pharmacies. In 2016, we launched the first Natura stores in Brazil and have been growing in this channel ever since.

In April 2018, we had a total of 26 Natura stores. They are located in Buenos Aires (Argentina), Santiago (Chile), New York and New Jersey (USA), Paris (France) and in shopping malls in the states of São Paulo and Rio de Janeiro. Based on the learning acquired, we have continued to enhance the model and to develop our expansion plans.

After starting in the North American market with the Ekos line, in 2017 we introduced Chronos. The signature Natura Brasil has been added to the product names, attesting to and valuing their Brazilian roots.

In Paris, we maintained our space in the charming Marais district and inaugurated a second store last year in the La Defense commercial centre. Our portfolio in France includes the Ekos, Chronos and Mamãe e Bebê lines. The three brands may also be found in large department stores and

are commercialized via the e-commerce operation, which serves other European countries, too. With support from Aesop and The Body Shop, brands which now make up the Natura Group, we expect to intensify our learning in the retail channel. And we also envisage other opportunities for synergies, for example, in distribution channels.

### OUR PRODUCTS IN PHARMACIES

We continue to increase the number of pharmacies commercializing the Sou product line. In 2017, we started working with the following pharmacy chains: Drogaria São Paulo (São Paulo), Pacheco (Rio de Janeiro), Panvel (Rio Grande do Sul), Araújo (Minas Gerais), Clamed (Santa Catarina) and Extrafarma (Pará), and we consolidated our presence in the RaiaDrogasil chain.

The products are now available in a total of 3,450 stores. During the year we also began to commercialize Natura Faces products in 90 RaiaDrogasil stores in São Paulo and Rio de Janeiro. On another action front, we are commercializing our makeup line at seven Renner department stores, located in São Paulo and Porto Alegre, as well as via the chain's e-commerce operation.

# Digital technology as a business enabler

**Digital technology** is growing in importance for our business, not only as a commercial tool but also as a driver of advances in a series of Natura processes. In 2017, we were able to apply the “agile way” of managing projects and initiatives – intrinsic to technology – to other company areas, such as product development and logistics. This enables us to innovate more and to do it more effectively, working faster and exploiting the multi-disciplinary inputs from all the people and audiences involved.

Digital technology had a powerful influence on the transformation to our Relationship Selling model and management of sales force routines, based on the co-creation of solutions with the commercial team. It is our intention to replicate the learning from this process in other areas of the company.

We are investing in solutions that use disruptive technologies, such as augmented reality, the internet of things, bots, machine learning and artificial

intelligence. These technologies enable the construction of new services, such as the individualization of CRM (Customer Relationship Management) actions, with the intelligent recommendation of products in accordance with the customer profile and context.

Additionally, we have launched a number of industry 4.0. initiatives. And to enhance essentially administrative processes such as those in the People Management area – in 2017, we started using an application through which staff can check on diverse types of information and services related to their daily routines (company news, pay slips, 360° feedback, benefits, among other functionalities).

We are also consolidating a new way of working which includes partnerships with startups and universities, as well as mobilizing different teams in cross-disciplinary, non-hierarchical projects. All of these investments will be maintained, since they drive gains in productivity and reductions in costs and losses for Natura.

# Sustainability as driver of innovation

**At the end of 2016**, we integrated the innovation, sustainability and marketing areas under a single vice president, aimed at reinforcing the Natura way of promoting innovation. We continue to invest in developing products that ally high technology, the sustainable use of social biodiversity ingredients and disruptive brand concepts, in addition to listening to what our customers want.

We also continue to enhance the structure of the innovation team. For example, we centralized the product research, creation and packaging areas under the same director, boosting connectivity between ideas and ensuring a less bureaucratic, more streamlined process.

In 2017, another major step was taken in biotechnology and the consolidation of the omic sciences (genomic, proteomic and metabolomic), which enable the simultaneous study and mapping of diverse active ingredients. This enables faster confirmation of the ingredients being researched at a lower cost. We have research centres located in the Cajamar (São Paulo) and Benevides (Pará) units.

The changes have had a positive effect on the speed of our new product development process. This is evident in the 7.5% growth in our innovation rate, which increased from 57.1% in 2016 to 64.6% last year. In 2017, 13 patents were granted to Natura.

Innovation	2015	2016	2017
Investment (R\$ million)	221	188	172
Number of products launched <sup>1</sup>	220	255	213
Innovation rate (%) <sup>2</sup>	n.a.	57.1%	64.6%

<sup>1</sup> Covers products that offer consumers a new value proposition, including new packaging and formulations. <sup>2</sup> The innovation rate is calculated by adding the gross revenues for the last twelve months from products launched in the last 24 months over the total gross revenue for the last 12 months. Only takes Brazil into account.

## >>> Wealth of Brazilian social biodiversity <<<

The products we develop based on Amazonian social biodiversity ingredients are the result of years of field research and laboratory tests conducted by the members of our innovation team. From the beginning of research to prove the effectiveness and to ensure the safety of a new input to the development of the supply chain and the launch of a new product takes between three to five years.

After identifying the potential use of the ingredient, we seek to acquire it from the agro-extractivist community that produces it. Only then do we begin scientific tests on the ingredient. Genomic studies are conducted to ensure the complete characterization of the plant and understanding of which compound generates the benefit indicated previously by traditional knowledge or the scientific bibliography. The molecules are analyzed and the parts of

the plant (leaf, fruit, stalk) containing the cosmetic benefits are identified, as is the most effective means of extracting them (oil, butter or another presentation). After this, Natura develops the formula for the product. In parallel, the company drafts the future marketing plans for the product and initiates training for the families who will supply the active ingredient.

The supplier communities are remunerated for each of the social biodiversity active ingredients employed in our portfolio, beginning with the community from which the traditional knowledge originated or the one from which we acquired the ingredient at the research stage. From this point, these communities are considered to be genetic heritage locations. Our relations with these communities are shaped by the Policy of Sustainable Use of Social

Biodiversity Resources; they are also in compliance with Brazil's new Biodiversity Law (*read more on page 48*).

Our focus is on leveraging the wealth of the country's biodiversity. For example, our perfumes are the result of a blend of around 2,500 ingredients employed in the perfumery industry worldwide with 20 unique essential oils

extracted from Brazilian biodiversity.

A case in point is the Ekos Patauá product line. One of the main novelties in 2017 was the launch of six hair products that use the potential of oil extracted from patauá to strengthen and accelerate the growth of the strands (*further information ahead*).

## THE PATAUÁ CHAIN

For many generations, women who live in the Chico Mendes Extractivist Reservation, a federal conservation unit in Acre created in 1990, have used the oil from a rounded fruit common in the region on their hair. This is patauá, known for strengthening the hair and speeding up growth.

Inspired by this traditional knowledge, we acquired the fruit from this Amazonian palm tree in the municipality of Cametá, in the Lower Tocantins region of the state of Pará, where we work with communities that supply açai, murumuru and ucuuba. We conducted the genetic mapping of the fruit and upon obtaining positive results, we identified the best way to store the fruit in order to maximize the quality of the oil.

After being frozen, the patauá is transported by boat to the Cofrutas cooperative or to a Natura partner, Beraca, where the oil is extracted and sent to our factory in Cajamar (São Paulo), where it is transformed into the six Ekos Patauá line products. Respecting the plant's natural cycle, in 2018 we will prepare new families to supply Natura with patauá.

## >>> Main launches <<<

Like the Ekos Patauá line, the main novelties in our portfolio in 2017 reflected the Natura way of innovating which, whenever possible seeks to ally the best in cosmetic science with active ingredients from Brazilian social biodiversity. The Natura Homem line was completely reformulated, with the relaunch of 12 products using a new fragrance and more biodiversity active ingredients. The brand was also repositioned, based on research into the behaviour of contemporary man and the infinite possibilities of exercising masculinity.

The Natura Chronos line gained a Revitalizing Concentrate based on sapucainha (*Carpotroche brasiliensis*) and polyphenols, the first product with an exclusive anti-pollution and anti-stress technology which repairs the damage caused by these external factors, stimulates the skin's natural defences and slows down the emergence of wrinkles, blemishes and flaccidity. We also launched Una CC Nude Me, a multifunctional cosmetic that corrects dark circles under the eyes and worry lines, prevents early aging and, thanks to DetOx+ technology, revives the natural luminosity of the face.

In the TodoDia line, worthy of note was Hidratante Corporal Sorbet (Sorbet Body Moisturiser), which can be stored in the refrigerator and increases the sensation of freshness when applied to the skin. In the Kaiak line, we launched K, with a differentiated, intense fragrance for men. The scent has woody notes and remains on the skin for up to 10 hours.

### COMMITMENT TO CONSUMER SAFETY

#### GRI 103-2; 103-3; 417-1

Our formulations only use products and ingredients that have been proven to be safe, always in compliance with international laws, standards and good practices. Our researchers stay abreast of scientific discussions on the use

**We adopted rice and bamboo-based biodegradable exfoliants to substitute polyethylene microbeads – which end up in rivers and oceans**

of ingredients, in particular those considered controversial. When there is evidence that a substance presents a risk to the environment or human health, we substitute it in our formulations, even when this is not a legal requirement in the countries in which we operate. We have already eliminated triclosan, parabens and phthalates from our portfolio. In 2017, in line with guidance from the European Union prohibiting the use of MIT (methylisothiazolinone), we started to eliminate the substance from our non-rinsable products. **GRI 102-11**

We also stopped employing polyethylene microbeads as exfoliating agents in products under development and

eliminated the material from our rinsable products, substituting them with biodegradable exfoliants based on rice and bamboo.

The decision was taken because regular sewage treatment systems are incapable of retaining the microbeads, which end up in rivers and oceans.

The Natura product packs provide information on the third-party manufacture of product components; substances that can generate environmental impacts; safe use and proper disposal of products; and an indication of the recommended number of times a pack may be refilled, among other data.

## RESPECT FOR ANIMALS

In 2006, we were the first company in Brazil to completely eliminate animal testing in our products, a decision based on our beliefs and values. Since 2008, we have been on the Projeto Esperança Animal (PEA) list, which publishes an annual list of Brazilian companies that do not conduct tests on animals.



### 3. GENERATING A POSITIVE IMPACT: PATH TO 2050

# Integrated management

**The Sustainability Vision** is aimed at transforming Natura into a company that generates a positive impact by 2050. This means that in addition to reducing and mitigating the effects of our activities, we want to promote a positive social, environmental, economic and cultural impact. Constructed based on a long-term orientation, the Sustainability Vision contains intermediate commitments and targets, with the first cycle ending in 2020.

We have had some important achievements in the three years since this strategy was implemented, such as value generation for the Pan-Amazon region, where business volume exceeded R\$ 1.2 billion in 2017, beating the target established for 2020. We also progressed in managing the communities in the Pan-Amazon region, in reverse

logistics, in the valuation of environmental externalities, in promoting the social and human development of our consultants, suppliers and surrounding communities, and in strengthening company culture, among others. In some public commitments, however, we have identified the need to step up our efforts in order to achieve targets. Areas such as climate change, increasing the percentage of eco-efficient packaging, the human and social development of our main stakeholder groups, as well as the empowerment of consumers in relation to our causes, are some of the company's priorities for 2018.

We are engaged in assessing and evolving the Sustainability Vision to establish new commitments for the period from 2020 to 2030, and we will continue to develop Natura's business-related strategic agenda.

## Status of the 2050 Sustainability Vision ambitions

● on target or already achieved ● on schedule ● behind schedule

Topic	Ambition for 2020	status	
Integrated management	Management model	●	
	Brands	●	
	Ethics and transparency	●	
	Government and society	●	
	Governance for sustainability	●	
Reduction of environmental impact	Climate change	Relative emissions	●
		Offsetting emissions	●
	Energy	●	
	Waste	●	
	Packaging	Recycled material	●
		Recyclable material	●
		Eco-efficient packaging	●
Water	●		
Sustainable social biodiversity businesses	Social biodiversity	Supplier communities	●
		Business volume	●
	Industrial park	●	
	Formulations	●	

## Status of the 2050 Sustainability Vision ambitions (continued)

● on target or already achieved ● on schedule ● behind schedule

Topic	Ambition for 2020	status	
Positive social impact	Average income	●	
	Natura Beauty Consultants	Educational actions	●
		Consultant HDI	●
		Entrepreneurship	●
	Communities	Human development	●
		Territory strategy	●
	Suppliers		●
	Supply chain		●
	Employees	Women leaders	●
		Disabled people	●
Engagement		●	
Culture for sustainability	Consumers	●	
	Stakeholder engagement	●	

SEE OUR AMBITIONS IN DETAIL ON [PAGE 78.](#)

## Performance management

### We remain committed to

monitoring our activities, including the different stages of the product life cycles and the impacts we provoke on employees, consultants, consumers, suppliers and members of the supplier communities, as well as the environment.

Using the United Nations Development Programme's (UNDP) Human Development Index (HDI) as a reference, we created our own HDI which has measured the year on year evolution in our consultants' living standards since 2014.

We also manage territories, including the communities

surrounding our operations and the families supplying Pan-Amazon social biodiversity active ingredients.

The knowledge accumulated in the course of these years of continuous monitoring is employed in measures aimed at conserving natural resources, reducing environmental impacts and developing our stakeholder groups.

All these metrics are linked with performance targets and public commitments assumed to drive progress in the 2050 Sustainability Vision.

## >>> Socioenvironmental accounting <<<

**EP&L** (Environmental Profit and Loss) is a methodology that measures the positive and negative impacts of all the phases of production, commercialization and disposal of an organization's products in monetary terms. Four years ago, we initiated a project to measure and disclose how our activities impact nature and, consequently, people's well-being. Thus, Natura is part of a group of companies that is in the forefront of knowledge related to impact measurement worldwide. We intend to influence other organizations to engage in this movement so that they may evolve in their metrics and in managing their business chains. The calculation takes into account the volume of solid waste generated, land use, consumption and pollution of water, as well as emissions of greenhouse gases and other atmospheric pollutants.

We want to transform the EP&L into an applicable management instrument. Our first calculation was based on 2013 data. Today we have identified results up until 2017 and have projections for the coming years. Assessing this period, we have established that there has been a gain in efficiency in relation to environmental impact and net revenue, with a 1.6 percentage point variation since 2013. In 2017, our externalities (the impact generated) represented 6.9% of Natura's net revenue.

It should be understood that the performance of these numbers is also affected by our financial result and by the lower production volume compared with 2013. We know that the impact valuation methodologies are still evolving, but we believe that we are on a path that will substantiate Natura's desire to make a difference in the world.

With the visibility afforded by these numbers, we will continue to reduce our negative impacts and leverage our positive effects by means of our carbon, waste and water footprint programmes. With the Carbon Neutral programme alone, the organization has made a contribution of almost R\$ 1.4 billion over the last ten years. This takes into account aspects that include human health, community development, ecosystem services and climate change. What this means is that offsetting carbon emissions through support for forestry, energy efficiency, renewable energy and waste treatment projects not only mitigated the company's emissions but also generated environmental and social benefits.

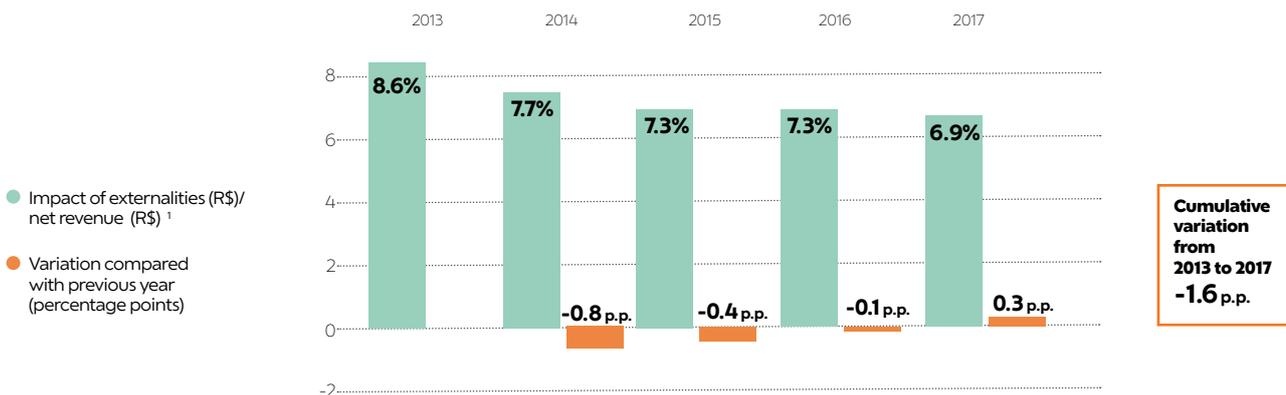
### NEW CHALLENGES

We want to increase the importance of the valuation of externalities in future business decisions, as well as using it as an instrument in Natura's accountability and transparency.

We are aware that the product usage phase is the biggest challenge presented by this calculation, which takes into account energy and water consumption by consumers and is a key factor in society's consumption habits.

Our next step will be to implant a similar pioneering methodology focused on the social sphere. This means we will incorporate the valuation of our contributions and impacts on the social development of the communities with which Natura maintains relations, such as the generation of employment and the stimulation of entrepreneurship among employees and consultants, among others. Certain social aspects have already been taken into account in analyzing the co-benefits of the company's Carbon Neutral Programme and these will now be extended to the entire Natura process and its value chain.

Valuation of environmental impact



<sup>1</sup> To correct the amounts over the course of the years, global economic growth and the increase in the concentration of greenhouse gases in accordance with IPCC (Intergovernmental Panel on Climate Change) data from 2014 were taken into account.

## CALCULATOR PROJECTS IMPACT

Since 2010, a mandatory stage in the Natura innovation process has been the use of a tool called an environmental calculator. This digital system uses information about packaging and formulas to calculate the environmental impact a product will have while it is still at the development stage.

In conjunction with other factors, the results indicated by the calculator are used to decide whether the company will proceed with or interrupt the product development process, enabling researchers to make more conscious decisions about the choice of inputs. The decision on whether or not to develop the product also takes into account other business factors and the availability of resources, among other requirements.

At present the calculator is supported by LIMS (Laboratory Information Management System) software, which assesses all the data on carbon emissions, post-consumer recycled material, potential for recycling, refilling, life cycle assessment, materials of vegetable and natural vegetable origin, waste and biodiversity ingredients, in addition incorporating details about certification.

Currently, the company has 1,462 raw materials and 94 packaging materials available in the tool



# Reduction of environmental impact

In the environmental area, we are committed to questions such as climate change, social biodiversity, waste management, energy and water. We work proactively on reducing our impact and innovating in all these areas.

## Carbon: monitor, reduce and offset **GRI 103-2; 103-3**

### The Carbon Neutral Programme,

created in 2007, was Natura's first public commitment. It established the target of a one-third reduction in the company's emissions by 2013, which represented the avoidance of 480,000 metric tons of CO<sub>2</sub>e emissions. The volume avoided is equivalent to 83,000 trips around the Earth by car. As part of our 2050 Sustainability Vision, we assumed the commitment to reduce our relative GHG emissions by a further 33% by 2020, using 2012 as base year. **GRI 305-5**

The programme was developed on three fronts – measuring, reducing and offsetting. The first consists of the annual monitoring of all the organization's emissions by means of an inventory audited by an independent company. What differentiates Natura is precisely the scope of the inventory, which covers not only the company's own emissions but also those of our entire production chain, including the

emissions from the extraction of raw materials, from freight haulage operators, and from packaging manufactured by third-parties.

In 2017, the company had a 0.8% increase in relative GHG emissions and a 2% increase in absolute emissions compared with 2016. This is due mainly to an increase in items with higher relative emissions, as well as to the growth in our International Operations, increasing the impact of exports and product transportation to consultants. In the comparison with 2012 (the base year of the commitment), there was a cumulative reduction of 0.5% in relative emissions. We continue to seek alternatives that will enable us to honour our commitment through measures such as optimizing the raw materials logistics process, greater efficiency in delivering product to consultants in Brazil, diversifying our fleet and increasing the use of materials that provoke a lower environmental impact in our products.

### **GRI 305-1; 305-2; 305-3; 305-4**

Year	Total CO <sub>2</sub> e (t) emissions <sup>1 2</sup>	Relative emissions (kg of CO <sub>2</sub> e/kg of product billed)	Cumulative reduction in relative emissions since 2012 (%)	Vision commitment for 2020
2015	321,267	3.17	1.4	
2016	303,424	3.17	1.3	-33% relative emissions
2017	308,048	3.20	0.5	

1 CO<sub>2</sub>e (or CO<sub>2</sub> equivalent): measure used to express greenhouse gas emissions, based on each one's global warming potential. 2 Includes GHG Protocol scopes 1, 2 and 3.

### GRI 305-1; 305-2; 305-3

Emissions in the value chain (t) <sup>1</sup>	2015	2016	2017
Extraction and transportation of raw materials and packaging (process and transportation to direct suppliers)	127,788	122,337	119,101
Direct suppliers (process and transportation to Natura)	31,731	30,378	29,574
Industrial and internal processes	18,557	15,633	16,754
Product sales (transportation and distribution)	66,749	63,465	62,751
Use of products and disposal of packaging	76,442	71,611	79,868
Overall total	321,267	303,424	308,048

<sup>1</sup> Our Greenhouse Gas Emissions Inventory takes into account not only the company's own emissions but also those of the entire production chain, including freight haulage operators that transport raw materials and packaging materials manufactured by third-parties. We comply with GHG Protocol standards and the principles of the ABNT NBR ISO 14064-1 standard, which establish rules encompassing conception, development, management and elaboration. The 2017 Natura GHG inventory was audited and assured by KPMG.

Biogenic emissions (tCO <sub>2</sub> equivalent) <sup>1</sup>	2015	2016	2017
Direct biogenic emissions (from the burning or biodegradation of biomass) <b>GRI 305-1</b>	9,347	8,870	9,387
Indirect biogenic CO <sub>2</sub> emissions <b>GRI 305-3</b>	10,746	9,366	8,976
Total biogenic emissions	20,093	18,236	18,364

<sup>1</sup> Our Greenhouse Gas Emissions Inventory takes into account not only the company's own emissions but also those of the entire production chain, including freight haulage operators that transport raw materials and packaging materials manufactured by third-parties. We comply with GHG Protocol standards and the principles of the ABNT NBR ISO 14064-1 standard, which establish rules encompassing conception, development, management and elaboration. The 2017 Natura GHG inventory was audited and assured by KPMG.

We voluntarily offset 100% of the emissions that we are unable to avoid, ensuring we remain carbon neutral. This offsetting involves the acquisition of carbon credits from organizations that have reduced their emissions by means of projects to keep forests standing, reforestation, the substitution of fossil fuels and

energy efficiency programmes. In this way, we have managed to align reduction in impacts on climate change with the generation of socioenvironmental benefits. Between 2007 and 2016, five public tenders were launched and 36 projects contracted. The total amount offset was 2,945,158 tCO<sub>2</sub>e.

Read more in our inventory filed in the Brazilian Public Emissions Records (Registro Público de Emissões, available [here](#) in portuguese)

### Emissions offset

Of the 36 offsetting projects contacted by Natura in the ten years of its Carbon Neutral Programme:



It should be noted that since 2007 Natura has implemented measures to reduce its emissions throughout the chain. The reductions in absolute GHG emissions refer to improvements in processes and products, considering indirect scope 3 emissions, worthy of note being: use of cabotage to supply the distribution centres, gains from exports based on local production in the International Operations, efficiency gains

in ingredient transportation, reduction in impacts due to Ekos brand refills, the use of post-consumer recycled glass in perfumery and the use of post-consumer recycled PET and green PE in product packaging. Although these initiatives drove absolute reductions, they had little impact on Natura's overall result. The amounts are not comparable over the years because different initiatives were adopted in each period. **GRI-305-5**

**GRI 305-5**

**GHG emission reductions resulting directly from emission reduction initiatives (tCO<sub>2</sub>e)**

	<b>2015</b>	<b>2016</b>	<b>2017</b>
Reductions in other indirect emissions (scope 3) <sup>1</sup>	9,357	8,213	8,578
Total reductions	9,357	8,213	8,578

<sup>1</sup> The emissions reduction calculation (scope 3) took into account emissions in 2017, 2016 and 2015, respectively over each period and not from one year to the other. The amounts are not comparable over the years because different initiatives were adopted in each period.

