

annualreport  
natura2005



natura  
bem estar bem



## 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.



## Letter from the Board



The year 2005 gave reasons for enthusiastic celebration by all who root for Natura's success. Once again we achieved superlative earnings as we continue to garner the results from our commitment to sustainable development and to our common future.

For over a decade now, our strategy has been anchored to the belief that a business can be a powerful engine for social transformation and help create a much more just and egalitarian society, sharing the common knowledge and promoting the well-being. Well-being of people with themselves, the world around them and the nature we all partake.

The permanent challenge is aligning these principles with our day-to-day business practices. This way of being and doing business constitutes Natura's distinguishing trait and helped our company and our brand to earn the recognition and admiration of the community, much to our pride.

Natura's management style is characterized by a dauntless, visionary disposition to mobilize large social networks and manage, with discipline, the multiple processes that make up the business chain, all the way from research and development, production, distribution, to the marketing and communication of products and services, while responding to society's needs and creating value.

The continual exercise of this systemic approach, the enthusiastic allegiance of our staff and all those who interact with Natura add on to the consistent results we deliver and reinforce our optimistic vision of the future.

Natura's gross revenues grew 27.7% in 2005, or 129.5% in cumulative terms over the past three years. Earnings were up 32.2% from 2004, amounting to R\$ 397 million. Our stock appreciated by 38%, above the 27.7% rise in the Bovespa index during the year, creating outstanding returns for our investors and shareholders, ratifying the trust bestowed by the market on our proposition. Besides holding on to the leadership in the Brazilian cosmetic industry, we are now the country's largest direct selling company.

It is also extremely gratifying to confirm that we made a significant social contribution, sharing wealth in the forms of taxes, wages, dividends and income. Our 519,000 Consultants in Brazil and Latin America, for example, shared some R\$ 1.3 billion in income.

Our Consultants are quickly becoming the leading agents of the changes in attitudes and behaviors that we work to promote, also spread – with much enthusiasm – our social and environmental causes, while marketing 220 million items to our 50 million consumers. Their involvement was a deciding factor, for example, in the Educational Campaign of Young and Adults program and in the dissemination of the use of refills as a way to reduce the environmental impact caused by products' packaging.

Moved by the prospects of spreading this Natura way of doing business to an even greater number of people and markets, we decided to boost investments in the company's international expansion program. We opened the doors, in April 2005, to Maison Natura in Paris, France, the birthplace of modern cosmetics and later, in August, we started operating in Mexico, one of the world's largest and most competitive direct sales markets. The significant

growth in operations in Argentina, Chile and Peru, which together achieved a 45.4% gross revenues growth over 2004 reinforces our confidence to expand the Natura community internationally.

To prepare for this international expansion, we embraced a sweeping organizational realignment. New corporate structures were rolled into place while the existing ones were reinforced and energized, lending a new burst of support, efficiency and speed to operations in Brazil and abroad. We also took further steps in corporate governance, appointing a CEO who came from outside Natura's controlling group. Under this renewed structure, the founding partners continue active in the formulation of the company's strategy, sharing their expertise and entrepreneurial vision in their new roles in the Board of Directors, working side by side with the executive group.

We are conscious that, by launching a new research platform, anchored in the sustainable use of Brazilian biodiversity and in the combination of traditional knowledge with scientific expertise and technology, we entered into a field where the desire to learn and dialogue must be permanently cultivated. This learning process gave rise, in 2005, to the unveiling of innovative products, such as the Chronos Spilol, which uses *jambu*, an endemic plant in Brazil's Northern region, in its formula. Instead of posing a hurdle, this experience reinforces our commitment to dare, besides validating our confidence to tread new paths that open up new business potential.

We believe in our potential because we can count on highly motivated staff to foster quality relationships in all our actions. For this reason we should develop, with even more commitment, our capacity to find, train and retain leaders who are aware of their role in the global community. We are conscious that our great challenge will be to face the changes and problems posed by the company's accelerated growth, while continuing to nurture a working environment rich in motivation, joy, quality, coherent with our values – this is the determining condition for our future development.

For all of this years' great achievements, we wish to extend our deepest gratitude and sincere recognition to all those who are part of Natura's largest community: our staff, Consultants, shareholders, consumers, suppliers, community partners and the public power. We also take this opportunity to extend an invitation to all those who also believe that it is possible to disseminate the Well Being Well and together help build a better, just and more harmonious common future.

**Antonio Luiz da Cunha Seabra**  
**Guilherme Peirão Leal**  
**Pedro Luiz Barreiros Passos**  
Cochairmen of the Board

**Alessandro Giuseppe Carlucci**  
Chief Executive Officer

## 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 the 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.**





Gláucia Salgado gives swimming lessons and sells Natura products. She helps Emily Von Oertzen with her diving skills as her Mom, Constance, looks on. Constance will not go a single day without her favorite *buriti* and *andiroba* exfoliating vegetable bars of soap from the Ekos line.



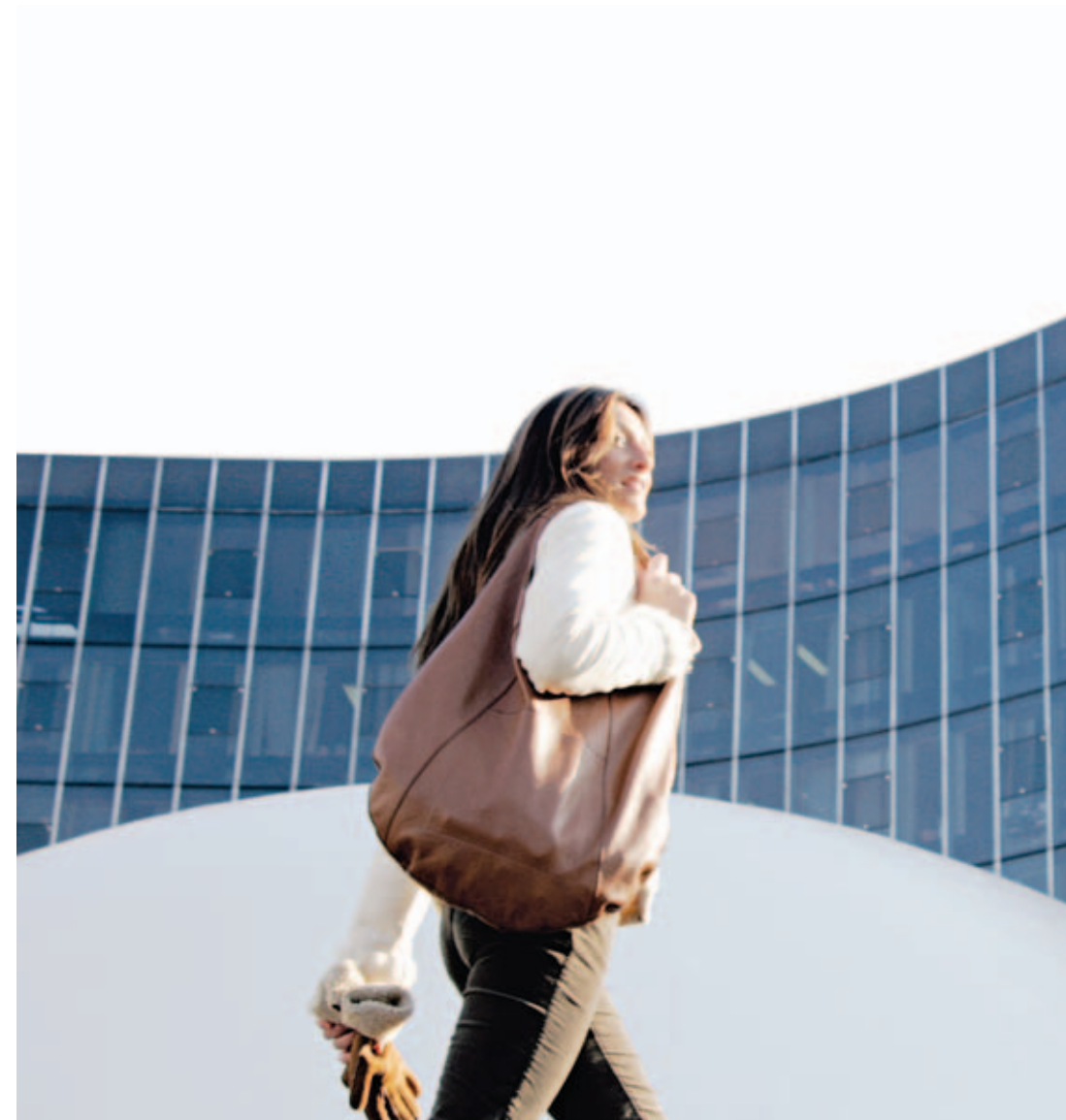
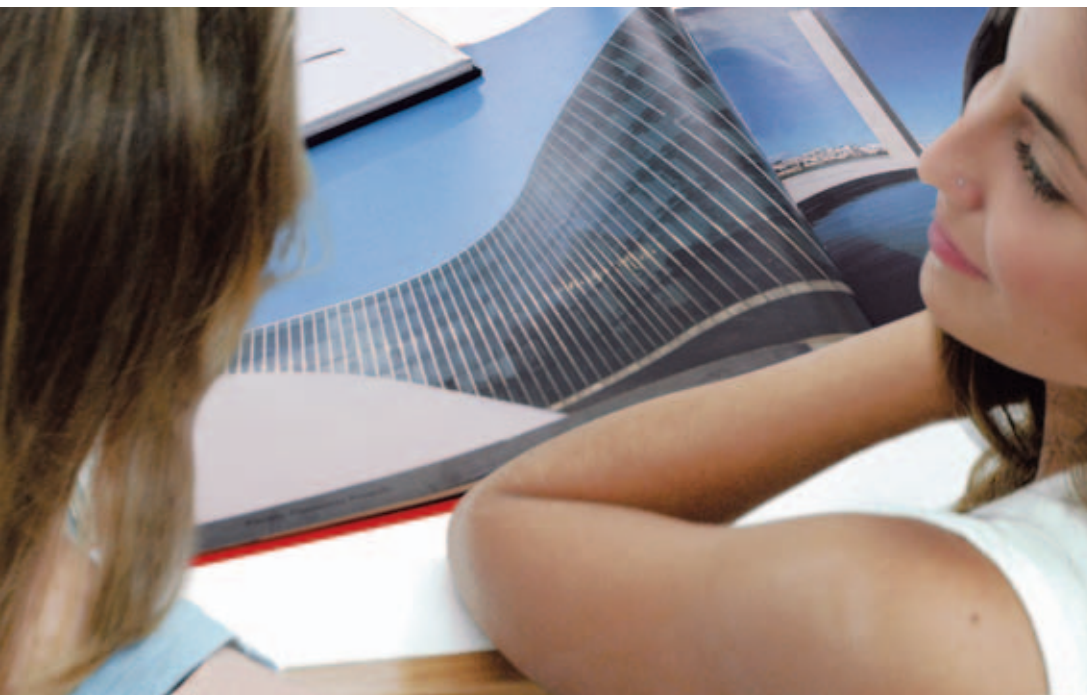


As a friend and Consultant to Elisa Calfat, Gláucia keeps her up-to-date on new Natura products. When they get together they chat about what is new, about their lives. Elisa tells she loves her Architecture course and will devote time, this semester, to study the work of contemporary Brazilian architects.





There is something new and special catching her attention: a distinctive building in Paris that cinches an important link between Brazilian and French cultures.



The building of wide spaces and sensuous curves also fascinates Emmanuelle Mouquet, a Natura consumer who has lived in Paris since she was a child.

Every time she meets her friend Marie Gillot...



...she walks by the building that entices her.





The friends share the dream of visiting Brazil someday.

Its vibrant and sensuous scents, colors and unusual textures that Emmanuelle got to know keep drawing her back to Maison Natura Paris.





The experience is so enveloping that it transports Emmanuelle back to wide vistas...

...to trails and clear water streams surrounded by thick, exuberant foliage.



Spaces, trails, streams and plants that inspire the innovative products...



...that captivate over 50 million Natura consumers.



And transport them to the exotic forests...

Águas de Natura Especiarias Frescas



Just like Petra  
Schwartz and Flora  
Lopes, Natura  
consumers who  
celebrate a more  
diverse, more  
integrated world.





They know that it is possible to use natural resources conscientiously, and they can influence this movement, which will also help their country.



A country naturally rich also in cultural expressions that shine in a diversity of dialects and the enormous talent of its people.



Expressions that Antonio Nóbrega, artist sponsored by the program Natura Musical, brings to the limelight...





...carrying fun, joy and Well Being Well

to thousands of people across this immense Brazil.

# Strategy and Outlook

Our business strategy is rooted in four pillars: our commitment to sustainability, the quality of relations established with our various publics, the concepts and products we develop, and Natura's brand strength, which all represent our essence.

The prospects favor the materialization of this strategy, because there is room for further growth of the markets we operate in and for the company within these markets.

The Brazilian cosmetics, fragrances and toiletries market recorded another excellent performance in 2005. According to Abihpec (the industry association), nominal growth for the target market, from January to October 2005 was 16.5% year-on-year. In real terms, discounting IPCA consumer inflation (6.4% for the period), the figure was still a solid 9.5%, much higher than

the average for all economic sectors. In the direct sales segment, the numbers are even more impressive. While full-time positions job growth has been exceptionally small in recent years, direct sales created opportunities and income for more than 1.5 million people. In 2005, according to ABEVD (Brazilian Association of Direct Selling Companies), they turned over R\$ 12.3 billion – up 20.4% and 51.8% from 2004 and 2003, respectively.

Based on the industry growth coupled with the reported results last year, we intend to take advantage of every possible growth opportunity in the domestic market and invest in an international expansion process while reinforcing sustainable long-term business platforms, such as Research and Development, and securing value and consistent returns to shareholders.

We intend to maintain our leadership in Brazil's target market for Cosmetics industry, building and reinforcing our brand features in different country regions, by widening the number of Consultants and increasing business volume.

In the international operations, our intention is to consolidate, in 2006, the planning process to broaden our presence in other countries. Perspectives are based on the continuous increase in sales and in the number of Consultants in every single market, with sales channel productivity growth and category orientation besides the geographical expansion of our operations.

To ensure, in the upcoming years, a domestic and international expansion process, it will be essential, not only to grant an increasing volume of resources in investments dedicated to research and development and innovation,

We will continue to seize all opportunities in the domestic market and to invest in international expansion

but also to maintain its effective usage, focusing on our differentials. We will reinforce our choice to deepen our knowledge of the Brazilian biodiversity and its application to our formulas in a sustainable way. Simultaneously, we will intensify the number of our own research projects and associations with scientific and academic networks in Brazil and abroad.

Another challenge is to develop and improve organizational structures, which in addition to supporting current expansion, also offer sustainability to future growth. These structures are shaped in order to broaden the concern, be it in planning or be it in the management of our activities, that we have towards the socioenvironmental performance, which is part of Natura's essence.



## Company profile

Natura's two passions – for cosmetics as a vehicle of self-knowledge and the exaltation of well-being and human connections as a way to express life – granted it a privileged spot in Brazil's corporate landscape. We are one of the most admired companies in Brazil, also leader in the domestic industry of cosmetics, fragrance and personal hygiene and our brand is one of the most valuable brands in Brazil. Our product portfolio now consists of approximately 600 products, in the categories make-up, fragrances, solar protection, skin care and hair care, among others.

Over the last years, we have achieved consistent rates of growth, much higher than the average gains by the domestic

cosmetics and direct sales sectors which, in their turn, have already been surpassing the growth rate of Brazil's economy. In 2005 gross revenues amounted to R\$ 3,243.6 million, 27.7% more than in 2004. One of the cornerstones of this expansion is the constant search for excellence in our products and services, essential to establish and cement quality in our relationships with our publics.

We are at the frontline of the Brazilian companies that invest the most in research and development. Currently, Natura houses a large and integrated research, manufacturing and logistics center at its headquarters in Cajamar, São Paulo. There are also commercial and distribution units in Itapeverica da Serra, in the state of

São Paulo, and in Uberlândia and Matias Barbosa, in the state of Minas Gerais.

In 2005 we produced more than 200 million items sold to our 50 million consumers in over 5,000 Brazilian cities through direct sales. We ended 2005 with 4,128 employees and 519,000 Consultants – independent professionals who purchase and resell our products – in Brazil and the other countries where we operate: Argentina, Chile, Peru and Bolivia. Since 2005, we are also present in Mexico and France.

With our daily business fully integrated with our beliefs, we maintain and develop a socially and environmentally responsible management, rooted in two pillars. The first one is ethics, transparency and

One of the foundations of our growth is the quest for excellence in our products and services

open communication channels with all the publics who interact with the company. The other one is the establishment of targets compatible with the sustainable development. These are initiatives that belong to our dream of contributing to build a better world. Since 2004 Natura is a public company, with shares listed in the Novo Mercado at São Paulo's Stock Exchange, Bovespa.



## Products and concepts

Our beliefs and world vision bring forth concepts that breathe life into the products we create. They are developed from a deep commitment to integrate all possible facets of individuals (physical, emotional, intellectual and spiritual) and their family, professional and social relationships as well as those with the environment. For us, a new product must be an instrument of information, consciousness and eagerness for perfection.

In 2005 our product portfolio consisted of approximately 600 products, in the categories make-up, facial and body treatments, personal hygiene, fragrances, hair care, solar protection, children's line, among others (*to get acquainted with our complete portfolio, visit Natura's website at [www.natura.net](http://www.natura.net)*).

Three lines among them stand out for symbolizing with eloquence Natura's world vision and convey the values we hold dear: **Chronos**, **Mamãe e Bebê**, and **Ekos**. Not coincidentally, all these lines were created at significant moments of our corporate history and carry universal concepts.

**Natura Chronos** was the first line to face head on the prevailing beauty standards and stereotypes. For the sake of coherence,

Our products are also instruments for the broadening of individual awareness and of the desire for perfection

we adopted a new concept for anti-signs skin care and established an innovative standard communication, in the early 1990s, by valuing the Truly Beautiful Woman, showing that it is possible to feel well and beautiful regardless of age.

The mother-child bonding determines, to a large degree, how that baby will later relate to the self and the world. This bond inspired the **Mamãe e Bebê** line, in which all products were specially developed to stimulate this essential relationship through the five senses – touch, smell, vision, hearing, breast-feeding –, opening up a universe of feelings and sensations.

The **Natura Ekos** line started a new cycle in the company's history by proving that innovation can be delivered straight from nature. All products in this line lead to personal and collective well-being. Beginning with the use in their formulas of biodiversity elements, all of which Natura strives to extract in a sustainable manner. Their benefits, scientifically proven, rescue the values and experiences accumulated by traditional populations through the centuries.







**1969**

Antonio Luiz da Cunha Seabra starts Natura, a store and a laboratory in São Paulo.

**1974**

The company chooses the direct sales model and gathers the first Natura's Consultants.

**1979**

Natura launches its first men's line, named Sr. N. Sistema Natura is established due to the creation of new companies.

**1981**

The first lines of make-up and fragrances are launched.

**1982**

Natura sets foot abroad for the first time. Destination: Chile.

**1983**

In another pioneer move, in Brazil, Natura starts offering refillable products, among other Brazilian retailers.

The Séve line opens up a new niche: bath oils.

**1984**

Launch of the Erva Doce line.

**1986**

Chronos launch marks the first generation of a line of anti-signs facial treatment.

**1989**

Merge of the companies that integrated the Sistema Natura.

**1990**

Natura defines and announces its Principles and Beliefs: the importance of relationships, commitment to truth, continual search for perfection, diversity as an engine of vitality, affirmation of a beauty that is free from stereotypes and manipulation, and the corporation as a promoter of social enrichment.

**1992**

Natura charges ahead with the adoption of corporate responsibility initiatives.

The concept Mulher Bonita de Verdade shows that true female beauty is not a matter of age, but of self-esteem.

**1994**

The Mamã e Bebê line is launched, advancing the parent-child bonding process.

One of its innovations was the proposal of Integrated Massage Method, based on Shantala techniques, which fosters the mother-child closeness by touch from pregnancy through the early years of the child's life.

Operations are launched in Argentina and Peru.

**1995**

Natura starts Crer para Ver program, the objective is to contribute to the improvement of public education in Brazil.

**2000**

Launch of the Ekos line, made from Brazilian biodiversity in sustainable ways.

**1998**

Establishment of The Board of Directors.

**2001**

The company opens Espaço Natura in Cajamar, within São Paulo metropolitan region.

Natura establishes a relationship with Global Reporting Initiative (GRI) and is the first company in Latin America to follow its guidelines. In its Annual Report GRI develops models of voluntary reports on social and environmental impact caused by corporations.

**2002**

Establishment of Sustainability Committee.

**2004**

Natura's stock is listed with São Paulo Stock Exchange (Bovespa) Novo Mercado.

Natura is issued an NBR ISO 14001 certificate.

**2005**

Maison Natura opens its doors to the public in Paris and operations begin in Mexico.

Chronos Spilol is launched the flagship for the latest generation of anti-signs skin care.

It uses the extract from a Brazilian native plant from Amazon, known as *jambu (Spilanthes oleracea)*.

Natura is issued an NBR ISO 9001 certificate.



## 2005 highlights



### Milestones

- *Instituto Nacional da Propriedade Industrial (Inpi)* recognizes Natura's brand name value; the company obtains the NBR ISO 9001 certification.
- Alessandro Carlucci is named Natura's first CEO who came from outside the controlling group, crowning the professional process and the enhancement of corporate governance procedures.
- Maison Natura opens its doors to the public in Paris, France, and the company launches operations in Mexico; the internationalization process gains momentum.
- Consolidated gross income grows 27.7%, well above the growth of our target-market. Cumulative growth in the past three years soared to 129.5%.
- Natura's shares are selected to be part of the well-known domestic and international stock indices: IBrX 100, ISE, itag and MSCI.
- Operations in Chile, Argentina and Peru show a consolidated growth of 45.4% in weighted local currency terms.
- Chronos Spilol is launched; it is also the first anti-signs facial cream formulated from a Brazilian botanical source obtained by organic, sustainable methods, the *jambu*.
- The entire line of Natura bars of soap turns vegetable, now produced from palm kernel oil instead of animal fat.
- The Ministry for the Environment grants Natura the first ever license to a domestic cosmetics producer to access Brazil's biodiversity genetic heritage, with the *breu-branco* extract.
- Natura's Consultants are mobilized to promote the Young and Adult Education, a Ministry of Education program. As a result 66,600 people over age 15 were sent back to primary schools, and, in another campaign, to accelerate the sale of refills.
- Natura was elected, for the third consecutive year; the Best Place for Women to Work, according to *Exame* business magazine and Great Place to Work® Institute; and for the second consecutive year; the Most Highly Regarded Company in Brazil – from *CartaCapital* magazine and InterScience.

### Challenges

- Manufacturing and logistic issues, resolved in the second semester; temporarily hampered production and order fulfillment routines in the first half of the year.
- Difficulties to find suppliers, particularly in traditional Northern region and neighboring communities, which complied with the sustainability criteria demanded by Natura's certification processes.
- A slight drop in the favorable responses to the Organizational Climate Survey, to 70% in 2005 from 73% in 2004, signaled the need to improve personnel relations.
- Difficulties to meet, in a manner coherent with our beliefs, the pledged ratio of disabled workers, due to the rapid increase in our personnel and the extended search for candidates with the necessary skills.



# Methodology and key indicators



For the fifth consecutive year, Natura reports its economic, social and environmental activity in an integrated format, in line with the permanent quest for the sustainable development of business.

The information on our economic performance is in accordance with the guidelines from the Brazilian Security and Exchange Commission (CVM), and the Associação Brasileira das Companhias Abertas (Brazilian Association of Publicly Traded Companies – locally, Abrasca).

For indicators of social and environmental performance, Natura follows the guidelines from Instituto Ethos de Empresas e Responsabilidade Social, and the Global Reporting Initiative's (GRI) models. Instituto Ethos was formed in 1998 to mobilize, increase awareness and help companies manage their business in a socially responsible manner.

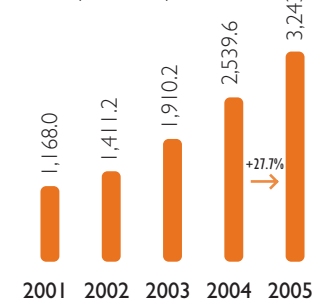
GRI, created in 1997, is an independent international agency that develops

protocols aimed at volunteer usage that permit gauging the economic, social and environmental impact of the companies' activities, products and services. GRI is supported by foundations, institutes, companies and organizations throughout the world. It counts on the help of several sectors of the public interested in accurate and transparent information. Since 2004, Natura is an Organisational Stakeholder and cooperates with a working group responsible for developing the third issue of the GRI Guidelines. To facilitate the finding of GRI indicators related to several of our activities on the following chapters, its number will come in brackets right after the correspondent theme (see *GRI Index on page 143*).

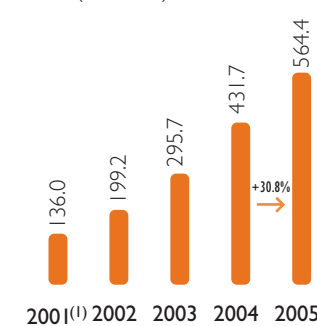
Besides following these entities' guidelines to prepare its reports, Natura adopts transparency communication tenets issued by Associação Brasileira de Comunicação Empresarial (Brazilian Association of Corporate Communication – locally, Aberje) to which it is associated.

