



bemestar bem estar bem

natura annual report 2004



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2004naturaannualreport

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A company is a set of relationships. To develop it means to take care of these relationships and to improve them – with respect, transparency and by sharing values and passions.

During its 35 years of existence, Natura has sought to establish quality relationships with those that are part of its network: customers, employees, Sales Representatives, suppliers and many other partners. It is in recognition of these people that Natura has chosen relationships as a concept of the 2004 Annual Report.

In the following pages, there are statements from people who, each in his or her own way, have helped and continue to help establishing Natura's path, in Brazil and abroad. The task of hearing and portraying their stories was of the Museu da Pessoa and the Brazilian photographer Eduardo Simões. For the graphic design, the designer Wilson Spinardi Junior searched for scenes of the daily lives of the people from the Natura community to develop prints using the monotype technique.

With these people, we want to share the belief that we nurture the web of life by taking care of relationships.

statement from natura

The year of the 35th anniversary of Natura was rich in achievements that bring, at this moment of retrospection, a most sincere feeling of joy.

One of these achievements, the company's initial public offering on May 26th, merits attention. With this, we completed a project that began around seven years ago, with important measures for the institutionalization of Natura. The success achieved with this initiative, evidenced not only by the participation of over 5,000 investors but also by the subsequent evolution of the shares, was altogether surprising.

The company's initial public offering in a period of adverse international circumstances started to be seen as a paradigm of a new moment on the Brazilian capital markets. We have experienced this surprise with great joy but also with a related sense of responsibility. We believe that this recognition represents an unequivocal demonstration of trust in the company's management and its capability to continuously generate value. It also shows a strong affinity by investors to the worldview, the beliefs and the values that have been guiding us. And that will guide us in the development of our company, our brand, our country and our world.

*Pedro Luiz Barreiros Passos,
Guilherme Peirão Leal and
Antonio Luiz da Cunha Seabra*





From an operational point of view, the reasons for enthusiasm were also strong. In 2004, sales showed growth of 33%, totaling 117% over the past three years. Net income, of R\$ 300.3 million, represented 17% of net revenues. Operations in Latin America also increased consistently with a growth, in US dollars, of 52% in the year and 107% over the past three years. One of the reasons for this strength was the increase of 15.6% in the number of independent Sales Representatives, totaling 407,000 in Brazil and 26,000 abroad.

With these particular stakeholders, who are so vital for our operations, we seek to increasingly strengthen our relationship and offer comprehensive personal and professional development opportunities. To this community, an estimated income of R\$ 1 billion was generated this year.

In 2004, 63% of the company's billings originated from products launched or relaunched over the past two years. We invested 2.7% of the net income in research and development and, over the coming years, we intend to maintain this ratio higher than 3%. We will also maintain our innovation strategy

in its many dimensions: in the sustainable use of raw materials from Brazilian biodiversity, in technological developments, in the communication of our concepts and in the strengthening of our relationships.

In the ongoing process of incorporating the sustainable development principles into the company's daily routine, significant progress was made in the environmental management and corporate responsibility principles. We defined the strategic priorities of Natura based on the economic and financial, social and environmental aspects, culminating with the structuring of action plans for the whole company. Significant developments were the NBR ISO 14001 certification and the enhancement of the products' lifecycle assessment.

Firm steps were also taken in the relationships with the communities that supply raw materials from biodiversity and in the relationships with neighboring communities, particularly the active participation of Natura, in partnership with local government and civil society, in actions for the implementation of Agenda 21 in Cajamar.

The universality of our beliefs, values and Reason For Being is the basis for the growing recognition that we have received in the development of the Natura brand, both in Brazil and abroad. This recognition makes us confident about the possibility of an accelerated international expansion over the coming years. We will seek new markets in Latin America, where we have already established the direct sales model, and we will study new formulas to take Natura's value proposal to other regions.

In this direction, the main challenge we face is to develop entrepreneurial leaders that can identify with our values. Internationalization also translates into a more complex operation, showing the need to combine growth with the maintenance of the strategic discipline, the culture and the management style that are characteristic of Natura. Another important challenge is the one we will face to continuously strengthen our relationship with traditional communities.

The decision to contribute to the creation of a development model that combines economic prosperity, social justice and environmental preservation will continue to demand a great learning and innovation effort. From this standpoint, we have the strong conviction that the role of companies in the shaping of a better world will be increasingly associated with the evidence that we are all – individuals, companies, NGOs and governments – co-responsible for the quality of life, present and future, on Earth. In this context, we reaffirm our support to the Global Compact and the effort to promote the principles proposed by the United Nations.

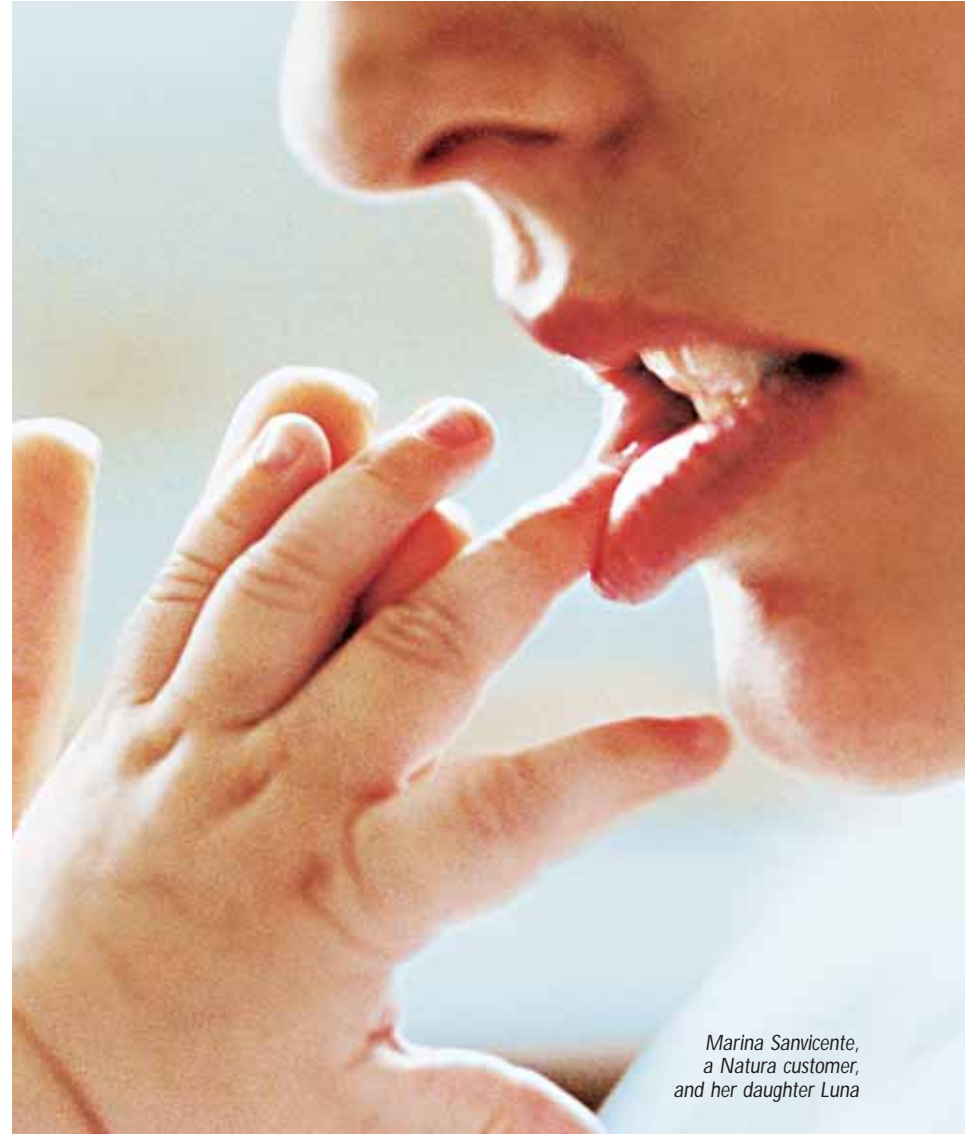
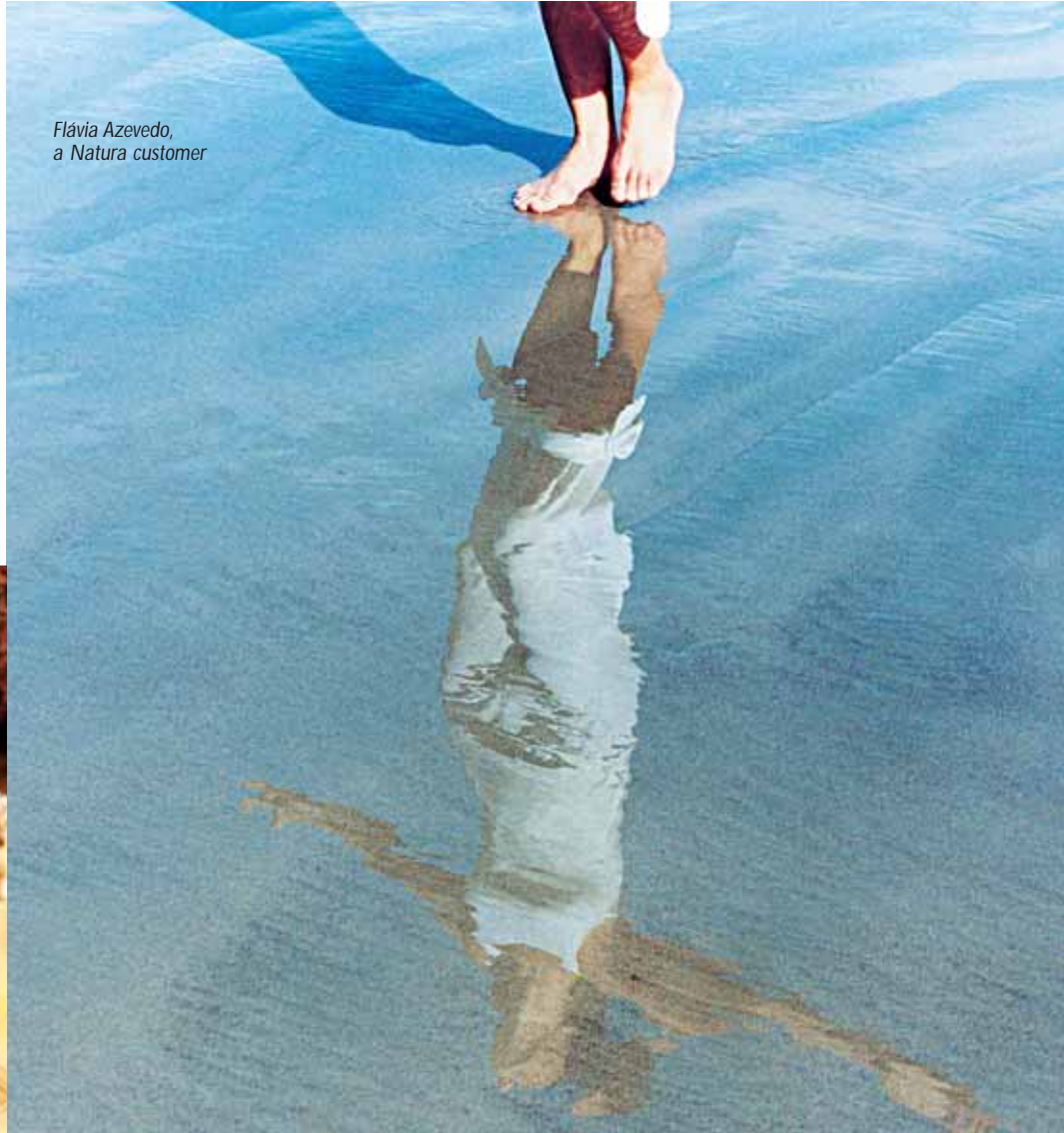
We express our gratitude and recognition to all of those who have contributed to the development of Natura. To our customers, who privilege us with their choices. To our Sales Representatives, who share their beliefs, passions and causes with us. To our employees, who are examples of the fact that continuous improvement transforms both individuals and organizations. To our suppliers, with whom we share the challenge of creating value for customers and society. To all our other partners from civil society and government who are aware that our relationship networks strengthen the network of life. To all, our deep gratitude for all we have achieved and celebrate today, with the vigorous disposition to embrace, more and more, our beliefs, passions and responsibilities. They are the seeds of Natura that is growing and of the world of which we have always dreamt.

Antonio Luiz da Cunha Seabra
Cochairman of the Board –
Founder

Guilherme Peirão Leal
Cochairman of the Board

Pedro Luiz Barreiros Passos
Chief Executive Officer

Flávia Azevedo,
a Natura customer



Marina Sanvicente,
a Natura customer,
and her daughter Luna

Espaço Natura
(Natura Space) Cajamar,
São Paulo



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,
pleasant relationship of
a person with oneself,
with one's body.

being well
is the empathetic, successful,
and gratifying relationship
of a person with others,
with Nature and
with the whole.



vision

Because of its corporate behavior, the quality of the relationships it establishes and the quality of its products and services, Natura will be an international brand, identified with the community of people who are committed to the construction of a better world, based on a better relationship with themselves, with others, with nature of which they are part, with the whole.

beliefs

Life is a chain of relationships.
Nothing in the universe exists alone.
Everything is interdependent.
It is our belief that the appreciation of the importance of relationships is the foundation of an enormous human revolution in the search for peace, solidarity and life in all of its manifestations.

The continuous search for improvement promotes the development of individuals, organizations, and society.

Commitment to the truth is the route to perfecting the quality of relationships.

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

The search for beauty, which is the genuine aspiration of every human being, must 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 to the evolution of society and its sustainable development.



Teresa
Testino,
a Natura Sales
Representative,
at the Pachacamac
sanctuary, Lima, Peru

In the first Natura's sales campaign in which she took part in 1995, Peruvian Sales Representative Teresa Testino was the third best. Not bad for someone who had never sold beauty products and had spent a good part of her life working in the office of an electricity company in Lima. In the fourth campaign, in August of the same year, she came first in the ranking. "I joined Natura to have some space in my life," she says. "I started selling, started to enjoy it, joined the company and grew."

Today, she has around 200 clients, of all ages, who she attracted with effort and dedication. "My working routine consists of leaving every day in the morning. At 8 o'clock in the morning, I'm out in the streets." For Teresa, the work she does is nice, feminine, and the secret is that she believes in the products she is selling. "I'm personally convinced that Natura's products are the best. This is what I try to make my clients realize."

Teresa is proud of the prizes she has received. "I won them all: necklace, bracelet... I had a ball." And she came to Brazil, in 1998, to receive the award for Best Sales Representative in Peru. A party for someone who claims to love Brazil and, particularly, Rio de Janeiro.

Teresa says that she has, over these past ten years, learned to see Natura with her heart. "What I love the most about this job is working with people, establishing relationships."



Paula Camargo,
a Natura customer

company profile

A listed company since May 2004, when it turned 35 years old, Natura enjoys a leadership position on the Brazilian CF&T (cosmetics, fragrances and toiletries) market. The company concentrates its production, logistics and research in Cajamar, State of São Paulo, in a complex with 81,500 square meters of site area and 643,000 square meters of land area. In the Itapeverica da Serra unit, also in the State of São Paulo, the commercial and marketing activities are developed. Controlled by Brazilian investors, Natura had, at the end of 2004, 3,177 employees in Brazil and 378 abroad – in Argentina, Chile and Peru.

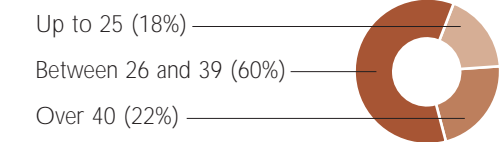
The embryo of what is today one of the largest groups in Brazil, with gross sales of R\$ 2.5 billion in 2004, was once a small shop and a laboratory created in 1969 on Rua Oscar Freire in the city of São Paulo. Born from two passions – for cosmetics, as a means for promotion of self-knowledge, and for human relations – Natura opted, 30 years ago, for the direct selling system supported by the work of independent resellers, the Natura Sales Representatives. The increasingly stronger relationship with the Sales Representatives has established a solid grounding for the expansion of Natura's business in Brazil and Latin America.

Over time, Natura has developed a strong brand, which is today among the three most highly valued brands in Brazil (see *Brand on page 47*). It has also developed a portfolio of quality products, which meet the needs of a large group of customers. Currently, this portfolio is made up of around 600 products – in the areas of make-up, fragrances, bathing, hair, facial and body treatment, oral hygiene, sun protection, among others. In 2004, 177 million units⁽¹⁾ were sold in Brazil and abroad.

1. Units resold by Sales Representatives (does not include samples, gifts and resale support material).

Profile of Employees

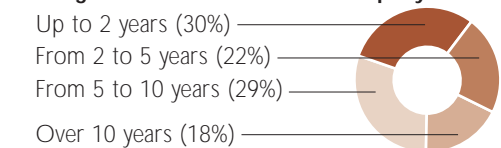
Age



Sex



Length of Service with the Company





our
history

1969
Natura is born
in São Paulo.

1974
Option for the
direct sales system.

1979
New companies join
the group and form
the Natura System.
Business volume:
US\$ 5 million.

1983
Natura is a pioneer
in the launch of
products with refills.

1989
Merger of the
companies
that formed the
Natura System.
Business volume:
US\$ 170 million.

1990
Natura expresses
its Reason for
Being and beliefs.

1992
Start of operations
in Argentina
and Peru.

1993
Launch of the
Mamãe e Bebê
line, which
highlights the
importance of the
bond between
mother and child.

1995
Natura creates the
Crer para Ver Program
in partnership with the
Fundação Abrinq.

1996
Inspired by the belief
that beauty must be
free of stereotypes,
the Truly Beautiful
Women concept
is established.

1998
Creation
of the Board
of Directors.

1999
Business volume:
US\$ 657 million.

2000
Natura starts to use
Brazilian biodiversity
as a technological
platform with the
launch of the Ekos
line. It is the first
Brazilian company
to adopt the
recommendations
of the GRI in its
Annual Report.

2001
Integrated with the
company's values,
the Espaço Natura
is inaugurated in
Cajamar, State of
São Paulo.

2003
Natura is elected
The Best Company
for Women to
Work for by
Exame magazine
and Great Place to
Work Institute.

2004
Natura obtains the NBR
ISO 14001 certification.
Initial Public Offering on the
São Paulo Stock Exchange
(Bovespa).

Signing of the cooperation
agreement for the
implementation of Agenda
21 in Cajamar.

Natura is elected the Most
Highly Regarded Company
in Brazil by *CartaCapital*
magazine and InterScience.

Business volume:
US\$ 1.2 billion.



Maria Aparecida
Sousa,

Natura's employee,
at the Espaço Natura,
Cajamar, São Paulo.

The smell emanating from a wood stove conjures up distant memories for Maria Aparecida de Sousa, or Cida, as she is called. When her family was gathered with her mother telling stories, the young Cida was overwhelmed by smell of popcorn and baked corn. From the same house in Ruy Barbosa, State of Bahia, she guards the memory of the smell of the burnt sugar and cinnamon that her grandmother, Bilia, used to cook pastries with unforgettable taste. The same sweet taste that reminds her of her father, who was a truck driver, and of her happy childhood. "He was the kind of father who would sit me on his lap and always have his pockets full of candies," she says.

During her youth, in São Paulo, Cida continued to live guided by smells. First, in her job as a maid in the house of a family whose father would give off Natura's "Sr. N" perfume. Afterwards, when she lived near the L'Arc en Ciel factory – at the time, one of Natura's companies –, which would cover the region with the smell of the Musc perfume.

It seemed to be her fate. Cida, who wanted a job at L'Arc en Ciel, went for an interview and ended up at the very plant she dreamt of. "Luck had traced a path for me," she says. She started in the perfume line. Today, she is a leader in the make-up factory.

"I enjoy working in a place with so many different people who get along so well," Cida says. "Natura is a company that wants to see you well – with yourself and with others. It's a place where I learn everyday."



methodology and main indicators

Natura's Annual Report gathers the economic, social and environmental results of the company, so as to properly reflect the search for balance in these three dimensions of sustainability in the business development.

To report its activities, Natura uses the practices recommended by distinguished specialized entities. In the case of the economic performance, Natura follows the guidelines of the Associação dos Analistas e Profissionais de Investimento do Mercado de Capitais (Association of Capital Markets Investment Analysts and Professionals), Apimec, and of the Associação Brasileira das Companhias Abertas (Brazilian Association of Publicly Traded Companies), Abrasca, and includes information about risk management and corporate governance. Abrasca, founded in 1971, has its activities guided by the

enhancement of corporate policy and management practices, with an emphasis on mechanisms and processes that allow for a constant and qualified expansion of the capital markets.

For the information on social and environmental performance, Natura adopts the guidelines of the Instituto Ethos de Empresas e Responsabilidade Social (Ethos Institute of Companies and Social Responsibility) and adopts the model of the Global Reporting Initiative, GRI. The main objective of the Instituto Ethos, founded in 1998, is to mobilize and support companies to conduct their business in a socially responsible manner, thus contributing to the dissemination of corporate social responsibility practice. The GRI, an organization created in 1997, is the result of the effort of multilateral institutions to develop a structure for voluntary reports

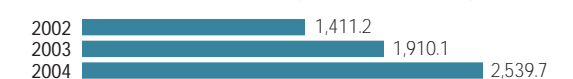
on the economic, social and environmental impact of a company's activities.

As a member of the Associação Brasileira de Comunicação Empresarial (Brazilian Association of Corporate Communication), Aberje, Natura adopts practices of transparent communication and is involved with the development of indicators that measure these practices, a process which started in 2004.

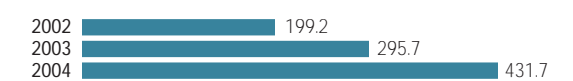
The 2002 Natura Annual Report was nominated as the 16th best report by SustainAbility, according to a survey conducted by this international consultancy together with the ratings agency Standard & Poor's and the United Nations Environment Programme. In the survey, 350 reports of companies from several countries were analyzed.

Main economic indicators (consolidated)

Evolution of Gross Sales (in millions of reais)

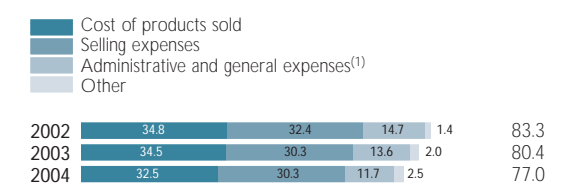


Evolution of the Adjusted EBITDA⁽¹⁾ (in millions of reais)



1. Excludes the participation of subordinated debentures.

Evolution of Costs and Expenses (% of net sales)



1. For 2004 only, the administrative and general expenses exclude 9.2 million of reais in expenses related to the IPO.

Financial Performance⁽¹⁾ (in millions of reais)

	2002	2003	2004	% Change 04/03
Domestic gross sales	1,375.2	1,860.3	2,472.0	32.9%
International gross sales ⁽²⁾	35.0	47.9	66.8	39.5%
Other sales	1.0	2.0	0.8	(58.6)%
Gross operating revenues	1,411.2	1,910.1	2,539.7	33.0%
Net operating revenues	993.1	1,328.9	1,769.7	33.2%
EBITDA ⁽³⁾	199.2	295.7	431.7	46.0%
Operating income⁽⁴⁾	121.1	230.4	395.4	71.6%
Net income	21.7	63.9	300.3	369.9%
Investments	25.2	23.9	83.1	247.7%
Financial income	(44.3)	(30.1)	(2.8)	(90.7)%
Total assets	646.6	723.9	1,016.4	40.4%
Shareholders' equity and profit-sharing debenture ⁽⁵⁾	225.9	354.2	436.1	23.1%
Net indebtedness ⁽⁶⁾	119.1	(19.0)	(91.1)	379.5%

- Operations in Brazil, Argentina, Chile and Peru, and exports to Bolivia.
- Operations in Argentina, Chile and Peru and exports to Bolivia.
- Earnings before financial income, profit-sharing debentures, income tax, depreciation and amortization.
- Operating income after financial income.
- Total shareholders' equity and profit-sharing debentures.
- Excludes profit-sharing debentures.

Business performance

	2002	2003	2004	% Change 04/03
Consolidated business volume ⁽¹⁾ (in millions of reais)	1,951.7	2,652.5	3,531.1	33.1%
Consolidated business volume per Sales Representative ⁽²⁾ (in reais per Sales Representative/year)	8,875	10,283	11,277	9.7%
Number of products launched	91	117	182	55.6%

- Business volume is the estimated amount of total billing by the Natura Sales Representatives based on the estimated profit margin of these Sales Representatives, excluding the revenues from the supporting material that is provided to them. It includes Argentina, Chile and Peru. The 2002 and 2003 amounts differ from those previously disclosed because they have been aligned with the criteria of the Associação Brasileira de Empresas de Venda Direta (Brazilian Association of Direct Selling Companies) – ABEVD.
- Considers the average number of active Sales Representatives – those who made at least one purchase order during a marketing cycle. Each marketing cycle lasts three weeks. It includes Argentina, Chile and Peru. The 2003 report used the average number of available Sales Representatives (those Sales Representatives who placed an order during the last four marketing cycles). This change was made in order to align this indicator with the ABEVD criteria.

Main Environmental Indicators

Use of Natural Resources

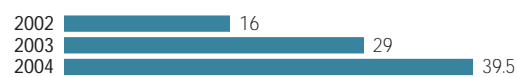
Water Use per Unit Sold⁽¹⁾ (liters/unit)



- Units resold by Sales Representatives (does not include samples, gifts, resale support material, products from the Crer para Ver line, among others).

Target for 2005 To reduce by 1% the relative consumption of water.

Water Reuse (% of total water treated at the Effluent Treatment Station)



Target for 2005 Increase the percentage of treated water reused from 39.5% to 49%.

Energy Use

Total Energy Use (Energy Matrix)⁽¹⁾ per Unit Sold (kjoules/unit sold)



- The energy matrix is made up of the total energy that Natura uses that comes from various sources (electricity, diesel and LPG).

Target for 2005 To reduce by 5.5% the relative consumption of energy.

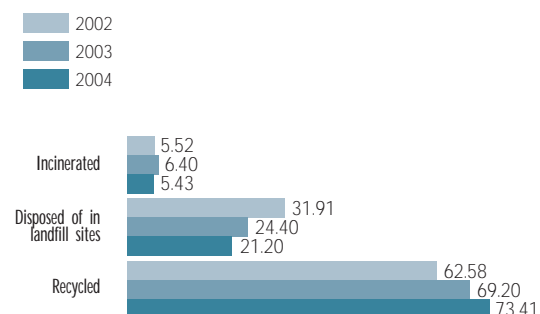
Life Cycle Assessment

In 2004, Natura made a life cycle assessment, LCA, on the packages of all products launched, systematically taking into account environmental aspects in the design of its packages. It also makes an LCA on all products in its portfolio, including those launched in previous years.

Target for 2005 a) Ensure that all products launched have their packages analyzed by the life cycle assessment (LCA) tool. b) Reduce by 2%, in relation to 2004, the weighted average of the environmental impact of the packages of Natura products. c) Determine environmental performance indicators for the products and add information on these indicators on the labels. d) As there is no available model for the life cycle assessment of raw materials in the cosmetics industry, Natura will develop a model in 2005. It will be applied on the Ekos shampoo line and subject to international analysis.

Waste

Generation of Waste – Destination (%)



Generation of Waste per Unit Sold (grams/units)



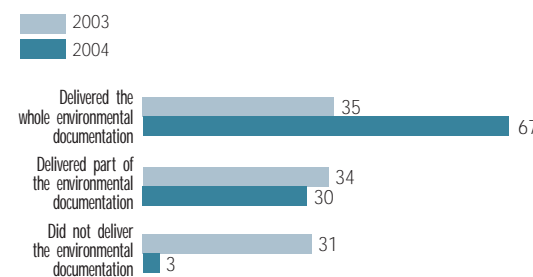
Target for 2005 To reduce the generation of waste per unit sold from 2.56 grams to 2.38 grams.

Environmental Management

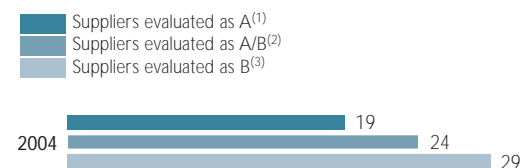
NBR ISO 14.001 Certification (% of implementation)



Environmental Evaluation of Suppliers (% of response to the environmental evaluation questionnaire)



Environmental Evaluation of Suppliers (%)

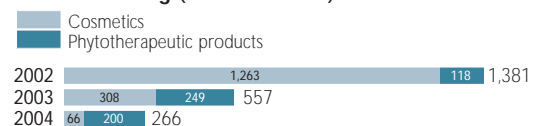


- Meet between 90% and 100% of requirements.
- Meet between 80% and 89% of requirements.
- Meet between 60% and 79% of requirements.

Target for 2005 a) Disclose and apply the quality system procedures established with suppliers. b) Evaluate 100% of the documentation of all environmentally critical suppliers and new suppliers. c) Of the suppliers evaluated in 2004, to increase by 30% those classified as A.

Sector-specific Indicator

Animal Testing (number of tests)



Natura reaffirms its position against the performance of laboratory animal testing but performs those that are required by law. For over six years, the company has been seeking alternatives to reduce these tests while also ensuring the safety of the products. Since 2003, Natura has totally abolished the use of animals in tests of finished cosmetic products. The target for 2004 – to

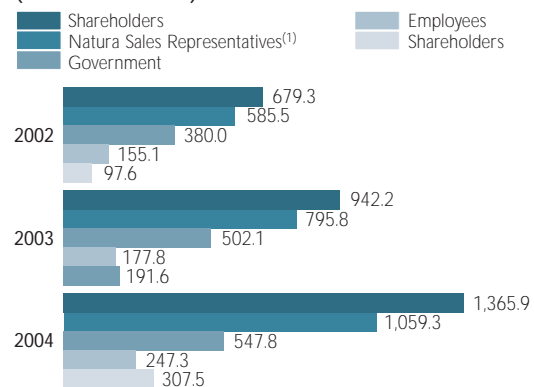
reduce by 25% the number of tests of raw materials on animals for cosmetic products – was surpassed. This reduction reached 78.5%. As required by the proper authorities, such as the Agência Nacional de Vigilância Sanitária (Brazilian Agency for Sanitary Inspection), Anvisa, Natura performs tests on animals to verify the safety and efficiency of phytotherapeutic products.

Target for 2005 To keep the number of animals used in tests of raw materials for cosmetic products below 170 (which represents a reduction of 32% in relation to the target for 2004). This means an increase of 158% in the number of tests performed in 2004. This increase is due to the fact that some tests scheduled for 2004 were not performed and will be performed in 2005.

Main social indicators

Added Value

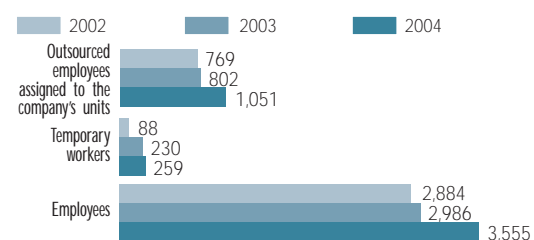
Destination of Funds per Type of Stakeholder (in millions of reais)



1. The 2002 and 2003 figures were changed for them to be aligned with Associação Brasileira de Empresas de Venda Direta (Brazilian Association of Direct Selling Companies), ABEVD criteria.

Creation of Jobs and Generation of Income

Employees, Outsourced Employees and Temporary Workers⁽¹⁾



1. Includes Brazil and international operations.

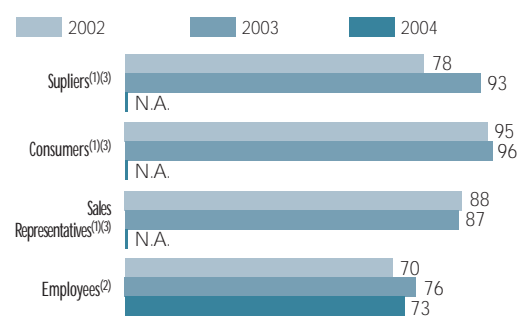
Natura Sales Representatives⁽¹⁾ (in thousands)



1. Includes Brazil and international operations.

Relationship

Satisfaction (favorability in %)



1. Surveys conducted by the Indicator GfK do Brasil Institute.
 2. Organizational climate survey developed by the consultancy Hay Group do Brasil.
 3. The results of the customer, supplier and Sale Representative satisfaction surveys were not available on the closing date of this report, therefore the figures related to 2004 will be available in the online version (www.natura.net).

Investments in Corporate Responsibility

During the last decade, Natura has been enhancing the responsible social and environmental management of its business, based on the establishment of quality relationships with its many stakeholders and of corporate targets that are increasingly compatible with sustainable development. These ethical principles have started to permeate the many initiatives of the company

in all areas. The option for the sustainable use of raw materials from Brazilian biodiversity as a technological platform, the adoption of a social and environmental supplier evaluation process and the development of packages that have less of an environmental impact are results of this movement. The objective of the Annual Report is to present the whole of this strategy.

To focus its attention on the critical issues of this strategy, Natura created a management support tool that helps managers plan and visualize specific actions aimed at each type of stakeholder: the Corporate Responsibility Matrix, a management tool. This tool does not reflect all the efforts of Natura regarding the promotion of socially responsible management. It does intend, however, to show the investments made in the most critical aspects of this management. These are:

- The monitoring of the quality of Natura's relationship with its stakeholders regarding ethics, transparency and the efficiency of the dialogue channel, including themes that are not directly related to the business ("fundamentals" line).
 - The promotion of sustainable development – whether local, in a specific region, or promoting diversity, education, quality of life and culture ("social and economic" line).
 - Protection of the environment ("environmental" line).
- The amounts stated are those invested in addition to those required by law⁽¹⁾.

1. In addition to expenses related to the operation in Brazil, there are also investments in social initiatives in the other countries in which Natura operates. In these projects, 28,405.00 reais were invested in 2004 (see indicator 73, page 100).

Corporate Responsibility Matrix

(amounts in thousands of reais)

Natura's Funds	Natura's Stakeholders								
	Employees, families and third parties	Sales Representatives	Supplier Communities	Suppliers	Cajamar and Itapecerica da Serra	Customers	Government and Society	Shareholders	TOTAL
Fundamentals	176.1	170.9	-	102.1	-	-	1,466.4	-	1,915.6
Economic and Social	6,032.0	-	745.0	-	440.2	-	445.2	-	7,662.4
Environmental	40.5	-	-	-	9.0	-	536.6	-	586.1
Subtotals	6,248.6	170.9	745.0	102.1	449.2	-	2,448.2	-	10,164.1


All Stakeholders		TOTAL
Management Expenses	2,277.0	2,277.0
Total Natura's Funds		12,441.1
% of net sales		0.7

Funds Generated by Sales Representatives	Natura's Stakeholders								
	Employees, families and third parties	Sales Representatives	Supplier Communities	Suppliers	Cajamar and Itapecerica da Serra	Customers	Government and Society	Shareholders	TOTAL
Net Funds raised by the <i>Crer para Ver</i> Program	N/A	N/A	N/A	N/A	N/A	N/A	2,971.8	N/A	2,971.8
Total Funds Generated by Sales Representatives									2,971.8

Tax Funds	Natura's Stakeholders								
	Employees, families and third parties	Sales Representatives	Supplier Communities	Suppliers	Cajamar and Itapecerica da Serra	Consumidores	Government and Society	Shareholders	TOTAL
Tax Incentives ⁽¹⁾	-	-	-	-	347.0	-	1,591.2	-	1,938.2
Total Tax Incentives									1,938.2
GRAND TOTAL									17,351,041

1. Tax incentives: destination of 1% of the income tax due to the municipal councils for the rights of the children and adolescents of Cajamar and Itapecerica da Serra and projects supported by the Rouanet Law.

Note: N/A = Not applicable.



A doctor in medicine and sciences, Ladilas Robert was born in Budapest, Hungary, and considers himself a survivor of the horrors of World War II. Today, at 80 years of age, he does not like to talk about the conflict that could have taken his young life away, but he does get excited when talking about his decision to dedicate his studies and research to increase people's longevity. In thirty years of work for the Paris V University and in the hospital L'Hôtel-Dieu, in France, Ladilas specialized in connective tissues. He wrote six books on this topic and two of them were translated into Portuguese.

With aging, he said, the human skin undergoes many changes: it loses from 7% to 10% of its thickness every ten years. "We have identified the substances that delay this reduction in thickness," he said. "When a person takes care of him or herself, this aging of the skin is much slower."

The researcher – who developed *Elastinol*, used in the Chronos line – really enjoyed to visit, in Brazil, Natura's facilities. He particularly liked the temperament of Brazilians. "What moved me when I visited Natura for the first time was that people were serious like the Anglo-Saxons, only they were always smiling."

Natura's new shop in Paris excites him. "The French people know all about the beauty of Brazilian women and that will be used as a means for them to become interested in Brazilian beauty products." Ladilas also believes in the quality of Natura's products to gain the European market. "Natura has a very special cosmetic philosophy. In my opinion, it will be a great success."

Ladilas
Robert,
Researcher at the Paris V
University, and Natura's
partner, in the hospital
L'Hôtel-Dieu, Paris, France.



corporate governance and capital markets

Natura has been improving its corporate governance since the mid 90s when it included new executives in strategic positions, privileging professional management. This process evolved with the creation of the Board of Directors in 1998 – followed by the Audit and Risk Management and Human Resources committees – and peaked with the company's initial public offering on May 26, 2004.

When it went public, Natura opted for listing its shares in the Novo Mercado segment of the São Paulo Stock Exchange (Bovespa) in which companies undertake to adopt stricter corporate governance practices than those required by law.

Companies in the Novo Mercado can only issue voting common shares. Additionally, at least 25% of these shares must be outstanding. The companies also undertake to extend to minority shareholders the same conditions offered to majority shareholders in the event of a transfer of the controlling interest. And they assume the obligation to accept the mediation of the Market Arbitration House to settle possible disputes.

Board of Directors – It is made up of five members, and two of which are external members. The Board of Directors, which convened 12 times in 2004, has two auxiliary committees: Audit and Risk Management, and Human Resources.

Board of Directors in December of 2004:
1. Pedro Luiz Barreiros Passos, Member of the Board;
2. Guilherme Peirão Leal, Cochairman of the Board;
3. Antonio Luiz da Cunha Seabra, Cochairman of the Board

– Founder; 4. José Guimarães Monforte, Member of the Board, Coordinator of the Audit Committee; y
5. Edson Vaz Musa, Member of the Board, Coordinator of the Human Resources Committee

Audit and Risk Management Committee – The Audit Committee is made up of one external director and one independent member. This committee is responsible for the review and recommendation of the financial statements and for the analysis and review of the most important procedures related to the business management.