## GAINS THROUGHOUT THE CHAIN

Examining the entire value chain enables us to work on different fronts to reduce our impact on climate change. We strive to drive innovation and generate additional benefits at every stage of the production and distribution of our products.

<b>New product development/ innovation process</b>	<p><b>Carbon and waste calculator:</b> a tool developed to measure the environmental impact of a new product under development; it takes into account GHG emissions and waste generation, from the formulation stage to the disposal of packaging.</p> <p><b>Vegetalization of formulas:</b> in 2005, we started to substitute animal fat with vegetable oils in our toilet soap lines. In 2007, we replaced mineral oils with vegetable oils. In 2017, 81% of our formulas comprised renewable vegetable oils (see the historical series in the item Origin of material and product certification).</p>
<b>Packaging development</b>	<p><b>Use of refills:</b> in addition to pioneering the use of refills for our daily use products, over time we started using more efficient materials, such as 100% recycled post-consumer PET for the refills. The relative emissions generated by a Natura refill are on average 47% lower than those for the regular product.</p> <p><b>Packaging:</b> our target is to include 10% recycled post-consumer materials and 74% recyclable materials in the composition of our packaging by 2020. We also intend to reach the rate of 40% eco-efficient packs. One of the main contributions to this advance is the Ekos line. It was relaunched in 2016 employing more reused materials, with relative emissions 30% lower than the materials used previously. Other initiatives include the use of recycled glass in perfumery, packs made from recycled PET and green PE.</p>
<b>Production</b>	<p><b>Organic alcohol:</b> our perfumery line uses alcohol made from sugarcane that is grown without burning and without the use of crop defence products or chemical fertilizers, resulting in a 39% reduction in carbon footprint compared with conventional alcohol.</p>
<b>Logistics/ distribution</b>	<p><b>Low impact transportation:</b> we were the first company in Latin America to adopt an electric vehicle for transporting cargo in the distribution operation to consultants in the city of São Paulo and the surrounding metropolitan region. On average, this vehicle emits nine times less carbon than a conventional model. We also developed other measures to reduce the impact of product transportation, such as new carton sizes for sending product to consultants, the use of maritime transportation instead of air freight, review of the logistics network, expansion of the distribution centres in Brazil and the expansion of local international production. We also use ethanol-powered buses to transport employees.</p>
<b>Standing forest</b>	<p><b>Social biodiversity active ingredients:</b> we promote the generation of sustainable businesses through the Amazônia Programme. We maintain relations with 34 communities, incentivising production techniques that have already helped keep 257,000 hectares of forest standing. This has reduced deforestation, one of the main causes of GHG emissions in Brazil.</p> <p><b>Restoration of Xingu River springs:</b> we support the Instituto Socioambiental's Y Ikatu Xingu movement aimed at reclaiming and protecting around 300,000 hectares of land surrounding the sources of the Xingu River in Mato Grosso. An innovative system permits the plantation of a larger quantity of seeds in less time, with a 50% cost saving. To ensure the feasibility of the project, the local community collected a large quantity of seeds which culminated in the creation of a seed network, involving indigenous peoples, collectors, nursery operators and agricultural producers. Currently comprising 450 collectors, most of whom are women, the network has been generating an average annual income of more than R\$ 2 million. Natura contributed to the reclamation of 516 hectares by means of an emissions offsetting programme.</p> <p><b>Reca Carbon Project:</b> we recognize the importance of family agricultural producers in the conservation of forests, and we believe that reconciling production activities and forestry maintenance is economically advantageous. As part of this strategy, we initiated the Payment for Environmental Services Project (PSA in the Portuguese acronym), remunerating communities not only for the purchase of ingredients and sharing of benefits, but also for the environmental protection work they do. The project involves 109 families on 125 properties in the border region of the states of Acre, Rondônia and Amazônia (read more about the project in Sustainable Social Biodiversity Businesses, on page 43).</p>
<b>Social benefits</b>	<p><b>Efficient stoves:</b> this is a partnership between Natura and the Instituto Perene which enables the construction of sustainable stoves in the Recôncavo Baiano region in Brazil. A similar project was implemented in Mexico. The stoves use a technology that permits a significant reduction in the consumption of firewood, helping to minimize greenhouse gas emissions, the degradation of forests and local public health problems. A total of 12,247 stoves have been installed in the two countries.</p>

## >>> Partnership for the climate <<< GRI 305-5

With the knowledge accumulated over a decade in the Carbon Neutral Programme, we realized that we could leverage the effectiveness of the measures if we work together with partners who share the same objectives. According to the World Resources Institute, Brazil comes seventh in the ranking of countries with the highest CO<sub>2</sub> emissions in the world.

In 2015, the year of the Paris Agreement, Natura led a dialogue in which 200 people from different companies and civil society organizations participated. The subject was the responsibilities of the production sector in relation to climate change. Presenting the work undertaken in the Carbon Neutral Programme as a reference, the objective was to articulate an institutional support network for innovative, sustainable initiatives aimed at the transition to a low carbon economy, as well as promoting the emissions offsetting agenda in Brazil.

To further this commitment, in September 2017 we launched a common platform of carbon emission offsetting projects in partnership with Itaú Unibanco, called *Compromisso com o Clima* (Climate Commitment). The initial objective is to offset 500,000 metric tons of carbon by means of independent projects and to attract more companies to the initiative.

The first *Compromisso com o Clima* tender received applications from 95 projects, located in 24 states and the Distrito Federal. The areas include energy, agriculture, forestry and waste treatment. Eight projects were selected for legal appraisal and execution. To compensate our 2017 and 2018 emissions, we will select projects approved in the tender. We would like and will encourage Natura's partners and suppliers to choose from among the projects selected to honour their own offsetting commitments.

### PAYMENT FOR ENVIRONMENTAL SERVICES GRI 305-5

The Payment for Environmental Services (PSA in the Portuguese acronym) project, which links the Amazônia Programme (*read more on page 43*) and our Carbon Neutral Programme, is the first carbon offsetting initiative organized by Natura. In a concerted effort, the programme invests in forestry conservation, strengthening production chains, territorial development, environmental/land deed regularization, valuing sustainable production systems and maintaining agricultural producers on the land, among other objectives.

The pilot project was implemented in the Reca (Reflorestamento Econômico Consorciado e Adensado) supplier community, located in the border region of the states of Acre, Rondônia and Amazonas, an area with a high deforestation rate due to activities such as livestock breeding and timber exploitation. A total of 77% of local families, who are Natura suppliers, entered the program. In 2017, they started receiving payment for promoting the sustainable stewardship of social biodiversity active ingredients. The amount paid was equivalent to what Natura paid for the ingredients supplied by Reca for the same period (2013-2015), thereby doubling the families' income. From 2018, payments will be made on an annual basis.

Between 2013 and 2015, deforestation rates were 60% lower than in the surrounding communities. The area conserved during the period is equivalent to 170 soccer fields, meaning emissions of 74,000 metric tons of carbon gas were avoided. Natura is committed to the project for a period of 25 years. We estimate that the deforestation rate in the Reca area will be zero in 2038 and believe that the environmental service model may be adopted in other areas.

# Packaging and waste: making new again **GRI 103-2; 103-3; 301-2**

## We recognize our responsibility

for the life cycle of our products and packaging. We also recognize the challenge managing post-consumer waste represents for society, particularly in large urban centres. Over the years, we have invested in increasing the use of eco-efficient packaging (at least 50% lighter than regular/ similar packaging; and/or comprising 50% post-consumer recycled material and/or renewable non-cellulosic materials that do not increase mass).

In 2017, we continued to increase the rate of eco-efficient packaging in Brazil and in Latin America, reaching 21% of the products commercialized. This progress was made possible, in particular, because of the good performance of the Ekos and TodoDia lines of body care products, whose packs are made from 100% post-consumer recycled PET or sugarcane-based 100% green PE.

The Chronos face category refills also performed well. We are certain that the offer of refills will be essential for us to reach the rate of 40% eco-efficient packaging for our products, part of our ambitions for 2020.

We also continue to progress in the use of recycled glass in Brazil. We expanded the use of post-consumer recycled material from 20% to 30% in the packaging for some brands, such as Ekos, Kaiak, Humor and Essencial. This movement began in 2015, when we started to employ recycled glass from beverage industry waste. One year later, we began to source part of the recycled glass from cooperatives. To ensure the quality of these packs made from glass of more heterogeneous origin, we implemented a rigorous approval process for the cooperative suppliers, encompassing traceability, formalization and regulatory compliance.

### GRI 301-2

#### Recycled materials used in product manufacture (%)

Material	2015	2016	2017	Vision commitment for 2020
Post-consumer recycled material incorporated into finished product packaging – Brazil <sup>1</sup>	2.9%	4.3%	4.6%	10%
Recyclable <sup>2</sup> material in finished product packaging – Brazil	50%	51%	50%	74%

<sup>1</sup> Percentage of post-consumer recycled material mass in relation to total mass of packaging materials, weighted by the quantity billed. <sup>2</sup> Percentage of recyclable material mass in relation to total mass of packaging materials, weighted by the quantity billed.

### GRI 301-2

#### Eco-efficient packaging as a proportion of items billed (%)

	2015	2016	2017	Vision commitment for 2020
Brazil	26%	20%	21%	40%
International Operations	23.7%	20.8%	21.5%	-

### GRI 417-1

#### Origin of material and product certification <sup>1</sup> (%)

	2015	2016	2017
Material of renewable vegetable origin	83.0%	83.0%	81%
Material of natural vegetable origin	6.6%	5.6%	5.6%
Material with certification of origin <sup>2</sup>	13.0%	13.0%	13.1%

<sup>1</sup> Calculated on dry base of raw materials present in product formulation. <sup>2</sup> The percentage of material with certification of origin increased because the number of certified inputs employed in the body care and perfumery categories grew.

## >>> Reverse logistics programmes <<<

**GRI 103-2; 103-3; 301-3**

Driven by our commitment to reduce the impact of post-consumer waste and by Brazil's national solid waste policy, over recent years we have conducted a reverse logistics pilot programme aimed at developing an efficient model for recovering the post-consumer packaging of our products. Currently we are engaged in two post-consumer packaging reverse logistics programmes:

**Elos Programme** – a shared responsibility programme between Natura and its packaging suppliers, to guarantee traceability, approval and reverse logistics in the post-consumer recycled material supply chains incorporated into our packaging.

**Dê a Mão para o Futuro** – we continue to support the industry reverse logistics programme, an initiative organized by Abihpec in conjunction with the cleaning products industry association Abipla and the biscuit, dough and bread industry association Abimapi.

Considering the volumes recovered through the two programmes – Elos and Dê as Mãos para o Futuro –, in 2017 we achieved a 29% recovery rate for products and their packaging materials. Our commitment for 2020 is to reach a reverse logistics volume of 50% of the waste generated by Natura product packaging in Brazil (in equivalent metric tons). One of the main challenges in reverse logistics is the need to expand the recycling chain in Brazil, which is the focus of the two projects mentioned.

Product and packaging material recovery rate (%)	2017	Vision commitment for 2020
	29%	50%

## See our water footprint

**GRI 103-2; 103-3; 303-1**

**Natura continues to work** on a methodology for measuring the impact of water use throughout the chain as a basis for defining initiatives that will make a more effective contribution to reducing and neutralizing the company's water footprint, similar to what is done in the Carbon Neutral Programme.

Our major challenge is in the product use phase and is linked with consumer behaviour. We are aware that the most significant impact is caused by generating energy to heat the water used in consumers' homes

due to the fact that the Brazilian energy grid is primarily driven by hydroelectric power. In line with our 2020 commitment, we will maintain our efforts to identify possibilities for reduction at this stage.

In our industrial processes, relative consumption was the same as the previous year (0.53 litre of water per unit produced), even though the total production grew by 10%, counting the Cajamar and Ecoparque units and third-party manufacturers. Absolute water consumption grew 4% compared with 2016.

### What we did in

# 2017

We finalized Natura's water footprint study and incorporated ecotoxicity assessment into product safety assessments.

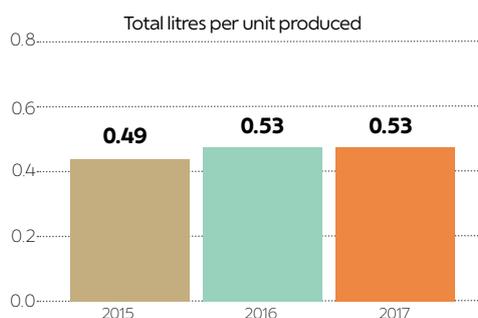


### Vision commitment for

# 2020

Implement a water footprint impact reduction and neutralization strategy for the entire Natura value chain.

**Water consumption per unit produced GRI 303-1**



**GRI 303-1**

Water withdrawn by source — Natura Brazil (m <sup>3</sup> ) <sup>1</sup>	2015	2016	2017
Ground water	177,866	190,898	252,016
Municipal or water utility supply	20,872	23,858	37,958
Total	198,738	214,756	289,974

<sup>1</sup> Up until 2016, the numbers did not take third-party manufacturers into account.

# Sustainable social biodiversity businesses

**GRI 103-2; 103-3; 203-1**

**We have used Amazonian social biodiversity** inputs since 2000, the year the Natura Ekos line was launched. In addition to buying inputs directly from extractivist communities, which generates improved livelihoods and income for these communities, we work actively on keeping the forest standing. This goal is only possible because it is based on the vision of transforming social and environmental challenges for the families living in the region. Our strategy is to promote and expand a sustainable economy based on Amazonian biodiversity, driving innovation and ensuring economic and social visibility on a global level.

In 2011, we implemented the **Amazônia Programme**, which reflects the company's belief in the potential the region has to become a major global centre of technology and sustainable business in line with its natural vocation. Work on the programme is based on three pillars: science, technology and innovation; developing sustainable chains; and institutional reinforcement.

Although it was created by Natura, today the programme has innumerable partners including Brazilian and international companies, research institutions and non-governmental organizations. Since the beginning of the Amazônia Programme, we have worked with 25 native species and contributed to the conservation of over 257,000 hectares of standing forest. By the end of 2017, we had beaten our target of generating R\$ 1 billion in business volume in the region between 2010 and 2020 by 22%. The cumulative volume exceeded R\$ 1.2 billion.

Another 2020 target is to source 30% of the production inputs consumed by Natura from the Pan-Amazon region, encompassing other countries in which the Amazon forest is located. In 2017, the indicator was 18.1%, a slight decrease in function of the sales mix. Nonetheless, the total purchase volume of ingredients from the Amazon increased due to the purchase of products based on certified palm and Brazil nut oil from the region. Part of our commitment is to guarantee that the use of these ingredients in the portfolio remains proportional to the company's growth.

**GRI 203-1**

**Amazônia Programme**

	2015	2016	2017	Vision commitment for 2020
Percentage of raw materials bought from the Pan-Amazon region by Natura <sup>1</sup> (at sales cost)	12.3%	19.1%	18.1%	30%
Business volume in the Amazon region <sup>2</sup> (R\$ million)	752	973	1,222	1,000

<sup>1</sup> Total purchases of raw materials from Pan-Amazon region versus total purchases of other inputs. <sup>2</sup> Cumulative amount since 2011 including the purchase of Amazonian raw materials, benefit sharing, investments in the Ecoparque, local development, institutional reinforcement, innovation, environmental projects and the purchase of carbon credits.

## Science, technology and innovation

**The first pillar of the Amazônia Programme** comprises the research and scientific production initiatives that value the region's wealth. By means of an international alliance, in 2016 Natura was selected by USAID (United States Agency for International Development) to ensure the continuity of a project that employs an agroforestry system in the cultivation of palm oil. The total investment in the project is US\$ 4.8 million.

The project began in 2007, with a pilot stage undertaken in Pará in partnership with Finep (Financiadora de Estudos e Projetos) and Embrapa (Empresa Brasileira de Pesquisa Agropecuária). In an 18-hectare area managed by members of the Camta (Cooperativa Agrícola Mista de Tomé-Açu) cooperative, monoculture was replaced with an agroforestry system that combines the cultivation of the palm trees with other vegetable species.

Tests demonstrated that palm oil production was higher compared with the volume obtained from monoculture, even with fewer palm trees planted per hectare. It was also noted that the system generated additional environmental benefits, such as the creation of a natural barrier against pests thanks to the diversity of vegetable species, as well as the sequestration of carbon from the atmosphere. In the social dimension, the production of fruit and seeds from the other species generated an increase in income for the producers.

There is the prospect of expanding the project. Currently there are three demonstration areas, totalling 37 hectares. In its products, Natura only uses palm oil certified by the RSPO (Roundtable on Sustainable Palm Oil), which assures sustainable production in the chain. The expectation is that Natura will start acquiring the input from the agroforestry system as soon as the scale of production permits it.

### NÚCLEO DE INOVAÇÃO NATURA AMAZÔNIA (NINA - NATURA AMAZÔNIA INNOVATION NUCLEUS)

The Natura Amazônia Innovation Nucleus (Nina), located in the Ecoparque in Benevides (Pará), is a science and technology hub that prioritizes the development of innovations and technologies which may be applied in social biodiversity production chains and in the company. Its partners in this endeavour include the Federal University of Amazonas (Ufam), the Amazonian research institute Inpa (Instituto Nacional de Pesquisas da Amazônia) and the Amazon state research foundation Fapeam (Fundação de Amparo à Pesquisa do Estado do Amazonas), in addition to Embrapa.

In 2017, as a result of changes in the Natura Innovation team (*read more on page 29*), the field team, which engages directly with the communities, started working in tandem with the ingredients development team, with the objective of generating synergy and streamlining research and development processes.

## Social biodiversity production chains

**GRI 103-2; 103-3; 203-1; 203-2; 304-2; 413-2**

**We want to build** and continuously expand sustainable production chains in the Pan-Amazon region by means of the Amazônia Programme. In 2017, we worked with 34 supplier communities, two of which joined the network during the year. We practically doubled the number of families benefiting from this arrangement to 5,296, of which 4,294 are in the Pan-Amazon region.

This increase was due mainly to the resumption of relations with the Reserva Extrativista Chico Mendes community for the use of patauá, the new ingredient in the Ekos line. In this location, 1,926 families are recognized as possessing the traditional knowledge associated with this fruit and are remunerated as part of the company's benefit sharing policy.

We also initiated relations with another new community comprising 37 families, which provides Brazil nuts. In the meantime, a cocoa producing cooperative opted to terminate its participation in the Transamazon organic cocoa group and left our network of supplier communities.

Most of the communities are located in the states of Acre, Amazonas, Pará, Rondônia and Amapá, but Natura also obtains biodiversity ingredients from other states in Brazil.

In 2017, this stakeholder group received almost R\$ 18 million, an increase of more than 70% compared with 2016.

The amounts include payment for the supply of inputs and for benefit sharing, as well as investments in infrastructure, training and technical services, among others. The amount to be paid is calculated after the company conducts field audits in which we identify and define the communities' needs, as well as opportunities for improvement.

<b>GRI 203-2 Communities and families benefiting in the Pan-Amazon region</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>Vision commitment for 2020</b>
	1,529	2,119	4,294	10,000

<b>GRI 203-2 Communities and families benefiting <sup>1</sup></b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Communities with which Natura maintains relations	30	33	34
Families benefiting in the communities	2,251	2,841	5,296

<sup>1</sup> The number of partners and families is monitored by the Natura social biodiversity tracing system. The number includes ten associations and 24 cooperatives.

<b>GRI 203-2 Funds allocated by family (R\$ thousands)</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Direct funds	2	3.1	3.2
Supply	1	2.0	2.9

<b>GRI 203-1 Community investments (R\$ thousands)</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Supply	2,837	5,771	9,213
Benefit sharing <sup>1</sup>	2,411	3,070	6,075
Support for local development and infrastructure projects <sup>2</sup>	443	669	763
Use of image <sup>3</sup>	14	36	5
Training <sup>4</sup>	245	77	70
Technical services <sup>5</sup>	139	255	337
Carbon credits <sup>6</sup>	-	-	1,478
Studies <sup>7</sup>	490	245	0
<b>Total allocated to communities</b>	<b>6,579</b>	<b>10,123</b>	<b>17,942</b>

<sup>1</sup> Benefit sharing: direct funds from the sharing of benefits for access to genetic heritage and traditional knowledge acquired in communities, allocated under contract with Natura. <sup>2</sup> Support for local development and infrastructure projects: in 2017, the investment was employed in building drying and storage facilities, enabling the communities to boost their volume of higher added value business, as well as improving production quality and controls. <sup>3</sup> Use of image: the amounts paid by Natura for use of the images of community members in institutional or marketing materials. <sup>4</sup> Training: management and organizational development, technical exchanges, training in good production and stewardship practices, and occupational health and safety programmes. <sup>5</sup> Technical services: technical services rendered to cooperatives/communities by external consultants or consultants hired by Natura. <sup>6</sup> This information was included from 2017. <sup>7</sup> Studies: development of diagnoses, management plans, stewardship plans, mapping exercises, information surveys, field research and loyalty/satisfaction surveys.

## >>> Social Biodiversity Chain Verification System <<<

**GRI 103-2; 103-3**

### By continuously monitoring

a series of indicators, we are able to measure the positive impacts generated by our relations with the communities, as well as determining the investment in training necessary to develop competencies among this group. In this way, we help to strengthen the communities and increase their autonomy, encouraging them to expand supply to other companies.

In partnership with the Union for Ethical Bioproducts (UEBT), we developed a Social Biodiversity Chain Verification System, which is used to audit 100% of the supplier communities in 65 supply chains. This system enables us to verify questions related to labour practices, occupational health and

safety, conservation of biodiversity, organizational management, good production practices and the traceability of production chains to certify the ethical and sustainable origin of ingredients. The audits are conducted annually in all the communities. When necessary, we develop action plans based on the results.

In 2017, the verification system was applied to three new supplier communities. Natura already maintained relations with one of them — Avive (Associação Viva Verde da Amazônia), located in the municipality of Silves (AM) — but only started sourcing ingredients from it in 2017. For two years, the audit results have accounted for 80% of the points in the BioQlicar award (*read more on page 52*). This score increased again, reaching 3.97%. In 2016, the score was 3.94% and in 2015, 3.68%. **GRI 414-1**

## COOPERATION IN THE ECOPARQUE

The Ecoparque in Benevides was inaugurated by Natura in 2014 as a hub to connect communities supplying social biodiversity ingredients with companies willing to invest and develop businesses in the region. In addition to the Natura soap plant, the German company Symrise, which produces natural oils and essences, has been operating in the Ecoparque since 2015.

Last year, Natura, Symrise and GIZ (German Agency for International Cooperation) formed an association to generate a positive impact for 14 partnering cooperatives, comprising 1,140 families. The project, which is already being implemented, encompasses the provision of training in management and accountability, measures to enhance the cooperatives' production processes and assistance in initiatives to reclaim degraded areas.

Natura will be responsible for providing technical assistance in the field and in the processing units, as well as developing new value chains for vegetable species as yet not in use. Symrise will develop new methods and technologies for production pre-processing by the communities and cooperatives, helping to establish quality standards for the inputs. It is estimated that the project will boost the cooperatives' average sales volume by up to 20%, which in turn will increase the families' income. All participants in the project are audited under the Social Biodiversity Chain Verification System.

# Institutional reinforcement

GRI 103-2; 103-3

**To develop an economy** that revolves around the standing forest, we believe it is necessary to be aware of local social and environmental priorities and, through partnerships, to promote the growth and development of local institutions and communities. By means of the survey, we map opportunities to provide incentives for entrepreneurship and promote education oriented to the forest, digital inclusion, as well as carbon emission reduction and offsetting projects. Currently we are engaged in the development of three territories – Mid Juruá (Amazonas), Lower Tocantins (Pará) and Transamazon (Pará). In these

areas, we are engaged in developing a shared territorial development management model in conjunction with local governments, communities and companies, the objective being to generate plans and targets for the regions. Natura's engagement in the Territórios Prioritários para o Desenvolvimento de Negócios Sustentáveis (Priority Territories for the Development of Sustainable Businesses) takes the form of investments in entrepreneurship, education and social biodiversity production chains. There follows a description of the main actions in each one of the territories in 2017.