## Performance Key Indicators

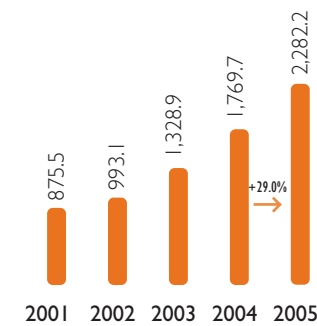
**Consolidated Gross Revenue Growth**  
(R\$ million)  
CAGR (2001 - 2005) = 29.1%



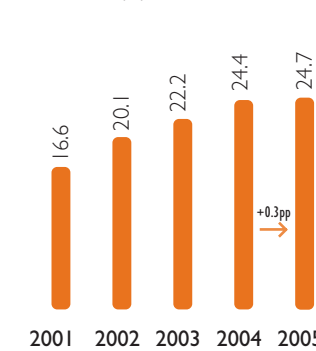
**EBITDA Growth**  
(R\$ million)  
CAGR (2001 - 2005) = 42.7%



**Net Revenue Growth**  
(R\$ million)  
CAGR (2001 - 2005) = 27.1%



**EBITDA Margin Growth (%)**



### Business Performance

	2001	2002	2003	2004	2005	Change 05/04
Consolidated business volume <sup>(2)</sup> (R\$ million)	1,644.0	1,951.7	2,652.5	3,531.1	4,496.2	27.3%
Consolidated business volume per Consultant <sup>(3)</sup> (R\$ per Consultants/year)	8,349	8,875	10,283	11,277	11,984	6.3%

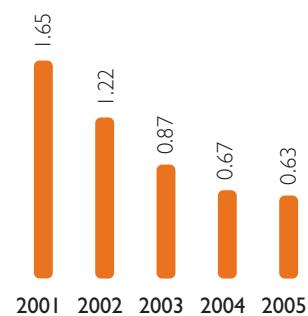
1. Natura Empreendimentos  
2. Business volume is the estimated amount of orders by Natura's Consultants, based on the estimated profit margin of these Consultants, excluding revenues from the supporting material that is provided to them. It covers Brazil, Argentina, Chile and Peru.  
3. Considers the average number of active Consultants - those who made at least one order during the sales cycle. Each cycle lasts three weeks. It covers Brazil, Argentina, Chile and Peru.

## Financial Performance<sup>(1)</sup> (R\$ million)

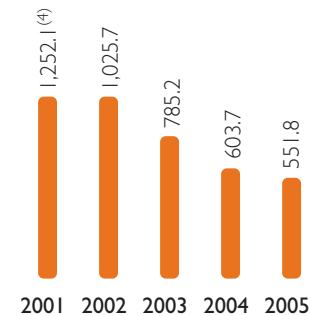
	2001	2002	2003	2004	2005	Change 05/04
Domestic gross sales	1,140.3	1,375.2	1,860.3	2,472.0	3,149.7	27%
International gross sales <sup>(2)</sup>	27.7	35.0	47.9	66.8	92.6	39%
Other sales	–	1.0	2.0	0.8	1.3	63%
<b>Gross operating revenues</b>	<b>1,168.0</b>	<b>1,411.2</b>	<b>1,910.2</b>	<b>2,539.6</b>	<b>3,243.6</b>	<b>28%</b>
Net operating revenues	875.5	993.1	1,328.9	1,769.7	2,282.2	29%
EBITDA <sup>(3)</sup>	120.3	199.2	295.7	431.7	564.4	31%
<b>Operating income<sup>(4)</sup></b>	<b>72.3</b>	<b>121.1</b>	<b>230.4</b>	<b>395.4</b>	<b>532.9</b>	<b>35%</b>
Net income	9.5	21.7	63.9	300.3	396.9	32%
Investments	7.1	25.2	23.9	83.1	111.6	34%
Financial income	(35.5)	(44.3)	(30.1)	(2.8)	11.3	-504%
Total assets	599.9	646.6	723.9	1,016.4	1,368.9	35%
Shareholders' equity and profit-sharing debenture <sup>(5)</sup>	208.8	225.9	354.2	436.1	521.4	20%
Net indebtedness <sup>(6)</sup>	205.0	119.1	(19.0)	(91.1)	(200.2)	120%

1. Operations in Brazil, Argentina, Chile, Peru, France (starting in 2005), Mexico (starting in 2005) and exports to Bolivia.
2. Operations in Argentina, Chile, Peru, France (starting in 2005), Mexico (starting in 2005) and exports to Bolivia.
3. Earnings before financial income, profit-sharing debentures, income tax, depreciation and amortization.
4. Operating income after financial income.
5. Total shareholders' equity and profit-sharing debentures.
6. Excludes profit-sharing debentures.

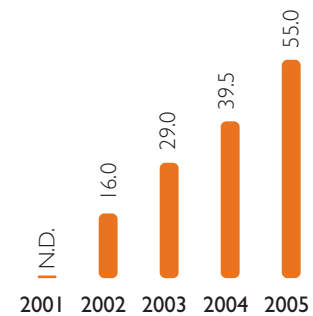
### Water Consumption per Unit Sold<sup>(1)</sup> (liters/unit sold)



### Total Energy Consumption per Unit Sold<sup>(2)</sup> (kjoules/unit sold)<sup>(3)</sup>

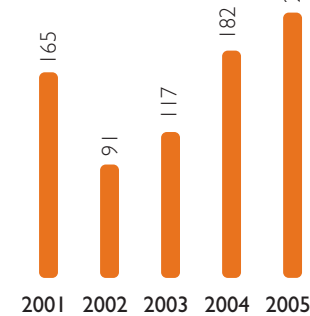


### Water Reuse (% of total water treated at the Effluent Treatment Station)



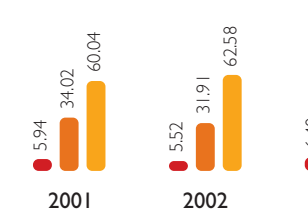
## Research and Development

### Number of Products Launched

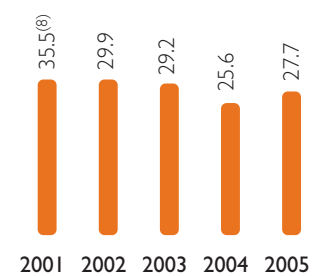


### Waste Destination (%)

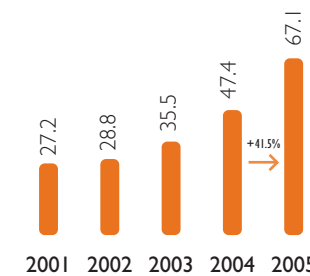
- Incinerated<sup>(5)</sup>
- Disposed of in landfill sites
- Recycled<sup>(6)</sup>



### Generation of Waste per Unit Sold<sup>(7)</sup> (grams/unit sold)<sup>(7)</sup>



### Investments in Innovation (R\$ million)



1. In 2005 there was 5.6% reduction in relative water consumption. Main reason was the gain in productivity derived from large-scale production of items for resale. We ended 2005 with 5.3% reduction over the forecast amount.
2. Energy Matrix is the total energy used by Natura, that comes from various sources (electricity, diesel and LPG).
3. In 2005, relative energy consumption decreased 8.5%. The main driver was the gain in productivity derived from large-scale production of items for resale, 5.3% reduction over the forecast amount.
4. Approximate value. In 2001 total unit was considered for the calculation.
5. Incineration decrease was due to actions, taken that gave priority to the recycling of solid waste.
6. Improvements were implemented in the segregation process of materials and the change in operational waste destination (equipments for tissue protection) contributed to 10.5% increase in the waste recycling index in 2005 compared to 2004.
7. Absolute volume of waste posted an increase of 34% in 2005, surpassing the growth in the number of units sold, which was 25% over that of the previous year. Greater volume in production and actions for cleansing of inventory were important drivers in the increase of the absolute volume of waste.
8. Approximate value. In 2001 calculation was made on the basis of units billed.

## Investment in Corporate Responsibility

During the past decade Natura has intensified and refined its socioenvironmental management practices, rooted in the quality of its relations and the definition of corporate goals compatible with sustainable development. These principles now have become part of the company's initiatives in all areas. Some results of this process were the choice of renewable compounds from Brazil's biodiversity as its technological platform, the socioenvironmental assessment of suppliers and the development of packaging with the least possible impact on the environment. The Annual Report aims to discuss these actions.

To focus attentions on the critical aspects of these strategies, Natura devised a supporting tool for managers to plan and visualize specific actions towards each sector of the public the company relates to: The Corporate Responsibility Matrix.

This matrix, therefore, allows to highlight Natura's investments on corporate responsibility matters, or, better said, on those groups of actions

Our businesses are based on establishing quality relations and defining goals compatible with sustainable development

not related to the corporate law nor to the business, but exists to enhance the chain of relations and people's quality of life.

The matrix does not fully reflect Natura's efforts to promote a socially responsible management. Instead, it reports the investments made in the pivotal facets of this management style. They are:

- Monitoring the quality of Natura's relations with its publics about respect to ethics, transparency and the efficiency of the dialogue channel, including themes not directly linked with the business (Fundamentals line).
- Promoting sustainable development – be it local or in a specific region, be it for fostering diversity, education, quality of life and culture (Socioeconomical line).
- Protecting the environment (Environmental line).

The declared values designate effective investments above the legal requirements (see the description of the considered actions at matrix in Highlights of Investments in Corporate Responsibility on page 108).

**Corporate Responsibility Investment Matrix**  
(in R\$ thousands)

Natura's Funds	Natura stakeholders								TOTAL
	Personnel, families and third parties	Consultants	Supplier communities	Suppliers	Cajamar and Itapeperica da Serra	Consumers	Government and society	Shareholders	
Fundamentals	189.3	214.0	-	98.7	17.0	194.1	2,054.2	-	2,767.3
Socioeconomical	7,995.8	-	896.3	60.0	410.4	-	1,578.5	-	10,941.1
Environmental	46.6	-	-	-	-	-	1,299.5	-	1,346.1
Subtotals	8,231.7	214.0	896.3	158.7	427.4	194.1	4,932.2	-	15,054.5
Management expenses	All stakeholders								TOTAL
	2,559.6								2,559.6
	Total Natura's funds								17,614.1
	% of net sales								0.8

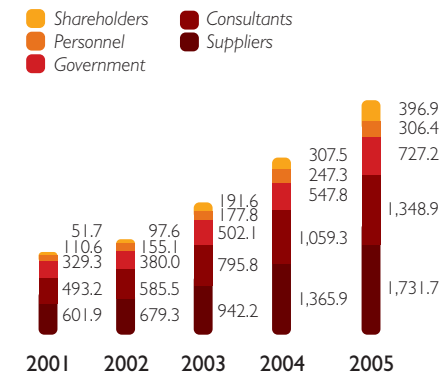
Funds generated by Consultants	Natura stakeholders								TOTAL
	Personnel, families and third parties	Consultants	Supplier communities	Suppliers	Cajamar and Itapeperica da Serra	Consumers	Government and society	Shareholders	
Net funds raised by the Crer pra Ver Program	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	3,041.7	N.A.	3,041.7
	Total funds generated by Consultants								3,041.7

Tax funds	Natura stakeholders								TOTAL
	Personnel, families and third parties	Consultants	Supplier communities	Suppliers	Cajamar and Itapeperica da Serra	Consumers	Government and society	Shareholders	
Tax incentives	-	-	-	-	-	-	2,723.9	-	2,723.9
	Total tax incentives								2,723.9
	GRAND TOTAL								23,379.7

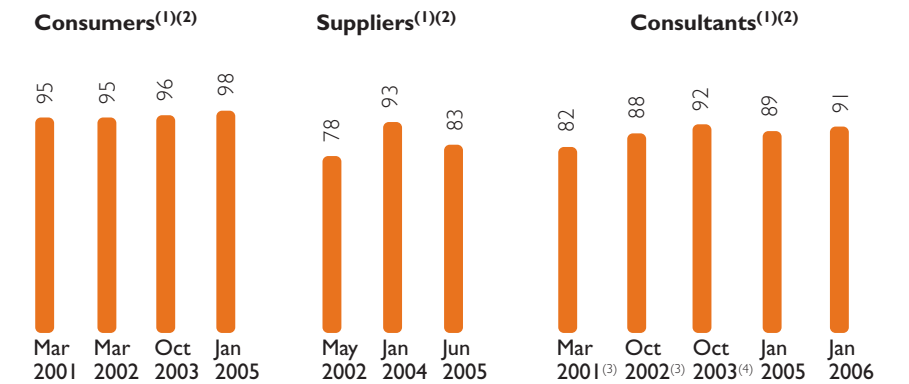
Note: N.A. = Not applicable.

## Key social indicators

### Destination of Funds per Type of Stakeholder (R\$ million)

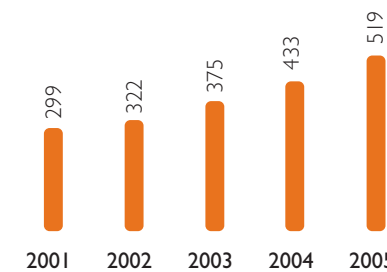


### Satisfaction (favorability %)



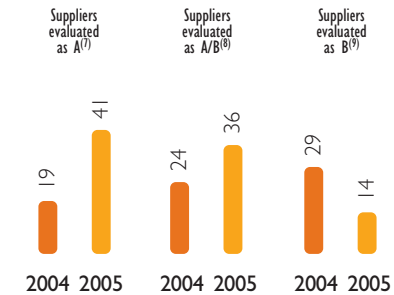
### Consultants

#### Number of Consultants<sup>(5)</sup> (in thousands)



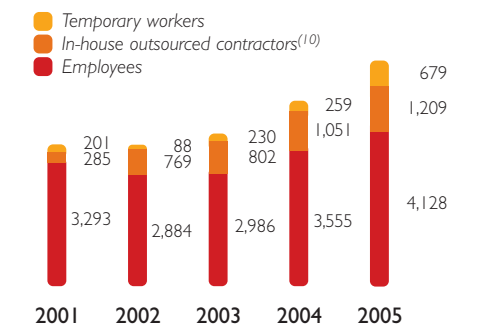
### Suppliers

#### Environmental Classification of Suppliers (%)<sup>(6)</sup>



### Personnel

#### Employees, In-house Outsourced Employees and Temporary Workers



1. From now on, the survey results will be published considering the period during which it was carried out.
2. Reported data refer to surveys conducted from January 2001.
3. Consultants surveys results from March 2001 and October 2002 are not comparable to the others due to methodology changes.
4. Consultants survey results of October 2003 were altered in this report to make them comparable to similar surveys conducted in other periods because they refer to the same methodology used in later periods.
5. Consultants in Brazil, Argentina, Chile and Peru.
6. The suppliers classification began in 2004.
7. Between 90% and 100% meet the requirements.
8. Between 80% and 89% meet the requirements.
9. Between 60% and 79% meet the requirements.
10. We are considering the in-house outsource employees at Companies units.



# Competitive advantages

## Research and Development

Our investments in this area grew 41.5% in 2005, to 2.9% of net revenues (GRI ECI). These figures place us among the Brazilian companies that invest the most in research, development and innovation. The end results, transformed into new products, were particularly rewarding in 2005.

We rolled out 213 new products and the innovation index, which measures the revenue share of products launched in the last 24 months, rose to 69.8% from 63.2% in 2004.

The anti-signs Chronos skin-care line epitomizes Natura's values. In 2005 the line included a new formulation with Spilol, extracted from a native plant, the *jambu*, from the Brazilian Northern region, obtained through techniques developed proprietarily by Natura's researchers, which

proved to be effective against signs of aging. The line also counts on another anti-signs compound, Elastinol, developed with the help of Professor Ladislav Robert at Paris 5 University. During 2005, studies for the launch of a fourth generation of Elastinol were concluded. The use of both these compounds lends further flexibility to the development of the Chronos line.

Another highlight last year was the conversion of our entire line of soap to vegetable oils. Now all our bars of soap are made from palm-kernel oil instead of animal fat.

Equally important to the transmission of the company's values, the Ekos line – which marked the start of the use of products from Brazil's biodiversity as a platform for product development – incorporated some exclusive items for the inauguration of Maison Natura in Paris,

in April 2005. These new products, currently exclusive to the French store, will soon be available in Brazil and other countries.

Natura is already the unquestionable leader in the fragrances market. In 2005 we accelerated specific research projects to include more essential oils in our lines. This work required hiring scientists and researchers and will permit the addition of new extracts besides *priprioca*, *breu-branco* and *pitanga*, unique to our perfume lineup.

Another important achievement, targeted for June 2006, is the bringing forward of the elimination of all animal testing in the product development process. We accelerated the reformulation of our internal process for safety assurance of products. Today Natura is one of the few Brazilian companies that develop and conduct in vitro testing in its own laboratories. In addition to these tests,

As part of our continuous innovation process, we seek to establish partnerships with the scientific community

we developed an evaluation model with a database and advice from external specialists, under the coordination of the Product Safety Committee. This model ensures the integrity and harmlessness of the products before they are sold for human consumption (GRI PRI).

In our quest for innovation we have sought partnerships with research institutes and universities. The Natura Campus Program, in conjunction with Fundação de Amparo à Pesquisa do Estado de São Paulo (Fapesp) was especially active last year, with the development of various projects with six universities in the state of São Paulo.

## AWARDS AND RECOGNITIONS

Throughout its history Natura has been recognized for its ethical and transparent relations with its diverse publics groups. Among the most important awards and recognitions received in 2005 the following deserve mention (see the complete listing on page 117):

**Most Highly Regarded Company in Brazil** – *CartaCapital* magazine and *InterScience* (second consecutive year).

**Best Place for Women to Work** – *Exame* business magazine and *Great Place to Work*® Institute (third consecutive year).

**Model-Company in Social Responsibility** – *Guia Exame de Boa Cidadania Corporativa* (sixth consecutive year).

**Social Report Award** – Associação Brasileira de Companhias Abertas (Brazilian Association of Publicly Traded Companies); Associação dos Profissionais de Investimento do Mercado de Capitais (Analysts and Investment Professionals in Capital Markets Association); Instituto Ethos de Empresas e Responsabilidade Social (Ethos Institute of Companies and Social Responsibility); 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), fourth consecutive year.

**Abrasca Award** – Best Annual Report, Listed Companies, fourth place.

**Aberje São Paulo Award in the categories Investor Relations, Media Diversity and External E-News** – Associação Brasileira de Comunicação Empresarial (Brazilian Association of Corporate Communication).

**Aberje Brazil Award in the categories Media Diversity and External E-News** – Associação Brasileira de Comunicação Empresarial (Brazilian Association of Corporate Communication).

**Top-of-Mind Award in the category Product and Beauty Cream** – *Folha de S. Paulo* news daily.

**Empresa de Valor 2005** – *Valor Econômico* business daily.

**Fourth Most Valuable Brand in Brazil** – *ISTOÉ* business magazine and Instituto Interbrand.

**Environmental Merit Award** – Federação das Indústrias do Estado de São Paulo (second consecutive year).

## Brand

The Natura brand epitomizes the company's essence and the contents of our Principles, Vision and Beliefs statements. As the company's most valuable intangible asset, the Natura brand is crucial for our international expansion process and as such we devote special care to strengthen our brand and disseminate it to other markets.

An important initiative in 2005 was the consolidation of the Brand Management System to manage the entire process involved in branding – language, training, contents development, advertising and secondary-brand management.

The result was clear in the number of awards conferred to Natura as one of the most valuable brands in the country, according to different research institutes and other media (see the table "Awards and Recognitions") (GRI SO4). Another significant recognition came from the Instituto Nacional da Propriedade Industrial, Inpi, acknowledging Natura as a highly renowned brand, a status shared by brands with undisputable authority and outstanding clout that stem from their tradition and the quality and trust they inspire. With it, the protection of our brand is no longer limited to the cosmetics industry but reaches out to all sectors of economic activity.

## Relationships

Guided by our belief in ethics, transparency and dialogue, in 2005 we continued to develop efforts to better define and refine the relationship with our various publics.

### Consultants and consumers

Natura's Consultants are a crucial part of our business. We therefore stimulate and value their role in generating income in these times marked by a dearth of formal jobs. In 2005 we distributed R\$ 1.3 billion to our Consultants, 27.3% more than in 2004 (GRI EC13).

We opened 2005 with 433,000 Consultants and added another 86,000 (10,000 of them in other countries), to close the year with 519,000. Consolidated business volume grew by 27.3% over 2004 and productivity per Consultant in Brazil increased to R\$12,300 which represents a raise of 6.6% over that of the previous year.

We invested strongly in training and strengthening contacts. As a result of a series of meetings, workshops and product launch events, we managed to reduce Consultant turnover.

The Internet has been growing as a vehicle of interaction with the sales force: in 2005 approximately 100,000 Consultants in our roster had frequent access to our website, in comparison with 70,000 in 2004 (GRI EC13).

Surveys conducted by our quality control areas had detected a few areas of dissatisfaction among Consultants, be they related to on-demand product availability or to irregularities at delivery. Changes in stock management policy were promptly conducted and reduced these issues. The conclusions of consumer satisfaction surveys have been taken to a multidisciplinary group for solutions (GRI PR8).

Segmentation strategies helped improve our relations with specific customer groups. The first group addressed was our younger constituencies – Consultants as well as customers. Among efforts to better reach them, we launched the Natura Mov, a movement designed to inspire the creation of a better world. In addition to a magazine named after the program edited with specific language to young people, printed on recycled paper, Natura Mov has a website.

We developed another program for the Mamãe e Bebê line, for Consultants and expectant mothers. Its main vehicle is a website with information on parenting and child care, with bulletin boards where young parents exchange tips and opinions. This website registered over 50,000 unique users in 2005.

### Personnel

Natura's staff plays the leading role in the construction of a socially responsible company and the establishment of substantive connections with our distinct publics. Their personal and professional well-being and their identification with our culture and guiding beliefs are issues we take seriously.

Natura hired 573 new people in 2005 to back up the business international expansion process at home and abroad, increasing the work force by 16%. At year-end, we had a staff of 4,128, of which 3,575 in Brazil and 553 abroad (GRI LA1 and LA2).

Expansion issues also led to profound changes in corporate structure to support business expansion and the internationalization process. The executive group grew to 292 professionals, 25.5% more than in 2004. At the same time, the new business challenges demanded more investment in training and skill development, which in 2005 totaled 365,264 hours, or 101 hours per employee, including trainees (GRI LA9).



The expansion of the company posed challenges that involved complementary actions. The satisfaction index tallied by our yearly Organization Environment survey, conducted by an independent specialized firm, slipped slightly to 70% from 73% in 2004 (**GRI HR10**). Although we are still a market reference, this was a sign that we need to redouble efforts on employee relations to be chased in 2006 by all company managers. Despite this fact, we maintained our capacity to attract and retain talents. Personnel turnover in 2005 fell to 7.64% from 7.81%, and we received 44,884 more applications for internships and trainee programs, 16.9% more than in 2004 (**GRI LA1 and LA2**). We were selected as the Best Place for Women to Work for the third consecutive year by *Exame* magazine and made it to the list of 100 best places to work in Latin America, by the same vehicle.

Besides hiring aggressively in 2005 and establishing Human Resources processes at the international operations, we also sought to attract professionals at all levels, at all capacities, with skills compatible with the company's expansion in other countries, even for positions in Brazil. International experience and adaptability to other cultures rank high among these requirements. We also started to offer summer internships, partnerships and exchanges with foreign universities. Another program, Natura Educação, which offers tuition reimbursements, grew significantly in value and range, to promote

Improve relations with all our publics is a constant goal at all the company's departments

the development of a growing number of employees (**GRI LA16**).

We had some difficulties in 2005 to fill all the positions available for people with disabilities, in a form consistent with our beliefs. Another important step forward was a partnership with Serviço Nacional de Aprendizagem Comercial (Senac), to train people with disabilities to work as administrative assistants (**GRI LA10, HR4 and HR8**).

#### Suppliers

We consider our suppliers as partners in corporate responsibility and not only as mere providers of products and services. They are also a special public in the role to disseminate our sustainable corporate practices.

To strengthen our relations with suppliers, we expanded and improved our certification process in issues of quality, logistics, innovation, contract, service and responsiveness, traceability, to ensure and reward the efforts by suppliers (**GRI EN33**). The roster of certified suppliers grew 60% in 2005. At the same time, the number of certified suppliers to work with Natura tripled in 2005, after they reached enough punctuation in our scale to fulfill a number of requirements, including quality and social and environmental responsibility.



## AN EXPERIMENT IN DEVELOPMENT

Natura in 2000 started a pilot project with the community of São Francisco do Itatapuru to materialize the strategy of using Brazilian biodiversity elements as a technological platform for its products.

The Itatapuru community, in Amapá, at the Itatapuru River Sustainable Development Reservation, is constituted by 32 families who, through a cooperative, supply Brazil nuts, *copaíba* and *breu-branco*. Natura purchases these products from a partner that buys the ready-to-use extracts from this cooperative, but monitors contracts and prices, paying the cooperative a percentage of the net income from the sale of the final products we manufacture with those materials. At the same time, we follow up with routine sustainability assessments to help establish a short- and long-term development plan for the community.

One of the first steps, at the beginning of this project, was a physical, geographical and socioeconomic assessment of the community as a base for a local plan for sustainable development.

We also conducted meetings to establish production processes that met Natura's demands and to set fair prices. A fund with a percentage of the revenues from the net sale of finished goods produced with the community's materials was constituted. This amount of money is to be used to finance local projects of sustainable development that require the approval of all parties involved: the community, Natura and other partners.