Human Resources Committee – It is responsible for the definition of the employee development strategies. It supports the Board of Directors in evaluating the performance of the officers, as well as in recommending their remunerations.

Investor Relations

After it went public, Natura set up a department specifically to serve investors, shareholders and capital market analysts. In addition to holding individual meetings with analysts and investors and to participating in local and international road shows and conferences, the Investor Relations Department also holds quarterly teleconferences and webcasts to inform the market of the results for the period. The calendar of events is available for all those interested on the Natura's investor relations Website (www.naturanet/investor) and on the São Paulo Stock Exchange (www.bovespa.com.br) Website.

Contacts

Helmut Bossert	helmutbossert@natura.net
Ricardo Capella	ricardocapella@natura.net
Sandra Matsumoto	sandramatsumoto@natura.net

Officers in December of 2004: 1. Pedro Luiz Barreiros Passos, Chief Executive Officer; 6. Rodolfo Witzig Guttilla, Executive Director – Corporate Affairs and Government Relations; 7. Andrea Rodrigues Sanches, Executive Director – Relationship Marketing; 8. Roberto Zardo, Executive Director – Quality; 9. Itamar Correia da Silva, Senior

Executive – Operations and Logistics; 10. Antonio Carlos Siqueira da Silva, Executive Director – Legal Affairs; 11. Philippe Joseph Pommez, Senior Executive – Internationalization; 12. Claudia Falcão da Motta, Executive Director – Human Resources; 13. Eduardo Luppi Júnior, Executive Director – Innovation;

14. Joël Ponte, Executive Director – Natura Europe; 15. José David Vilela Uba, Senior Executive – Finance and Investor Relations; 16. Alessandro Giuseppe Carlucci, Senior Executive – Business Development; 17. Denise Lyra de Figueiredo, Executive Director – Business Unit; 18. Vicente Pinho de Mello, Executive Director – Flora Medicinal;

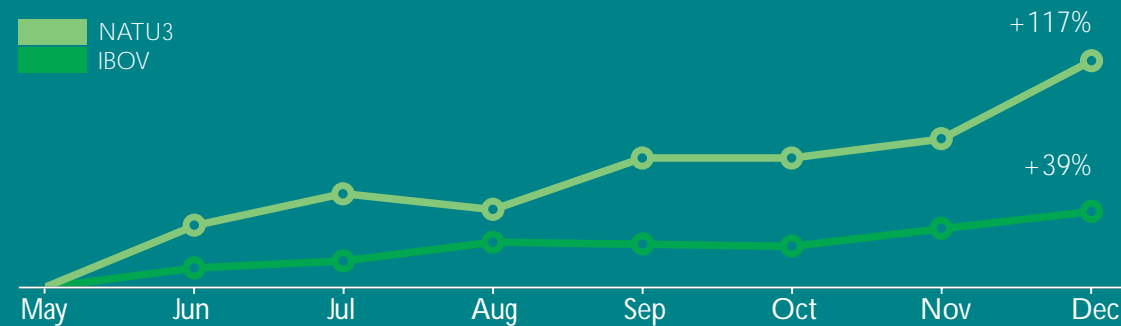
19. Mário de Oliveira, Executive Director – Industry; 20. Pedro Cruz Villares, Executive Director – Sales Brazil; 21. Italo Gennaro Flammia, Executive Director – Information and Technology; 22. Márcio Ramy Mansur, Executive Director – Integrated Logistics; y 23. Maurício Bellora, Executive Director – Latin America



Capital Markets

Natura's initial public offering was a success, demonstrating the market's confidence in the company's economic and financial results and its capability to continuously generate value. The demand for the shares at the initial offering was expressly higher than the offer. Institutional investors represented around 80% of the final allocation and around 4,700 individuals invested in Natura. Between the offering and the end of 2004, the company's share value rose 117%, compared with a rise of 39% in the Bovespa Index (Ibovespa) over the period. The average daily business volume was R\$ 7 million, ensuring a significant liquidity of the investment.

Natura Appreciation (Natu3) vs. Ibovespa – 2004
Base 100 (5/25/2004)



Remuneration to shareholders – During the year, the company distributed R\$ 143.5 million in dividends and interest on own capital, of which R\$ 56.7 million referred to 2003 and R\$ 86.8 million to the first half of 2004. Regarding the results of the second half of 2004, the Board of Directors approved the proposal for the distribution of R\$ 129.6 million as dividends and interest, totaling R\$ 216.3 million referring to the full year of 2004. The new shareholders, since the initial offering in May 2004, have fully participated in the distribution of the dividends for the year.

Capital structure – Natura's capital stock is made up of 84.8 million common shares – in addition to 651,849 kept in treasury – of which 26.1% are outstanding.

Capital Structure

Shareholders	Number of shares	Percentage
Majority Shareholders	62,637,886	73.9%
Outstanding	22,148,876	26.1%
Total shares*	84,786,762	100%

* Does not include 651,849 treasury shares.

When she first discovered Natura's products, Argentine advertising agent Verónica Saez was not the kind of woman to dress up too much – particularly because she was used to working with inks and oils that would stain her clothes in the school of arts. She kept her contact with colors when she became a teacher of arts in an elementary school in Buenos Aires, where she was born and still lives today.

But, at 36, when she was chosen to work as a model in a Natura commercial, she was thrilled with the possibilities offered by the products of this Brazilian company.

"I decided to get to know the company and to find out where I could buy the products," she says. Verónica contacted a Sales Representative and, from then on, she became a customer of Natura. "I like the Chronos line and the Erva Doce line, which has a texture and a perfume that please me."

Later, she discovered the Ekos line and started to feel "natural" when she realized that Natura uses raw materials purchased from traditional Brazilian communities. All this helped increase her interest in visiting the country and even the manufacturing process of the products she uses. "I would really like to see how they make the soaps, how they extract the raw materials," she says.

As a Natura customer, Verónica found out more about the particularities of her skin and learned, as she puts it, "to better communicate with her own body". Today, she believes that a truly beautiful woman is one who knows how to appreciate and enjoy what she has.

Verónica
Saez,

a Natura customer,
in Buenos Aires,
Argentina





risk management

Natura's risk management system is specifically aimed at the following risks: financial, product, information security and technology, environment and consistency between values and practice. Some of the main objectives of this system are to reinforce the infrastructure of internal controls, facilitate the identification and evaluation of risks and implement procedures that enable their control. The issues related to auditing are managed by a specific committee, following the adopted corporate governance model.

At the end of 2004, Natura started a project to consolidate risk management and expand its scope with the monitoring of the results of the company's critical processes.

Financial – The company hedges the debts contracted in foreign currency and, therefore, the foreign exchange rate variations do not have a significant impact on the financial results. Regarding the influence of exchange rates on operations, Natura uses raw materials that are imported or whose prices are pegged to a hard currency. In order to minimize the effects of the variation of the Brazilian real on costs, the company monitors trends and, when necessary, contracts the purchase of foreign currency on the Futures and Commodities Exchange (BM&F). Natura does not carry out transactions on the BM&F for speculative purposes.

Products – The Product Safety Committee, composed by the executive director for research and development, scientists, doctors

and specialized consultants, establishes policies related to the security of products for customers and supervises the toxicological evaluation of all components used in formulas in accordance with international safety standards. The company adopts the best cosmetovigilance practices.

Information security and technology – In 2004, Natura made progress in the implementation of projects to improve quality and reduce risks in the critical business processes in order to avoid the discontinuity of its operations. Among the most significant projects are the outsourcing of IT infrastructure management and the beginning of the implementation of a contingency data processing center to ensure the availability of all operating systems in case of accident.

Environment – The environmental risks are followed up and monitored by the Natura Environmental Management System, built from the NBR ISO 14001 standards certification obtained in 2004.

Consistency between values and practices – The company's commitment to ethical behavior, transparency, to open and ongoing dialogue with its many stakeholders and the adoption of corporate targets that are increasingly more compatible with sustainable development, demands from Natura the establishment of management systems that consider the risks related to these issues. To this end, the Corporate Responsibility Management System has been created (see *Responsible Management, page 50, and Main Indicators, page 25*).

Strategy

Natura's strategy is grounded in the expression of its beliefs and values – whether in the development of products and services, whether in the quality of the relationships established with its many stakeholders – and in permanent innovation. At the center of this strategy is the expansion of its leadership on the Brazilian market.

To this end, the company will continue to invest in infrastructure and quality of services, as well as in the valorization of its brand and in the growth and qualification of its group of Sales Representatives, in addition to seeking a greater balance in its product portfolio. The continuity of investments in the sustainable use of raw materials from biodiversity, among other things, and the increase of its investment in research and development as a whole are an integral part of this strategy.

As a market leader, Natura continued, in 2004, to record a growth above the target market average with an increase in its share in the sector's total revenue. Factors such as the capability of innovation, the demographic profile of the population and the growing participation of women in the labor market have been positively contributing to the development of the cosmetics, fragrances and personal hygiene industry in Brazil, proven by an annual growth many times higher than that of Brazilian Gross Domestic Product.

An important aspect is the relevance of direct sales in the achievement of these results, a segment that is also developing rapidly.

On an international level, the prospects are for expansion of the Natura brand in Latin America. The successful strategy for penetrating the Argentinean, Peruvian and Chilean markets, with the establishment of the direct sales model, led to the creation, in 2004, of a corporate structure focused on the Latin American market, with headquarters in Buenos Aires. This structure will be responsible for taking Natura's value proposal to other countries of the region. In 2005, Natura is expected to start operations in Mexico.

Regarding other regions, Natura will start an experience in France, with the inauguration of the Maison Natura in Paris and will expand its studies on the business model that is most suitable for other countries.

To invest in the training of leaders who may accelerate the internationalization process, improve the programs to reduce environmental and social impacts, increase the knowledge of customers and further strengthen the relationships with suppliers are also among the company's strategic objectives.





Cybele Amado
de Oliveira,
Leader of the Projeto
Chapada, supported
by Natura, in Chapada
Diamantina, State of Bahia.

Cybele Amado de Oliveira was born in Salvador, State of Bahia, and was already an adult when, during a Carnival, she visited Vale do Capão, in Palmeiras, Chapada Diamantina. When she returned to Salvador, she could not stop crying. She realized that she wanted to live there, as a teacher. At 24, she returned there with her teaching diploma to teach Portuguese in a public school. The contact with the students reminded Cybele of the sentence dealt out to her in elementary school: she was a dyslexic child who would never learn how to read and write. "I know exactly how a child feels when somebody says that he or she will not learn to read and write," she says.

In the tests she gave in Vale do Capão, she determined that two thirds of the children could be labeled as dyslexic. They could barely read and write but they impressed Cybele because they were "poets" and could very easily learn. It was just a matter of method.

"I started to see that the problem was not the child's," she says. She obtained the support of Natura's Crer para Ver Program for her Projeto Chapada. "We saw a reduction of 70% in truancy and 80% in failure." Today, 12 municipalities are part of the read and write teaching network that she put together. Another ten municipalities will be included in 2005. "Crer para Ver is really about believing, believing in your work. The program is part of me and I am part of its history." Cybele dreams of a new era for the students in Chapada and in Brazil. "I dream of children learning to read the world to write their own lives."



Lais Cruz, a Natura customer, among her friends Ulliana Ferrari and Andrea Calfat

economic and financial, social and environmental results

In 2004, Natura continued to present strong results in the economic and financial area, accompanied by concerns regarding environmental preservation and developments in the quality of its relationship with its many stakeholders.

Business

Financial results – After consistent growth in 2003, with record in production and sales, Natura set new records in 2004. Gross revenues increased 33% and totaled 2.5 billion reais. Natura's expansion was, once again, higher than that recorded by the market. Therefore, the company's share in the market of cosmetics, fragrances and personal hygiene products – excluding those on which Natura does not operate,

such as hair dyes, nail polishes and sanitary pads – increased significantly from 17.1% in 2003 to 18.9% in 2004. Net income, of 300.3 million reais, represented 17% of net revenues.

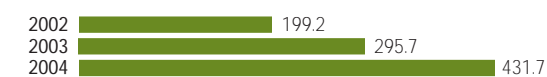
Evolution of Gross Sales
(in millions of reais)



Growing revenues together with controlled expenses enabled the company to close the year with an EBITDA of 431.7 million reais, 46% higher than in 2003. Gross cash generation totaled 385.6 million reais, 60.6% higher than that recorded in the previous year. Investments totaled 83.1 million reais,

and the main highlight was the 21 million reais invested in the construction of a new warehouse. At the end of 2004, Natura had net investments amounting to 91.1 million reais.

Evolution of the Adjusted EBITDA⁽¹⁾
(in millions of reais)



1. Excludes the participation of subordinated debentures.

The share of the cost of products sold in net sales dropped from 34.5% in 2003 to 32.5% in 2004. This result was driven by gains in efficiency and scale, better margin management, the appreciation of the Brazilian real in relation to the US dollar and

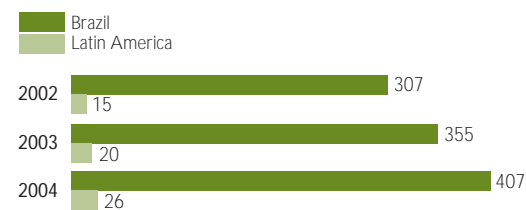
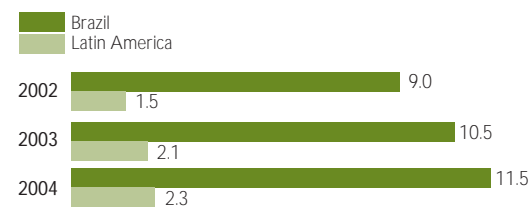
a small reduction of the tax burden, arising from legislation changes in the Employees' Profit Participation Program (PIS) and Social Contribution on Billings (Cofins), at a federal level, and in the State VAT (ICMS).

Investment in research – One of the main factors that drove sales up was the investment of 47.4 million reais in research and development. Among the highlights are important technological innovations, such as the introduction of an internationally patented product – Elastinol+R – in the Chronos line. In 2004, 63% of the company's revenues originated from products launched or relaunched over the previous two years. In 2003, this rate was 48.8%. The number of products launched grew from 117 in 2003 to 182 in 2004.

Innovation Rate⁽¹⁾ (%)

1. Portion of income arising from products launched or relaunched over the previous 24 months.

Sales channel – Natura recorded an increase of 15.6% in the number of Sales Representatives. At the end of 2004, it had 407,000 Sales Representatives in Brazil and 26,000 abroad. Revenue per Sales Representative, an important direct sales indicator, grew 10.2% in Brazil, in reais, and 10.7% abroad, in US dollars. Productivity benefited, among other factors, from the investment made in support of the Sales Representatives. In this context, the distribution in 2004 of 13.7 million units of *Vitrine*, a product catalogue published every 21 days, merits attention.

Number of Sales Representatives (in thousands)**Productivity of the Sales Representatives⁽¹⁾ (in thousands of reais)**

1. Business volume per average active Sales Representative.

International operations – With a growth of 52% in US dollars, Natura's operations in Latin America – Argentina, Chile and Peru – established in 2004 a consistent model and a

standard that allows for a more accelerated expansion into other markets in the region. The establishment of the operation model in Latin America, focused on direct sales, led to the creation of a corporate structure exclusively for this region.

In its internationalization strategy, Natura will test, as from 2005, a new operation model in Europe, with the inauguration of its own space in Paris. Located in Saint Germain des Près, a privileged site in the French capital city, the Maison Natura Brasil will be a place where customers will find products prepared from raw materials from Brazilian biodiversity and have contact with aspects of Brazilian culture and customs.

To extend the offer of its products, which are currently available in the free-shops of Brazilian domestic airports, to the duty-free shops of international airports, is also part of Natura's strategy for international expansion. Additionally, Natura products can be purchased at the www.natura.net Website.

Production

Natura's plant in Cajamar, State of São Paulo, produced 175 million units in 2004, 28% more than in the previous year. The accelerated growth rate since the inauguration of the facilities in Cajamar, in 2001, demanded the intensification of investments to increase capacity. One of the most important investments was the new warehouse, which will increase the storage capacity by 120% and is expected to be inaugurated in the first quarter of 2005.

Also in 2004, the company defined the implementation of a third product separation line, which will start to be built in the first quarter of 2005. New and larger investments in machinery and equipment to increase production capacity are slated for 2005.

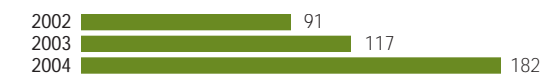
Due to its concern with the quality of its processes, Natura created the quality office. The quality audit became more comprehensive regarding environment, security and sanitary inspection issues in the operations in both Brazil and abroad. Additionally, once the implementation of the NBR ISO 14001 is completed, the company will initiate the process to obtain the ISO 9001 standard certificate in 2005.

Innovation

Natura has been making efforts to permanently invest in learning and innovation in all aspects of its activities: in technological development, in the improvement of its production processes, in the sustainable use of raw materials from Brazilian biodiversity, in the communication of its concepts and values and in the improvement of the quality of its relationships.

From a product innovation point of view, Natura invests heavily in research and development and in partnerships with research centers in Brazil and abroad, particularly in France, ensuring updated knowledge of trends and technological progresses in the pharmaceutical, chemical

and biochemical fields. In 2004, 182 new products were launched.

Number of Product Launches (units)

The choice of Brazilian biodiversity as a technological platform at the end of the 90's was a determining factor for the results recently achieved by Natura and in its commitment to sustainable development. The Ekos line products combine scientific knowledge with popular knowledge, preservation of Brazil's natural heritage and opportunities for traditional communities.

Other product lines such as Mamãe e Bebê (Mother and Baby), which values the bond between mother and child, and Chronos, which introduced the Truly Beautiful Woman concept, confirmed Natura's ongoing concern with innovation and the conveyance of its values.

From a management point of view, the company has been seeking, increasingly more to include sustainable development principles into its daily business routine. The previous adoption of the guidelines of the Global Reporting Initiative, GRI, and the establishment of the Corporate Responsibility Management System in 2004 are steps in that direction. A recent result of this movement was the inclusion of the social and environmental dimensions in the strategic map and the company's balanced scorecard.

Research and Development

In 2004, Natura's investments in research and development recorded an increase of 33.6% compared with the total funds invested in 2003. Of the launches in 2004, worthy of attention are both the products resulting from developments in cosmetic technology and raw materials from Brazilian biodiversity and the new formulas for more frequently used products, which are capable of reaching other groups of customers.

Among the innovations is Elastinol+R, a raw material aimed at the treatment of aging marks in the Chronos line. This is the third version of Elastinol and its differentiating characteristic is that it produces results faster. Elastinol and its versions, patented in France, were developed together with Professor Ladilas Robert, from the Paris V University (see biography on page 26).

Throughout 2004, Natura expanded the use of raw materials from Brazilian biodiversity. The flatsedge and the oil of the Surinam cherry, among others, were included in the Ekos line, and the passionflower oil was included in the Mamãe e Bebê line. Other raw materials, such as the oils of green coffee and pariparoba were developed to serve the European operation. Later, they will be included in the Brazil Ekos line. The replacement of animal fat by palm oil in all soaps of the Ekos line also merits attention.

New make-up and hair products, the segments that grew the most in 2004, contributed to balance Natura's portfolio. In the make-up segment, the company launched a new line,

Aquarela (Watercolor). In the hair segment, Natura introduced new items and established the Plants line.

As an indication of its efforts to develop and protect technologies, Natura applied, in 2004, for 15 patents in Brazil. Additionally, it was awarded 26 patents for inventions and industrial designs in Brazil and abroad. A portfolio of projects developed together with universities and research centers, having as their main focus the use of knowledge of the Brazilian flora in the cosmetic industry, was the origin of the innovations made in the many product lines of the company. Within the Programa Natura Campus (Natura Campus Program), developed in partnership with the Fundação de Amparo à Pesquisa do Estado de São Paulo (Foundation for the Support to Research of the State of São Paulo), Fapesp, for example, contracts with six universities were signed.

Natura, in line with European legislation, is committed to fully abolishing tests on animals by 2009. In 2003, Natura had already totally abolished the use of animals in tests of finished cosmetic products (see Main Environmental Indicators, page 24). The company also invests in alternative tests as part of the development of new raw materials and has an in vitro laboratory to evaluate raw materials and products in human cells or in artificially cultivated animal cells.





Brand

The Natura brand reflects the company's Reason for Being, its beliefs and its vision of the world. It is present in everything Natura does – whether it is a product, a communication material or a relationship initiative – and in how it does it – with awareness, beauty and commitment. It is also expressed in the quality of the relationships established with the many stakeholders, with whom Natura shares its way of being.

A differentiated type of stakeholder in the development of the brand is the Natura Sales Representatives. Not only do they share Natura's way of being but they are also a means for its dissemination. When they disseminate Natura's concepts by way of direct contact with final customers, the Sales Representatives strengthen the brand. The strengthened brand, in turn, attracts a growing number of new Sales Representatives. To support and expand this movement, Natura uses different means – advertising, merchandizing, contacts with the press and relationship programs. Among the initiatives developed in 2004 are those that reinforce Natura's image as a company that values the Brazilian biodiversity, culture, music and fashion – such as its support for

Greenpeace in the Energia Positiva (Positive Energy) project for Brazil and the sponsorship of Brazilian singer Maria Rita and of São Paulo Fashion Week.

In 2004, Natura formalized its brand management internal system with tools to determine and convey concepts to all the company's levels. One of these tools was the workshops for training on the brand. The management system will support the development of the brand in the company's internationalization process.

Different awards and surveys reaffirmed the growing strength and value of the Natura brand. In 2004, the company was elected Top of Mind, in the cosmetics category, in a survey with customers conducted by the Instituto de Pesquisas Datafolha (Datafolha Research Institute). It was also considered the Most Highly Regarded Company in Brazil in accordance with *CartaCapital* magazine and Instituto InterScience (InterScience Institute), and the third most valuable brand in Brazil, according to *ISTOÉ Dinheiro* magazine and Interbrand consultancy. Additionally, for the fifth consecutive year, it was considered a benchmark in good civic responsibility by *Exame* magazine and Instituto Ethos (see *Awards and Recognitions*, page 63).



Old man Arraia (Portuguese for stingray) taught his son, Arrainha, the secrets of the forest and extraction of the Brazil nut, in Almeirim, State of Pará. The father's nickname came from his White chest, like the stingray, a consequence of an accident with fire. The son's, because the boy would go into the forest with his father. On the outside, the boy's chest looked nothing like a stingray's. But inside, both father and son felt love for what they did. "It was just me and the old man," said Delbanor Mello Viana, nostalgic for those long gone days, today a mature man and a Brazil nut harvester and leader of the São Francisco do Iratapuru community in the State of Amapá.

At that time, neither father nor son knew what the nut they delivered to profiteers was for. Now, Arraia, who visited Natura's factory in Cajamar, knows the process that transforms the yield of his work into fine fragrances. "The perfume is good," says the leader, who is proud to see his community becoming the owner of its destiny. The cooperative they have created and the partnership with Natura have raised the awareness and improved the organization and productivity of these nut harvesters. In 2004, 8 metric tons of Brazil nuts were sold to Natura. This year, according to him, it will be 15 metric tons.

"Sustainable development is the way to promote change in the community, bring benefits to education, with what nature has to offer," says Arraia. He celebrates the fact that the Brazil nut is now locally processed, creating jobs and generating income even outside harvest time. "Natura came over and trusted in us. We also trusted in Natura." For him, now, the most important thing is to continue to make a living without destroying the forest. "What I want to do is work with the forest standing up."

**Delbanor
Mello Viana,**
also known as Arraia,
leader of Natura's supplier
community in the Sustainable
Development Reserve
of the Iratapuru River,
State of Amapá



Flávia Azevedo,
a Natura customer
with family

quality of relationships

One of Natura's beliefs is that life is a chain of relationships. From this belief comes the constant attention to and the concern with the quality of its relationships with its different stakeholders.

Responsible management

Since the end of the 90's, Natura has sought to place corporate social responsibility in the center of its strategy and management based on two pillars: the ethical and transparent relationship with its many stakeholders and the definition of targets that are compatible with sustainable development. Over the past few years, the company has attempted to establish processes and systems that ensure the inclusion of these principles in the strategic

planning and the daily business routine. In 2004, many important developments were accomplished.

The company's balanced scorecard started to reflect the three dimensions of sustainability. Today, Natura's strategic map contemplates economic and financial and social and environmental targets. In the strategic plan, this model is used throughout the company, influencing the initiatives of all areas.

What supports this process is the Corporate Responsibility Management System, which was created approximately two years ago and improved in 2004. By way of this system, a detailed diagnosis of Natura's relationship with its stakeholders was performed, which resulted in the survey of topics to be included in the strategic plan.

Therefore, all areas of Natura now systematically follow up the issues related to the quality of the relationships with stakeholders based on aspects such as ethics, transparency and efficiency of the dialogue channels, including non-business topics. The initiatives related to the critical aspects of socially responsible management are followed up by way of the Corporate Responsibility Matrix (see *Main Social Indicators*, page 24).

In the case of the environmental targets and indicators, the mobilization channel with the strategic plan is the Natura Environmental Management System developed from the NBR ISO 14001 certification standards. Once the implementation of these standards is completed, Natura intends to include the quality management processes and it has

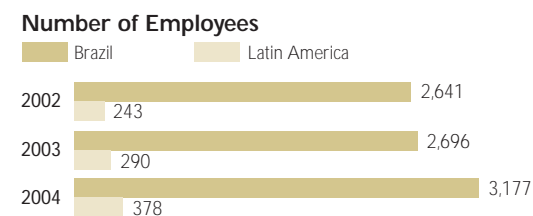
already started the process to obtain the ISO 9001 certification.

The inclusion of social and environmental practices in the company's daily routine was favored by the strengthening of the Sustainability Committee, which was created two years ago and prompted the intense debate on the application of the responsible management pillars for business planning and performance.

Natura's Corporate Responsibility Management System caused an impression among academics and in the press. It was included, for example, in a group of analyses of the matter in the Latin American edition of December 2004 of the Harvard Business Review, in addition to being presented at many conferences.

Relationship with Employees

The annual organizational climate survey conducted in 2004 showed a slight variation in the result compared with the previous year. The favorability rate dropped from 76% in 2003 to 73% in 2004. The maintenance of a differentiated organizational climate is a permanent challenge to Natura. The company is recognized as a benchmark in work environment in Brazil and, in 2004, its was chosen as The Best Company for Women to Work for, in accordance with the survey published in the *Exame Guide The Best Companies to Work for*, together with the Great Place to Work Institute.



In 2004, nearly 300 internal promotions opened opportunities to employees. As part of the effort to meet the current expansion stage of the company, the Corporate Education department was restructured, thus providing for a better alignment of programs with the company's strategy. In 2004, employees received, on average, 70 hours of training, against 37 in 2003.

One of the initiatives to improve management focusing on corporate responsibility was the creation of specific workshops for senior management and employees, with the objective to support decision-making based on the three dimensions of sustainability. In 2004,

six manager groups participated in these workshops.

The increase of investments and the expansion of the initiatives of Natura Educação (Natura Education), a program to reimburse the monthly fees of basic training and specialization courses also merits attention. With investments of R\$ 450,000, 66% higher than those in 2003, Natura Educação was extended to the children of employees and, in the case of elementary, middle and high school, to outsourced employees assigned to the company's units.

An important point in the establishment of stronger ties with employees was the launch of the Construindo o Futuro (Constructing the Future) program, which is operated in three dimensions: quality of life, career extension and financial planning. The objective is to lend opportunity and support to the construction of a future at the end of a career with Natura and encourage savings with the offer of a pension plan, the Poupança Incentivada Natura (Natura Incentived Savings).

As part of the recognition of the results achieved by the company, the Profit-sharing Program continued to prove to be a differential in the remuneration of employees. On a comparable basis, the amounts provided for the payment of profits sharing in 2004 grew 46.9% in relation to 2003.

Relationship with Sales Representatives and Customers

The Sales Representatives – independent professionals who buy and resell Natura products – represent the main link of the company with the final customer. The company tries to establish with them a relationship of

complicity and recognizes the important role they have in the dissemination of the company's concepts and values. In 2004, Natura increased the group of programs that aims to recognize the value of the relationship with the Sales Representatives, reinforcing qualities that are expressed at different levels – length of activity, number of customers, sales volume, presence at events and attendance at Natura Meetings, where the company's launches are presented.

The increasingly stronger relationship and the strength of the Natura brand have been stimulating interest of the Sales Representatives. This number continues to grow. In 2004, Natura closed the year with 407,000 Sales Representatives in Brazil, a growth of 14.6% in relation to 2003. In the other countries where the company is present, the number of Sales Representatives increased 30%, reaching 26,000. The productivity of the Sales Representatives (sales by active Sales Representatives) increased 10.2% in Brazil in reais and 10.7% in the international operations, in US dollars. To this important group of the Natura community, the company generated an estimated income of 1.06 billion reais. In training events, Natura recorded, in 2004, 372,000 contacts with the Sales Representatives, compared to 319,000 in 2003.

Distribution of Wealth to the Sales Representatives (in millions of reais)



The link between Natura and the Sales Representatives are the sales promoters who, in turn, report to the sales managers. With the increase of the teams, the ratio of

sales promoters served per manager dropped from 35 to 20. In accordance with relationship and attraction programs, Natura filled with Sales Representatives, in 2004, 70% of the sales promoters vacancies created as a result of the increase of the teams.

The Sales Representatives have a relevant participation in the Programa Crer para Ver (Believing is Seeing Program) by voluntarily selling products and raising funds that are used in projects of the public school system. In the Crer para Ver Educação de Jovens e Adultos (Education of Young People and Adults), launched in 2004, the Sales Representatives can send to school young people and adults who have not completed middle school (see *Relationship with Government and Society*, page 58).

In 2004, the Sales Representatives and customers were able to count on more efficient ways of product delivery after logistics operators with greater infrastructure were contracted. Also, for these two stakeholders, the internet remained as an important relationship channel. During the year, a monthly average of 75,500 Sales Representatives used the internet to contact Natura. Of this total, 80% sent more than half of their orders via the Web. The number of orders made by electronic means totaled 1.96 million over the year, or 30.5% of the total orders made to the company – allowing for savings of 6.2 million reais in service via telephone.

Investments in marketing, product launches and a strong presence in the press contributed, in 2004, to the strengthening of the relationship with the final customer. During the year, Natura filled 21.5% of the editorial space earmarked for the cosmetic market, compared with 9.5%

for the company in second place. The company increased its presence in the media by 42% in relation to 2003.

Relationship with Suppliers

A new approach in the relationship with key suppliers of transports and raw materials was strengthened by Natura in 2004. With the aim to strengthen the ties with these partners, the *Qlicar* concept was introduced. This acronym stands for and summarizes the aspects of quality, logistics, innovation, contract, service and traceability.

In the transportation area, Natura decided to focus the relationship on logistics operators that are capable of taking care of the whole distribution process, from collection of the product at the plant to delivery to the Sales Representative. With proper infrastructure, transporting companies perform, in a more efficient way, a complex distribution process – Natura products reach over 5,000 Brazilian municipalities.

A next step will be to assign to these suppliers the task of collecting, from the customers' houses, the products that are the subject of complaints. A pilot project in São Paulo showed excellent results regarding customer satisfaction – in a survey, 95% of them said they were satisfied with the service.

Natura seeks suppliers that share its beliefs and values. In the context regarding concern for the environment, each supplier receives a questionnaire on environmental topics in their operations, in accordance with the NBR ISO 14001 standards. Whenever there are items that are non-complied with, although tolerable, an action plan to correct these flaws is established. These suppliers are qualified to

have a commercial relationship with Natura and, once the problems are corrected, they may be certified. The certified suppliers are those whose products and services are preapproved and whose receipt does not require checking. The first certifications, within the *Qlicar* concept, were granted in 2004.

Relationship with the communities that supply raw materials from biodiversity

When it launched the Ekos line, in 2000, Natura started to put into effect the sustainable use of raw materials from Brazilian biodiversity. The use of raw materials from the Brazilian flora should be economically viable and, at the same time, contemplate the proper management of the extractivist activity and sustainable development of the producing communities. Since then, the relationship with the communities that supply the raw materials from biodiversity has proven to be an important process of learning. The developments seen in 2004 reflect the application of this learning on the process to create a consistent model for the use of the raw materials and the relationship.

During 2004, a multifunctional team worked on the development of a model that can, based on a pilot experience with the community of Iratapuru, in the State of Amapá, be used in other communities. The community of Iratapuru is made up of 30 families that supply the Brazil nuts, copaíba and breu branco. The experience was followed up by Amigos da Terra, an NGO that, together with the community, created a business management plan. One significant achievement was the certification of the three raw materials produced by the community by the Forest Stewardship Council.



Sustainable Development Reserve of the Iratapuru River, State of Amapá, and details of the passion fruit and buriti

Among the measures taken is the creation of a reserve made up of a percentage of the net revenues obtained from the sale of products originating from the raw materials supplied by the community. These funds may be used both in immediate and future needs. Additionally, a consultancy specialized in sustainable development, Amapaz, will make a diagnosis of the community in order to prepare a plan for the future, which may include other activities in addition to the extractivist one. The diagnosis will include physical, territorial and social and economic aspects so as to help the community to prepare a sustainable development plan.

Relationship with the neighboring communities

With units in Cajamar and Itapecerica da Serra, both in the State of São Paulo, Natura has been strengthening its relationship with the communities in these municipalities. In this context, 2004 was a year of important developments.

In Cajamar, the two relationship strategies created in 2003 to improve the company's relationship with the city acted actively (see indicator 73, page 100). Natura's internal group, made up of employees from different areas to debate and propose solutions for the needs of the municipality, supported the preparation of a master plan for the education of Cajamar and the establishment of partnerships between local schools and Natura for the organization of events such as Environment Week.

The tripartite group, made up of representatives of Natura, Mata Nativa (Native Forest), an NGO, and the local administration office, signed a cooperation

agreement for the implementation in that city of Agenda 21, an action plan for sustainable development established in the First United Nations Conference on the Environment and Development, the Eco-92. Additionally, with the cooperation of local leaders, it prepared a detailed analysis of Cajamar, with many social and economic and environmental indicators, conducted by Oficina Municipal, an NGO. The Pro-Agenda 21 Forum of Cajamar, made up of governmental and non-governmental organizations, and companies and citizens of the municipality, was also implemented to follow up and guide the city's public policies.

In Itapecerica da Serra, Natura decided to focus its attention and efforts on the district of Potuverá, where one of its units is located. In 2004, employees of the company voluntarily organized themselves to create a workgroup and implement projects for educational training, technological training and other interests of the community. In 2005, Natura will start a process to implement Agenda 21 in Itapecerica da Serra.

In both Cajamar and Itapecerica da Serra, Natura maintains a volunteer program during work hours. In 2004, more than 100 employees participated in this program. A toll-free 0800 line was placed at the disposal of the community of Cajamar, in 2004, for them to communicate with Natura. In 2005, the same will be done for the community in Itapecerica.

Relationship with the environment

Natura is committed to the establishment of ways to promote sustainable development and shares its commitment with its many

stakeholders. In this context, for example, its relations with its supplier communities contemplate the preservation of the environment and local development. Additionally, the company tries to keep control of its activities, products and services in such a way that the environment can absorb the impacts resulting from them. To this end, it uses the Natura Environmental Management System, Sigan, as a tool, which is based on the ISO 14001 – the company obtained the NBR ISO 14001 in May 2004. The monitoring conducted by way of Sigan identified flaws in the use of water and energy and promoted the more efficient use of these resources in a year in which production grew 28%.

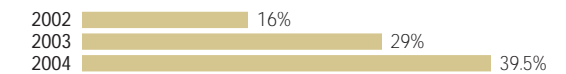
As it considers water a very valuable resource that must be managed with care, Natura projected the installations of the plant in Cajamar in a way that allows for its reuse. In the well built on the site, a system was installed that allows the company to take only as much water as the water table is capable of replacing. To increasingly reduce the need to take water from the well and to reduce usage in general, the increase of the water reuse rate is a permanent target. In 2004, the company was able to reduce by 23% the use of water per unit sold. Water reuse increased from 29% in 2003 to 39.5% in 2004 (see *Main Environmental Indicators*, page 22). The water issue is a recurring theme in Natura's discussions with its many stakeholders.

Consumption of Water per Unit Sold⁽¹⁾ (liters/unit)



1. Units resold by Sales Representatives (does not include samples, gifts, resale support material, products of the Crer para Ver line, among others).

Reuse of Water (% of total water treated at the Effluent Treatment Station)



Regarding energy, Natura tries to ensure that industrial growth is not directly related with the increase of absolute consumption. To this end, it develops systems and processes that allow for the rational use of available energy. In 2004, the company recorded gains of scale that resulted in the decrease of fixed costs, prompting a reduction of 23% in usage per unit sold.

Total Consumption of Energy (Energy Matrix)⁽¹⁾ per Unit Sold (kjoules/unit)



1. The energy matrix is made up of the total energy that Natura uses that comes from various sources (electric, diesel and LPG).

Regarding the generation of waste, the company achieved, in 2004, a reduction of 12.3% per unit sold in relation to 2003. The incineration of waste dropped from 6.4% in 2003 to 5.4% in 2004, and the disposal in landfill sites, from 24.4% to 21.2%. The percentage of recycled waste grew from 69.2% to 73.4%.

Natura also seeks to identify the environmental impact of its products and the possible consequences for society. To this end, it uses the life cycle assessment methodology. In 2004, all packages of the portfolio were analyzed in accordance with this methodology. In 2005, Natura will develop and test a life cycle assessment model for raw materials.

Relationship with shareholders

As a public company since May 2004, Natura tries to establish an exemplary relationship with shareholders in the same way it does with other stakeholders. The company wants this relationship to be characterized by transparent communication, fair and equal treatment and constant improvement of corporate governance (see *Corporate Governance*, page 28).

Relationship with government and society

Natura keeps dialogue channels with federal, state and municipal governments, as well as with members of congress. Additionally, as it is aware that the company must be an agent of social transformation, it seeks to permanently enhance its initiatives aimed at the development of society.