## Mid Juruá (AM)

The Fórum de Desenvolvimento Territorial do Médio Juruá (Mid Juruá Territorial Development Forum), which consists of local agents and involves the participation of Natura, received US\$ 2.3 million in funding from USAID, (United States Agency for International Development). The money will be invested in diverse projects to promote education, basic sanitation, infrastructure and access to potable water, as well as studies on production chains in the region, examples being fruits such as andiroba and ucuuba. Sitawi, a civil society organization that raises capital to generate positive social and environmental impacts, led by Natura and Coca-Cola (our partner in the project), coordinated the preparation of the local development proposal presented to USAID. The project outlined the main needs in the region based on data from the Social Progress Index-Communities (IPS), that has been used as a tool for diagnosing and assessing socioenvironmental impact in Mid Juruá since 2015. The diagnosis, which presents the communities' perception of critical topics, will enable companies, government, NGOs and civil society movements to align their investment efforts in the region. It should be noted that the action of the Mid Juruá Forum, the involvement of multiple stakeholders and the adoption of the IPS index as a basis for diagnosis were determinant in USAID's selection of the initiative and in the amount of funding provided. Also worthy of note were the development of projects in partnership with Capes (Coordenação de Aperfeiçoamento de Pessoal de Nível Superior) and UAB (Brazilian Open University, in Carauari) to train 45 young community members; support for the constitution of the CFR (Casa Familiar Rural) association in Carauari; organization of the RedAmérica Transformers Award; partnerships to implant a university level course in Education aimed at conservation units, with an entry exam scheduled for the end of 2018; and the disclosure of the results of the second IPS survey in the territory.

## Transamazon Region

We supported the certification of 23 Rural Family Homes (CFRs) in Pará (seven in the Transamazon region), qualifying them to seek public funding; support for the creation of the first specialized course in Alternating Education in the Amazon region for 30 CFR teachers in partnership with the rural family home association Arcafar and Ufopa (Western Pará Federal University); and we used tax incentives to provide funding for the Municipal Child's and Adolescent's Right Council in Brasil Novo for the remodelling of the CFR in the municipality.

## Lower Tocantins

In 2017, we signed an agreement with the Fundação Banco do Brasil (FBB) to boost the use of biodiversity products and services, benefiting more than 200 families from four communities. The initial investment made by the foundation involved R\$ 190,000 for the construction of ten high efficiency solar dryers to enhance andiroba and murumuru fruit production quality and for the purchase of 40 seats to improve safety in harvesting the patauá fruit. Natura's contribution will be in form of training and technical assistance for the families. Other actions include: tax incentive investments to remodel the CFRs (Rural Family Homes) in Abaetetuba and Cametá; in partnership with Latam, the construction of IT laboratories in five cooperatives and two CFRs, benefiting 350 people; an agreement with the FBB to develop social biodiversity production chains; a technical cooperation agreement involving Natura, Symrise and GIZ to develop an organic product street market in Cametá; and support for the formation of technical and specialization courses in agro-ecology. Worthy of note was the organization of the 1st and 2nd Jirau Network meetings, with more than 400 participants, involving activities such as short, practical permaculture courses and an agro-ecological product fair. The third edition of the meeting has already been confirmed for 2018. In the Lower Tocantins region, our partners are the Federal University of Pará, the Instituto Federal do Pará and the agricultural cooperative Cooperativa Agrícola Resistência de Cametá (CART), in addition to the Rural Family Homes and the government.

## >>> The Biodiversity Legal Framework in practice <<<

As provided for in Brazil's new Biodiversity Law 13.123/2015, known as the Biodiversity Legal Framework, in 2017 the SisGen (National System for the Management of Genetic Heritage and Associated Traditional Knowledge) system came into operation. Now applications to perform research on biodiversity ingredients must be registered on this platform. The law is aimed at eliminating bureaucracy for access to genetic heritage and associated traditional knowledge, boosting research and business opportunities related to Brazilian biodiversity assets.

Natura was the first company to adopt and use the system in Brazil. The agreements with the communities in the Mid Juruá region were undertaken in accordance with the new legislation, based on non-monetary benefit sharing. The resources will be employed in local development initiatives. The agreement is managed by a committee comprising

representatives of the communities, the ICMBio (Instituto Chico Mendes de Conservação da Biodiversidade), linked with the Ministry of the Environment, and Natura. In 2017, the committee launched a tender and the four projects approved are now being executed in the region.

In the Reserva Extrativista Chico Mendes in the state of Acre, a location recognized as a source of traditional knowledge on the use of patauá, we created a fund in conjunction with representatives of five local residents' associations and ICMBio. This will be responsible for managing and implementing benefit sharing projects.

To provide information and debate the changes arising from the new legal framework, we organized an event in Benevides (Pará) with representatives from the supplier communities, universities and other partners.

# Positive social impact

We maintain our belief that in order to sustain and ensure the future of our business in the long term we need to generate a positive impact on all those who interact with Natura and help to build our company – employees, consultants, suppliers and members of the supplier communities, consumers and, on a broader level, the whole of society.

Aware that these questions are interrelated, we focus on incentives for quality education, enterprise, professional development, social and economic inclusion, steady growth and improved distribution of per capita income, diversity and the strengthening of civil society organizations.

## Greater development for the consultants

**We want to make a difference in the lives** of our Natura Beauty Consultants, not just professionally and financially, offering them an increasingly robust career path, but also providing them with resources and instruments that will drive a positive impact on their lives and those of their families. Since 2014, we have managed to gain more in-depth knowledge about the living standards and demands of our consultants through monitoring the consultant Human Development Index (HDI), a specific methodology developed by Natura inspired

by the United Nations Development Programme (UNDP) bearing the same name. The consolidated index takes three dimensions into account – health, knowledge and work. The result, on a scale from 0 to 1, is fundamental for measuring the effectiveness of the self-development strategies we have drafted for the network. In 2017, the HDI score was 0.593, in line with the 2016 result of 0.5. The challenge we face is developing Natura's strategy to impact the consultant network based on the results of this indicator.

### >>> Access to health services <<<

In 2016, based on the initial HDI results, which indicated that many consultants wished to resume their studies, we developed an education programme in partnership with the Instituto Natura (see following block).

At a second stage, in 2017, we started working on the healthcare front. We conducted a pilot-project in the cities of São Paulo and Porto Alegre, providing healthcare services for the consultant and for one family member. After the test stage, the programme was extended to the whole of Brazil in December.

The healthcare benefits include discounts of up to 60% on doctor's visits, examinations and medication (medicines are available through a network of eight thousand pharmacies in the country). This initiative facilitated access to private healthcare services for the consultants and their dependents, many of whom had been unable to afford these previously.

The programme is being executed by a partner with a network that ensures the service is available in most of the municipalities in which the Natura Beauty Consultants reside.

## GROWTH OF EDUCATION PROGRAMME

Around 90,000 consultants and family members have enrolled in the Natura education programme initiatives, which include face-to-face or distance learning degree, postgraduate, language and vocational courses, among others. Some of the offerings have exclusive discounts, while others are free, such as the reading club which sends the consultants books.

The initiative, funded by the Crer Para Ver product line, is run in partnership with the Instituto Natura, which is responsible for the curatorship of the courses offered. In addition to Estácio University, which offers a total of 80 degree and postgraduate courses, we have formed partnerships with Geekie Games (an online preparatory platform for Brazil's Enem national secondary education examination), the Khan Academy (online Mathematics reinforcement course), Prepara Cursos (for vocational technical courses) and the Wizard by Pearson and English Live chains of language schools.

Additionally, the consultants have free access to exclusive educational contents created by the Crer Para Ver brand. These include knowledge chains in the areas of communication, culture and citizenship, as well as information on how the consultants may collaborate in the education of their children and their relationship network.

When the education programme has been in place for one year and a half, we will initiate studies to measure the impact that these opportunities have generated for our consultants.

## >>> Movimento Natura (Natura Movement) <<<

In 2017, we reached the number of one thousand social initiatives posted on the Movimento Natura website, the platform that connects social development projects run by Natura Beauty Consultants with people interested in supporting them. Since 2014, not only consultants, but the public in general have been able to mobilize support around social enterprises. In 2017 alone the initiative's website ([www.movimentonatura.com.br](http://www.movimentonatura.com.br)) received some 2.2 million visits.

As part of the movement, since 2010 Natura has recognized social and environmental projects with outstanding transformational potential by means

of its Acolher Award. A total of 402 projects were submitted to the 2017 edition of the award, and over 164,000 people voted in the selection phase. A total of 13 initiatives were recognized in the three categories: consultants (8 projects), Natura employees (3) and consumers (2) – a new category created in 2017. The winners receive financial support and training in social enterprise.

Since the first edition, 70 projects have received the Acolher Award. See all the award winners [here](#) (in Portuguese)

Consultants engaged in the Movimento Natura (units)	2015	2016	2017
Public <sup>1</sup>	1,308,917	2,193,662	2,194,838
Participations <sup>2,3</sup>	32,724	55,355	56,228

<sup>1</sup> Calculation of the indicator is based on the number of visitors to the website. <sup>2</sup> In addition to consultants, other groups, such as consumers, access the platform. <sup>3</sup> Calculation of the indicator is based on active participation: registration of people or initiatives, participation in campaigns, sharing content on the social networks and interactions with those responsible for the initiatives on the platform.

# Local development programme

**GRI 103-2; 103-3; 413-2**

**In addition to the communities** supplying social biodiversity ingredients, Natura's commitment to promoting social and economic development is extended to the communities surrounding our operating units – Cajamar (São Paulo), Benevides (Pará) and the Vila Jaguara district in the city of São Paulo, where the company's new administrative headquarters and distribution centre are located. This commitment is part of Natura's 2050 Sustainability Vision.

To generate transformations at scale, we work in arrangements and partnerships with local governments, grass roots communities and other companies to promote territorial development solutions. In 2017, there were no negative impacts recorded in areas surrounding our sites. In Benevides, in partnership with Rede Udben, we undertook a series of measures such as: research and local

development, business and opportunities programmes, cultural programmes, placemaking actions to encourage interaction and the harmonious use of public spaces, impacting around one thousand people. In the Vila Jaguara area, the company promoted the Jaguara Leisure and Culture Circuits, as well as social project and social communication workshops for a total of approximately 1,700 participants. In Cajamar, we also supported placemaking measures (Viva Velas Project), and we were engaged in establishing indicators to measure the impacts of the Cidades Sustentáveis (Sustainable Cities) project, involving 1,800 people.

Another way of fostering the development of the communities surrounding the Natura sites is the development of partnerships with local suppliers, whenever this is feasible. In 2017, 5.2% of total Natura spending on suppliers went to companies in Cajamar and Benevides.

## GRI 204-1

Amount spent on local suppliers by operational unit <sup>1</sup> (R\$ million)	2015	2016	2017
Cajamar <sup>2</sup>	144	155	169
Benevides <sup>2</sup>	110	3	12
Total	322	158	181
% spending on local suppliers	5.47%	3.00%	5.22%

<sup>1</sup> Only the production units (Cajamar and Benevides) are considered to be operational units. Our definition of local considers total purchases made from suppliers located in the same municipality as these units, whichever Natura unit they may supply. Since we consider only company-owned manufacturing units, the International Operations whose products are manufactured by partners are not taken into account in this calculation. <sup>2</sup> In Cajamar, the increase is due mainly to the higher business volume. There was an alteration in business volume with suppliers in the area surrounding Benevides in 2016 and 2015 due to a review of the scope of the indicator.

# Suppliers: partnership for development

GRI 103-2; 103-3; 102-9

**We interact on a continuous** basis with the partners in our supply chain, seeking to strengthen and drive the sustainable development of their businesses. We are also committed to ensuring traceability throughout this sizeable chain, which currently comprises some 10,400 suppliers in all the countries in which Natura operates. In 2017, payments to these suppliers totalled R\$ 5.1 billion. In the two previous years, the amount was R\$ 4.2 billion.

Today, 240 partners account for over half (57%) of the purchase volume and, consequently, are considered to be strategic for the business. This group participates in the Qlicar programme, the main objective of which is to drive gradual improvements in processes and in the management performance of this network. The programme involves a series of assessments based on the pillars (Q)uality, (L)ogistics, (I)nnovation, (C)ompetitiveness, (A)mbiental (Environment), Social and (R)elationship. The results may generate improvement plans, which are undertaken by the suppliers with support from Natura.

On an annual basis, we recognize the most outstanding performance among Qlicar participants in different

categories, such as production suppliers (raw materials, packaging, third-party manufacturers), logistics and freight haulage operators and digital technology partners.

The Qlicar award has been extended to include BioQlicar and Qlicar Innovation.

- **BIOQLICAR:** aimed at communities supplying social biodiversity ingredients. Currently, 80% of the score is derived from the results achieved in the Social Biodiversity Chain Verification System, the audit conducted by Natura focused on traceability (*read more on page 46, in the sub-chapter Sustainable Social Biodiversity Businesses*). The remaining 20% refers to meeting the planned production volume and delivery times. Two communities receive awards every year – the one with the highest score and the one making the most progress in terms of quality and good practices.

- **QLICAR INOVAÇÃO:** this recognizes partners working in research and technological development. In 2017, there were awards in the areas of technology, product and cosmetic performance.

## GRI 102-9

Information about suppliers <sup>1</sup>	2015	2016	2017
Estimated monetary value of payments to suppliers (R\$ billion)	4.2	4.2	5.1
Annual contract renewal rate (%)	40	20	11

<sup>1</sup> Does not take Aesop and The Body Shop into account.

## >>> Requirements for contracting suppliers <<<

GRI 308-1; 414-1

To select the suppliers with whom we work, we take into account their adhesion to the Natura code of conduct and ethical commitments. We also verify the financial health of the companies and their compliance with registration requirements.

The percentage of new suppliers subject to screening and monitoring in environmental, labour, societal impact and human rights criteria reached 1.6% in 2017. For example, the environmental

criteria include compliance with legal requirements (environmental operating licence, water withdrawal permit, industrial waste disposal environmental certificate), the existence of an environmental policy and proof that it is communicated, assessment of environmental risks and management of water and energy consumption, emissions, waste and effluent generation, among other details. During the year, the assessment was expanded from 999 to 1,119 partners because the supplier base for the International Operations was included.

## >>> Supplier and supplier community loyalty <<<

### GRI 102-43; 102-44

In 2017, we had the best result ever in the supplier loyalty assessment, with a 37% increase in the consolidated index. In the International Operations, growth was 10%, compared with 43% in Brazil.

Our performance improved in a number of aspects, such as relationship, service and perception of operational processes. With a sample that covered 51% of the supplier base, only 4% of suppliers declared that they were dissatisfied with the company.

In the 20 supplier communities surveyed, the loyalty rate was 27%. In five of the communities, the loyalty rate was high (above 38%), in 11 it was average (31% to 38%) and in four it was low. In 2017, we revised the research methodology.

We now use an application to collect the data and the responses are transmitted via a digital system, which has streamlined and simplified the process.

Supplier loyalty (%)	2015	2016	2017
Satisfaction by supplier <sup>1</sup>	81%	82%	89%
Supplier loyalty Brazil <sup>2</sup>	18%	21%	30%
Supplier loyalty International Operations <sup>2</sup>	41%	41%	45%
Consolidated loyalty Natura (Brazil and International Operations) <sup>2</sup>	25%	27%	37%

<sup>1</sup> Satisfaction: percentage of satisfied and completely satisfied suppliers. This year the data take into account global information (Brazil and International Operations). In view of this, we revised the information from 2015 and 2016. <sup>2</sup> Loyalty: combination of the attributes overall satisfaction, intention to continue as a supplier and recommendation of Natura as a customer.

# Commitment to education

GRI 203-1; 203-2; 103-2; 103-3

**We created the Instituto Natura in 2010** to manage the funds raised by the sale of our Crer Para Ver product line. This non-cosmetic product line has been part of the Natura portfolio since 1995, with all the income invested in projects to improve the quality of public education in Brazil and in the countries in which we have operations in Latin America. More recently, the institute has developed educational initiatives for the Beauty Consultants (further information on page 50).

In Brazil, Crer Para Ver penetration in the year was 28.5%,

growing 5.9 p.p. compared with 2016. This means that more than 1 million consultants bought at least one product from the line in the course of the year. Even so, due to results below expectations in some products, total revenue was R\$ 22.9 million, 3.8% down on 2016.

In the International Operations, revenue and penetration dropped, which was considered normal after the above average performance in 2016. Total revenue was almost R\$ 12.8 million (R\$ 14.5 million in 2016). Penetration decreased from 19.4% to 17.7%.

## GRI 203-1

Investments benefiting public education	2015	2016	2017
Crer Para Ver line revenues – Brazil <sup>1</sup> (R\$ million)	19.5	23.7	22.9
Crer Para Ver penetration – Brazil <sup>2</sup> (% cycle)	22.9%	22.6%	28.5%
Crer Para Ver revenues – International Operations <sup>1</sup> (R\$ million)	10.5	14.5	12.8
Crer Para Ver penetration – International Operations <sup>2</sup> (% cycle)	17.0%	19.4%	17.7%

<sup>1</sup> Refers to earnings before tax on the Crer Para Ver product line. <sup>2</sup> Indicator for the average percentage of Natura Beauty Consultants buying any Crer Para Ver product versus the total number of active Natura consultants during the 19 cycles.

## >>> Instituto Natura in action <<<

The Instituto Natura (iN) contributes towards the transformation of education in Brazil and in the other Latin American countries in which Natura operates. The iN is a non-profit organization (Oscip in the Portuguese acronym) whose objective is to strengthen the people and organizations engaged in education, in particular teachers, schools, public administrators and Natura Beauty Consultants.

In 2017, a year in which new administrations had taken office in Brazilian municipalities after the elections held the previous year, the institute's main challenge was to mobilize new administrators in municipal education departments to ensure the continuity of existing programmes. One focus during the year was the virtual platform Conviva Educação, which offers training, information and tools with the aim of fostering a network for the exchange of experiences and learning among municipal education departments. In 90 days, we updated the registration of some four thousand municipalities. We ended 2017 with 4,700 cities registered, of which 1,600 access the platform frequently. For 2018, the priority is to measure the impacts the project is having on the administration of education at municipal level in Brazil.

Together with another eight educational institutes and foundations, the Instituto Natura is a member of the Movimento Colabora Educação, aimed at leveraging

the potential for collaboration between the federal government, the states and municipalities in the country. In 2017, the 1st Colabora Educação Seminar was held. This engaged state and municipal representatives in a discussion of collaborative models and their positive effects on education. Inspired by the state/municipality collaboration model in place in Ceará for over 10 years – PAIC (Pacto pela Alfabetização na Idade Certa), –, we started to provide support for the PAES learning pact in Espírito Santo and the Colabora Amapá initiative, with the intention of furthering support for other states from 2018.

The institute also works in partnership with the education departments in Cajamar (São Paulo) and Benevides (Pará), where Natura has operations. In these two locations we have been running the RAE (Education Support Network) initiative since 2013. This is aimed at helping to enhance educational administration and to improve student learning. The project was implanted after a diagnosis conducted by the Instituto Natura, which led to a four-year plan aimed at strengthening educational management in municipal education departments. The positive effects of the RAE network are evident in the improved results in the Prova Brasil national school performance assessment and the Ideb basic education development index (Índice de Desenvolvimento da Educação Básica) in these municipalities.

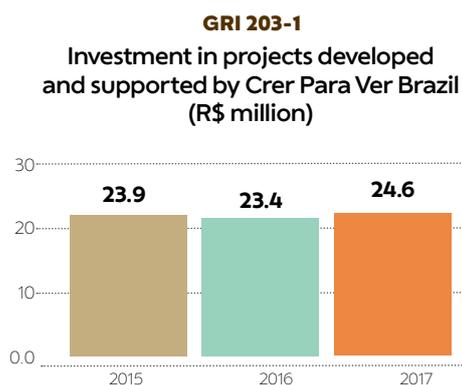
## FULL-TIME SCHOOLS

Two years ago, the Instituto Natura focused its efforts on transforming the full-time school model into public policy. The work, done in partnership with other institutions, is aligned with measures taken by the Ministry of Education to introduce this policy for Secondary Education, backed by an investment of R\$ 1.5 billion. The policy is being implemented gradually and is intended to benefit 500,000 new students by 2018.

Another project is the School Learning Community (Comunidade de Aprendizagem na Escola) aimed at driving social transformation through school administrators, teachers, students, families and the community. In 2017, this project was undertaken in 108 schools in Brazil and in 268 schools in Argentina, Colombia, Chile, Peru and Mexico. It should be noted that in the International Operations, the initiative is managed by the local Natura operations, with support from the iN.

During the year, a methodology was developed to assess the impacts of the TRILHAS (TRAILS) programme, which provides training for teachers of literacy skills. The data also contributed to the design of Digital TRILHAS, which will increase the scalability of the initiative from 2018. Another action in place in 22 states is the Escola Digital (Digital School), a collaborative network comprising state and municipal education departments that provides free and open access to more than 20,000 digital education resources.

Network of people and organizations involved in the Instituto Natura initiatives – Brazil	2015	2016	2017
Municipalities	4,884	828	1,601
Schools	-	910	1,053
Teachers	-	9,183	34,633
Students	-	476,507	1,174,238
Municipal Education departments	4,884	828	1,601
State Education departments partnering with the Instituto Natura	27	22	25
Natura Beauty Consultants	n.a.	24,000	62,000



Network of people and organizations involved in the Instituto Natura initiatives – International Operations	2015	2016	2017
Schools/organizations	337	475	2,433
Teachers, coordinators and headmasters	10,598	13,057	10,459
Students	60,191	89,021	173,074

Further information about the Instituto Natura at [www.institutonatura.org.br](http://www.institutonatura.org.br) (Portuguese).

# A more diverse and inclusive environment

## GRI 103-2; 103-3

**In 2016, we launched** the Natura Diversity Policy which formalized the work and the efforts underway to foster diversity, inclusion and a multicultural environment among our employees, as well as generating positive impacts outside the company. In 2017, we defined the priority audiences and topics: gender diversity, focused on women in leadership positions, and the inclusion of the disabled. In addition to these groups, who are part of our 2050 Sustainability Vision, we incorporated the LGBT audience and the question of ethnic/racial equality.

Our commitment is to have women occupying 50% of director level positions in all the Natura operations in Latin America by 2020. We have progressively increased this percentage, which reached 32.69% in 2017. To honour this commitment, we ensure that 50% of the final candidates for positions at any level in the Natura hierarchy are women. Furthermore, internally we are engaged in boosting the potential of female employees, bolstering their self-confidence and driving empowerment through the provision of tools to enable them to achieve a balance between their professional and family lives. In practice, we offer leadership training via the Mosaico Programme and a series of benefits (read more ahead).

A number of other initiatives are in place to encourage the hiring of disabled people and to establish an inclusive environment. Our commitment for 2020 is to have 8% of disabled people in the workforce. We have been successful in this area, ending the year with 6% of disabled staff in our Brazilian units, 50% of whom are women.

In addition to the exclusive vacancies for the disabled, a disabled person may apply for any job vacancy at Natura because all positions in the company are open to everyone. Specifically in the São Paulo Distribution Centre, 15% of the members of the workforce are disabled, and our target is to increase this rate to 30%. The fully automated distribution centre employs a number of assistive technologies,

including picking by light, which enables disabled employees, including the intellectually impaired, to pick and sort products. The system of flashing lights allows the tasks to be executed intuitively.

Employees with hearing impairments receive support from so-called godparents who are trained in Brazilian sign language, Libras, to facilitate communication in the work place. Another simple but effective measure is the inclusion of sub-titles on all videos for employees. In 2017, we inaugurated a translation centre to provide assistance for the disabled in medical consultations in the Natura healthcare facility. A Libras translator can assist in the consultation via videoconferencing.

In 2017 we also started work on promoting ethnic-racial equality, with an initial focus on the intern programme, the main gateway to the company. This is being done in partnership with EmpregueAfro, a consultancy specialized in recruitment, training and development programs for Afro-Brazilians.

Another initiative was also started aimed at the LGBT audience. In 2017, we externalized our values by means of a campaign for the Faces makeup line, with advertising that addresses the question of gender. In 2018, we intend to establish discussion groups to get employees to help us to think about how Natura may effectively contribute towards the inclusion of this group. Our idea is to create groups focused on all the diversity topics: women in leadership positions, disabled employees and ethnic/racial inclusion.

Natura guarantees six-month maternity leave, 40-day paternity leave, as well as a parenting course extensive to fathers which includes discussion of domestic roles and task-sharing. There is a nursery for employees' children. In 2017, this benefit was extended to employees who take maternity leave under the INSS social security system, regardless of gender identity and sexual orientation.