Three materials cultivated by the Itatapuru community – Brazil nuts, *breu-branco* and *copaíba* – earned in 2004 a certification of sustainable forest management according to the criteria of Forest Stewardship Council, FSC.

### Producers of biodiversity elements

Among these suppliers, there was one particular group with whom we maintained a special relationship – the communities who extract the Brazilian biodiversity components used in our products (GRI EN7). We endeavored to build a sustainable model based on a tighter relationship with the producing communities, counting on the support of Non-Governmental Organizations and local governments.

As part of this learning process, in 2005 we observed the need for a more encompassing management plan to allow the Itatapuru community, at Amapá (Brazilian Northern region), to meet an increased demand. The plan includes governance requirements, such as more transparency, accountability and reliable performance benchmarks.

There were also advances in other regions. Surveys and assessments of present and future local development needs for three communities surrounding Belém, constituted by 50 families (that supply *priprioca*, for the most part), were completed. Also of relevance was the establishment of dialogue channels with the communities of Médio Juruá, in the Amazon, that supply *andiroba*. This contact had posed challenges and relationship improvements, because the families that form this community, constituted by 378 families, are widely scattered through the area.

But, still there is much to improve in the relationship with these communities.

Each of these regions has peculiarities that hamper the establishment of a blanket-type relationship model. But some principles are essential regardless of local particularities: fair treatment to all communities, participation protocols for all decision processes, social capital investment (improvement gains with teaching and learning processes) and sustainable harvesting methods, with investments in the improvement of handling skills.

Natura in 2005 was the recipient of the first-ever license granted by the Ministry of the Environment to a Brazilian cosmetics manufacturer to access the country's biodiversity genetic heritage, related to *breu-branco* (GRI SO1).

Despite all the milestones surpassed last year, we still have a long way to go, with the identification of needs from both parties and the definition of solutions to improve relations with suppliers communities and ways to foster significant improvements on their quality of life.

### Neighboring communities

Natura is headquartered in Cajamar (home of the administrative headquarters, the laboratories, the manufacturing facilities and warehouses) and Itapecerica da Serra (commercial and marketing departments) in São Paulo. We consider ourselves part of these communities and feel partly responsible for their future (GRI SO1).

In Cajamar, with approximately 55,000 people, a three-party group constituted by

To help improve the quality of life at the communities that produce raw materials is a great challenge

representatives from private entities, the City Hall and district government and civil groups had already signed an agreement, in 2004, to implement in the city the Agenda 21 (sustainable development action plan devised at the First UN Conference on the Environment, Eco-92). During 2005, the group rolled out Agenda 21 Escolar, which promoted student-teacher debates and educational workshops in the municipal districts.

Moreover, the neighboring communities in Cajamar organized into groups, identified their social and environmental problems and elected representatives for a Town Hall Meeting, which took place in December. During the meeting the representatives presented the issues brought up by their respective neighborhoods and identified their differences and common concerns. During the first semester in 2006, a new meeting will discuss solutions for the problems detected.

In Itapecerica da Serra, Natura undertakes community service at the Potuverá district, with approximately 10,000 people, where its offices are located. During 2005 we continued promoting activities to identify local leaderships and together they concluded an assessment of the community's living conditions.

We regard the company as an important agent in the quest for solutions for the future of society

#### **Government, society and trade association**

We seek to establish a dialogue with all levels of government not to discuss subjects related to our industry but also participate in initiatives to improve social conditions in Brazil. During 2005 we joined Programa Oficial de Educação Previdenciária, through a partnership with the Brazilian Direct Selling Association, (ABEVD), aimed at inducing Consultants to pay in their social security contributions. This project involved training managers and sales promoters to collaborate with federal officials, work that is scheduled to proceed through 2006.

Another important initiative is the Crer para Ver program, which channels the revenues from spontaneous sales of a specially developed product line to public education projects. In 2005 this program launched the Education of Young and Adults campaign, developed in partnership with the Education Ministry and Fundação Abrinq (see *Responsible Management on page 64*).

We also have marked a presence in important national forums. During 2005, Natura was the Brazilian representative in the committee that discusses ISO 26000 norms, aimed at establishing standards to classify socially responsible companies. We also made official our support to the Conferência das Partes da Convenção sobre Diversidade Biológica (COP-8) in 2006, which takes place in Brazil for the first time.

As for trade associations, we developed a joint project with Associação Brasileira

de Higiene Pessoal, Perfumaria e Cosméticos (Abhipec), for the selective collection of used packaging (*please refer to the Responsible Management section on page 64*). We also renewed, with the Brazilian Direct Selling Association (ABEVD) our commitment to the Código de Conduta Diante dos Vendedores Diretos e entre Empresas (GRI PR6 and SO7).

#### **Shareholders**

A public company since May 2004, Natura lists its stock at Bovespa's Novo Mercado, the segment that groups the companies committed to the highest level of corporate governance and regard for the shareholders in Brazil.

Natura goes beyond this formal commitment and regards its shareholders not only as investors, but also partners in the constitution of its responsible management. In this respect, it works to extend to all of them a fair and egalitarian treatment, with absolute transparency (see *Corporate Governance on page 66*).

#### **Health professionals**

Growing investment in research and development and technological advances brought by scientists and physicians investigating new compounds gave cosmetics a therapeutic role. This is why we do our best to participate in medical circles.

The release of Chronos Spilol in 2005 – with its main ingredient extracted from the *jambu* plant, which went through extensive scientific testing – brought us an opportunity to meet with many opinion makers in the field of dermatology. They also became acquainted with our Cosmetic Monitoring system – a set of practices and protocols to prevent the incidence of possible adverse effects from cosmetic products.



*Gláucia Aparecida Barichello, Ailma Dias dos Santos and Maria Aleluia Pereira Lima, employees of Natura.*

## Responsible Management

Keeping a transparent relationship with our clients and keeping management goals compatible with sustainable growth are essential to Natura's socioenvironmental goals. We also implement specific measures to bring these objectives into our planning and administrative routines.

In 2005, we integrated the environmental management process, corporate responsibility and community relationship which previously were spread within the company.

Natura also has a Corporate Responsibility Management System that assesses the quality of the company's relations on ethics, transparency and efficiency in its communication channels. Perceived weaknesses are subsequently addressed to, priorities are established and plans of actions put into effect. In 2005, further segmentation of the groups assessed facilitated the evaluations, promising much more precise results for 2006.

The most crucial activities on socially responsible management are monitored through the Corporate Responsibility Investment Matrix (*please refer to the chart in Highlights of Investments in Corporate Responsibility section on page 108*). In the

case of environmental goals and indicators, we use the Natura Environmental Management System based on the ISO 14001 norms. These two systems feed our planning cycle and our strategic map, on which socioenvironmental goals have the same importance as financial goals.

During 2005 we have started implementing the Social Responsibility Management System in international operations, training team leaders in a first stage, then building up a foundation for corporate responsibility. Lastly, team members are trained.

Simultaneously, the ISO 14001 norms were implemented in the French operation. Our French division, much like our operation in Mexico – both launched in 2005 – has sustainability as a core goal since its inception.

Another highlighted initiative in 2005 was the mobilization of Consultants so that, besides divulging our products and concepts, they would also disseminate our values in the economic-financial, social, and environmental fields. Also noteworthy is the Young and Adult Education, a Ministry of Education program supported by Natura. As a result, 66,600 individuals above the age of 15 re-enrolled to complete their primary schooling, nationwide. Consultants were also encouraged to persuade their clients to purchase product refills,

which led to a growth in sales of refills to 17.4% of total products sold from 15.3% in 2004, reducing the average environmental impact of packaging in Brazil.

We continue to conduct Life Cycle Analyses of our packaging to devise ways to reduce their environmental impact (**GRI EN14 and EN15**). The Research and Development Department started, in 2005, to study new refills for liquid products and new packaging for the orders sent to our Consultants. At the end of the fiscal year, these projects were nearing completion. We also launched a new research platform to develop alternative recycled materials to package new products.

To further mitigate the environmental impact from our packaging, we signed up a recycled pilot-project organized by the Brazilian Association of Personal Hygiene, Perfumery and Cosmetics Industry, locally Abihpec, in Santa Catarina.

We comply with strict ISO 14001 norms regarding the improvement of environmental manufacturing conditions within our facilities in Cajamar and Itapeverica da Serra, allocating investment and effort to these activities. We surpassed several of our environmental goals in 2005.

The water usage per unit sold declined 5.6%. The average ratio of reuse of

Our Consultants were organized to persuade thousands of people to re-enroll in schools across the country

water rose to 55% from 39.5% in 2004 (**GRI EN5, EN12, EN22 and EN32**). The energy consumption per unit sold fell by 8.5% from that of 2004 (**GRI EN3**). The share of incinerated waste in the total fell to 2.8% from 5.4% in 2004, and the share of total waste sent to landfills dropped to 16.1% from 21.2% of the total. The share of total waste that was recycled climbed to 81.1% from 73.4% of the total. The amount of residue generated per unit sold, however, grew 8.2%, due to increased use in the Cajamar site and, specially, to the increase in scrap volume (**GRI EN11 and EN13**).

Natura develops clean industrial processes that cause no air pollution. It is relatively more difficult to identify sources of pollution in the cosmetics industry. Since 2000, however, we decided to diagnose, plan and intervene in emissions from the fleet of suppliers that delivers Natura's products in over 5,000 Brazilian cities (**GRI EN8, EN19, EN30 and EN34**).

# Corporate governance

Our corporate governance started to develop faster in the mid-1990s, when we hired professional executives to take over strategic positions. It was advanced by the establishment of the Board of Directors in 1998, followed by auxiliary committees, and the IPO in 2004. In May of 2004 Natura's stock was listed at Novo Mercado, which is the highest corporate governance at Bovespa (São Paulo Stock Exchange), such as issuing strictly common stock, having a minimum of 25% float, and extending minority shareholders the privileges granted to controlling shareholders in the event of a transfer of control.

A new page was turned in 2005 with the appointment of a new CEO not part of the controlling group completing the separation between management and ownership. However, the controlling group continues to share its knowledge and entrepreneurial vision at the Board of Directors level. Moreover, the whole management and governance

structures were realigned to support plans of domestic and international expansion processes.

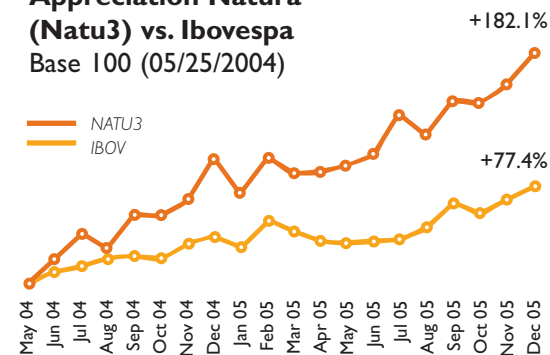
The Board of Directors added two new committees: Strategy and Corporate Governance. The first is charged with making sure the Board's directives are fully implemented; the second oversees the use of good governance practices and ensures that the Council's forums are working smoothly.

The existing committees had their scope widened. The Auditing and Risk Management Committee had its name changed to Auditing, Risk Management, and Financial Committee and started to address these issues more deeply. The Human Resources Committee was placed in charge of accompanying the development of the Natura Management Systems, in addition to being in charge of team member development strategies.

## Capital Market

A public company since 2004, Natura's shares are traded on the Novo Mercado, the highest in terms of corporate governance in the São Paulo Stock Exchange, Bovespa. In 2005, Natura's stock appreciated 38%, while the Bovespa index grew 27.7%. Since the public offering in May 2004 up to December 2005, we have shown an appreciation of 182.1% compared to 77.4% in the Bovespa Index (Ibovespa) for the period.

**Appreciation Natura (Natu3) vs. Ibovespa**  
Base 100 (05/25/2004)



Furthermore, in 2005, our stocks have been included in the IBrX100 portfolio in the Bovespa, an index comprised of 100 stocks with the highest market liquidity. Our stock was also included in three indices by Morgan Stanley Composite Index (MSCI), created to follow the performance of stock markets all over the world: MSCI Brazil, (0.53% weighting for Natura); MSCI Emerging Markets Latin America (0.27% weighting); and MSCI EM (0.05% weighting).

Natura is also among the 28 companies that have their stocks chosen by the São Paulo Stock Exchange to compose the Corporate Sustainability Index. The Index was created with methods developed by the Getulio Vargas Business School in São Paulo (FGV-Eaesp) to identify the companies with the best performance in all facts of sustainability.



## Shareholding Structure

On December 31, 2005, Natura had social capital of 85.4 million stocks (including 432,000 shares kept in treasury), of which 26.3% as free float.

Shareholders	Number of shares	Percentage
Controllers	62,637,886	73.7%
Free float	22,368,710	26.3%
Total stock*	85,006,596	100.0%

\* Does not include shares kept in treasury

## Dividends and Interest

In line with the Brazilian Corporate Law, mandatory minimum dividends were fixed by Natura's by-laws at 30% of adjusted annual net income. However, the Board of Directors chose to pay dividends equivalent to at least 45% of adjusted net income.

In 2004, we paid 106.5% of free cash generation<sup>(1)</sup> and 72.1% of consolidated net income. For 2005, the proposed pay-out, submitted to the Annual General Meeting represents 80.5% of net income and 95.2% of free cash generation. This is equivalent to a net amount of R\$ 3.70

1. (net cash generated by operating activities) – (net cash used in investment activities)

per share in dividends and interest on capital, a growth of 48% over the 2004 figure (GRI EC6).

## Investor Relations

Our Investor Relations department attended 17 conferences held by Brazilian and foreign investment banks in 2005. It also promoted two road shows abroad and two within Brazil, besides attending two meetings held by the Analysts and Investment Professionals in the Capital Markets Association (Apimec) in São Paulo and Belo Horizonte. Furthermore, it also hosted five meetings with individuals.

We also try to respond directly to questions from potential investors. With this goal in mind, we posted our Investor Relations website a vast amount of information and guidance on the company, our industry, on the market and all scheduled events. Below are the dates for release of operating results scheduled for 2006 (please refer to their respective dates below).

Release	Date
First Quarter 2006	April 26, 2006
Second Quarter 2006	July 26, 2006
Third Quarter 2006	October 25, 2006

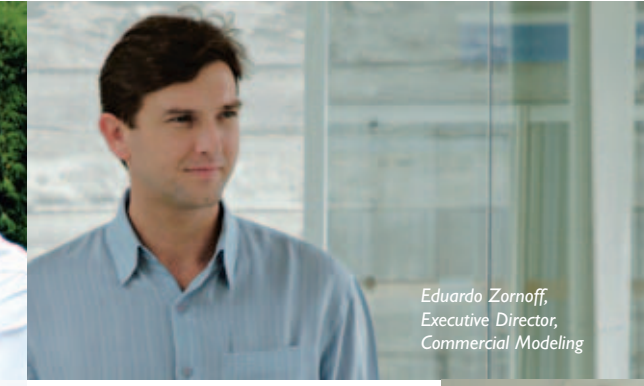




From left to right: Guilherme Peirão Leal, Chairman of the Board; Alessandro Carlucci, Chief Executive Officer; Antonio Luiz da Cunha Seabra, Chairman of the Board - Founder; Pedro Luiz Barreiros Passos, Chairman of the Board.



Edson Vaz Musa, Member of the Board and Coordinator of the Human Resources Committee



Eduardo Zarnoff, Executive Director, Commercial/Modeling



Eduardo Costa, Executive Director, Branding



Philippe Joseph Pommez, Executive Vice-President, Internationalization



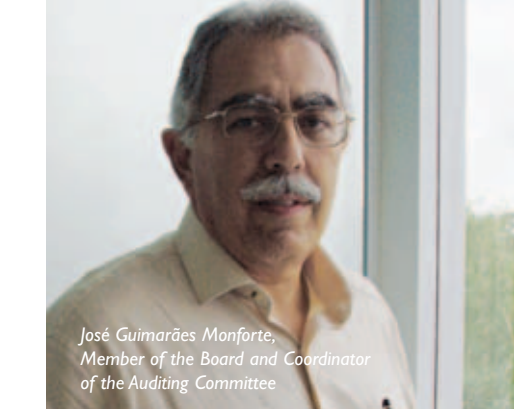
Eduardo Luppi Júnior, Executive Vice-President, Innovation



Paulo Lalli, Executive Vice-President, Operations and Logistics



José Guimarães Monforte, Member of the Board and Coordinator of the Auditing Committee



José Guimarães Monforte, Member of the Board and Coordinator of the Auditing Committee



António Siqueira, Executive Director, Legal Affairs



António Siqueira, Executive Director, Legal Affairs



Denise Lyra de Figueiredo, Executive Director, Business Unit



Philippe Joseph Pommez, Executive Vice-President, Internationalization



Rodolfo Witzig Guttilla, Executive Director, Corporate Affairs and Government Relations



Pedro Vilares, Executive Director, Marketing Latin America



Andrea Sanches, Executive Director, Business Unit



Joel Ponte, Executive Director, Natura Europe



Moacir Salzeim, Executive Director, Strategic Planning



Moacir Salzeim, Executive Director, Strategic Planning



Itamar Correia da Silva, Executive Vice-President, Operations and International Logistics



Fernando Pantalão, Executive Director, Brazil



José David Vilela Uba, Executive Vice-President, Finance and Information and Executive Director, Investor Relations



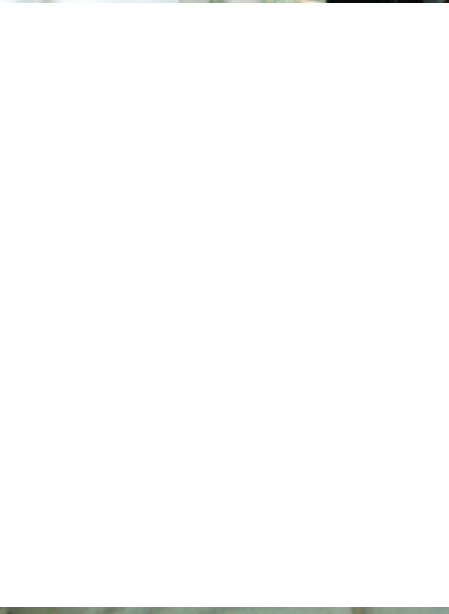
Claudia Falcão, Executive Director, Human Resources and Organization



Marcos Eglydo Martins, Executive Director, Sustainability



Renata Ribeiro, Executive Director, International New Business



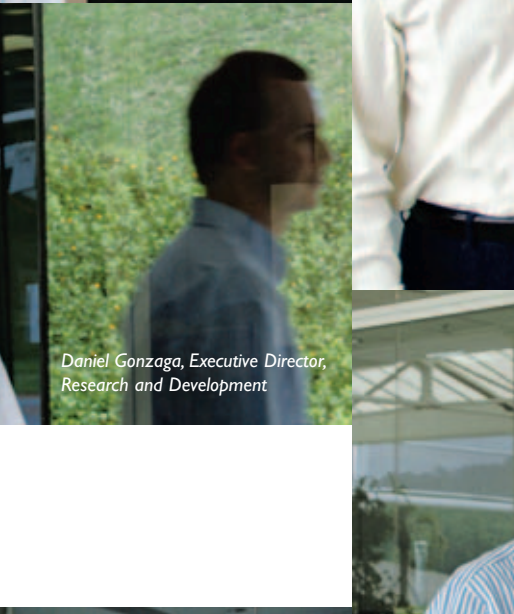
Fernando Mesquita, Corporate Governance Secretary



Fernando Mesquita, Corporate Governance Secretary



Daniel Gonzaga, Executive Director, Research and Development



Daniel Gonzaga, Executive Director, Research and Development



Roberto Zardo, Executive Director, Client Services



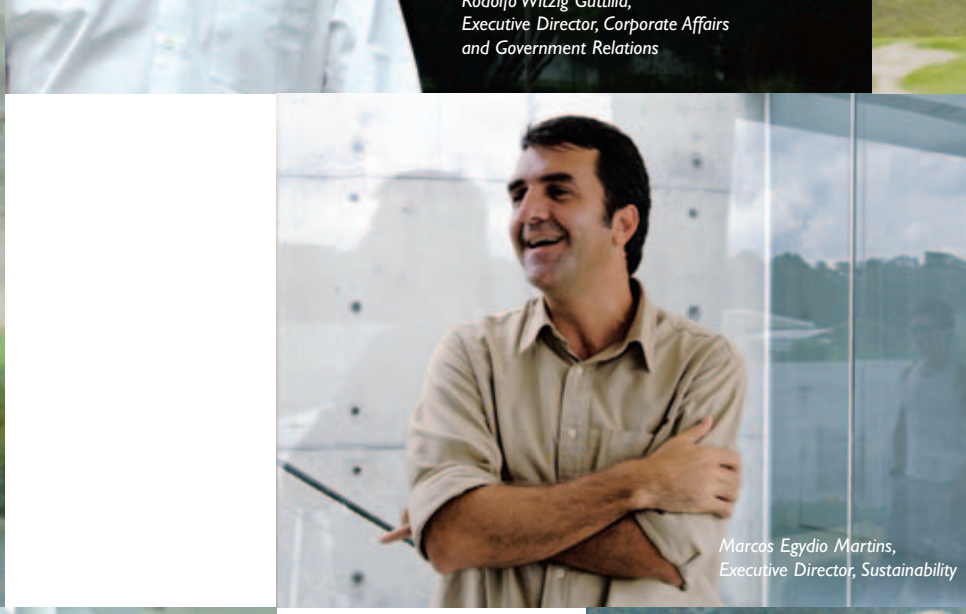
Roberto Zardo, Executive Director, Client Services



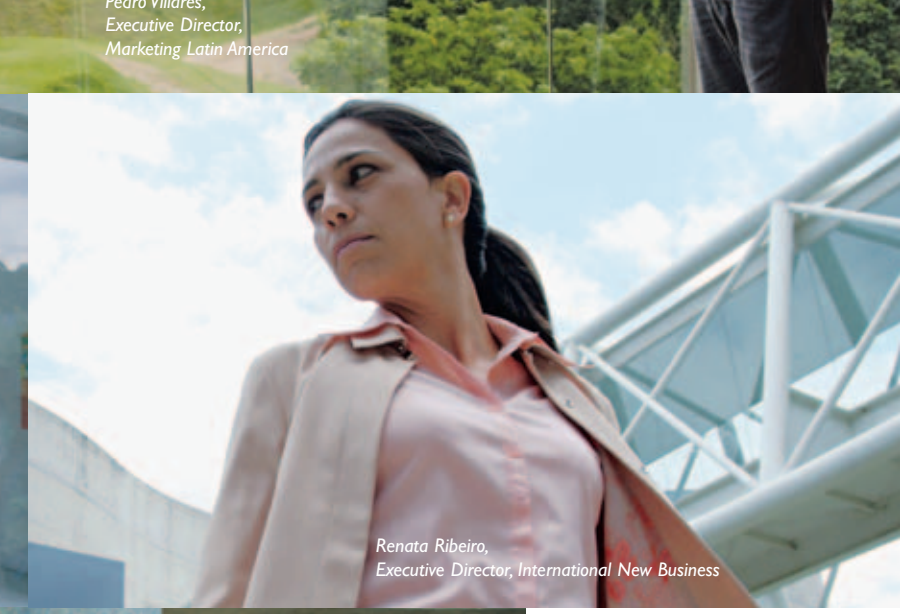
José David Vilela Uba, Executive Vice-President, Finance and Information and Executive Director, Investor Relations



Claudia Falcão, Executive Director, Human Resources and Organization



Marcos Eglydo Martins, Executive Director, Sustainability



Renata Ribeiro, Executive Director, International New Business



Mauricio Bellora, Executive Vice-President, Latin America



Angel Medeiros, Executive Director, Logistics



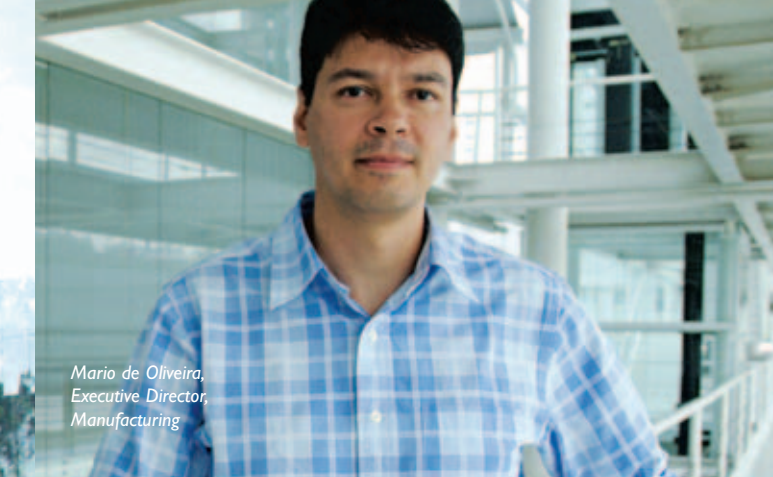
Italo Flammia, Executive Director, Information and Technology



Roberto Zardo, Executive Director, Client Services



Hélio Novais, Executive Director, Finance



Maria de Oliveira, Executive Director, Manufacturing



Moacir Zeitel, Executive Director, Sales



Moacir Zeitel, Executive Director, Sales



Moacir Zeitel, Executive Director, Sales



## Risk management

Natura has a risk management system comprising the following risks: financial, products, data security, environment, consistency between values and practices. This system is basically meant to identify and evaluate the impact of risks and take measures to mitigate them through an infrastructure of internal controls. According to the corporate governance model we adopted (see *chapter Corporate Governance on page 66*), questions related to auditing are managed by its respective committee.