During 2004, Natura signed important agreements with governments and organizations from civil society. Among them are the cooperation agreement signed with the administration office of Cajamar and Mata Nativa, an NGO, for the implementation of Agenda 21 in Cajamar and the partnership with Fundação Abrinq (Abrinq Foundation) and the Ministry of Education for the promotion of the Education of Young People and Adults as part of the Crer para Ver (Believing is Seeing) Program.

As a member of the Associação Brasileira das Empresas de Venda Direta (Brazilian Association of Direct Selling Companies) – ABEVD, Natura was a signatory to the instrument established by the association with the Ministry of Social Security for the promotion of education for the social security of independent resellers.

Natura represented the Brazilian corporate sector in the International Organization of Standardization Conference on social responsibility held in June 2004 when it was decided to create, by 2008, guidelines for standardizing the application of social responsibility processes. It will also be part of the committee responsible for the definition of the guidelines of the standard.

Additionally, representatives of the company were invited to participate in important discussion forums that involve civil society, such as the Forum of Cosmetics Competitiveness, the Forum of Biotechnology Competitiveness and the Brazilian Conference on Environment, in addition to working groups that discuss the access to the genetic inheritance and remuneration of the traditional knowledge, among others.

One of Natura's operating instruments in its relationship with society has been the Crer para Ver Program, maintained in partnership with the Fundação Abrinq and through which the Natura Sales Representatives voluntarily sell products that are especially created for the program, channeling the funds raised to projects of the public school system. In its nine year of existence, the program has raised 17.9 million reais and supported 148 projects in 3,638 schools. In 2004, the amount of funds raised was the highest in the program's history.

Among the projects supported in 2004 were the Cinema e Video Brasileiro nas Escolas (Brazilian Cinema and Video in Schools), in the State of São Paulo, and Projeto Chapada (Chapada Project), in the State of Bahia. The objective of the Cinema e Video nas Escolas is to encourage the creation of video libraries and the education of students by way of audiovisual language, based on the education of teachers. The

8 WAYS TO CHANGE THE WORLD



Projeto Chapada is focused on the development of a quality public school network in the region of Chapada Diamantina, State of Bahia, by way of the proper training of pedagogical coordinators and teachers, and the development of joint actions with municipal education departments to fight against child labor (see *the statement by the project's coordinator on page 39*).

In addition to the Crer para Ver Program, Natura supports initiatives aimed at culture, promotion of dialogue channels and sustainable development, and at the protection of the environment (see *Total Support and Sponsorship*, page 71)

Commitments and Codes of Conduct

One of the first Brazilian companies to sign the Global Compact Natura reaffirmed, in 2004, its commitment to the principles proposed by the United Nations. In July, it was represented by Guilherme Peirão Leal, cochairman of the Board, at the Global Compact Leader's Forum in New York. During the year, many actions were taken with the aim of disseminating the principles of the Global Compact and the Millennium Development Goals to employees, Sales Representatives and partners. For example, the MDGs were printed on the covers of over 860,000 boxes of products sent to Sales Representatives all over Brazil. Additionally, the targets were highlighted in many communication materials, such as the Vitrine, a catalogue of products. In this report,

Crer para Ver – Net Funds Raised (in millions of reais)



The scope of the Crer para Ver Program was expanded in 2004 with the creation of the Crer para Ver EJA (Educação de Jovens e Adultos) (Education of Young People and Adults) in partnership with the Ministry of Education and Fundação Abrinq. In the Crer para Ver EJA, Sales Representatives are encouraged to identify people older than 15 years of age who have not completed middle school and send them back to school (see *details in Highlights of Investments in Corporate Responsibility*, page 66).

Natura presents its developments in the promotion of the Global Compact principles based on the indicators of the Global Reporting Initiative (see page 76).

Natura is a signatory to the code of conduct before consumers and code of conduct before direct sellers and among companies of the Associação Brasileira de Empresas de Vendas Direta (Brazilian Association of Direct Selling Companies), ABEVD, prepared in accordance with the model proposed by the World Federation of Direct Selling Associations, WFDSA.

The company fully observes the Estatuto da Criança e do Adolescente (Statute of Children and Adolescents) and follows the Letter of

Principles of the Instituto Ethos de Empresas e Responsabilidade Social (Ethos Institute of Companies and Social Responsibility). In 2004, it became an Organisational Stakeholder of the Global Reporting Initiative, GRI. It is the first Brazilian company to be part in this group.

Natura was also awarded the following titles: Empresa Amiga da Criança (Child-friendly Company), granted by the Fundação Abrinq pelos Direitos da Criança (Abrinq Foundation for the Rights of Children); Empresa Cidadã (Civically-responsible Company), granted by the Assembly of the City of São Paulo; Empresa que Educa (Company that Educates), granted by SENAC (Brazilian Service for Commercial Learning) of the State of São Paulo.

Learning and Innovation: Education for Sustainable Development

Natura is engaged in speeding up its learning on sustainable development and sharing it inside and outside the company. As part of this process, it has been promoting debates in Cajamar with many experts in this field. In 2004, Fritjof Capra, Austrian physicist, Rosalyn McKeown and Charles Hopkins, coauthors of the Education for Sustainable Development Toolkit, Ernst Ligteringen, from the Global Reporting Initiative, and John Elkington, from SustainAbility, all visited the Espaço Natura (Natura Space). In addition to participating in meetings with senior management, they gave lectures to a group of employees, partners and representatives from civil society. We took note of some of their impressions of sustainability and of Natura:



Ernst Ligteringen,
Fritjof Capra and
John Elkington

Principles of the Global Compact

Human Rights	Labor	Environment	Anti-Corruption
I: The support and respect of the protection of international human rights.	III: The support of freedom of association and the recognition of the right to collective bargaining.	VII: The implementation of a precautionary and effective program to environmental issues.	X: The promotion and adoption of initiatives to counter all forms of corruption, including extortion and bribery.
II: The refusal to participate in or condone human rights abuses.	IV: The abolition of compulsory labor.	VIII: Initiatives that demonstrate environmental responsibility.	
	V: The abolition of child labor.	IX: The promotion of the diffusion of environmentally friendly technologies.	
	VI: The elimination of discrimination in employment and occupation.		

"Natura is one of the leading companies when it comes to reporting economic, social and environmental performances. It was important to hear its leaders explain why they act the way they do and how this behavior represents the company's business model. The value of this choice has been recognized recently on the stock market. Incidentally, I would say that the majority of today's investors accept that there is a need to pay more attention to the performance of companies, not just their quarterly financial results."

Ernst Ligteringen, Chief Executive of the Global Reporting Initiative

"If you want to be sustainable, you need to be honest and investigate technical details. You must ask yourselves: What raw materials do we use? What do we do with our waste? You must show that it is economically viable to do things from an ecological point of view. Show that using water or energy efficiently can help saving money."

Fritjof Capra, physicist and environmental activist and author of the books *The Web of Life* and *The Hidden Connections*. Founder of the Center for Eco-Literacy in California, United States

We need to accept that, as companies make progress in the search for sustainable development, many mistakes will be made. This is natural and we must learn quickly from them. What Natura is doing is already state of the art. Its challenge will be to propagate its ideas outside the company's premises."

John Elkington, co-founder of the British business consultancy, SustainAbility



Lucia Pasqualini, a Natura Sales Representative, with her customers Marina Inoue and Gelsi de Souza

Awards and Recognitions

The transparent and ethical relationship with its many stakeholders, as well as the constant concern with the development of these relationships, has been providing Natura with awards and recognitions (see page 100). Some of those granted in 2004 are:

- Most Highly Regarded Company in Brazil – *CartaCapital* magazine and InterScience.
- The Best Company for Women to Work for – *Exame* magazine and Great Place to Work Institute (second consecutive year).
- Model-company in social responsibility – *Exame* magazine and Instituto Ethos de Empresas e Responsabilidade Social (Ethos Institute of Companies and Social Responsibility) (fifth consecutive year).
- Third most valuable brand in Brazil – *ISTOÉ Dinheiro* magazine and Interbrand.
- 16th Best Annual Report – SustainAbility, Standard & Poor's and United Nations Environment Programme.
- Best Annual Report of a Closely-held held Company Award – Associação Brasileira de Companhias Abertas (Brazilian Association of Publicly Traded Companies), Abrasca (second consecutive year).
- Annual Social Report Award – Associação Brasileira de Comunicação Empresarial (Brazilian Association of Corporate Communication); Associação dos Analistas de Investimento do Mercado de Capitais (Association of Capital Markets Investment Analysts and Professionals); Instituto Ethos de Empresas e Responsabilidade Social; Fundação Instituto de Desenvolvimento Empresarial e Social (Corporate and Social Development Institute Foundation); and Instituto Brasileiro de Análises Sociais e Econômicas (Brazilian Institute of Social and Economic Analyses), Ibase (third consecutive year).
- Top of Mind Award in the Cosmetics category – *Folha de S.Paulo* newspaper.
- Environmental Merit Award – Federação das Indústrias do Estado de São Paulo (Federation of Industries of the State of São Paulo), FIESP.
- Ecodesign Award – Federação e Centro das Indústrias do Estado de São Paulo/Instituto de Pesquisas Tecnológicas (Federation and Center of Industries of the State of São Paulo/Institute of Technological Research).



It is in the hectic pace of her city that Fernanda Lima, from São Paulo, moves. At 27, she is restless and does thousands of things here and there. Wherever she goes, she brings with her, in her car, a kit with Natura's products. Fernanda is a Sales Representative and started out early in this job, selling the products to her family and friends. "It is the kind of work that you can fit into your routine", she says.

But the greatest advantage, according to her, is that Natura's products "sell themselves". "People feel attracted by the packages and they also love what is inside." If it wasn't for that, Fernanda would never have accepted to work in this field. She is shy. More than that: demanding. She wouldn't brag about something she didn't believe in.

She believes in Natura. And she says that she identifies with the company. "I like its approach," she said. Fernanda, like Natura, wants to help building a better world. Crazy about knowledge and human relations, she entered the world of NGOs after graduating in teaching. In one such NGO, the Centro de Estudos e Pesquisas em Educação, Cultura e Ação Comunitária (Center of Studies and Research on Education, Culture and Community Work), Cenpec, she analyzes educational projects with young people. The result of her experiences and reflections are shown in the articles she posts on the internet.

"When you tell your own story, you become closer to others," Fernanda says. "Maybe because I come from an oriental family, I always had this idea that each one of us has a mission to accomplish. For my part, everything I do is to help improve the world."

Fernanda Inouye Miura,

a Natura Sales Representative, in Vila Madalena, São Paulo



highlights of Investments in corporate responsibility

This chapter highlights some of the most important of Natura's projects contemplated in the Corporate Responsibility Matrix (presented with the related amounts in Main Indicators, page 20).

Below, there is a list presenting the projects in their different categories. For some, further details are provided (highlighted in bold). The choice was made to exemplify the coverage and the nature of the initiatives.

Natura's funds	Employees, families and outsourced employees	Sales Representatives	Supplier Communities	Suppliers	Neighboring communities	Government and society
Fundamentals						
Enhancement and monitoring of quality relationship indicators	Climate survey (see Main Social Indicators, page 24)	Survey to measure the quality of the relationship with the Sales Representatives				
Promotion and dialogue channels						United Nations Development Programme (UNDP) ⁽¹⁾ ; International Colloquium on Human Rights ⁽¹⁾ and other projects supported
Provision of information / transparent communication	Information editorials for the employees related to corporate responsibility, environment and sustainability			Event with suppliers to discuss environmental issues		Publication of Annual Report: Instrument of Commitment to sustainability – Rules and procedures for access to biodiversity
Economic and social						
Promotion of local sustainable development	Sustainability Week at Natura		Program for the Certification of Natural Raw Materials: <i>Plantula</i> Project; Sustainable Development Program with Supplier Communities; Relationship with supplier communities of the Ekos line		Agenda 21 of Cajamar; Natura Working Group – Cajamar; Natura Working Group – Itapecerica da Serra (see indicator 73, page 100)	New Ventures Brazil Program – Forum of Investors in Sustainable Ventures ⁽¹⁾ ; Promotion of Voluntary Work Program and other projects supported
Promotion of inclusion, equality and diversity	Diversity Program; Incentive Program for the Admission of Physically Impaired People (see indicator 60, page 95)				Many sponsored projects	
Education and Training	Natura Education Program ; Training of employees in sustainability; Executive Education Program (see indicator 58, page 95)				Training of cultural agents	Education for Sustainability Project
Quality of Life	Nursery; Natura Sports and Social Club; Clinical services (see indicator 48, page 92); Quality of Life Program (see indicator 60, page 95); Mother's Day Event; Christmas toys and baskets event					
Promotion of art and culture						Many sponsored projects
Environment						
Protection of the environment	Actions to raise environmental awareness				Many sponsored projects	
Minimization of material outflow and inflow					N/A	Initiatives to reduce energy use (see indicator 17, page 82); Compositing Center in Cajamar; Initiatives to reuse water (see Main Environmental Indicators, page 22)
Funds generated by the Sales Representatives	Employees, families and outsourced employees	Sales Representatives	Supplier Communities	Suppliers	Neighboring communities	Government and society
Net funds raised by the Crer para Ver Program	N/A	N/A	N/A	N/A	N/A	Crer para Ver Program
Tax funds	Employees, families and outsourced employees	Sales Representatives	Supplier Communities	Suppliers	Neighboring communities	Government and society
Tax incentives					Support for the Council for the Rights of Children and Adolescents of Cajamar ⁽²⁾ ; Support for the Council for the Rights of Children and Adolescents of Itapecerica da Serra ⁽²⁾	Biodiversity Brazil Project ⁽³⁾

1. Project sponsored or supported by Natura.
 2. Project supported by Natura, by way of the allocation of 1% of the tax payable.
 3. Project supported by the Rouanet Law.
 Note: N/A = not applicable.

Employees, families and third parties

1. Programa Natura Educação (Natura Education Program)

Objective: To expand access to formal education and professional training.

Location: Cajamar and Itapeverica da Serra, both in the State of São Paulo.

Target Public: Natura's employees and their families, and outsourced employees assigned to the company's units.

Results: ☺ Around 1,600 employees benefited from Natura Educação in its four years of existence. In 2004, the program was extended to outsourced employees who are assigned to the company's units. Eighty scholarships for technical courses were offered in accordance with the target established. However, demand was lower and served only 35 people. For the language courses and college studies, the targets were equally achieved: 90 and 100 scholarships, respectively.

Target for 2005: To extend Natura Educação to the outsourced employees who work in customer service and include continuing education, post graduation and MBA courses.

Neighboring Communities

1. Agenda 21 of Cajamar

Objective: To promote coordination between leaders from civil society, the public sector and private sector to promote sustainable development in the municipality of Cajamar, in the State of São Paulo, planning and implementing, in a participative way.

Location: Cajamar, in the State of São Paulo.

Target Public: Community of Cajamar.

Partners: Administration Office of Cajamar and NGOs Mata Nativa and Oficina Municipal.

Results: The target proposed for 2004 was to expand the tripartite working group – formed by Natura, the administration office of Cajamar and Mata Nativa, an NGO, and start the process to involve local leaders in democratic forums on municipal planning, including other companies. To analyze the results, the three main work fronts will be described:

a) Tripartite working group

☺ The group was established with the signing of a cooperation agreement by which its members commit themselves to stimulate the sustainable development of the municipality. The First Pro-Agenda 21 Cajamar Meeting was held with the participation of approximately 150 people from many sectors of the local community. At the time, a permanent commission for the mobilization and follow-up of public policies was organized aimed at the structuring of the Sustainable Development of Cajamar Forum in 2005. The expansion of the tripartite working group, in accordance with the target set for 2004, started with the First Pro-Agenda 21 Meeting. However very few representatives from the private sector were present.

b) Performance of a diagnosis of the municipality of Cajamar

☺ Under the coordination of the tripartite group, an analysis of the municipality of Cajamar was made with the support of Oficina Municipal, an NGO, addressing the political, administrative, fiscal, financial, social and economic, and physical and territorial areas. This was a collective process of knowledge and evaluation of the many aspects

of the municipality in order to establish a basis for studies and proposals for future development. From this process, in which many sectors of society represented by around 30 people participated, some pillars for the expansion of the movement in the town were founded.

c) Projeto Comunidade Ativa (Active Community Project)

☺ To mobilize the community behind the identification and establishment of social and political participation channels, interactive workshops were held in two districts of Cajamar (Vila Mirassol and Jardim Florim) in partnership with Mata Nativa. Consisting of conceptual and practical sections, fieldwork and preparation of the project, the workshops aimed at the implementation of democratic centers for discussion on environmental and social topics and the municipal budget. At the end, the 50 or so participants were involved in the preparation of pilot projects for the development of the districts.

Target for 2005: To expand the tripartite working group, involving other local companies in this process. To publicize the results of the analysis and make them accessible to the community. To promote the implementation of the Sustainable Development Forum in Cajamar. To carry out workshops in another two districts of the city.

Supplier Communities

1. Programa de Certificação de Ativos Naturais ou Vegetais (Program for the Certification of Natural Raw Materials)

Objective: To certify the raw materials from Brazilian flora that are used in the Natura Ekos line, so as to ensure their sustainable gathering (economically viable, ecologically correct, and socially fair), contributing to the preservation of biodiversity and local development.

Target Public: Civil society and the scientific community.

Partners: Imaflora and Instituto Biodinâmico.

Results: ☺ The proper use of non-wood forest resources in Natura's products is certified by the quality seal of the Forest Stewardship Council, FSC, and the Instituto de Manejo e Certificação Florestal e Agrícola (Institute for Forestry and Agricultural Management and Certification). Imaflora, is the responsible for this certification. The FSC seal ensures that the customer contributes to the preservation of forests and improvement of the social conditions of workers and local communities. In 2004, the forestry certification for six raw materials was completed: Brazil nut (*Bertholletia excelsa*), breu (*Protium pallidum*), copaiba (*Copaifera spp.*), rosewood (*Aniba fragans*), cacao (*Theobroma cacao*) and guarana (*Paullinia cupana*).

The organic certification attributes quality to the natural raw material, establishing a relationship of trust with the customer. Organic agriculture favors the preservation of the agrobiodiversity of the water and soil. The IBD Organic seal is granted by the Instituto Biodinâmico (Biodynamic Institute), IBD, guided by ecological and social guidelines that involve the sustainability of agricultural production. In 2004, the organic certification of the Surinam cherry (*Eugenia uniflora*) was completed.

Therefore, seven sources of known origin and of sustainable management were defined for plants used in the Ekos line (the target set for 2004 was to certify 8 plants).

Target for 2005: To have five raw materials in the last certification phase (*phase III; see indicator 24*), by the end of 2005.

Government and Society

1. United Nations Development Programme (UNDP)⁽¹⁾

Coordination: United Nations Development Programme, UNDP.

Objectives: To disseminate, by way of means of a DVD, the Millennium Development Goals (MDG) and the principles of the Global Compact. To sponsor the production of a DVD that contains images of the Concert for Peace organized by the UNDP at the headquarter of the United Nations on September 19, 2003 in honor of Sérgio Vieira de Mello and the other victims of the attack to the UN office in Baghdad.

Target Public: Society.

Results: ☺ DVD launch expected for 2005.

2. Colóquio Internacional de Direitos Humanos (International Colloquium on Human Rights)⁽¹⁾

Coordination: Conectas Direitos Humanos and SUR Rede Universitária de Direitos Humanos.

Objectives: To gather human rights activists from various countries in Africa, Asia and Latin America to discuss the topic "The millennium development declaration and goals: challenges to human rights". To promote cooperation, learning and action from relations in the Southern Hemisphere.

Location: From São Paulo and broadcasted to all over Brazil, the United States, Europe and Latin America.

Target Public: Academics, researchers, employees of the United Nations, representatives from international foundations and human rights activists.

Results: ☺ The event gathered 60 human rights activists from 23 countries in Africa, Asia and Latin America who presented around 60 proposals of local initiatives for the topic and five other proposals to increase cooperation in the hemisphere. Other activities were also performed and these included workshops for the public and field visits to human rights organizations in São Paulo.

3. Programa New Ventures Brasil – Fórum de Investidores em Negócios Sustentáveis (New Ventures Brazil Program – Forum of Investors in Sustainable Ventures)⁽¹⁾

Coordination: Centro de Estudos em Sustentabilidade da Fundação Getúlio Vargas (Centre of Studies on Sustainability of the Getúlio Vargas Foundation), CES-FGV.

Objective: To support the development of sustainable ventures and extend the potential of their performance on the market, providing them with technical support in the formulation of business plans and bringing them closer to investors who are interested in profitable investments, based on social and environmental responsibility criteria.

Location: Regions from all over Brazil.

Target Public: Entrepreneurs in sustainable ventures, risk capital investors, financial institutions, private pension funds, among other agents of the financial sector.

Resultados: ☺ During the "Call for Business", over 100 consultations from entrepreneurs were received. Upon termination of the process, 33 business plans were presented, 14 of which were forwarded to the mentoring phase – in which the venture receives technical support.

1. Projects sponsored or supported by Natura.

Finally, 12 ventures were taken to the Forum of Investors in Business Ventures held in São Paulo. The forum was attended by over 200 people, including, in its majority, risk capital investors, financial institutions and entrepreneurs.

4. Crer para Ver Program (Believing is Seeing)

Objective: To contribute to the improvement of the quality of the public education system offered in Brazil, by means of technical and financial support to creative and innovative educational projects, and the promotion of debates on this topic in society.

As a partnership between Natura Cosméticos and the Fundação Abrinq pelos Direitos da Criança e do Adolescente (Abrinq Foundation for the Rights of Children and Adolescents), the program counts on the support of the Natura Sales Representatives who voluntarily sell the products of the Crer para Ver line. In 2004, the program, in partnership with the Ministry of Education of Brazil, launched a campaign for the education of young people and adults. According to the 2000 Census of the Instituto Brasileiro de Geografia e Estatística (Brazilian Institute of Geography and Statistics), IBGE, there are 70 million people older than 15 in Brazil who did not complete middle school and 16 million of these are young people between 15 and 24 years of age.

Location: twenty-one Brazilian states.

Target Public: A total of 901,000 students from 3,638 public elementary and middle schools.

Partners: Fundação Abrinq pelos Direitos da Criança e do Adolescente (Abrinq Foundation for the Rights of Children and Adolescents), non-governmental organizations working with education, municipal and state departments and the Ministry of Education.

Results: ☺ The targets of the Programa Crer para Ver for 2004 were, in addition to raising 2.5 million reais, to launch the Crer para Ver campaign for the Education of Young People and Adults, EJA, promoting an increase in the number of enrollments, to disseminate the topic in the media and to support initiatives to improve the quality of education for this section of that public.

Results of the campaign for the Education of Young People and Adults (EJA)

The campaign focused on three work fronts:

1) Selection, financing and technical follow-up of projects geared towards the education of teachers of young people and adults: in 2004, the project Organizando Experiências e Organizando Propostas de Educação (Organizing Experiences and Organizing Proposals for Education)/State of São Paulo was supported, benefiting the EJA teachers of the public school system of Cajamar.

2) Launch of the Innovating the Education of Young People and Adults Award in partnership with the Ministry of Education and Culture.

3) Mobilization of the Natura Sales Representatives so that they can, voluntarily, identify potential students and raise their awareness about returning to school.

Results of projects for the regular elementary and middle school education

The program ended 2004 with four supported projects: Escola Indígena da Floresta (Indigenous School of the Forest/State of Acre; Cinema e Vídeo nas Escolas (Cinema and Video at Schools)/State of São Paulo; Janelas Cruzadas (Crossed Windows)/State of Rio de Janeiro, and Chapada/State of Bahia.



Economic results

Since its implementation in 1995, the program has supported 148 projects in 3,638 state schools in 21 states, involving 901,000 children. Between 1995 and 2004, 17.9 million reais was raised. In 2004, the fund raising, of 3 million reais, was the highest since the creation of the program and exceeded the target set for the year by 20%.

Target for 2005 To maintain the fund raising for social projects at the current levels and enroll 50,000 people all over Brazil by way of the Natura Sales Representatives.

5. Projeto Biodiversidade Brasil (Biodiversity Brazil Project)⁽¹⁾

Objective: Stimulate discussion on topics related to Brazilian biodiversity in partnership with the *Fundação Padre Anchieta – TV Cultura de São Paulo* (Father Anchieta Foundation – Cultura TV Channel of the State of São Paulo). This partnership takes place by means of three shows produced and broadcasted by this channel: *Biodiversidade Debate* (Biodiversity Debate), a series of documentaries called *Biodiversidade Documento* (Biodiversity Document), and the broadcast *Biodiversidade* (Biodiversity), which is part of the TV program *Repórter Eco*.

Location: From the city of São Paulo, it reaches all Brazilian states where TV Cultura programming is broadcasted.

Target Public: Environmentalists, researchers, governments, businessmen and people from civil society.

Partners: *TV Cultura e Fundação Padre Anchieta*.

Results: ☺ In 2004, 26 *Biodiversidade* broadcasts, one documentary for *Biodiversidade Documento* and 7 *Biodiversidade Debate* programs were produced. From August to December 2004, the programs were rerun.

Since the beginning of the project, 145 *Biodiversidade* broadcasts, 34 *Biodiversidade Debate* programs and 8 documentaries for *Biodiversidade Documento* have been produced. During this period, the www.biodiversidadebrasil.com.br Website received and replied to 7,000 messages from viewers of the shows or people interested in the biodiversity topic.

In 2004, the documentary *Bioconexão A Vida em Fragmentos* (Bioconnection Life in Fragments) won the Documentary Award on the Biodiversity of the Atlantic Forest in the Television 2004 category. The award was organized by the *Aliança para a Conservação da Mata Atlântica* (Alliance for the Preservation of the Atlantic Forest), a partnership between *Conservação Internacional Brasil* (International Brazil Preservation) and the *Fundação SOS Mata Atlântica* (SOS Atlantic Forest Foundation). The International Center for Journalists and the International Federation of Environmental Journalists also participated. In 2003, this documentary won the 1º *Concurso Biodiversidade Brasil* (First Biodiversity Brazil Contest), which was also carried out through the partnership and with the Ministry of Environment.

Target for 2005 To produce 48 *Biodiversidade* broadcasts, one documentary on a theme yet to be defined, prospect of a partnership for the production of a second documentary, prospect for the distribution of the shows to the state-owned TV companies in Latin America.

1. Project supported with Rouanet Law.

Total Support and Sponsorship in 2004

Natura's Funds

Areas	2004 - in reais
Promotion of Sustainable Development	85,000
Protection of the Environment	237,668
Art and Culture	66,963
Promotion of Equality and Diversity	66,000
Strengthening of the Organizations from Civil Society and Governmental Organizations	442,423
Promotion of Dialogue	454,657
Total Support and Sponsorship – Natura Funds	1,352,711

Tax Funds

Areas	2004 - in reais
Promotion of Sustainable Development	1,047,000
Art and Culture	891,157
Total Support and Sponsorship – Tax Funds	1,938,157

Targets assumed in the Natura 2003 Annual Report

Initiative	Target assumed in 2003	Results
Program for the Certification of Natural Raw Materials	Define known source of origin and sustainable management for another 8 plants used in the Ekos lines.	☺ Target partially achieved. Seven plants used in the Ekos line were certified (see complete analysis of the target in the description of projects results, page 68).
Plântula Project	Identification of sustainable source for 17 plants.	☺ Target achieved. The potential areas for the supply of medicinal species of interest were identified and the need for research that establishes a continuing production process and contributes to the preservation of these genetic resources was evidenced.
Sustainable Development Program with the Supplier Communities	To start the investment of the fund for sustainable development in the communities in Central Jurua, Iratapuru and the neighboring area of Belém.	☺ Target partially achieved. In 2004, the initiatives that support the communities were developed by way of partnerships and a continuous local monitoring. Natura's investments in the program and the financial return to the communities ensured important improvements in the production chain and strengthening of local cooperatives. However, the investment of the fund in the Belém area and in Central Jurua has not yet been defined.
Crer para Ver Program	To launch a national Crer para Ver/Education of Young People and Adults campaign, increasing the demand for enrollment and quality of the education, and drawing the attention of society to this issue: to start a process for the inclusion of products arising from projects that create jobs and generate income in the portfolio of the Crer para Ver line in 2005.	☺ Target achieved. The campaign was launched and the study for the inclusion of products originating from job creation and income generation projects in the portfolio was started (see complete analysis in the description of the projects results, page 69).
Training of Cultural Agents	At least 80% of the young people enrolled in 2003 will finish the training course for cultural agents; involve the young people who completed the course in cultural and educational activities of the city and the company.	☺ Target achieved. 100% of the 52 young people involved in the training course for cultural agents, in partnership with the Serviço Nacional de Aprendizagem Comercial de São Paulo (Brazilian Service for Commercial Learning), Senac, completed the course: 100% of the young people participated, on a professional basis, in two projects in partnership with the Education Board of the Municipality of Cajamar by working in the state schools. These young people were remunerated by the partners in the project.
Agenda 21 in Cajamar	To expand the Tripartite Working Group and start the process for the involvement of local leaders in democratic forums aimed at planning the municipality.	☺ Target partially achieved. The process for the expansion of the tripartite working group started upon the 1st Pro Agenda 21 Meeting: the analysis of the municipality of Cajamar was made and interactive workshops in two districts of the city were carried out (see complete analysis of the target in the description of the projects results, page 68).
Novos Olhares – Make-up Workshops	Expansion of the project to another five locations in Brazil and one in South America and implementation of make-up workshops in the company's neighboring communities – Cajamar and Itapeerica da Serra; to strengthen small centers in each city and increase the free participation of the Sales Representatives.	☺ Target partially achieved. In 2004, the project was expanded to four new market management offices in Brazil. One hundred and fourteen workshops and 1,888 services to patients and their close companions were provided at the ten institutions supported by the project. The number of the project's volunteers grew from 123 to 170. The target for the implementation of the project in the international operations has not been achieved. Make-up workshops were implemented in the company's neighboring communities, with the involvement of Natura's employees. The continuity of this project in 2005 is under analysis.
Gente Bonita de Verdade na Comunidade Program	To set up, during the year, six groups of employees, totaling 140 employees, working in the neighboring communities reach the end of the year with maps of the structural needs of the social entities so as to plan initiatives in 2005.	☺ Target partially achieved. In 2004, six partner entities participated in the project and received Natura's volunteers. The volunteers carried out activities related to Shantala massage, make-up workshops and games. In total, 110 employees participated, in 166 visiting periods, divided into four groups. The map of the structural needs of the social organizations, a target that was also assumed for 2004, was not totally structured.
Natura Education Program	Expand the scope of the program to Natura Sales Representatives and outsourced employees. To grant to employees 80 scholarships for technical courses, 90 for language courses, and 100 for college studies.	☺ Target partially achieved. All the scholarships provided for were offered. The scope of the program will be expanded in 2005 (see complete analysis in the description of projects results, page 68).

Transparent Relations with Society and Dialogue with Stakeholders

Lectures about Corporate Responsibility given in 2004

Event	Lecture	Organization/Inviter	Lecturer	Date	Location	Audience
Environment Working Group	Environmental Indicators	ABIHPEC – The Brazilian Association of the Personal Hygiene, Perfume and Cosmetics Industry	Eliane Anjos	2/18/2004	São Paulo, State of São Paulo	Around 20 participants, including managers, environment assistants and technicians from various industries
Corporate Social Responsibility Principles and Practices Course: Selection, Evaluation of and Partnership with Suppliers Section	Natura Social Responsibility Case Study	Getúlio Vargas Foundation – São Paulo, Extension Course in Social Responsibility	Eliane Anjos	4/26/2004	São Paulo, State of São Paulo	Around 30 course students
Annual Meeting of the Pan American Standards Commission (COPANT)	Natura Social Responsibility Case Study	The Brazilian Association of Technical Standards	Rodolfo Witzig Guttilla	5/14/2004	Salvador, State of Bahia	Around 220 participants, including executives from the social responsibility and quality areas and representatives of the Pan American Standards Commission and regulatory bodies from Latin America
1 st Forum for the Development of Suppliers	Implementation of the Natura Environmental Management System	Transportadora Americana	Karina Aguiar	5/20/2004	Americana, State of São Paulo	Around 150 employees and suppliers of Transportadora Americana
Course for Managers	Natura and Corporate Responsibility	Superior School of Advertising and Marketing	Nelmara Arbex	5/20/2004	São Paulo, State of São Paulo	Around 30 company managers
Course for Managers	Natura Annual Report	Getúlio Vargas Foundation – State of São Paulo	Nelmara Arbex	5/26/2004	São Paulo, State of São Paulo	Around 30 company managers
Mobiliza Amazônia 2004 (Mobilize the Amazon 2004) – Seminar to Raise Funds For Organizations from Civil Society	Mobilization of Relations and Vocation – Natura's Experience	Ashoka Empreendedores Sociais and Sector Chamber of Social Responsibility of the Commercial Association of the State of Pará	Guilherme Leal	5/28/2004	Belém, State of Pará	Around 300 participants, including social entrepreneurs, small businessmen, representatives from organized civil society, third sector specialists, the community and the general public
Fifth Cycle of Lectures of the Federal University of São Carlos	Natura and Social Responsibility	Federal University of São Carlos	Isabel Ferreira	5/31/2004	São Carlos, State of São Paulo	Around 400 college students in engineering, production, psychology, social sciences, among others
Sixth Environment Week	Brazilian Water Reuse Case Study	The Federation of Industries of the State of São Paulo – Environment Department	Eliane Anjos	6/1/2004	São Paulo, State of São Paulo	Around 300 representatives from the industrial sector, government, trade associations and entities from the third sector
Sixth Environment Week	Environmental Performance Indicators	The Federation of Industries of the State of São Paulo – Environment Department	Eliane Anjos	6/3/2004	São Paulo, State of São Paulo	Around 300 representatives from the industrial sector, government, trade associations and entities from the third sector
Committee of Young Executives of the Chamber of Commerce of Campinas	Natura Social Responsibility Case Study	The American Chamber of Commerce – Campinas	Giuliana Ortega	6/8/2004	Campinas, State of São Paulo	Around 35 young executives
Second Unimed Social Responsibility Seminar	Natura and the Environment	Unimed	Karina Aguiar	6/24/2004	Atibaia, State of São Paulo	Around 100 employees of Unimed and guests
International Meeting on Social Responsibility	Corporate Responsibility	Bureau Veritas	Itamar Correia da Silva	7/7/2004	São Paulo, State of São Paulo	Around 400 executives, in particular from the quality area
Monthly Meeting on Social Responsibility	Social Responsibility – Natura's View	Association of Christian Company Officers	Pedro Passos	7/28/2004	São Paulo, State of São Paulo	Around 20 businessmen from various sectors
Seminar on Environmental Education and Management	Natura and the Environment	School of Pharmaceutical Sciences of Ribeirão Preto – University of São Paulo	Eliane Anjos	8/10/2004	Ribeirão Preto, State of São Paulo	Around 200 graduation and post graduation students, professors and employees of the school and other units of the campus of the university in Ribeirão Preto (medicine, nursing, dentistry, philosophy, economy and business administration)
Environment Committee	From Sustainability Project to Practice – Environmental Technologies Implemented in the Construction of the New Space	The American Chamber of Commerce – São Paulo	Eliane Anjos	8/11/2004	Cajamar, State of São Paulo	Around 50 participants, including officers, managers, environment managers from industries, lawyers, members of other chambers of commerce, representatives from the government, among others
Seminar on Socially Responsible Management	Adherence to Social Responsibility by Investors, Private Pension and Investment Funds	Federation of Industries of the State of São Paulo, Center of Industries of the State of São Paulo and Ethos Institute of Companies and Social Responsibility	Rodolfo Witzig Guttilla	8/11/2004	São Paulo, State of São Paulo	Around 100 participants, including businessmen and professionals of the social responsibility area
24th Brazilian Seminar on Intellectual Property	Biodiversity and Intellectual Property	ABPI – Brazilian Association of Intellectual Property	Antônio Siqueira	8/17/2004	Brasília, Federal District	Around 250 people, including lawyers and technicians from the intellectual property area
São Paulo Apimec Meeting	Apimec Natura	Association of Capital Markets Investment Analysts and Professionals of the State of São Paulo and Natura	Pedro Passos, David Uba and Helmut Bossert	8/18/2004	Cajamar, State of São Paulo	160 participants, including capital market analysts, investors and others
Third Corporate Forum – Fundamentals of Excellence	Excellence in Management and Social Responsibility	The Foundation for the Brazilian Quality Award	Pedro Passos	8/18/2004	São Paulo, State of São Paulo	18 directors of the Foundation for the Brazilian Quality Award