### GRI 405-1

Employees by functional category and gender (%)	2015		2016		2017		Vision commitment for 2020
	men	women	men	women	men	women	
Production	60.1%	39.9%	60.3%	39.7%	62.4%	37.6%	
Administrative	20.7%	79.3%	20.7%	79.3%	21.5%	78.5%	
Management	42.8%	57.2%	45.0%	55.0%	43.3%	56.7%	
Director level	74.1%	25.9%	70.4%	29.6%	67.3%	32.7%	50%
Total	36.8%	63.2%	36.5%	63.5%	37.2%	62.8%	

Disabled employees <sup>1</sup> by functional category and gender (%) – Brazil	2015			2016			2017			Vision commitment for 2020
	men	women	total	men	women	total	men	women	total	
Production	2.0%	1.6%	3.7%	2.1%	1.6%	3.7%	2.2%	1.5%	3.8%	
Administrative	0.5%	1.3%	1.8%	0.4%	1.5%	1.9%	0.7%	1.5%	2.2%	
Management	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
Director level	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
Total	2.5%	3.0%	5.5%	2.6%	3.1%	5.7%	2.9%	3.1%	6.0%	8%

<sup>1</sup> disabled people. Data monitored only in the operations in Brazil.

## >>> Nossa Gente (Our People) <<<

At Natura, our purpose is to develop enterprising people and leaders for the company and for the world. Based on this belief, a new people management model was launched in 2017. Called Nossa Gente (Our People), the model is designed to bring about the transformations we want to see in our employees and in our business.

Adopting a broad-based approach, the programme comprehends the entire personnel management cycle, ranging from the attraction and selection of talent, through integration, performance, development and training, to recognition, reward, career progression and succession.

Although there are specificities in accordance with each audience, the programme connects the diverse stages of the annual performance review, the feedback process and the People Forum, a meeting at which managers assess the performance of employees from different teams

together with the Human Resources team in order to shape development paths, recognition measures, specific training programmes and individual acceleration actions.

For example, the new feedback process encourages employees to take control of their career, proactively requesting conversations with their direct managers in the stage known as Development Dialogues. These dialogues take place throughout the year, whenever the manager and employee need to align deliveries and priority behaviours for the culture. It is our expectation that this proximity will support the people management process.

We also created a networked feedback tool available as a mobile phone application in which any employee may make a simple, informal assessment of a colleague, highlighting behaviours that should be maintained or that need to be developed.

## >>> Education for Transformation <<<

**GRI 103-2; 103-3; 404-1, 404-2**

To support the Natura cultural transformation process, we implemented the Education for Transformation movement, sustained by the corporate education architecture. This involved updating some programmes and launching new initiatives.

The model starts with the induction of new employees, including entry-level programmes (Apprentices, Interns and Trainees), followed by Passport to the Future, a career acceleration programme that will be open to operational personnel and Business Development managers in 2018, and culminating in Mosaico, offered to all levels of management. Mosaico was

reformulated to support the cultural transformation journey which is intended to make Natura more flexible and less hierarchical. We are sure of the role we expect leaders to play on this journey, inspiring employees by example and engaging their teams. We promoted a workshop addressing this dynamic, incorporating questions such as self-knowledge and managing the transition, aimed at preparing leaders for the context of accelerated change in the current environment. Mosaico incorporated two fundamental pillars – focus on results and on relations –, in line with the priority behaviours (*read more in Culture for Sustainability, on page 59*).

All leaders will take the Mosaico programme in 2018. The Induction Programme was also reformulated to drive closer alignment with the Natura Essence, the organizational culture behaviours, as well as the company's values and strategies. This is a two-day classroom learning experience.

Allied with these initiatives is the Natura Education programme, which provides employees with financial support for formal education initiatives. Relunched in 2017, in addition to incentives and recognition, the new programme is aimed at accelerating employees' careers by means of integrated measures to drive academic development, language acquisition and the curatorship of contents for professional development.

New partnerships were included in Natura Education in 2017 (boosting the number of institutions from five to 17), with the provision of partial or full grants for employees. Discounts are also extensive to family members (spouses, children and wards aged up to 21 years). The partnerships are valid all over Brazil for both classroom and distance learning courses.

The review and enhancement of the people management process took up a large part of the year and impacted part of the corporate education programming, resulting in a reduction in the number of hours training per employee, in particular for director level, management and administrative functions (see the following table).

<b>Investments in education by operation (R\$ thousands)</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Brazil	12,578	7,400	8,300
Argentina	1,842	2,925	2,556
Chile	292	404	802
Mexico	443	534	598
Peru	86	417	397
Colombia	194	1,326	1,075
France	87	175	0
Total	15,522	13,181	13,728

<b>Natura Education Programme – Employees in the Brazilian Operation</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Grants conceded	214	132	210
Grants conceded/enrolments (%)	65%	0%	78%
Amount invested in the Natura Education programme (R\$ thousands)	955	535	690

### GRI 404-1

<b>Average hours of employee training by functional category</b>	<b>2015</b>			<b>2016</b>			<b>2017</b>		
	<b>Women</b>	<b>Men</b>	<b>Average hours</b>	<b>Women</b>	<b>Men</b>	<b>Average hours</b>	<b>Women</b>	<b>Men</b>	<b>Average hours</b>
Director level	20	6	18	29	32	31	5.4	6.6	6.2
Management	41	29	34	48	45	46	18.7	23.4	20.9
Administrative	50	56	44	44	44	39	15.5	27.6	18.6
Operational	66	75	72	25	37	32	16.9	37.6	30.0
Apprentice	34	34	34	41	43	41	44.6	40.6	43.4
Intern	120	70	101	47	49	48	42.2	45.8	43.2

# Culture for sustainability

## In 2017, we further developed

the cultural management programme for all employees. This focuses on the rapid changes society is undergoing, driving the demand for faster decision making, team work and the more effective use of digital tools in the workplace. Our new administrative headquarters in Vila Jaguara in the city of São Paulo were inaugurated in 2017 and already incorporate this new way of working. The space was designed to enable employees to work in an totally collaborative, open environment with no barriers.

For Natura to conclude this transformation, we defined four behaviours – two focused on relationship and two focused on results –, that need to be internalized by all our employees and which we believe will lead to important changes that will leverage our results. This work began with an alignment of principles and values between Natura's Executive Committee and the members of the Board of Directors. It is our understanding that rather than inspiring

employees, senior management must be an example of the desired behaviours. **GRI 102-16**

The first of the four behaviours is to place the consultants at the centre of our decision making, inspiring every one of our actions. The second behaviour involves bringing conflicts out into the open and resolving them in a positive manner. It is aimed at encouraging employees to discuss problems arising in their daily business routines. This requires people to be proactive and transparent. Great ideas emerge from collective intelligence and from discussions that frequently start from initially conflicting viewpoints. The third behaviour concerns the result of the whole, recognizing that each employee contributes to the achievement of Natura's targets and, in parallel, should feel responsible for the company's advances and its challenges. Lastly, the fourth behaviour is recognizing and celebrating achievements, creating a culture that commemorates the small day-to-day victories that lead to success on a broader level.

## Consumer engagement

In parallel with the cultural transformation movement focused on our employees, we are working on engaging our brand's consumers more effectively in valuing diversity, culture and sustainability. We believe in the potential our products have to mobilize people around these causes and to promote debate. In fact, some of our campaigns and launches during the course of 2017 prioritized emerging social questions.

The Faces makeup line adopted a new brand positioning in which it assumes the city as a cause and launched the digital campaign #Quemévocênarua, #tánacara, #tánarua (#youinthestreet, #inyourface, #inthestreet). This addresses current social tensions, such as harassment, the imposition of beauty standards and prejudice (homophobia and fatphobia, among others).

Chronos celebrated 30 years on the market and was relaunched with new formulas and unique products. The campaign addressed the question #velhapra (#oldfor) with a film underscoring the fact that beauty is ageless. The Natura Homem line was also relaunched with new formulations and 12 products that question outdated stereotypes of what it means to be a man, showing that there are countless ways of exercising masculinity.

Still on the question of gender, we launched a makeup campaign to celebrate diversity with the concept "all

beauty can". The film is narrated by a man who is looking for the woman of his life – and who he discovers inside himself, a drag queen. The objective is to celebrate diversity and to urge consumers to free themselves from pre-established paradigms.

And to pay tribute to the characteristic creativity and good humour which should be a source of pride for Brazilians, we launched the Simpatias de Humor campaign for St Valentine's Day. This reinterpreted traditional lovers' recipes for winning over a companion in a fun way. The campaign reinforced Natura's positioning as the Casa de Perfumaria do Brasil – a country teeming with creativity, originality and irreverence.

On Amazon Day in September, we joined the #TodosPelaAmazônia (#EveryonefortheAmazon) campaign against the presidential decree extinguishing Renca, a national reservation covering more than 47,000 square kilometres and endangering preservation areas and traditional peoples. These measures drew the attention of consumers and society as a whole to the issues of sustainable development, preserving the standing forest and other key environmental questions..

#velhapra #Quemévocênarua  
#tánacara #tánarua #TodosPelaAmazônia

## >>> The powerful, active voice of Brazilian music <<<

We believe that music is the voice of the people, where everyone meets up. To enhance these meetings, Natura Musical was repositioned with a focus on engaging and getting closer to consumers, in particular younger ones. As part of this strategy, we inaugurated Casa Natura Musical in São Paulo, a space for live programming showing Brazilian music as it is and promoting brand and product experiences for consumers.

We also maintained our tenders to foster the development of artists using company funding and incentive laws. The tender system was renewed and simplified to offer greater opportunities for the projects that drive the vibrant Brazilian music scene. In addition to sponsoring the launch of new works by artists associated with contemporary questions such as identity and representation, the main novelty in 2017 was partnerships with independent festivals, promoting the circulation of contemporary music, enabling it to reach a larger, more diverse audience. The funds

invested totalled R\$ 5.6 million nationwide, with support from the Rouanet law and state tax (ICMS) incentives for cultural initiatives in Rio Grande do Sul, Minas Gerais, São Paulo, Bahia and Pará.

Twenty-one artists and bands, ten festivals and two music weeks are some of the causes that will be supported by Natura Musical during the course of 2018. In the "New launches" category there were 1,618 submissions assessed by a network of representatives from the world of music, including curators, producers, artists, journalists and festival representatives. These new names join the 330 projects supported during the 13 years existence of Natura Musical, which have ensured its recognition as the main platform promoting Brazilian music. In the digital environment, Natura Musical renewed content, introducing dialogues on contemporary topics and creating a community of more than 500,000 people engaged in culture and behaviour.

Get to know all the projects supported [here](#) (in Portuguese).



## 4. ABOUT THE REPORT

# Parameters for the elaboration of the *Natura 2017 Annual Report*

## Natura has been presenting

its economic-financial and socioenvironmental performance in accordance with the Global Reporting Initiative (GRI) guidelines for almost two decades. The first report in this format refers to the year 2000. As was the case last year, this report has been prepared in accordance with the GRI Standards: Comprehensive option.

**GRI 102-51, 102-52, 102-54, 102-55**

The production of the material is oriented by the commitments assumed in our 2050 Sustainability Vision and our Materiality Matrix, which lists the six priority topics in accordance with our stakeholder groups (*the correlation is shown further ahead*). **GRI 102-46**

In the GRI Content Index, we have listed only the most relevant indicators, the so-called material indicators. But in accordance with our commitment to transparency, we have opted to continue to report other indicators, both GRI and those related specifically to the business, in a complementary section (see Attachments). This report also communicates Natura's progress in relation to the principles of the Global Compact, to which the company is a signatory. The UNO (United Nations Organization) initiative engages companies, workers and civil society in promoting sustainable growth and citizenship.

This report is part of the Natura annual results disclosure process, which also includes the Management Report, published on March 15, 2018, and a printed report portraying the highlights of the year for Natura &Co (the group formed by Natura, Aesop and The Body Shop), released on the same date as this Natura 2017 Annual Report: April 20, 2018. The information in the financial statements covers all our operations, including Aesop, an Australian company acquired in 2013, and The Body

Shop, which was acquired in September 2017.

For the non-financial information, however, the scope of the indicators refers to Natura's activities in Brazil and in its International Operations, where the major part of our operations and, consequently, our social and environmental impacts are concentrated.

The Natura &Co corporate brand was launched in February 2018. The group is seeking to establish an integrated approach to managing the businesses, while respecting the independence and particularities of each of the three companies. For the coming years, we will assess ways of managing non-financial topics as a group. **GRI 102-45**

There were no changes with respect to materiality and the understanding of its boundaries. The last review of the materiality process was undertaken in 2014. Significant changes in the data reported in previous years and any alterations in the calculation bases or measurement techniques are indicated throughout the text and tables in the report. **GRI 102-10, 102-48, 102-49**

The data in this publication refer to the period from January 1st to December 31st, 2017. The results disclosure process is monitored by the Vice President of Marketing, Innovation and Sustainability and by the office of the CEO of Natura by means of the Corporate Affairs area. The annual report was also assured by KPMG. **GRI 102-32, 102-50, 102-56**

For further information about this report, it is possible to contact the team responsible for its publication via the email [relatorioanual@natura.net](mailto:relatorioanual@natura.net). In addition to this email address, stakeholder groups are welcome to express their opinions about Natura's performance, management and relationship practices via the social networks and in face-to-face meetings. **GRI 102-53**

## >>> Our material topics <<< **GRI 102-40; 102-42**

As part of the dialogue with the Natura relationship network, we consult the main stakeholder groups to define the company's critical topics. In the most recent process, conducted in 2014, six topics were defined: water, education for the development of Natura employees and consultants, climate change, waste, transparency and product origin and valuing social biodiversity. The process of defining materiality took into account the company's Sustainability Vision, including company strategy up to the year 2050 and the ambitions to be fulfilled by 2020. The process was based on the identification of more than 20 pre-selected sustainability topics drawn from the Vision and from

industry documents. These were presented in a series of consultations undertaken in Brazil and in the International Operations.

The perceptions of Natura's priority stakeholder groups (employees – including leaders –, Natura consultants, customers and suppliers – including communities) were taken into account, as well as the opinions of some shareholders and representatives of local communities. A total of more than 4,200 online questionnaires were answered, complemented by 40 personal and telephone interviews and a discussion panel with 18 participants drawn from different groups.

**Materiality – GRI 102-43; 102-44; 102-46; 102-47; 103-1**

<b>Topic</b>	<b>Description</b>	<b>Where it occurs GRI 103-1</b>	<b>Related aspects and indicators</b>	<b>Correlation with the SDGs</b>
Water	Relative reduction in water consumption and pollution throughout the value chain and the neutralization of water impact.	<ul style="list-style-type: none"> <li>_Water sources and environment</li> <li>_Supplier communities</li> <li>_Operational units</li> <li>_Society in general</li> <li>_Consumers (use and post-consumer disposal)</li> </ul>	<ul style="list-style-type: none"> <li>_Water</li> <li>_Effluents and waste</li> </ul> <p><b>GRI 303-1, 303-2, 303-3, 306-1 and 306-5</b></p>	SDG 6. Clean water and sanitation
Education for the development of employees and NCs	Development of the consultant network and employees, including measures to promote improvements in public education.	<ul style="list-style-type: none"> <li>_Natura consultants</li> <li>_Employees</li> <li>_Instituto Natura</li> <li>_Society in general</li> </ul>	<ul style="list-style-type: none"> <li>_Indirect economic impacts;</li> <li>_Training and education</li> </ul> <p><b>GRI 203-1, 203-2, 404-1 and 404-3</b></p>	SDG 4. Quality education
Climate change	Reduction of greenhouse gas emissions throughout the value chain and neutralization by means of projects that include social benefits.	<ul style="list-style-type: none"> <li>_Suppliers</li> <li>_Freight haulage operators</li> <li>_Operational units</li> <li>_Environment</li> </ul>	<ul style="list-style-type: none"> <li>_Economic performance</li> <li>_Emissions.</li> </ul> <p><b>GRI 201-2, 305-1, 305-2, 305-3, 305-4, 305-5 and 305-6</b></p>	SDG 13. Climate action
Waste	Development of packaging that has a lower environmental impact and that promotes conscious consumption.	<ul style="list-style-type: none"> <li>_Product conception</li> <li>_Operational units (zero dejects)</li> <li>_Freight haulage operators</li> <li>_Recyclable material cooperatives</li> <li>_Consumers (post-consumer disposal)</li> <li>Environment</li> </ul>	<ul style="list-style-type: none"> <li>_Materials</li> <li>_Effluents and waste</li> <li>_Products and services</li> </ul> <p><b>GRI 301-2, 306-2 and 301-3</b></p>	SDG 12. Responsible consumption and production
Transparency and product origin	Expanding visibility of business practices and product origin.	<ul style="list-style-type: none"> <li>_Supplier chain</li> <li>_Supplier communities</li> <li>_Operational units</li> <li>_Corporate management</li> <li>_Consumers</li> </ul>	<ul style="list-style-type: none"> <li>_Environmental assessment of suppliers</li> <li>_Supplier assessment for labour practices</li> <li>_Supplier assessment for human rights</li> <li>_Supplier assessment for impacts on society</li> <li>_Product and service labelling</li> <li>_Products and services</li> </ul> <p><b>GRI 102-9, 308-1, 414-1 and 417-1.</b></p>	SDG 12. Responsible consumption and production
Valuing social biodiversity	Promoting sustainable businesses by using products and services primarily from the Pan-Amazon region.	<ul style="list-style-type: none"> <li>_Product conception</li> <li>_Supplier communities</li> <li>_Procurement policies</li> <li>_Consumers</li> <li>_Pan-Amazon region</li> </ul>	<ul style="list-style-type: none"> <li>_Economic performance</li> <li>_Indirect economic impacts;</li> <li>_Biodiversity</li> <li>_Local communities</li> <li>_Child labour</li> <li>_Forced or compulsory labour</li> <li>_Supplier assessment for human rights</li> <li>_Grievance and complaint mechanisms related to human rights</li> <li>_Products and services</li> </ul> <p><b>GRI 201-1, 201-2, 203-1, 203-2, 304-1, 304-2, 413-1, 408-1, 409-1, 414-1 and 103-2</b></p>	SDG 15. Life on land

# GRI Content Index



**GRI 101: Foundation 2016**  
**GRI 101: No disclosures available**

## Standard disclosures

### Organizational profile

GRI Standard	Disclosure	Page	Omission	Sustainable Development Goals
GRI 102: Standard disclosures 2016	102-1 Name of organization	8		
	102-2 Activities, brands, products and services	8		
	102-3 Location of headquarters	8		
	102-4 Location of operations	8		
	102-5 Nature of ownership and legal form	8		
	102-6 Markets served	8		
	102-7 Scale of organization	9-10		
	102-8 Information about employees and workers	8, 86		8
	102-9 Supplier chain	52		
	102-10 Significant changes in the organization and its supplier chain	There were no significant changes in terms of location, operation and supplier chain. <i>Read more on pages 13 and 62.</i>		
	102-11 Precautionary approach or principle	31		
	102-12 Initiatives developed externally	116		
	102-13 Participation in associations	116		

### Strategy

GRI Standard	Disclosure	Page	Omission	Sustainable Development Goals
GRI 102: Standard disclosures 2016	102-14 Declaration from senior decision maker	4-5		
	102-15 Main impacts, risks and opportunities	15-16		

### Ethics and integrity

GRI Standard	Disclosure	Page	Omission	Sustainable Development Goals
GRI 102: Standard disclosures 2016	102-16 Values, principles, standards and norms of behaviour	2, 59		16
	102-17 Mechanisms for advice and concerns about ethics	17		16

### Governance

GRI Standard	Disclosure	Page	Omission	Sustainable Development Goals
GRI 102: Standard disclosures 2016	102-18 Governance structure	13		
	102-19 Delegation of authority	13		

	102-20 Executive level responsibility for economic, environmental and social topics	13	
	102-21 Consulting stakeholders on economic, environmental and social topics	13	16
GRI 102: Standard disclosures 2016	102-22 Composition of the highest governance body and its committees	13-14	5, 16
	102-23 Chair of the highest governance body	13	16
	102-24 Nominating and selecting the highest governance body and its committees	The selection of board members takes into account their qualifications, complementary executive experience, identification with Natura's business principles and the absence of conflicts of interest. The term of office is one year, which may be renewed upon approval of the shareholders' meeting. There are no specific diversity criteria for the selection of board members, but inclusion and equality are valued and are the focus of a specific Natura policy. The company in fact has as a target 50% women in executive leadership positions by 2020. <i>Read more on page 13.</i>	5, 16
	102-25 Conflicts of interest	We value the best corporate governance practices. All decisions regarding the operations are submitted to management, in accordance with the competencies established in the company bylaws. In the event of a potential conflict of interest regarding the matter under analysis and a member of our decision making bodies, we comply with corporate legislation whereby the respective member abstains from voting, with the decision being taken by the other members who are impartial in relation to the matter in question. Further information is <a href="#">available in item 16.3 of our Reference Form.</a>	16
	102-26 Role of highest governance body in setting purpose, values and strategy	It is the function of the Board of Directors to determine and to monitor the implementation of company strategy and to periodically assess the performance of the CEO and the Executive Committee. The board members analyse Natura's quarterly and annual management reports, which include socioenvironmental indicators considered relevant for the company. Board members also analyse the definition and review of strategic planning, expansion projects and investment programs, risk management and the definition of profit share plan payouts to Natura employees.	
	102-27 Collective knowledge of the highest governance body	13	4
	102-28 Evaluating the highest governance body's performance	As a result of the transformations in the business related to the acquisition of The Body Shop, the self-assessment process for board members was not conducted in 2017	

102-29 Identifying and managing economic, environmental and social impacts	It is the role of the Executive Committee and the Board of Directors to monitor the Sustainability Vision, which addresses Natura's main socioenvironmental and business topics, and which were raised by the stakeholder consultation processes. <i>Read more on page 13.</i>		16
102-30 Effectiveness of risk management processes		15	
102-31 Review of economic, environmental and social topics	It is the role of the Executive Committee and the Board of Directors to monitor the Sustainability Vision, which addresses Natura's main socioenvironmental and business topics. However, there is no pre-established interval for monitoring by the board. <i>Read more on page 15.</i>		
102-32 Highest governance body's role in sustainability reporting		62	
102-33 Communicating critical concerns	The board members analyse Natura's quarterly and annual management reports, which include socioenvironmental indicators considered relevant for the company. Board members also analyse the definition and review of strategic planning, expansion projects and investment programs, risk management and the definition of profit share plan payouts to Natura employees.		
102-34 Nature and total number of critical concerns	The board members analyse Natura's quarterly and annual management reports, which include socioenvironmental indicators considered relevant for the company. Board members also analyse the definition and review of strategic planning, expansion projects and investment programs, risk management and the definition of profit share plan payouts to Natura employees. <i>Read more on page 16.</i>	The critical concerns that are not described are related to strategic information which is restricted to senior management and the Board of Directors.	
102-35 Remuneration policies	Our senior management remuneration policy and practices are set forth in <a href="#">item 13 of our Reference Form</a> .		
102-36 Processes for determining remuneration	Our senior management remuneration policy and practices are set forth in <a href="#">item 13 of our Reference Form</a> .		
102-37 Stakeholder involvement in remuneration	The shareholders approve management remuneration in the Ordinary General Meeting. On this occasion, they may comment favourably or not on remuneration. <a href="#">Our senior management remuneration policy is set forth in item 13 of our Reference Form</a> .		16
102-38 Total annual compensation ratio		88	
102-39 Percentage increase in total annual compensation ratio		89	

## Stakeholder engagement

GRI Standard	Disclosure	Page	Omission	Sustainable Development Goals
GRI 102: Standard disclosures 2016	102-40 List of stakeholder groups	62		
	102-41 Collective bargaining agreements	All employees are covered by collective agreements, which are coordinated by the Human Resources area and comply with the standards and limits set forth in local legislation.		8
	102-42 Identifying and selecting stakeholders	62		
	102-43 Approach to stakeholder engagement	Natura maintains ongoing dialogues in diverse forums with its stakeholder groups. One of these involves consumers, consultants and researchers, among others, in the co-creation programme aimed at generating ideas for innovation. Similarly, on an annual basis we evaluate the quality of these relations by means of satisfaction and loyalty surveys with our priority stakeholder groups: employees, Natura Consultants, suppliers, supplier communities and consumers. <i>Read more on pages 25, 53, 63, 96-97.</i>		
	102-44 Key topics and concerns raised	25, 53, 63, 96-97		