In 2005, studies were concluded concerning the implementation of a specific department focused on the company's strategic risks. This restructuring was started at the end of the fiscal year and it is set to be finished by the first semester of 2006. The department will be coordinated by the Risk Management Committee,

which is subordinated to the Board of Directors. In the case of other risks, we have started investments to perfect these operations, with the creation of a specific management system. Risks are grouped as financial, product, data security, environmental and consistency between values and practices.

### **Financial**

Debts in foreign currency are protected by exchange rate hedging. For this reason, variations in exchange rates do not have significant impact on the results. As for the effect of the exchange rate on raw materials, the prices of which are quoted in strong currency, as is the case for imported materials, we monitor trends and if necessary, contract the purchase of the foreign currency in the Future Markets (BM&F). However, we never undergo operations in the BM&F with any speculative motivation.

### **Products**

We put a lot of effort into overseeing the quality of our products and count on the Product Safety Committee formed by the vice-president of Research and Development, scientists, doctors and specialized consultants. The committee establishes policies for product safety and supervises toxicological evaluations of all the ingredients used in our products (GRI PRI).

### **Data security**

In 2005, we finished the process of outsourcing of our IT infrastructure and installed a contingency data processing center that covers 92% of the company's processes, guaranteeing that business can go on as usual even in the case of an accident. This center is always online and in parallel to the main data processing system.

We have built a risk management system that encompasses business strategic areas as well as sustainability related issues

### **Environment**

Natura was recertified according to NBR ISO 14001 rules in 2005. With these rules in mind, we use the Natura Environmental Management System to monitor environmental risk.

### **Consistency between values and practice**

The Corporate Responsibility Management System evaluates risks and ethical behavior, transparency, open dialogue with the public and adoption of company goals that are compatible with sustainable growth (see *Responsible Management on page 64*, and the *Corporate Responsibility Matrix on page 108*).



# Communication

Natura's communication with its various publics – consumers, Consultants, team members, suppliers, communities supplying biodiversity elements and those surrounding its manufacturing installations, government at all levels and society in general – has a strategic value in policies and management practices.

Guided by the first understanding that a company is a dynamic network of relationships, we aim to improve these relations, moving towards integration, transparency and ethics (GRI LA4).

Far beyond the commercial aspect, ad campaigns, merchandising, public relations programs and commercial-institutional publications are seen as an opportunity to spread our vision of the world. This is why we not only communicate the attributes of our products, but also show the history and values behind them. The ad campaign for Perfume do Brasil, for example, exalts the fragrance and its qualities while showcasing

the communities that produce the essential oils and discusses on the sustainable use of Brazil's biodiversity. Actions like this one aim at the dissemination of Natura's values and beliefs among its publics, strengthening the brand (GRI PR9).

Among the activities developed in 2005, a TV merchandising campaign showing to thousands of viewers the importance of working towards sustainable growth stood out. Another merchandising theme was the professional and social role Consultants have and the fundamental bond between mothers and their infants. Equally important were the campaigns for Chronos, for the use of refills and for Natura's bars of soap produced from vegetable oil (see *Brand, Competitive Advantages section on page 56*).

Yet another initiative to be noted was Natura's support to the projects One Thousand Women for the Nobel Peace

Prize, Biodiversidade Brasil and Natura Musical (see *Highlights of Investments in Corporate Responsibility on page 108*).

Natura is popular in the local press, with a top-of-mind status in institutional terms, including stories and reports on management style and financial results. With the listing of the stock, we opened an additional channel with the specialized business media. All this added to our status in media vehicles devoted to fashion, beauty and behavior. In 2005 we also received extensive coverage in the international press, especially France and Mexico, where we inaugurated operations.

We also revamped in 2005 the "Vitrine", a magazine-catalogue that is also the main communication link with our Consultants, with

Natura's communication mission is to strengthen relationships within principles of transparency and ethics

a circulation of about 1 million every 21 days. In addition to new products and pricing, *Vitrine* now consistently carries more institutional information about our values. We also created a new publication for younger Consultants, the *Natura Mov>*, focused on a younger universe, with the purpose of disseminating information on the company's values and culture (see *Relationships in the Competitive Advantages section on page 57*).





# Key Results

As we have in the past years, in 2005 we presented consistent financial results, without losing sight of our concern over advances in the social and environmental realms, as they form the tripod on which sustainability is maintained.

### Financial Results

In 2005 gross revenues amounted to R\$ 3,243.6 million, 27.7% more than in 2004, consolidating the strong growth recorded in the previous two years and once again, it was a larger growth than that for the cosmetics, fragrances and personal hygiene target market. This market grew 16.5% from January to October 2005 in comparison to the same period in 2004. Net profits reached R\$ 396.9 million, an increase of 32.2% compared to R\$ 300.3 million in 2004 (GRI EC7).

We also increased our gross margin (gross profit in relation to net revenues) by

half a percentile point, thanks to the reduction of costs resulting from the Real's appreciation. The EBITDA totaled R\$ 564.4 million, a growth of 30.8% compared to 2004. The EBITDA margin remained virtually flat – 24.7% in 2005 versus 24.4% in 2004.

Natura closed 2005 with consolidated gross debt of R\$ 187.5 million, versus R\$ 134.4 million in 2004. In order to meet storage and logistics expansion needs, as well as those of working capital, we received additional financing from the BNDES (National Economic and Social Development Bank), raising that portion of the total debt pegged to the Long Term Interest Rate (TJLP) from 47%, in 2004, to 76%. The remainder is indexed to the Interbank Deposit Certificate (CDI). We also have financing from Finep (Studies and Projects Funding Agency), whose resources go for the Research and Development area. This is currently being amortized.

### Investments

Investment totaled at R\$ 111.6 million in 2005, below the forecast R\$ 120 million, but higher than the R\$ 83.1 million applied in 2004. Resources were allocated mainly on the third line of separation of products, in a second vertical warehouse, in manufacturing equipment, and in IT. In 2006, we will continue to invest into logistical processes, especially in the modernization of the existing lines of separation and production capacity, aiming to give the factory more flexibility, as well as in marketing activities.

### Sales channels

The number of Natura Consultants reached a total of 519,000 (see Relationships, Competitive Advantages section on page 57) (GRI EC13).

### Research and Development

In 2005, investments in Research and Development moved up 41.5% over 2004 to R\$ 67.1 million, equivalent to 2.9% of

net income (see Research and Development, Competitive Advantages section on page 54).

### Manufacturing and Logistics

In 2005 we produced a record 209 million units in Cajamar's assembly lines, a growth of 24.5% related to 2004. An equally positive fact was the solution of problems in the logistical area that occurred in the first semester. With the third separation line operating, as well as investments made in equipment, the logistical processes were strengthened. The implementation of the total productivity management system TPM was also very important in the more efficient use of machinery.

At the same time, a series of specific policies were applied to identify demand more precisely and thus better plan production and distribution. These measures led to a reduction in consumer requests that could not be attended to due to stock shortage. Another highlight was the issuance of the certificate of quality according to the NBR ISO 9001 rules.



#### **International Expansion**

With a growing participation in Argentine, Chilean, and Peruvian markets – where activity has increased 45.4% in weighted local currency and the number of Consultants reached 36,000 at the end of the year – Natura's international base has grown even more in 2005.

In April, we started operations in France, center of the cosmetic world. In August, Natura entered the Mexican market. The results of both initiatives are in line with our expectations.

We invested R\$ 31.8 million in globalization, versus R\$ 7.5 million in 2004. The increase was justified not only by the big upturn in business in the foreign markets in which Natura was already present, but particularly by the enormous growth potential in Latin America and other parts of the world, given that we are now experienced international operators and that our business model and values have met with great acceptance. In 2006, we shall begin operations in Venezuela and, in the following year, Colombia.

A 2005 highlight was the issuance of the certificate of quality according to NBR ISO 9001 rules

#### **Social Indicators**

The year's social highlight was the Consultants mobilization for the Young and Adult Education program and the sales of refills. Another important highlight was the official installation of the Cajamar Agenda 21 Permanent Forum following joint efforts by the company, the local community and representatives of municipal government (see *Relationships and Responsible Management, Competitive Advantages* section on pages 57 and 64, respectively).

#### **Environmental Indicators**

As holder of the NBR ISO 14001 Certificate, we channeled resources into improving environmental conditions in our production procedures, the reason why we exceeded several environmental targets in 2005 (see *Responsible Management, Competitive Advantages* section on page 64).



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# Global Reporting Initiative

Economic, environmental and social indicators

Once again, Natura combines in a single document the analysis of its economic, financial, social and environmental data. This integrated model of information, proposed by the Global Reporting Initiative (GRI), provides a comprehensive perspective on the activities conducted by the company, and has proved a valuable tool to improve its commitment to sustainable development.

Natura's partnership with GRI began in 2000. We were the first Brazilian organization to follow GRI's guidelines and participate in their feedback group. Three missions from GRI visited our headquarters (2001, 2004 and 2005), and we supported the work group that translated its guidelines into Portuguese. In 2004, Natura became an Organisational Stakeholder, taking part of a group of volunteer institutions interested in permanent partnerships with GRI, and offering financial support and help for the continuous development of guidelines for sustainability reports. Additionally, Natura supports the Stakeholder Council and Technical Council for the new generation of indicators (G3).

In this edition we restructured the section presenting Natura's financial, social and environmental performance. The indicators were reorganized to clearly underscore the company's responsible management while following GRI's guidelines.

To Natura, responsible management can be described as:

1. Establishing high quality relations with all publics based on ethics, transparency and open communication channels; and
2. Defining business targets compatible with sustainable development.

Indicators were thus organized as follows:

Quality Relations	Targets Compatible with Sustainable Development		
	Economic	Environmental	Social
Ethics, Transparency and Communication Channels			
Personnel	Direct Impact	Biodiversity	Wealth Distribution
Consultants	Investment Matrix	Waste	Work and Revenue Generation
Consumers		Water	
Suppliers and Suppliers Communities		Energy	
Neighboring Communities		CO <sub>2</sub> Emission	Social Inclusion
Government		Materials	Human Rights
Society			Education
Governance			Personnel

Highlights of Investments in Corporate Responsibility



"We are a registered Organisational Stakeholder of the Global Reporting Initiative (GRI) and support its mission 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 accurate presentation of our organization's economic, environmental and social performance"

Alessandro Carlucci  
Chief Executive Officer

These indicators integrate the process of ongoing corporate evaluation, in which information on social responsibility, partnership and environmental practices are presented in as many details as the company's financial data.

This allows the company to conduct in-depth analyses and develop action plans not only to establish high quality relations, but also to assess the environmental and social impact caused by its activities – guarantee that Natura reaches its targets.

The biggest challenge is still the evaluation of quality of relations from an ethical, transparency and efficiency of communication channels viewpoint, especially when we analyze our performance in ways that are indirectly connected to commercial activities. A second challenge is the definition of social indicators that express the actual impact of wealth distribution. Important milestones were achieved in 2005, such as the inclusion of social and environmental diagnosis into the corporate planning cycle, and the definition of environmental targets for the entire company. The analysis of correlation between economic, financial, environmental and social results still needs further refining in the compilation stage.

All GRI indicators used by Natura in previous years are present in this new structure (see *Global Reporting Initiative Index* on page 143), allocated according to their respective themes.

At the beginning of each section, we present codes, policies and general management systems, for that theme, followed by codes, policies and specific management systems for each public. In brackets, the indicators' statistics remitting to texts are highlighted to assist the survey. This way, we hope to provide greater transparency on Natura's management evaluation.

The information presented here comprises activities in Brazil and the international operations (Argentina, Chile, Peru, Mexico and France), except where otherwise indicated. It should be noted that Natura has its industrial plant in Brazil.

## Quality of relations

Since its foundation, Natura roots its activities in the belief that a company is a living organism, a dynamic set of relationships. Consequently, quality of relations has been a mark of Natura's development. The company's increasing commitment through responsible business practices in the past decades imparted a new dimension to this subject. New aspects were taken into account, just as Natura has grown and entered other countries to face the competition while relating to other cultures.

The challenge of materializing or quantifying the ethical quality of relations, in all its aspects, in various cultures, drove Natura into action.

In this respect, our communication channels with different publics have been analyzed and valued as an essential part of the way we do business. Our challenge is to have open channels to record all questions raised, confidentially or not, ensuring that these questions are understood, followed-up and properly addressed, with the help of the various departments involved.

We believe that these links provide better performance, while giving us an opportunity to forecast demands and build the future of our business.

Important milestones occurred in 2005: the preparation of *Carta de Princípios de Relacionamento Natura* (the company's charter on relations with its various publics), the decision to structure an Ombuds Service, initially for the internal purposes, and, mostly, the preparation of a more specific diagnosis, introducing tools into the planning cycle of all departments to generate even more solid plans for 2006.

### Codes, policies and general management systems

From the beginning Natura adopted a set of values and beliefs that influences its way of doing business. The direct sales model, for example, was chosen owing to the importance of close customer relationships for the company.

To magnify and intertwine these values into routine business practices, we distribute for every single public we have contact with the documents *Reason for Being*, *Our Beliefs* and *Our Vision*.

This set of beliefs led Natura to adopt the values of Social Responsibility, expressed in its Corporate Responsibility Management System – which polls the public on the quality of relations and implements proactive solutions for detected critical points.

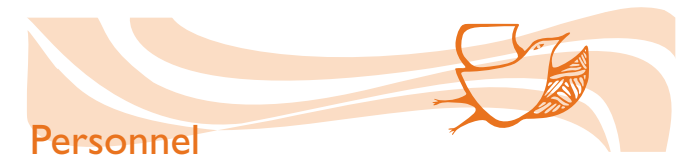
The Management System enables all company departments to work in an integrated and structured way, aggregating strategic plans, objectives, actions and indicators to improve relations with Natura's publics. Plans are followed by organized Committees that deal with these matters.

To consolidate Natura's values and beliefs and support its implementation by its personnel on a daily basis, in 2005 we prepared the *Carta de Princípios de Relacionamento* (Letter on Relationship Principles) for our diverse publics, to be published in 2006.

We also follow the guidelines established by regulatory agencies for our business (see *Codes, Policies and Specific Management System for each public on the following pages*).

Target for 2006: Release the *Carta de Princípios de Relacionamento Natura* (the company's charter on relations with its various publics).

See analysis of goals established in 2004 at the end of this chapter.



## Personnel

We try to keep a stimulating and creative workplace where employees feel respected as individuals, recognized for their contributions and motivated to give their best. This is a daily challenge that requires attention not only from human resources professionals, but also from all of Natura's managers.

As a result of its efforts in this respect, Natura has been elected by *Exame* magazine, over the last three years, the Best Company for Women to Work.

### Codes, policies and specific management systems

#### In Brazil

Quality controls in employee relations are performed by the follow-up of indicators from the organizational satisfaction survey, developed jointly with consultants from the Hay Group. The company compiles information on ethics, transparency and communication channels. From the analyzed results, action plans and guidance for specific aspects are prepared. In 2005 the organizational satisfaction survey extended to in-house outsourced contractors, a group of service providers with a long-standing relation with the company.

The Human Resources department deals individually with enquiries from employees involving attitudes that do not comply with Natura's values and beliefs. However, to further improve employee relations we intend to structure, in 2006, an Ombuds Service to handle these issues. It will be guided by the *Carta de Princípios de Relacionamento Natura* (the company's charter on relations with its various publics), due out in 2006 (GRI LA4, HR5 and HR10).

Target for 2006: structure an Ombuds Service for Natura's employees.

See analysis of goals established in 2004 at the end of this chapter.

### Employee Satisfaction

	2003	2004	2005
Employee satisfaction index (%)	76	73	70

### In other operations

Since 2005, Natura adopted the framework from the organizational satisfaction survey in all countries where it operates and where there were more than ten survey respondents, to ensure anonymity. Argentina, Peru, Chile, Mexico and France were surveyed in 2005.

### Employee Satisfaction index <sup>(1)</sup>

	2004	2005
Argentina	58	60
Chile	N.A.	58
Mexico	N.A.	76
Peru	N.A.	59
France	N.A.	68

1. Since 2005 Natura conducts this survey in all its international operations.

## Ethics

Natura's principle is to respect diverse opinions as the base of ethical relations with employees. It values citizens' expression and the democratic process, therefore recognizing the right to organize unions (GRI HR5).

### In Brazil

Relations with labor unions are conducted between Human Resources and union representatives, following guidelines previously agreed upon. Natura also offers unions the opportunity to post information of interest in the company's premises. Currently, Natura maintains relations with three labor unions (GRI HR5).

### In other operations

Contact with labor unions does not occur at prescheduled, regular intervals.

## Transparency

### In Brazil

Organizational changes, work opportunities, benefits and other information pertaining to employees' interest are published in internal communication vehicles – posters placed on highly visible areas, intranet, monthly newsletter (*Ser Natura Colaborador*) and e-mail. The company also holds meetings between employees and the CEO, where managers also participate. There are also Occasional Meetings with senior management and their teams (GRI LA4).

There is a multitask team to identify, assess and implement cost-cutting opportunities and assure balanced results.

Several working groups and committees deal with multi-departmental and strategic matters related to the company. They are organized at different levels, meeting regularly and allowing wide and frequent information exchange among directors, managers and employee representative groups, always looking for new joint solutions (GRI LA13).

Employees participate in negotiations related to the Profit-Sharing Program (PSP) through two committees. One of them is constituted by managers, supervisors, administrative and operational experts, who discuss targets with the company's representatives and unions and approve the Collective PSP. The other, formed by managers, approves the Individual PSP jointly with the company's representatives and unions. Both commissions are elected by employees through a formal process conducted jointly with the union (GRI HR5).

### In other operations

Information is accessed in a simplified way by small committees, owing to the lower number of employees in comparison with the headquarters in Brazil. Moreover, everyone has access to Brazil's intranet, receiving the monthly internal newsletter (*Ser Natura Colaborador*) and also holding Occasional Meetings.

## Communication channels

Natura has various channels available for its personnel to post suggestions or complaints. Employees are always encouraged to freely vent their opinions, suggestions, offer solutions and criticize. This may occur in Meetings with the CEO or Occasional Meetings.

### In Brazil

*Fale com Natura* is a communication channel in which employees can open up to the company about their doubts, compliments, complaints, requests, critiques and suggestions, either via e-mail or intranet. Each department is responsible for addressing the issues raised.

Another important communication channel is the GSCI – *Gerenciamento de Satisfação do Cliente Interno* (Internal Client Satisfaction Management), created to track the actions of the Organizational Climate Survey. Employees who participate in this group are elected by their coworkers and, in the GSCI meetings, present suggestions, critiques and proposals (GRI HR10).

### In other operations

Communication between managers and their teams takes place through Occasional Meetings. There is no formal system to transmit personnel complaints.



Sales Consultants are the main link between Natura and final consumers. The option for the direct sale model allows a unique and very close connection with a huge resource of women and men who bring to the company Brazil's diversity and, increasingly, Latin America's. The consulting activity represents an opportunity to earn extra income, professional development and more. Through it, these professionals transform the sale of Natura's products into moments of inspiration, self-knowledge, relationship and engagement into social and environmental causes.

## Codes, policies and specific management systems

Natura is signatory to the *Código de Conduta de Venda Direta Diante dos Vendedores Diretos e entre Empresas*, a self-regulatory code of conduct for direct sales companies, from Brazil's Direct Sales Association (ABEVD). The code was prepared in accordance with the model proposed by the World Federation of Selling Association, which defends the rights of direct salespeople, promotes loyal competition in a climate of free initiative, improves the public image of direct salespeople and the acceptability of direct sales as opportunities to create income (GRI PR6 and SO7).

## Ethics

According to *Código de Conduta de Venda Direta Diante dos Vendedores Diretos e entre Empresas*, a self-regulatory code of conduct for direct sales companies, from Brazil's Direct Sales Association (ABEVD), Natura pledges respect to the rights of its resellers, providing free educational and training programs to direct salespeople and offering further opportunities to improve their skills.

To prepare the Consultants to comply with its ethical standards, Natura offers workshops and classes on the characteristics and benefits of its products, preparing them to offer adequate advice to each of their clients.

### In Brazil

*Movimento Natura*, launched at the end of 2004, is a vehicle to encourage and recognize the importance of the sales force in the dissemination of Natura's core values, by encouraging them to motivate their clients to adopt environmental-friendly habits at home and at work (see social goals established on page 103, for further information on *Movimento Natura*).

## Transparency

From the recruitment stage onwards, Natura is transparent regarding the rights and obligations of its Consultants. They are informed, clearly and in detail, of product costs and sales margins, as well as credit and payment terms.

At the time of accreditation, Consultants receive a copy of the *Código de Conduta de Venda Direta Diante dos Vendedores Diretos e entre Empresas*, a self-regulatory code of conduct for direct sales companies, from Brazil's Direct Sales Association (ABEVD).

They receive periodical printed materials with updated information on promotions and new products. Natura also provides them with advance information on products that are about to be discontinued, as well as price changes.

## Communication channels

Relations between Natura and its Consultants are conducted through periodical meetings, the corporate website and a toll-free number:

Their closest contacts are meetings with their area Sales Promoters. In these meetings, in addition to receiving handouts with information on products and sales programs, Consultants watch videos and participate in discussions on the company's practices and values.

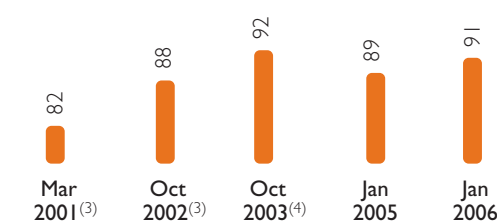
On the internet, Consultants count on the following services: on-line support to address their doubts and concerns, filing orders, sending and receiving e-mails with information and promotions, highlights on recent launches, sales tips and technical information on products.

The Natura Support Center (CAN) manages Consultants satisfaction levels. A specially trained team provides information and registers complaints, suggestions and critiques, dealing with all requests and following up on these processes until they are resolved (GRI PR8).

### In Brazil

We carry out an annual survey of Consultants satisfaction to monitor the relationship developments and come up with improvements:

**Annual Satisfaction Survey (1)(2)**  
(Consultants satisfaction index %)



1. From now on, the survey results will be published considering the period when it was carried out.
2. Reported data refer to surveys conducted from January 2001 onwards.
3. Consultants survey results from March 2001 and October 2002 are not comparable to the others owing to methodology changes.
4. Consultants survey results from October 2003 were altered in this report to make it comparable to similar surveys conducted in other periods and refer to the same methodology used in later periods.

In addition to the annual survey, since 2005 Consultants are invited to post their opinion on services received from the company at any time through the corporate website, giving it a continuous stream of feedback to inform actions to improve our products and services.

## Consultants Evaluation of Natura Support Center

	2005
Great/Very good (CAN)	79%

### In other operations

Natura does not carry out surveys with this public.



Respect to consumers is one of Natura's most relevant principles - the company invests in the Consultants education so that relations with consumers are ethical and clear, conveying Natura's beliefs and values in addition to the best possible service.

## Codes, policies and specific management systems

Texts on Natura products labels are in full compliance with Resolutions n° 211 of July 14th, 2005, n° 79 of August 28th, 2000 and n° 335 of July 22nd, 1999, issued by *Agência Nacional de Vigilância Sanitária* (Anvisa, the national health agency), and meet the guidelines of the Brazilian Consumer Defense Code. Rules sanctioned by *Instituto Nacional de Metrologia* (Inmetro, the national metrics agency) are also observed (GRI PR2).

Natura has a Product Safety Committee charged with keeping current the company's code of product safety and issuing mandatory reports on product development regarding adequacy for human use. Only after receiving this feedback, the department in charge of filing information with *Agência Nacional de Vigilância Sanitária* (Anvisa, the national health agency) requests formal authorizations.

Natura's code of product safety establishes the criteria for pre-clinical and clinical trials of all products from the research and development stages all the way through to their market launch (GRI PR1). The main safety procedure regarding the company's products is the toxicological analysis of all raw materials employed in the formulas, according to international standards. To conduct these tests, we have a biochemistry lab with in-vitro reconstituted human skin cells, and state-of-the-art equipment to test cell cultures. These tests follow guidelines established by international agencies, such as the Food and Drug Administration, (FDA) in the United States and the European Union's Seventh Directive. Natura also has a Consumer Center where it tests the effectiveness of existing products as well as carries out performance evaluations of new products.

Natura keeps samples of each lot of marketed products. It also enforces cosmetics surveillance, that is, systematic evaluation of adverse effects of each product it markets. Consumers who have any type of reaction before the product expiration date are supported by a specialized team of dermatologists to establish clear cause-and-effect relations. This information is then transmitted to the pertinent departments to eliminate potential irritants when required, and also form the database that helps improve commercial messaging and future production (GRI PR1).

Natura also has a specific policy for Animal Testing, in which it pledges to adopt other means of testing to ensure the safety of its products (see text in this chapter in Society on page 87).

### In Brazil

Natura bases its practices on the self-regulatory publicity norms jointly established with national associations of advertising agencies and consumer protection to comply with all norms of social responsibility in its advertising (GRI PR9). It also has a nonintrusive internet policy, ensuring privacy and confidentiality of information provided by website visitors (GRI PR3).

The company is a signatory to Código de Conduta de Venda Direta Diante dos Vendedores Diretos e entre Empresas, a self-regulatory code of conduct for direct sales companies, from Brazil's Direct Sales Association (ABEVD), aimed at safeguarding fair competition, respecting free initiative, protecting the public image of direct salespeople and consumer satisfaction, including the right to privacy (GRI PR6).