Event	Lecture	Organization/Inviter	Lecturer	Date	Location	Audience
First Forum on Environmental Management in Industrial Plants	Life Cycle Assessment as an Environmental Management Tool	Editora Caju	Eliane Anjos	8/23/2004	São Paulo, State of São Paulo	Around 30 participants – Environment officers, managers and technicians from various industries
Sustainability Corporate Forum and Corporate Responsibility	Sustainability and Corporate Responsibility	Centre of Studies on Sustainability and The Getúlio Vargas Foundation	Rodolfo Witzig Guttilla	8/24/2004	São Paulo, State of São Paulo	Around 120 participants, including professionals from the private sector and entities from civil society
Fifth Week of Lectures of the College of Social and Applied Sciences of the University of the Paraíba Valley	The Importance of Social Responsibility for Companies	University of the Paraíba Valley	Giuliana Ortega	8/26/2004	São José dos Campos, State of São Paulo	Around 240 Social Sciences college students
Forum on gender affirmative analysis and initiatives in companies	Gender Challenges at Natura	ABN-Amro and Itaipu-Binacional	Nelmara Arbex	9/3/2004	São Paulo, State of São Paulo	Representatives from ten companies related to the topic
Second Corporate Communication, Press Relations and Public Relations Meeting of the State of Pará	Social Responsibility	Gaby Comunicação	Rodolfo Witzig Guttilla	9/11/2004	Belém, State of Pará	Around 180 professionals from the communication area
Environment Committee	Sustainability from Project to Practice – Environmental Technologies Implemented in the Construction of the New Space	The American Chamber of Commerce – Campinas	Eliane Anjos	9/15/2004	Campinas, State of São Paulo	Around 50 participants, including environment officers, managers and technicians from industries, lawyers, representatives from the government, among others
Business Administration Week of the Superior School of Advertising and Marketing	Natura Social Responsibility Case Study	Superior School of Advertising and Marketing	Susy Yoshimura	9/28/2004	São Paulo, State of São Paulo	Around 30 business administration college students
Meeting of the Civic Responsibility Council of the The Federation of Industries of the State of Minas Gerais	Social Responsibility – Principles and Practices	Fiemg – The Federation of Industries of the State of Minas Gerais	Guilherme Leal	10/4/2004	Belo Horizonte, State of Minas Gerais	Around 40 members of the Corporate Civic Responsibility Council of Fiemg
Integrated Management Course	Natura Social Responsibility Case Study	Senac SP – Brazilian Service for Commercial Learning of the State of São Paulo	Giuliana Ortega e Cristina Pastorello	10/16/2004	Cajamar, State of São Paulo	31 students from the Masters course in Health, Security and Environment
Third UNIFAI Multidisciplinary Symposium	Corporate Responsibility – Challenge or Commitment	Unifai – Assunção University Center	Nelmara Arbex	10/25/2004	São Paulo, State of São Paulo	Around 200 students from different areas
Course for Managers	Corporate Responsibility Management System – Natura's Experience	FGV – Getúlio Vargas Foundation – State of São Paulo	Nelmara Arbex	11/4/2004	São Paulo, State of São Paulo	Around 30 company managers and managers from related areas
Natura Lecture	Natura Institutional Case Study	Unip – São Paulo University	Helmut Bossert	11/4/2004	São Paulo, State of São Paulo	Around 300 business administration college students
Global Summit on Social Entrepreneurship – The Future of Social Entrepreneurship – How Big Can Small Get?	Participation in the "Lessons from Scaling from Various Models – Organic Growth Model" panel	The Schwab Foundation for Social Entrepreneurship	Guilherme Leal	11/5/2004	São Paulo, State of São Paulo	Around 500 participants, including social entrepreneurs, businessmen, representatives from organized civil society, multilateral organizations, and governments and third sector specialists
European Conference on Corporate Social Responsibility	Natura Ekos Case Study	Ministry of Economic Affairs of The Netherlands	Sonia Tuccori	11/8/2004	Maastricht, The Netherlands	Around 200 participants, including corporate leaders, community and NGOs
Fifth Brazilian Congress of Corporate Governance	Share Offering and Corporate Governance – Natura's Experience	IBGC – Brazilian Institute of Corporate Governance	Guilherme Leal	11/8/2004	São Paulo, State of São Paulo	Around 380 executives, including company directors, chairmen and officers
Apimec RI Meeting	Natura Case Study	Apimec RI – Association of Capital Markets Investment Analysts and Professionals of the State of Rio de Janeiro – and Natura	David Uba e Moacir Salzstein	11/11/2004	Rio de Janeiro, State of Rio de Janeiro	90 participants, including capital market analysts, investors and others
Symposium on Traditional Knowledge and Preservation of Agrobiodiversity	Access to Biodiversity and Sharing of Benefits	Esalq – Luiz de Queiroz Superior School of Agriculture	Fernanda Ferraz	11/11/2004	Piracicaba, State of São Paulo	Around 180 graduation, masters and doctors degree academics
Management of Knowledge – Companies' Experiences	Natura Social Responsibility Case Study – Program of Relationship with the Neighboring Community	International Association for Continuing Education Training	Solange Rubio	11/20/2004	São Paulo, State of São Paulo	60 Business Administration college students
Planning and Implementation Course – Social Responsibility Management for Sustainable Development	Natura Annual Report Case Study	Unietos	Giuliana Ortega	11/24/2004	São Paulo, State of São Paulo	25 professionals of various companies
First Seminar on Financial Marketing	Natura Corporate Responsibility - Environmental Management	Brazilian Federation of Banks	Nelmara Arbex	11/25/2004	São Paulo, State of São Paulo	Around 200 company managers and professionals from various areas
Tenth Forum of Debates of the APP – São Paulo Association of Advertising	Social Responsibility and Communication	Association of Advertising Professionals	Rodolfo Witzig Guttilla	12/1/2004	São Paulo, State of São Paulo	Around 80 professionals from the advertising area
Biodiversity and Business in the Amazon: Partnerships between Communities, Corporations and Government	Participation in debate and round table	Yale School of Forestry and Environmental Studies	Sonia Tuccori	12/1/2004	Yale, Connecticut – United States	Around 300 participants, including professors, students, anthropologists and researchers from Yale University

Commitment to Leadership and Social Influence

Representation in Trade Associations and Associations in General

Trade Association/Association	Natura Representative	Type of Representation	Mandate
ABC – The Brazilian Association of Cosmetology	Eneida Barbare	Representative	
Aberje – The Brazilian Association of Corporate Communication	Rodolfo Guttilla	Chairman of the Decision-Making Council	2002 / 2005
ABEVD – The Brazilian Association of Direct Selling Companies (www.abevd.org.br)	1. Rodolfo Guttilla 2. Moacir Salzstein 3. Karen Cavalcanti 4. Lucilene Prado 5. Angel Medeiros 6. Lucia Taninaga	1. Chairman 2. Coordinator of the Research Committee 3. Coordinator of the Communication Committee 4. Coordinator of the Taxation and Government Relations Committee 5. Member of the Supply Chain Committee 6. Member of the Research Committee	1. 2003 / 2005
ABIA – The Brazilian Association of Food Industries (www.abia.org.br)	Ariadne Moraes Vicente de Mello	Representatives	
ABIFITO – The Brazilian Association of the Phytotherapeutic and Health Promotion Products Sector (www.abifito.org.br)	Ariadne Moraes Vicente de Mello	Representatives	
ABIHPEC – The Brazilian Association of the Personal Hygiene, Perfume and Cosmetics Industry (www.abihpec.org.br)	1. Pedro Luiz Passos 2. Rodolfo Guttilla 3. Moacir Salzstein 4. Lucilene Prado 5. Elizabete Vicentini	1. Vice President 2. Director 3. Representative in the Foreign Trade Committee 4. Representative in the Taxation Committee 5. Representative in the Biodiversity Committee	1 and 2. June 2004 / June 2007
ABNT – The Brazilian Association of Technical Standards (www.abnt.org.br)	Renato Wakimoto	Representative	
ABPI – The Brazilian Association of Intellectual Property (www.abpi.org.br)	1. Eneida Barbare 2. Antonio Siqueira	1. Representative of the Copyrights, Patents, Brands, and Technology 2. Representative	
ABPVS – The Brazilian Association of Sanitation Control Professionals (www.abpvs.com.br)	Elizabete Vicentini	Representative	
ABQV – The Brazilian Association of Quality of Life (www.abqv.org.br)	1. Plinio Yasbek 2. Luiza Cruz	1. Associated Member - Founder 2. Executive Secretary	
Acelp – The Portuguese Language Corporate Communication Association	Rodolfo Guttilla	Chairman	July 2004 / July 2008
The Itapeperica da Serra Development Agency	1. Rodolfo Guttilla 2. Marcelo Soderi	1. Vice President 2. Representative	
AIPPI – The International Association for the Protection of Intellectual Property (www.aippi.org)	Eneida Barbare	Representative	
Alanac – The Association of the Brazilian Pharmaceutical Companies (www.alanac.org.br)	Ariadne Moraes	Representative	
AMCHAM – The American Chamber of Commerce of São Paulo (www.amcham.com.br)	1. Pedro Luiz Passos 2. Antônio Siqueira 3. Rodolfo Guttilla 4. Vicente de Mello 5. Eliane Anjos 6. Fábio Piastrelli Mengozzi 7. Elizabete Vicentini 8. Eneida Barbare	1. Member of the Board 2. Member of the Strategic Group Legal of Directors and Vice Presidents 3. Corporate Affairs Member 4. Member of the Competition Strategic Group Brazil and Director of the Balanced Scorecard Brazil Working Group 5. Environment Committee Member 6. Relationship Management Committee Member 7. Member of the ANVISA Subgroup 8. Member of the Intellectual Property Technical Group	1. 2004 / 2005
Amerco – The Association of Corporate Communication of the Mercosur	Rodolfo Guttilla	Chairman	July 1999 / July 2005
Peruvian Civil Association of Companies Related to Brazil – Brazil Group	Erasmus Toledo	Representative	
Anpei – The Brazilian Association of RD&E of Innovative Companies (www.anpei.org.br)	Elizabete Vicentini	Director	May 2002 / May 2005
Asipi – The Interamerican Association of Industrial Property (www.asipi.org)	Eneida Barbare	Representative	
Aspi – The São Paulo Association of Intellectual Property (www.aspi.org.br)	Eneida Barbare Antonio Siqueira	Representatives	
Asug – The Association of the SAP Users in Brazil (www.asug.com.br)	Anna Sant'Anna	Representative	
Audibra – Brazilian Institute of Internal Auditors (www.audibra.org.br)	Meire Stuchi	Representative	
Argentinean Chamber of the Cosmetic and Perfumery Industry (Capa)	1. Mauricio Bellora 2. Jelena Nadinic	1. Member of the Steering Commission 2. Member of the Technical Commission	
Chamber of Commerce of Lima	Erasmus Toledo Elby Stromeyer	Representatives	
Argentinean Chamber of Direct Sales	Mauricio Bellora	Member of the Steering Commission	
Chilean Chamber of Direct Sales	Mauricio Pinto	Director of the Chamber	2004 / 2005
Câmara Net – The Brazilian Chamber of Electronic Commerce (www.camara-e.net)	Fábio Mengozzi	Representative	
Peruvian Chamber of Direct Sales	Erasmus Toledo	Representative	
Ceal – The Council of Latin American Businessmen (www.ceal-int.org)	Guilherme Peirão Leal	Member	
Cempre – Corporate Commitment to Recycling (www.cempre.org.br)	Eliane Anjos	Representative	
Ciesp – The Center of Industries of the State of São Paulo (www.ciesp.org.br)	1. Guilherme Peirão Leal 2. Itamar Correia da Silva	1. Director 2. Holder of the title of Director of the Board of Ciesp Jundiaí	1 and 2. September 2004 / September 2007
CNI – The Brazilian Confederation of Industries (www.cni.org.br)	Eliane Anjos	Coordinator of the Environment Thematic Council	
Committee of the Upper Tietê Hydrographic Basin	Eliane Anjos	Office Holder of the Technical Chamber of Underground Water – CTAS	
The Council for the Rights of Children and Adolescents of Cajamar	Walkyria Dias	Director of Industry and Commerce	
Ethos – The Ethos Institute of Companies and Social Responsibility (www.ethos.org.br)	1. Guilherme Peirão Leal 2. Nelmara Arbex 3. Rodolfo Guttilla	1. Member of the Decision-Making Council 2. Office Holder 3. Substitute	1. May 2003 / May 2005

Trade Association/Association	Natura Representative	Type of Representation	Mandate
Fiesp/NAS – The Federation of Industries of the State of São Paulo/Social Action Center (www.fiesp.org.br)	1. Pedro Luiz Passos 2. Rodolfo Guttilla 3. Eliane Anjos	1. Delegate Representative of SIPATESP 2. Director of the Social Action Center 3. Representative in the Environment Department	1. June 2001 / June 2004 2. September 2003 / September 2004
FPNO – The Foundation for the Brazilian Quality Award (www.fpnq.org.br)	1. Pedro Luiz Passos 2. Roberto Zardo 3. Sophia Segawa 4. Yara Rezende	1. Member of the Trustee Council 2. Representative in the Benchmarking Thematic and Management by Processes Committees 3. Representative in the Benchmarking Thematic and Management by Processes Committees 4. Representative in the Intellectual Capital and Innovation Committee	1. 2003 / 2005
Funbio – The Brazilian Fund for Biodiversity (www.funbio.org.br)	Guilherme Peirão Leal	Deputy Member of the Decision-Making Council	November 2001 / November 2005
The Abrinq Foundation for the Rights of Children (www.fundacaoabrinq.org.br)	1. Guilherme Peirão Leal 2. Nelmara Arbex 3. Pedro Villares 4. Susy Yoshimura	1. Member of the Board 1, 2, 3 e 4. Member of the Steering Committee of the Programa Crer para Ver (Believing is Seeing Program)	1. Since 1992 and since 1996 2 e 3. Since 2003 4. Since 2004
The Getúlio Vargas Foundation/Centre of Studies on Sustainability (www.ces.fgvsp.br)	Nelmara Arbex	Member of the Advisory Council	
G50 – The Group of 50 Carnegie Endowment for International Peace	Guilherme Peirão Leal	Member	
Gife – The Group of Institutions, Foundations and Companies (www.gife.org.br)	Nelmara Arbex	Member	
GRI – Global Reporting Initiative (www.globalreporting.org)	Nelmara Arbex	Member of the Stakeholders Council	2002 / 2005
Ibef – The Brazilian Institute of Finance Executives (www.ibef.com.br)	Jorge Casmerides	Member	
IBGC – The Brazilian Institute of Corporate Governance (www.ibgc.org.br)	Lucilene Prado	Representative	
Ibri – The Brazilian Institute of Investor Relations (www.ibri.org.br)	Marcel Goya Helmut Bossert Eduardo Zornoff	Representatives	
Iedi – The Institute of Studies for Industrial Development (www.iedi.org.br)	Guilherme Peirão Leal	Member of the Board	September 2000 / Undetermined
AKATU Institute (www.akatu.org.br)	Guilherme Peirão Leal	Member of the Steering Council	
The Fernand Braudel Institute of World Economy (www.braudel.org.br)	Guilherme Peirão Leal	Member of the Institute	
The São Paulo Institute Against Violence (www.spcv.org.br)	Rodolfo Guttilla	Representative	
MBC – Competitive Brazil Movement (www.mbc.org.br)	1. Maria Helena Zucchi 2. Roberto Zardo 3. Moacir Salzstein 4. Rodolfo Guttilla	1. Representative in the Innovation Thematic Committee 2, 3 e 4. Representatives	
Sipatesp – Perfume and Beauty Products Industry Union in the State of São Paulo	1. Pedro Luiz Passos 2. Rodolfo Guttilla	1. Vice President and Coordinator of the Industrial Relations Working Group 2. Director	1 and 2. June 2004 / June 2007
Uniethos (www.uniethos.org.br)	Nelmara Arbex	Member of the Technical Council	
WFDSA – World Federation of Direct Selling Associations (www.wfdsa.org)	Pedro Luiz Passos	Member of the CEO Council	
WWF Brasil (www.wwf.org.br)	Guilherme Peirão Leal	Member of the Steering Council	December 2001 / March 2006

Contact Details of Natura's Representatives to Trade Associations and Associations in General

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Moacir Salzstein	Strategic Plan Manager	moacirsalzstein@natura.net	55 11 4446 2616
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economic, environmental
and social indicators
global reporting initiative



"We are a registered Organisational Stakeholder of the Global Reporting Initiative (GRI) and support the mission of the GRI to develop globally accepted sustainability reporting guidelines through a global, multi-stakeholder process."

"This Report has been prepared in accordance with the GRI 2002 Guidelines. It represents a balanced and reasonable presentation of our organization's economic, environmental and social performance."

Pedro Luiz Barreiros Passos
Chief Executive Officer

Natura presents its economic, environmental and social performance indicators in accordance with the recommendations of the Associação dos Analistas e Profissionais de Investimento do Mercado de Capitais (Association of Capital Markets Investment Analysts and Professionals) – Apimec, Associação Brasileira das Companhias Abertas (Brazilian Association of Publicly-Traded Companies), Abrasca, and the Global Reporting Initiative – GRI. Also, Natura follows the guidelines of the Instituto Ethos de Empresas e Responsabilidade Social (Ethos Institute of Companies and Social Responsibility).

In this 2004 report, the indicators now include information on the international operations. These are, it is worth noting, operations of an administrative nature. Due to this fact, and to the size of these operations, their social and environmental impact is different from that in Brazil. Abroad, some of the processes for gathering social and environmental information were under implementation at the end of 2004 and will be more complete in the years ahead.

The year of 2004 was also the first year in which the Environmental Management System and the Corporate Responsibility Management System were fully implemented, leading to the consolidation of internal processes. Due to these developments, this report presents more detailed data and a more clear indication of the points to be improved. An example of the detailing of the data is the new methodology for monitoring investments in the social and environmental areas. These investments are organized by stakeholder and summarized in the corporate responsibility matrix (see page 25).

The table of correspondence between the principles of the Global Compact and the company's performance indicators shown below illustrates Natura's contribution to the promotion of the principles proposed by the United Nations.

The Principles of the Global Compact	Indicadores GRI
Human Rights	
I: The support and respect of the protection of international human rights.	62, 63, 64, 66
II: The refusal to participate or condone human rights abuses.	63, 64
Labor	
III: The support of freedom of association and the recognition of the right to collective bargaining.	49, 50, 67
IV: The abolition of compulsory labor.	69
V: The abolition of child labor.	68
VI: The elimination of discrimination in employment and occupation.	60, 61, 66
Environment	
VII: The implementation of a precautionary and effective program to environmental issues.	13 a 35, 40, 43, 63, 64
VIII: Initiatives that demonstrate environmental responsibility.	13 a 16, 19, 23, 24, 32 a 37, 41 a 43
IX: The promotion of the diffusion of environmentally friendly technologies.	17, 22, 35, 36
Anti-Corruption	
X: The promotion and adoption of initiatives to counter all forms of corruption, including extortion and bribery.	75

Further clarifications on this report may be obtained from:

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Natura's Website	www.natura.net

Other information can be requested via:

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Environment Department	55 11 4446-2485
Strategic Planning Department	55 11 4446-2713
Investor Relations Department	55 11 4446-2180
Corporate Responsibility Department	55 11 4446-2580
Investor Relations Website	www.natura.net/investor

Note: N/A = Not applicable and NA = Not available

Economic Performance Indicators

The indicators in this section comprehend the activities in Brazil and international operations (Argentina, Chile, Peru and Bolivia), unless when otherwise mentioned.

Direct Economic Impacts

Customers

1. Net sales (in thousands of reais).

	2002	2003	2004
Net Sales	993,139	1,328,910	1,769,664

2. Regional market analysis.

Natura does not release this information.

Suppliers

3. Cost of all goods, materials, and services purchased (in thousands of reais).

	2002	2003	2004
Cost of all goods, materials and services purchased	679,367	942,240	1,365,906

4. Percentage of contracts that were paid in accordance with agreed terms, excluding agreed penalty arrangements.

	2002	2003	2004
Percentage of contracts paid in accordance	99.7%	99.6%	99.6%

Employees

5. Total payroll and benefits (including wages, pension, other benefits, and redundancy payments) broken down by country or region (in thousands of reais).

	2002	2003 ⁽¹⁾	2004
Brazil	143,157	167,088	233,194
Argentina	4,967	4,514	5,066
Chile	3,579	2,620	4,343
Peru	3,368	3,561	4,688
Total Natura	155,071	177,783	247,291

Ratio of investments in training and operating costs

	2002	2003	2004
Ratio	1.16%	1.16%	0.99%

Investments in the education and training of employees (in thousands of reais)

	2002	2003	2004
Investments ⁽²⁾	5,618	7,053	7,875

1. The 2003 payroll amounts, broken down per operation, were adjusted in this Report as the data previously released were preliminary. We point out the fact that the total 2003 payroll amount did not change.

2. The criteria to account for investments in the education and training of employees were reviewed and became more comprehensive. To meet these new criteria, the amounts related to the previous years, stated in this Report, were changed and do not correspond to the amounts released in the previous editions.

Investors

6. Distributions to providers of capital broken down by interest on debt and borrowings, and dividends on all classes of shares, with any arrears of preferred dividends to be disclosed (in thousands of reais).

	2002	2003	2004
Interest on debts and borrowings	134,004	64,439	33,834
Dividends and interest on capital ⁽¹⁾	14,651	60,331	216,352
Total	148,655	124,770	250,186

1. The 2002 and 2003 figures refer to dividends and interest on capital of Natura Participações.

7. Increase/decrease in retained earnings at the end of period (in thousands of reais).

	2002	2003	2004
Net income	21,741	63,884	300,294

Public Sector

8. Total sum of taxes of all types paid broken down by country (in thousands of reais).

	2002	2003	2004
Brazil	373,032	490,316	531,346
Argentina	3,077	6,631	9,200
Chile	1,964	2,173	3,156
Peru	1,954	2,964	4,103
Total Natura	380,027	502,084	547,805

9. Subsidies received broken down by country or region.

	2002	2003	2004
Subsidies	NA	NA	NA

10. Donations to community, civil society, and other groups broken down in terms of cash and in-kind per type of group.

Natura is disclosing the amounts invested in corporate responsibility in 2004 in a different way from that adopted in the previous years in order to present more complete data (see *Corporate Responsibility Matrix – Main Indicators, page 25*).

11. Total spent on non-core business infrastructure development.

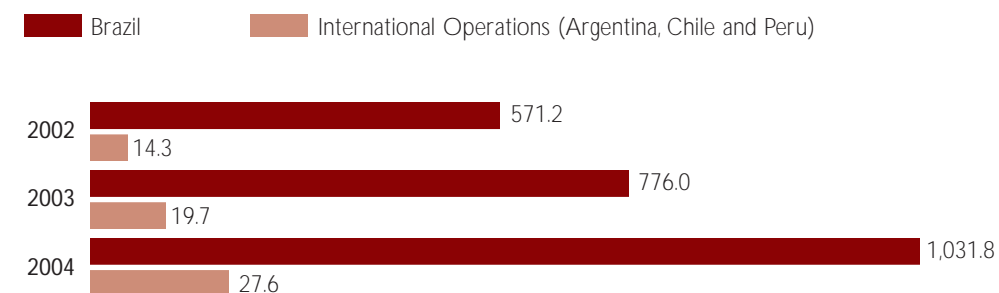
In 2004, 860,000 reais was spent in initiatives such as: expansion of the capacity of treatment of effluents by the Effluent Treatment Station in Cajamar; improvements in the treatment system to increase efficiency in the removal of the organic load at the Effluent Treatment Station in Itapeperica da Serra; improvements in the drainage of rain water; installation of a vacuum pump for the Núcleo de Aprendizagem Natura (Natura Learning Center) in order to reduce energy use; installation of lighting sensors; drilling and installation of wells for monitoring the soil; forestry renewal project and implementation of a composting center.

Indirect Economic Impacts

12. The organization's indirect economic impacts.

One of the most relevant indirect economic impact generated by Natura is the wealth generated to the almost 433,000 independent Sales Representatives, as shown by the graph below. Accordingly, it is worth noting the significant distribution of wealth to other stakeholders, such as employees, shareholders and the government (see *Main Indicators, page 20*).

Distribution of Wealth ⁽¹⁾⁽²⁾ to Independent Sales Representatives (in millions of reais)

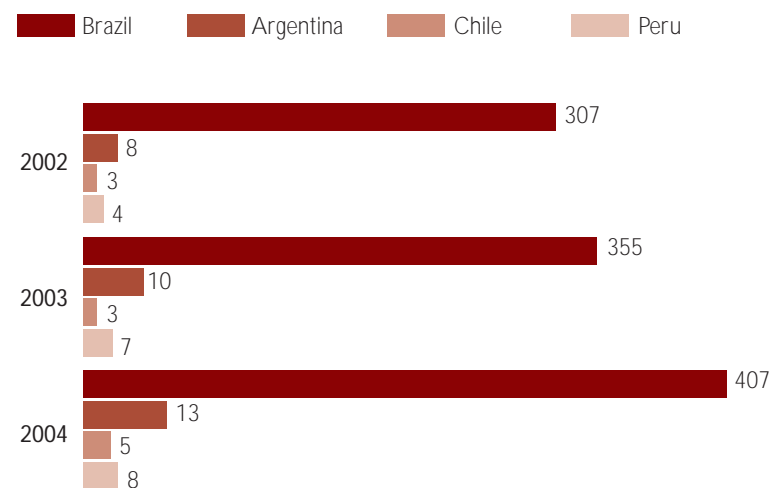


1. Amount estimated based on recommended sales prices.

2. The 2002 and 2003 amounts were adjusted because they have been aligned with the criteria of the Associação Brasileira de Empresas de Venda Direta (Brazilian Association of Direct Selling Companies), ABEVD.



Natura Sales Representatives⁽¹⁾ (in thousands)



1. The figures refer to the available Sales Representatives – those who placed at least one order in the last four sales cycles.

Economic Targets assumed in the Natura 2003 Annual Report

indicator	Target assumed in 2003	Results
10	To raise net funds amounting to R\$ 2.5 million.	☺ Target achieved. In 2004, the fund raising, of 3 million reais, was the highest since the creation of the program and exceeded the target set for the year by 20%.

Environmental Performance Indicators

The answers to these indicators take into consideration the operations in Brazil and the international operations of Natura (Argentina, Chile and Peru). It is worth noting that the company has a productive operation only in Brazil. Abroad, it operates with product sale and distribution centers. This means that the operation in Brazil, due to its size and complexity, is still the center of the company's work. For the answers that do not explicitly state the operations to which they refer, the reader should consider the content to be valid for all international operations.

Materials

13. Total materials use other than water, by type.

Brazil

	2002	2003	2004
Material use – kilograms	NA	NA	22,736,597
Material use – liters	NA	NA	13,568,344

Note: The analysis of the 2004 amounts showed that the system that determines the figures presented in 2002 and 2003 was vulnerable. Therefore, the figures for those years are not comparable with those for 2004. For this reason, the amounts from the previous years are not available.

International operations

Not applicable. As the operations abroad are commercial, the amount of materials used is not significant when compared with those of the industrial operation in Brazil.

14. Percentage of materials used that are wastes (processed or unprocessed) from sources external to the organization.

Brazil

	2002	2003	2004
Materials – metric tons	1,590	1,956	2,547

Note: This number was calculated taking into consideration the average reuse of potential waste from our suppliers.

International operations

Not applicable, as the operations abroad are commercial.

Energy

15. Direct energy use segmented by primary source (joules).

Brazil

(joules)	2002	2003	2004
Primary electricity source ⁽¹⁾	7.54 x 10 ¹³	7.47 x 10 ¹³	7.9 x 10 ¹³
Self-generated electricity (diesel-powered generator)	6.55 x 10 ¹¹	5.02 x 10 ¹¹	2.88 x 10 ¹¹
Diesel oil used in generators	22.6 x 10 ¹¹	17.3 x 10 ¹¹	9.95 x 10 ¹¹
LPG use ⁽²⁾	19.4 x 10 ¹²	23.5 x 10 ¹²	24.65 x 10 ¹²

	2002	2003	2004
Total energy use of the energy matrix (joules) ⁽³⁾	9.70 x 10 ¹³	9.99 x 10 ¹³	10.47 x 10 ¹³
Energy use of the energy matrix per unity sold (kjoules/unit) ⁽³⁾⁽⁴⁾	1,025.7	785.2	603.7

1. Even showing a growth of 28% in produced items in 2004, Natura showed efficiency in energy use, increasing by only 5.75% the consumption of electric energy (primary electricity source) in relation to 2003. This result is due to the many energy use reduction initiatives that may be seen in indicator 17.

2. Calorific value: LPG = 11,500 Kcal/kg; gasoline = 11,277 Kcal/kg (1 Kcal/kg = 4,186.8 joules/kg).

3. The energy matrix is made up of the total energy that Natura uses that comes from various sources (electric, diesel and LPG).

4. In 2004, there was a reduction of 23% in the use of energy per unit sold, particularly due to the economy of scale and the implementation of alternatives for reducing consumption.

Target for 2005: To reduce by 5.5% the relative consumption of energy.

International operations

These data have not been determined, as their amounts are not considered significant in relation to the production activity carried out in Brazil.

16. Indirect energy use.

Not applicable. Natura does not purchase energy products for its production process.

17. Initiatives to use renewable energy sources and to increase energy efficiency.

Brazil

Among the initiatives to rationally use energy, Natura:

- Mapped the benefits and the performance of the solar energy system installed in 2003 for the lighting of the parking lots and bus stops on Rodovia Anhangüera. Additionally, it prepared a project to increase the use of solar energy to heat water at the restaurants.
- Conducted a study on Green Building (quantitative evaluation that uses international concepts to compare the current situation with a benchmark), based on four criteria: consumption of resources, environmental loads, quality of the internal environment and quality of services).
- Replaced the cooling gas of the air conditioning system by Isceon gas, which is ecologically correct and reduces the use of electric energy.
- Took measures to improve lighting and installed motion sensors in the administrative office rooms.
- Applied reflective paint on the service lane in Cajamar to reduce the electric energy use by the air conditioning system.
- Kept the Energy Reduction Brigade, a group of employees responsible for identifying possibilities for reducing energy expenses.

International operations

There are not initiatives of Natura to increase energy use efficiency in Argentina. In 2005, all operations will establish targets to this end.

18. Other indirect (upstream/downstream) uses of energy and their implications, such as organizational travel, product lifecycle management and use of energy-intensive materials.

Not available. Natura has not been determining on a systematic basis the impact of meetings held and trips taken because of its operations.

Water

19. Total water use.

Brazil

	2002	2003	2004
Total water use (cubic meters) ⁽¹⁾	115,741	110,499	116,367
Water use per unit sold (liters/unit) ⁽²⁾	1.22	0.87	0.67

1. Even with a growth of 28% in the number of units produced, the consumption of water increased only 5.3% in relation to 2003. This result is due to the increase in the reuse of treated water for watering the gardens, cleaning metal structures, external walls and streets of the Cajamar facilities, as it can be seen in indicator 22.
2. In 2004, there was a reduction of 23% in the consumption of water per unit sold, which shows the efficiency of the company's production processes and the search for excellence in managing natural resources.

Target for 2005: To reduce by 1% the relative consumption of water.

International operations

These data have not been determined, as their amounts are not considered significant in relation to the production activity carried out in Brazil.

20. Water sources and related ecosystems and habitats significantly affected by use of water.

Brazil

As there is no public water supply system, all the water used in Cajamar and Itapecerica da Serra comes from local tube wells. The annual withdrawal of water respects the water table replenishment criteria, observing the maximum and minimum outflow determined during the drilling and testing and using the natural resources in a sustainable way. Additionally, in the Brazilian operations, Natura has been developing many initiatives to reduce consumption and increase the reuse of water (on these initiatives, see indicators 19, 21 and 22).

International operations

The offices use water from the public supply system.

21. Annual withdrawals of ground and surface water as a percentage of annual renewable quantity of water available from the sources.

Brazil

	2002	2003	2004
Withdrawal	65.7%	58.2%	70.1%

Note: The increase of 11.9 percentage points in the withdrawal of ground water is due, mainly, to the increase of 28% in Natura's production and to the presence of an additional 481 employees and 3,000 visitors in the Cajamar unit. This increase was partially offset by a higher use of treated water for watering the gardens and cleaning metal structures and external walls of the Cajamar facilities.

International operations

Not applicable. As they are commercial operations, Natura does not withdraw ground or surface water and uses water from the public supply system.

22. Total recycling and reuse of water.

Brazil

	2002	2003	2004
Water recycled and reused (cubic meters) ⁽¹⁾	5,172 ⁽²⁾	20,233	29,065
Percentage of reuse in relation to the total water treated by the Effluent Treatment Station	16%	29%	39.5%

1. Since 2002, Natura reuses treated water (originated in its effluent treatment system) for washing streets and external walls, in water mirrors and for watering plants.
2. In 2002, the total amount of water recycled and reused was 5,172 cubic meters, as informed in this Report and not 6,509 cubic meters as shown in the 2003 Annual Report.

Target for 2005: Increase from 39.5% to 49% the percentage of treated water reused.

International operations

Not applicable. As they are commercial operations, Natura does not reuse water.

Biodiversity

23. Location and size of land owned, leased or managed in biodiversity-rich habitats.

Although local biodiversity-rich habitats have not been detected, Natura is located in two regions that have great environmental importance: Itapecerica da Serra and Cajamar, respectively in a springs protection area and in an environmental protection area, both within the Atlantic Forest's biome.

24. Description of the major impacts on biodiversity associated with the organization's activities and/or products and services in terrestrial, fresh-water, and marine environments.

Natura uses in its products raw materials originating from nature, such as extracts, oils and compounded materials. The areas that supply raw materials developed with Brazilian or exotic species cultivated in Brazil are selected by Natura based on traceability and sustainability in order to ensure a minimum environmental impact.

The preservation of biodiversity – genetic diversity, diversity of species, ecosystems and processes of natural forests – is stimulated when it provides benefits and products that can generate economic resources, not depleting the environment and strengthening local social relations.

The environmental impacts arising from forest management activities are analyzed in many aspects:

Biotic Mean⁽¹⁾ – Positive impact, taking into consideration that the harvest does not exceed the capacity to support the area and it can also favor the renewal of species and, consequently, the forest succession dynamics⁽³⁾; contribution to the preservation of the genetic diversity maintained by traditional populations (on farm preservation⁽³⁾).

Physical Mean⁽⁴⁾ – Positive impact on the soil as the maintenance of the forest coverage helps the preservation of this resource. The removal of forest biomass (frequent harvests) has a negative impact on the recycling of nutrients⁽⁵⁾.

Anthropic Mean⁽⁶⁾ – Positive impact, especially related to the establishment of the rural worker, the creation of jobs and the contribution to local development. The cultural aspect is strengthened as knowledge obtained via inherited tradition is valued.

Two processes are adopted to ensure the sustainable use of natural resources: the identification of the origin of raw materials and the program for the certification of raw materials for two types of management, non-wood forestry and agricultural.

Non-wood forestry management – Its main objective is to ensure the continuous supply of raw material and minimize the environmental impacts of this activity, maintaining the capacity of sustainable production.

A forestry certification is structured to evaluate the process for the extraction of raw materials and the type of management used in accordance with the Principles and Criteria of the Forest Stewardship Council, FSC, which take into consideration the social, economic and environmental aspects.

Agricultural management – It privileges good production practices, including agroecological concepts.

An agricultural certification is structured to evaluate the process for the agricultural production of the materials in accordance with the Principles and Criteria of the Sustainable Agriculture Network, SAN and Instituto Biodinámico (Biodynamic Institute), IBD.

The Natura process for the certification of raw materials is divided into three phases:

Phase I: Internal process for the identification and selection of a potential supply area. This phase is characterized by the typology of producers, the organization of the community and the existing type of management (agricultural or forestry).

Phase II: Preparation of socioenvironmental analyses, botanical inventories and a management plan.

Phase III: Implementation of the management plan and an external audit for certification.

1. Biotic mean: Flora (original vegetation, seed deposit on the soil, natural regeneration), fauna (vertebrates and insects), and microorganisms.
2. Forestry Succession: This is a process of progressive change in the proportion and composition of individuals from a vegetal community until this community reaches a state of dynamic equilibrium with the environment.
3. On farm preservation: This is a strategy that complements *ex situ* preservation and is characterized as one of the forms of genetic preservation of agrobiodiversity; its particularity is the fact that it involves genetic resources that are cultivated by the traditional populations, who have a great diversity of phylogenetic resources and a broad knowledge of them.
4. Physical mean: Air, water resource and edaphic resource.
5. Cycling of nutrients: Movement of elements and inorganic compounds from the environment to the organisms and from these organisms back to the environment, by way of biogeochemical cycles.
6. Anthropic mean: Settlement of the rural worker in the countryside, jobs, regional development, landscaping.

Status of the raw materials

Raw materials	State	PHASE I		PHASE II		PHASE III		Notes
		Beginning	End	Beginning	End	Beginning	End	
Andiroba	Amazonas							Traditional management
<i>Carapa guianensis</i>								
Buriti	Piauí							Traditional management
<i>Mauritia flexuosa</i>								
Cacao	Bahia							Agroforestry system
<i>Theobroma cacao</i>								
Lemongrass	São Paulo							Cultivation
<i>Cymbopogon citratus</i>								
Chamomile	Paraná							Cultivation
<i>Chamomilla recutita</i>								
Brazil nut	Amapá							Traditional management
<i>Bertholletia excelsa</i>								
Copaiba	Amapá							Traditional management
<i>Copaifera spp</i>								
Breu	Amapá							Traditional management
<i>Protium pallidum</i>								
Cumarú	Em avaliação							Traditional management
<i>Dipteryx odorata</i>								
Cupuacu	Rondônia							Agroforestry system
<i>Theobroma grandiflorum</i>								
Guarana	Bahia							Organic cultivation
<i>Paullinia cupana</i>								
Rosewood	Amazonas							Traditional management
<i>Aniba ferrea</i>								
Macela	Paraná							Traditional management
<i>Achyroclines satureoides</i>								
Passion fruit	Minas Gerais							Cultivation
<i>Passiflora edulis</i>								
Yerba Maté	Rio Grande do Sul							Traditional management
<i>Ilex paraguariensis</i>								
Murumuru palm	Amazonas							Traditional management
<i>Astrocaryum murumuru</i>								
Surinam cherry	São Paulo							Organic cultivation
<i>Eugenia uniflora</i>								
Flatsedge	Pará							Cultivation
<i>Cyperus articulatus</i>								

Target for 2005: Of the total 35 native or exotic species obtained in Brazil, which produce the natural raw materials used by Natura (essential oils, fixed oils and extracts), eight had their certification completed in 2004 (23% of the total). In 2005, the target is to include another five in the phase III of the certification process, reaching a total of 13 certifications (37% of the total).

25. Total amount of land owned, leased, or managed for production activities, or extractive use.

The Natura Ekos line purchases its natural raw materials in areas leased, rented or managed by rural communities or producers. Mindful to ensure that the area is exploited in a sustainable way, Natura tries, in addition to ensuring a sustainable exploitation model, to characterize the environmental importance of these areas.

In 2004, the company did not purchase any additional area for its production activities.

26. Amount of impermeable surface as a percentage of land purchased or leased.

Brazil

In 2004, due to the construction of the new vertical warehouse, there was a small increase in the built area of the Espaço Natura (Natura Space) in Cajamar, which is now 81,573 sq. m. Consequently, the impermeable surface now represents approximately 12.6% of the total land. In the Itapecerica da Serra unit, there was no change in the size of the built area, which remained at 14,366 sq. m (approximately 15% of the total land area).

International operations

Not applicable.

27. Impacts of activities and operations on protected and sensitive areas.

After analyzing the list of the six protected area categories of The World Conservation Union, IUCN, we identified two Natura partner areas that have the characteristics of the sixth category, which is called "Managed resources in protected areas: protected areas for the sustainable use of natural ecosystems". These partners are the Extractivist Reserve of Central Juruá (located in the State of Amazonas) and the Sustainable Development Reserve of Iratapuru (located in the State of Amapá). They were both created by the federal and state governments to promote the sustainable exploitation of locally available resources, generating wealth and jobs for the existing local populations.

The activities related to the purchase of raw materials that are developed in the protected and sensitive areas mentioned in indicator 25 are monitored by the responsible environmental agencies (Instituto Brasileiro do Meio Ambiente e Dos Recursos Naturais Renováveis (Brazilian Institute of the Environment and Renewable Resources), Ibama, and the State Environment Department) and are complemented by the certification program. In addition to the preparation of management plans, the greatest benefit of the certification process is a monitoring of the impact of the management activities on an available resource.