## Reporting practice

GRI Standard	Disclosure	Page	Omission	Sustainable Development Goals
GRI 102: Standard disclosures 2016	102-45 Entities included in the consolidated financial statements	62		
	102-46 Defining report content and topic boundaries	62, 63		
	102-47 List of material topics	63		
	102-48 Restatements of information	62		
	102-49 Changes in reporting	62		
	102-50 Reporting period	62		
	102-51 Date of most recent report	62		
	102-52 Reporting cycle	62		
	102-53 Contact point for questions regarding the report	62		
	102-54 Claims of reporting in accordance with the GRI Standards	62		
	102-55 GRI content index	64-77		
	102-56 External assurance	62, 118-119		

## Material topics

### Economic performance

GRI Standard	Disclosure	Page	Omission	Sustainable Development Goals
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundaries	63		
	103-2 Management approach and its components	11, 84		1, 5, 8, 16
	103-3 Evaluation of management approach	11, 84		
GRI 201: Economic performance 2016	201-1 Direct economic value generated and distributed	84		2, 5, 7, 8, 9
	201-2 Financial implications and other risks and opportunities due to climate change	16, 85		13
	201-3 Defined benefit plan obligations and other retirement plans	91		
	201-4 Financial assistance received from government	85		

### Market presence

GRI Standard	Disclosure	Page	Omission	Sustainable Development Goals
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundaries	63		
	103-2 Management approach and its components	88, 90		
	103-3 Evaluation of management approach	88, 90		
GRI 202: Market presence 2016	202-1 Ratio of lowest starting salary to the local minimum salary	88		1, 5, 8
	202-2 Proportion of senior management hired in the local community	90		8

### Indirect economic impacts

GRI Standard	Disclosure	Page	Omission	Sustainable Development Goals
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundaries	63		
	103-2 Management approach and its components	43-44, 54		
	103-3 Evaluation of management approach	43-44, 54		
GRI 203: Indirect economic impacts 2016	203-1 Infrastructure investments and services supported	43-45, 54-55, 109		2, 5, 7, 9, 11
	203-2 Significant indirect economic impacts	44-45, 54		1, 2, 3, 8, 10, 17

### Procurement practices

GRI Standard	Disclosure	Page	Omission	Sustainable Development Goals
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundaries	63		
	103-2 Management approach and its components	51		
	103-3 Evaluation of management approach	51		
GRI 204: Procurement practices 2016	204-1 Proportion of spending on local suppliers in significant units of the operation	51		12

### Anti-corruption

GRI Standard	Disclosure	Page	Omission	Sustainable Development Goals
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundaries	63		
	103-2 Management approach and its components	98-99		
	103-3 Evaluation of management approach	98-99		
GRI 205: Anti-corruption 2016	205-1 Operations submitted to assessments related to corruption	98		16
	205-2 Communication and training in anti-corruption policies and procedures	98		16
	205-3 Confirmed cases of corruption and measures taken	99		16

### Anti-competitive behaviour

GRI Standard	Disclosure	Page	Omission	Sustainable Development Goals
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundaries	63		
	103-2 Management approach and its components	100		
	103-3 Evaluation of management approach	100		
GRI 206: Anti-competitive behaviour 2016	206-1 Legal actions for anti-competitive behaviour, anti-trust and monopoly practices	100		16

**Materials**

GRI Standard	Disclosure	Page	Omission	Sustainable Development Goals
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundaries	63		
	103-2 Management approach and its components	41-42		
	103-3 Evaluation of management approach	41-42		
GRI 301: Materials 2016	301-1 Materials used by weight or volume	42-43, 105		8, 12
	301-2 Recycled input materials used	41		8, 12
	301-3 Reclaimed products and their packaging materials	42		8, 12

**Energy**

GRI Standard	Disclosure	Page	Omission	Sustainable Development Goals
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundaries	63		
	103-2 Management approach and its components	101		
	103-3 Evaluation of management approach	101		
GRI 302: Energy 2016	302-1 Energy consumption inside the organization	101, 110		7, 8, 12, 13
	302-2 Energy consumption outside the organization	103		7, 8, 12, 13
	302-3 Energy intensity	103		7, 8, 12, 13
	302-4 Reduction of energy consumption	104		7, 8, 12, 13

**Water**

GRI Standard	Disclosure	Page	Omission	Sustainable Development Goals
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundaries	63		
	103-2 Management approach and its components	42		
	103-3 Evaluation of management approach	42		
GRI 303: Water 2016	303-1 Total water withdrawn by source	42-43, 104		6
	303-2 Water sources significantly affected by withdrawal of water	104		6
	303-3 Percentage and total volume of water recycled and reused	104		6, 8, 12

## Biodiversity

GRI Standard	Disclosure	Page	Omission	Sustainable Development Goals
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundaries	63		
	103-2 Management approach and its components	44		
	103-3 Evaluation of management approach	44		
GRI 304: Biodiversity 2016	304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	107		6, 14, 15
	304-2 Significant impacts of activities, products, and services on biodiversity	44		6, 14, 15
	304-3 Habitats protected or restored	108		6, 14, 15
	304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations	108		6, 14, 15

## Emissions

GRI Standard	Disclosure	Page	Omission	Sustainable Development Goals
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundaries	63		
	103-2 Management approach and its components	37, 109		
	103-3 Evaluation of management approach	37, 109		
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	37-38		3, 12, 13, 14, 15
	305-2 Energy indirect (Scope 2) GHG emissions	37-38		3, 12, 13, 14, 15
	305-3 Other indirect (Scope 3) GHG emissions	37-38		3, 12, 13, 14, 15
	305-4 GHG emissions intensity	37		13, 14, 15
	305-5 Reduction of GHG emissions	37-40		13, 14, 15
	305-6 Emissions of ozone-depleting substances (ODS)	101		3, 12, 13
	305-7 Nitrogen oxides (NO <sub>x</sub> ), sulphur oxides (SO <sub>x</sub> ), and other significant air emissions	101		3, 12, 13, 14, 15

## Effluents and waste

GRI Standard	Disclosure	Page	Omission	Sustainable Development Goals
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundaries	63		
	103-2 Management approach and its components	41, 109		
	103-3 Evaluation of management approach	41, 109		
GRI 306: Effluents and waste 2016	306-1 Water discharge by quality and destination	106		3, 6, 12, 14
	306-2 Waste by type and disposal method	105		3, 6, 12
	306-3 Significant spills	107		3, 6, 12, 14, 15
	306-4 Transport of hazardous waste	105		3, 12
	306-5 Water bodies affected by water discharges and/or runoff	106		6, 15

## Environmental Compliance

GRI Standard	Disclosure	Page	Omission	Sustainable Development Goals
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundaries	63		
	103-2 Management approach and its components	109		
	103-3 Evaluation of management approach	109		
GRI 307: Environmental compliance 2016	307-1 Non-compliance with environmental laws and regulations	109		16

## Supplier Environmental Assessment

GRI Standard	Disclosure	Page	Omission	Sustainable Development Goals
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundaries	63		
	103-2 Management approach and its components	52		
	103-3 Evaluation of management approach	52		
GRI 308: Supplier environmental assessment 2016	308-1 New suppliers that were screened using environmental criteria	52		
	308-2 Negative environmental impacts in the supply chain and actions taken	110		

## Employment

GRI Standard	Disclosure	Page	Omission	Sustainable Development Goals
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundaries	63		
	103-2 Management approach and its components	56		
	103-3 Evaluation of management approach	56		
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	92		5, 8
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	91		8
	401-3 Parental leave	92		5, 8

## Labour relations

GRI Standard	Disclosure	Page	Omission	Sustainable Development Goals
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundaries	63		
	103-2 Management approach and its components	56		
	103-3 Evaluation of management approach	56		
GRI 402: Labour relations 2016	402-1 Minimum notice periods regarding operational changes	87		8

## Occupational health and safety

GRI Standard	Disclosure	Page	Omission	Sustainable Development Goals
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundaries	63		
	103-2 Management approach and its components	95		
	103-3 Evaluation of management approach	95		
GRI 403: Health and safety 2016	403-2 Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	96		3, 8
	403-3 Workers' representation in formal joint management-worker health and safety committees	95		3, 8

**Training and education**

GRI Standard	Disclosure	Page	Omission	Sustainable Development Goals
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundaries	63		
	103-2 Management approach and its components	57		
	103-3 Evaluation of management approach	57		
GRI 404: Training and education 2016	404-1 Average hours of training per year per employee	57-58		4, 5, 8
	404-2 Programs for upgrading employee skills and transition assistance programs	For layoffs resulting from restructuring, we provide employees with support for their career transition by offering a set of special conditions. Read more on pages 26, 57		8
	404-3 Percentage of employees receiving regular performance and career development reviews	94		5, 8

**Diversity and equal opportunity**

GRI Standard	Disclosure	Page	Omission	Sustainable Development Goals
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundaries	63		
	103-2 Management approach and its components	56		
	103-3 Evaluation of management approach	56		
GRI 405: Diversity and equal opportunity 2016	405-1 Diversity of governance bodies and employees	56		5, 8
	405-2 Ratio of basic salary and remuneration of women to men	89		5, 8, 10

**Non-discrimination**

GRI Standard	Disclosure	Page	Omission	Sustainable Development Goals
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundaries	63		
	103-2 Management approach and its components	97		
	103-3 Evaluation of management approach	97		
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	97		5, 8, 16

### Freedom of association and collective bargaining

GRI Standard	Disclosure	Page	Omission	Sustainable Development Goals
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundaries	63		
	103-2 Management approach and its components	97		
	103-3 Evaluation of management approach	97		
GRI 407: Freedom of association and collective bargaining 2016	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	97		8

### Child labour

GRI Standard	Disclosure	Page	Omission	Sustainable Development Goals
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundaries	63		
	103-2 Management approach and its components	99		
	103-3 Evaluation of management approach	99		
GRI 408: Child labour 2016	408-1 Operations and suppliers at significant risk for incidents of child labour	99		8, 16

### Forced or compulsory labour

GRI Standard	Disclosure	Page	Omission	Sustainable Development Goals
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundaries	63		
	103-2 Management approach and its components	99		
	103-3 Evaluation of management approach	99		
GRI 409: Forced or compulsory labour 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labour	99		8

### Security practices

GRI Standard	Disclosure	Page	Omission	Sustainable Development Goals
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundaries	63		
	103-2 Management approach and its components	99		
	103-3 Evaluation of management approach	99		
GRI 410: Security practices 2016	410-1 Security personnel trained in human rights policies or procedures	99		

### Rights of indigenous peoples

GRI Standard	Disclosure	Page	Omission	Sustainable Development Goals
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundaries	63		
	103-2 Management approach and its components	100		
	103-3 Evaluation of management approach	100		
GRI 411: Rights of indigenous peoples 2016	411-1 Incidents of violations involving rights of indigenous peoples	100		2

### Local communities

GRI Standard	Disclosure	Page	Omission	Sustainable Development Goals
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundaries	63		
	103-2 Management approach and its components	44, 47, 51		
	103-3 Evaluation of management approach	44, 47, 51		
GRI 413: Local communities 2016	413-1 Operations with local community engagement, impact assessment, and development programs	112		
	413-2 Operations with significant actual and potential negative impacts on local communities	44, 51		1, 2

### Supplier social assessment

GRI Standard	Disclosure	Page	Omission	Sustainable Development Goals
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundaries	63		
	103-2 Management approach and its components	46, 52		
	103-3 Evaluation of management approach	46, 52		
GRI 414: Supplier social assessment 2016	414-1 New suppliers that were screened using social criteria	46, 52		
	414-2 Negative social impacts in the supply chain and actions taken	114		5, 8, 16

## Public policy

GRI Standard	Disclosure	Page	Omission	Sustainable Development Goals
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundaries	63		
	103-2 Management approach and its components	100		
	103-3 Evaluation of management approach	100		
GRI 415: Public policy 2016	415-1 Political contributions	100		16

## Customer health and safety

GRI Standard	Disclosure	Page	Omission	Sustainable Development Goals
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundaries	63		
	103-2 Management approach and its components	113		
	103-3 Evaluation of management approach	113		
GRI 416: Customer health and safety 2016	416-1 Assessment of the health and safety impacts of product and service categories	113		
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	113		16

## Marketing and labelling

GRI Standard	Disclosure	Page	Omission	Sustainable Development Goals
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundaries	63		
	103-2 Management approach and its components	30, 113		
	103-3 Evaluation of management approach	30, 113		
GRI 417: Marketing and labelling 2016	417-1 Assessment of the health and safety impacts of product and service categories	30, 41		12, 16
	417-2 Incidents of non-compliance concerning the health and safety impacts of products and services	113		16



## 5. 2050 SUSTAINABILITY VISION AMBITIONS

## Detailing of Sustainability Vision ambitions

● on target or already achieved ● on schedule ● behind schedule

Topic	Ambition for 2020	Related SDG	2017 Performance	Status	
Integrated management	Management model	To implement the valuation of socioenvironmental externalities, taking into account the positive and negative impacts of the extended value chain (from the extraction of raw materials to the disposal of products) for the Natura brand.	   	We have made significant progress with the EP&L model. In 2017, we calculated the results for 2014 to 2016 based on a methodology that accounts for the environmental impacts generated throughout the Natura value chain. We also advanced in incorporating social topics into the calculations, assessing the social and environmental impacts generated by the Natura carbon offsetting projects. We face the challenge of implementing the EP&L in management and of building a model for the valuation of social impacts throughout our value chain by 2020.	●
	Brands	The environmental and social footprints of all Natura brand products will be disclosed, as will all the respective improvement commitments.		We disclose the impacts of products bought by consumers. Currently under review, the transparency strategy will include the definition of the methodologies to calculate product footprints from 2018. The challenge for the company is to implant a balance sheet of its footprint for disclosure to consumers by 2020.	●
	Government and society	Stimulate public discussion and debate around our material topics based on the review of the materiality matrix elaborated in 2014.	 	We have worked with a series of civil society organizations, companies, government entities, among others, to promote an agenda for the common good which also drives innovation and evolution in Natura strategies.	●
	Ethics and transparency	For the Natura brand, to implant full transparency in the provision of information about products and the company's progress towards its Sustainability Vision.		The evolution and updating of the Sustainability Vision was postponed as a question of strategic priority. The review is being undertaken in 2018. Regarding transparency in relation to products, the social and environmental footprint strategy will provide greater clarity about our choices. In 2017, diverse positions assumed by the company, such as bans on certain ingredients and on animal testing, were presented to consumers on our website. In 2018, the strategy will evolve to ensure achievement of the 2020 ambition.	●
	Governance for sustainability	Implant a Consulting Council comprising external specialists to assess the company's progress and to help develop strategy.	 	In function of the company's strategy and the recent expansion of the group, this ambition will be reviewed in 2018.	●
Reduction of environmental impact	Climate change	For the Natura brand, reduce relative greenhouse gas emissions (scopes 1, 2 and 3) by 33%.	 	In 2017, the company had a 0.8% increase in relative GHG emissions and a 2% increase in absolute emissions compared with 2016. This is due mainly to an increase in items with higher relative emissions, as well as to the growth of our International Operations, which intensified the impact of exports and the transportation of products to consultants. In the comparison with 2012 (the base year of the commitment), there was a cumulative reduction of 0.5% in relative emissions. We continue to seek alternatives that will enable us to honour our commitment through measures such as optimizing the raw materials logistics process, achieving greater efficiency in delivering product to consultants in Brazil, diversifying our fleet and increasing the use of materials that provoke a lower environmental impact in our products.	●
		We continue to offset all the emissions that cannot be avoided through initiatives that in addition to reducing and/or sequestering greenhouse gases, are aimed at driving socioenvironmental benefits, primarily in the Pan-Amazon region	   	From 2007 to 2016, 35 projects totalling 2,945,158 tCO <sub>2</sub> e were contracted. Forestry projects accounted for 37%, and energy projects for the other 63%. 39% of the projects are linked with the Pan-Amazon region and six are in other countries in Latin America. In 2017, we launched two new initiatives: the Compromisso com o Clima (Climate Commitment) tender, in partnership with Itaú Unibanco, and the Payment for Environmental Services project in the Amazon.	●
	Energy	To implement a strategy to diversify sources of renewable energy for the Natura operations in Brazil.		We continue to prioritise the purchase of cleaner energy. Our energy matrix comprises approximately 96% energy from renewable sources. The diversification strategy is at the planning stage and will be up and running by 2020.	●
	Waste	To collect and recycle 50% of the volume of waste generated by Natura product packaging in Brazil (in t equivalent).	 	2017: 29% 2020: 50% The total consists of the results of two shared responsibility programmes conducted jointly with the industry and with our suppliers.	●

Reduction of environmental impact	Packaging	To use at least 10% post-consumer recycled material in the total mass of Natura packaging in Brazil.		2017: 4,63%; 2020: 10% Worthy of note was the increased use of recycled glass. Our challenge is to expand the recycling chain in Brazil.	●
		To use at least 74% recyclable material in the total mass of Natura packaging in Brazil.	 	2017: 50%; 2020: 74% Making progress in packaging ecodesign to increase the recyclability of some product categories is one of the challenges we face in order to achieve the 2020 target.	●
		To ensure that 40% of the units billed by Natura in Brazil have eco-efficient packaging.		2017: 21%; 2020: 40% We need to expand these chains in Brazil by increasing the use of post-consumer recycled material, refills and renewable packs.	●
	Water	For the Natura brand in Brazil, implement a strategy to reduce and neutralize impact, based on measurement of our water footprint, taking into account the entire value chain.		For the Natura brand in Brazil, implement a strategy to reduce and neutralize impact, based on measurement of our water footprint, taking into account the entire value chain.	●
Sustainable social biodiversity businesses	Social biodiversity	To reach 10,000 families in the Pan-Amazon production chains.	  	2017:4,294 families; 2020:10,000 families We more than doubled the indicator in 2017. Achieving the target depends on the strategy of increasing the consumption of Pan-Amazon vegetable ingredients in proportion with Natura's growth.	●
		To achieve a business volume of R\$ 1 billion in the Pan-Amazon region	 	2017: 1.222 billion; 2020: 1 billion. The target was achieved ahead of plan, in 2016.	●
		To implant a technological industrial park (Ecoparque) in the Brazilian Amazon region		We inaugurated the Ecoparque in Benevides (Pará) in 2014. It produces 60% of Natura toilet soaps. Since 2015, Symrise, a German natural oils and essences manufacturer, has been operating in the same space. We want to expand partnerships with other companies seeking to develop business locally based on the concept of industrial symbiosis.	●
	Formulations	To guarantee that 30% of the total inputs consumed by Natura in Brazil in value come from the Pan-Amazon region.	  	2017:18.1%; 2020:30% The purchase of Pan-Amazon ingredients grew in absolute amounts, but there was a reduction in share in relation to total inputs acquired. Our challenge is to increase the use of these ingredients in the portfolio in proportion with the company's growth.	●
Positive social impact	Natura Beauty Consultant	To significantly increase the real average income of Natura Beauty Consultants in Brazil.	   	The growth plan for consultants launched in 2017 has already impacted remuneration, which grew by 17% for consultants and 61% for leaders. Our challenge is to define the role Natura should play in boosting consultants' income by 2020.	●
		Stimulate their interest in ongoing learning and provide a broad educational offering that meets their needs.	  	In 2016, we developed an education plan for consultants and their families based on the consultant HDI (Human Development Index) drivers, offering partial grants and exclusive conditions for learning experiences.	●
		Create an indicator to assess the human development of this stakeholder group and develop a strategy to promote a significant improvement.	 	We created the HDI for consultants in Brazil. We have been tracking it for four years to shape the development of initiatives such as healthcare and educational benefits.	●
		Expand the collaboration network, supporting socioenvironmental entrepreneurial actions.	  	The Movimento Natura is a digital platform that connects those organizing socioenvironmental projects with people who want to help with them. It receives around 2.2 million accesses a year. More than 50,000 people benefit from the projects supported in the healthcare, education, culture, sports and other areas.	●

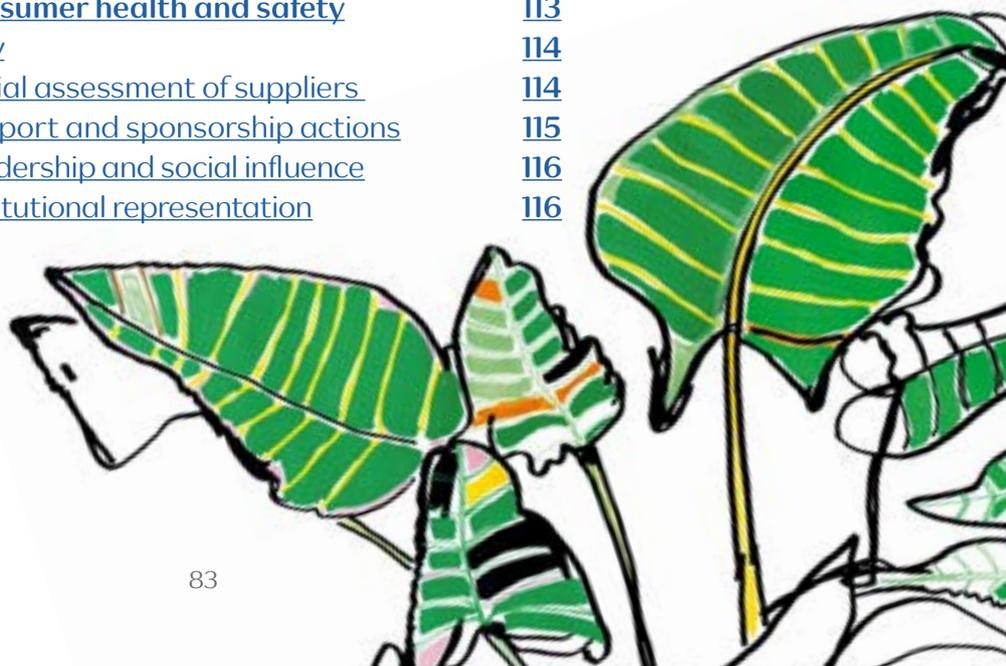
Positive social impact	Communities	Evolve the indicators for measuring human and social development in our communities and develop a plan to promote significant improvement.		We maintained the actions in the Local Development Programme in Benevides, São Paulo and Cajamar, which improved the aptitude and organization of the local development networks. In the last two years, we have also conducted some experiments, such as analysis of the Social Progress Index in the Mid Juruá region (Amazonas) and in Cajamar. We also support the Cidades Sustentáveis (Sustainable Cities) movement run by the Rede Nossa São Paulo, for the city of Cajamar. These analyses will enable us to build the impact indicator methodologies which will help us execute the strategy. This will allow us to gain more in-depth understanding of the topics that are important for these territories and to enhance the social and human development indicators.	●
		Develop a strategy for the social biodiversity territories in the Pan-Amazon region and the communities surrounding our main operations in Brazil, by means of dialogue and collaborative construction together with the local populations and actors.		To generate transformations at scale, we work in arrangements and partnerships with local governments, grass roots communities and companies to promote territorial development solutions. In 2017, we focused on consolidating support and strengthening the local networks in the Mid Juruá and Lower Tocantins territories and in the communities surrounding our operations in Cajamar and Benevides.	●
	Suppliers	Evolve the supplier selection and management process, furthering integrating socio-environmental and financial parameters.		In recent years, the company has been making a major effort to increase productivity throughout its chain. The process of reviewing and assessing suppliers will be reinforced from 2018 on.	●
	Supply chain	To guarantee the traceability of 100% of the inputs produced by the direct manufacturers (last link) by 2015. To implement a traceability programme for the remaining links in the Natura brand value chain by 2020.		We finalized the traceability of 100% of the manufacturers link of our production inputs. From 2018, we will implement a traceability strategy for all the links of the chains considered critical. By means of a verification system that has already been implemented we monitor all the biodiversity input chains.	●
	Employees	For the Natura brand, reach the rate of 50% women occupying leadership positions (director level and above)		2017: 33%; 2020: 50% The growth in the rate of women in senior management is the result of the gender equality strategy, aligned with the Natura Diversity Policy created in 2016. We are, however, still faced with the challenge of increasing the number of women in leadership positions by 2020.	●
		For the Natura brand in Brazil, to have 8% disabled employees in the workforce.		2017: 6%; 2020: 8% Worthy of note is the gender balance among disabled employees (50% men, 50% women).	●
		Implement a strategy to leverage employees' execution potential through engagement in the Natura culture.		In 2017, we initiated the cultural management front aimed at strengthening the desired Natura culture which will enable business strategy and organizational transformation while respecting our essence. We also defined four priority behaviours: place the consultant at the centre of our decisions; bring conflicts out into the open and resolve them constructively; pursue the result of the whole; and celebrate victories. Our next challenge will be to extend this journey to the entire organization and to expand reflection on the desired culture and priority behaviours for the long term.	●
Culture for sustainability	Consumers	Define priority topics and implement a strategy that mobilizes Natura brand consumers.		We have defined priority claims to build the value of sustainability among the end consumers and, based on these, we will develop a mobilization strategy by 2020. The topics include: living forest; 100% organic alcohol; climate commitment; sustainable packaging; intelligent refills; quality education; no animal testing; beauty free from stereotypes; relationship network.	●
	Stakeholder engagement	Institutionalize a governance model with external engagement to evolve management and sustainability strategy		Dialogues with stakeholders of interest for the evolution of our sustainability strategy are being conducted with different audiences in the company's different projects and initiatives. For example, in 2017 we conducted the New Economy Dialogues in partnership with the B Corp movement; we launched the carbon offsetting platform, addressing the question of climate change together with Itaú Unibanco. However, we recognize that it is a challenge to keep our main stakeholder groups connected and engaged in the ongoing process of assessing our performance and the evolution of our Sustainability Vision.	●