### In other operations

We are developing a policy to ensure that all international operations follow our ethical principles regarding consumers. Until this policy is announced, international operations follow the same guidelines as Natura in Brazil, tailored to the reality of each country (GRI PR9).

### Ethics

### In Brazil

To ensure consumers do not feel misled by deceitful messages and avoid trespassing on the prevailing cultural and moral social standards, in addition to the regulations mentioned above, we conduct surveys with consumers before launching each advertising campaign, so that our commercial messages are properly interpreted.

Advertising agencies working with Natura are required to conduct business with ethics and corporate responsibility. Their practices are aligned to the Conselho Executivo das Normas-Padrão da Atividade Publicitária, Associação Brasileira de Agências de Publicidade and Conselho Nacional de Auto-Regulamentação Publicitária (the industry's national self-regulatory committees and councils). They are required to work on pro-bono ad campaigns for nonprofit organizations and NGOs and seek high standards of language and content (GRI PR9).

Target for 2006: Release and implement guidelines for Natura's communication management rooted in aesthetics, ethics and transparency.

Natura has no record of penalties or fines related to consumer health and security; it is in full compliance with the required regulations (GRI PR4). We also conform to the legislation regarding breach of advertising and marketing regulations. In 2004 Natura received a questionable fine and lodged an administrative appeal; there was no ruling on this appeal as far as year-end 2005 (GRI PR10).

### Numbers and types of breaches of advertising and marketing regulations

	2003	2004	2005
Penalties/Fines	0	1	0

### In other operations

We are developing a policy to ensure that all international operations follow our ethical principles regarding the consumer. Until this policy is made public, international operations follow the same guidelines as Natura in Brazil, tailored to the reality of each country (GRI PR9).

### Transparency

The company uses product labels and sales brochures as information vehicles where consumers find detailed information on the products and their benefits as well as observations on issues related to concepts that led to their development (GRI PR2).

Natura follows all legal requirements on product labeling. There is no record of penalties or fines in this respect (GRI PR7), nor has it received any fines or complaints on any breaches of consumers' privacy (GRI PR11).

### Number of complaints received through regulatory or official organizations to inspect or normalize health and security guarantee for the use of products and services (GRI PR5).

	2003	2004	2005
Complaints	4	1	2

Note: There are no rulings on the complaints filed in 2003 or 2004; there is no record of any irregularity in the company's products.

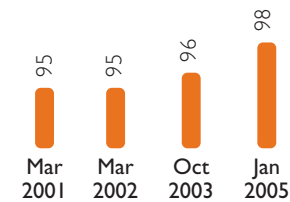
### Communication channels

Natura pursues excellence in its services to assure client satisfaction. We are available to consumers through Natura Customer Service (Snac), which serves as liaison to improve client satisfaction. The service counts on a trained team to provide information, register complaints, suggestions and critiques, following the processes until resolution (GRI PR8). It also has a formal confidentiality policy with the outsourced contractors that provide this service (GRI PR3).

### In Brazil

The consumer relations management system tracks the indicators extracted from the following evaluation forms:

### Annual satisfaction survey<sup>(1)(2)</sup> (Consumers Satisfaction Index %)



1. From now on, the survey results will be published considering the period when it was carried out.  
2. Reported data refer to surveys conducted after January 2001.

Besides the Annual Satisfaction Survey, we launched in 2005 the Instant Consumer Satisfaction Survey, conducted daily. Clients are invited, through random sampling, to give their opinion on the support they just received. This way, we have a continuous data stream to guide improvements to our products and services (GRI PR8).

### Consumers Evaluation about Natura Customer Service

	2005
Great/Very good (Snac)	80%

### Snac – Natura Customer Service

	2003	2004	2005
Total of answered calls through Snac (thousands)	1,804	1,905	1,791
Percent of complaints/total calls to Snac	31%	32%	48%
Percent of complaints not answered <sup>(1)</sup>	7.0%	2.3%	5%

1. Ratio of complaint calls placed on hold and disconnected/total complaint calls.

### Total of active processes involving the Consumer Protection Code

	2003	2004	2005
Administrative Processes (Procon)	68	23	17
Legal Processes (civil and criminal)	45	72	57
Active complaints involving consumer health and safety	4	0	0

### In other operations

The consumer relation management system tracks information consolidated from Snac calls. Natura does not carry out satisfaction surveys with this public.

### Snac – Natura Customer Service<sup>(1)</sup>

2005	Argentina	Chile	Peru	Mexico <sup>(2)</sup>
Total of answered calls through Snac (thousands)	27	14	36	0.7
Percent of complaints/total calls to Snac	35%	47%	29%	16%
Percent of complaints not answered <sup>(3)</sup>	0%	0%	0%	0%

### Total of active processes involving the Consumer Protection Code<sup>(1)</sup>

2005	Argentina	Chile	Peru	Mexico <sup>(2)</sup>
Administrative Processes (Procon)	0	5	0	0
Legal Processes (civil and criminal)	0	1	0	0
Active complaints involving consumer health and safety	0	0	0	0

1. The values refer only to 2005.

2. The values refer to September and December.

3. Ratio of complaint calls placed on hold and disconnected/total complaint calls.



Suppliers are a critical part of Natura's business network and are jointly responsible for the development of the company. Owing to this, Natura looks for suppliers that share its beliefs and values and are in line with its social responsibility and sustainability policies, committing themselves, among other things, to respect the Child and Adolescent Statute and environmental laws.

### Specific management systems, codes and policies

#### General suppliers

In 2005, Natura developed a policy with guidelines and responsibilities related to the purchase of materials processed in the company. In addition to defining criteria to be considered in the selection of suppliers, this policy shows departments involved, minimum requirements from potential suppliers and Natura's responsibilities regarding its current suppliers. It also recommends to, whenever possible, select socioenvironmentally responsible suppliers from cooperative enterprises or income distribution projects in order to increase the social benefits of the business. The target for 2006 is to publish this policy to all current suppliers and make it available to potential ones.

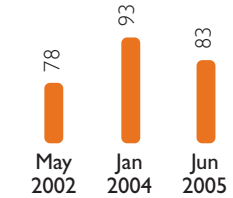
A specific document for suppliers and third parties, which details the company's recommendations on the quality, health and safety at work, environmental and social responsibility, was also developed. Suppliers will be encouraged to comply with indispensable requirements that will be subject to auditing.

To ensure quality of all purchased consumables, products and outsourced services and to strengthen the relationship with its partners, Natura rewards suppliers who demonstrate excellence standards. In this respect, a follow-up and certification process, based on quality standards, logistics, innovation, cost, contractual conditions, support and reliability was created. The evaluation of potential suppliers is carried out by Natura through a punctuation system that identifies and recognizes partners who show better practices. With this certification program, Natura seeks to establish a clear, fair and equitable relationship between the parties. In 2005 this process evaluated 53 suppliers of consumables and finished products, which represent 80% of the volume of purchases by Natura Brazil (GRI EN33).

Natura's suppliers satisfaction is measured periodically through a survey carried out by an external institute. The results of this survey are used as a base to establish action plans to improve these relations.

### Annual satisfaction survey<sup>(1)(2)</sup>

(Suppliers satisfaction index %)



1. From now on, the survey results will be published considering the period when it was carried out.

2. Reported data refer to surveys conducted after January 2001.

See analysis of goals established in 2004 at the end of this chapter.

### Asset supplying communities

Natura applies selection criteria for supply areas that take into account its current situation and its potential regarding sustainable production, local development, logistics, supply and institutional, regulatory and legal matters. This process also considers whether characteristics of area and local population are aligned with the marketing strategy for the product line that is being developed.

In order to follow up the conditions of compliance with purchase contracts established with the supplying communities and the providers of raw materials for Natura, there is a relationship program that involves visits to these communities, whose quality is supervised by internal committees. In some cases, the program also promotes the development of local projects. In supply areas of botanical raw materials, one of the monitoring modes is a certification process that adopts socioenvironmental principles and criteria (GRI SO1).

For the evaluation of quality of relationship and transparency of business conditions, anthropological reports are made according to requirements of the Genetic Patrimony Management Council (CGEN). Socioenvironmental projects are being elaborated with communities at Iratapuru, in Amapá, and the surroundings of Belém, in Pará (GRI SO1).

See analysis of goals established in 2004 at the end of this chapter.

### Ethics

Regarding the ethical principles that guide the relationship of Natura and its suppliers, in addition to the Values and Beliefs of the company, applied to its general public, Natura respects the Charter of Principles of the Ethos Institute on Companies and Social Responsibility, which presents guidelines for operating with integrity, fighting against commercial influence, offering or receiving bribes or tips from any public or private person or entity. In addition, the company adopts the principles of Global Compact, to avoid using services or products from companies that violate human rights, and benefit from advantages of states that violate them.

The compliance of these guidelines is evaluated during the diagnosis phase of the Corporate Responsibility Management System.

In previous years, the information provided about the percent of paid contracts in accordance with its terms, excluding those paid through

adjusted penalties, was not properly refined. The referred information is not liable for calculation, since there are no internal control mechanisms (GRI EC4).

## Transparency

### In Brazil

All matters that influence Natura's and its suppliers' businesses are treated directly with them. Suppliers' selection or invalidation criteria are noted in evaluation questionnaires and in quality, price and relationship indexes that rate suppliers in our certificate program for this public.

Follow-up letters to main suppliers of consumables are prepared every three months, where all relevant information to the parties is reported, such as purchase evolution, consumables stock positions, as well as quality and corporate responsibility.

Semiannually, departments that maintain relations with main suppliers carry out a formal self-evaluation, regarding accessibility, proactivity, ethics, transparency, quality of information and processes, innovation levels, conduct and negotiation aspects. These evaluations are discussed in meetings with the presence of the involved parties.

## Communication Channels

### In Brazil

In 2005, Natura structured two additional communication channels – a toll-free number and an e-mail address – that allow suppliers to convey doubts that they would rather not discuss directly with the company's dealers. These will be made public in 2006.

## Neighboring Communities

Natura has its headquarters located in the Municipal Districts of Cajamar and Itapeceira da Serra, in São Paulo, considers itself part of the local communities and concerned with their needs and future. Because of that, the company supports the implementation of a local Agenda 21, that is helping set up participative processes in these communities to define their future.

Natura has also formed working groups composed of personnel to provide support for activities in the areas of education, work and income generation, environment and relations with local organizations and groups.

## Codes, policies and specific management systems

In order to build responsible management, the company adopted as one of its strategic guidelines "to articulate and act as articulation and facilitation agent for processes of local sustainable development, capturing all opportunities to contribute to the improvement of these communities quality of life, so as to foster good practices."

## Ethics and transparency

Even before its establishment in Cajamar, in 2000, Natura began approaching the communities of this municipality, contributing towards strengthening local society with the development of leaderships and dissemination of the culture of rights, especially among the younger population. The relationship established with the local government and institutions led to the creation of the City Council of Child and Youth Rights and the City Fund of Child and Youth, which receives funds for children programs. The trust established among the parties also involve the participation of Natura's employees, the mayor, secretaries, NGOs and social citizens in the establishment of a

political agenda and in proposing sustainable planning initiatives for the community.

To learn more about the programs carried out in these communities, please refer to description of projects Agenda 21 – Cajamar; Working Groups Natura-Cajamar and Natura-Itapeceira da Serra in chapter *Highlights of Investments in Corporate Responsibility on page 109 (GRI SO1)*.

See analysis of goals established for this public in 2004 at the end of this chapter.

## Communication channels

Communication between the company and the neighboring communities occurs mainly through the connections established with local authorities, citizens and community leaders.

Natura's direct relationship channel with its neighboring communities is the toll-free number *Fale com a Natura*. Its objective is to circulate information on the company's projects and induce locals to participate and address their concerns over these projects. The company counts on a channel for recording and answering communications and requests by interested parties about the environment, which also may be accessed by neighboring communities (GRI SO1).

## Government

As it believes that the company must be an agent of social change, Natura engages in a range of initiatives in the public sector through dialogue with all government spheres: Federal, State and Local, which refer not only to the nature of its business, but to society's needs.

## Codes, policies and specific management systems

The Governmental Relations department function is, mainly, to establish a partnership and create relationship opportunities for promotion and dissemination to society of the concepts of corporate responsibility and sustainable development. Participants in this department also accompany or represent senior executives of Natura at these events.

In 2005, a Governmental Relation Management System was created, which defined the process of the department, as well as functions, key activities and sub-processes related to it. Although the code of relations with the civil service, as well as policies about campaign contributions, lobbying, corruption and bribing, still have not been formalized (GRI SO2 and SO3) – the forecast is for them to become formal by the end of 2006. Natura bases its relation with the government on ethics and transparency, which result from its values and beliefs.

See analysis of goals established in 2004 at the end of this chapter.

## Ethics and transparency

Natura convenes regular debates on key issues related to the national political agenda. Sustainable use of biodiversity, industrial policy, foreign trade, regional development, regulatory matters, technological innovation are some of the issues discussed by the Congress, the government and its agencies to which Natura seeks to contribute.

## Communication channels

Natura relates with the government in different ways and at diverse levels. Its particular contribution focus on issues of sustainable use of Brazilian biodiversity and sharing of income, such as the access to our heritage, fair trade and income sharing of. There are direct contacts with government officers and indirect ones, through business

associations, such as the Direct Sales Association (ABEVD) and the Brazilian Association of Personal Hygiene, Perfumery and Cosmetics Industry (Abihpec). With these actions, the company tries to promote change and contribute to industry and sector competitiveness by eliminating productive bottleneck, integrating the production chain and providing incentives to promote its products and brand.



Natura sponsors several organizations, on the belief that it can be an influencing factor for social change. In this sense, for ten years it has been involved in programs of public elementary education. In addition, it supports and sponsors neighboring communities, supplying communities and social organizations.

## Codes, policies and specific management systems

Natura includes in this public civil society organizations and society as a whole.

Due to the demands from a specific set of society about our manufacturing processes, Natura does everything in order to make public its position regarding animal testing, as follows.

### Animal testing of cosmetics products

- Since 2003, Natura has totally banished the use of animals in laboratory testing for finished products.
- For over six years, it has been searching for alternatives to reduce this testing procedure, ensuring the safety of its products. It still performs limited animal testing for reactions to some raw materials when there are no alternative methods that may enable the elimination of health risks for users.
- The goal for 2004 – a 25% decrease in the number of raw material tests for cosmetics in animals – has been surpassed, reaching 78.5%. Owing to legal requirements, such as Anvisa's (the National Health Agency), Natura performs safety and efficacy testing of phytotherapeutic categories in animals.
- Natura also invests in alternative testing as part of the development of new assets and it keeps an in vitro laboratory for the evaluation of raw materials and products in artificially grown human or animal cells. It also invests about R\$ 1.5 million annually in test development and in training of professionals who are dedicated to this issue. These ongoing efforts have enabled the gradual decrease of animal testing, aiming at the complete elimination of this practice by December 2006.
- Natura follows the strictest technical and scientific international procedures based on a principle internationally known as 3R: Reduction, Refinement and Replacement. This principle is the guideline for the largest cosmetics industries in the world aiming at analyzing and developing alternative methods for animal essays.
- The company has created the Natura Products Safety Committee that, among other functions, has the purpose of establishing the lowest number of essays requiring tests in animals specially bred for that purpose.

In this scenario, performing animal testing is becoming less necessary and it represents an exception in the current reality of the company, which will do its utmost to eliminate it completely. In the strategic alternatives approved for the next years, we are committed to totally eliminating the tests by December 2006. Therefore, whenever Natura has an innovative launch the company has a commitment to release it in a transparent way to everyone.

Natura is totally against any kind of unfaithful communication that accuses the company of indiscriminately using animals in laboratory testing. This kind of communication aims to mislead public opinion and does not add value to knowledgeable discussions about the subject.

### Tests in animals for phytotherapeutic products

Natura, due to competent authorities' requirements (Anvisa), needs to carry out tests in order to prove the security and efficiency of phytotherapeutic products in animals (GRI PR1).

### Number of tests in animals

	2003	2004	2005
Tests in animals for cosmetics	308	66	96
Tests in animals for phytotherapeutic products	249	200	0

See analysis of goals established in 2004 at the end of this chapter.

## Ethics and Transparency

Natura's relations with several entities of society, from NGOs to business organizations, are transparent. The list of organizations which we are related with are annually published in our annual report (see "Commitment with Leadership and Social Influence" in the chapter *Highlights of Investments in Corporate Responsibility on page 115*).

The company's policies regarding matters of public interest, as well as its socioenvironmental strategic opinions, are considered public domain documents and made available upon request or when we deem appropriate.

## Communication channels

Our relations with community organizations take place in different ways. From enquiries and specific forums promoted by the company for common interest issues, evaluation processes of our management with the participation of organizations and social leaders as observers, to attendance of representatives of the company in forums, committees, councils and conferences.



Natura has been improving its corporate governance since the mid-1990s when it placed new executives in strategic positions, to foster professional management. This process developed further with the establishment of Management Committee in 1998 – followed by the Auditing and the Risk and Human Resource Management committees. The highlight of this process was the company's IPO on May 26th, 2004.

## Ethics

No operation regarding ownership structure has been carried out in a way that it would constitute economic concentration (GRI SO6). (For further information on Governance, refer to specific chapter on page 66)

## Goals Established in Natura's 2004 Annual Report

Initiative	Committed Target	Results
GRI EN 33	a) Disseminate and practice quality control systems established with suppliers.	☉ Target reached. During 2005, all of our suppliers considered strategic, key and those deemed of critical importance were informed about the QLICAR program - 53 of them are under monthly monitoring for criteria of quality, socioenvironmental responsibility, costs and relationship.
	b) Evaluate 100% of the documentation pertaining to all "environmentally critical" and new suppliers.	☉ Target partially reached. Regarding productive items and finished products considered environmentally critical, we closed 2005 with 100% of the documentation evaluated for new suppliers and 95% for old suppliers.  ☉ Target partially reached. 50% of the Providers of transportation services considered environmentally critical were evaluated in 2005. The share of nonevaluated suppliers refers to either new ones (contracts signed in 4Q05) or to those who have not sent completed documentation required for evaluation.
	c) Of the evaluated suppliers in 2004, increase those with an A rating to 30% of the total.	☉ Target reached. Of total active suppliers in 2005, 41% were rated in the A category.
GRI HR10	a) Develop a relationship code.	☉ Target partially reached. The <i>Carta de Princípios de Relacionamento</i> was prepared but did not receive final approval. Its launch will occur in 2006.
	b) Structure an Ombuds Service at Natura.	☉ Target missed. Study comprising evaluation, analyses, model recommendations and of models and premises was completed. Implementation will occur in 2006.
GRI SO1	a) Install a multipartite forum to define actions regarding the Cajamar development plan, following sustainability principles.	☉ Target reached. District and Town Hall forums were installed between October and December, after extensive discussion and preparation processes.
	b) Constitute a tripartite working group for implementation of Agenda 21 in Potuverá, Itapeçerica da Serra.	☉ Target missed. The group of leaders did not form a tripartite group to foster Agenda 21 in Potuverá.
	c) Perform assessment in Potuverá.	☉ Target partially reached. Diagnostic assessment was addressed in the initial stages of the leadership course involving five associations of residents. To define their working targets, the associations had to start from a diagnostic assessment of the area.
	d) Report socioenvironmental impact of Natura's activities in more relevant supplier communities.	☉ Target partially reached. Participative diagnostic assessment and local development planning in the communities surrounding Belém and in the community of Iratapuru were completed. These studies are yet to be performed in the communities of Médio Juruá.
GRI SO2	Establish policies on the issues of corruption and bribery.	☉ Target missed. The policy was not prepared during 2005. We chose to wait for the completion of the <i>Carta de Princípios de Relacionamento</i> , to later define a policy fully compatible with the relationship principles.
GRI SO3	Establish policy on political contributions.	☉ Target missed. The policy was not prepared during 2005. We chose to wait for the completion of the <i>Carta de Princípios de Relacionamento</i> , to later define a policy fully compatible with the relationship principles.
GRI PRI	Keep below 170 the number of animals used in raw-material testing of cosmetic products (which represents a 32% reduction from the 2004 target). It would also mean a 158% improvement over 2004 levels, because some of the testing scheduled for 2004 was postponed to 2005.	☉ Target reached. A total of 96 animals were used in lab testing for safety of new raw materials during 2005. The value represents 56.5% of the stipulated target, reflecting Natura's policy to reduce testing in animals and use of in vitro testing of components safety. Again, it is important to point out that, just as in 2004, animals were not used for safety testing of finished products.

## Goals compatible with sustainable development

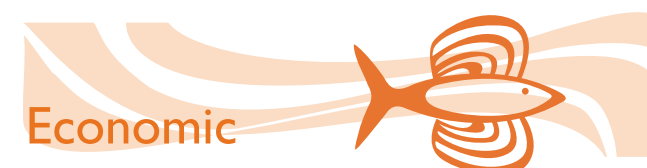
Natura acknowledges that, upon reaching its economic and financial goals, there are social and environmental impacts produced that must be regarded as part of the business. Therefore, the company began to consider impact details in its decision process.

Among the main results in 2005, we highlight improvements in the assessment of the environmental impact of packaging and the inclusion of goals to reduce its consequences in the establishment of performance bonuses, as well as the increase in refill sales. We also introduced more specific methods to calculate carbon emissions and sinking.

Intense discussions on the company's role in the development of the communities surrounding its corporate facilities and its supplying communities on the short, medium and long term, as well as questioning of proposed models, have led us to establish new goals. We began a critical evaluation of indicators for the social impact of the business and are in the middle of a redefinition process around the following focal points: wealth distribution, job creation and income generation, social inclusion and education.

Natura's planning cycle opened space to the social and environmental analysis of each area and included the theme in its 2006 goals definition in a more consistent way.

Below are our financial, social and environmental results. We begin each block with the policies and management systems, followed by an explanation of performance indicators.



### Codes, policies and general management systems

The individual and consolidated financial statements that serve as basis for the economic performance indicators were prepared in accordance with consolidation criteria from Brazil's GAAP and regulatory instructions and decisions issued by the Brazilian Securities Commission (CVM). These financial statements include those of the company and its direct and indirect subsidiaries. We emphasize that these financial statements are audited quarterly and annually by an independent auditing firm and disclosed to the market through the CVM site, and Natura's Investor Relations department, as well as published on a major newspaper, in case of annual financial statements. The financial statements of foreign subsidiaries were converted into Brazilian currency at exchange rates in effect on the balance sheet dates.

Furthermore, Natura follows the Code of Ethics and Conduct Standards established by the Association of Capital Markets Investment Analysts and Professionals, Apimec, in order to establish conduct standards to these professionals.

The various management processes and systems that are specific to each economic indicator are under the responsibility of the Vice-President of Finance.

## Direct Impacts

Performance indicators:

### Net sales (R\$ thousands) (GRI EC1)

	2003	2004	2005
Net sales	1,328,910	1,769,664	2,282,164

Natura does not disclose regional market analyses (GRI EC2).

### Cost of goods, materials and services purchased (R\$ thousands) (GRI EC3)

	2003	2004	2005
Cost of goods, materials and services purchased	942,240	1,365,906	1,731,670

### Total payroll and benefits (including wages, pensions, other benefits, and severance pay) broken down by country (R\$ thousands) (GRI EC5)

	2003 <sup>(1)</sup>	2004	2005
Brazil	167,088	233,194	277,078
Argentina	4,514	5,066	8,500
Chile	2,620	4,343	5,727
Mexico			5,413
Peru	3,561	4,688	6,589
France			3,121
Ybios	N.A.	N.A.	(12)
<b>Total Natura</b>	<b>177,783</b>	<b>247,291</b>	<b>306,416</b>

1. Payroll amounts for 2003 broken down for the various Natura operations were corrected in this report due to previously published figures being preliminary. Note that the total payroll amount for 2003 is unchanged.

### Payments to providers of capital, broken down by interest on debt and borrowings, and dividends on all classes of shares, with disclosure of any arrears on payment of dividends to preferred shares (R\$ thousands) (GRI EC6)

	2003	2004	2005
Interest on debt and borrowings	64,439	33,834	45,453
Dividends and interest on capital <sup>(1)</sup>	60,331	216,352	319,442
<b>Total</b>	<b>124,770</b>	<b>250,186</b>	<b>362,895</b>

1. Values for 2002 and 2003 refer to dividends and interest on capital of Natura Participações.

### Increase/decrease in retained earnings at the end of the period (R\$ thousands) (GRI EC7)

	2003	2004	2005
Net income	63,884	300,294	396,881

### Total sum of taxes of all types paid, broken down by country (R\$ thousands) (GRI EC8)

	2003	2004	2005
Brazil	490,316	531,346	706,844
Argentina	6,631	9,200	11,086
Chile	2,173	3,156	4,419
Mexico	N.A.	N.A.	223
Peru	2,964	4,103	4,583
France	N.A.	N.A.	N.A.
Ybios	N.A.	N.A.	26
<b>Total Natura</b>	<b>502,084</b>	<b>547,805</b>	<b>727,181</b>



In 2005, Natura was granted by the district council of Itapeçerica da Serra, São Paulo, Brazil, a tax break in the amount of R\$ 716,780. This amount will be allocated to investments (GRI EC9).