These strategies help mitigate the negative impacts and potentiate the positive ones. In relation to its production activities, Natura did not verify any environmental impact in protected and sensitive areas in 2004.

28. Changes to natural habitats resulting from the organization's activities and operations and percentage of habitats protected or restored.

According to the information reported in indicator 27, Natura did not verify any environmental impact arising from its activities and operations in natural habitats in 2004.

Even so, it developed, in 2004, a forest renewal project at the Cajamar and Itapecerica da Serra units. The objective is to start planting native tree species in 2005 in order to value up and renew the natural landscape in the areas where the company operates (see further details in indicator 29).

The preparation and the accomplishment of the management plans of two protected areas – the Extractivist Reserve of Central Juruá and the Sustainable Development Reserve of Iratapuru – in partnership with Natura promote the restoration of the balance in these two ecosystems.

29. Objectives, programs, and targets for protecting and restoring native ecosystems and species in degraded areas.

Natura uses raw materials originating from degraded areas and recognizes the importance of restoration projects as an essential factor for the preservation and management of the soil. One of the raw materials used by Natura, the cupuacu, originates in the State of Rondônia, from the project of Reflorestamento Econômico Consorciado e Adensado (Economic, Associated and Planted Reforestation), Reca, which is characterized as a production system (agroforestry) that provides for the restoration of degraded areas and, at the same time, promotes the preservation of biodiversity.

Additionally, Natura prioritizes the work with traditional communities, recognizing the importance of these populations as agents in the process to preserve biodiversity.

Brazil

In 2004, the company started a Project for Forestry Restoration at the Cajamar and Itapecerica da Serra units, where it operates, in order to change the structure of the landscape, increase the diversity of the species and improve the ecological relations:

- In Cajamar, the objective is to establish an ecological-economic zoning (ecozoning)(1) of a green area, currently covered by eucalyptus planted by the former owner of the land. Certain premises are considered: the preservation of natural resources, the future use for the expansion of the operations and the use of green areas for environmental education activities. In order to replace, beginning in 2005, part of the planted forest, some species of Brazilian flora will be used, in particular the embauba (*Cecropia pachystachya*), Golden Trumpet Tree (*Tabebuia chrysostricha*) and pink peroba (*Aspidosperma polyneuron*).
- In Itapecerica da Serra, the aim is to enrich a green area that already boasts an exuberant diversity of native species. Among the species to be planted beginning in 2005 are the cabreuva (*Myroxylum peruiferum*), guapuruvu (*Schizolobium parahyba*) and the jatoba (*Hymenaea courbaril* var. *Stilbocarpa*).
- In addition to these projects, Natura promotes, by means of partnerships, the following projects: Expedição Energia Positiva para o Brasil (Positive Energy Expedition for Brazil), Projeto de Educação e Recuperação Ambiental da Mata Atlântica no Vale do Rio Doce (Project for Environmental Education and the Recovery of the Brazilian Atlantic Forest in the Rio Doce Valley), Projeto Canguçu (Canguçu Project), Jardim Botânico do Rio de Janeiro (Botanical Gardens of Rio de Janeiro), and Projeto Pomar (Orchard Project).

1. Ecological-economic zoning (ecozoning): aims to geographically delimit territorial areas for the purpose of establishing special use systems in order to promote a harmonious integration between economic, environmental and social interests.

International operations

There are no similar initiatives in the other operations as the company does not own protected areas abroad. Additionally, the policy of support and sponsorship for environmental preservation projects has not been defined.

30. Number of IUCN Red List species with habitats in areas affected by the organization's operations.

The two species used by Natura that are part of The World Conservation Union (IUCN) Red List and the Official List of Endangered Flora of the Instituto Brasileiro do Meio Ambiente e dos Recursos Naturais Renováveis (Brazilian Institute of the Environment and Renewable Resources), Ibama, are the Yerba Maté (*Ilex paraguariensis*) and the Brazil nut (*Bertholletia excelsa*).

The areas that supply these raw materials are certified by the Forest Stewardship Council, FSC, ensuring a sustainable harvest.

31. Business units currently operating or planning operations in or around protected or sensitive areas.

In accordance with the information in indicator 23, Natura operates in two regions of environmental importance in the State of São Paulo: Itapecerica da Serra and Cajamar located, respectively, in a springs protection area and in an environmental protection area, both within the Atlantic Forest's biome. However, their operations meet the applicable legal requirements and seek sustainable development (see also indicators 25 and 27).

Emissions, Effluents and Waste

32. Greenhouse gas emissions (CO₂, CH₄, NO₂, HFCs, PFCs e SF₆) (metric tons).

During the evaluation of the environmental aspects and impacts, the existence of significant sources of greenhouse gas emissions during the production process was not identified. Regarding the business model (direct sales), we realize that the distribution of products by road transportation is a source to be monitored. Therefore, in 2005, the process for determining these atmospheric emissions will begin in order to find out the current stage and identify measures that may be taken to minimize these emissions.

33. Use and emissions of ozone-depleting substances.

	2002	2003	2004
Emission of ozone-depleting substances	NA	NA	N/A

Note: HCFC, R12 and R22 gases (which, in 2003, represented 1% of the total gases used at Natura) were replaced by Isceon gas, which is non-ozone depleting.

34. NO_x, SO_x and other significant air emissions by type.

Brazil

As 75.5% of the energy use by Natura comes from a hydroelectric source and 23.6% from the use of LPG, the emission of substances such as NO_x and SO_x was considered "non-significant".

International operations

Not applicable. As the operations are of a commercial nature, the energy used in these places come from the public system and the emission of gases is considered insignificant.

35. Total amount of waste by type and destination (metric tons).

Brazil

Type of waste

	2002	2003	2004
Class I waste	1,022.08	753.13	909.09
Class II-A waste	1,626.18	2,501.98	3,225.53
Class II-B waste	532.98	377.58	832.98

Note: In accordance with the NBR 10004/2004 standard: class I waste is hazardous waste (obsolete cosmetic products, medical and laboratory waste and alcohol); class II-A waste is non-inert waste (physicochemical and biological sediment from the effluent treatment station, paper, cardboard, waste from sweeping, organic and domestic waste); and Class II-B waste is inert waste (glass, metals, plastic and debris).

Destination

	2002	2003	2004
Incinerated ⁽¹⁾	5.52%	6.40%	5.43%
Disposed of in landfill sites ⁽¹⁾	31.91%	24.40%	21.20%
Recycled ⁽²⁾⁽³⁾	62.58%	69.20%	73.41%

- The reduced incineration of waste and disposal in landfill sites was the result of initiatives to prioritize recycling.
- As from this Report, all data referring to reused and recycled waste are grouped and historical data are adjusted.
- The increased recycling of waste in 2004 is due to the implementation of improvement initiatives – forwarding waste from the restaurant, garden pruning, sweeping and biological sediment for composting – as well as to the separation of other recyclable waste at the Itapecerica da Serra unit.

	2002	2003	2004
Value of solid waste per item sold (g)	2.99	2.92	2.56

Target for 2005 Reduce the generation of waste by unit sold from 2.56 g in 2004 to 2.38 g.

International operations

These data were not determined due to the fact that the amounts are not considered significant when compared with the production activity, which is performed in Brazil only.

36. Significant discharges to water by type.

Brazil

	2002	2003	2004
Total volume of treated effluents (cubic meters)	65,647	79,580	82,786

Note: The increase of 4.03% in the discharge of water in 2004 in relation to the previous year is due to the 28% increase in Natura's production, particularly in the shampoo and cream plants, which generate large amounts of effluents in their cleaning processes.

Target for 2005 To keep the monthly average efficiency rate in the removal of the organic load from the effluents in Itapecerica da Serra above 90% whereas the minimum efficiency rate (removal rate required by the legislation) is 80%.

International operations

Not applicable. As the activities performed in these operations are of a commercial nature, the offices use the public system for the treatment of effluents.

37. Significant spills of chemicals, oils, and fuels in terms of total number and total volume.

In 2004, there were no occurrences of significant spillage of chemicals that could have compromised the quality of the soil and surface and/or underground water at the company's production site.

Note: The Natura Emergency Service Plan is operated at the site, providing, registering and monitoring information that promote corrective and preventive measures. The plan has not been used to correct any occurrence of significant spillage.

38. Other relevant indirect greenhouse gas emissions (CO₂, CH₄, NO₂, HFCs, PFCs e SF₆) (metric tons)⁽¹⁾⁽²⁾

Brazil

	2002	2003	2004 ⁽³⁾
Emission of CO ₂ during distribution – gasoline	434.33	521.20	NA
Emission of CO ₂ during distribution – diesel	6,633.86	7,960.63	NA
Emission of CO ₂ during distribution – alcohol	20.97	25.16	NA
Emission of other gases	NA	NA	NA

- The calculation of the emission of CO₂ was based on: gasoline = 1.76 kg CO₂ x liters of gasoline; diesel = 2.64 kg CO₂ x liters of diesel; alcohol = 0.85 kg CO₂ x liters of alcohol.
- Natura understands that relevant indirect gas emissions originate from its distribution. The company has an outsourced fleet. The data are obtained by way of the consumption of fuel informed by the transporting companies for the distribution of products.
- As we adopted a new transport strategy in 2004, some measurements of fuel use and emission of pollutants need to be restructured, an activity that will be prioritized in 2005, already using the new established transportation model.

International operations

Natura did not conduct this survey on its transporting companies abroad.

39. Water sources and related ecosystems and habitats significantly affected by discharges of water and runoff.

Brazil

The Espaço Natura (Natura Space) in Cajamar discharges its effluents into the Juqueri river, which is the main affluent of the right margin of the Tietê river in the State of São Paulo. In Cajamar, an Effluent Treatment Station is in operation. This has a physicochemical and biological treatment system and fully meets the applicable legal requirements (Brazilian Environment Council – Conama Resolution N° 20, Article 21 and State Executive Order 8468/76, Articles 12 and 18). As the Espaço Natura in Itapecerica da Serra is in a springs protection area and produces only sanitary sewage, it infiltrates its effluents in the soil after a treatment, in a conventional station, that significantly reduces the organic load of the effluent generated.

International operations

Not applicable. As the operations are of a commercial nature and carried out only in urban areas, there are no affected sources of water.

Suppliers

40. Performance of suppliers relative to environmental components of programs and procedures described in response to governance structure and management systems section.

Brazil

The evaluation of the performance of suppliers regarding strategic issues for sustainability has been carried out by way of a relationship program that started in 2003. In 2004, this program started to be called OLICAR, encompassing aspects such as Quality, Logistics, Innovation, Cost/Contract, Service and Traceability. The sustainability aspects, which include the environment and corporate responsibility, are approached in the Quality aspect.

The objective of this program, which is also extended to transporting companies, is to establish a work process that gets closer to suppliers. Natura also establishes with its suppliers commitments in contracts that contain clauses on compliance with legal environmental requirements.

Additionally, the NBR ISO 14001 certification process, completed at the beginning of 2004 for operations at the Cajamar and Itapecerica da Serra units, guided Natura in the determination of the environmental risk management system of the company and its suppliers. As one of the results of this process, in the same year Natura started an environmental evaluation of new suppliers and of the suppliers considered to be "environmentally critical" (suppliers of raw materials and packaging, environmental service providers, transporting companies with diesel-powered fleets, among others). This was done by way of an analysis of all of the documentation related to environmental licensing and to the questionnaires filled out by them.

Of the total suppliers analyzed:

- 19% were evaluated as A (meet between 90% and 100% of the requirements).
- 24% were evaluated as AB (meet between 80% and 89% of the requirements).
- 29% were evaluated as B (meet between 60% and 79% of the requirements).

No supplier was evaluated as C (meet less than 60% of the requirements). There are also 28% of the suppliers that have not been evaluated because they have not yet sent the required documentation. Natura will focus its efforts in 2005 on obtaining the remaining documentation and completing the environmental evaluation. (See also: *Main Environmental Indicators, page 22, and target assumed in the 2003 Natura Annual Report, page 90.*)

Target for 2005 a) Disclose and employ the procedures of the quality system established with suppliers. b) Evaluate 100% of the documentation of all "environmentally critical" suppliers and new suppliers. c) Of the suppliers evaluated in 2004, to increase by 30% those classified as A.

International operations

From 2005 onwards, Natura will analyze similar initiatives for these other operations.

Products and Services

41. Significant environmental impacts of the principal products and services.

To grow in a sustainable way implies changing production and consumption standards. Aware that its packages have a significant impact on the lifecycle of its products, Natura completed in 2002 the first stage of the packaging environmental inventory project by way of the use of the Life Cycle Assessment, LCA⁽¹⁾ methodology. In 2003, the LCA project was included in the formal process for the launch of the company's products. In 2004, following one of the Natura Environmental Management System procedures, no packaging design decision for the launch of products was made without an assessment of the comparative impact between the various alternatives.

Therefore, before it is launched, all new types of packaging undergo a preliminary environmental impact study using the LCA methodology, in order to supply information for decision making.

In 2004, the Environmental Impact Model Manager's Office was created within the Innovation Vice President's Office. This new office will be responsible for the running of projects related to the determination, evaluation and mitigation of the greatest environmental impacts during the life cycle of Natura's products.

The evolution of some environmental impact indicators is monitored on a monthly basis by the company.

In 2004, the controlled indicators were:

Percentage of products launched after the packaging LCA: The target for each month was 100%. The company achieved the target in all periods.

Percentage of the portfolio of products whose packaging LCA has been calculated and documented: The target for 2004 was 100% of the portfolio and the company closed the year with 100%.

Total Natura impact: Natura uses in its LCA studies the Life Cycle Inventory of available databases treated in accordance with the Eco-Indicator 99⁽²⁾ methodology. Natura's target for 2004 was to reduce the average environmental impact of packaging by reducing the weighted average, measured by business unit, as well as the total figure, which must be lower than or equivalent to that calculated in 2003. The 2004 x 2003 analysis shows that:

- The weighted average impact per invoiced unit grew 1%.
- The total impact (absolute number) increased 45%.

The increase in total impact is due to the growth in the number of items sold, of 36%.

1. Natura uses Life Cycle Thinking, which is based on the product Life Cycle Assessment, LCA, and on the Design for Environment, DfE concept. This is an integrated approach of concepts, techniques and procedures to access the environmental, economic, technological and social aspects of products and organizations with an aim to continuously improve the lifecycle prospect. DfE (ecodesign) provides guidance on the systematic integration of environmental considerations in the project of products and processes.
2. Bibliography: GOEDKOOP, Mark; SPRIENSMA, Renilde: *The Eco-Indicator 99 – A damage oriented method for Life Cycle Impact Assessment*, 2nd edition. Pré Consultants B.V., 2000.

Target for 2005 a) Ensure that all products launched have their packages analyzed by the life cycle assessment (LCA) tool. b) Reduce by 2%, in relation to 2004, the weighted average of the environmental impact of Natura product packages. c) Determine environmental performance indicators for the products and add information related to these indicators on the labels. d) As there is no available model for the life cycle assessment of raw materials in the cosmetic industry, Natura will develop a model in 2005. It will be applied on the Ekos shampoo line and subject to international analysis.

42. Percentage of the weight of products sold that is reclaimable at the end of the products' useful life and percentage that is actually reclaimed.

Brazil

	2002	2003	2004
Percentage of the weight of products sold that is reclaimable at the end of the products' life cycle	NA	NA	38% ⁽¹⁾
Percentage that is actually reclaimed ⁽²⁾	NA	NA	NA

1. Of the whole mass of packaging of products sold by Natura, 97.5% are recyclable and, therefore, could be reclaimed both in Brazil and abroad. This is equivalent to 38% of the whole mass sold (content and package). The content of Natura products is washable or perfuming and cannot be reused at the end of its useful life.
2. We do not have a program to quantify the percentage of what is actually recovered.

International operations

Information on the recovery of packaging was not consolidated.

Compliance

43. Incidents of and fines for non-compliance with all applicable international declarations/conventions/treaties, and national, sub-national, regional, and local regulations associated with environmental issues.

	2002	2003	2004
Incidents or fines	0	0	0

Note: Natura was not fined in 2004 for non-compliance with applicable legal environmental requirements. With the implementation of the Natura Environmental Management System, Sigan, all legal requirements related to the significant environmental aspects and impacts are monitored in the operations in Brazil. This enables a constant interaction between departments for the control of activities, protecting the company from any wrongdoing. Additionally, Natura also monitors the progress of legislative bills with the creation of internal discussion forums, allowing for a proactive posture by the company regarding future situations.

Transport

44. Significant environmental impacts of transportation used for logistical purposes.

Natura understands that one of the main environmental impacts of its activities arises from the atmospheric emission originating from the distribution of its products.

Brazil

Natura continues to evolve its review of its transport model by hiring transportation companies with newer fleets (reducing the level of atmospheric emissions), inspecting the level of black smoke of hired vehicles, establishing new routes, streamlining shipments and, consequently, reducing the number of trips. The result is a greater efficiency in the use of fuels (the data resulting from the emission of gases in the distribution of the company's products may be seen in indicator 38).

International operations

From 2005 onwards, Natura will define, in these operations, the calculation of the environmental impact caused by the distribution of its products.

Overall

45. Total environmental expenditures by type (in thousands of reais).

Natura is disclosing the amounts invested in corporate responsibility in Brazil, including the environmental investments related to 2004, in a different way from that adopted in previous years. This is in order to present more complete data. The amounts are presented on page 25 of this Report.



Targets assumed in the Natura 2003 Annual Report

Indicator	Target Assumed in 2003	Results
15	To reduce by 15% the consumption of energy per item separated upon shipment.	☺ Target achieved. In 2004, Natura reduced by 21.3% the relative consumption of energy per item separated upon shipment due to the following reasons: economy of scale, less use of air conditioning and the implementation of alternatives for the reduction of consumption.
22	Increase from 29% to 39% the percentage for reusing treated water.	☺ Target achieved. 39.5% of recycled water was used. The increase of 10.5 percentage points is due, mainly, to the increased reuse of treated water for watering the gardens, cleaning metal structures, external walls and streets of the Cajamar facilities.
24	To ensure sustainable sources for 14 plants and, for 8 of these plants, to carry out field certification (phase III concluded).	☺ Target achieved. A sustainable source was ensured for 14 plants (10 species of Flora Medicinal and 4 of Natura) and 8 species were certified in the field.
30	Replace or discontinue use of the illipe (<i>Shorea stenoptera</i>) species.	☺ Target achieved. Use of the illipe (<i>Shorea stenoptera</i>) species was discontinued.
35	Reduce by 5% the amount of solid waste per item separated (in 2003, Natura generated 2.4 g of solid waste per item separated).	☺ Target achieved. In 2004, there was an increase of 32% in the amount of separated items and only 19% in the total generation of waste, which meant a reduction of 10% in the weight of waste per item separated.
36	The organic load (biochemical demand of oxygen) that is present in the effluents discharged by industries accounts for a large part of the pollution generated. In that respect, Natura will increase by 10% the annual average efficiency in the removal of organic load from the effluents discharged in Itapecerica da Serra.	☺ Target achieved. The efficiency in the removal of organic load from the effluents discharged in Itapecerica da Serra increased 11.5%, reaching, in the last quarter of 2004, 92.2% efficiency.
40	In order to meet the requirement of the Natura Environmental Management System, Sigan, 100% of the environmental documentation of suppliers whose activities may cause impact on environment will be evaluated.	☺ Target partially achieved. Of all of the critical suppliers, 60% delivered all necessary documentation, which was analyzed, 29% delivered only part of the documentation and 8% are being cut out. In 2005, Natura will focus its efforts on obtaining the remaining documentation and consequent environmental evaluation.
41	a) To carry out a packaging Life Cycle Analysis (LCA) study on 100% of the products launched and cover 100% of the packaging of the product portfolio that will undergo LCA studies. b) Expand the biodegradability program, trying to develop an expertise center in evaluation methods for other raw materials, in addition to those already existing for the surface-active agents. c) To reduce the average environmental impact of packaging by reducing the weighted average of the environmental impact of packaging measured by Business Unit, as well as the total figure, which must be lower than or equivalent to that calculated in 2003.	☺ Target partially achieved. a) Of the total products launched in 2004, 100% underwent a packaging LCA study and 100% of the products sold at the end of the year showed a life cycle study on their packages; b) The group was formed and it has been coordinated by the Raw Materials Committee, in the research and development area with the objective to coordinate all matters of the company related to raw materials. Studies related to the different classes of raw materials are being conducted. The main information on biodegradability has been surveyed and it has been verified that there are no standard methods for certain classes. c) The weighted average impact per unit sold dropped 1% and the total impact (absolute value) increased 45%. The stronger total impact is due mainly to the increase in the volume of items sold, of 36%.

Social Performance Indicators

The answers to these indicators take into consideration the operations in Brazil and the international operations of Natura (Argentina, Chile and Peru). It is worth noting that the company has a productive operation only in Brazil. Abroad, it operates with product sale and distribution centers. This means that the operation in Brazil, due to its size and complexity, is still the center of the company's work. For the answers that do not explicitly state the operations to which they refer, the reader should consider the content to be valid for all international operations.

Labor Practices and Decent Work

Employment

46. Breakdown of workforce, where possible, by region/country, status (employee/non-employee), employment type (full time/part time), and by employment contract (permanent/fixed term or temporary).

	2002	2003	2004
Brazil			
Employees	2,641	2,696	3,177
Temporary	88	230	259
Outsourced employees ⁽¹⁾	752	780	1,000
Trainees	24	13	37
Peru			
Employees	60	72	103
Outsourced employees ⁽¹⁾	7	5	25
Trainees	0	0	2
Chile			
Employees	54	61	70
Outsourced employees ⁽¹⁾	5	13	24
Trainees	0	0	0
Argentina			
Employees	129	157	205
Outsourced employees ⁽¹⁾	5	4	2
Trainees	0	1	0

1. Outsourced employees who are assigned to the company's units are taken into consideration.

47. Net employment creation and average turnover by region/country.

Jobs created – Brazil

	2002	2003	2004
Jobs created in Cajamar	1,685	1,681	2,044
Jobs created in Itapecerica da Serra	956	1,015	1,133
Total	2,641	2,696	3,177

Note: The whole sales force (sales promoters, sales managers, market manager, sales supervisors and field assistants) is accounted for in Itapecerica da Serra.

Employment creation and retention of employees

	2002	2003	2004
Brazil			
Jobs created in the period	-400	55	481
Employee turnover rate	6.04%	6.53%	7.81%
Peru			
Jobs created in the period	0	12	31
Employee turnover rate	16%	16%	15.53%
Chile			
Jobs created in the period	-4	7	9
Employee turnover rate	7.40%	7.40%	20.20%
Argentina			
Jobs created in the period	-5	28	48
Employee turnover rate	NA	7.1%	16%

Internal job opportunities

	2002	2003	2004
Percentage of vacancies offered that were taken by employees	56%	54%	38%

Creation of work opportunities – number of Natura Sales Representatives⁽¹⁾ (in thousands)

	2002	2003	2004
Brazil	307	355	407
Argentina	8	10	13
Chile	3	3	5
Peru	4	7	8

1. The figures refer to the available Sales Representatives – those who placed at least one order in the last four sales cycles.

48. Employee benefits beyond those legally mandated.

Brazil

- Programa Natura Educação (Natura Education Program): subsidies for employees in the form of scholarships for college studies, and technical and language courses; subsidies for the children of employees in the form of scholarships for college studies and technical courses; subsidies in the form of transportation vouchers and school material to the outsourced employees who wish to complete elementary and middle school.
- Programa Construindo o Futuro (Constructing the Future Program): guidance and preparation for retirement and savings incentives. The company deposits on a monthly basis 60% of the amount determined by each employee, which varies from 1% to 5% of his or her salary.
- Programa Prosperar (Prosper Program): financial education for employees.
- Support for employees in adoption processes.
- Daycare center for the children of female employees (up to 3 years and 11 months).
- Pediatric service for the children in the daycare center.
- Medical health plan.
- Dental health plan.
- Psychological therapy service.
- Checkup: laboratory, biochemical and hematological tests, preventive diagnosis of cardiovascular diseases, imaging diagnosis, nutritional orientation, preventive tests for women and men, appointments with specialists and general practitioners.
- Medical services in the company's facilities for the prevention of metabolic conditions (diabetes, cholesterol and triglyceride) and cardiovascular conditions (hypertension).
- Services for the prevention of work-related medical conditions: orthopedics, physiotherapy, global posture reeducation, short psychotherapy and audiometry in the company's facilities.
- Self-help program for those who wish to stop smoking.
- Telemedicine (electrocardiogram by telephone in emergency cases).
- Women's Health Program: gynecological service in the company's facilities.
- Pregnant Women Relationship Program: prenatal follow up in the company's policlinic and course for pregnant employees, outsourced employees and wives of employees. Laboratory tests without costs to employees and wives of employees are also performed.
- Physical evaluation: made before the beginning of a systematic physical exercise in the company's gym.
- Alternative therapies: acupuncture in the company's facilities.
- Speech therapy.
- Dermatology.
- Therapeutic massages.
- Programa de Reeducação Alimentar (Learning New Eating Habits Program): nutritional service in the company's facilities.
- Occupational exercise.
- Exercise gymnasium in the company's facilities for all employees who are members of the Natura Sports and Social Club in Cajamar and Itapeçerica da Serra.
- Beauty Center at the Natura Sports and Social Club (Cajamar and Itapeçerica da Serra): manicure, hairdresser, massage and waxing for employees and outsourced employees.
- Services and facilities: in the convenience area, services such as sewing, dry cleaners, shoe repair, eyewear shop, insurance, post office, pharmacy, and video rental are offered.
- Funeral allowance.

International operations

The public conditions for medical, dental and therapeutic services vary greatly between the countries. Natura provides additional services in accordance with the local conditions and the benefits are, therefore, different to those offered in Brazil.

- Argentina: corporate medical care and group life insurance.
- Chile: Natura does not offer benefits other than those provided for by law in this country.
- Peru: corporate medical care, dental health care and personal liability insurance.

Labor and Management Relations

49. Percentage of employees represented by independent trade union organizations or other bona fide employee representatives broken down geographically or percentage of employees covered by collective bargaining agreements broken down by region/country.

Brazil

	2002	2003	2004
Employees represented	100%	100%	100%

Note: Brazil is a signatory to the conventions of the International Labour Organization (ILO) that determine the need for the existence of union organizations that represent employees in negotiations of their interest with employers. Natura observes the pertinent legislation, which requires its employees to be unionized.

International operations

Natura observes what is provided for in the legislation of the countries where it operates.

50. Policy and procedures involving information, consultation, and negotiation with employees over changes in the organization's operations.

Brazil

Information: The changes in the company's operations are always communicated to all employees by way of internal means of communication: notice boards in different locations within the company, Intranet, monthly newspaper (*Ser Natura Colaborador*) and e-mail. In the Intranet, there is a page that shows updated information about the company's organizational structure.

Natura also discloses relevant information about changes in the organization in meetings between employees and the CEO's office, in which all managers participate, and in the Scheduled Meetings between the senior management and their teams.

Consultation: The possibility of a change is broadly discussed in the many formal decision-making committees and forums (described in indicator 51).

Negotiation: Natura establishes a broad process of communication and involvement with its employees whenever there are major changes in operations. Minor changes are negotiated within the department forums.

International operations

As the other operations are smaller, the information (notice boards and Intranet), consultation and negotiation forums are very simplified.

51. Provision for formal worker representation in decision-making or management, including corporate governance.

Brazil

Employees are encouraged to give their opinions, make suggestions and freely criticize the company. This can be done at the Scheduled Meetings or by way of other channels, such as the Fale com a Natura (Talk to Natura) (see indicators 50 and 70).

One of these groups is the Quality and Cost Reduction Group, which aims to reduce costs in processes, products and services while maintaining quality. All employees may send suggestions, for discussion, to the Quality department.

There is the structure known as Management of the Internal Customer Satisfaction Level, GSCI, which is aimed at the operating department and made up of employees legitimately chosen by their colleagues and by the Human Resources Department, to which the employees can forward suggestions for improvements.

There are also the Commissions for the Negotiation of the Profit and Results Policy, which are made up of elected employees from within the company.

International operations

As the operations are smaller, these forums are simplified and are held in small meetings.

Health and Safety

52. Practices on recording and notification of occupational accidents and diseases, and how they relate to the ILO Code of Practice on Recording and Notification of Occupational Accidents and Diseases.

Brazil

All accidents, whether with leave of absence or not, are recorded, accounted for, and analyzed to determine their causes and to implement corrective or preventive measures. Additionally, accidents are registered with the Social Security Ministry, with the Labor and Employment Ministry and with the union of the related job category. The analysis of the accidents is coordinated by the Labor Security department and performed by a group made up of: security technician or work security engineer, occupational physician, heads of departments, victim (if possible), witnesses, maintenance staff and representatives of the employees within the Comissão Interna de Prevenção de Acidentes de Trabalho (Internal Commission for the Prevention of Work-related Accidents). The analysis report is publicized to the heads of departments and employees so that they can be aware of it and promote the implementation of corrective or preventive measures, which are discussed in the meetings of the commission. There is also the Programa Quase Acidente (Near Accident Program), which records events that did not cause any injury to employees but did present a risk, and are, therefore, analyzed and corrective or preventive measures are implemented. These events are also publicized and discussed by employees by means of the Comissão Interna de Prevenção de Acidentes. In the Internal Week of Work-related Accidents, Sipat, many activities aimed both at awareness and prevention are organized. The objective of this week is to change attitudes, encouraging preventive behavior in all situations: at work, at home and when in traffic. These activities include lectures, theater, seminars, games and contests. The Sipat involves the employees of Natura and outsourced companies.

International operations

In the international operations, the activities of employees are exclusively administrative. In these activities, health and security issues are less critical than those in production sites. There is no record of leave due to occupational diseases.

53. Description of formal joint health and safety committees comprising management and worker representatives, and proportion of workforce covered by any such committees.

Brazil

Each business unit of Natura has a Comissão Interna de Prevenção de Acidentes do Trabalho. These commissions follow all legal requirements – Regulatory Rule N° 5 of Directive 3.214/78 of the Labor and Employment Ministry and operate as follows:

- The members have a one-year mandate.
- The number of participants is proportional to the total number of the company's employees related to the level of risk of the activity.
- Half of its members are elected by the employees themselves and the unions of the related category are informed of and invited to actively participate in the elective process. The other half of the members are appointed by the company.
- The members and substitutes elected have their jobs guaranteed for the mandate period, plus one year.
- The members of these commissions participate in the analysis of accidents, identify and propose improvements for the elimination or neutralization of risks and help publicize the prevention and security concepts, aiming at a broader awareness of employees.
- The reports and minutes of the ordinary or extraordinary meetings are forwarded to the heads of departments and management and released to employees.

International operations

This indicator does not apply to the operations abroad as the activities are of a commercial nature.

54. Standard injury, lost day, and absentee rates, and number of work-related fatalities (including subcontracted workers).

Brazil

	2002	2003	2004
Number of accidents with employees (with leave of absence)	3	5	6
Number of accidents with employees (without leave of absence)	8	15	12
Average work-related accidents/employee	0.004	0.007	0.007
Number of accidents with subcontracted workers (with leave of absence) ⁽¹⁾	NA	5	16
Number of accidents with subcontracted workers (without leave of absence) ⁽¹⁾	NA	34	7
Absenteeism	2.83	2.06 ⁽²⁾	3.14
Lost workdays	38	16	57
Investment in the prevention of diseases/employee (reais)	255.00	285.00	408.00
Investment in the prevention of accidents/employee (reais)	56.08	121.05	428.93
Number of reports to the Brazilian Institute of Social Security on occupational diseases – Cajamar	3 ⁽²⁾	3	2
Number of reports to the Brazilian Institute of Social Security on occupational diseases – Itapeçerica da Serra	N/A	0	0
Number of reports to the Brazilian Institute of Social Security on occupational diseases – Santo Amaro ⁽³⁾	5 ⁽²⁾	0	0

1. These figures refer to outsourced employees who are assigned to the company's units.

2. The figures in the 2003 edition of this report, which were incorrect due to a failure in the department's internal control, are now corrected.

3. The Santo Amaro unit was discontinued in December 2002.

International operations

This indicator does not apply to the operations abroad as the activities are of a commercial nature.

55. Description of policies or programs (for the workplace and beyond) for HIV/AIDS.

Brazil

Natura is part of the Conselho Empresarial Nacional de Prevenção ao HIV/AIDS (Brazilian Corporate Council for the Prevention of HIV/AIDS), an invitational body made up of 24 corporate entities that was created in 1998 by the Health Ministry.

The objective of the program for the prevention of and fight against AIDS is to provide information to fight discrimination and segregation, and leads to changes in behavior.

Natura has adopted a policy that involves the service and treatment of HIV-positive employees and their dependants, in addition to a partnership with government agencies. Prevention campaigns are conducted periodically, particularly during Carnival, on Labor Day, on Valentine's Day and on World AIDS Day (December 1st).

In 2004, Natura was recognized by the Joint United Nations Programme on HIV/AIDS, Unaid, for its contribution to the fight against this disease in Brazil.

International operations

Natura does not have initiatives that are similar to those described here in its international operations.

56. Description of formal agreements with trade unions or other bona fide employee representatives covering health and safety at work, and the proportion of the workforce covered by any such agreements.

Brazil

Natura follows the guidelines relating to health and safety of the Consolidation of the Labor Laws and other collective bargaining agreements with unions with which Natura relates. Some items included in these agreements and observed by Natura are: remuneration during the first fifteen days of sick leave, additional social security contribution, provision of a Work-related Accident Report and adoption of protective measures relating to working conditions and the safety of workers, implementation of the rulings of the Internal Commission for the Prevention of Work-Related Accidents, and guarantees of the medical and laboratory tests provided for in legislation, among others.

International operations

Natura respects the labor legislation of the countries where it operates.

Training and Education

57. Average hours of training per year per employee by category of employees.

Brazil

	2002	2003	2004 ⁽¹⁾
Employees in production positions	41	33	78
Employees in administrative positions	19	36	61
Employees in managerial positions	53	66	86
Employees in executive positions	32	40	68
Total (average hours/year/employee)	34	37	70

1. In 2004, this indicator also started to contemplate the training of sales promoters and the Programa Natura Educação (Natura Education Program), which were not considered in 2002 and 2003.

International operations

Not available.

58. Description of programs to support the continued employability of employees and to manage career endings.

Brazil

Programa Natura Educação (Natura Education Program)

The objective of the program is to increase the access of employees and their families and of outsourced employees assigned to the company's units to formal education and professional training. In 2004, Natura granted 80 scholarships for technical courses, 90 for language courses and 100 for college studies as a subsidy to the participants monthly tuition fee (see chapter Highlights of Investments in Corporate Responsibility, page 66).

Programa de Educação Executiva (Executive Education Program)

This program subsidizes up to 80% of the cost of MBA and post graduation courses for employees and executive training programs for executives.

Support Center

In the processes of organizational restructuring, Natura makes available support centers for employees who no longer work for the company, offering, among other benefits: psychological support, resources to improve professional qualification and employability prospects, such as PC information technology courses and lectures on how to prepare a curriculum vitae, guidance on professional placement alternatives, analysis of personal prospects in view of retirement, provision of access to new health plans, unemployment insurance and Fundo de Garantia por Tempo de Serviço (Government Severance Indemnity Fund for Employees), guidance on financial planning for the family, career advice with personal and family guidance and support, guidance for reentering the market and self-development initiatives.

Programa Construindo o Futuro (Constructing the Future Program) – preparation for retirement

The program was launched in July 2004 with the aim to prepare and guide employees in their life projects after retirement. It is divided in three approaches: quality of life, financial planning and career extension.

The Programa Construindo o Futuro uses initiatives that already exist in the Programa Natura Qualidade de Vida (Quality of Life Natura Program), which is aimed at all employees. Regarding financial planning, the company launched, for all employees, the Savings Incentive, which encourages them to save from 1% to 5% of their salaries per month. To the saved amount, Natura adds 60%. The activities aimed at career extension focus on employees who are older than 58 years of age. The objective is to support them in their search for a second career, which may range from the opening of their own company to volunteer work, for example. By the end of the year, 72% of employees had enrolled with the program.

International operations

Natura does not yet promote programs abroad that are similar to those carried out in Brazil. It is worth recalling that the conditions of public services in relation to professional education and preparation for retirement differ between the countries.

59. Specific policies and programs for skills management or for lifelong learning.

Brazil

Natura's policy consists of providing 100% of the technical training necessary for them to do their jobs, and support the personal and professional development of all employees. A tool, which was developed in the Intranet, contains all the internal or external education and training opportunities gathered in a *Guia de Aprendizagem (Learning Guide)*.

In 2004, the focus on the dissemination of the sustainability concept was reinforced. The Programa Desenvolvimento Sustentável – Visão Geral (Sustainable Development Program – General View) with the aim to make employees aware of the importance of the topic, and the Programa Desenvolvimento Sustentável – Visão Geral II (Sustainable Development Program – General View II), specific for managers, were offered.

Another important focus was the Programa de Meio Ambiente (Environment Program), which trained approximately 2,000 people, from employees and outsourced employees, to work in accordance with the requirements of the ISO 14001 standard. Additionally, the environment-related themes continue to be highlighted in the many corporate education programs. They are addressed from the integration of new employees, outsourced employees and temporary workers to the daily activities organized by the participants of the Comissão Interna de Meio Ambiente (Environment Internal Commission).

There are also the Natura Educação (Natura Education) and Educação Executiva (Executive Education) programs that offer learning opportunities for life (see indicator 58); the course for pregnant employees, which addresses themes such as physiology of pregnancy, postural and emotional aspects of pregnancy, breastfeeding and care with the baby (see indicator 65); and the Prosperar – Educação Financeira Workshop (Prosper – Financial Education Workshop), whose main objective is to facilitate and help in the management and planning of the personal and family budget of employees, for whom training with an external consultancy is provided.

International operations

Natura does not yet promote abroad activities similar to those above. It is worth recalling that the conditions of public services in relation to support for qualification and training differ between the countries.

Diversity and Opportunity

60. Description of equal opportunity policies or programs, as well as monitoring systems to ensure compliance and results of monitoring.

Natura's stand is clear in all its documents of intention and relations with society, regarding its respect for diversity and equality of treatment.