# 6. Attachments

# Index

<b><u>Economic-financial management</u></b>	<b>84</b>
<b><u>People management</u></b>	<b>86</b>
<u>Labour practices</u>	<u>87</u>
<u>Remuneration and benefits</u>	<u>88</u>
<u>Turnover</u>	<u>92</u>
<u>Career development</u>	<u>94</u>
<u>Health and safety</u>	<u>95</u>
<u>Relationship quality</u>	<u>96</u>
<u>Freedom of association</u>	<u>97</u>
<u>Non-discrimination</u>	<u>97</u>
<b><u>Ethics and human rights</u></b>	<b>98</b>
<u>Anti-corruption</u>	<u>98</u>
<u>Human rights</u>	<u>99</u>
<u>Indigenous people's rights</u>	<u>100</u>
<u>Public policies</u>	<u>100</u>
<u>Anti-competitive behaviour</u>	<u>100</u>
<b><u>Environmental management</u></b>	<b>101</b>
<u>GHG emissions</u>	<u>101</u>
<u>Energy</u>	<u>101</u>
<u>Water</u>	<u>104</u>
<u>Waste and effluents</u>	<u>105</u>
<u>Biodiversity</u>	<u>107</u>
<u>Investment in environmental protection</u>	<u>109</u>
<u>Environmental compliance</u>	<u>109</u>
<u>Environmental assessment of suppliers</u>	<u>110</u>
<u>Suppliers' environmental impact</u>	<u>110</u>
<b><u>Natura Beauty Consultants</u></b>	<b>111</b>
<b><u>Surrounding communities</u></b>	<b>112</b>
<b><u>Consumers</u></b>	<b>113</b>
<u>Consumer health and safety</u>	<u>113</u>
<b><u>Society</u></b>	<b>114</b>
<u>Social assessment of suppliers</u>	<u>114</u>
<u>Support and sponsorship actions</u>	<u>115</u>
<u>Leadership and social influence</u>	<u>116</u>
<u>Institutional representation</u>	<u>116</u>



# Economic-financial management

## Direct economic value generated and distributed GRI 103-2; 103-3; 201-1

Direct economic value generated (R\$ million) <sup>1</sup>	2015	2016	2017
Total gross revenues	12,820	12,138	13,824

Economic value distributed (R\$ million) <sup>1</sup>	2015	2016	2017
Operating costs	3,394	3,946	4,866
Employee salaries and benefits	1,245	1,327	1,836
Profits distributed	369	130	214
Payments to suppliers	3,147	2,763	3,393
Payments to government	2,149	2,009	2,000
Payments to creditors	2,356	1,775	1,040
Community investments	7	10	18
Total	12,666	11,960	13,367

<sup>1</sup> Consolidated economic performance for Natura &Co (including Natura, Aesop and The Body Shop).

Economic value retained (R\$ million)	2015	2016	2017
"Direct economic value generated" less "Economic value distributed"	154	178	456

See the full value added statements in our consolidated Financial Statements, available [here \(in portuguese\)](#)

## Financial implications and other risks and opportunities arising from climate change

### GRI 201-2

The topics climate change and social biodiversity are part of the Natura risk matrix, monitored by the Executive Committee, and, through the supporting committees, also by the Board of Directors. In relation to climate change-related risks, our major concern is understanding, monitoring and mitigating whatever may affect our value chain. While we work on defining a specific analysis of the effects associated with climate change in the risk management process, strategic mitigation projects are in place throughout the organization and have become formal company sub-processes, such as the Carbon Neutral program, which prioritizes the reduction of direct and indirect emissions throughout the chain, as well as offsetting 100% of the emissions that cannot be avoided. The offsetting measures are voluntary and non-mandatory and do not portray the financial implications of climate change-related risks. Read more in the inventory, accessible in Brazil's public emissions record (Registro Público de Emissões, [here \(in Portuguese\)](#)), and on page 37, in Reduction in environmental impact. On page 15, we also present our risk management process in full.

### Government funds GRI 201-4

#### Assistance received from the government (R\$ millions)

Types of assistance	2015	2016	2017
Tax incentives/credits <sup>1</sup>	3	4	1.5
Subventions for investments, research and development (R&D) and other relevant types of grants <sup>2</sup>	14	18	17.6
Other financial benefits received or receivable from any government for any company operation	1	3	1.6
Total	18	25	20.7 <sup>3</sup>

<sup>1</sup> Income tax incentives (Corporate Income Tax- IRPJ) related to Brazil's Rouanet and Sport laws, to the Child's and Adolescent's Rights Fund, to the worker's meal program and to the ICMS tax incentive for the Natura Musical projects. <sup>2</sup> Incentive related to the two-month extension to maternity leave, introduced by Decree 7.052/2009. The expense is not deductible in the calculation of actual profit and in the calculation base for CSLL (Contribuição Social sobre o Lucro Líquido) tax; however, it is deductible in full from corporate income tax (IRPJ). <sup>3</sup> With the reduction in the taxable profit, which is the basis for Lei do Bem and other incentives, the use of the benefit was limited.

# People management

## Profile

### Information about employees GRI 102-8

#### Employees by type of work contract and gender <sup>1 2</sup>

Type of contract	2015			2016			2017		
	men	women	total	men	women	total	men	women	total
Fixed term	17	83	100	9	99	108	12	75	87
Permanent	2,408	4,083	6,491	2,327	3,962	6,289	2,343	3,881	6,224
Total	2,425	4,166	6,591	2,336	4,061	6,397	2,355	3,956	6,311

<sup>1</sup> Expatriates, interns, members of the Board of Directors and Instituto Natura employees were not taken into account. We used as a reference the headcount at the end of December. <sup>2</sup> In function of the adaptation to the GRI Standard, there were changes in reporting certain information compared with previous years.

#### Employees by type of work contract and region

Region	2015			2016			2017		
	Fixed term	Perma- nent	Total	Fixed term	Perma- nent	Total	Fixed term	Perma- nent	Total
Brazil	58	5,093	5,151	51	4,856	4,907	54	4,711	4,765
Argentina	24	526	550	42	555	597	28	614	642
Chile	0	185	185	0	185	185	0	189	189
Mexico	0	117	117	0	124	124	0	116	116
Peru	12	218	230	14	213	227	5	213	218
Colombia	5	317	322	0	339	339	0	362	362
France	1	35	36	1	17	18	0	19	19
Total	100	6,491	6,591	108	6,289	6,397	87	6,224	6,311

**Employees by type of employment**

Type of employment	2015			2016			2017		
	men	women	total	men	women	total	men	women	total
Full-time	2,425	4,166	6,591	2,336	4,061	6,397	2,355	3,955	6,311
Part-time	0	0	0	0	0	0	0	1	0
Total	2,425	4,166	6,591	2,336	4,061	6,397	2,355	3,956	6,311

**Employees by age group**

	2015	2016	2017
< 30 years	1,365	1,262	1,214
From 30 to 50 years	4,729	4,647	4,619
> 50 years	497	488	478
Total	6,591	6,397	6,311

**Employees by functional category**

	2015	2016	2017
Director level	54	54	53
Management	666	631	596
Administrative	3,625	3,611	3,608
Production	2,246	2,101	2,054
Total	6,591	6,397	6,311

**Members of governance bodies**

	2015	2016	2017
Board of Directors	8	9	10

## Labour practices

**Minimum notice period regarding operational changes GRI 402-1**

There is no minimum notice period for operational changes in collective agreements and conventions, but Natura complies with the minimum periods established in legislation and/or in union agreements.

## Remuneration and benefits

### Ratio of lowest starting salary to the local minimum salary

#### GRI 103-2; 103-3; 202-1

Natura is against any kind of discrimination or inequality based on race, colour, sex, age or religious belief. Consequently, there are no salary distinctions related to these aspects. Our salary levels are in accordance with competitive remuneration in the respective local markets. In Colombia and in Brazil, the operational production units are aligned with local market practices and comply with collective conventions, which means that salaries are closer to the legal minimum salaries. Particularly in Natura Argentina, there are positions in which the remuneration is determined by union agreement. Coincidentally, these positions are occupied by women, which means that their salaries are closer to the local minimum salary. The remuneration of third-party employees is determined based on negotiations with the service providers, who are responsible for complying with all legal obligations, including the conditions established in the collective agreements and conventions applicable to their categories.

#### Ratio of the lowest salary to the minimum salary, by gender

Operational unit <sup>1</sup>	2015		2016		2017	
	men	women	men	women	men	women
Brazil	40%	40%	60%	60%	60%	60%
Argentina	213%	59%	205%	52%	222%	69%
Chile	138%	93%	303%	92%	294%	136%
Peru	378%	233%	374%	171%	374%	171%
Mexico	635%	489%	685%	545%	462%	348%
Colombia	1%	1%	1%	1%	1%	1%

<sup>1</sup> The minimum salaries used for the comparisons above were: Brazil (R\$ 937.00), Argentina (ARS 8,860.00), Chile (CLP 270,000.00), Colombia (COP 737,717.00), Mexico (MXN 2,401.20) and Peru (PEN 850.00).

### Ratio of total annual remuneration of the best paid individual to the median annual salary of all employees GRI 102-38

As in the previous year, it was not possible to report this in line with the GRI standard requirements due to the confidential nature of this information.

### Percentage increase in total annual remuneration GRI 102-39

Country	Ratio of the increase in the annual remuneration of the highest paid individual to the median increase in annual remuneration for all employees <sup>1</sup> (%)
Brazil	1.12%
Argentina	1.12%
Chile	0.28%
Colombia	1.47%
Mexico	0.53%
Peru	0.62%

<sup>1</sup> In function of the adaptation to the GRI standard, there is no basis for comparison with the previous years. The concept of total annual remuneration was used for the response. This includes: basic annual salary, 13th and 14th salaries, 1/3 of salary relative to vacation pay, bonus from the profit share program and sales bonus, when applicable and in accordance with the country.

### Ratio of women's salary to men's salary GRI 405-2

From 2017, we started reporting the data for our International Operations, encompassing administrative and management positions, which are the most representative. In general terms, we reiterate that our salary scale is not defined by gender. The variations between women's and men's salaries occur in function of the amounts established for each position and function in the Natura organizational structure. It is not possible to compare the total annual package, which includes remuneration and benefits, because the benefits are not quantified by gender or functional category.

In Brazil, the collective agreements represent an increase from 2% to 5% in the salaries of operational and administrative employees. Management employees had a fixed amount incorporated into their basic salary. For female administrative employees, the positive salary difference is due in particular to sales bonuses, which increase monthly remuneration. The sales bonuses also have a positive impact on the remuneration of women who occupy administrative positions in the International Operations.

Ratio of women's salary to men's salary by functional category – Brazil	2015	2016	2017
Director level	-15%	-10%	-19%
Management	-4%	-1%	-3%
Administrative	20%	10%	18%
Production	-23%	-22%	-22%

**Ratio of women's salary to men's salary – 2017**

Country	Management	Administrative
Argentina	-11%	3%
Chile	3%	33%
Colombia	-9%	-4%
Mexico	7%	-1%
Peru	-5%	-28%

**Hired in the local community GRI 103-2; 103-3; 202-2**

Members of senior management hired in the local community – Brazil	2015	2016	2017
All members of senior management hired <sup>1</sup>	169	164	59
Cajamar <sup>2</sup>	0.0%	0.0%	0.0%
Benevides (Ecoparque) <sup>3</sup>	0.0%	0.0%	0.0%
Natura São Paulo (NASP) <sup>4</sup>	0.0%	0.0%	0.0%
Natura Lapa <sup>5</sup>	3.0%	4.3%	0.0%

<sup>1</sup> In 2017, we did not hire members of senior management resident in the communities surrounding Natura facilities. As part of the measures to develop surrounding communities, we prioritise hiring employees for the organisation's so-called entry level positions. To publicize vacancies in the company's apprentice programme, in 2017 we participated in social and cultural events and selected a group of schools in the local communities to make presentations which described the opportunities offered by the programme. For effective vacancies, we conducted campaigns in the city of Cajamar and in the district of Vila dos Remédios, in São Paulo, which is where the Natura headquarters are located. <sup>2</sup> Includes the entire city of Cajamar (SP). <sup>3</sup> Includes the Pará municipalities of Benevides, Marituba, Santa Bárbara and Santa Izabel, as well the Mosqueiro district in Belém. <sup>4</sup> Includes the Jaguara district, which is part of the city of São Paulo (SP) and comprises the boroughs Vila Jaguara, Vila Piauí, Vila dos Remédios and Jardim Marisa. <sup>5</sup> Includes the districts Lapa, Vila Leopoldina and Barra Funda, all located in the city of São Paulo (SP).

Senior management members hired in the local community – International Operations <sup>1</sup>	2015	2016	2017
Argentina	59%	67%	71%
Chile	0.0%	20%	25%
Colombia	20%	25%	40%
Mexico	50%	70%	75%
Peru	66%	67%	57%
Total	40%	57%	61%

<sup>1</sup> A major part of senior management positions are occupied by nationals of the country in which the Natura operation is located. The increase in all the countries is the result of internal succession appointments.

## Obligations of the defined-benefit and other pension plans GRI 201-3

Pension plan <sup>1</sup>	2015	2016 <sup>2</sup>	2017 <sup>2</sup>
Contributions made by Natura (R\$ million)	4,642	3,753	3,397

<sup>1</sup> The Natura Saving Incentive is a defined contribution plan administered by a supplementary pension organization. The employees' contribution varies from 1% to 5% of their salary, while Natura contributes 60% of the employee's contribution, limited to a salary of R\$ 19,140.00. <sup>2</sup> The decrease in the amount invested in the last two years is due to the reduction in the headcount and the withdrawal of funds by employees upon termination, as well as the non-adhesion of new participants to the plan, which is voluntary.

## Employee Benefits – Brazil GRI 401-2

### Benefits

Dental assistance

Check-up for executives

Restaurant in Cajamar, Benevides (Ecoparque), Natura São Paulo (NASP) and Itupeva Hub <sup>1</sup>

Food allowance

Private pension

Employee Support Programme (EAP in the Portuguese acronym)

Nursery assistance

Nursery allowance

Allowance for employees with disabled children

Gym subsidy (sales force)

Happy Day (day off on employee's birthday)

Birthday Present (employees receive a Natura product on their birthday)

New-born baby kit (female employees or partners of employees who have babies receive a Natura Mamãe & Bebê line bag of products)

Payroll deductible

Pharmacy purchases

Accompaniment of mothers-to-be

Mothers-to-be meetings

Maternity leave of up to 180 days

Paternity leave of up to 40 days

Christmas card/food hamper

Presents for employees' children aged up to 9 years of age

Events (recognition for length of service, year-end party etc.)

Well-being space (beauty salon with hairdressing, make-up, massage, nail care, barber services etc.) <sup>1</sup>

Convenience Space (sale of Natura products at special prices) <sup>1</sup>

<sup>1</sup> Benefits also offered to temporary employees. The others are offered only to full-time employees.

### Maternity and paternity leave GRI 401-3

The retention rate has remained stable during recent years. From 2016, when we introduced 40-day paternity leave, there was an increase in the number of employees using the benefit. In parallel, the maternity leave rate has continued to drop.

Maternity and paternity leave		2015	2016	2017
		Employees who were entitled to parental leave	men 2,163 women 2,988	2,065 2,842
Employees who took parental leave	men 77 women 158	87 139	111 90	
Employees who returned to work after the end of the leave	men 76 women 145	88 151	112 90	
Employees who returned to work after the end of the leave and were still employed 12 months later	men 49 women 126	71 107	73 105	
Return rate (%) <sup>1</sup>	men 99% women 92%	101% 109%	101% 100%	
Retention rate (%)	men 89% women 79%	93% 74%	83% 70%	

<sup>1</sup> Frequently the leave does not end in the same year it is requested, consequently in some years the number of people returning is higher than those starting leave.

## Turnover

### New employees and turnover rate GRI 401-1

In 2017, the number of hires grew 37% compared with the previous year, without significant distinction by gender and particularly in the age group of up to 30 years. The increase in hiring is concentrated in Brazil, explained by the expansion of the local structure and the opening of the new channels.

Employees hired, by age group	2015		2016		2017	
	Number (un.)	Rate (%)	Number (un.)	Rate (%)	Number (un.)	Rate (%)
< 30 years	430	46.89%	361	44.84%	644	58.5%
From 30 to 50 years	478	52.13%	434	53.91%	446	40.5%
> 50 years	9	0.98%	10	1.24%	11	1.0%
Total	917	100%	805	100%	1,101	100%

Employees hired, by gender	2015		2016		2017	
	Number (un.)	Rate (%)	Number (un.)	Rate (%)	Number (un.)	Rate (%)
Men	393	42.86%	307	38.14%	414	38%
Women	524	57.14%	498	61.86%	687	62%
Total	917	100%	805	100%	1,101	100%

Employees hired, by region	2015		2016		2017	
	Number (un.)	Rate (%)	Number (un.)	Rate (%)	Number (un.)	Rate (%)
Brazil	602	65.65%	511	63.48%	741	67.3%
Argentina	109	11.89%	122	15.16%	155	14.1%
Chile	28	3.05%	34	4.22%	42	3.8%
Mexico	32	3.49%	34	4.22%	28	2.5%
Peru	34	3.71%	34	4.22%	44	4.0%
France	6	0.65%	4	0.50%	6	0.5%
Colombia	106	11.56%	66	8.20%	85	7.7%
Total	917	100%	805	100%	1,101	100%

Employees who left the company, by age group	2015		2016		2017	
	Number (un.)	Rate (%)	Number (un.)	Rate (%)	Number (un.)	Rate (%)
< 30 years	260	27.0%	476	46.6%	360	30.8%
From 30 to 50 years	646	67.0%	452	44.2%	685	58.7%
> 50 years	58	6.0%	94	9.2%	122	10.5%
Total	964	100%	1,022	100%	1,167	100%

Employees who left the company, by gender	2015		2016		2017	
	Number (un.)	Rate (%)	Number (un.)	Rate (%)	Number (un.)	Rate (%)
Men	359	37%	409	40.02%	395	34%
Women	605	63%	613	59.98%	772	66%
Total	964	100%	1,022	100%	1,167	100%

Employees who left the company, by region	2015		2016		2017	
	Number (un.)	Rate (%)	Number (un.)	Rate (%)	Number (un.)	Rate (%)
Brazil	719	74.59%	765	74.85%	861	73.8%
Argentina	74	7.68%	84	8.22%	109	9.3%
Chile	27	2.80%	34	3.33%	39	3.3%
Mexico	36	3.73%	29	2.84%	40	3.4%
Peru	39	4.05%	38	3.72%	54	4.6%
France	16	1.66%	22	2.15%	5	0.4%
Colombia	53	5.50%	50	4.89%	59	5.1%
Total	964	100%	1,022	100%	1,167	100%

### Career development GRI 404-3

Employees who received performance reviews by functional category	2015			2016			2017 <sup>1</sup>			
	men	women	total	men	women	total	men	women	total	
Total employees	Director level	40	14	38	16	36	17	40	14	38
	Management	285	381	284	347	263	333	285	381	284
	Administrative	751	2,874	747	2,864	776	2,832	751	2,874	747
	Production	1,349	897	1,267	834	1,280	774	1,349	897	1,267
Employees submitted to performance and career development reviews	Director level	33	13	37	16	36	17	33	13	37
	Management	250	343	282	347	263	324	250	343	282
	Administrative	672	2,281	731	2,864	726	2,638	672	2,281	731
	Production	1,083	672	1,185	834	1,188	672	1,083	672	1,185
% by gender	Director level	83%	93%	97%	100%	100%	100%	83%	93%	97%
	Management	88%	90%	99%	100%	100%	97%	88%	90%	99%
	Administrative	89%	79%	98%	100%	94%	93%	89%	79%	98%
	Production	80%	75%	94%	100%	93%	87%	80%	75%	94%

<sup>1</sup> In 2017, the performance review process was reformulated, culminating in the new people management process called Nossa Gente (Our People). The new process is continuous. For administrative (including the sales force), management and director level employees, the data reported are for the process ended on December 31, 2017. For operational employees, the data reported refer to 2016, and the appraisal process was concluded in January 2017.

### Internal hiring

Internal hiring is an integral part of Natura's talent retention strategy. The overall rate remained stable in 2017, with the growth in the indicator in the International Operations offsetting the retraction in Brazil. Especially for leadership positions, the overall increase was very significant, impacted by the expansion of internal hiring in the International Operations.

#### Internal hiring for positions offered/occupied by employees (%)

Operation	2015	2016	2017
Brazil	57%	61%	57%
International Operations	42%	47%	56%
Total	54%	57%	57%

#### Internal hiring for leadership positions offered/occupied by employees (%)

Operation	2015	2016	2017
Brazil	72%	73%	78%
International Operations	51%	49%	79%
Total	67%	65%	78%

## Health and safety

### Incidence or risk of occupational diseases GRI 103-2; 103-3; 403-3

We aim to consolidate a health and safety culture to ensure a healthy and safe work environment. We are committed to raising employee awareness of the importance of adopting a healthy lifestyle, focused on the 3Ps (proactive mindset, prevention and protection). With this in view, we launched the Viva sua Saúde (Live your Health) programme, based on an integrated vision of health. We have not identified employees who perform activities in which there is a high risk of occupational diseases. In 2017, our investments in prevention included a programme to monitor chronic diseases, an ergonomics programme, work place exercises, specialized company health services (psychology, physiotherapy, acupuncture and orthopaedics), accompaniment of mothers-to-be, a nutrition programme, as well as an influenza vaccination campaign.

#### Investments in disease prevention (R\$ thousands) – Brazil

	2015	2016	2017
	2,661	2,848	3,051

## Health and safety rates GRI 403-2

As a result of the ongoing evolution of our safety management system, in 2017 the number of accidents involving Natura employees and third-party contractors continued to drop.

### Health and safety rates <sup>1</sup> – Brazil

	2015			2016			2017		
	Employee- es	Nested con- tractors <sup>2</sup>	Total	Employee- es	Nested con- tractors <sup>2</sup>	Total	Em- ployees	Nested con- tractors <sup>2</sup>	Total
Occupational disease fre- quency rate	0.2	0	0.2	0.1	0	0.1	0	0	0.0
Lost days <sup>3</sup>	212	329	541	161	150	311	210	51	261
Number of fatalities	0	0	0	0	0	0	0	0	0

<sup>1</sup> Taking into account accidents recorded with employees at the units in Cajamar, Lapa, the distribution centres, Itupeva Hub, Natura São Paulo (NASP) and Ecoparque. Minor injuries only requiring first aid were not included. <sup>2</sup> Taking into account service providers at the units in Cajamar, Lapa, distribution centres, Itupeva Hub, Natura São Paulo (NASP) and Ecoparque. <sup>3</sup> A lost day is when the employee does not return to his or her job until the next working day after the incident. Lost days include all subsequent days of absence starting from the date of the incident.