Regarding the total amount spent on infrastructure development for operations other than the main one (GRI EC12), in 2005, R\$ 9,415 million were invested in Brazil, as follows:

#### In Cajamar:

- Expansion of the Effluent Treatment Plant
- Upgrade of the energy management system
- Adaptation of the waste disposal area
- Installation of monitoring equipment for the vacuum system
- Complementation of parking lot solar-energy lighting
- Acquisitions of furniture and facility improvements

#### In Itapeçerica da Serra:

- Automation of the diesel system in generator
- Reflective painting and thermal insulation of Administrative Center roof

## Investment Matrix

The amount of donations to the communities, society and to other groups and the total amount spent on environmental concerns are included in the Investment Matrix in Corporate Responsibility (GRI EC10 and EC35) (see chapter Methodology and Key Indicators on page 48).



Codes, policies and general management systems

Natura's socioenvironmental policy assumes that an environmentally responsible company should identify its impacts on the environment, minimize the negative ones and maximize those that are positive. Therefore, it should keep improving environmental conditions by minimizing potentially aggressive activities and disseminating knowledge regarding this management to other companies. This policy contemplates responsibility towards future generations; environmental education; management of the environmental impact of its products and services and their life cycles; and minimization of material consumption and output.

Regarding socioenvironmental issues, and as part of its social and environmental strategic options, Natura intends to:

- Continue mitigating the environmental impacts from our processes, products and services, especially those related to the major issues in our future: the sustainable use of water; release of greenhouse gases; general reduction of waste products, and the efficient use of energy – as our main focuses from the operational, educational, and public policy influence standpoint. This makes us face the challenge of redesigning our business chain and acquiring specific technologies;

- Continue investing in the sustainable use of biodiversity as a way to promote the conservation of native forests, creating new agroforestry models;

- Considering that the current knowledge on the use of genetically-modified materials is insufficient to determine their impact on the environment and on health, we decided not to use genetically-modified materials in our products as a precaution.

Natura also abides by the directives in Agenda 21, which signals a change in the development pattern of the 21st century towards sustainability. It also follows the guidelines of Global Compact, among which are the call for preventive action and the development of initiatives to promote increased environmental responsibility.

In 2005, the company integrated the quality control and environmental management in Natura's Integrated Regulatory System (SINN). This system helps team members engage in their daily activities with the company's commitment to the environment in mind, alongside with the commitment to quality of products and services. The development of SINN includes elements from the cutting edge of corporate management – based on the standards NBR ISO 9001:2000 and NBR ISO 14001:2004 – the Criteria for Excellence of the National Quality Foundation (FNQ), the best market practices oriented towards Natura's corporate culture. SINN is also oriented towards the Good Manufacturing Practices (GMP), systematic and necessary methods to ensure that our products comply with excellence requirements specified by the market.

In 2005, Natura was certified for NBR ISO 9001. This certification is a result of Natura's continual commitment with the quality of its processes, products and services, seeking to improve these aspects everyday.

In relation to the environmental performance of its suppliers, Natura possesses clear standards and procedures for supplier selection and evaluation in accordance with ISO 14001. Suppliers are evaluated at least every two years through an analysis of their legal documentation and a self-applied environmental evaluation (see details in Suppliers and Supplier Communities in the chapter Quality of Relations on page 85).

Natura has not been issued any penalties in 2005 for any legal infringement regarding the environment (GRI EN16). Through SINN, all legal requirements concerning the environment are monitored, allowing for constant interaction between operations and preventing any irregularity. Moreover, the company monitors the progress of legislative projects through the use of internal discussion forums. Internal environmental issues are followed up by means of reports showing goals and action plans established by the areas, the Sustainability Committee and the Executive Committee.

## Biodiversity

Codes, policies and general management systems

By signing the Biological Diversity Convention during ECO'92, Brazil and 155 other countries committed to implementing a series of policies regarding conservation and sustainable use of Brazilian biodiversity. The first challenge is getting to understand biodiversity itself, the second is to preserve this legacy and then there is the complex task of designing a development model that ensures sustainable use of the components of biological diversity as a whole. On May 24th, 1994, the BDC was adopted by the Brazilian Congress for use as a basis for the Brazilian Biodiversity Policy.

Natura adopted a business strategy of investing in a new product platform based on the sustainable use of natural resources and respect for regional and local cultural traditions.

With this new model, the company established partnerships with rural suppliers (traditional communities and family farm groups) in some regions of Brazil and crafted a network of excellence that promotes research and development, discovers new natural resources, and seeks to refine products and processes, adding value to Brazilian biodiversity.

Natura encourages the organization and nurturing of rural suppliers and seeks to participate in the construction of supply chains to ensure fair pricing of raw materials, focusing on the promotion of the social and economic progress of these suppliers and the adoption of production processes with lower environmental impact. This activity follows the recommendations of the World Labor Organization, the Brazilian Statute of Children and Adolescents, environmental certification programs and current legislation.

In its socioenvironmental strategic options, Natura proposes to continue investing steadily in the sustainable use of biodiversity, aiding its conservation.

There are many specific management systems regarding Natura's biodiversity project: selection of assets for research, regulation of this research, development of products and testing; development of suppliers of all sizes and identifying new supplying communities; environmental certification; and the processes concerning social and environmental impacts produced by the production activity on supplying communities, and others.

### Performance indicators

#### 1. Natura's real estate holdings:

Natura owns no land properties other than those where its business units are located. Two of these are located in environmentally important regions, Itapeçerica da Serra, a watershed protection area, and Cajamar, an environmental protection area, both within the Atlantic Forest biome. These operations comply with the applicable legal requirements (GRI EN6 and EN29).

The company obtains its botanical raw materials from leased or rented areas managed by community or rural producers. Concerned that the resources of the land should be exploited responsibly, Natura strives to ensure a sustainable exploitation model and study the environmental importance of these areas. In 2005 Natura has acquired no new additional areas for its production activities (GRI EN23).

In 2005 the company increased its built area slightly in the Cajamar site, which now totals 83,210 m<sup>2</sup> as a result of the expansion of the Effluent Treatment Plant and of the product separation lines. The site's impermeable surface now comprises 12.9% of the total land. In the Itapeçerica da Serra site impermeable area remained unchanged at 15% of the land (14,366m<sup>2</sup>) (GRI EN24).

2. Impacts of Natura's activities on earth's biodiversity and ecosystems: To describe the main impacts on biodiversity linked to activities or products and services in the various environments (GRI EN7), we will start by explaining how we select our direct operation areas.

In selecting the areas that can be sources of production inputs (botanical raw materials such as extracts, oils or compounds) developed with Brazilian species, or foreign species cultivated in Brazil, Natura's main focus is traceability and sustainability, in order to ensure quality and a reduced impact on the environment.

The company adopts two processes to ensure the sustainable use of natural resources:

- 1) Identification of the input sources;

2) Asset certification program for two kinds of management:

**a) Management of non wood forest products** – The assumption is that this ensures a continuous supply of raw materials, minimizes environmental impact, and safeguards the capacity for sustainable production. Forestry certification is designed to assess the asset extraction process and evaluate adequacy of the management model, under principles and criteria established by the Forest Stewardship Council, FSC, which consider social, economic and environmental aspects.

**b) Agricultural management** – This is done by emphasizing good production practices and includes agricultural and ecological concepts. The agricultural certification is designed to evaluate the agricultural production of assets, under the principles and criteria of the Sustainable Agriculture Network, SAN, and of the *Instituto Biodinâmico*, IBD.

Natura's assets certification process comprises three stages:

**Stage I** – Internal process to identify and select a potential supply area. In this stage the company analyzes the types of producers, the community's organization and identify the type of management (agricultural or forest based).

**Stage II** – Certification design preparation, including discussion of processes are discussed with vegetable product suppliers; selection of certifying authority; with preliminary analysis of the supply area by the certifying authority, if required.

**Stage III** – Inspection of the supply areas for certification; implementation of an action plan to conform with regulations from certifying authority; obtaining the certifying authority's official opinion to obtain authorization.

The company analyzes the environmental impacts of forest management, in their various aspects, such as: (GRI EN7)

**Biotic environment**<sup>(1)</sup> – A positive impact since the harvest does not exceed the area's capacity limit and may even favor the renewal of the species, and thus the forest's dynamics of succession<sup>(2)</sup>; contribution for conservation of genetic diversity maintained by traditional communities (on farm conservation)<sup>(3)</sup>.

**Physical environment**<sup>(4)</sup> – A positive impact on the soil, since maintenance of the forest man-made environment preserves this resource. Removal of forest biomass (frequent harvests) has a negative impact on nutrient cycling<sup>(5)</sup>.

**Man-made environment**<sup>(6)</sup> – Positive impact is positive, especially in preventing the exodus of rural workers to the cities, generating jobs and contributing to local development. The cultural aspect is benefited by the recognition of the value of the body of knowledge acquired through inherited traditions.

1. *Biotic environment: flora (original vegetation, seed deposit on the soil, natural regeneration) fauna (vertebrates and insects) and microorganisms.*
2. *Forestry succession: it 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: it 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 environment: 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. *Man-made environment: settlement of rural workers in the countryside, jobs, regional development, landscaping.*

Raw materials/Ekos	State	Phase I		Phase II		Phase III		Notes
		Beginning	End	Beginning	End	Beginning	End	
Andiroba <i>Carapa guianensis</i>	Amazonas	●	●	●				Traditional management
Brazil nut <i>Bertholletia excelsa</i>	Amapá	●	●	●	●	●	●	Traditional management
Breu-branco <i>Protium pallidum</i>	Amapá	●	●	●	●	●	●	Traditional management
Buriti <i>Mauritia flexuosa</i>	Under evaluation	●	●	●	●			Traditional management
Chamomile <i>Chamomilla recutita</i>	Paraná	●	●					Cultivation
Copaiba <i>Copaifera spp.</i>	Amapá	●	●	●	●	●	●	Traditional management
Cumarú <i>Dipteryx odorata</i>	Under evaluation	●						Traditional management
Cupuaçu <i>Theobroma grandiflorum</i>	Rondônia	●	●	●	●	●	●	Agroforestry system
Flatsedge <i>Cyperus articulatus</i>	Pará	●	●					Cultivation
Guaraná <i>Paullinia cupana</i>	Bahia	●	●	●	●	●	●	Organic cultivation
Lemon grass <i>Cymbopogon citratus</i>	São Paulo	●						Cultivation
Macela <i>Achyrocline satureioides</i>	Paraná	●	●	●	●	●	●	Traditional management
Maté tea herb <i>Ilex paraguariensis</i>	Rio Grande do Sul	●	●	●	●	●	●	Traditional management
Murumuru <i>Astrocaryum murumuru</i>	Amazonas	●	●	●				Traditional management
Passion fruit <i>Passiflora edulis</i>	Minas Gerais	●	●					Cultivation
Pitanga <i>Eugenia uniflora</i>	São Paulo and Paraná	●	●	●	●	●	●	Cultivation and traditional management
Rosewood <i>Aniba ferrea</i>	Amazonas	●	●	●	●	●	●	Traditional management
Raw materials/Other lines	State	Phase I		Phase II		Phase III		Notes
Açaí <i>Euterpe oleracea</i>	Rondônia	●	●	●	●	●	●	Agroforestry system
Cacao <i>Theobroma cacao</i>	Bahia	●	●	●	●	●	●	Agroforestry system
Jambu <i>Spilanthes oleracea</i>	São Paulo/Paraná/ Rio de Janeiro	●	●	●	●	●	●	Organic cultivation

Target for 2006: To reach 21 certifications, including six more assets in Phase III of the certification process. Natura uses assets (oils and extracts) from 35 native and exotic species in Brazil. Therefore, with 21 certifications we will reach 60% of all certified species.

See analysis of goals established in 2004 at the end of this chapter.

In addition to the certification, conservation of biodiversity is encouraged when it provides benefits and products that can generate economic resources.

Regarding activities and operations impact over protected areas (GRI EN25), we started from the six categories of protected areas of the World Conservation Union.

After analyzing these categories of protected areas, we conclude that two areas that have partnering agreements with Natura fit category VI: "Resources in protected areas managed to allow the sustainable use of natural ecosystem." These areas are the Médio Juruá Extraction Reserve (located in the state of Amazonas) and the Iratapuru River Sustainable Development Reserve (located in the state of Amapá). Both areas were created by the federal and state governments for purposes of sustainable exploitation of resources found in them.

They generate cash and jobs for the populations that have always lived in those areas.

The company's activities of buying resources in the aforementioned protected and sensitive areas are monitored by the responsible environmental bodies – the Brazilian Institute for the Environment and Renewable Natural Resources (Ibama), and the State Environment Department (Sema), and this monitoring is complemented by the certification program. The certification process requires the preparation of management plans and its main benefit is that the impact of traditional stewardship on the available resources is monitored. The result of these strategies helps mitigate negative impacts and potentialize positive ones.

In 2005 Natura did not experience any environmental impacts in protected and sensitive areas (GRI EN25).

The company uses the management plans as tools to monitor changes in natural habitats brought about by activities and operations, and to control what percentages of each area are protected or restored (GRI EN26). The preparation and execution of Management Plans for Sustainable Use of the species in the two protected areas (the Médio

Juruá Extractivist Reserve and the Iratapuru River Sustainable Development Reserve) aid conservation of the local biodiversity.

In 2005 Natura did not experience any changes to protected habitats as a consequence of its industrial activities. On the other hand, we did not account separately the parts of the habitat that we protected or restored as part of our activities.

The company maintains programs and targets to restore and protect ecosystems and native species in degraded areas (GRI EN27), as some resources supplied to Natura are produced in such areas. Natura prioritizes the application of agroecological production models for vegetable raw materials, and encourages others to do the same, resulting in a significant aid to conservation of natural resources such as soil and water; and helping in the recovery of the areas. The company also considers these models and other environmental parameters in the selection of new areas.

The existence of an agroforestry production model, created as a solution for the recovery of degraded areas in the state of Rondônia's Condensed Multispecies Economic Reforestation Project (RECA) was a significant factor for this area to be chosen for the supply of the fruit called cupuaçu. The company provides incentive for such projects to thrive by acquiring their raw materials and supporting their certification.

In 2005, Natura provided support for the following initiatives that focused on the protection and restoration of ecosystems and native species in degraded areas: the Flora Brasiliensis Project, the Ilhabela Trails Project, the Rio de Janeiro Botanic Garden, the Fruit Grove Project, the Environmental Diagnosis Project in Cajamar, and the Second South America Regional Conference on Climate Changes.

The company also proceeded with the planning of the Forest Recomposition Project in its Cajamar and Itapeceira da Serra sites, whose intent is to enrich the green areas of these sites and increase the diversity of native species and their ecologic relationships. The company's goal is to start implementation of this project in 2006. In addition to that, Natura is a member of WWF's Brazil Corporate Club, which develops several environmental protection projects.

We also monitor the numbers of species in IUCN's Red List that inhabit the areas affected by our company's operations (GRI EN28). Two species used by Natura are in the IUCN's Red List of Threatened Species: the maté tea herb (*Ilex paraguariensis*), classified as low risk, and the Brazil nut tree (*Bertholletia excelsa*), classified as vulnerable – the latter also included in the Official List of Threatened Plants published by the Brazilian Institute of the Environment and Renewable Natural Resources (Ibama). In 2005 Natura, in partnership with Embrapa Genetic Resources, designed a project to study and plan the conservation of these two species. The plan is scheduled to be carried out early in 2006. In addition to that, the areas that supply these products to Natura are certified by the Forest Stewardship Council, FSC, which ensures the application of good practices in forestry management.

## Water

Codes, policies and specific management systems

Natura addresses the specific water issue both in its environmental policy and its social and environmental strategic options. In our operations, a series of initiatives are taken to reduce water consumption and to recycle water and treat its final effluent before it is returned to the environment. We have also developed several campaigns about this issue targeting our suppliers, Consultants and final consumers. Specific indicators are defined and monitored by company areas involved with the issue.

## Performance indicators

### In Brazil

#### Water consumption (GRI EN5)

	2003	2004	2005
Water consumption (m <sup>3</sup> ) <sup>(1)</sup>	110,499	116,367	136,677
Water consumption by product unit sold (L/unit) <sup>(2)</sup>	0.87	0.67	0.63

<sup>1</sup> In 2005, due to a 35% growth in shampoo production (greatest water consumer) over 2004 and also to a 21% staff increase in the Cajamar site, there was a 17% increase in water consumption, in absolute terms.

<sup>2</sup> In 2005 there was a 5.6% reduction in water consumption. The main reason was the economy of scale in resale items, which ended 2005 5.3% over the estimated figure.

Target for 2006: To reach 138,540 m<sup>3</sup> of water consumption in absolute terms.

See analysis of goals established in 2004 at the end of this chapter.

The water sources and habitats affected by the company's water consumption are those surrounding the Cajamar and Itapeceira da Serra sites (GRI EN20). Since there is no public water supply system, all water consumed in Cajamar and Itapeceira da Serra comes from local artesian wells. The annual volume of water extraction respects criteria based on water table regeneration with a daily monitoring of consumption volumes as compared to authorized limits. In 2005, Natura exceeded its water reuse target, another good result of its actions for environmental sustainability.

#### Surface and underground water extraction as a percentage of available renewable water (GRI EN21), in Cajamar

	2003	2004	2005
Extraction	58.2%	70.1%	83%

Note: In 2005 the 18% increase in underground water extraction (Cajamar and Itapeceira) is mostly due to a growth of 35% in shampoo production (greatest water consumer) over 2004 and also to a 21% staff increase in the Cajamar site. In 2006, the extraction of drinking water will be extended geographically.

#### Percentage of water not incorporated to the product (%)

	2003	2004	2005	Target 2006
Water not incorporated to the product	92.2	90.2	89.1	87.0

This percentage represents the relative water consumption by the company that was not used as an item in our products. It represents the water used for industrial and administrative purposes. It is also the percentage that can be reduced the most by reducing waste.

Target for 2006: To reduce the percentage of water not incorporated to the product by 87.0%.

#### Water recycling and total reuse (GRI EN22)

	2003	2004	2005
Recycled and reused water (m <sup>3</sup> )	20,233	29,065	48,760
Reuse percentage in relation to the total amount of water treated at the Effluent Treatment Plant	29%	39.5%	55%

Note: The treated water from its effluent treatment system is used in all Cajamar facilities for the cleaning of outer walls, fire fighting network, sanitation facilities and ornamental water mirrors.

See analysis of goals established in 2004 at the end of this chapter

#### Significant water discharges (GRI EN12)

	2003	2004	2005
Total effluent treated volume (m <sup>3</sup> )	79,580	82,786	93,402

Note: The 13% increase in water outflow in 2004 was due to increases in shampoo (35%) and cream (35%) production lines, which generate large volumes of effluents, and also to the 21% staff increase in the Cajamar site, which contributed to increase the volume of waste water.

#### Cajamar treated sewage

Parameter	Legal Standard	Average 2003	Average 2004	Average 2005
mg/L				
DBO	60	8.0	6.6	6.1
DQO	150	34.7	102.7	87.0
OG	20	2.3	3.7	3.1

#### Itapecerica treated sewage

Parameter	Legal Standard	Average 2003	Average 2004	Average 2005
mg/L				
DBO	60	144.0	126.0	19.4
DQO	150	300.0	279.0	66.8
OG	20	22.7	24.2	6.1

The water source (and related ecosystems or habitats) significantly affected by the water discharge and drainage (GRI EN32) is the Juqueri River in Cajamar. However, before discharging, our effluents are treated at the Effluent Treatment Plant. This plant fully meets all applicable legal requirements, such as Resolution No. 357, article 34, of the National Environment Council (Conama), and State Decree-Law No. 8468/76, articles 12 and 18.

Because the Effluent Treatment Plant of Itapecerica da Serra is located in a watershed protection area, it adopts the system of infiltrating its effluents into the ground after treatment in a conventional treatment plant whose efficiency in removing organic contents reaches 97% on average.

See analysis of goals established in 2004 at the end of this chapter.

#### In other operations

2005	Argentina	Chile	Mexico <sup>(1)</sup>	Peru
Water consumption (m <sup>3</sup> )	12,037	549	N.D.	N.D.
Water consumption by product unit sold (L/unit)	3.8	0.53	N.D.	N.D.

1. This operation began its activities in August 2005. Figures will be available only in 2006.

Water consumption data have not been calculated for other sites as their volumes are not considered significant as compared to the production activity, which is carried out only in Brazil. The offices use water provided by public utilities. Since these operations have a commercial nature only, and are carried out in urban areas, no water sources are affected.

## Energy

### Codes, policies and specific management systems

Natura addresses the specific energy issue both in its Environmental Policy and its Social and Environmental Strategic Options. In our operations, a series of initiatives are taken to reduce energy consumption, such as the installation of movement sensors and the best planning for the use of this resource. It should be kept in mind that the company's plants are located in Brazil, where the energy matrix is mostly hydroelectric. However, in cases of energy shortages or consumption peaks diesel generators are used, monitored by the responsible employees due to their emissions of gases that can worsen the greenhouse effect. Specific indicators are defined and monitored by the related areas.

### Performance indicators

#### In Brazil

#### Direct energy consumption, by primary source (joules) (GRI EN3)

Joules	2003	2004	2005
Electricity from primary sources <sup>(1)</sup>	7.47 x 10 <sup>13</sup>	7.9 x 10 <sup>13</sup>	896 x 10 <sup>13</sup>
Self-generated electricity (diesel generator)	5.02 x 10 <sup>11</sup>	2.88 x 10 <sup>11</sup>	4.38 x 10 <sup>11</sup>
Diesel fuel used in generators	17.3 x 10 <sup>11</sup>	9.95 x 10 <sup>11</sup>	15.1 x 10 <sup>11</sup>
LPG consumption <sup>(2)</sup>	23.5 x 10 <sup>12</sup>	24.65 x 10 <sup>12</sup>	28.1 x 10 <sup>12</sup>

#### Total energy consumption

	2003	2004	2005
Energy matrix (joules) <sup>(3)(4)</sup>	9.99 x 10 <sup>13</sup>	10.47 x 10 <sup>13</sup>	11.92 x 10 <sup>13</sup>
Energy consumption – energy matrix per product unit sold (kjoules/unit) <sup>(3)(5)</sup>	785.2	603.7	551.8

1. Consolidated energy consumption from picking, vertical warehouse, and sewage treatment station was 98% higher than in 2004. The main drivers were start-up of the third production line, another vertical warehouse and upgrade of the sewage treatment station.

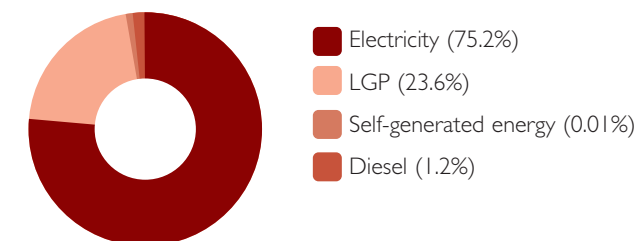
2. Caloric power: LPG = 11,100 kcal/kg; gasoline = 11,277 kcal/kg (1 kcal/kg = 4,186.8 joules/kg)

3. The energy matrix comprises total energy used by Natura through its various sources (electric, diesel, and LPG)

4. Energy consumption increased 13% over 2004, however, in a sustainable way, during this year the company posted a 20% production increase and also the 21% staff increase in the Cajamar site, in addition to the conclusion and start-up of several capacity projects (increase in installed capacity).

5. In 2005, relative energy consumption decreased 8.5%. The main driver was the reduction in the economy of scale in resale items, 5.3% over the estimated one.

#### Energy Matrix - Natura



#### Advanced station – Juiz de Fora/MG Direct energy consumption – breakdown by primary sources (joules)

	2003	2004	2005
Direct energy consumption	1.77 x 10 <sup>11</sup>	2.24 x 10 <sup>11</sup>	2.72 x 10 <sup>11</sup>

#### Advanced station – Uberlândia/MG Direct energy consumption – breakdown by primary sources (joules)

	2003	2004	2005
Direct energy consumption	1.28 x 10 <sup>11</sup>	1.76 x 10 <sup>11</sup>	2.30 x 10 <sup>11</sup>

The indirect energy consumption, which refers to production by outside suppliers whose main customer is Natura, is not monitored by Natura (GRI EN4).

The company has carried out several initiatives to increase energy efficiency (GRI EN17):

- Complementation of the solar energy lighting in the Cajamar parking lot (for the full area of 650 slots);
- Reflective painting and thermal insulation on the roof at Itapecerica da Serra Administrative Center (an area of 12,600 m<sup>2</sup>), to optimize air conditioning energy consumption;
- Hiring of a multinational energy firm to assist with energy management actions and identify consumption reduction opportunities;
- Approval of the review and complementation of the Green Building study, which calls for the sustainable consumption of natural resources, involving all company units;
- Starting the implementation of the project for use of solar energy to heat water in cafeterias and dressing rooms;
- Upgrade in the Energy Consumption Management System by installing energy meters, also in the generator groups.

#### In other operations

2005	Argentina	Chile	Mexico <sup>(1)</sup>	Peru
Total energy consumption (joules)	2.23 x 10 <sup>11</sup>	5.11 x 10 <sup>11</sup>	N.D.	N.D.
Energy consumption per product unit sold (kj/unidade)	71.6	497.7	N.D.	N.D.

1. This operation began its activities in August 2005. Figures will be available only in 2006.

The amounts are not considered significant vis-à-vis production plants in Brazil.

See analysis of goals established in 2004 at the end of this chapter.