Brazil

Programa de Qualidade de Vida (Quality of Life Program)

Natura adopts a differentiated policy for pregnant or breastfeeding women, giving them all the conditions necessary for them to exercise motherhood and respecting their needs and the needs of their children.

Programa de Incentivo à Contratação de Pessoas Portadoras de Deficiência (Incentive Program for the Admission of Physically Impaired People)

The program consists of the following stages:

- Review of the jobs available in the many departments together with specialized organizations.
- During the hiring process, the Recruitment and Selection, Ergonomics and Social Welfare departments, together, evaluate the type of impairment and the activity to be performed.
- The Social Welfare department promotes awareness initiatives with the employees of the department that will receive the new employee, focusing on integration and the type of impairment in relation to autonomy and dependence.
- Some employees perform the important and voluntary role of "sponsors", helping in the integration of physically impaired employees and guiding them whenever necessary.

Training materials have been adapted to serve the physically impaired employees. Sign language is used in courses attended by hearing impaired employees. For visually impaired employees, voice software is made available.

During the year, there were two sign language courses for leaders, "sponsors", and policlinic, daycare center and human resources personnel aiming at better communication. The company also made available a telephony program for visually impaired employees and installed public telephones for those who are hearing impaired.

In August 2002, Natura signed a Conduct Adjustment with the Labor Ministry in order to achieve the percentage target for the admission of physically impaired people, which is calculated based on the total number of company employees. In 2003, Natura reported, semiannually, to the Government Attorney's Office on the measures taken to achieve this target. Currently, there are 114 physically impaired employees in the company (corresponding to 3.69% of the total number of employees). The adjustment signed with the Labor Ministry determines that this proportion must be of 5% in 2005.

Internal Job Opportunities Exchange

All vacancies available in the company are advertised on the notice boards and Intranet, ensuring openness and transparency for the processes of internal deployment of personnel.

International operations

Natura does not have similar initiatives in the other operations. From 2005 onwards, the Internal Job Opportunities Exchange will be global, that is, for all operations.

Human Rights

Strategy and Management

61. Composition of senior management and corporate governance bodies (including the board of directors), including female/male ratio and other indicators of diversity as culturally appropriate .

Brazil

Composition⁽¹⁾

	2002	2003	2004
Total Employees	2,641	2,696	3,177
Physically impaired people⁽²⁾			
Percentage in relation to the total number of employees	2.2%	3.9%	3.6%
Percentage in managerial positions in relation to total managerial positions	0	0	0
Percentage in managerial positions in relation to total executive positions	0	0	0
Women			
Percentage in relation to the total number of employees	62%	62.4%	62%
Percentage in managerial positions in relation to total managerial positions	55.2%	56.4%	53.75%
Percentage in managerial positions in relation to total executive positions	10%	16.7%	17.64%
Black and mulatto women⁽³⁾⁽⁴⁾			
Percentage in relation to the total number of employees	NA	NA	12%
Percentage in managerial positions in relation to total managerial positions	NA	NA	0.05%
Percentage in managerial positions in relation to total executive positions	NA	NA	0
Black and mulatto men⁽³⁾⁽⁴⁾			
Percentage in relation to the total number of employees	NA	NA	11.33%
Percentage in managerial positions in relation to total managerial positions	NA	NA	0.07%
Percentage in managerial positions in relation to total executive positions	NA	NA	0
Over 45 years of age			
Percentage in relation to the total number of employees	9%	9.2%	11%
Percentage in managerial positions in relation to total managerial positions	8.2%	7.9%	12%
Percentage in managerial positions in relation to total executive positions	40%	25%	23.53%

Salary Profile (reais)⁽⁵⁾

	2002	2003	2004
Women – total⁽⁶⁾			
Average monthly salary for production employees	770.66	860.64	824.00
Average monthly salary for administrative employees	3,052.59	3,608.05	4,330.00
Average monthly salary for managers	7,494.96	8,872.45	9,901.00
Average monthly salary for executives	N/A	NA	23,272.00
Men – total⁽⁶⁾			
Average monthly salary for production employees	991.38	1,088.90	1,084.00
Average monthly salary for administrative employees	2,660.40	3,177.31	4,068.00
Average monthly salary for managers	9,055.62	9,979.63	11,059.00
Average monthly salary for executives	26,733.04	34,081.84	33,084.07 ⁽⁴⁾
Black and mulatto women			
Average monthly salary for production employees	NA	NA	900.00
Average monthly salary for administrative employees	NA	NA	4,509.00
Average monthly salary for managers	NA	NA	10,956.00
Average monthly salary for executives	NA	NA	N/A
Non-black and non-mulatto women			
Average monthly salary for production employees	NA	NA	868.53
Average monthly salary for administrative employees	NA	NA	4,482.75
Average monthly salary for managers	NA	NA	9,409.60
Average monthly salary for executives	NA	NA	23,272.30
Black and mulatto men⁽⁷⁾			
Average monthly salary for production employees	NA	NA	1,071.00
Average monthly salary for administrative employees	NA	NA	3,211.00
Average monthly salary for managers	NA	NA	10,153.00
Average monthly salary for executives	NA	NA	N/A
Non-black and non-mulatto men⁽⁷⁾			
Average monthly salary for production employees	NA	NA	1,148.87
Average monthly salary for administrative employees	NA	NA	4,713.93
Average monthly salary for managers	NA	NA	10,938.06
Average monthly salary for executives	NA	NA	33,084.07

1. The racial origin of employees was established by self-classification. The classification determined by the Instituto Brasileiro de Geografia e Estatística (Brazilian Institute of Geography and Statistics), IBGE, because it is the only officially available in the country: "race: white, oriental, indigenous, black or mulatto". The expression "non-black or non-mulatto" denotes the sum of the number of employees who checked the alternatives white, oriental or indigenous. The company recognizes that this type of classification does not meet the requirements of many social movements in the country.
2. The total number of physically impaired employees increased from 105 to 114. The target for 2005 is to achieve 5% of physically impaired employees in relation to the total number of employees.
3. The race reclassification was made in December 2004. The 2002 and 2003 records were not correct.
4. The percentage of employees that classified themselves as "black or mulattos" in relation to the total number is practically the same, regardless of gender. Within the managerial level, the proportion of blacks and mulattos is very low. Natura considers this to be an issue that will require specific action plans that have not yet been discussed.
5. For the purposes of calculating this indicator, the salaries paid to sales managers and promoters were considered.
6. In the production area, in which there are seven salary groups, the difference in the average salary between men and women is a result of the fact that 98.5% of the women are in the 1, 2 and 3 salary brackets (which are lower), whereas the proportion of men in these brackets is of 79.8%. The positions of electrician, handler, mechanic, machine preparer and lathe operator, for which salaries are higher, are mainly held by men, due to the characteristics of the job. In the managerial group, in which there are six salary groups, the difference in the average salary between men and women is a result of the fact that 71.2% of the women are in the lower salary brackets, whereas 51% of the men are in these brackets.
7. In the administrative group, in which there are 15 salary brackets, we verified a difference in the average salary between black and mulatto men and the others. The group of non-black and non-mulatto men has 39.4% of employees in the five highest salary brackets in the group, whereas the other group has 30% of employees in the five highest salary brackets.

Target for 2005: Reach the proportion of 5% of physically impaired employees in relation to the total number of employees.

International operations

Not available. Natura intends to have these data available in 2005.

62. Description of policies, guidelines, corporate structure, and procedures to deal with all aspects of human rights relevant to operations, including monitoring mechanisms and results.

Natura follows, in its management policies and practices, principles established by the Universal Declaration of Human Rights, such as the freedom and equality of all human beings, without distinction by race, color, sex, language, religion, ethnic or social background. Its many policies and practices – such as the Human Resources Policy – take into consideration the right to life, freedom, and personal safety and ban child labor and ensure the freedom to meet and associate. They also provide for equitable work and salary conditions, and social protection, such as food and medical assistance, which are special for motherhood and childhood. In its institutional documents, Natura states its commitments to its employees. Among these commitments, the following merit note: stimulate diversity among employees and respect each one's individuality; improve relationships and the forms of work; invest in the education and training of employees; ensure total safety in working conditions; create conditions for individual potential to be fully used, based on the criteria of recognition and reward for each person's contribution. All employees must know what is expected from them and how their work will be evaluated. They all have their performance evaluated based on the alignment of their professional behavior with the company's principles.

Natura is one of the first Brazilian companies to sign the Global Compact, which is an initiative of the United Nations, UN, which seeks to mobilize the international corporate community to promote basic values in the fields of human rights,

labor, the environment and the fight against corruption. Natura publicly assumes a commitment to the principles proposed by this UN initiative.

In 2004, Natura sought to internally publicize in its Sales channel the Millennium Development Goals. They were addressed in communication materials prepared for employees and Sales Representatives.

63. Evidence of consideration of human rights impacts as part of investment and procurement decisions, including selection of suppliers and contractors.

Brazil

Respecting the Consolidação das Leis do Trabalho (Consolidation of the Labor Laws)

Natura includes in its standards and procedures consideration about the contracting of service providers and third parties. This requires that the employment relationship of the contracted company's employees be perfectly and legally registered, in accordance with the Consolidação das Leis do Trabalho (Consolidation of the Labor Laws). This is also done for possible service providers.

Contracts with suppliers

The contracts with suppliers have specific clauses regarding the banning of child labor.

International operations

Natura does not have similar initiatives in the international operations.

64. Description of policies and procedures to evaluate and address human rights performance within the supply chain and with contractors, including monitoring systems and results of monitoring.

Brazil

Qualification of new suppliers

Natura adopts a process of qualification of new suppliers, which are evaluated in accordance with a checklist specific for this purpose, which includes social responsibility issues.

Certification of suppliers in quality assurance

Natura adopts a process of certification of suppliers in quality assurance, by which audit exams are conducted with strategic suppliers. Among the issues analyzed is the question of child labor. Other issues will be added from 2005 onwards.

Certification of raw materials from rural and extractivist suppliers

Natura establishes with its suppliers of natural raw materials that the extraction of the raw materials must not compromise the environmental balance, that there must be no child labor, and that the traditions and lifestyle of the communities must be preserved, in addition to ensuring a fair and equitable partnership.

This is monitored by way of a follow up of the process for the certification of raw materials, whose objective is to ensure that the extraction of these materials is conducted in an environmentally sustainable and socially fair way (See Chapter Environmental, Social and Institutional Initiatives and Partnerships, page 66, and indicator 24).

International operations

In 2005, Natura intends to develop in these operations initiatives similar to those taken in Brazil.

65. Employee training on policies and practices concerning all aspects of human rights relevant to operations.

Brazil

In 2004, Natura carried out some awareness raising activities for employees on themes related to human rights, as described below:

Breastfeeding – Awareness regarding the importance of breastfeeding is part of the course given to pregnant women twice a year. Annually, around 40 pregnant women are trained, including employees, wives of employees, outsourced employees and wives of outsourced employees.

Receipt of physically impaired people – Natura had already adopted the policy of hiring physically impaired people before it was required by law. The receipt of these people is planned for before they are hired. The evaluation of the activities to be performed by them and of the departments to which they will be assigned is made by an institution specialized in physically impaired people. The result of this evaluation is a mapping that guides the human resources department in the recruitment process once a vacancy is available. Then, the Selection, Ergonomics and Social Welfare departments participate in the selection process so as to evaluate whether the impairment hinders the performance of the activity. When the person is hired, the Social Welfare department works to raise awareness in the departments that will receive the physically-impaired person and to adjust him or her to the work environment (see indicator 60).

To make communication with the hearing impaired employees easier, 70 hearing employees took the course in Libras (the Brazilian Sign Language) in 2004.

International operations

In 2005, Natura intends to develop in these operations initiatives that are similar to those taken in Brazil.

Non-discrimination

66. Description of global policy and procedures or programs preventing all forms of discrimination in operations, including monitoring systems and results of monitoring.

See indicator 60.

Freedom of association and collective bargaining

67. Description of the freedom of association policy and the extent to which this policy is universally applied independent of local laws, as well as a description of procedures or programs to address this issue.

Natura values all forms of expression of civic responsibility and democracy and, accordingly, recognizes the right of its employees to form unions. The relationship with unions is maintained by means of periodic meetings between the human resources department and union representatives. Currently, Natura has relations with four unions.

The employees participate in the negotiation activities of the Employees' Profit-sharing Program by way of two commissions. One of them is made up of managers, supervisors, administrative and operating technicians who discuss guidelines and targets with representatives of the company and unions that approve the Employees' Profit-sharing Program. The other commission, made up of managers, approves the Individual Profit-sharing Program together with representatives of the company and the union. The two commissions are elected by the employees by way of a formal process that is witnessed by the union.

Child Labor

68. Description of a policy that excludes child labor as defined by the ILO Convention 138 and the extent to which this policy is visibly stated and applied, as well as a description of the procedures or programs to address this issue, including monitoring systems and results of monitoring.

Brazil

The company respects the Estatuto da Criança e do Adolescente (Statute of Children and Adolescents), which forbids child labor, and has set these principles as a clause in its contracts with all suppliers. Additionally, Natura is a member and partner of Fundação Abrinq (Abrinq Foundation), a non-governmental organization that protects the rights of children, and has the Selo Empresa Amiga da Criança (Child-friendly Company Seal), which was granted by this foundation.

For the qualification and certification of suppliers in quality assurance, an evaluation is conducted including, among other themes, the child labor issue.

International operations

The company observes the legislation of the countries where it operates.

Forced and Compulsory Labor

69. Description of a policy to prevent forced and compulsory labor and the extent to which this policy is visibly stated and applied, as well as a description of the procedures or programs to address this issue, including monitoring systems and results of monitoring.

Brazil

All employees are registered in accordance with the Consolidação das Leis do Trabalho (Consolidation of the Labor Laws). The company is not aware of any complaints about forced labor regarding its suppliers.

International operations

The company observes the legislation of the countries where it operates.

Discipline practices

70. Description of a non-retaliation policy and the effective, confidential employee grievance system (including, but not limited to, its impact on human rights).

Brazil

Natura makes available to its employees many communication channels with the company so that they can forward their suggestions, grievances or complaints so these can be properly addressed. Employees are encouraged to give their opinions, make suggestions and freely criticize the company. This can be done at the Meetings with the CEO's office, at the Scheduled Meetings, or by way of other channels. One example is the Fale com a Natura (Talk to Natura), a communication channel between the employees and the company, which allows the free expression of questions, compliments, complaints, requests, criticisms and suggestions, which can be sent to an e-mail address. Each department of the company is responsible for replying on the theme that was questioned or proposed.

Another important channel is the GSCI, Management of the Internal Customer Satisfaction Level, which was created to monitor the actions of the annual organizational climate survey. The employees that participate in this group are elected by their work colleagues. To the GCSI meeting, they bring suggestions, criticisms and proposals.

Target for 2005: a) To develop a relationship code. b) To create a Natura Ombudsman Office.

International operations

Natura does not have similar initiatives in the other operations.

Security practices

71. Human rights training for security personnel.

Brazil

All security department employees take a training course that lasts 120 hours and covers, among other things, issues like ethics, discipline and criminal law. Additionally, they periodically receive recycling training.

International operations

Not available.

Indigenous rights

72. Description of policies, guidelines, and procedures to address the needs of indigenous people.

Natura does not carry out activities with indigenous people but recognizes and respects the different cultures and the rights of the different sociocultural groups that are present in Brazilian territory.

Society

Community

73. Description of policies to manage impacts on communities in areas affected by the company's activities, as well as a description of procedures or programs to address this issue, including monitoring systems and results of monitoring.

Brazil

Neighboring communities – Cajamar and Itapecerica da Serra, State of São Paulo

Created in 2003, the Natural Cajamar Internal Working Group was structured on four work fronts: education and training, creation of jobs and generation of income, environment and relationship. In each one of these fronts, projects have been implemented aimed at improving Natura's relationship with the community of Cajamar and supporting the development and implementation of projects.

The Internal Working Group implemented seven projects during the year with the participation of 16 employees, around 9,000 people from the different districts of Cajamar, 10 government institutions, 5 non-governmental institutions and one service provider company.

In 2004, the Tripartite Working Group (formed by Natura, the Administration Office of Cajamar and the NGO Mata Nativa) was formalized after a cooperation agreement was signed. The objective of this working group is to promote the mobilization of leaders from civil society and the governmental public sector for the planning and implementation of Agenda 21 in Cajamar. One forum for this purpose was held in December 2004 and was attended by hundreds of people from the city.

Also, in 2004, an internal working group was created in Potuverá, a district in Itapecerica da Serra, to improve Natura's relationship with the community. As in Cajamar, the group works on projects on four fronts: education and training, creation of jobs and generation of income, environment and relationship.

The group implemented seven projects during the year with the participation of 60 employees, around 3,100 people from the community of Itapecerica da Serra, 17 government institutions, 11 non-governmental institutions and 8 service provider companies.

In order to formalize the Natura-Community relationship in 2004, a toll-free 0800 line was made available for the residents of Potuverá and Cajamar. Therefore, a free channel for communication and recording the topics brought by the community was established.

The Natura Environmental Management System also has a channel for registering and replying to communications with stakeholders, including the neighboring communities, on environmental issues.

Supplier communities

To monitor the conditions of compliance with the supply agreement established between these communities and the suppliers of Natura (which prepare the raw materials originating from these communities), there is the relationship program that involves frequent visits to these communities. In some cases, the program also promotes the development of local projects and their monitoring for the purpose of evaluating their social and environmental impacts.

Anthropological reports continue to be prepared in accordance with the requirements of the Conselho do Patrimônio Genético (Genetic Legacy Management Council), CGEN. Social and environmental reports are being prepared together with the communities from Iratapuru, State of Amapá, and the neighboring communities of Belém, State of Pará.

In the areas from which the natural raw materials are gathered, Natura complements the existing monitoring of the certification process of the Forest Stewardship Council, FSC, and Instituto Biodinâmico (Biodynamic Institute), IBD

Target for 2005: a) To implement a multipartite forum that defines guidelines for the development plan of Cajamar, following the principles of sustainability. b) Set up a tripartite working group for the implementation of Agenda 21 in Potuverá, Itapecerica da Serra. c) Make an analysis of the district of Potuverá. d) Report on the social and environmental impact of Natura's activities in the supplier communities that are considered most important.

International operations

These operations have local social projects that are not necessarily related to the district or region where the office is located.

Chile – Natura Chile raises funds for social initiatives that arise from the sale of some products. In 2004, R\$ 22,200 was raised and invested in many initiatives of the Escuela Santiago de Guayaquil. Additionally, the company donates used paper for recycling to Fundación San José for the initiative "Bota por la Vida".

Peru – Natura Peru makes frequent donations of information technology equipment (this does not involve expenses).

Argentina – Natura Argentina develops a voluntary project that promotes frequent visits to a local orphanage. In 2004, R\$ 6,205 was spent in this project.

1. Tarjeta Navidad, Caja de Regalo, Bolsa Plástica, Kit Tarjeta Visita, Bolsa Regalo Grande, Bolsa Natura Blanca Grande, Bolsa Natura Blanca Mediana, Bolsa Natura Blanca Chica.

74. Awards received relevant to social, ethical, and environmental performance.

Award	Organization	Objective	Awarded category	2002	2003	2004
The Most Highly Regarded Companies in Brazil	CartaCapital magazine and Interscience	The survey recognizes organizations that distinguish themselves highly for their ethical behavior, social commitment, environmental responsibility and civic responsibility awareness.	Most admired company in the sector: One of the 10 most admired companies in Brazil	2 nd	1 st	1 st
The Best Companies according to <i>ISTO É Dinheiro</i> magazine	<i>ISTO É Dinheiro</i> magazine and Deloitte	To show to the market the best companies in management in Brazil based on financial sustainability, human resources, innovation, environment and social responsibility indicators.	Hygiene, Health and Cosmetics			1 st
The Best Companies to Work For in Latin America	Great Place to Work Institute	To identify the companies that were a benchmark in the editions of the Best Companies to Work for in the Latin American countries where the Great Place to Work Institute conducts this survey.	One of the 100 Best Companies to Work For in Latin America			

Award	Organization	Objective	Awarded category	2002	2003	2004
The 3 Best Organizational Climate Practices	Hay Group and <i>Valor Econômico</i> newspaper	To identify the companies that have the best organizational climate management practices.				2 nd
Election of the Brand that Respects Consumer the Most	Rádio Bandeirantes and Omni Marketing	To elect the 11 most recognized brands in the opinion of the audience in the "respect for consumers" category.				4 th
Companies that People Most Wish to Work For	<i>Forbes Brasil</i> magazine		Overall ranking: Sector-specific ranking			2 nd 1 st
<i>Financial Times</i> CEO's World Research	<i>Financial Times</i> and Pricewaterhouse-Coopers	A survey conducted by the British newspaper, the <i>Financial Times</i> , with 1000 CEO's from around the world in 2002, showed Natura, as one of the main companies among those that are internationally recognized, for its respect to the environment.	Most respected Brazilian companies: One of the companies that best uses environmental resources in the world		9 th	35 th
<i>Exame Guide of Good Corporate Civic Responsibility</i>	<i>Exame</i> Magazine and Ethos Institute	The main objective of this publication is to publicize the best corporate social responsibility practices based on criteria such as coverage, innovation, sustainability, establishment of partnerships and results of projects.	Model company in social responsibility			
<i>Exame Você SA. Guide The Best Companies to Work For</i>	<i>Exame</i> magazine and Great Place to Work Institute	The guide promotes a thorough evaluation of the work environment and human resources management practices and policies of the companies. The evaluation is based on a survey conducted with the employees of each company and on the quality of the human resources policies.	One of the 150 Best Companies to Work For; The best company for women to work for		7 th	1 st 1 st
The Best 25 Companies to Work For in Peru	Great Place to Work Institute Peru and <i>El Comercio</i>	To identify the best 25 companies to work for in Peru by way of the organizational climate survey.	One of the Best 25 Companies to Work For			9 th
Trusted Brands in Brazil	<i>Seleções Reader's Digest</i> magazine	The survey detects the long-lasting bond established between readers and their favorite brands based on trust in the product.	The trustworthiest company in the cosmetic sector			
<i>Best and Largest by Exame</i> magazine	<i>Exame</i> magazine	To show the most complete and comprehensive analysis of corporate Brazil by way of data obtained by companies – growth, profitability financial health, investments in property, plant and equipment, market share and productivity per employee.	Hygiene, Health and Cosmetics.			1 st
Aberje Award	Aberje	To identify the magazines, newspapers, films and corporate communication projects that best met the corporate strategic demands in the year.	Management Report: Mural Newspaper (State of São Paulo and Brazil)			1 st
Best Annual Report Abrasca Award	Abrasca	To encourage improvement in the preparation of clearer and more transparent reports with quality and a large volume of information and innovative character, regarding both the information reported and the graphic design.	Closely-held Company.		1 st	1 st
Social Report Award	Abamec, Aberje, Ethos, Fides, Ibase	An award that aims to stimulate the preparation and publication of social reports by companies, recognizing the quality of the publications. It also aims to convey the importance of the social report as an instrument of transparency of the company's initiatives, of dialogue with society and as a corporate management tool, in addition to creating benchmarks for practices of excellence in social responsibility management.	Overall National: São Paulo State Regional			1 st
Companies of the Year DCI Award	DCI Newspaper	To recognize the companies most highly-regarded by executives and businessmen.	Most highly regarded company: Hygiene, Health and Cosmetics			4 th
Eco Award	The American Chamber of Commerce of São Paulo	To recognize and promote throughout Brazil social initiative projects developed by private companies in the fields of culture, education, environment, health and participation in communities.	Environment: Projeto Biodiversidade Brasil (Biodiversity Brazil Project)			
Ecodesign Award	Fiesp/Ciesp, IPT	To encourage the development of products with recycled material and which consume less energy.	"Natura Bags Case Study" packaging design			1 st
Environmental Merit Fiesp Award	Fiesp/Ciesp	To annually identify and honor the industrial, extractivist, manufacturing or agroindustrial company that has distinguished itself in the implementation of an environmental project with a significant result for the improvement in the quality of the environment.	Winner in the 10 th awarding event with the "Espaço Natura Cajamar" case study			1 st
Environmental Preservation Ford Motor Company Award	Ford e Conservation International do Brasil	To annually identify the most significant projects carried out in Brazil for the preservation of nature.	The Initiative of the Year in Environmental Preservation: Biodiversity Brazil Project			
PNBE Civic Responsibility Award	PNBE	To publicly recognize the initiatives of businessmen, entities and individuals who contributed to improve the quality of life of other Brazilian individuals.	"The businessman we want" (Guilherme Peirão Leal)			
Quality of Life Award	ABVO – Brazilian Association of Quality of Life	To stimulate the development and the implementation of quality of life programs in institutions, awarding organizations that carry out specific and innovative initiatives in this work sphere and that are successfully improving the quality of life of their employees.	Learning New Eating Habits Program			
State Week for the Fight Against Cancer Award	Health Department of the State of São Paulo	To recognize the institutions that had the best projects against cigarette smoking.	Program for the prevention and fight against cigarette smoking			
Social Value Award	<i>Valor Econômico</i> newspaper, Ethos Institute of Social Responsibility and Akatu Institute	To publicize and disseminate the corporate social responsibility practices by way of public recognition of programs developed by companies that may be taken as reference and inspire the multiplication of initiatives for these purposes.	Respect to the environment with the "Natura Bags" case study – popular jury			1 st
Viagem Award	<i>Viagem e Turismo</i> magazine	To identify the best among many items related to tourism.	Ecological Merit: Work with Brazilian biodiversity			

Note: The numbers refer to the company's position in the award/recognition ranking, when applicable.

Bribery and Corruption

75. Description of the policy, procedures and management systems, and compliance mechanisms for organizations and employees addressing bribery and corruption.

Natura states its commitment to ethics and transparency in all of its public documents. However, it does not have a specific document that addresses this topic.

Target for 2005 To elaborate a specific policy about these topics.

Political Contributions

76. Description of the policy, procedures and management systems, and compliance mechanisms for managing political lobbying and contributions.

Natura has not prepared a specific policy for this topic.

Target for 2005 To elaborate a specific policy about this topic.

Competition and Pricing

77. Court decisions regarding cases pertaining to anti-trust and monopoly regulations.

No equity transaction was carried out that represented an anti-trust act.

78. Description of policy, procedures and management systems, and compliance mechanisms for preventing anti-competitive behavior.

Natura does not have a formal policy that addresses this issue.

Brazil

The company is a signatory to the code of conduct before consumers and of the code of conduct before direct sellers and between companies of the Brazilian Association of Direct Selling Companies, ABEVD. The codes of conduct of the ABEVD are in accordance with the model proposed by the World Federation of Direct Selling Association, WFDSA.

International operations

Natura is a signatory to the codes of ethics of the Direct Selling Houses of Argentina and Chile.

Responsibility for the Product

Customer Health and Safety

79. Description of policies for preserving customer health and safety during use of products and services, and the extent to which these policies are visibly stated and applied, as well as a description of procedures or programs to address this issue, including monitoring systems and results of monitoring.

Natura has structured a Product Safety Committee whose mission is to keep the Policy on Natura Product safety updated and issue compulsory opinions. The policy establishes the criteria and the preclinical and clinical evaluations for all products under development before they are launched on the market. The committee issues opinions on the development of all products regarding their safety for use by human beings. Only after this analysis does the area responsible for the registration of the product with the Brazilian Agency for Sanitary Inspection, Anvisa, request the proper authorizations.

Natura adopts as its main product safety strategy the toxicological evaluation of all raw materials contained in their formulas, in accordance with international standards. Natura has a biochemistry and skin renewal laboratory with state-of-the-art equipment for *in vitro* tests, on cell culture. All these tests follow the recommendations of foreign agencies, such as the Food and Drug Administration and the Seventh Directive of the European Union. Natura also has a Consumer Center where efficiency tests on many existing products are performed, in addition to performance evaluations of new products. Finally, the company keeps samples of each batch of products placed on the market, until the product expires. It also puts into effect the concepts of cosmetovigilance, that is, a systematic evaluation of any adverse reactions to the many products sold by the company. Customers who have some kind of reaction during the use of a product are attended to by a highly trained team or dermatologists for the establishment of a clear causal relation. With this information, guidelines are given to the respective areas of the company in order to improve the product in question or feed an information system that helps both improve the commercial presentation and develop future products.

Animal testing

Tests on animals for cosmetic products

Although this indicator is not explicitly required, Natura believes it is important to reaffirm its position against the performance of laboratory animal testing. It only performs those that are required by law.

For over six years, the company has been seeking alternatives to tests of this nature, which it fully abolished in 2003 for finished cosmetic products. However, Natura still performs some tests on animals in the case of a new raw material, provided that there are no alternative methods that can eliminate the risks to the health of users.

The company follows the most rigorous international technical and scientific criteria based on the principle internationally known as 3Rs: reduction, refinement and replacement. This principle guides the largest cosmetic industries in the world with the objective of analyzing and developing alternative methods to animal testing.

Natura, in line with European legislation, has a commitment to fully abolish experiments on animals for cosmetic products. Additionally, the company invests in alternative tests as part of the development of new raw materials. In 2000, it implemented an *in vitro* laboratory to evaluate raw materials and products in human cells or in artificially cultivated animal

cells. These continuous efforts allow for the gradual reduction of the use of animals in these evaluations, aiming at its abolition in accordance with the Seventh European Directive for Cosmetics.

Phytotherapeutic product testing

As required by the proper authorities (Anvisa), Natura needs to perform tests on animals to verify the safety and efficiency of phytotherapeutic products.

Number of tests on animals

	2002	2003	2004
For cosmetic products	1,263	308	66
For phytotherapeutic products	118	249	200

Note: Natura performs tests on animals to evaluate possible toxicological effects of our raw materials from Brazilian biodiversity and for which there is not a scientific description of such effects. Although the Brazilian authorities (Anvisa) do not require the performance of tests on animals for new raw materials, the Guia de Segurança para Cosméticos (Security Guide for Cosmetics) of Anvisa recommends the characterization of the effects of raw materials before the evaluation of their action on human beings.

For such characterization, Natura follows the Declaration of Helsinki of the European Community, in accordance with which the biomedical research involving human beings must follow generally accepted scientific principles and be based on laboratory experiments, *in vitro* and on animals, that are properly performed based on a thorough knowledge of scientific literature.

Target for 2005 To keep the number of animals used in tests of raw materials for cosmetic products below 170, which represents a reduction of 32% in relation to the target for 2004. This means an increase of 158% in the number of tests performed in 2004. This increase is due to the fact that some tests scheduled for 2004 were not performed and will be performed in 2005.

80. Number and type of instances of non-compliance with regulations concerning customer health and safety, including penalties and fines assessed for these breaches.

There is no record of penalties or fines. The company is in compliance with the required regulations.

81. Number of complaints upheld by regulatory or similar official bodies to oversee or regulate the health and safety of products and services.

Brazil

	2002	2003	2004
Complaints	0	4	1

Note: There are no legal proceedings for the complaints made in 2003 or 2004, nor was any irregularity verified in the company's products.

International operations

There is no record of any such complaints.

82. Voluntary code compliance, product labels or awards with respect to social and/or environmental responsibility that the organization is qualified to use or has received.

Natura:

- Reaffirmed its commitment to the principles of the Global Pact (*see more details on the Global Pact Website: www.pactoglobal.org.br*).
- Is a signatory to the code of conduct before customers and of the code of conduct before direct sellers and between companies of the Brazilian Association of Direct Selling Companies, ABEVD. The codes of conduct of the ABEVD are in accordance with the model proposed by the World Federation of Direct Selling Association, WFDSA.
- Fully observes the Statute of Children and Adolescents, a Brazilian law that provides for the protection of these individuals.
- Adopts the Letter of Principles of Instituto Ethos Institute of Companies and Social Responsibility, a Brazilian NGO that aims to guide companies in socially responsible management (*find out more on the Website of the Ethos Institute: www.ethos.org.br*).
- In 2004, it became an Organisational Stakeholder of the Global Reporting Initiative, GRI, and is the only Brazilian company to be part of this group. When it became an Organizational Stakeholder, Natura started to have a series of benefits and commitments to the institution that allow for a closer and more active relationship (*see more details on the GRI site: www.globalreporting.org*).
- Is recognized as an ethical and socially and environmentally responsible company by representatives from civil society and government, both in Brazil and abroad. This recognition is expressed in the form of awards, as can be seen in the table in indicator 74 of this report.
- The following awards received by Natura grant quality seals that may be used: *Exame Guide of Good Civic Responsibility*, Social Report Award, Environmental Merit Fiesp Award and Ecodesign Award (*see details on all these awards in indicator 74 of this report*).
- Is recognized in Brazil with the following titles: Child-friendly Company, granted by the Abrinq Foundation for the Rights of Children; Civically Responsible Company, granted by the Assembly of the City of São Paulo; Company that Educates, granted by SENAC (Brazilian Service for Commercial Learning) of the State of São Paulo.
- In 2004, it received the NBR ISO 14001 certification.

Products and Services

83. Description of policies, procedures and management systems, and compliance mechanisms related to product information and labeling.

Brazil

In Brazil, the texts on the labels of the Natura cosmetic products are in accordance with Resolution N° 79 of August 28, 2000 and Resolution N° 335 of July 22, 1999 of the Brazilian Agency for Sanitary Inspection, Anvisa, and follow the guidelines

of the Consumer's Protection and Defense Code. The rules of the Brazilian Institute of Weights and Measures, Inmetro, are also observed. Natura uses its labels and brochures as a means of conveying knowledge, within which consumers find, in addition to the detailed information about the products and their benefits, reflections on themes related to the concepts that inspired these products.

International operations

The labels observe the rules of each country.

84. Number and type of instances of non-compliance with regulations concerning product information and labeling, including any penalties or fines imposed for these breaches.

There is no record of penalties or fines. The company is in compliance with the required regulations.

85. Description of policies, procedures and management systems, and compliance mechanisms related to customer satisfaction, including the results of surveys measuring customer satisfaction.

Brazil

In order to relate directly with Sales Representatives and customers, Natura relies on the Natura Customer Service, Snac, and the Natura Service Center, CAN.

Snac was created in 1990 and acts effectively in assessing customer satisfaction by means of a team who is prepared to provide information and make recommendations on products, as well as receive suggestions and criticism, addressing all of them and following-up the processes until their final solution.

The results of this service are recorded in reports, statistics and analyses.

Natura Customer Service

	2002	2003	2004
Total calls answered by Snac (in thousands)	1,142	1,804	1,905
Percentage of complaints in relation to total calls answered by Snac	26%	31%	32%
Percentage of unanswered complaints ⁽¹⁾	3.2%	7%	2.3%
Total complaints involving the Consumer's Defense Code:			
Administrative proceedings (Consumer Protection Agency – Procon)	94	68	23
Legal proceedings (civil and criminal) ⁽²⁾	24	45	72
Total formal complaints involving consumers' health and security	2	4	0

1. Number of complaint calls aborted due to the waiting line in relation to the total number of complaint calls.

2. The figures in the 2003 Annual Report were incorrect due to a failure in the department's internal control, however, they are correct in this edition.

Customer Satisfaction

	2002	2003	2004
Very satisfied / Satisfied	95%	96%	NA ⁽¹⁾

1. The result of the customer satisfaction survey was not available when this report went to print. The figure related to 2004 will only be shown in the online version (www.natura.net).

International operations

Not available.

Advertising

86. Description of policies, procedures and management systems, and compliance mechanisms for adherence to standards and voluntary codes related to advertising.

Brazil

Although Natura does not have a specific policy for this purpose, it bases its actions on the Conselho Nacional de Auto-regulamentação Publicitária (Brazilian Council of Advertising Self-Regulation) and follows the code of conduct of the Associação Brasileira dos Anunciantes e de Defesa do Consumidor (Brazilian Association of Advertisers and Consumer's Defense), which, among other objectives, seeks to preserve social responsibility in advertising so that the rights of consumers are not affected by misleading messages or messages that represent aggression to the cultural and moral standards of society.

The advertising agencies with which Natura works base their work on ethics and corporate responsibility. Their practices are in line with the entities that regulate the market: the Conselho Executivo das Normas-padrão da Atividade Publicitária (Executive Council of the Standard Rules of the Advertising Activity), the Associação Brasileira das Agências de Publicidade (Brazilian Association of Advertising Agencies) and the Conselho Nacional de Auto-regulamentação Publicitária. It also works on the development of campaigns for NGOs and seeks ethics in the language and content of its campaigns, respecting consumer rights.

International operations

Not available.

87. Number and types of breaches of advertising and marketing regulations.

Brazil

	2002	2003	2004
Penalties or fines	0	0	1

Note: The company is in compliance with the existing regulation and for this reason it filed for an administrative remedy against a fine that was unduly applied in 2004. A decision on the argued remedy has not yet been issued.

International operations

There is no record of any violations.

Respect for Privacy

88. Description of policies, procedures and management systems, and compliance mechanisms for consumer privacy.

The company is a signatory to the code of conduct before consumers of the Associação Brasileira de Empresas de Vendas Direta (Brazilian Association of Direct Selling Companies), ABEVD, prepared in accordance with the model proposed by the World Federation of Direct Selling Associations, which addresses respect for privacy.

Natura also has a privacy policy for the Internet, which is published on its Website. The site www.natura.net ensures the privacy and confidentiality of the information related to the people who register there.

In Brazil, the Natura Customer Service System, Snac, has an information confidentiality policy, which is in the contract signed between Natura and the outsourced companies that provide the customer service.

89. Number of substantiated complaints regarding breaches of consumer privacy.

Brazil

	2002	2003	2004
Complaints	0	0	0

International operations

There are no records of complaints.