### Health and safety rates for Natura employees, by gender <sup>1</sup>

	2017	
	men	women
Total injuries	12	6
Occupational disease rate	67%	33%
Lost days rate	53%	47%
Absenteeism rate	1.42%	1.15%
Number of fatalities	0	0

<sup>1</sup> The accident frequency rates are calculated based on the number of accidents per man/hour worked multiplied by 1,000,000.

## Relationship quality

### Approach to stakeholder engagement and main topics and concerns raised – Employee engagement GRI 102-43; 102-44

In 2017, we conducted our third Engagement Survey, achieving growth in all regions of activity. The first and second surveys took place in 2014 and 2016 respectively. In the global indicator we achieved 4.04 points on a scale from 1 to 5. In Brazil, we evolved from 3.88 points in 2016 to 3.96 in 2017. The result in the International Operations was an improvement from 4.19 to 4.27. Last year, we also conducted the survey in France, achieving a score of 4.18 points.

<b>Engagement Survey – Favourability (%)<sup>1</sup></b>	<b>2016</b>	<b>2017</b>
Brazil	3.88	3.96
Argentina	4.15	4.33
Peru	4.33	4.41
Chile	4.08	4.10
Mexico	4.16	4.28
France	n.d.	4.18
Colombia	4.21	4.21
Overall average – Natura	3.95	4.04

<sup>1</sup> The data do not take into account the International Operations area, the office dedicated to the international operations in Buenos Aires (Argentina).

### **Satisfaction with the Ombudsman channel GRI 102-43; 102-44; 103-2; 103-3**

At the beginning of 2017, we altered the survey methodology used to measure satisfaction with the Ombudsman channel, adopting a scale from 1 to 5 points, where scores of 4 and 5 are considered satisfactory. The satisfaction rate was 89%, slightly higher than the previous two years (82% in 2016 and 83% in 2015). Our goal is to continue to improve the survey application process to increase the percentage of responses in relation to the total number of contacts received by the channel. This year, 41% of the employees who used the Ombudsman service responded to the satisfaction survey.

<b>Satisfaction with the Ombudsman channel (%)</b>	<b>2017</b>
Internal audience	89%
Supplier	88%
Natura Beauty Consultant	98%
End consumer	100%

## Freedom of association

### **Possible violation or risk of violation of freedom of association and collective bargaining GRI 103-2; 103-3; 407-1**

We support freedom of union association both for employees and suppliers' employees, as set forth in our Code of Conduct.

## Non-discrimination

### **Cases of discrimination and corrective measures taken GRI 103-2; 103-3; 406-1**

All reports of discrimination are addressed by the Ombudsman. There were two reports in 2017. There has never been a proven case of discrimination. Should this occur the applicable measures will be taken. All cases of probable breaches involving ethics and discrimination are reported to the Ethics Committee, in which senior management participates.

# Ethics and human rights

## Anti-corruption

### Operations submitted to corruption-related assessments GRI 103-2; 103-3; 205-1

Natura was recognised publicly as a Pro-Ethical company in 2016 and 2017 by Brazil's Ministry of Transparency and the Federal Comptroller General. This recognition is due to the measures the company has in place to prevent, detect and remedy cases of corruption and fraud. It should be noted that we are signatories to the United Nations Global Compact, and we support the Alliance for Integrity, a global anti-corruption initiative. In 2017, the Compliance, Internal Controls and Risk areas maintained the programme to ensure compliance with Brazil's anti-corruption law (law 12.846/2013). This entailed a number of initiatives, such as updating the mapping of all the company's critical areas; the organization of training focused on the country's anti-corruption law for employees and for small and medium sized product and service providers; the reassessment of the company's level of risk in relation to legislation; tests for the controls regarding the Code of Conduct, the Ethics Committee and the whistleblowing hotline; as well as internal communication to reinforce awareness in this area.

### Communication and training in anti-corruption policies and procedures GRI 103-2; 103-3; 205-2

In the course of the year, a large number of actions were taken to reinforce anti-corruption procedures and policies among employees, reporting to respective area managers and directors. We also communicated our anti-corruption policies and procedures to 880 Natura suppliers, worthy of note being the recommendation to conduct an e-learning programme about the Natura Code of Conduct. These partners include third-party contractors.

By functional category	2015		2016		2017	
	Communicated	Trained	Communicated	Trained	Communicated	Trained
Director level	59	48	54	51	58	57
Management	679	619	631	614	610	604
Coordination <sup>1</sup>	-	-	-	-	799	796
Administrative	3,819	3,594	3,584	3,393	2,229	2,136
Production	2,246	1,998	2,101	1,928	2,322	2,284
Trainees <sup>2</sup>	-	-	27	26	24	24
Apprentices <sup>2</sup>	-	-	140	123	152	68
Interns <sup>2</sup>	-	-	150	140	129	129
Total	6,803	6,259	6,687	6,683	6,323	6,098

<sup>1</sup> In the previous years, the coordinators communicated and trained were part of the administrative staff. <sup>2</sup> Data not available for 2015. <sup>3</sup> Includes all training on the Code of Conduct for Employees 2016 Brazil and International Operations undertaken between 01/01/2017 and 21/12/2017 and based on the headcount in December 2017. Indirect contractors in the operational area were added to the administrative staff.

By region – Brazil	2015	2016	2017
	Communicated and trained	Communicated and trained	Communicated and trained
South	36	33	29
Southeast	1,311	480	333
Midwest	17	5	3
Northeast	103	21	8
North	113	16	7
Total	1,580	555	380

**Confirmed cases of corruption and measures taken GRI 103-2; 103-3; 205-3**

As a consequence of the strategy aimed at publicising the Ombudsman service, the number of cases of corruption involving Natura Beauty Consultants and Business Leaders grew, which increased the overall indicator compared with 2016. In contrast, there was a drop in the number of cases that resulted in the punishment and dismissal of employees. Public authorities were not involved in any of the cases.

Cases of corruption	2015	2016	2017
Confirmed cases of corruption	12	6	13
Confirmed cases in which employees were dismissed or punished for corruption	26	5	2
Confirmed cases in which contracts with commercial partners were terminated or not renewed due to corruption-related violations	0	0	6

**Human rights**

**Operations and suppliers identified as presenting significant risk of child, forced or slave labour and measures taken GRI 103-2; 103-3; 408-1; 409-1**

Our suppliers declare their working conditions and are audited periodically. We also continue to assess our supplier communities regarding human rights, as part of our Social and Biodiversity Chain Verification System. In 2017, no cases indicating the use of child or forced labour were identified in the communities. Nonetheless, in some Amazon communities that sell biodiversity ingredients, there are indications of families whose children and adolescents work in production chains. This is a cultural tradition in certain communities, and does not violate Natura principles (that is, children who help their parents out but do attend school, thus not violating the principles of ethical biotrade). It should be noted that our production chain management system is audited annually by an independent body, in addition to being accredited by the UEBT (Union for Ethical Biotrade).

**Security personnel trained in human rights policies and procedures GRI 103-2; 103-3; 410-1**

Security procedures at Natura encompass human rights training, including the training mandated by the Brazilian Federal Police. All security personnel take the Federal Police training, as well as other specific courses. In 2017, 85 (60.3%) of the 141 members of the Natura security team were trained in human rights.

## Indigenous people's rights

### **Cases of violations of indigenous people's rights GRI 103-2; 103-3; 411-1**

In 2017, there were no incidents involving indigenous peoples in the locations in which we operate

## Public policies

### **Political contributions GRI 103-2; 103-3; 415-1**

In accordance with a specific internal policy, valid in Brazil and in the International Operations, Natura does not make contributions to campaigns, parties and/or candidates for public office, during or outside electoral processes.

## Anti-competitive behaviour

### **Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices GRI 103-2; 103-3; 206-1**

In 2017, we were not subject to administrative or judicial sanctions for violations of laws or regulations governing anti-competitive behaviour, anti-trust, and monopoly practices.

# Environmental management

## GHG emissions

### GRI 305-1; 305-2; 305-3

#### Greenhouse Gas emissions by scope (tCO<sub>2</sub> equivalent)

	2015	2016	2017
Direct GHG emissions (Scope 1)	4,156	4,975	5,187
Indirect emissions from the generation of purchased energy (Scope 2)	7,909	5,094	6,006
Other GHG emissions (Scope 3)	309,202	293,355	296,855
Total GEE emissions (Scopes 1, 2 and 3)	321,267	303,424	308,048

### Emissions of ozone depleting substances (ODS), NO<sub>x</sub>, SO<sub>x</sub> and other significant atmospheric emissions GRI 305-6; 305-7

There are no indications that ozone depleting substance emissions are significant at Natura facilities (considering the boilers at Cajamar and Ecoparque), given that we comply with the applicable standards and laws and adopt all the pertinent internal controls. In relation to NO<sub>x</sub>, SO<sub>x</sub> and other atmospheric emissions, our impact is not significant. In Cajamar, our boilers burn clean fuels (ethanol and LPG).

#### Significant atmospheric emissions <sup>12</sup> (kg/h)

	2017
NO <sub>x</sub>	0.87
SO <sub>x</sub>	0.06
Persistent organic pollutants (POP)	0
Volatile organic compounds (VOC)	0
Hazardous atmospheric pollutants (HAP)	0
Particulate material (PM)	0.86
Other standard categories of atmospheric emissions identified in regulations	0

1 At Ecoparque, we considered the biomass boiler chimney emissions analysis report prepared by the consultancy Bioagri Ambiental in August 2017.

2 These emissions are not monitored for transportation. We prioritize monitoring of GHG emissions, which are more relevant for Natura and its value chain.

## Energy

### Energy consumption inside the organization GRI 103-2; 103-3; 302-1

Electricity and fuel consumption in 2017 is based on the following Natura sites: Cajamar, Benevides, Natura São Paulo (NASP) and the Itupeva Hub, the distribution centres operated by third-parties in the states of Rio Grande do Sul, Paraná, Minas Gerais, Bahia, Pernambuco and Pará, six third-party manufacturers (chosen because their volumes are representative) and the administrative support site located in São Paulo (E-Business Park) to the extent that it was used by Natura in 2017.

There was a 7% increase in energy consumption in Cajamar and Benevides, due particularly to the growth in production (up 15% compared with 2016). However, relative consumption (MWh/unit produced) at both sites was lower than in 2016. In the other sites, there was an 11% increase in consumption, driven mainly by the inauguration of the new NASP administrative site in São Paulo. There was a 25% decrease in absolute consumption by the third-party manufacturers and, consequently, a reduction in relative consumption (MWh/unit produced), explained by the 2% reduction in production volume compared with 2016.

<b>Consumption of fuel from non-renewable sources – Natura Brazil (MWh<sup>1</sup>)</b>	<b>2015</b>		<b>2016</b>		<b>2017</b>	
Diesel oil (generator sets)	908	1%	1,197	2%	1,301	1.51%
LPG gas	1,972	2%	1,714	2%	1,784	2.07%
Natural gas	0	0	0	0	676	0.78%
Total	2,881	3%	2,911	4%	3,761	4.36%

<sup>1</sup> We changed the measurement unit from Tj to MWh.

<b>Consumption of fuels from renewable sources – Natura Brazil (MWh<sup>1</sup>)</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Solar energy	6	6	6
Alcohol <sup>2</sup>	10,736	11,236	12,770
Briquettes <sup>3</sup>	0	8,131	8,488
Electrical energy – from the grid	57,142	52,750	61,179
Total	67,883	72,122	82,444

<sup>1</sup> We changed the measurement unit from Tj to MWh. <sup>2</sup> Renewable fuel used to produce steam at Cajamar. <sup>3</sup> Biomass boiler at Benevides.

<b>Energy consumed by type – Natura Brazil (MWh<sup>1</sup>)</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Electricity	58,050	53,947	62,486
Heating	0	0	432
Refrigeration	0	0	0
Steam	20,778	20,000	23,286
Total	78,828	73,947	86,204

<sup>1</sup> We changed the measurement unit from Tj to MWh.

<b>Total energy consumption – Natura Brazil (MWh<sup>1</sup>)</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Cajamar and Benevides sites	59,917	59,083	63,105
Other Natura locations in Brazil	0	15,972	17,720
Natura third-party manufacturers	9,944	7,194	5,380
Total	71,876	84,266	86,204

<sup>1</sup> We changed the measurement unit from Tj to MWh.

<b>Energy matrix Natura Brazil (%)</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Electricity (grid)	71.00%	70.00%	70.97%
Solar energy	0.004%	0.007%	0.006%
Briquettes	12.00%	11.00%	9.85%
Alcohol	13.00%	15.00%	14.81%
Diesel oil	1.00%	2.00%	1.51%
Bunker oil	0	0	0
LPG gas	2.00%	2.00%	2.07%
Natural gas	-	-	0.78%
Total	100%	100%	100.00%

### Energy consumed outside the organization GRI 302-2

<b>Energy consumed outside the organization <sup>1</sup> (GJ)</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Goods and services acquired	189.44	148.23	112.05
Upstream transportation and distribution	497.59	495.83	458.55
Waste generated in the operation	-	-	-
Business travel	55.65	45.38	46.15
Employee transportation	29.48	27.75	27.77
Downstream transportation and distribution	207.94	214.70	194.09
Total	980.10	931.99	838.62

<sup>1</sup> There was a 10% reduction in the total energy consumed outside the organization, worthy of note being goods and services acquired (suppliers and third-parties), with a 24% decrease compared with the previous year.

### Energy intensity GRI 302-3

The reduction was the result of the 10% increase in total production in 2017 compared with 2016, in spite of the 7% increase in absolute energy consumption.

<b>Energy intensity (MWh/unit produced)</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Inside the organization <sup>1 2</sup>	-	-	190
Outside the organization <sup>3</sup>	-	-	44
Total	149.39	158.83	157.16

<sup>1</sup> Units produced at the Cajamar site and the Benevides (Ecoparque) site. <sup>2</sup> The calculation base for the indicator was modified in 2017. It was not possible to calculate the historic series in the new format. <sup>3</sup> Units produced by six third-party manufacturers monitored by the Natura environmental area.

## Reduction in energy consumption GRI 302-4

Reductions in energy consumption obtained in function of conservation and efficiency (GJ) improvements	2015	2016	2017
Efficiency projects <sup>1</sup>	.04 kJ	.00 kJ	43.20 MWh
Solar energy consumption	.02 kJ	.02 kJ	.00 MWh
Total	.06 kJ	.02 kJ	43.20 MWh

<sup>1</sup> Substitution of fluorescent and metal-vapour lamps with LED lamps in diverse areas of the Cajamar site (restaurant, service area etc.).

## Water

### Total water withdrawn by source GRI 303-1

There was a 4% increase in absolute water consumption (m<sup>3</sup>) and a 0.5% decrease in relative consumption (L/unit produced) in function of the 10% increase in total production in 2017 compared with the previous year, taking into account Cajamar, Benevides (Ecoparque) and third-parties manufacturing finished products in Natura's name. Due to the lack of a public water supply network, the water used in the Cajamar and Benevides facilities comes from semi-Artesian wells. These draw water from the Cristalino aquifer (Cajamar) and the Barreiras aquifer (Benevides – Ecoparque). In the city of São Paulo, where the administrative headquarters and a distribution centre are located, water is supplied by the public network\*. **GRI 303-2**

Water consumption – Natura Brazil (m <sup>3</sup> )	2015	2016	2017
Natura sites <sup>1</sup>	177,866	191,277	245,386
Other locations <sup>2</sup>	52,826	50,224	19,084
Third-party manufacturers <sup>3</sup>	63,027	37,453	25,504
Total Brazil	293,719	278,954	289,974

\* In Cajamar the information comes from the water withdrawal permit. At the Ecoparque, the data come from the environmental control report from when the unit was implanted. 1 Sites operated by Natura: Cajamar, Benevides, Natura São Paulo (NASP), Lapa, São Paulo Distribution Centre and the Itupeva Hub. 2 Distribution centres operated by third-parties. 3.They manufacture products in Natura's name.

### Total volume of water recycled and reused GRI 303-3

Water recycled and reused	2015	2016	2017
Water recycled <sup>1</sup> and reused <sup>2</sup> by the organization (m <sup>3</sup> )	82,972	63,523	72,072
Water withdrawn (m <sup>3</sup> ) <sup>3</sup>	0	0	166,793
% of water recycled and reused	59%	41%	43%
% of water recovered <sup>4</sup> over the total of water treated in the wastewater treatment plant	59%	41%	43%

<sup>1</sup> Water recycled and water reused in flushing, irrigation and other industrial processes. Also called reused water. <sup>2</sup> Reused water comprises the water dejects from potable water purification treatment in the plants. The purification process generates a deject with a high saline content. This is reintroduced into the potable water system in which it is diluted. <sup>3</sup> Only the data from Cajamar were taken into account. <sup>4</sup> Water recovered is equivalent to the sum of recycled and reused water.

## Waste and effluents

### Materials used by weight or volume (except water) GRI 301-1

Material <sup>1 2</sup>	2015	2016	2017
Direct material (t)	70,283,211	70,635,227	69,032,746
Direct material (m <sup>3</sup> )	9,583,511	8,162,401	8,867,217

<sup>1</sup> From 2015, the calculation was revised to take into account inputs and/or raw materials used in the operations at Cajamar (SP) and Benevides (Ecoparque). Up until 2014, the amount only took into account the materials consumed by the plants in Cajamar. <sup>2</sup> The variation between 2015 and 2016 is due to the variation in units produced, the production mix and the internalization of production of some items. The variation between 2016 and 2017 reflects the increase in production in the perfumery line, aligned with the growth strategy drafted for the category in 2017.

### Waste discriminated by type and disposal method and transportation of hazardous waste GRI 306-2/306-4

Total waste by type (t) <sup>1</sup>	2015	2016	2017
Hazardous waste <sup>2</sup>	3,428	3,933	4,305
Non-hazardous waste	11,585	9,601	7,706
Total	15,013	13,534	12,011

<sup>1</sup> This refers to Cajamar, Benevides (Ecoparque), Natura São Paulo (NASP), the São Paulo Distribution Centre and the Itupeva Hub. The indicator does not take into account waste generated in civil construction works (rubble) undertaken at the facilities. <sup>2</sup> Hazardous waste (class I): the quantity generated is equivalent to the value of the waste transported. All the waste generated is treated externally. This is carried out by suppliers located in Brazil, duly screened by Natura. There were no significant spills at the Natura units in 2017.

Disposal of hazardous waste (%) <sup>1</sup>	2015	2016	2017
Recovery (including energy recovery)	82.4%	71.1%	36.9%
Incineration (mass burn)	17.6%	28.9%	63.1%

<sup>1</sup> Hazardous waste is not disposed of in landfills.

Disposal of non-hazardous waste (%)	2015	2016	2017
Recycling <sup>1</sup>	90.0%	91.0%	91.1%
Incineration (mass burn)	6.0%	1.9%	3.5%
Landfill	4.0%	7.2%	5.5%

<sup>1</sup> Recycling encompasses waste which is sent for composting, co-processing and recycling/reuse.

<b>Indirect waste Natura (t)</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Waste referring to other Natura locations <sup>1</sup>	2,127	1,162	1,332
Waste from Natura third-party manufacturers <sup>2</sup>	1,543	1,131	876
<b>Total</b>	<b>3,670</b>	<b>2,293</b>	<b>2,208</b>

<sup>1</sup> This refers to the distribution centres, with the exception of the São Paulo distribution centre. <sup>2</sup> This refers to the six largest Natura third-party manufacturers.

<b>Waste per unit produced (g/unit produced)<sup>1</sup></b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Waste per unit produced (g/unit produced) <sup>1</sup>	25.50	22.80	25.92

<sup>1</sup> The waste/unit produced indicator is the sum of all Natura's direct and indirect waste, in grams, divided by the total number of units produced directly and indirectly by Natura. This grew in function of the greater volume of waste generated at the Ecoparque. Part of the effluent generated at the Ecoparque cannot be treated internally. Due to the lack of specialized suppliers able to undertake this treatment, the material is incinerated and categorized as class 1 (hazardous) waste. The installation of a wastewater treatment plant in the Ecoparque, concluded in October, and the covering of some dams should help to gradually reduce the numbers.

### **Water discharge (discriminated by quality and disposal) and water bodies affected by water discharges and/or drainage) GRI 306-1; 306-5**

In 2017, a number of improvements in the effluent treatment process at Cajamar (SP) resulted in a significant reduction in the BOD (biological oxygen demand) and COD (chemical oxygen demand) parameters. The Natura headquarters in São Paulo only generates domestic effluent, which is collected by the Sabesp public sewage system. Since there are no metres, the volume of water consumed and the volume of effluent are considered to be the same.

<b>Total volume of planned and unplanned water discharges (treated volume)</b>				<b>Volume m<sup>3</sup></b>		
<b>Unit</b>	<b>Disposal</b>	<b>Water quality, including treatment method</b>	<b>Water that was reused by another organization</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Cajamar	Reuse and discharge in waterway	Activated sludge and reverse osmosis	No	129,041	157,101	145,747
Ecoparque	Discharge in waterway	Waste water treatment plant and filtering garden	No	4,261	18,369	14,496
Natura São Paulo (NASP)	Municipal network	n.a.	No	17,849	15,311	29,804

Treated effluent in Cajamar (mg/l)	Legal parameter	2015	2016	2017
BOD <sup>1</sup>	60	13.30	29.10	10.53
COD <sup>2</sup>	150	55.10	76.40	56.67
Oils and grease	120	18.4	16.6	15.78

1 BOD: biological oxygen demand. 2 COD: chemical oxygen demand.

Treated effluent Ecoparque (mg/l)	Legal parameter	2015	2016	2017
BOD <sup>1</sup>	-	10.90	5.50	5.20
COD <sup>2</sup>	-	55.00	33.40	30.70
Oils and grease	<5	7.00	5.00	5.00

1 BOD: biological oxygen demand. 2 COD: chemical oxygen demand.

### Significant spills GRI 306-3

There were no significant spills at the Natura units in 2017.

## Biodiversity

### Operating units inside or adjacent to protected areas or areas with a high biodiversity rates GRI 304-1

Classification <sup>1</sup>	Cajamar	Ecoparque	Natura São Paulo (Headquarters)
Geographical location	City of Cajamar (SP)	City of Benevides (PA)	City of São Paulo (SP)
Surface and underground areas owned, rented or administered by the organization	Own area	Own area	Rented area
Position of operational unit in relation to the protected area A	Permanent Protection Area (APP) inside the site (areas close to the Juqueri River and a spring)	Permanent Protection Area (APP) inside the site (areas near a tributary of the Benfica River and a spring)	ZPI (priority industrial zone)
Type of operation	Administrative and industrial cosmetics production	Administrative and industrial production of basic soap mass and toilet soap	Administrative and logistics with warehousing and distribution of cosmetics
Size of operational unit (m <sup>2</sup> )	646,000m <sup>2</sup>	1,729,000m <sup>2</sup>	111,700m <sup>2</sup>

<sup>1</sup> Information about the value of biodiversity and the type of ecosystem in the areas is not available.

### Protected or restored habitats GRI 304-3

Aspect	Cajamar	NASP	Ecoparque
Size of protected or restored habitat areas (km <sup>2</sup> )	15 hectares restored	-	4 hectares restored
Location of protected or restored habitat areas	Inside site	-	Inside site
Restoration measure approved by independent external specialists	Yes – Management plan	-	Yes – Management plan (PRAD)
Partnerships with third-parties to protect or restore habitat areas other than those in which the organization supervised and implanted restoration or protection measures	No	No	No
Standards, methodologies and premises adopted	Reforestation using native Atlantic Rainforest species	-	Reforestation using native Amazon species

### Species included on the IUCN red list and on Brazilian conservation lists with habitats located in areas affected by the organization's operations GRI 304-4

In the Ecoparque, according to the 2011 Environmental Control Report, there is one species of fauna classified as near threatened and no endangered species of flora. In Cajamar, according to a tree and fauna registration exercise and survey conducted in 2012, there were no endangered species. At the Natura headquarters, located in an urban area, we have no information regarding endangered species.