## Greenhouse gas emissions

### Codes, policies and specific management systems

Natura considers the emission of greenhouse gases one of its environmental impacts that most require monitoring. That is why, in 2005, the company discussed in its various forums, both internal and external, how it could effectively and systematically cooperate to reduce its emissions of carbon and greenhouse gases. Although it has some ongoing initiatives, the company intends to obtain a detailed diagnosis and a complete action plan in 2006.

By doing this, Natura will consolidate its position on climate changes, identification of sources of greenhouse gas emissions, methods for calculating these emissions and potential mitigating actions, including projects based on Clean Development Mechanisms of the Kyoto Protocol.

Specific indicators are defined and monitored by company areas involved with the issue.

### Performance indicators

Due to the new transportation strategy adopted in 2004, the company established and consolidated a process for calculating atmospheric emissions in 2005, and this allowed a better knowledge of CO<sub>2</sub> emissions in the direct-sales distribution channel (GRI EN8).

Natura has progressed both in the use of emission monitoring instruments and in its emission reduction projects. In 2006 we will monitor and disclose data on emissions throughout the distribution chain, and which should allow us to identify improvement opportunities anywhere in the chain in Brazil, by means of activities and projects such as the use of alternative fuels (natural gas and fuel alcohol), and logistical improvements (cargo consolidation). Due to the significant restructuring of international operations, in 2005 no progress in environmental aspects was feasible in these operations (GRI EN34).

#### CO<sub>2</sub> emissions<sup>(1)(2)</sup> (t) (GRI EN30)

	2003	2004 <sup>(3)</sup>	2005
Gasoline	521.20	N.D.	632.93
Diesel	7,960.63	N.D.	11,280.74
Alcohol	25.16	N.D.	209.25
Emissions of other gases	0	N.D.	25.81

1. Calculations for CO<sub>2</sub> emissions were made with the following considerations: 1.76 kg of CO<sub>2</sub> per liter of gasoline; 2.64 kg of CO<sub>2</sub> per liter of diesel; and 0.85 kg of CO<sub>2</sub> per liter of alcohol.

2. Natura understands that indirect gas emissions occur in product distribution carried out by an outsourced fleet. The data are obtained through information from transportation companies on fuel consumption for distribution of Natura products.

3. Due to the adoption of a new transportation strategy in 2004, some of the measures of fuel consumption and emissions need to be restructured, the reason why this information is not available.

Natura does not perform such analyses for transportation companies in other countries.

Natura does not monitor emissions from other indirect uses of energy (exploitation, production and sales) and their implications, such as business trips, management of product life cycles, and use of energy-intensive materials (GRI EN19).

Due to its understanding that no significant volumes of NO<sub>x</sub> and SO<sub>x</sub> gases are emitted by its production chain, the company does not monitor these atmospheric releases (GRI EN10).

Natura proceeded with the use of Isceon gas, which does not damage the ozone layer in its refrigeration systems. The company neither emits nor uses substances that are destructive to the ozone layer (GRI EN9).

Target for 2006: To start mapping the sources of greenhouse gas emissions, based on the Green House Gas Protocol 2004:

- Direct gas emissions – originate from own transportation and fuel usage for energy generation (hot boiler water and power generators).
- Indirect gas emissions – originate from electric energy acquired.
- Other indirect emissions – originate from product usage, outsourced processes, business trips and waste disposed off in landfill sites.

## Materials

### Codes, policies and specific management systems

Regarding the materials used in production operations, in addition to adhering to its quality policy, Natura also selects those suppliers that are more appropriate from the social and environmental standpoints. The company has a system that records all production inputs and other materials coming into the plants. The company monitors these indicators and has made several improvements in the system.

### Performance indicators

#### In Brazil

#### Use of materials (other than water) (GRI EN1)

Material consumption	2003	2004	2005
Kilograms	16,107,163	19,776,023	25,005,092
Liters	6,159,544	7,956,295	8,860,798

Note: in 2005 we reviewed all materials volumes and weights registered in the controlling system for materials consumption, aiming to improve the calculation of this indicator. This table already reflects the new reported numbers.

**Part of the materials used (processed or unprocessed) is composed of waste from sources outside the organization (GRI EN2)**

	2003	2004	2005
Material – metric tons	1,956	2,547	2,888

Note: This number was calculated considering the average rate of reuse of waste from suppliers.

**In other operations**

The volume of materials was considered irrelevant when compared to industrial volumes, which are carried out only in Brazil.

## Industrial Waste

Codes, policies and specific management systems

Natura has a well-structured policy for industrial waste reduction, and the areas involved with this issue monitor related indicators. Whenever feasible, waste is integrated into production processes of other companies. The purchase of waste products from other chains for internal use refers mostly to recycled paper and packaging items. Specific indicators are defined and monitored by company areas involved with the issue.

Performance indicators

**In Brazil**

**Total waste volumes by type and destination (t) (GRI EN11)**

Types of waste	2003	2004	2005
Waste Class I	753.13	909.09	1,151.27
Waste Class II – A	2,501.98	3,225.53	3,969.82
Waste Class II – B	377.58	832.98	824.09

Note: According to the NBR 10004/2004: Waste Class I: dangerous waste (obsolete cosmetic products, laboratory and clinical wastes, and alcohol); Waste Class II - A: noninert chemicals (sludge from the Effluent Treatment Plant, paper, cardboard, floor sweeping wastes, organic wastes and household waste); Waste Class II - B: inert waste (glass, metal, plastic, and masonry debris).

Destination	2003	2004	2005
Incinerated <sup>(1)</sup>	6.40%	5.43%	2.82%
Taken to a landfill area	24.40%	21.20%	16.09%
Recycled <sup>(2)</sup>	69.20%	73.41%	81.09%

1. Incineration decrease was due to actions, which focused on primarily on recycling solid waste.  
2. Improvements were implemented in the segregation process of materials and the change in operational waste destination (equipment for tissue protection) contributed to a 10.5% increase in the waste recycling index in 2005 over 2004.

Target for 2006: To increase recycled waste index to 85%.

**Volume of solid waste (grams) by item sold<sup>(1) (2)</sup>**

	2003	2004	2005
	29.2	25.6	27.7

1. Previous releases of this report had some incorrect numbers due to problems in measurement, which have been corrected.

2. Absolute waste volume posted an increase of 34% in 2005, surpassing items sold growth, which reached a 25% increase in 2005 year-on-year. Major production volumes and stocks cleanse were important drivers to this absolute increase in waste volume.

We had no occurrences of significant spills of any chemicals or other products in 2005 (GRI EN13).

See analysis of goals established in 2004 for this issue at the end of this chapter.

**Percentage of solid material waste (%)**

	2003	2004	2005	Target 2006
Solid material waste	N.D.	N.D.	9.5	8.5

This percentage represents the relative amount of solid materials acquired by the company considered as waste materials at the end of the process. This indicator calculation began last year; the reason why we do not have 2003 and 2004 figures.

Target for 2006: To reduce solid material waste to 8.5%.

**In other operations**

There is no industrial waste and the volume of other kinds of waste was not considered significant in relation to the production activity, which is carried out only in Brazil.

## Postconsumption Waste

Codes, policies and specific management systems

In order to achieve sustainable growth, a company may have to change production and consumption patterns. Bearing in mind that packaging materials have a major impact on the life cycle of its products, in 2002, Natura concluded the first stage of packaging environmental impact analysis using the Life Cycle Analysis (LCA) Method<sup>(1)</sup>.

In 2003, LCA became a regular part of the company's product launch process and, beginning in 2004, in compliance with a procedure in Natura's Environmental Management System, no decisions on new packaging designs could be approved before a comparative assessment of the environmental impact of alternatives. In 2005, the company included in this assessment all promotional boxes for commemorative dates, thus increasing the scope and use of this method in the company.

The managers in charge of the Environmental Impact Model, created in 2004, are conducting projects to determine and assess the major environmental impact of the products. They are also in charge of monitoring indicators related to these impacts. One of the studies conducted by this area, the Carbon Content Model, which discusses the determination of sources (suppliers) of each carbon volume contained in raw materials used, as presented at an international scientific conference (Life Cycle Management 2005), will be applied to the whole product portfolio and included in the product development process beginning in 2006.

The evolution of some environmental impact indicators of products, packaging items and gifts is monitored by the company on a monthly basis.

1. Natura uses the Life Cycle Thinking, which is rooted in the Life Cycle Assessment of products and in the Design for Environmental concept, an integrated approach that considers concepts, techniques and procedures to access technological and social aspects from products and organizations aiming to continuously improve quality of life. Ecodesign guidelines views the integration of environmental and procedures issues.

Performance indicators

The significant environmental impacts of the main products and services monitored in 2005 were (GRI EN14):

- Percentage of products launched for which the Life Cycle Analysis was performed for the packaging: the 100% target was met in every month of the year.
- Total impact: In its Life Cycle Analysis studies, Natura uses the available databases from the Eco-Indicator 99 methodology<sup>(1)</sup>. As in 2004, in 2005 the target was to reduce the average environmental impact of packaging materials by reducing the weighted average per business unit, as well as the total amount, which should not exceed the total amount of 2004.

The final analysis shows that:

- The weighted average impact per unit sold decreased by 5%.
- The total impact (absolute amount) increased 21%.
- The increase in total impact was mainly owed to the 26% growth in the number of items sold.

1. Bibliographic reference: GOEDKOOOP, Mark; SPRIENSMA, Renidie; The Eco-Indicator method for Life Cycle Impact Assessment, 2nd edition, Pré Consultants B.V., 2000.

	2003	2004	2005
Percentage of products sold that are recoverable at the end of their life cycle, by weight <sup>(1)</sup>	N.D.	38	40.4

1. 97.5% of all packaging used in products sold by Natura, both in Brazil and abroad, is recyclable and should therefore be recovered. This amounts to 40% of the mass of Natura's products (contents and packaging). Since the contents of Natura's products are either washable materials or perfumes, they cannot be reused. A percentage of sold items is recovered but we still do not have a program to measure the exact recovered percentage (GRI EN15).

See analysis of goals established in 2004 at the end of this chapter.

We emphasize that Natura was a pioneer in the sale of refills for its products. The refill packaging is in average 54% lighter than the regular product packaging. With the sale of refills, Natura avoided placing 2.2 thousand metric tons of packaging in the market, reducing its environmental impact.

**In Brazil**

Refills sales campaign achieved good results. The percentage of total refills over total items climbed from 15.3% in 2004 to 17.4% in 2005, up 16% versus the established goal (for further information on Movimento Natura see Education on page 103).

**Percentage of refill sales over invoiced items (%)**

	2003	2004	2005	Target 2006
Refill sales over invoiced items	14.9	15.3	17.4	18.0

**Goals Established in Natura Annual Report 2004**

Initiative	Committed Target	Results
GRI EN 3	Reduce relative energy consumption by 5.5%.	☺ Target reached. There was a reduction of 8.5% in relative energy consumption in comparison with 2004. The reduction came mostly from the economy of scale in resale items.
GRI EN 5	Reduce water relative consumption by 1%.	☺ Target reached. There was a reduction of 5.6% of the relative consumption accrued in 2005, in comparison to 2004. The main reason for this reduction was the economy of scale from resale items.
GRI EN 22	Increase treated water reutilization rate from 39.5% to 49%.	☺ Target reached. The average percentage of treated water reuse was 55%. Treated water was used in the entire site of Cajamar, for washing streets and external walls, fire fighting network, sanitation facilities and ornamental water mirrors.
GRI EN 7	Of a total of 35 native or exotic Brazilian botanicals species, which are used in Natura's products (essential oils, fixative agents and extracts), in 2004, the certification process was completed for eight of them (23% of the total). In 2005 the target is to include five more in Phase III of the certification process, achieving a total of 13 certifications (37% of the total).	☺ Target reached. In 2005, eight assets were included in the Phase III of the process certification. Four of those are already utilized in Natura products and another four are in study stages for future use. The botanicals already employed in Natura products are: - Jambu: organic certification - Macela: organic certification - Cupuaçu: socioenvironmental responsibility - Açai: socioenvironmental responsibility
GRI EN11	Reduce residue generation per unit sold to 2.38 g in 2005 from 2.56 g in 2004.	☹ Target missed. The indicator was 16.3% over the established target; residue generation rose to 27.70 g per unit sold.
GRI EN12	Keep above 90% the monthly average efficiency in removal of organic debris from discarded effluents in Itapeçerica da Serra, vis-à-vis the minimum of 80% presently required by law.	☺ Target reached. We closed the year with a 95.5% average of efficiency in the removal of organic debris (DBO).
	a) Ensure that 100% of the new products launched during the year have their packaging analyzed by the Life Cycle Analysis (ACV) tool.	☺ Target reached. All regular products and kits promoted and sold during special holidays were analyzed through the ACV.
	b) Reduce by 2% (from 2004 levels) the weighted average of environmental impact from Natura's product packaging.	☺ Target reached. The reduction was over 4%.
GRI EN14	c) Define environmental performance indicators for products and include related information on their respective labels.	☹ Target partially reached. The indicators were defined; calculation of these indicators began, and during 2006 will be added to product labels.
	d) As there is no model available for Life Cycle Analysis of raw material in the cosmetic industry, Natura will develop a model in 2005. It will be applied to the shampoo line Ekos and submitted for international evaluation.	☺ Target reached. The Model of Intrinsic Carbon was developed and applied to the Andiroba Shampoo line. This work was presented at the congress of Life Cycle Management 2005, in Barcelona.

Target 2006: In Brazil, to increase the ratio of refill sales over total billed items from 17.4% to 18%.

**In other operations**

**Percentage of refill sales over billed items (%)**

	2003	2004	2005	Target 2006
Argentina	13.8	14.3	14.8	16.8
Chile	2.5	2.2	4.4	10.0
Mexico	N.D.	N.D.	5.8	10.0
Peru	6.5	7.9	12.5	14.2
France	N.D.	N.D.	8.2	10.0

Note: Operations in Mexico and France started in 2005.

Target 2006: In Argentina, increase to 16.8% the ratio of refill sales in total billed items.

Target 2006: In Chile, increase to 10% the ratio of refill sales in total billed items.

Target 2006: In Mexico, increase to 10% the ratio of refill sales in total billed items.

Target 2006: In Peru, increase to 14.2% the ratio of refill sales in total billed items.

Target 2006: In France, increase to 10% the ratio of refill sales in total billed items.

## Social

### Codes, policies and general management systems

The company in 2005 held a series of discussions to define social and environmental plans for its various areas, devoting time devising ways to attain goals and indicators capable of conveying a clear picture of the business's social impact.

This business performance will be evaluated through five major dimensions: (I) wealth distribution and work and revenue generation, (II) social inclusion, (III) human rights, (IV) education and (V) Human Resources actions – complemented with a detailed description of our internal social impact.

Natura adopts management practices consistent with the time-honored principles of the Universal Declaration of Human Rights, such as freedom and equality without distinction as of race, color, gender, language, religion, nationality or social origin (GRI HRI). It is also one of the first Brazilian companies signatory to the Global Compact, a UN initiative to mobilize the international business pursuit of the fundamental values regarding human rights, work, environment and the fight against corruption.

To further involve our personnel and Consultants, Natura used several communication vehicles. The brochures, videos, websites and other media addressed the following subjects: millennium development objectives; education campaign for youth and adults; reduction of the environmental impact; Brazil's biodiversity; women's entrepreneurship and leadership; breast-feeding; and sustainable development, among others.

However, these were not isolated actions. Many activities developed by Natura are contemplated in the Millennium Goals. Some examples are the programs *Crer para Ver*, Agenda 21 in Cajamar and project "One Thousand Women for the Nobel Peace Prize," supported by Natura (see further information about these programs in chapter *Highlights of Investments in Corporate Responsibility on page 108*).

To keep track of its social goals, Natura uses, in addition to department-specific procedures, a Corporate Responsibility Management System (SGRC). With it, the company conducts diagnosis and makes recommendations for action plans directed at improving relationships. These plans then become goals and benchmarks which are followed up by a committee in each department.

The system works with the support from the Corporate Responsibility Network, constituted of employees from all departments. One of the network's main roles is to act as facilitator in the diagnosis stage, which identifies key issues in Natura's relationships with all its different publics: personnel, Consultants, consumers, communities, suppliers, shareholders, government, society and the environment. In 2005, approximately 50 participants in the Corporate Responsibility Network disseminated the principles of responsible management throughout the company, to help their colleagues understand those principles and translate them into daily actions.

## Wealth distribution, work and revenue generation

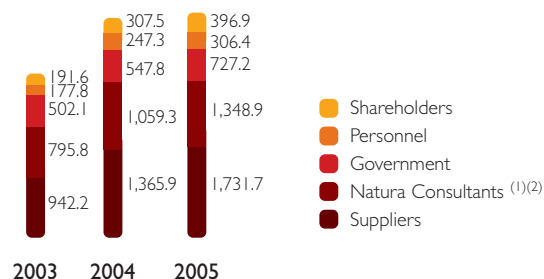
### Codes, policies and specific management systems

Natura's main channel of wealth distribution is its Consultants (resale), a concrete opportunity to generate income. The company provides its Consultants, free of charge, with multiple training programs on subjects such as product technical specifications, finance, beauty, health, well-being, quality of life and sustainability principles, among others. Many departments devote time to these activities, monitoring related benchmarks and adopting specific policies when required.

Natura has other initiatives and policies that create work and income generation opportunities for suppliers and neighboring communities (Cajamar and Itapeceira da Serra, both in São Paulo). The indicators are periodically tracked by the Sustainability Committee.

### Performance indicators

#### Wealth distribution per public (R\$ million)



1. Estimated values at suggested retail prices.
2. Consultants in Brazil, Argentina, Chile and Peru.

#### Work and revenue generation (GRI LA1)

	2003	2004	2005
<b>Brazil</b>			
Personnel	2,696	3,177	3,575
Temporary	230	259	679
Third party <sup>(1)</sup>	780	1,000	1,161
Trainees	13	37	41
<b>Argentina</b>			
Personnel	157	205	237
Third party <sup>(1)</sup>	4	2	2
Trainees	1	0	0
<b>Chile</b>			
Personnel	61	70	93
Third party <sup>(1)</sup>	13	24	24
Trainees	0	0	0
<b>Mexico<sup>(2)</sup></b>			
Personnel	N.A.	N.A.	70
Third party <sup>(1)</sup>	N.A.	N.A.	16
Trainees	N.A.	N.A.	0
<b>Peru</b>			
Personnel	72	103	133
Third party <sup>(1)</sup>	5	25	6
Trainees	0	2	0
<b>France<sup>(2)</sup></b>			
Personnel	N.A.	N.A.	20
Third party <sup>(1)</sup>	N.A.	N.A.	0
Trainees	N.A.	N.A.	0

1. Residents allocated to company units are considered third party.
2. France and Mexico operations started in 2005.

#### Jobs - Brazil (GRI LA2)

	2003	2004	2005
Positions in Cajamar	1,681	2,044	2,281
Positions in Itapeceira <sup>(1)</sup>	1,015	1,133	1,294
<b>Total</b>	<b>2,696</b>	<b>3,177</b>	<b>3,575</b>

1. The sales force (sales promoters, sales managers, marketing managers, sales supervisors and field assistants) is fully accounted for in Itapeceira da Serra.

#### Job creation and employee retention

	2003	2004	2005
<b>Brazil</b>			
Jobs created in the period	55	481	398
Turnover ratio (%)	6.53	7.81	7.64
<b>Argentina</b>			
Jobs created in the period	28	48	32
Turnover ratio (%)	7.10	16.00	11.90
<b>Chile</b>			
Jobs created in the period	7	9	23
Turnover ratio (%)	7.40	20.20	25.37
<b>Mexico<sup>(1)</sup></b>			
Jobs created in the period	N.D.	N.D.	70
Turnover ratio (%)	N.D.	N.D.	7.14
<b>Peru</b>			
Jobs created in the period	12	31	30
Turnover ratio (%)	16.00	15.53	21.68
<b>France<sup>(1)</sup></b>			
Jobs created in the period	N.D.	N.D.	20
Turnover ratio (%)	N.D.	N.D.	N.D. <sup>(2)</sup>

1. France and Mexico operations started in 2005.
2. The operation was not able to calculate the ratio.

#### Internal opportunities

	2003	2004	2005
Percentage of new job positions filled by existing employees	54%	38%	49%

One of the most relevant indirect income opportunities created by Natura (GRI EC13) concerns its 519,000 independent Consultants, as shown on the chart below.

#### Natura Consultants<sup>(1)</sup> (thousands)

	2003	2004	2005
Brazil	355	407	483
Argentina	10	13	18
Chile	3	5	6
Mexico	N.D.	N.D.	N.D.
Peru	7	8	12

1. The figures refer to available Consultants - those who placed at least one order in the past sales cycles.

#### Wealth Distribution - Consultants<sup>(1)(2)</sup> (R\$ million)

	2003	2004	2005
Brazil	776.0	1,031.8	1,311.6
International operations	19.7	27.6	37.2
<b>Total</b>	<b>795.8</b>	<b>1,059.3</b>	<b>1,348.9</b>

1. Estimated values at suggested retail prices.
2. 2003 figures were changed to be in accordance with the Brazilian Association of Direct Sales, ABEVD.

In the communities that supply assets from biodiversity, it should be noted that family income from the sale of industrial raw materials for companies that process them for Natura is demand-driven and therefore account for a share of the overall family income.

## Social Inclusion

### Codes, policies and specific management systems

Natura focuses on issues of social inclusion regarding its personnel, with policies fostering egalitarian work opportunities. The company takes a clear stand on diversity and equality in its beliefs and values and will spell out its position in a relationship code to be published in 2006.

### Performance indicators

#### People with disabilities

##### In Brazil

Natura has long designed specific programs and policies to include people with disabilities in its work force. In a year of vigorous hiring keeping stable at 5% the ratio of people with disabilities in the staff became a challenge involving more departments (GRI LA10, HR8 and HR4).

We have an agreement with the Public Prosecution Service (Conduct Agreement) through which we can consider Natura's four companies as one unit in order to meet the quota. Despite a significant effort in 2005, we still found it difficult to hire people with appropriate education for the positions at administrative departments. In the operational departments, the number of people with disabilities is rather significant.

Yet, the most important action last year was the establishment of a partnership between Natura and the National Business Learning Service (Senac) to develop a training program for people with disabilities for functions of administrative assistance. The first course graduated 20 people. Natura is committed to hiring some of these graduates as administrative assistants. There is a plan to expand the scope of this training program to include other functions.

After hiring, our focus moved to prepare the involved departments (and to prepare the manager who will work with him/her directly) to welcome and work efficiently with the new employee, even preparing inclusion activities. Whenever a specific department embraces its first employee with disability, everyone from the team is invited to participate in an activity in which they learn to help the new co-worker.

We also adapted training materials so that people with disabilities have easy access to and comprehension of the contents. We use simultaneous translation for sign language in courses attended by hearing-impaired people, we make voice recognition software available for visually-impaired people and invest in resources for sign translation in all departments to quicken the inclusion process of the hearing-impaired. Each of them also count on a mentor familiar with sign language, who helps with socializing issues.

The company also carries, on a bimonthly basis, an awareness activity with employees and third parties in how to work with the disabled and provides sign language courses, the 'Curso de Libras' for those who need it to carry out their duties.

To identify potential employees with disabilities we tap local community resources and institutions such as Laramara, for the visually-impaired, Deric, for the hearing-impaired and Semis/AACD, for physical disabilities, among others.

**Target for 2006:** To reach 5% of employees with disability over the total number of employees.

See analysis of goals established in 2004 at the end of this chapter.

### In other operations

Natura does not yet have programs for hiring people with disabilities similar to those described for Brazil.

### Women

#### In Brazil

Our operation is focused on valuing and supporting breast-feeding. The mother returning from maternity leave is provided with a special and welcoming space in the nursery for breast-feeding. The nursery team is oriented to call the mother at breast-feeding periods, wher-

ever she is, so she can, calmly and appropriately, experience this important moment with her baby.

The company even maintains a specific program for Woman Health, which has as its main purpose breast and cervical cancer prevention, also covering topics such as menopause, PMT and pregnancy. In addition to that, there is a gynecologist on duty in our clinic to meet the needs of our personnel.

The table below shows numbers of employees and management body composition, the man/woman proportion and other indicators of appropriate cultural diversity (GRI LA11), as well as wage outline in Brazil and other operations<sup>(1)</sup>.

Total of personnel	Brazil <sup>(1)(2)</sup>			In other operations – 2005			
	2003	2004	2005	Argentina	Chile	Mexico	Peru
<b>Total of personnel</b>	<b>2,696</b>	<b>3,177</b>	<b>3,575</b>	<b>237</b>	<b>93</b>	<b>70</b>	<b>33</b>
<b>People with disabilities</b>							
Percent against the total of personnel	3.9%	3.6%	3.6%	0.0%	2.3%	0.0%	0.8%
Percent of management positions against the total of management	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Percent of director's positions against the total of director's positions	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Women</b>							
Percent against the total of personnel	62.4%	62.2%	63.1%	81.0%	95.0%	84.0%	79.0%
Percent of management positions against the total of management	56.4%	55.2%	50.9%	41.0%	5.38%	33.0%	2.0%
Percent of director's positions against the total of director's positions	16.7%	17.6%	16.7%	0.0%	0.0%	42.0%	0.0%
<b>Black and pardo women</b>							
Percent against the total of personnel	N.D.	20.3%	24.0%	0.0%	0.0%	0.0%	1.5%
Percent of management positions against the total of management	N.D. <sup>(3)</sup>	7.3% <sup>(3)</sup>	6.0% <sup>(3)</sup>	0.0%	0.0%	0.0%	0.0%
Percent of director's positions against the total of director's positions	N.D.	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Black and pardo men</b>							
Percent against the total of personnel	N.D.	31.7%	29.4%	0.0%	0.0%	0.0%	1.5%
Percent of management positions against the total of management	N.D. <sup>(3)</sup>	5.1% <sup>(3)</sup>	4.4% <sup>(3)</sup>	0.0%	0.0%	0.0%	0.0%
Percent of director's positions against the total of director's positions	N.D.	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Over 45 years of age</b>							
Percent against the total of personnel	9.2%	11.0%	11.0%	19.0%	7.7%	0.0%	18.8%
Percent of management positions against the total of management	7.9%	12.0%	10.3%	24.0%	0.0%	25.0%	16.7%
Percent of director's positions against the total of director's positions	25.0%	23.5%	20.0%	0.0%	0.0%	0.0%	0.0%

1. The staff racial origin was informed by the individuals themselves, using the national statistics agency (IBGE) criteria, which is the only one officially available in the country: "race: white, yellow, indigenous, black or pardo". The expression "black or pardo" denotes the sum of the number of personnel who marked the white, yellow or indigenous options. The company recognizes that this classification does not comply with the claims of reclassification of several social movements within the country. Race reclassification was conducted in December 2004. The records for 2003 were disregarded.