Targets assumed in the Natura 2003 Annual Report

Indicator	Target assumed in 2003	Results
51	To stay in the benchmark group of Hay Group, a people-management consulting firm that is present in 35 countries and serves the 500 largest Brazilian companies. Hay Group is responsible for Natura's Annual Organizational Climate Survey.	☺ Target achieved. Natura stayed in the benchmark group of Hay Group.
54	a) Invest 10% more than in 2003, per employee, in the prevention of diseases. b) Increase by a factor of 4.7 times the amount of investments per employee in the prevention of accidents. c) Stabilize the number of cases of work-related diseases in Cajamar and Itapeçerica da Serra.	☹ Target partially achieved. a) The investments in the prevention of diseases, per employee, showed a significant increase of 43%. b) The investments in the prevention of accidents per employee increased by a factor of 3.5 times. Although the increase was significant, it was lower than that proposed last year. c) There were no new cases of work-related disease in Itapeçerica da Serra. In Cajamar, there were 2, a number that is lower than in 2003 (three cases).
57	To invest 40 hours in training, on average, per employee per year	☺ Target achieved. In 2004, the average training time was 70 hours, including for sales promoters.
58	To start the implementation of a program for employees to prepare for their retirement.	☺ Target achieved. In 2004, the Constructing the Future Program was implemented with the aim to prepare and guide employees in their life projects after retirement (see details in indicator 58 of this report).
73	To create a direct channel of dialogue with neighboring communities.	☺ Target achieved. A channel of dialogue with the neighboring communities of Cajamar and Potuverá (a district of the municipality of Itapeçerica da Serra) was implemented by making available a toll-free 0800 line for registering the complaints, opinions and suggestions of the communities.
79	To reduce by 25% the number of tests on animals with raw materials for cosmetic products	☺ Target achieved. There was a reduction of 78.5% in the number of tests on animals with raw materials for cosmetic products.
85	a) To reduce to 30% the percentage of complaints in relation to total calls answered by the Snac. b) To reduce by 3% the percentage of unanswered complaints.	☹ Target partially achieved. a) The percentage of complaints in relation to total calls answered by the Snac was 32%. b) The percentage of unanswered complaints was reduced to 2.3%.

index
global reporting initiative



As it is fully adopting the guidelines of the Global Reporting Initiative, GRI, Natura is including the index in the 2004 Annual Report, in accordance with the recommendations of that organization. The objective of the index, in addition to making it easier to reference the information and indicators, is to evaluate the level of adherence of the company to the GRI guidelines. Further information on the GRI model can be obtained from the www.globalreporting.org website.

Vision and Strategy		Economic Performance Indicators				Social Performance Indicators						
item	page	Theme	Core		Additional		Theme	Core		Additional		
			indicator	page	indicator	page		indicator	page	indicator	page	
1.1	10	Clients	EC1(1)	78			Labor Practices and Decent Work	LA1(46)	91	LA12(48)	92	
1.2	2		EC2(2)	*				LA2(47)	91			
Profile												
item	page											
2.1	14	Suppliers	EC3(3)	78	EC11	**	Labor and Management Relations	LA3(49)	92	LA13(51)	93	
2.2	14		EC4(4)	78				LA4(50)	92			
2.3	14, 28	Employees	EC5(5)	78			Health and Safety	LA5(52)	93	LA14	**	
2.4	N/A		EC6(6)	78				LA6(53)	93	LA15(56)	94	
2.5	14	Investors	EC7(7)	79				LA7(54)	94			
2.6	14, 28		EC8(8)	79				LA8(55)	94			
2.7	14	Public Sector	EC9(9)	79	EC12(11)	79	Training and Education	LA9(57)	94	LA16(58)	95	
2.8	21-25		EC10(10)	79				LA17(59)	95			
2.9	50-58											
2.10	75						Diversity and Opportunity	LA10(60)	95			
2.11	20	Indirect Economic Impacts			EC13(12)	79	Strategy and Management Systems	HR1(62)	97	HR8(65)	98	
2.12	20							HR2(63)	98			
2.13	14							HR3(64)	98			
2.14	28											
2.15	N/A								Non-Discrimination	HR4(66)	98	
Environmental Performance Indicators												
item	page	Theme	Core		Additional			Core		Additional		
			indicator	page	indicator	page		indicator	page	indicator	page	
2.16	N/A	Materials	EN1(13)	81			Freedom of Association and Collective Bargaining	HR5(67)	99			
2.17	N/A		EN2(14)	81				HR6(68)	99			
2.18	20, 78, 81, 91	Energy	EN3(15)	81	EN17(17)	82	Child Labor	HR7(69)	99			
2.19	20, 25		EN4(16)	81	EN18	**		Forced and Compulsory Labor				
2.20	20, 77				EN19(18)	82						
2.21	N/A	Water					Disciplinary Practices			HR9	**	
2.22	77		EN5(19)	82	EN20(20)	82		HR10(70)	99			
Governance Structure and Management Systems												
item	page											
3.1	28	Biodiversity	EN6(23)	83	EN23(25)	84	Indigenous People Rights			HR12(72)	99	
3.2	28				EN24(26)	84		HR13	**			
3.3	28		EN7(24)	83	EN25(27)	84		HR14	**			
3.4	50				EN26(28)	85		Community	SO1(73)	100	SO4(74)	100
3.5	28				EN27(29)	85		Corruption and Bribery	SO2(75)	102		
3.6	14, 28	Emissions, Effluents and Waste	EN8(32)	86	EN30(38)	87	Political Contributions	SO3(76)	102	SO5	**	
3.7	11, 59		EN9(33)	86	EN31	**						
3.8	29		EN10(34)	86	EN32(39)	87		Competition and Pricing			SO6(77)	102
3.9	50-58		EN11(35)	86				SO7(78)	102			
3.10	50-58		EN12(36)	86								
3.11	50-58	Suppliers	EN13(37)	87			Customer Health and Safety	PR1(79)	102	PR4(80)	103	
3.12	50-58				EN33(40)	87		PR5(81)	103			
3.13	56	Products and Services					Products and Services			PR6(82)	103	
3.14	59		EN14(41)	88				PR7(84)	104			
3.15	74	EN15(42)	88			PR8(85)	104					
3.16	23, 52, 54	Compliance	EN16(43)	89			Advertising			PR9(86)	104	
3.17	66-75							PR10(87)	104			
3.18	N/A	Transport			EN34(44)	89	Respect for Privacy	PR3(88)	105	PR11(89)	105	
3.19	50, 66-105											
3.20	50	Overall			EN35(45)	89						

Note: In the table above, the columns that refer to the core and additional indicators follow the names determined by the GRI, but they also present – in the same column, on the side and between brackets – the numbering used in this report. GRI names – EC, economic indicators; EN, environmental indicators; LA, labor indicators; HR, human resources indicators; SO, social indicators; PR, products and services indicators.

* Core indicators not included in this Report:
EC2: Natura considers this information to be solely used by its internal management.

** Additional indicators not included in this Report:
EC11, EN18, EN31, LA14, HR9, HR13, HR14 and SO5

financial
statements
natura cosméticos s.a.

Balances sheets
as of december 31, 2004 and 2003
(in thousands of Brazilian reais – R\$)

ASSETS	Company		Consolidated	
	2004	2003	2004	2003
CURRENT ASSETS				
Cash and banks	26,656	30,801	29,592	34,072
Temporary cash investments	158,631	26,482	202,020	102,039
Trade accounts receivable	236,453	172,123	250,066	180,118
Inventories	1,634	354	121,961	79,254
Recoverable taxes	3,009	715	18,158	8,525
Advances to employees	4,084	3,558	6,949	4,938
Related parties	833	25,837	-	1,275
Deferred income and social contribution taxes	12,198	11,035	21,630	22,096
Other receivables	358	2,180	6,063	5,214
Total current assets	443,856	273,085	656,439	437,531
LONG-TERM ASSETS				
Related parties	-	3,382	-	3,382
Advance for future capital increase	770	9,503	-	-
Receivables from shareholder	172	-	172	-
Tax incentives	1,122	635	1,162	641
Deferred income and social contribution taxes	12,624	7,978	21,301	9,447
Recoverable taxes	876	-	3,848	-
Escrow deposits	20,370	7,548	24,256	14,595
Other receivables	-	-	1,716	1,715
Total long-term assets	35,934	29,046	52,455	29,780
PERMANENT ASSETS				
Investments	373,748	332,698	8,707	2,809
Property, plant and equipment	13,231	10,744	298,822	253,739
Total permanent assets	386,979	343,442	307,529	256,548
TOTAL ASSETS	866,769	645,573	1,016,423	723,859

LIABILITIES AND SHAREHOLDERS' EQUITY	Company		Consolidated	
	2004	2003	2004	2003
CURRENT LIABILITIES				
Loans and financing	11,879	72,240	62,407	75,102
Domestic suppliers	6,755	4,578	76,971	55,384
Foreign suppliers	-	-	4,172	2,139
Suppliers - Related parties	102,151	18,948	-	5,304
Salaries, profit sharing and related charges	28,272	21,765	65,265	41,563
Taxes payable	52,776	51,850	62,382	64,297
Debentures	-	102,170	-	102,170
Related parties	94	939	-	964
Dividends	113,644	20,000	113,644	20,000
Interest on capital	13,623	8,541	13,623	8,541
Other payables	35,356	20,054	42,331	24,243
Reserve for losses on swap contracts	4,544	9,012	6,138	9,012
Total current liabilities	369,094	330,097	446,933	408,719
LONG-TERM LIABILITIES				
Loans and financing	19,549	31,052	71,982	32,986
Debentures	-	130,656	-	130,656
Reserve for contingencies	39,769	24,870	59,559	28,381
Provision for losses on subsidiaries	64	6,282	-	-
Other payables	841	-	1,885	1,809
Total long-term liabilities	60,223	192,860	133,426	193,832
MINORITY INTEREST				
	-	-	7	(30)
SHAREHOLDERS' EQUITY				
Capital	230,762	56,387	230,762	56,387
Capital reserves	112,016	9,998	112,016	9,998
Profit reserves	94,674	56,231	93,279	54,953
Total shareholders' equity	437,452	122,616	436,057	121,338
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	866,769	645,573	1,016,423	723,859

Statements of Income

 for the years ended december 31, 2004 and 2003
 (in thousands of Brazilian reais – R\$, except for earnings per share)

	Company		Consolidated	
	2004	2003	2004	2003
Gross sales to domestic market	2,457,891	1,840,014	2,472,046	1,860,287
Gross sales to foreign market	-	-	66,782	47,876
Other sales	5	72	829	1,957
GROSS OPERATING REVENUES	2,457,896	1,840,086	2,539,657	1,910,120
Taxes on sales, returns and rebates	(576,564)	(439,013)	(769,993)	(581,210)
NET OPERATING REVENUES	1,881,332	1,401,073	1,769,664	1,328,910
Cost of sales	(776,170)	(634,815)	(575,260)	(458,405)
GROSS PROFIT	1,105,162	766,258	1,194,404	870,505
OPERATING (EXPENSES) INCOME				
Selling	(458,913)	(374,060)	(535,909)	(403,018)
General and administrative	(248,006)	(147,360)	(216,900)	(180,545)
Management and employee profit sharing	(13,418)	(10,810)	(34,990)	(20,466)
Management compensation	(6,977)	(4,595)	(8,422)	(5,934)
Equity in subsidiaries	2,788	18,571	-	-
INCOME FROM OPERATIONS BEFORE FINANCIAL EFFECTS	380,636	248,004	398,183	260,542
Financial expenses	(18,301)	(61,478)	(38,156)	(64,439)
Financial income	21,125	25,834	35,414	34,339
INCOME FROM OPERATIONS	383,460	212,360	395,441	230,442
Nonoperating income (expenses), net	1,098	669	(868)	1,455
INCOME BEFORE DEBENTURES PARTICIPATION AND TAXES	384,558	213,029	394,573	231,897
Debentures participation	(7,178)	(127,709)	(7,178)	(127,709)
INCOME BEFORE TAXES ON INCOME	377,380	85,320	387,395	104,188
Income and social contribution taxes	(76,969)	(20,158)	(87,102)	(40,364)
NET INCOME BEFORE MINORITY INTEREST	300,411	65,162	300,293	63,824
Minority interest	-	-	1	60
NET INCOME	300,411	65,162	300,294	63,884
EARNINGS PER SHARE - R\$	3,516	1,812,321		

Statements of changes in shareholders' equity

 for the years ended december 31, 2004 and 2003
 (in thousands of Brazilian reais – R\$)

COMPANY	Capital reserves				Profit reserves		Retained earnings	TOTAL
	Capital	Treasury shares	Share premium	Investment grants	Legal	Retention		
BALANCES AS OF DECEMBER 31, 2002	56,387	-	-	9,998	7,429	17,357	-	91,171
Supplementary dividends for 2002	-	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	(3,668)	-	(3,668)
Net income	-	-	-	-	-	-	65,162	65,162
Allocation of net income:								
Legal reserve	-	-	-	-	3,258	-	(3,258)	-
Reserve for profit retention	-	-	-	-	-	31,855	(31,855)	-
Interest on capital	-	-	-	-	-	-	(10,049)	(10,049)
Dividends	-	-	-	-	-	-	(20,000)	(20,000)
BALANCES AS OF DECEMBER 31, 2003	56,387	-	-	9,998	10,687	45,544	-	122,616
Capital increases through:								
Capitalization of debentures	138,569	-	100,000	-	-	-	-	238,569
Merger of Natura Empreendimentos S.A.	1,415	-	-	-	-	-	-	1,415
Capitalization of BNDES loan (Debentures)	34,391	-	-	-	-	-	-	34,391
Purchase of shares	-	(1,415)	-	-	-	-	-	(1,415)
Sale of treasury shares through exercise of stock options	-	309	5,177	-	-	-	-	5,486
Receivables from shareholder	-	(3,029)	-	-	-	-	-	(3,029)
Profit on sale of shares	-	480	496	-	-	-	-	976
Recognition of net liabilities on merger of Natura Empreendimentos S.A.	-	-	-	-	-	(23,367)	-	(23,367)
Recognition of net liabilities on merger of Natura Participações S.A.	-	-	-	-	-	(29,235)	6,986	(22,249)
Absorption of reserve	-	-	-	-	(7,058)	7,058	-	-
Net income	-	-	-	-	-	-	300,411	300,411
Allocation of net income:								
Legal reserve	-	-	-	-	15,021	-	(15,021)	-
Reserve for profit retention	-	-	-	-	-	76,024	(76,024)	-
Dividends	-	-	-	-	-	-	(186,910)	(186,910)
Interest on capital	-	-	-	-	-	-	(29,442)	(29,442)
BALANCES AS OF DECEMBER 31, 2004	230,762	(3,655)	105,673	9,998	18,650	76,024	-	437,452

Statements of changes in financial position

 for the years ended december 31, 2004 and 2003
 (in thousands of Brazilian reais – R\$)

	Company		Consolidated	
	2004	2003	2004	2003
SOURCES OF FUNDS				
From operations:				
Net income	300,411	65,162	300,294	63,884
Items not affecting working capital:				
Depreciation and amortization	3,809	3,887	34,340	33,673
Monetary and exchange variations on long-term items, net	(6,772)	(6,544)	(1,307)	(10,136)
Increase in provision for contingencies	17,796	14,050	33,052	16,551
Increase in other provisions	1,168	919	1,420	906
Deferred income and social contribution taxes	(4,233)	(1,138)	(9,196)	5,017
Equity in subsidiaries	(2,788)	(18,571)	-	-
Disposal of permanent assets	1,333	669	1,828	1,596
Minority interest	-	-	(1)	(60)
	<u>310,724</u>	<u>58,434</u>	<u>360,430</u>	<u>111,431</u>
From shareholders:				
Capitalization of debentures	107,913	-	107,913	-
Capital increase through subscription of shares	34,391	-	34,391	-
Sale of treasury shares	630	-	630	-
Dividends received	-	25,722	-	-
From third parties:				
Transfer from long-term to current assets	-	-	20,122	1,222
Increase in long-term liabilities	-	17,054	-	17,025
Minority interest	-	-	37	(28)
Total sources	453,658	101,210	523,523	129,650
USES OF FUNDS				
Additions to property, plant and equipment	7,629	5,414	76,886	23,891
Increase in investments	34,975	12,966	6,179	-
Increase in long-term assets	9,070	17,913	15,289	5,910
Decrease in long-term liabilities	18,656	-	-	-
Transfer from long-term to current liabilities	11,809	73,750	24,740	75,686
Dividends proposed and paid	186,910	23,668	186,910	23,668
Interest on capital	29,442	10,049	29,442	10,049
Total uses	298,491	143,760	339,446	139,204
Merger of Natura Empreendimentos S.A. and Natura Participações S.A. net assets	23,393	-	3,383	-
INCREASE (DECREASE) IN WORKING CAPITAL REPRESENTED BY:	131,774	(42,550)	180,694	(9,554)
Increase in current assets	170,771	37,169	218,908	91,895
Increase in current liabilities	38,997	79,719	38,214	101,449
INCREASE (DECREASE) IN WORKING CAPITAL	131,774	(42,550)	180,694	(9,554)

Notes to the Financial Statements

for the years ended december 31, 2004 and 2003

(amounts in thousands of Brazilian reais – R\$, unless otherwise indicated)

1. OPERATIONS

Natura Cosméticos and its subsidiaries (the "Company") are engaged in the development, production, distribution and sale, substantially through direct sales by Natura beauty consultants, of cosmetics, fragrances, hygiene and health products. The Company also holds equity interests in other companies in Brazil and abroad.

The Extraordinary Shareholders' Meeting held on March 5, 2004 approved the merger of the net assets of Natura Empreendimentos S.A. and Natura Participações S.A. into the Company. The merger was recorded based on an accounting valuation supported by a valuation report issued by independent experts. Natura Participações S.A. owned 100% of the capital stock of Natura Empreendimentos S.A., which in turn, owned 100% of the capital stock of the Company. These mergers did not modify the activities described in the paragraph above.

The shareholders' equity of Natura Empreendimentos S.A. and Natura Participações S.A. as of January 31, 2004, the accounting date of the mergers, were R\$104,951 and R\$75,716, respectively. After eliminations of intercompany receivables and payables and the investment balances, as required by Brazilian accounting practices, the Company recorded net liabilities of Natura Empreendimentos S.A. and Natura Participações S.A. amounting to R\$23,367 and R\$29,235, respectively.

The amounts of the net assets are as follows:

NATURA EMPREENDIMENTOS S.A.

ASSETS	
Current assets	
Cash and banks	24,105
Recoverable taxes	645
Other receivables	33,338
Total current assets	58,088
Long-term assets	
Related parties	10,544
Total long-term assets	10,544
Permanent assets	
Investments	136,522
Total permanent assets	136,522
Total assets	205,154
LIABILITIES AND SHAREHOLDERS' EQUITY	
Current liabilities	
Loans and financing	17,566
Taxes payable	660
Dividends	61,215
Other payables	3,747
Total current liabilities	83,188
Long-term liabilities	
Loans and financing	17,004
Other payables	11
Total long-term liabilities	17,015
Shareholders' equity	
Capital social	86,950
Capital reserves	5,347
Profit reserves	12,654
Total shareholders' equity	104,951
Total liabilities and shareholders' equity	205,154

NATURA PARTICIPAÇÕES S.A.

ASSETS	
Current assets	
Cash and banks	307
Recoverable taxes	129
Related parties	61,215
Total current assets	61,651
Long-term assets	
Receivables from sale of shares	5,506
Total long-term assets	5,506
Permanent assets	
Investments	104,951
Goodwill on investments	1,208,041
(-) Provision for maintenance of dividend payment capacity	(1,208,041)
Total permanent assets	104,951
Total assets	172,108
LIABILITIES AND SHAREHOLDERS' EQUITY	
Current liabilities	
Other payables	86,001
Total current liabilities	86,001
Long-term liabilities	
Related parties	10,391
Total long-term liabilities	10,391
Shareholders' equity	
Capital	1,107,776
Capital reserves	5,450
Profit reserves	5,550
Accumulated deficit	(1,043,060)
Total shareholders' equity	75,716
Total liabilities and shareholders' equity	172,108

2. PRESENTATION OF FINANCIAL STATEMENTS

The accompanying financial statements have been prepared in accordance with Brazilian accounting practices and standards established by the Brazilian Securities Commission (CVM).

Until December 31, 1995, the Brazilian corporate law established a simplified methodology for the recording of inflation effects determined to that date. This methodology, named Monetary Restatement of the Balance Sheet, consisted of the restatement of permanent assets (investments, property, plant and equipment, and deferred charges) and shareholders' equity accounts at the indexes disclosed by the Federal Government. The net effect of the monetary restatement was accounted for in the statement of income in a specific account under the heading Monetary Restatement of the Balance Sheet. This monetary restatement was prohibited by Law N° 9249, of December 26, 1995, effective January 1, 1996.

3. SIGNIFICANT ACCOUNTING PRACTICES

a) Results of operations – Determined on the accrual basis of accounting.

b) Temporary cash investments – Consists of highly liquid temporary investments with maturities of less than three months, stated at cost plus income earned to the balance sheet dates.

c) Allowance for doubtful accounts – Recognized based on an analysis of risks on realization of receivables, in an amount considered sufficient to cover possible losses.

d) Inventories – Stated at the average cost of acquisition or production, adjusted to market value and for possible losses, when applicable.

e) Investments – Investments in subsidiaries are accounted for under the equity method, plus goodwill on acquisition of investments, as shown in Note 11.

f) Property, plant and equipment – Recorded at acquisition cost, monetarily restated to December 31, 1995, plus interest capitalized during the construction period. Depreciation is calculated under the straight-line method, based on the estimated economic useful lives of the assets, at the rates shown in Note 12.

g) Deferred charges – Represented by goodwill arising from the merger of shares of Natura Empreendimentos S.A., into Natura Participações S.A., less the provision for adjustment to market value, as described in Note 13.

h) Current and long-term liabilities – Stated at known or estimated amounts, plus, if applicable, interest and monetary and exchange variations incurred to the balance sheet dates.

i) Income and social contribution taxes – The provision for income tax was recorded at the rate of 15%, plus a 10% surtax on annual taxable income exceeding R\$240. Social contribution tax was calculated at the rate of 9% of taxable income. Deferred income and social contribution taxes recorded in current and long-term assets result from expenses recorded in income, although temporarily nondeductible for tax purposes. Additionally, deferred income and social contribution taxes were recorded on tax loss carryforwards.

Pursuant to CVM Resolution N° 273/98 and CVM Instruction N° 371/02, deferred taxes are recorded at their probable realizable values, as detailed in Note 9.

j) Loans and financing – Adjusted based on exchange and monetary variations and interest incurred to the balance sheet dates, as provided for by contract and mentioned in Note 14.

k) Reserve for contingencies – Adjusted to the balance sheet dates based on the probable loss amount, according to the nature of each contingency and supported by the opinion of the Company's legal counsel. The fundamentals and the nature of reserves are described in Note 16.

l) Hedge transactions – The nominal values of hedge transactions are not recorded in the balance sheet. Unrealized gains or losses on these transactions are recorded on the accrual basis of accounting, as mentioned in Note 22.b).

m) Financial income and expenses – Represented by interest and monetary and exchange variations on temporary cash investments, loans and financing.

n) Interest on capital – For corporate purposes, interest on capital is accounted for as allocation of income in shareholders' equity. For tax purposes, interest on capital is treated as financial expense, reducing the income and social contribution tax basis for the year.

o) Earnings per share – Calculated based on the number of shares at the balance sheet dates.

p) Supplementary information – In order to permit additional analysis, the Company presents as supplementary information the consolidated statements of cash flows and value added.

q) Use of estimates – The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities as of the date of the financial statements, and the reported amounts of revenues and expenses for the reporting periods. Since management's judgment involves estimates of the probability of future events, actual results may differ from the estimates.

4. CONSOLIDATION CRITERIA

The consolidated financial statements as of December 31, 2004 and 2003 have been prepared in accordance with the consolidation principles established by Brazilian accounting practices and regulatory instructions established by the CVM, and include the financial statements of the Company and its direct and indirect subsidiaries, as follows:

	Ownership interest - %	
	2004	2003
Direct:		
Indústria e Comércio de Cosméticos		
Natura Ltda.	99.76	99.76
Natura Cosméticos S.A. – Chile	99.96	99.96
Natura Cosméticos S.A. – Peru	99.85	99.85
Natura Cosméticos S.A. – Argentina	99.99	99.99
Natura Brasil Cosmética Ltda. – Portugal	99.99	99.99
Commodities Trading S.A. – Uruguai	100.00	100.00
Nova Flora Participações Ltda.	100.00	99.43
Natura Inovação e Tecnologia de		
Produtos Ltda.	100.00	-
Natura Europa SAS	100.00	-
Indirect:		
Natura Logística e Serviços Ltda.	99.99	99.99
Flora Medicinal J. Monteiro		
da Silva Ltda.	100.00	100.00
Ybios S.A.	31.93	-

The consolidated financial statements have been prepared based on the financial statements as of the same date and consistent with the accounting practices described in Note 3. Investments in subsidiaries were proportionally eliminated against shareholders' equity and net income of the respective subsidiaries. Intercompany balances and transactions and unrealized profits were also eliminated. The minority interest in the Company's subsidiaries was shown separately. The financial statements of foreign subsidiaries were translated into Brazilian reais at the exchange rates in effect on the date of the related financial statements.

After the merger of Natura Empreendimentos S.A. in March 2004, as described in Note 1, the Company became the parent company of Natura Inovação e Tecnologia de Produtos Ltda., which was previously wholly owned by Natura Empreendimentos S.A..

In 2004, the Company acquired ownership interest in the companies Ybios S.A. and Natura Europa SAS, established in the same year.

The Company's shareholders' equity and net income as of December 31, 2004 and 2003 differ by R\$1,395 and R\$1,278, and R\$117 and R\$1,278, respectively, from the amounts stated in the consolidated financial statements, due to the elimination of the subsidiaries' unrealized profits.

Reconciliation between individual (Company) and consolidated net income and shareholders' equity:

	Net income		Shareholders' equity	
	2004	2003	2004	2003
Company	300,411	65,162	437,452	122,616
Elimination of unrealized profits of the subsidiary Indústria e Comércio de Cosméticos Natura Ltda. with other subsidiaries	(117)	(1,278)	(1,395)	(1,278)
Consolidated	<u>300,294</u>	<u>63,884</u>	<u>436,057</u>	<u>121,338</u>

The operations of the direct and indirect subsidiaries are as follows:

Indústria e Comércio de Cosméticos Natura Ltda. – Engaged in the production and sale of Natura products to Natura Cosméticos S.A. - Brazil, Chile, Peru and Argentina, whose amounts are mentioned in Note 10.

Natura Cosméticos S.A. - Chile, Natura Cosméticos S.A. - Peru, Natura Cosméticos S.A. - Argentina, Natura Brasil Cosmética Ltda. - Portugal, Commodities Trading S.A. - Uruguai – Their activities are an extension of the activities conducted by the parent company Natura Cosméticos S.A. - Brazil.

Nova Flora Participações Ltda. – Holds equity interest in the subsidiary Flora Medicinal J. Monteiro da Silva Ltda.

Natura Inovação e Tecnologia de Produtos Ltda. – Engaged in product research and development.

Natura Europa SAS – Engaged in the purchase, sale, import, export and distribution of cosmetics, fragrances in general, and hygiene and health products.

Natura Logística e Serviços Ltda. – Engaged in the provision of administrative and logistics services.

Flora Medicinal J. Monteiro da Silva Ltda. – Engaged in the production and sale of phytotherapeutic products of its own brand.

Ybios S.A. – Engaged in research, management and development of projects, products and services in the biotechnology area, and may also enter into agreements and/or partnerships with universities, foundations, companies, cooperatives, associations, and other public and private entities; provision of services in the biotechnology area; and holding of equity interest in other companies.

5. TEMPORARY CASH INVESTMENTS

	Company		Consolidated	
	2004	2003	2004	2003
Bank certificates of deposit - CDBs	128,841	26,482	165,583	57,527
Investment funds	29,790	-	36,437	44,512
	<u>158,631</u>	<u>26,482</u>	<u>202,020</u>	<u>102,039</u>

As of December 31, 2004, bank certificates of deposit (CDBs) are remunerated at rates ranging from 100% to 101.8% of the CDI (interbank deposit rate) (100% to 101.5% in 2003). Investments funds are remunerated at rates ranging from 99.5% to 105.5% of the CDI (100% to 106% in 2003).

6. TRADE ACCOUNTS RECEIVABLE

	Company		Consolidated	
	2004	2003	2004	2003
Trade accounts receivable	250,246	187,670	265,048	197,845
Allowance for doubtful accounts	(13,793)	(15,203)	(14,982)	(17,383)
Allowance for return of goods	-	(344)	-	(344)
	<u>236,453</u>	<u>172,123</u>	<u>250,066</u>	<u>180,118</u>

7. INVENTORIES

	Company		Consolidated	
	2004	2003	2004	2003
Finished products	1,604	354	57,105	35,163
Raw materials and packaging	2	-	62,327	42,486
Work in process	-	-	7,617	5,931
Promotional material	28	-	9,308	2,239
Imports in transit	-	-	-	824
Reserve for losses	-	-	(14,396)	(7,389)
	<u>1,634</u>	<u>354</u>	<u>121,961</u>	<u>79,254</u>

8. RECOVERABLE TAXES

	Company		Consolidated	
	2004	2003	2004	2003
IRPJ (corporate income tax)	2,701	-	8,984	2,688
Social contribution tax	-	-	1,420	583
ICMS (state VAT)	1,184	715	6,129	1,827
IPI (federal VAT)	-	-	-	1,063
PIS/COFINS/CSLL	-	-	-	-
- withheld at source	-	-	1,896	-
Other	-	-	3,577	2,364
	<u>3,885</u>	<u>715</u>	<u>22,006</u>	<u>8,525</u>
Long-term	876	-	3,848	-
Current	<u>3,009</u>	<u>715</u>	<u>18,158</u>	<u>8,525</u>

9. INCOME AND SOCIAL CONTRIBUTION TAXES

a) **Deferred** – Deferred income and social contribution taxes recorded in the financial statements result from temporary differences (Company) and temporary differences and tax loss carryforwards (subsidiaries). These credits are recorded in current and long-term assets, in view of their expected realization based on projections of taxable income, considering the limit of 30% for annual offset of tax loss carryforwards against taxable income, pursuant to applicable legislation. The amounts are as follows:

	Company		Consolidated	
	2004	2003	2004	2003
Current:				
Tax loss carryforwards	-	-	691	6,468
Temporary differences:				
Reserve for inventory losses	-	-	4,895	2,512
Allowance for doubtful accounts	4,829	5,169	4,829	5,169
Reserve for losses on swap contracts	1,545	3,064	2,087	3,064
Other	5,824	2,802	9,128	4,883
Deferred income and social contribution taxes	<u>12,198</u>	<u>11,035</u>	<u>21,630</u>	<u>22,096</u>
Long-term:				
Tax loss carryforwards	-	-	2,032	-
Temporary differences:				
Reserve for contingencies	12,058	7,368	18,399	8,562
Other	566	610	870	885
Deferred income and social contribution taxes	<u>12,624</u>	<u>7,978</u>	<u>21,301</u>	<u>9,447</u>

As required by CVM Resolution N° 273/98 and CVM Instruction N° 371/02, management, based on projections of results, estimates that the recorded tax credits will be fully realized within five years. The amounts recorded in long-term assets will be realized as follows:

	Consolidated	
	2004	2003
2005	-	5,514
2006	1,644	1,102
2007	3,207	1,143
2008	9,796	1,688
2009	6,654	-
	<u>21,301</u>	<u>9,447</u>

b) **Current expense** – Reconciliation of income and social contribution taxes:

	Company		Consolidated	
	2004	2003	2004	2003
Income before taxes on income	377,380	85,320	387,395	104,188
Income and social contribution taxes at the rate of 34%	(128,309)	(29,009)	(131,714)	(35,424)
Equity in subsidiaries	948	6,314	-	-
Losses generated by subsidiaries	-	-	(6,317)	(7,430)
Deferral of exchange variation	-	(1,290)	-	(1,290)
Interest on capital	10,011	3,417	10,011	3,417
Reversal of provision for maintenance of dividend payment capacity	41,611	-	41,611	-
Other	(1,230)	410	(693)	363
Income and social contribution taxes	<u>(76,969)</u>	<u>(20,158)</u>	<u>(87,102)</u>	<u>(40,364)</u>
Current income and social contribution taxes	(81,497)	(28,494)	(96,736)	(43,892)
Deferred income and social contribution taxes	<u>4,528</u>	<u>8,336</u>	<u>9,634</u>	<u>3,528</u>
	<u>(76,969)</u>	<u>(20,158)</u>	<u>(87,102)</u>	<u>(40,364)</u>

10. RELATED PARTIES

Receivables from and payables to related parties are as follows:

	Company		Consolidated	
	2004	2003	2004	2003
Current assets:				
Accounts receivable:				
Indústria e Comércio de Cosméticos Natura Ltda. ^(a)	-	49	-	-
Natura Logística e Serviços Ltda. ^(a)	-	58	-	-
Natura Inovação e Tecnologia de Produtos Ltda. ^(a)	-	8	-	1,234
Nova Flora Participações Ltda. ^(b)	833	-	-	-
Natura Participações S.A. ^(c)	-	-	-	14
Natura Empreendimentos S.A. ^(c)	-	-	-	27
Dividends receivable:				
Indústria e Comércio de Cosméticos Natura Ltda.	-	25,722	-	-
	<u>833</u>	<u>25,837</u>	<u>-</u>	<u>1,275</u>
Long-term assets:				
Loans:				
Natura Participações S.A. ^(d)	-	3,382	-	3,382
Advance for future capital increase:				
Nova Flora Participações Ltda. ^(e)	770	9,503	-	-
Receivables from sale of shares ^(f)	172	-	172	-
Current liabilities:				
Suppliers:				
Indústria e Comércio de Cosméticos Natura Ltda. ^(g)	85,874	10,379	-	-
Natura Logística e Serviços Ltda. ^(h)	8,028	3,265	-	-
Natura Inovação e Tecnologia de Produtos Ltda. ⁽ⁱ⁾	8,249	5,304	-	5,304
	<u>102,151</u>	<u>18,948</u>	<u>-</u>	<u>5,304</u>
Loans:				
Natura Empreendimentos S.A. ^(d)	-	791	-	816
Accounts payable:				
Natura Inovação e Tecnologia de Produtos Ltda.	94	-	-	-
Natura Participações S.A. ^(j)	-	148	-	148
	<u>94</u>	<u>939</u>	<u>-</u>	<u>964</u>
Dividends payable:				
Natura Empreendimentos S.A.	-	20,000	-	20,000
Shareholders	113,644	-	113,644	-
	<u>113,644</u>	<u>20,000</u>	<u>113,644</u>	<u>20,000</u>
Interest on capital payable:				
Natura Empreendimentos S.A.	-	8,541	-	8,541
Shareholders	13,623	-	13,623	-
	<u>13,623</u>	<u>8,541</u>	<u>13,623</u>	<u>8,541</u>

Transactions with related parties are summarized as follows:

	Product sales		Product purchases	
	2004	2003	2004	2003
Natura Cosméticos S.A.	-	-	924,649	765,789
Indústria e Comércio de Cosméticos Natura Ltda.	949,674	783,541	-	-
Natura Cosméticos S.A. – Argentina	-	-	13,353	9,292
Natura Cosméticos S.A. – Peru	-	-	6,800	4,899
Natura Cosméticos S.A. – Chile	-	-	4,374	2,803
Natura Europa SAS	-	-	317	-
Natura Inovação e Tecnologia de Produtos Ltda.	-	-	164	390
Flora Medicinal J. Monteiro da Silva Ltda.	-	-	17	368
	<u>949,674</u>	<u>783,541</u>	<u>949,674</u>	<u>783,541</u>

	Service sales		Service purchases	
	2004	2003	2004	2003
Guarantees commission: ^(l)				
Natura Empreendimentos S.A.	-	1,904	-	-
Natura Cosméticos S.A.	-	-	-	1,692
Indústria e Comércio de Cosméticos Natura Ltda.	-	-	-	201
Natura Logística e Serviços Ltda.	-	-	-	11
	<u>-</u>	<u>1,904</u>	<u>-</u>	<u>1,904</u>

	Administrative structure: ^(k)			
	2004	2003	2004	2003
Natura Logística e Serviços Ltda.	118,749	87,043	-	-
Natura Cosméticos S.A.	-	-	84,297	60,793
Indústria e Comércio de Cosméticos Natura Ltda.	-	-	24,355	17,671
Natura Inovação e Tecnologia de Produtos Ltda.	-	-	10,097	8,549
Flora Medicinal J. Monteiro da Silva Ltda.	-	-	-	30
	<u>118,749</u>	<u>87,043</u>	<u>118,749</u>	<u>87,043</u>

	Product research and development: ^(l)			
	2004	2003	2004	2003
Natura Inovação e Tecnologia de Produtos Ltda.	71,914	52,247	-	-
Natura Cosméticos S.A.	-	-	71,865	52,247
Ybios S.A.	-	-	49	-
	<u>71,914</u>	<u>52,247</u>	<u>71,914</u>	<u>52,247</u>

	Lease of properties and common charges: ^(m)			
	2004	2003	2004	2003
Indústria e Comércio de Cosméticos Natura Ltda.	8,627	5,031	116	-
Natura Cosméticos S.A.	136	-	1,049	-
Natura Logística e Serviços Ltda.	-	-	5,804	3,238
Natura Inovação e Tecnologia de Produtos Ltda.	-	-	1,753	1,301
Natura Empreendimentos S.A.	-	-	27	323
Natura Participações S.A.	-	-	14	169
	<u>8,763</u>	<u>5,031</u>	<u>8,763</u>	<u>5,031</u>

	2004	2003	2004	2003
Total service sales/purchases	<u>199,426</u>	<u>146,225</u>	<u>199,426</u>	<u>146,225</u>

- (a) Receivables from sales of Natura products to employees.
- (b) Amount receivable due to the capital reduction made on January 30, 2004, approved by the shareholders' meeting held on the same date.
- (c) Receivables from leases of properties as described in item (m).
- (d) Loan from Natura Cosméticos S.A.
- (e) Cash contributions to Nova Flora Participações Ltda. mainly for maintenance of working capital.
- (f) On September 29, 2000, April 30, 2002, December 30, 2002 and January 5, 2004, Natura Empreendimentos S.A. and Natura Participações S.A. issued restricted shares to two of its principal Directors in exchange for financings totaling R\$6,174, which accrue interest at a 3% per year and mature between April 30, 2009 and September 30, 2010. In the corporate restructuring completed in March 2004, these shares were exchanged for common shares issued by Natura Cosméticos S.A. These financings, which amounted to R\$4,823 as of December 31, 2004 (R\$5,492 in 2003.), are paid by dividends and interest on capital on the restricted shares.
- (g) Payables for the purchase of products. Prices and terms are within normal market conditions.
- (h) Payables for services described in item (k).
- (i) Payables for services described in item (l).
- (j) Guarantees of Natura Empreendimentos S.A. and Natura Participações S.A., merged into the Company as mentioned in Note 1.
- (k) Logistics and general administrative services.
- (l) Product and market research and development.
- (m) Rental of the industrial complex located in Cajamar and several units that compose Natura's facilities.

The main intercompany balances as of December 31, 2004 and 2003, as well as the intercompany transactions that affected the results for the years refer to transactions between the Company and its subsidiaries, which were substantially carried out under usual market conditions for each type of transaction.