2017	Red lists and criteria for endangered species <sup>2</sup>	
	MMA <sup>3</sup>	IUCN <sup>3</sup>
<b>Species of Brazilian biodiversity present in Natura products<sup>1</sup></b>		
Ucuuba – <i>Virola surinamensis</i>	Vulnerable	Endangered
Brazil nut – <i>Bertholletia excelsa</i>	Vulnerable	Vulnerable
Erva-mate – <i>Ilexparaguariensis</i>	-	Near threatened
Andiroba – <i>Carapaguianensis</i>	-	Of little concern
Pripioca – <i>Cyperusarticulatus</i>	-	Of little concern

<sup>1</sup> The endangered vegetable species native to Brazil and which are used in the Natura product lines were considered. Conservation projects are developed in partnership with research institutes and the direct suppliers of tree species from Brazilian biodiversity obtained by means of sustainable extraction. For Brazil nuts and yerba mate we concluded two conservation projects in partnership with Embrapa. We also finalized a conservation project for ucuuba, conducted in partnership with UFSCar (São Carlos Federal University) and the agricultural communities involved in this production chain. The sustainable use of non-timber forest resources, such as leaves, fruit and seeds contributes towards keeping the forest standing. We also stimulate the adoption of organic and agroforestry production systems. <sup>2</sup> None of the species discriminated above is on the Cites (Convention on International Trade in Endangered Species of Wild Fauna and Flora) list. <sup>3</sup> MMA (Brazilian Ministry of the Environment) and IUCN (International Union for Conservation of Nature).

## Investments in environmental protection

### Total environmental investments and expenditures (R\$ million) GRI 103-2; 103-3

During the year, the total amount invested grew in function of investments in social biodiversity (Amazônia Programme), a result of the steady increase in the volume of business Natura is doing in the Pan-Amazon region. There was also an increase in investments in environmental technologies for effluent treatment at the Cajamar and Ecoparque sites.

Topic	Description	2014	2015	2016	2017
Social biodiversity	Investments in the Amazônia Programme <sup>1</sup> (GRI 203-1)	385,000	169,765	220,700	249,330
Climate change	Investments in the Carbon Neutral Programme	1,731	764	3,293	3,151
Waste	Reverse Logistics Programme and disposal of industrial waste from Natura units <sup>2</sup>	6,327	9,935	11,375	10,768
Water and effluents	Water Footprint Programme and treatment of industrial waste from Natura units <sup>2</sup>	2,685	3,410	3,583	2,824
Innovation and socioenvironmental technologies	Sustainable technologies in products and clean technologies implemented in the operations	6,645	6,661	3,874	9,188
Social	Movimento Natura and Consultants' HDI	1,706	2,306	1,695	710
	Local development in the Natura units <sup>2</sup> (GRI 203-1)	375	478	910	1,127
Other	Other types of support, sponsorship and association related to sustainability <sup>3</sup> , as well as environmental insurance	1,880	1,263	1,194	698
Total		406,349	194,582	246,624	277,796

<sup>1</sup> The amounts for the Amazônia Programme are annual, whereas the amount disclosed for business volume in the Amazon (Sustainability Vision commitment) represents the total amount to date. <sup>2</sup> Natura units: Cajamar, Natura São Paulo (NASP) and Benevides (Ecoparque). <sup>3</sup> The support and sponsorships indicated here differ from overall Natura support and sponsorships in that they refer only to sustainability-related matters.

## Environmental compliance

### Non-compliance with laws and regulations GRI 103-2; 103-3; 307-1

In 2017, there were no significant fines or non-monetary sanctions related to environmental issues. Natura considers significant fines to be ones in excess of R\$ 5 million or that represent a medium to high risk for the company's image.

## Environmental assessment of suppliers

### Negative impacts in the supplier chain and measures taken GRI 308-2

Suppliers with potential or actual negative environmental impacts <sup>1</sup>	2015	2016	2017
N.º of suppliers assessed for negative environmental impacts	409	338	424
N.º of suppliers identified as causing negative environmental impacts	128	120	399
Actual or potential significant negative environmental impacts identified in the supplier chain	n.a.	n.a.	600
Number of suppliers identified as causing significant actual or potential negative environmental impacts, with whom improvements were agreed on as a result of assessment	73	53	165
Percentage of suppliers identified as causing significant actual or potential negative environmental impacts, with whom improvements were agreed on as a result of assessment	57.03%	44.17%	41.35%

<sup>1</sup> From 2017, the data include suppliers in Brazil and in the International Operations.

## Suppliers' environmental impact

Main packaging and raw material suppliers <sup>1</sup>	2015	2016	2017
Number of suppliers assessed	118	83	100
<b>Energy consumption (j) GRI 302-1</b>			
Electrical energy	9.9E+13	8.3E+13	6.66E+13
Diesel (generator sets)	1.9E+13	4.9E+13	2.54E+13
GLP	3.9E+12	3.1E+13	2.09E+12
Natural gas	6.0E+13	3.8E+13	9.10E+13
Total	1.8E+14	1.7E+14	1.85E+14
<b>Water consumption <sup>1</sup> (m<sup>3</sup>)</b>			
Total	281,000	157,978	280,535
<b>Waste generation <sup>2</sup> (t)</b>			
Waste disposed of in landfills or incinerated	1,460	1,285	2,580
Waste recycled	6,065	4,618	2,765

<sup>1</sup> The figures for 2017 include the International Operations. For this reason there was a 20% increase in the total number of suppliers compared with 2016. Water consumption grew by 78% compared with the previous year, which corresponds to the average consumption for the years prior to the water crisis in Brazil. <sup>2</sup> The total volume of waste generated decreased by 9%, even so there was a 40% drop in the volume of waste recycled.

# Natura Beauty Consultants

## Training Brazil

<b>Number of Natura Beauty Consultants in training in Brazil (thousands)</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
New consultants	543	554	460
Initial training	315	230	180
Total consultants trained by subject <sup>1</sup>	374	397	184
<b>Natura Beauty Consultants – Training actions – Global actual<sup>3</sup></b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Percentage of single consultants trained (penetration)	41%	39%	31%
Total training undertaken <sup>2</sup> (thousands)	1,909	1,789	1,920

<sup>1</sup> Includes the participation of the same consultant in different training sessions. Only training in the Face, Perfumery and Make-up categories given by Relationship Managers is considered. <sup>2</sup> Takes into account all the different courses done by the same consultant in separate sessions (courses given by Relationship Managers, virtual training and/or other initiatives). <sup>3</sup> We altered the name "global target" to "global actual", because the data reported for 2015, 2016 and 2017 refer to the actual number of consultants trained.

<b>Consultant Training<sup>12</sup> – International Operations</b>	<b>2015</b>	<b>2016</b>	<b>2017<sup>3</sup></b>
Argentina	8,590	10,389	9,272
Chile	4,091	5,233	4,584
Colombia	6,717	7,035	8,426
Peru	7,088	12,582	10,291
Total	26,486	35,239	32,573

<sup>1</sup> Average number of consultants trained per cycle, without repetition, in the three focus categories: Face, Perfumery and Makeup. This means that we count only one training course per consultant during the period of one year, even if the consultant does the programme more than once. <sup>2</sup> To make the face-to-face training more personalized and focused on trial, the number of participants per course is limited to 25 consultants. <sup>3</sup> This year we renewed the courses in the three categories (Face, Face, Perfumery and Makeup) and launched two new courses: Enhance your Beauty and Daily Care.

# Surrounding communities

## Investments

Investments in surrounding communities <sup>1</sup> (R\$ thousands)	2015	2016	2017
Natura funds	432	354	280
Crer Para Ver funds	455	556	847

<sup>1</sup> Includes Cajamar, Natura São Paulo (Jaguara district) and Benevides.

## Operations with local community engagement, impact assessment and development programs implemented GRI 413-1

Type of initiative	% of operations <sup>1</sup>
Assessments of socioenvironmental impacts, including gender impact assessments, based on participative processes <sup>2</sup>	66%
Public disclosure of the results of environmental and social assessments	66%
Local development programs based on the needs of the respective communities	100%
Stakeholder engagement plans based on mapping of priority stakeholders	100%
Committees and broad-based local community consultation processes, including vulnerable groups	100%
Work councils, occupational health and safety committees and other bodies representing employees to discuss impacts	No
Formal grievance and complaint processes open to local communities <sup>3</sup>	100%

<sup>1</sup> The results have been the same for the last three years: 2015, 2016 and 2017. <sup>2</sup> The Social Progress Index (IPS) was the metric chosen to assess the impact of our activities in the areas close to NASP and Cajamar. In Benevides, the assessment was qualitative in nature and involved broad-based meetings and community gatherings to validate the new stages of the Natura local development program. <sup>3</sup> The Ombudsman channel is open to all stakeholder groups. Moreover, Natura has local community engagement and impact assessment programmes in place in the areas surrounding Cajamar, Benevides and Jaguara (NASP), ensuring ongoing dialogue with these communities.

# Consumers

## Consumer health and safety

### **Products and services for which health and safety impacts are assessed GRI 103-2; 103-3; 416-1**

Natura has a constant commitment to the health and safety of its consumers. For this reason, the company has rigorous internal processes for 100% of the products in its portfolio, ranging from the conceptual development of the product to its launch. This includes product and raw material safety and effectiveness tests and assessments, as well as stability, microbiological and quality control tests to ensure compliance with the requirements of the respective sanitary authorities and a differentiated positioning aligned with the company's commitment to transparency. After they have been launched, all Natura products are submitted to the company's cosmetovigilance system, a process which provides feedback for our continuous improvement cycle. Furthermore, we underscore that our development process encompasses functional, sensory and emotional aspects of the products. The focus is on continually furthering our knowledge of customer behaviour and providing innovative products and services.

### **Cases of non-compliance regarding product and service impacts on consumer health and safety and product and service information and labelling**

#### **GRI 103-2; 103-3; 416-2; 417-2**

In 2017, Natura did not receive any fines or sanctions for the violation of laws and regulations related to the supply and use of products and services, product and service labelling or to putting customer health and safety at risk.

# Society

## Social assessment of suppliers **GRI 414-2**

The number of audits increased due to the expanded scope of the indicator, which included the International Operations as well as Brazil. The percentage of suppliers whose activities were terminated was not greatly reduced, demonstrating suppliers' interest in regularizing any deviations identified.

<b>Suppliers presenting potential or actual negative social impacts <sup>1</sup></b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Suppliers screened for social impacts	409	338	440
Suppliers identified as causing significant potential or actual negative social impacts	126	130	147
Suppliers identified as causing significant potential or actual negative social impacts, with improvement plans agreed on	78	51	52
Percentage of suppliers identified as causing significant potential or actual negative social impacts, with improvement plans agreed on	61.90%	39.23%	35.37%
Suppliers identified as causing significant potential or actual negative social impacts with whom relations were terminated as a result of assessment	0	0	0

<sup>1</sup> New indicator measured only in 2017.

## Support and sponsorship actions

A total of R\$ 12.8 million was invested in support and sponsorships in the course of 2017. Once again, the strategy focused on valuing Brazilian music through the Natura Musical programme was worthy of note. In 2017, the platform inaugurated the Casa Natura Musical venue in the city of São Paulo (read more on page60) and increased the number of sponsorship tenders for festivals. In the course of the year, 69 projects were undertaken, 36 cultural products (CDs, DVDs, LPs and books) were launched, and more than 160 shows were held all over Brazil, with a total attendance of 175,000 people. We activated new contents in the digital channels (Facebook, Instagram, Youtube, Twitter, Spotify and the Natura Musical website), which received over 25 million views.

In the fashion world, we were present at the two editions of the São Paulo Fashion Week, impacting more than 112,000 attendees and generating more than 70 million views in the event's digital channels. Experiences involving product trials and gifts were promoted for consumers, opinion formers, journalists, consultants and employees in our makeup space, which was open to the public. In the second edition of the show in August, Natura was the official makeup brand and we organized an unprecedented co-creation event that culminated in a show-happening for around two thousand people.

We also maintained our support aimed at consolidating collaboration and dialogue networks related to important institutional topics for the company, with a focus on sustainability and innovation. During the year we participated in the following events: Sustainable Brands, Virada Sustentável RJ, Congresso Nacional de Inovação, Conferência Anpei de Inovação and Virada Empreendedora. Moreover, we sponsored Instituto Ethos and the annual conference it organizes, as well as a room at the Fundação Getulio Vargas, forging closer links with academia. The foundation also permits us to use the space for some sales force training programmes.

<b>Investments Natura funds (R\$ thousands)</b>	<b>2015</b>	<b>2016<sup>2</sup></b>	<b>2017</b>
Sustainable development	154	337	150
Brazilian music	9,010	1,879	6,706
Fashion <sup>1</sup>	0	2,610	2,845
Reinforcement of civil society organizations	1,020	603	552
Cities	314	0	0
Total company funds	10,498	5,429	10,103
<b>Investments funded with tax incentives (R\$ thousands)<sup>3</sup></b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Brazilian music <sup>4</sup>	5,541	3,175	2,751
Total (company and tax incentives)	16,039	8,604	12,854

1 In 2016, we resumed our investments in fashion, previously declared as behaviour and attitude. 2 Change in the methodology for declaring Natura funding compared with previous years. The company declared the investments it made directly in projects using its own funds. 3 In the last three years, we did not undertake any tax incentive investments in sustainable development, reinforcement of civil society organizations, sport, fashion and cities. 4 Rouanet law (federal sphere) and ICMS (in the states of Bahia, São Paulo, Minas Gerais, Pará and Rio Grande do Sul).

## Leadership and social influence **GRI 102-12**

In 2017 Natura was active in the public sphere in sustainability-related questions through industry associations, particularly noteworthy being the implementation of the Biodiversity legal framework in defence of the Pan-Amazon region and the debate on banning animal testing. Other topics in which the company was active were: the preservation of autonomy in direct selling, reinforcing female entrepreneurship, innovation and tax questions.

In 2017, Natura initiated a series of dialogues with society about the generation of a positive impact. The first meeting was attended by Richard Branson, the founder of the Virgin Group, as well as other guests, and revolved around the prospects of a new economy in which businesses may and should generate solutions for sustainable development based on the challenge of generating a positive impact for society and the environment.

To commemorate the 10th anniversary of its Carbon Neutral Programme, Natura, in partnership with Itaú Unibanco, presented a joint platform to promote measures to offset greenhouse gas emissions. The company is also part of the Science Based Target Initiative (SBTi), which is pursuing an absolute reduction in emissions in line with the level of decarbonization necessary to maintain the increase in global temperature below 2°C. We are also members of The Natural Capital Coalition, a global group whose objective is to harmonize approaches to natural capital and its conservation, and We Mean Business – Net Zero 2050, an initiative to drive the transition to a low carbon economy.

In partnership with Claudia magazine, we commemorated Natura Beauty Consultant Day (September 22), debating female empowerment and entrepreneurship. In line with our vision of gender equality, we organized an encounter with a group of men who inspire others to free themselves from stigmas and stereotypes and who have singular experiences to share about the construction of identity, image and beauty.

## Institutional representation **GRI 103-13**

In 2017, Natura's CEO, João Paulo Ferreira, took part in the WFDSA (World Federation of Direct Selling Association) CEO Council, a federation of 60 direct selling associations from around the world. Together with Moacir Salzstein, Natura's director of Corporate Governance and vice president of the Brazilian direct selling association Abevd (Associação Brasileira de Empresas de Vendas Diretas), he also participated in the organization's world congress. In Brazil, Natura is represented on diverse Abevd committees: Legal and Tax Affairs Committee, Institutional Affairs Committee, Communication Committee, Benefits Committee, and the Research Committee.

We are also very active in the Brazilian CFT association Abihpec (Associação Brasileira da Indústria de Higiene Pessoal, Perfumaria e Cosméticos), participating in the following working groups: Environment, Tax, Regulatory, Labour Relations, Overseas Trade and Communication, as well as in the respective sub-groups. To bring discussion on the prohibition of animal testing to the forefront, we participate actively in the alternative methods sub-group; additionally we assumed a seat on the Renama (Rede Nacional de Métodos Alternativos) Steering Council.

In the areas of sustainability, ethics, integrity and transparency, we maintain our representation in the Instituto Ethos (Instituto Ethos de Empresas e Responsabilidade Social), where Andrea Alvares, vice president of Marketing, Innovation and Sustainability, and Marcelo Behar, director of Corporate Affairs are on the board of directors. In parallel, Priscila Specie, Public and Government Relations manager, is on the Steering Council. We also participate in the Climate, Companies and Human Rights, Integrity and Anti-corruption working groups.

In partnership with the Instituto Ethos and Ceert (Centro de Estudos das Relações de Trabalho e Desigualdade), we joined the Coalizão Empresarial para a Equidade de Raça e Gênero (Business Coalition for Racial and Gender Equality). In 2017, for the first time ever Instituto Ethos held a conference in Belém, Pará, where we organized a debate on women in the Amazon region. In the Movimento Mulher 360°, we accompany the dialogues among members and the board of director meetings, at which Kássia Reis, our legal director, represents Natura.

In the UN Brazil Global Compact Network, we have a seat on the Brazilian Global Compact Committee and participate in diverse working groups. Andrea Alvares is on the board of the sustainable development business council Cebds (Conselho Empresarial Brasileiro de Desenvolvimento Sustentável). We are also represented in the National Sustainable Development Goals (SDG) Commission by Instituto Ethos, as well as in the national industry confederation CNI (Confederação Nacional da Indústria). We participate in the discussions organized by the B Corp system, in which we were recertified in 2017.

We also participate in Getap (Grupo de Estudos Tributários Aplicados) and CCiF (Centro de Cidadania Fiscal). In the CNI, we are involved in the environment, tax and overseas trade forums. Our vice president of Operations and Logistics, Josie Romero, is a member of the FNQ (Fundação Nacional de Qualidade) Curators Council.

Our co-founders are also board members of diverse associations. Pedro Passos is a board member of Iedi (Instituto de Estudos para o Desenvolvimento Industrial) and a member of the MEI (Mobilização Empresarial pela Inovação) Business Leaders Committee, of the CNI, and the Conselho de Desenvolvimento Econômico e Social, a group of civil society representatives that provides direct advice to the Presidency of the Republic. Guilherme Leal is part of the B Team, a global group of leaders for social, environmental and economic transformation and is a member/curator of Instituto Ethos.





KPMG Financial Risk & Actuarial Services Ltda.  
Rua Arquiteto Olavo Redig de Campos, 105, 6º andar - Torre A  
04711-904 - São Paulo/SP - Brasil  
Caixa Postal 79518 - CEP 04707-970 - São Paulo/SP - Brasil  
Telefone +55 (11) 3940-1500, Fax +55 (11) 3940-1501  
www.kpmg.com.br

## Limited assurance report issued by independent auditors

To the Board of Directors, Shareholders and Stakeholders  
**Natura Cosméticos S.A.**  
São Paulo - SP

### Introduction

We have been engaged by Natura Cosméticos S.A. ("Natura" or "Company") to apply limited assurance procedures on the sustainability information disclosed in Natura's Annual Report, related to the year ended December 31st, 2017.

### Responsibilities of Natura's Management

The Management of Natura is responsible for adequately preparing and presenting the sustainability information in the 2017 Annual Report in accordance with the Global Reporting Initiative (GRI) Sustainability Reporting Standards, as well as the internal controls determined necessary to ensure this information is free from material misstatement, resulting from fraud or error.

### Independent auditors' responsibility

Our responsibility is to express a conclusion about the information in the 2017 Annual Report based on a limited assurance engagement conducted in accordance with Technical Communication (TC) 07/2012, which was prepared based on NBC TO 3000 (Assurance Engagements Other Than Audits and Reviews), both issued by the Brazilian Federal Accounting Council - CFC and equivalent to international standard ISAE 3000, issued by the International Federation of Accountants and applicable to Non-Financial Historical Information. These standards require compliance with ethical requirements, including independence ones, and the engagement is also conducted to provide limited assurance that the information disclosed in the Natura's 2017 Annual Report, taken as a whole, is free from material misstatement.



A limited assurance engagement conducted in accordance with NBC TO 3000 (ISAE 3000) consists mainly of questions and interviews with the Management of Natura and other professionals of the Company involved in the preparation of the information disclosed in the 2017 Annual Report and use of analytical procedures to obtain evidence that enables us to reach a limited assurance conclusion about the sustainability information taken as a whole. A limited assurance engagement also requires additional procedures when the independent auditor acknowledges issues which may lead them to believe that the information disclosed in the 2017 Annual Report taken as a whole could present material misstatement.

The selected procedures were based on our understanding of the issues related to the compilation, materiality and presentation of the information disclosed in the 2017 Annual Report, on other engagement circumstances and also on our considerations regarding areas and processes associated with material sustainability information disclosed where relevant misstatement could exist. The procedures consisted of:

- (a) Engagement planning: considering the material aspects for Natura's activities, the relevance of the information disclosed, the amount of quantitative and qualitative information and the operational systems and internal controls that served as a basis for preparation of the information in the Natura's 2017 Annual Report. This analysis defined the indicators to be checked in details;
- (b) Understanding and analysis of the disclosed information related to material aspects management approach;
- (c) Analysis of preparation processes of the 2017 Annual Report and its structure and content, based on the Principles for Defining Report Content and Quality of the GRI Sustainability Reporting Standards;
- (d) Evaluation of non financial indicators selected:
  - Understanding of the calculation methodology and procedures for the compilation of indicators through interviews with management responsible for data preparation;
  - Application of analytical procedures regarding data and interviews for qualitative information and their correlation with indicators disclosed in the 2017 Annual Report;
  - Analysis of evidence supporting the disclosed information;
  - Visits to Natura's offices and sites for application of these procedures, and items (b) and (c);
- (e) Analysis of whether the performance indicators omission and justification are reasonable to be accepted associated to aspects and topics defined as material in the materiality analysis of the Company;
- (f) Comparison of financial indicators with the financial statements and/or accounting records.

We believe that the information, evidence and results we have obtained are sufficient and appropriate to provide a basis for our limited assurance conclusion.



### Scope and limitations

The procedures applied to a limited assurance engagement are substantially less extensive than those applied to a reasonable assurance engagement. Therefore, we cannot provide assurance that we are aware of all the issues that would have been identified in a reasonable assurance engagement, which aims to issue an opinion. If we had conducted a reasonable assurance engagement, we may have identified other issues and possible misstatements within the information presented in the 2017 Annual Report.

Nonfinancial data is subject to more inherent limitations than financial data, due to the nature and diversity of the methods used to determine, calculate or estimate these data. Qualitative interpretation of the data's materiality, relevance and accuracy are subject to individual assumptions and judgments. Additionally, we have not examined data related to prior periods, evaluated the adequacy of the company's policies, practices and sustainability performance, nor future projections and targets.

### Conclusion

Based on the procedures carried out, described earlier in this report, we have not identified any relevant information that leads us to believe that the information in Natura's 2017 Annual Report is not fairly stated in all material aspects in accordance with the GRI Sustainability Reporting Standards, as well as its source records and files.

São Paulo, April 20th, 2018

KPMG Assessores Ltda.  
CRC 2SP034262/O-4 F-SP

Eduardo V. Cipullo  
Accountant CRC 1SP135597/O-6

KPMG Financial Risk & Actuarial Services Ltda.

Ricardo Algis Zibas  
Director

## CREDITS

### NATURA

#### DIRECTOR OF CORPORATE AFFAIRS

Marcelo Bicalho Behar

#### COMMUNICATION MANAGER

Milena Buosi

#### ANNUAL REPORT COORDINATOR

Fábio Peixoto

#### DESIGN

Carolina Almeida

#### EXECUTIVE PRODUCTION

Priscila Costa

#### MARKETING, INNOVATION AND SUSTAINABILITY

Luciana Vilanova, Janice Rodrigues, Keyvan Macedo

#### FINANCE, INVESTOR RELATIONS AND FINANCIAL INFORMATION

Márcio Bologna and Elisa Fortino

#### MARKET RELATIONS

Marcel Goya and Luiz Palhares

## PRODUCTION OF THIS EDITION

#### ART DIRECTION AND GRAPHIC DESIGN

Aline Leme

#### COPY AND SUSTAINABILITY CONSULTING

**Report Sustentabilidade**

#### EDITING

Álvaro Almeida and Michele Silva

#### REPORTING

Renata Costa and Talita Fusco

#### PROJECT AND RELATIONSHIP MANAGEMENT

Ana Souza

#### GRI CONSULTING

Juliana Fullmann, Fabíola Nascimento and Victor Netto

#### CRITICAL ANALYSIS OF INDICATORS LINKED WITH THE SUSTAINABILITY VISION

**Gestão Samaúma**

Karina Baratella

#### PHOTOGRAPHY

Gustavo Zylbersztajn (models)

#### ILLUSTRATION

Filipe Jardim

#### INFOGRAPHICS

Newton Verlangieri (maps and infographs)

Bruna Foltran (tables and graphs)

#### TRANSLATION

Raymond Maddock