11. INVESTMENTS

	Company		Consolidated	
	2004	2003	2004	2003
Investments in subsidiaries	373,748	332,698	-	-
Goodwill on acquisition of investment – Nova Flora ⁽ⁱ⁾	-	-	8,015	8,015
Amortization of goodwill	-	-	(5,487)	(5,206)
Intangible recorded on acquisition of commercial location – Natura Europa ⁽ⁱⁱ⁾	-	-	6,179	-
	<u>373,748</u>	<u>332,698</u>	<u>8,707</u>	<u>2,809</u>

(i) The goodwill on the acquisition made by the subsidiary Nova Flora Participações Ltda. is being amortized on a straight-line basis over ten years and is supported by an appraisal report issued by independent appraisers, based on the expectation of future profitability as of December 31, 2003, which was reviewed and updated by the Company's management.

(ii) Represents an intangible recorded by the Company relating to the purchase of a commercial location where Natura Europa SAS will operate.

Investments in direct subsidiaries are as follows:

	Indústria e Comércio de Cosméticos Ltda.	Natura Cosméticos S.A. Chile	Natura Cosméticos S.A. Peru	Natura Cosméticos S.A. Argentina	Natura Brasil Cosméticos S.A. Portugal	Commodities Trading S.A. Uruguai	Nova Flora Participações Ltda	Natura Inovação e Tec. de Prod. Ltda	Natura Europa SAS	Total
Shares of subsidiaries	328,992	43,780	22,016	65,285	18	297	2,413	5,008	14,115	
Number of shares (common shares) held	328,202	43,762	21,983	65,278	18	297	2,413	5,008	14,115	
Ownership interest – %	99.76%	99.96%	99.85%	99.99%	99.99%	100%	100%	100%	100%	
Capital	328,992	43,780	22,016	65,285	18	297	2,413	5,008	14,115	
Shareholders' equity of subsidiaries	349,223	346	2,940	2,966	(64)	20	1,028	8,214	9,854	374,527
Share in shareholders' equity	348,385	346	2,936	2,965	(64)	20	1,028	8,214	9,854	373,684
Net income (loss) of subsidiaries	19,859	(4,171)	(431)	(6,333)	(74)	(2)	(1,360)	9	(4,664)	2,833
Book value of Company investment:										
Balances as of										
December 31, 2003	328,574	639	1,921	1,531	11	22	-	-	-	332,698
Increase in investments	-	3,876	1,445	7,766	-	-	9,503	-	14,518	37,108
Increase in investment due to the merger of Natura Empreendimentos S.A.	-	-	-	-	-	-	-	8,205	-	8,205
Equity in subsidiaries	19,811	(4,169)	(430)	(6,332)	(75)	(2)	(1,360)	9	(4,664)	2,788
Dilution of sharequotas of Natura Cosméticos S.A.	-	-	-	-	-	-	(833)	-	-	(833)
Recognition (reversal) of provision for losses	-	-	-	-	64	-	(6,282)	-	-	(6,218)
Balances as of										
December 31, 2004	<u>348,385</u>	<u>346</u>	<u>2,936</u>	<u>2,965</u>	<u>-</u>	<u>20</u>	<u>1,028</u>	<u>8,214</u>	<u>9,854</u>	<u>373,748</u>
Provision for losses in long-term liabilities:										
Balances as of										
December 31, 2003	-	-	-	-	-	-	(6,282)	-	-	(6,282)
Reversal of provision	-	-	-	-	-	-	6,282	-	-	6,282
Recognition of provision	-	-	-	-	(64)	-	-	-	-	(64)
Balances as of										
December 31, 2004	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(64)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(64)</u>

The provision for losses on investments, recognized due to the shareholders' deficit of the subsidiary Nova Flora Participações Ltda., was reversed on January 31, 2004, as a result of the capitalization of this company.

12. PROPERTY, PLANT AND EQUIPMENT

Is comprised of:

	Company						
	2004			2003			
	Annual depreciation rate - %	Cost	Accumulated depreciation	Net book value	Cost	Accumulated depreciation	Net book value
Machinery and equipment	10	960	610	350	888	700	188
Vehicles	20	13,071	4,788	8,283	9,143	3,577	5,566
Furniture and fixtures	10	3,929	3,031	898	3,844	2,726	1,118
IT equipment	20	6,868	5,624	1,244	6,497	5,006	1,491
Software licenses	20	3,079	1,226	1,853	2,578	704	1,874
Leasehold improvements	12	756	157	599	553	128	425
Advances to suppliers	-	-	-	-	78	-	78
Other	-	6	2	4	6	2	4
		<u>28,669</u>	<u>15,438</u>	<u>13,231</u>	<u>23,587</u>	<u>12,843</u>	<u>10,744</u>

	Consolidated						
	2004			2003			
	Annual depreciation rate - %	Cost	Accumulated depreciation	Net book value	Cost	Accumulated depreciation	Net book value
Buildings	4	126,990	19,166	107,824	126,925	14,165	112,760
Installations	10	64,486	24,757	39,729	62,809	18,872	43,937
Machinery and equipment	10	76,549	32,305	44,244	66,137	25,622	40,515
Vehicles	20	19,953	7,816	12,137	14,859	5,772	9,087
Molds	33	26,879	20,703	6,176	21,084	12,876	8,208
Furniture and fixtures	10	12,809	6,825	5,984	11,114	5,812	5,302
IT equipment	20	31,910	19,094	12,816	25,765	16,159	9,606
Software licenses	20	12,477	5,379	7,098	8,981	2,881	6,100
Leasehold improvements	12	774	175	599	571	147	424
Land	-	15,910	-	15,910	15,910	-	15,910
Advances to suppliers	-	19,742	-	19,742	1,534	-	1,534
Construction in progress	-	21,478	-	21,478	-	-	-
Other	-	9,856	4,771	5,085	5,147	4,791	356
		<u>439,813</u>	<u>140,991</u>	<u>298,822</u>	<u>360,836</u>	<u>107,097</u>	<u>253,739</u>

13. DEFERRED CHARGES

As mentioned in Note 1, on March 5, 2004, Natura Participações S.A. and its wholly owned subsidiary, Natura Empreendimentos S.A., were merged into the Company. Natura Participações S.A. had recorded goodwill on the investment in Natura Empreendimentos S.A. amounting to R\$1,028,041 and a corresponding provision for maintenance of dividend payment capacity. This goodwill arose from the merger of the shares of Natura Empreendimentos S.A. into Natura Participações S.A. on December 27, 2000. This restructuring was approved by the Extraordinary Shareholders' Meeting held on that date, and the amounts are supported by a valuation report issued by independent experts.

The amounts are as follows:

	Company	
	2004	2003
Goodwill on investments	905,655	-
Provision for maintenance of dividend payment capacity	(905,655)	-
	<u> </u>	<u> </u>

The provision for maintenance of dividend payment capacity will result in the recognition of the goodwill amortization tax benefits for all of the Company's shareholders. The goodwill amount is being amortized over a seven-year period.

14. LOANS AND FINANCING

Type	Company		Consolidated		Maturity	Charges	Guarantees
	2004	2003	2004	2003			
Floating Rate Notes	-	58,989	-	58,989	March 2004	7.6% + exchange variation (dollar)	Promissory notes and guarantee of Natura Empreendimentos S.A. and Natura Participações S.A.
FINEP (Financing Agency for Studies and Projects)	-	-	36,545	-	December 2008	Interest of 3.0% per year + TJLP (long-term interest rate)	Guarantee, promissory notes and receivables of Natura Cosméticos S.A.
BNDES (Brazilian Bank for Economic and Social Development)	31,131	42,294	31,131	42,294	August to October 2007	73% (71% in 2003) – interest of 4.0% per year + TJLP 27% (29% in 2003) – interest of 4.0% per year + UMBNDES (**)	Mortgage and bank guarantee
Loans (onlending – IFC (International Finance Corporation))	-	-	26,654	-	December 2011	Semi-annual LIBOR + 6.1% per year + exchange variation (dollar)	Promissory notes and guarantee of Natura Cosméticos S.A.
Resolution nº 2.770 and overdraft account	-	-	27,828	-	March 2005	Interest of 105% of CDI (interbank deposit rate)	Promissory notes and guarantee of Natura Cosméticos S.A.
Loans – Argentina	-	-	6,706	-	December 2005	Interest of 9.5% per year + exchange variation (pesos)	Guarantee of Natura Cosméticos S.A.
BNDES-FINAME (Government Agency for Machinery and Equipment Financing)	-	-	3,768	2,786	April 2005 and June 2009	Interest of 5.2% per year + TJLP	Chattel mortgage and guarantee of Natura Empreendimentos S.A. and Natura Cosméticos S.A.
BNDES-Poc (*)	297	2,009	297	2,009	February 2005	Interest of 4.5 % per year + TJLP	Guarantee of Natura Cosméticos S.A.
BNDES	-	-	-	1,269	March 2004	Interest of 3.5 % per year + TJLP	Chattel mortgage and guarantee of Natura Empreendimentos S.A. and Natura Cosméticos S.A.
Loans – France	-	-	1,088	-	March 2005	Euro Libor + 2.0% per year + exchange variation (euro)	Guarantee of Natura Cosméticos S.A.
Loans – Chile	-	-	372	-	January 2005	Interest of 4.6% per year + exchange variation (pesos)	Guarantee of Natura Cosméticos S.A.
ACE (advance on export contracts)	-	-	-	741	December 2004	Interest of 2.8% per year + exchange variation (dollar)	Promissory notes and guarantee of Natura Empreendimentos S.A.
Total	31,428	103,292	134,389	108,088			
Current	11,879	72,240	62,407	75,102			
Long term	19,549	31,052	71,982	32,986			

(*)Poc – Proposal of Credit Operation
(**)UMBNDES – BNDES monetary unit

Maturities of long-term debt are as follows:

	Consolidated	
	2004	2003
2005	-	12,352
2006	25,359	11,572
2007	21,714	9,018
2008	13,470	44
2009	3,847	-
2010	3,790	-
2011	3,802	-
	<u>71,982</u>	<u>32,986</u>

Financing in local currency from the BNDES is guaranteed mainly by the Cajamar unit.

Loans related to floating rate notes were represented by short-term credit lines, primarily for maintenance of working capital, and were settled in March 2004.

15. TAXES PAYABLE

Taxes payable are represented by:

	Company		Consolidated	
	2004	2003	2004	2003
ICMS (state VAT)	48,640	30,922	48,650	34,008
IPI (federal VAT)	-	-	431	-
COFINS (tax on revenue)	382	284	4,424	6,159
PIS (tax on revenue)	84	88	960	1,386
Income tax	-	687	159	876
Social contribution tax	-	222	-	327
Withholding income tax	2,873	19,647	4,084	20,319
PIS/COFINS/CSLL (Law Nº 10,633/03)	770	-	1,095	-
Other	27	-	2,579	1,222
	<u>52,776</u>	<u>51,850</u>	<u>62,382</u>	<u>64,297</u>

In 2003, the balances recorded under the heading "Withholding income tax" referred mainly to withholding income tax on debentures.

16. RESERVE FOR CONTINGENCIES

The Company and its subsidiaries are parties to tax, labor and civil lawsuits and to tax proceedings at the administrative level. Based on the opinion of its external legal counsel, management believes that the reserve for contingencies is sufficient to cover probable losses from unfavorable judgments.

The balances of contingencies are as follows:

	Company		Consolidated	
	2004	2003	2004	2003
Tax	36,970	22,206	53,190	23,866
Labor	2,198	2,411	3,244	2,935
Civil	601	253	3,125	1,580
	<u>39,769</u>	<u>24,870</u>	<u>59,559</u>	<u>28,381</u>

Tax contingencies – Accrued tax contingencies are comprised of the following proceedings:

	Company		Consolidated	
	2004	2003	2004	2003
Deductibility of CSLL (Law nº 9316/96) ^(a)	8,057	5,223	8,057	5,223
Monetary restatement of federal taxes (IRPJ/ CSLL/ILL) according to the UFIR (fiscal reference unit) ^(b)	4,694	4,753	4,814	4,874
Tax assessment – INSS (social security contribution) ^(c)	4,371	3,836	4,371	3,836
IPI (federal VAT) – Tax collection lawsuit ^(d)	3,353	2,954	3,353	2,954
PIS (tax on revenue) – Semiannual – Decree-laws Nº 2445/88 and 2449/88 ^(e)	11,039	-	12,370	-
IPI - zero rate ^(f)	-	-	13,604	-
Attorneys' fees and other	5,456	5,440	6,621	6,979
	<u>36,970</u>	<u>22,206</u>	<u>53,190</u>	<u>23,866</u>

(a) Refers to social contribution tax that was addressed by a mandate that questions the constitutionality of Law Nº 9316/96, which prohibited the deduction of CSLL from its own tax basis and the IRPJ (corporate income tax) basis. A portion of this contingency in the amount of R\$ 3,245, is still deposited in escrow at December 31, 2004.

(b) Refers to the monetary restatement of federal taxes (IRPJ/CSLL/ILL) related to 1991 based on the UFIR, discussed in a mandate. An escrow deposit has been made for the amount involved in this contingency.

(c) Refers to the social security contribution (INSS) required by tax assessments issued by the National Institute of Social Security as a result of an inspection. The Company, as a taxpayer having joint liability for tax payment, is required to pay INSS on services provided by third parties. The amounts are discussed in court through a tax debt annulment action and are deposited in escrow.

(d) Refers to a tax collection lawsuit seeking to collect the IPI related to July 1989, when wholesale establishments began to be considered equivalent to industrial establishments under Law Nº 7798/89. The amounts involved in this tax collection lawsuit are guaranteed through the blocking of an affiliated company's bank account.

(e) Refers to the offset of PIS paid as per decree-laws Nos. 2445/88 and 2449/88, in the period from 1988 to 1995, against federal taxes due in 2003 and 2004.

(f) Refers to IPI tax credits on raw materials and packing materials purchased at a zero tax rate. The Company filed for a mandate and was granted an injunction for the right to the credit.

Labor contingencies – As of December 31, 2004, the Company and its subsidiaries are parties to 163 labor lawsuits filed by former employees and third parties (168 in 2003), claiming the payment of severance amounts, salary premiums, overtime and other amounts due, as a result of joint liability.

Civil contingencies – As of December 31, 2004, the Company and its subsidiaries are parties to 571 lawsuits (263 in 2003) at the civil court, special civil court and Procon (Consumer Protection Agency), filed by beauty consultants, consumers and former employees, mostly related to indemnity claims.

Escrow deposits – Escrow deposits, which represent the Company's restricted assets, refer to amounts deposited in court until litigation is resolved. The balance of these deposits as of December 31, 2004 was R\$ 24,256 (R\$ 14,595 in 2003) - Consolidated, and is classified under the heading Escrow Deposits in long-term assets.

Possible losses – The Company and its subsidiaries are parties to tax, civil and labor lawsuits, for which the risk of loss is considered possible by management and its legal counsel. These lawsuits, for which the Company did not record any reserve, are as follows:

	Company		Consolidated	
	2004	2003	2004	2003
Tax:				
IPI credit on purchases of fixed assets ^(a)	-	-	9,245	4,702
INSS debt annulment action ^(b)	4,199	3,686	4,199	3,686
Tax assessment – transfer pricing on loan agreements ^(c)	1,707	-	1,707	-
ICMS tax collection lawsuit – Pernambuco State ^(d)	-	1,043	-	1,043
Tax assessment – PIS debt ^(e)	-	2,042	-	2,042
Other	2,388	2,288	2,860	2,664
	8,294	9,059	18,011	14,137
Civil	6,109	5,462	7,799	9,438
Labor	7,933	2,216	19,094	3,296
Total	22,336	16,737	44,904	26,871

(a) The subsidiary Indústria e Comércio de Cosméticos Natura Ltda. is discussing through mandates, the right to the IPI credit on purchases of fixed assets and consumption materials.

(b) Lawsuit filed by the Company seeking the annulment of the tax demanded by the INSS through a tax assessment notice issued for purposes of collecting the social security contribution on the allowance for vehicle maintenance paid to sales promoters.

(c) Refers to a tax assessment notice whereby the Federal Revenue Service is demanding the payment of IRPJ and CSLL on the difference of interest on loan agreements with foreign related parties. On July 12, 2004, an administrative defense was filed and is still being judged.

(d) Refers to an ICMS tax collection lawsuit whereby the State Finance Department intended to collect amounts that have already been paid by the Company. After proof of tax payment was presented, the State Finance Department requested, on November 3, 2004, the dismissal of the lawsuit without sentencing the Company to pay court costs and legal fees.

(e) Tax assessment notice for collection of PIS on differences between the tax bases as per Complementary Law No. 7/70 and Decree-laws No. 2445/88 and No. 2449/88. In view of former decisions by both the Board of Tax Appeals and the Federal Supreme Court, the Company and its legal counsel understand that the risk of loss for 2004 is remote.

17. MANAGEMENT AND EMPLOYEE PROFIT SHARING

The Company and its subsidiaries pay its employees and management a share of their profits, which is tied to operational and other specific targets, and approved at the beginning of each year. As of December 31, 2004, this profit sharing was recorded in the amount of R\$34,990 (R\$20,466 in 2003) under the heading "Salaries, profit sharing and related charges" in Consolidated and "Operating expenses" in the statements of income.

The portion related to management profit sharing is R\$5,758 as of December 31, 2004 (R\$3,776 in 2003).

18. DEBENTURES

	Consolidated	
	2004	2003
Current liabilities:		
Debentures	-	102,170
Long-term liabilities:		
Debentures	-	130,656

The Extraordinary Shareholders' Meeting on April 14, 1998 authorized the issue of 140,000,000 registered, endorsable and nonconvertible debentures in the amount of R\$140,000, with no predetermined maturity date, for the indirect controlling shareholders of the Company. From 1998 to 2003, 130,656,000 debentures were subscribed, totaling R\$130,656.

Authorized debentures entitle their holders to a yield based on the amount of debentures issued of up to 70% of income before provision for income tax as of March 31, June 30, September 30, and December 31 of each year.

Starting in 2002, the method of calculating debentures is represented by the share of debentures on shareholders' equity and the value of the debentures, applied on the issuer's income before provision for income tax as of June 30, and December 31, of each year.

At the Extraordinary Shareholders' Meeting held on March 2, 2004, after approval by the debenture holders at the Debenture Holders' Meeting held on February 27, 2004, it was decided that 130,656,000 debentures issued by the Company corresponding to R\$238,569 (R\$130,656 - principal of the debentures, and R\$107,913 - debentures payable, as of January 31, 2004, net of withholding income tax - the effect on net income for the period was R\$7,178), would be capitalized by the Company in the form of a capital increase of R\$138,569, representing 3,299 common shares, and the recognition of a capital reserve amounting to R\$100,000. The effects of this corporate act are discussed in Note 19.b).

19. SHAREHOLDERS' EQUITY

a) Merger of companies – At the Extraordinary Shareholders' Meeting held on March 5, 2004, the Company's shareholders approved the merger of Natura Empreendimentos S.A. and Natura Participações S.A. into the Company based on an accounting valuation supported by a valuation report issued by independent experts.

The net assets merged into the Company were R\$104,951 for Natura Empreendimentos S.A. and R\$75,716 for Natura Participações S.A., based on the book values of these companies.

b) Capital – Em 31 de dezembro de 2003 o capital social era de R\$56.387, dividido em 25.000 ações ordinárias sem valor nominal e 10.955 ações preferenciais sem valor nominal.

Em 2 de março de 2004, os acionistas reunidos em Assembleia Geral Extraordinária deliberaram: (i) capitalizar os créditos resultantes do resgate das debêntures subordinadas de sua titularidade e da remuAs of December 31, 2003, the Company's capital was R\$56,387, divided into 25,000 common shares without par value and 10,955 preferred shares without par value.

On March 2, 2004, the shareholders decided at an Extraordinary Shareholders' Meeting to: (i) capitalize the credits arising from the redemption of the subordinated debentures held by them and from the net remuneration on the debentures through January 31, 2004; and (ii) split the shares issued by the Company in the proportion of 2,099 new shares for each existing share. The total amount of the capitalized credits was R\$238,569, and was allocated to a capital reserve in the amount of R\$100,000 and a

capital increase in the amount of R\$138,569, representing 3,299 new common shares at an issuance price of R\$72,300 per share. These shares were subsequently split in the proportion of 2,099 new shares for each existing share, resulting in capital of R\$194,956, divided into 59,399,601 common shares and 22,994,545 preferred shares. In the Shareholders' Meeting held on March 5, 2004, the shareholders approved, among other matters:

b.1) Merging Natura Participações S.A. and Natura Empreendimentos S.A., into the Company.

b.2) Canceling the Company shares held by the merged parent companies.

b.3) Amending the bylaws to R\$196,371, represented by 83,266,061 shares.

On May 24, 2004, the Board of Directors' Meeting approved an increase in the Company's capital within the limit of authorized capital, due to the exercise of the right to convert the debentures issued by the Company and fully subscribed by BNDES Participações S.A. into common shares of the Company, as allowed by the Private Indenture of Issuance of Registered Debentures Convertible into Common Shares, dated February 23, 2001.

Consequently, 2,172,550 registered common shares without par value, totaling R\$34,391, were subscribed, and the Company's capital was changed from R\$196,371, represented by 83,266,061 common shares, to R\$230,762, represented by 85,438,611 common shares.

As of December 31, 2004, the Company's capital is R\$230,762. The subscribed and paid-up capital is represented by 85,438,611 common shares without par value.

c) Receivables from management – In 2004, the amount of R\$3,029 was reclassified from the heading "Receivables from shareholder" to the heading "Capital reserve" until it is paid up. Details are disclosed in Note 10.f.

d) Interest on capital – The Company's management proposed in an executive board meeting the payment of interest on capital pursuant to its bylaws, CVM Resolution N° 207/86 and Law N° 9,249/95. As of December 31, 2004, the gross amount of interest on capital is R\$ 29,442 (R\$10,049 in 2003) and was calculated in accordance with statutory limits, also with respect to the mandatory minimum dividend of 30% (25% in 2003) in accordance with article 203 of Law N° 6404/76 and the Company's bylaws.

Income tax was withheld and paid by the Company.

e) Dividend payment policy – Each year, shareholders are entitled to a minimum dividend equivalent to 30% (25% in 2003) of net income for the year, considering principally the following adjustments:

- The increase in the amounts resulting from the reversal, in the year, of reserves for contingencies, recognized previously.
- The decrease in the amounts intended for the recognition, in the year, of the legal reserve and reserve for contingencies.

The bylaws allow the Company to prepare semi-annual and interim balance sheets, and based on these balance sheets, authorize the payment of dividends upon approval by the Board of Directors.

The Company paid, in August 2004, dividends and interest on capital in the amounts of R\$73,266 and R\$11,403,

respectively, for the first half of the year. The remaining balance of dividends and interest on capital, in the amounts of R\$113,644 and R\$13,623, respectively, will be paid in 2005.

Dividends were calculated as follows:

	Company	
	2004	2003
Net income	300,411	65,162
Profit reserve – legal	(15,021)	(3,258)
Calculation basis for minimum dividends	285,390	61,904
Mandatory minimum dividends	30%	25%
Annual minimum dividends	85,617	15,476
Supplementary dividends	-	3,668
Proposed dividends	186,910	20,000
Interest on capital, net of withholding income tax	25,026	8,542
Withholding income tax	4,416	1,507
Total interest on capital and dividends	216,352	33,717
Amount exceeding the mandatory minimum dividend	130,735	18,241
Dividends per share – R\$	2.204	0.658
Interest on capital per share – R\$	0.347	0.279

f) Treasury shares – As of December 31, 2004, common shares in treasury totaled 651,849, at an average cost of R\$1.6970.

g) Share premium – Refers to the goodwill generated on the issuance of 3,299 common shares resulting from the capitalization of debentures in the amount of R\$100,000, as further detailed in item b) above.

h) Reserve for profit retention – As of December 31, 2004 and 2003, this reserve was recorded in accordance with article 196 of Law No. 6,404/76 to be used in future investments, in the amounts of R\$76,024 and R\$31,855, respectively. The reserve recorded in 2003 was used on March 5, 2004 for absorbing excess liabilities arising from the merger of the companies Natura Empreendimentos S.A. and Natura Participações S.A. See details in item b) above.

20. STOCK OPTION PROGRAM

In 1998, the extinguished Natura Empreendimentos S.A. approved an incentive policy for certain directors and managers of the group's companies, through which they would be entitled to purchase shares. Subsequently, this Program was also assumed by the extinguished Natura Participações S.A., and the general bases of the Stock Option Grant Program (the "Program") remained unchanged.

On March 5, 2004, the Shareholders' Meeting of Natura Cosméticos S.A. approved the merger of Natura Empreendimentos S.A. and Natura Participações S.A. into the Company, at which time the Company assumed the Program. On March 25, 2004, the Company completed an initial public offering in Brazil and modified the Program to remove the Company's obligation to re-purchase the shares subject to the plan and change the basis for determination of the stock option strike price.

The Board of Directors meets once a year for the purpose of, within the Program's general bases, establishing the Plan, indicating the directors and managers who will receive the options and the total amount to be paid.

Before the Company completed its initial public offering, the amount established for exercising the options was updated

according to inflation levels as measured by the Extended Consumer Price Index (IPC-A), and the Company had the obligation to repurchase the shares. The plans for 2000, 2001, 2002, 2003 and 2004 were approved under these rules.

The plans for 2000 and 2001 have a 3-year time span for exercising the options, that is, the right to exercise options will be based on 1/3 per year. The plans for 2002, 2003 and 2004 have a four-year time span for exercising the options, and the exercise rights are 50% at the end of the third year and 50% at the end of the fourth year.

Subsequent to the Company's initial public offering, the Company's management, in a meeting held on April 26, 2004, changed these Programs to remove the requirement of the Company to re-purchase shares pursuant to the Program, and modified the criteria for determining the purchase or subscription price of the shares, which became the average market price of the Company's common shares at BOVESPA over the last ten sessions. The option strike price is still updated based on the IPC-A inflation index. The deadline for exercising the options received is two years, counted from the date when all the holder's options have matured (became exercisable).

The information related to the stock option plans is summarized as follows:

Number of stock options (in shares):

Balance of options as of February 1, 2004 (after merger of Natura Participações S.A.)	2,476,351
Cancelled options	(75,146)
Exercised options (*)	(985,877)
Distributed options	380,292
Balance of options as of December 31, 2004	<u>1,795,620</u>

* Breakdown of exercised options through December 31, 2004.

Options converted into shares and sold	841,064
Options converted into shares and held	144,813
Total options exercised	<u>985,877</u>

Options converted into shares and sold generated a cash disbursement in the amount of R\$ 11,086, resulting from the difference between the amount paid by option holders in the amount of R\$16,574 and the amount of R\$27,660 paid by Natura Cosméticos S.A. in the repurchase.

Balance of call options by plan:

	Number of call options (in shares)	Amount for the year according to the IPCA through december 31, 2004
2000	10,348	17.65
2001	84,513	18.51
2002	743,439	25.69
2003	585,786	14.39
2004	371,534	35.41
Total	<u>1,795,620</u>	

As mentioned above, as from the Company's initial public offering, the Company is no longer required to repurchase the shares subject to the Program, and, since the recording of the provision related to the stock option program as set

forth in CVM Official Circular No. 01/2004 is no longer mandatory and is not a practice adopted by publicly-traded companies in Brazil, the amount of R\$9,564 related to this provision was reversed as of June 30, 2004, against the administrative expenses account, in the amount of R\$2,578, and retained earnings, in the amount of R\$6,986. The amount of R\$6,986 recorded in the retained earnings account is due to the fact that the provision was originated in the company Natura Participações S/A and received by Natura Cosméticos S/A as net assets in the merger process of March 2004, as disclosed in Note 1, and therefore had no effect on the income of Natura Cosméticos S/A.

As of December 31, 2004, had the Company's management opted to record the effects of the Program based on the intrinsic value of the options (the difference between market price as of December 31, 2004 and the option value updated according to the IPC-A) recorded over their related vesting period, the pro forma consolidated net income for the year ended December 31, 2004 would have been R\$242,981, as shown below:

	2004
Net income – Company	300,294
Effect of plans considering maturity period	(57,313)
Net income – pro forma	<u>242,981</u>

The pro forma net income includes all estimated effects for the shareholders arising from the probable exercise of the options.

As of December 31, 2004, the market price of the Company's shares was R\$77.50.

21. PENSION PLAN

On August 1, 2004, the Company implemented a supplementary defined contribution plan for all employees of Natura and its subsidiaries. According to the terms of this plan, the cost is shared between the employer and the employees, so that the Company's share is equivalent to 60% of the employee's contribution according to a contribution scale based on salary ranges from 1.0% to 5.0% of the employee's compensation. The plan is managed by Brasilprev Seguros e Previdência S.A. and the Company's contributions for the year ended December 31, 2004 totaled R\$1,313.

22. FINANCIAL INSTRUMENTS

a) General conditions – The Company and its subsidiaries enter into transactions involving financial instruments, all recorded in balance sheet accounts, to meet their own needs, and reduce exposure to market, currency, and interest rate risks. These risks and the respective financial instruments are managed through the definition of strategies, establishment of control systems, and determination of exchange exposure limits.

Temporary cash investments are mainly made at negotiated rates of return, since the Companies intend to hold these investments to redemption. These investments reflect market conditions at the balance sheet dates.

Loans and financing are recorded at the contractual interest rates of each transaction.

b) Exchange risk – The Company has entered into swap and forward transactions to hedge against exchange variation on its liabilities resulting from financing agreements. According to

the Company's policy, swap transactions must be contracted for all debts that may expose the Company to exchange risks. These transactions consist of swaps between two variable rates: foreign currency and CDI (interbank deposit rate).

As of December 31, 2004 and 2003, the Company had swap and forward transactions with financial institutions in the amounts of R\$74,007 and R\$65,558, respectively. These transactions generated losses of R\$6,138 and R\$9,012 respectively, recorded in current liabilities. The exchange exposure is substantially indexed to the U.S. dollar.

The Company and its subsidiaries do not have derivative financial instruments.

c) Interest rate risk – The Company and its subsidiaries are exposed to fluctuations in the long-term interest rate (TJLP) due to the financing agreements entered into with the BNDES.

d) Fair values – As of December 31, 2004 and 2003, the fair values of cash and banks, temporary cash investments, and accounts receivable and payable approximate the amounts recorded in the financial statements due to their short term. The fair values of loans and financing substantially approximate the amounts recorded in the financial statements since these financial instruments have variable interest rates. As of December 31, 2003, the fair values of debentures were equivalent to those recorded in the financial statements, since the Company had the option to pay these debentures at any moment at book value. As mentioned in Note 18, in March 2004, as part of the corporate restructuring, the debentures were transferred to the Company's shareholders' equity.

The book and fair values of swap and forward transactions are as follows:

	Consolidated			
	2004		2003	
	Book value	Fair value	Book value	Fair value
Swap and forward transactions	<u>6,138</u>	<u>6,494</u>	<u>9,012</u>	<u>6,783</u>

e) Credit risk – The Company's sales are made to a large number of beauty consultants. The Company manages the credit risk through a strict credit granting process.

23. INSURANCE

The Company and its subsidiaries contract insurance based principally on risk concentration and significance, at amounts considered by management to be sufficient, taking into consideration the nature of its activities and opinion of its insurance advisors. As of December 31, 2004, the insurance coverage was as follows:

Items	Coverage	Insured amount
Industrial complex / inventories	Any material damages to buildings, installations and machinery and equipment	384,862
Vehicles	Fire, theft and collision for 816 vehicles	16,891
Loss of profits	Nonrealization of profits arising from material damages to installations, buildings and production machinery and equipment	558,270

Statements of Cash Flows
for the years ended december 31, 2004 and 2003
(in thousands of Brazilian reais – R\$)

	Consolidated	
	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	300,294	63,884
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	34,340	33,673
Monetary and exchange variations, net	7,353	(14,076)
Reserve for losses on swap contracts	4,243	36,581
Reserve for contingencies	33,052	16,551
Reserve for obsolete inventories	7,007	588
Other reserves	1,420	2,762
Deferred income and social contribution taxes	(9,634)	(3,528)
Disposal of permanent assets	1,828	1,596
Debentures participation, net of taxes	5,743	102,170
Minority interest	(1)	(60)
	<u>385,645</u>	<u>240,141</u>
(INCREASE) DECREASE IN ASSETS		
Current assets:		
Accounts receivable	(68,455)	(23,042)
Inventories	(49,715)	(5,406)
Other ativos	532	1,304
Long-term assets:		
Escrow deposits	(9,073)	(11,296)
Other receivables	115	3,934
Subtotal	<u>(126,596)</u>	<u>(34,506)</u>
INCREASE (DECREASE) IN LIABILITIES		
Current assets:		
Suppliers	19,099	4,417
Payroll and related charges	21,691	8,498
Taxes payable	(20,705)	6,183
Other payables	8,517	(21,769)
Long-term liabilities:		
Other payables	(1,448)	(1,432)
Subtotal	<u>27,154</u>	<u>(4,103)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>286,203</u>	<u>201,532</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(76,886)	(23,891)
Investments	(6,179)	-
NET CASH USED IN INVESTING ACTIVITIES	<u>(83,065)</u>	<u>(23,891)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in current and long-term loans	(9,130)	(82,458)
Payment of dividends	(130,003)	(9,103)
Payment of interest on capital	(11,403)	(3,292)
Payment of debentures	-	(4,080)
Sale of treasury shares	630	-
NET CASH USED IN FINANCING ACTIVITIES	<u>(149,906)</u>	<u>(98,933)</u>
Merger of Natura Empreendimentos S.A. and Natura Participações S.A. net assets	42,269	-
NET INCREASE IN CASH AND BANKS	<u>95,501</u>	<u>78,708</u>
Cash and banks at beginning of year	136,111	57,403
Cash and banks at end of year	231,612	136,111
CHANGE IN CASH AND BANKS	<u>95,501</u>	<u>78,708</u>
SUPPLEMENTARY CASH FLOW DISCLOSURE		
Income and social contribution taxes paid	84,378	13,468
Interest paid on loans and financing	12,061	9,657
Swap contracts paid	9,170	8,134

Statements of Value Added
for the years ended december 31, 2004 and 2003
(in thousands of Brazilian reais – R\$)

	Consolidated		2004	2003
	2004	2003		
REVENUES	<u>2,509,073</u>	<u>1,879,961</u>		
Sales of goods, products and services	2,533,614	1,904,835		
Allowance for doubtful accounts - reversal/recognition	(23,673)	(26,329)		
Nonoperating	(868)	1,455		
INPUTS PURCHASED FROM THIRD PARTIES	<u>(1,365,906)</u>	<u>(942,240)</u>		
Cost of sales and services	(852,405)	(555,757)		
Materials, energy, outside services and other	(513,501)	(386,483)		
GROSS VALUE ADDED	<u>1,143,167</u>	<u>937,721</u>		
RETENTIONS	<u>(34,340)</u>	<u>(33,673)</u>		
Depreciation and amortization	(34,340)	(33,673)		
VALUE ADDED GENERATED BY THE COMPANY	<u>1,108,827</u>	<u>904,048</u>		
VALUE ADDED RECEIVED IN TRANSFER	<u>35,414</u>	<u>34,339</u>		
Financial income	35,414	34,339		
TOTAL VALUE ADDED TO BE DISTRIBUTED	<u>1,144,241</u>	<u>938,387</u>		
DISTRIBUTION OF VALUE ADDED	(1,144,241)	100%	(938,387)	100%
Payroll and related charges	(247,291)	21%	(177,783)	19%
Taxes and contributions	(547,804)	48%	(502,084)	53%
Financial expenses and rents	(41,675)	4%	(66,987)	7%
Debentures participation	(7,178)	1%	(127,709)	14%
Dividends	(186,910)	17%	(23,668)	3%
Interest on capital	(29,442)	2%	(10,049)	1%
Minority interest	1	0%	60	0%
Retained earnings*	(83,942)	7%	(30,167)	3%

* Excludes unrealized profit from subsidiaries.

Supplementary information on the statements of value added:

Of the amounts recorded under "Taxes and contributions" in 2004 and 2003, the amounts of R\$296,892 and R\$224,160, respectively, refer to ICMS (state VAT) under the taxpayers' substitution regime levied on the estimated profit margin defined by the State Finance Secretariats obtained from sales made by Natura beauty consultants to final consumers.

In order to analyze this tax impact on the statements of value added, these amounts should be deducted from the amounts recorded under "Sales of goods, products and services" and "Taxes and contributions", since sales revenues do not include the estimated profit attributable to Natura beauty consultants upon the sale of products, in the amounts of R\$1,059,324 and R\$795,764 in 2004 and 2003, respectively, considering an estimated profit margin of 30%.

Independent Auditors' Report

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

1. We have audited the accompanying individual (Company) and consolidated balance sheets of Natura Cosméticos S.A. and subsidiaries as of December 31, 2004 and 2003, and the related statements of income, changes in shareholders' equity, and changes in financial position for the years then ended, all expressed in Brazilian reais and prepared under the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements.
2. Our audits were conducted in accordance with auditing standards in Brazil and comprised: (a) planning of the work, taking into consideration the significance of the balances, volume of transactions, and the accounting and internal control systems of the Company and its subsidiaries, (b) checking, on a test basis, the evidence and records that support the amounts and accounting information disclosed, and (c) evaluating the significant accounting practices and estimates adopted by management, as well as the presentation of the financial statements taken as a whole.
3. In our opinion, the financial statements referred to in paragraph 1 present fairly, in all material respects, the individual and consolidated financial positions of Natura Cosméticos S.A. and subsidiaries as of December 31, 2004 and 2003, and the results of their operations, the changes in shareholders' equity, and the changes in their financial positions for the years then ended in conformity with Brazilian accounting practices.
4. The supplementary information contained in Attachments I and II, referring to the statements of cash flows and value added, respectively, is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information was audited by us in accordance with the auditing procedures mentioned in paragraph 2 and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.
5. The accompanying financial statements have been translated into English for the convenience of readers outside Brazil.

São Paulo, February 4, 2005

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Monotypes on Photos by: Willy Biondani (pages 10-11, 14, 34 and 106); Bob Wolfenson (1st cover and pages 8-9); Marcos Suguio (pages 28-29 and 108); Matthieu Belin (pages 3, 4 and 40); Pedro Martinelli (4th cover and pages 20 and 50); Roberto Linsker (pages 66 and 76).



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