2. The total of personnel with disabilities increased to 128 from 114. The goal for 2005 was to achieve 5% of employees with disabilities as a percentage of the total.

3. The percent of employees who self-classified themselves as "black or pardo" at management level is very low. The company considers this as a matter that will require specific action plans.

Wage Profile (R\$ thousand)	Brazil <sup>(1)(2)(3)</sup>			In other operations – 2005			
	2003	2004	2005	Argentina	Chile	Mexico	Peru
<b>Women – total</b>							
Monthly average wage for plant workers	860.64 <sup>(4)</sup>	870.35 <sup>(4)</sup>	903.88 <sup>(4)</sup>	660.51	618.46	N.A.	N.A.
Monthly average wage for office workers	3,608.05	3,792.59	4,064.13	1,035.84	1,623.46	3,629.43	1,082.27
Monthly average wage for managers	8,872.45 <sup>(5)</sup>	9,895.06 <sup>(5)</sup>	9,786.40 <sup>(5)</sup>	5,448.98	4,750.19	7,009.77	5,298.79
Monthly average wage for directors	N.D.	22,722.94	25,677.50	N.A.	N.A.	15,340.37	N.A.
<b>Men – total</b>							
Monthly average wage for plant workers	1,088.90 <sup>(4)</sup>	1,084.34 <sup>(4)</sup>	1,114.57 <sup>(4)</sup>	697.50	1,239.19	N.A.	N.A.
Monthly average wage for office workers	3,177.31	3,466.81	3,643.37	1,593.84	3,672.38	3,174.24	1,305.20
Monthly average wage for managers	9,979.63 <sup>(5)</sup>	11,112.94 <sup>(5)</sup>	10,244.69 <sup>(5)</sup>	8,783.10	6,630.26	7,009.77	12,607.99
Monthly average wage for directors	34,081.84	35,717.84	35,089.75	N.A.	17,012.20	26,981.00	N.A.
<b>Black and pardo women</b>							
Monthly average wage for plant workers	N.D.	894.81	922.63	N.A.	N.A.	N.A.	N.A.
Monthly average wage for office workers	N.D.	3,853.29	3,864.14	N.A.	N.A.	N.A.	683.58
Monthly average wage for managers	N.D.	10,946.30	10,135.38	N.A.	N.A.	N.A.	N.A.
Monthly average wage for directors	N.D.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
<b>Nonblack and nonpardo women</b>							
Monthly average wage for plant workers	N.D.	859.58	893.39	660.51	618.46	N.A.	N.A.
Monthly average wage for office workers	N.D.	3,782.67	4,113.82	1,035.84	1,623.46	3,629.43	1,387.17
Monthly average wage for managers	N.D.	9,827.29	9,764.19	5,448.98	4,750.19	7,009.77	5,298.79
Monthly average wage for directors	N.D.	22,722.94	25,677.50	N.A.	N.A.	15,340.37	N.A.
<b>Black and pardo men</b>							
Monthly average wage for plant workers	N.D.	1,072.10	1,091.70	N.A.	N.A.	N.A.	N.A.
Monthly average wage for office workers	N.D.	3,039.28	3,073.38	N.A.	N.A.	N.A.	854.48
Monthly average wage for managers	N.D. <sup>(5)</sup>	10,153.27 <sup>(5)</sup>	7,817.69 <sup>(5)</sup>	N.A.	N.A.	N.A.	N.A.
Monthly average wage for directors	N.D.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
<b>Nonblack and nonpardo men</b>							
Monthly average wage for plant workers	N.D.	1,097.87	1,128.68	697.50	1,239.19	N.A.	N.A.
Monthly average wage for office workers	N.D.	3,571.55	3,747.42	1,593.84	3,672.38	3,174.24	1,348.12
Monthly average wage for managers <sup>(5)</sup>	N.D. <sup>(5)</sup>	11,164.56 <sup>(5)</sup>	10,357.05 <sup>(5)</sup>	8,783.10	6,630.26	7,009.77	12,607.99
Monthly average wage for directors	N.D.	33,717.84	35,089.75	N.A.	17,012.20	26,981.00	N.A.

1. Race reclassification was conducted in December 2004. The records for 2003 were disregarded.

2. Human Resources department corrected 2004 figures due to final data compilation. Please consider the above-released numbers.

3. Bonuses paid to sales managers and sales promoters were included in this calculation. Sales force personnel, when divided into categories, reinforces women monthly average wage, excluding plant work category.

4. The production plants classify workers into seven wage levels, the average wage difference between men and women is a consequence of the fact that 97.9% of women are at wage levels 1, 2 and 3 (who earn lower wages), while 77.5% of men are at these baselines. Electricians, manipulators, mechanics, machine preparers and lathe operators, who earn higher wages, are mostly men.

5. Among office workers, comprising six wage levels, the average difference between men's and women's wages stem from the fact that 68.4% of women are at the three lower management levels while 58% of men are at these baselines. The difference between monthly average wage for black and mulatto men in managerial posts and men with no black ancestry is due to the first group classification as juniors wage group.

## Human Rights

### Codes, policies and specific management systems

Brazil is a signatory to the International Labor Organization (ILO) conventions, which determine the need of unions to represent employees in their interests and negotiations with their employers. Natura complies with the related laws (GRI LA3). The right of free association is respected by Natura, who recognizes the right to labor organization (GRI HR5). In Brazil, the relationship with unions is conducted through meetings between the Human Resources departments and union representatives.

The company is also affiliated to *Fundação Abrinq*, a nongovernmental organization whose mission is to promote human and citizenship rights of children and adolescents. As a member of this organization, Natura is committed to following the Child and Adolescent Statute (ECA), which ensures full compliance with systems to guarantee children and adolescents' rights (GRI HR6). Moreover, as a holder of the seal *Empresa Amiga da Criança*, also granted by *Fundação Abrinq*, Natura must comply with requirements related to the eradication of child labor. Therefore, we enforce specific child and forced labor clauses in the contracts signed with suppliers (GRI HR6).

### Performance indicators

#### Labor Organization

##### In Brazil

Workers are mandated by law to pay a trade union tax. As a result, the percentage of personnel represented by independent union organizations or other legal representatives is 100% (GRI LA3).

##### In other operations

Natura follows the established law of each country. In Argentina, 28.5% of employees are represented by the collective bargaining agreement of the Perfumers' Union (norm: 157/91).

#### Suppliers

Human rights are part of our procurement decisions, including the selection of suppliers and contractors (GRI HR2). The company assesses human rights performance within the supply chain and contractors through surveys and monitoring systems (GRI HR3).

##### In Brazil

Natura included in its system of rules and procedures considerations about contractors and third parties, requiring that their contractor's employees are legally registered in accordance with the Brazilian labor codes (Consolidação das Leis Trabalhistas, CLT); this process is monitored by our Legal Department.

It has also adopted a qualification process for new general suppliers, who are evaluated on socioenvironmental responsibility issues. In 2006, Natura will issue a manual informing suppliers of their obligations. Moreover, matters of child and forced labor are part of the standard contract between Natura and its suppliers, according to our policies of exclusion of child labor and in compliance with provisions of ILO's convention 138 (GRI HR6) and forced and compulsory labor (GRI HR7).

Natura even requires that suppliers of botanical assets do not disturb their respective environmental balances, do not take advantage of child labor, comply with all labor laws and policies for the prevention of forced and compulsory labor and that they respect the communities' way of life as well as their traditions. Monitoring is carried out through management plans, projects with good agricultural practices and processes of asset certification.

##### In other operations

Natura does not have similar initiatives in other operations, which function in compliance with the respective laws and corporate regulations of each country.

#### Personnel

There is no specific training for employees on policies and practices concerning all aspects of human rights involved in our operations (GRI HR8). However, various discussions and initiatives covering these subjects are conducted. Examples are sustainability courses for managers, and discussions related to Natura's *Carta de Princípios de Relacionamento*.

##### In Brazil

In 2005, Natura performed awareness activities with its personnel on topics related to human rights. The main focus was pregnancy and maternity support. In order to prepare expectant mothers, Natura offers orientation courses twice yearly. The topics addressed are pregnancy physiology, postural and emotional aspects of pregnancy, breast-feeding, baby care, legal benefits, healthcare and nursery. The course is aimed at employees and their spouses as well as outsourced employees. The company's medical clinic is staffed with an Ob-Gyn physician and a nutritionist to assist pregnant workers and new mothers.

In the security department, employees are partially trained on human rights issues (GRI HRI 1). All teams attend a 120-hour initial course, followed by biennial refreshers, on, among other subjects, ethics, discipline and criminal law matters; they also receive semiannual workshops to reinforce the commitment to these matters.

Furthermore, Natura develops a series of activities (whether in or out of the company environment) regarding HIV/Aids (GRI LA8). Natura adopted a policy that ensures attendance and treatment of HIV-positive employees and their dependants, apart from establishing partnerships with public organizations. Prevention campaigns are carried out periodically, especially during Carnival, Labor Day, Valentine's Day and World Aids Day. The company also holds an Aids Prevention Program to promote behavior changes and combat discrimination and segregation.

Natura is part of the *Conselho Empresarial Nacional para a Prevenção de HIV/Aids* (National Business Council for HIV/Aids Prevention), constituted by 24 guest corporations, founded in 1998 by the Ministry of Health. Our company is recognized by the Joint United Nations Programme on HIV/Aids, UNAIDS, for its contribution to the fight against HIV/Aids in Brazil.

##### In other operations

Natura does not have similar initiatives in other operations, which follow the established laws of each country and corporate guidelines.

#### Indigenous communities

Natura does not carry out activities with indigenous communities, but recognizes and respects the different cultures and the rights of the many sociocultural groups that live in Brazilian territory (GRI HR12).

## Education

### Codes, policies and specific management systems

Natura invests in the education of its personnel and supports the return to school of Consultants and adults in Brazil. The company also develops national campaigns to improve public education.

The departments responsible for corporate education and corporate responsibility run all educational activities. Indicators are tracked by the Education and Sustainability committees and by commercial department forums, which operate campaigns for the entire society.

### Performance indicators

Policies and specific programs for skills management or learning for life (GRI LA17).

##### In Brazil

Natura's policy is to provide employees with 100% of the technical education required to perform their duties, as well as to support their personal and professional development.

We restructured Corporate Education programs in 2005, in a way to disseminate our Values and Beliefs for all new employees. Besides, we developed and improved the programs *Integração do Colaborador*, *Integração Executiva*, *Negócio Natura*, *Meio Ambiente and Paixão por Produtos*. Other focuses of Corporate Education were the programs *Gestão de Pessoas*, *Oficina de Linguagem* and *Workshop do Modelo Comercial*, important to managers' development on Natura's essential issues: Brand, Products, Relationships and Sustainability.

Corporate Education also trained all employees to ensure NBR ISO 9001 certification was obtained. During the year, some 5,784 training hours were held for this certification.

The company also develops Natura Education and Executive Education programs, which offer scholarships (technical, graduation and postgraduation).

#### Scholarships offered by the Natura Education Program<sup>(1)</sup>

Courses	2003	2004	2005
Technical/professional	39	35	74
Language	100	90	82
University	82	100	119
MBA and Postgraduation	N.A.	N.A.	90

#### Enrollment in the program X granted scholarships

	2003	2004	2005
Enrollments	468	365	644
Granted Scholarships <sup>(2)</sup>	228	230	377
% granted/enrollments	48.7%	63.0%	58.5%

1. Data do not include scholarship renewal.  
2. Data include scholarship renewal.

Its objective is to increase access to formal education and prepare Natura's personnel and their relatives to work. Approximately 2,000 staffers benefited from the program in its five years. In 2005, 68 scholarships were granted to employees' children, in addition to another 74 technical, 119 university, 90 MBA and graduate school scholarships, plus 82 language courses.

##### In other operations

In 2005, Corporate Education programs were extended to disseminate our Values and Beliefs to employees across all levels.

##### In Brazil

#### Movimento Natura

*Movimento Natura* was created in February 2005, in an effort to reach out to over 500,000 Consultants with educational programs on environmental awareness and practices. *Movimento Natura* is guided on the precept that small gestures lead to sweeping actions that can help society. This way, besides selling Natura products, the Consultants become agents of change in their communities, concerned with the socioenvironmental issues they share.

The projects rolled out by *Movimento Natura* contemplate the company's sustainability benchmark, the Triple Bottom-Line, or the three icons of the movement: *Nosso Negócio*, *Nosso Planeta and Nossa Gente* (Our Business, Our Planet and Our People). With respect to the first one, Our Business, Natura promotes a series of initiatives to recognize and elevate the role of its Consultants.

The Our Planet pillar conveys the importance of preserving the environment and centers on incentives to the sales of refillable products. Natura also publishes tips and information on environmental matters on the sales catalogue issued every 21 days, with themes such as how each one of us can help preserve the environment and incentives to waste recycling by participating in selective collection programs and practicing conscientious consumption.

With Our People, Natura challenged Consultants to boost the number of enrollments and re-enrollments in public schools throughout the country with the Youth and Adult Education campaign. The goal is to have Consultants identify people of all ages who have not completed their elementary education and motivate them to go back to school. Another campaign was *Crer para Ver* (Believing is Seeing), in which Consultants volunteer to sell a specially created line of products, among them T-shirts, cards and containers, whose revenues are allocated to public education projects. Natura also conducts awareness campaigns for Consultants on issues such as the importance of breast-feeding, tips to help cut infant mortality, women's volunteerism and entrepreneurship, among others.

With the creation of *Movimento Natura*, Consultants went on to earn recognition for their engagement in socioenvironmental issues in addition to their sales performance. As a result, the company established some performance benchmarks, such as the number of refill orders, the number of people re-enrolling in school and sales statistics on the *Crer para Ver* (Believing is Seeing) product line.

*Movimento Natura* garnered encouraging results in its first year. The sales of refills as a ratio of total sales climbed to 17.4% from 15.3% in 2004, well above the 16% goal. Sales of *Crer para Ver* (Believing is Seeing) product totaled R\$ 3.1 million, helping over 66,000 people in several states to return to school – the goal was 50,000.

#### Crer para Ver Program

The *Crer para Ver* program raises cash to improve public education through technical and financial support to teacher education projects. The program was launched in 1995 and counts on the support of Natura's Consultants who volunteer to sell products from the *Crer para Ver* line. In nine years, the program reached 911,000 children in 3,638 elementary public schools in 21 Brazilian states. In 2005, R\$ 3.1 million were collected through the sale of such products, which financed *Projeto Chapada* (BA) and *Projeto Cinema e Vídeo Brasileiro nas Escolas* (SP), both focused on elementary education.

See analysis of goals established in 2004 at the end of this chapter.

### Crer para Ver – Supported Projects

Project's name	Partner organization	Municipalities reached	No. of teachers gathered	Project's total amount (R\$ thousand)	Amount support by the program <sup>(1)</sup> (R\$ thousand)
<b>Primary education</b>					
<i>Projeto Chapada</i> (BA)	Municipal Departments of Education and the Caeté Açú Association	28	5,320	500.0	245.0
<i>Cinema e Vídeo Brasileiro nas Escolas</i> (SP)	Municipal and State Departments of Education and <i>Ação Educativa</i>	1	630	1,611.5	800.0
<i>Escolas indígenas da floresta</i> (AC)	Municipal and State Department of Education and <i>Comissão Pró-Índio</i> (AC)	7	40	2,071.7	600.0
<i>Janelas Cruzadas</i> (RJ)	Municipal Department of Education and <i>Instituto Pé no Chão</i>	1	226	203.1	99.9
<b>Youth and adult education</b>					
<i>Caapiá do Rio de Janeiro</i> (RJ)	Municipal Departments of Education, Latin American Research Association and <i>Ação Cultural, Alpac/RJ</i>	4	490	180.8	120.0
<i>Compartilhando Experiências</i> (SP)	Municipal Department of Education and <i>Ação Educativa</i>	1	64	170.0	119.6
<i>Educadores de EJA em Ação</i> (SP)	Municipal Department of Education, <i>Instituto de Pesquisa e Estudos de Ribeirão Preto</i> , <i>Iperp</i> , and <i>Centro de Formação de Professores de Ribeirão Preto, Ceforp</i>	49	311	263.1	92.0
<i>Em Cada Saber um Jeito de Ser</i> (BA)	Municipal Department of Education and <i>Instituto da Pequena Agricultura Apropriada, Irpa</i>	3	195	378.0	115.0
<i>Roda Gaúcha</i> (RS)	Municipal Departments of Education and <i>Centro de Defesa dos Direitos da Criança e do Adolescente de Ijuí, Cededicaí</i>	6	235	180.8	120.0

1. These values refer to all past years, not only to 2005.

### Crer para Ver Program – Youth and Adult Education Campaign

In 2004, *Crer para Ver* Program, in partnership with the Ministry of Education (MEC), increased its participation and launched, in 2004, a campaign for the education of youths and adults. According to the national statistics agency (IBGE) 2000 Census, there are 70 million people over the age of 15 who have not completed their elementary education, of which 16 million are youths between 15 and 24 years of age. We registered the following results:

1) Financing four teacher graduation projects: *Educadores EJA em Ação* (SP), *Caapiá do Rio de Janeiro* (RJ), *Em Cada Saber um Jeito de Ser* (BA) and *Roda Gaúcha* (RS).

2) *Crer para Ver – Inovando a Educação de Jovens e Adultos* Award in partnership with MEC: seven prize winning projects from teachers and schools which work with EJA.

3) Mobilization of Natura Consultants to voluntarily identify and persuade potential students to return to school: more than 66,000 were registered.

4) The campaign for the education of youths and adults is part of *Movimento Natura*.

### Registrations by Natura Consultants in 2005

Northeast	26,885
São Paulo – Interior	12,473
Midwest and North	11,930
Rio de Janeiro, Minas Gerais and Espírito Santo	7,056
South	6,642
São Paulo – Capital	1,674
<b>Total</b>	<b>66,660</b>
No. of registered schools	13,328
No. of schools where enrollments were done	2,791
Municipalities with schools registered in the campaign	3,372
Municipalities with schools where enrollments were done	1,057

Target for 2006: To reach 15,000 re-registrations in the Youth and Adult Education Campaign.

Target for 2006: To reach 1,500 registered Consultants in Youth and Adult Education.

See analysis of goals established in 2004 at the end of this chapter.

## Personnel

Codes, policies and specific management systems

Our Human Resources Policy contemplates the right to live, freedom and personal security, condemns child labor and defends the freedom of association. It also establishes equitable work and wage conditions, such as social protections, which include support and special maternity and infant health care. The company tries to provide conditions to meet universal educational rights, whether through scholarships or training staffers and their families.

In its institutional documents, such as procedure manuals for human resources planning and development, management of organizational conditions and personnel training, Natura shows its commitment to employees, highlighting, among other issues, diversity and respect to individuality; improvement of relations and ways of work; investment in education and training for all; assurance of safe working conditions; creating conditions to fully develop individual potential, based on criteria of recognition and fair pay for everyone's contribution (GRI HR1).

Performance indicators

Personnel benefits beyond those established by law (GRI LA12)

In Brazil

- Natura Education Program (please refer to section on chapter *Highlights of Investments in RC, on page 108*);
- Building the Future Program;
- Prosperity Program: financial education for staffers;
- Savings Incentive;
- Day care center for employees' children up to 3 years and 11 months old;
- Pediatric care provided in the day care center;
- Support for staffers in adoption processes;
- Health care plan;
- Dental care plan;
- Psychological support;
- Check-up: full range of laboratory tests, preventive heart disease testing, imaging diagnosis, nutritional education, reproductive preventive testing, and specialist consultations;
- In-company clinic care services for the prevention of metabolic conditions (diabetes, cholesterol and triglyceride) and cardiovascular conditions (hypertension);
- Self-help, quit smoking program;
- Telemedicine (ECG via telephone in emergency cases);
- Pregnancy follow-up program: prenatal follow-up at in-company clinic and classes for pregnant employees and their spouses;
- Physical check-up: carried out before beginning systematic physical activity in company's gym;
- Clinical services: acupuncture, therapeutic massage, occupational gym, gynecology, hearing assessment, speech therapy, dermatology, all available in the company.
- Work-related disorders prevention service: orthopedics, physiotherapy, global postural rehabilitation (GPR), brief psychotherapy and hearing assessments in the company;
- Nutritional Rehabilitation Program assisted by a nutritionist in the company;
- Natura Club (Cajamar and Itapeverica da Serra) with fitness services, swimming pool and multisports field;
- Esthetics Center at Natura Club; manicure, pedicure, hairdresser, beautician, massage and waxing;
- Convenience area with drugstore, seamstress, shoe store, opticians, insurance, post office and video rental store;
- Funeral assistance.

In other operations

Public health care conditions differ a lot among countries. Natura provides complementary assistance according to local needs; therefore benefits are different from the ones offered in Brazil:

- Argentina: food vouchers; corporate health care; group life insurance; Portuguese/Spanish classes; benefit program for regional businesses;
- Chile: food vouchers;
- Mexico: food vouchers; corporate health care; life insurance; savings fund; *Prima Vacacional* law (35% more than the legally required bonus paid at the time of vacations); Aguinaldo law (15 days more than legally required of working days to be paid);
- Peru: corporate health care; dental insurance; personal accident insurance; loan program.

Formal committees about health and safety, including administration and workers representatives and part of the work force assisted by any of these committees (GRI LA6).

In Brazil

Each Natura unit has an Internal Accident Prevention Committee (CIPA) in compliance with the law – Regulatory Norm no. 5, Ordinance 3214/78 of the Ministry of Labor. Members of these committees serve for one year, and the number of participants is proportional to the company's staff, according to risk level. Half the members are chosen by the company and the other half by the employees, through an election that can be monitored by the respective union.

In other operations

Information about this issue is not available. The activities in the international operations are exclusively administrative, therefore less critical than those in production sites.

Practices on recording and notification of occupational accidents and disease and how they relate to the LO code of Practice on Recording and Notification of Occupational Accidents and Diseases (GRI LA5).

In Brazil

All accidents, with or without disability periods, are logged and analyzed to study the causes and implement corrective or preventive measures. Governmental organizations (Ministry of Social Security and Ministry of Labor) are notified, as well as the unions of the corresponding professional category, according to the law.

The accident analyses, coordinated by the Labor Security department, are conducted by a group constituted by a safety expert or a work safety engineer, a labor physician, management, the injured (when possible), witnesses, maintenance people and employees representatives from the respective Commission. The conclusions are published in a report containing, in addition to the basic description of the occurrence, the correction and prevention actions prescribed, the party or parties responsible for their implementation as well as a deadline for implementation.

Through the *Programa Quase Acidente*, records are made of events that did not cause injury but nevertheless constituted risk. These records are also analyzed for implementation of preventive actions.

In 2005, when the TPM2 program – Total Performance Management – began, a new communication tool of risky situations was developed: the irregularity of labor security labels. They can be employed by any plant employee to indicate workplace risks which must be eliminated or neutralized, whether operational or maintenance-related.

In other operations

Personnel activities are exclusively commercial. Therefore, health and security matters are less critical than in production plants. There is no record of absence due to work-related conditions.

Formal agreements with unions or other legal labor representatives regarding health and workplace safety; proportion of labor force supported by any of these agreements (GRI LA15).



### In Brazil

Natura follows the guidelines related to health and safety governed by the labor code (*Consolidação das Leis do Trabalho*, CLT) and the collective bargaining with the unions that represent employees. Some of these guidelines, supported by law or union agreements, include: short-term disability pay (first 15 days); complementary disability pay after that period; filing a work accident report (CAT) with the National Social Security Institute (INSS); adoption of protection measures related to working conditions and workers' security; implementation of the CIPAs; medical and lab testing assurances as provided by law, among others. All employees are represented by unions.

### In other operations

Natura complies with the respective labor laws of each country.

### In Brazil

#### Typical injuries, lost days, absence rate and death number related to labor (including subcontracted workers) (GRI LA7)

	2003	2004	2005
Number of accidents with employees (with absence)	5	6	6
Number of accidents with personnel (without absence)	15	12	6
Accidents average of labor/personnel	0.007	0.007	0.004
Number of accidents with subcontracted (with absence) <sup>(1)</sup>	5	16	21
Number of accidents with subcontracted (without absence) <sup>(1)</sup>	34	7	11
Absence	2.06	3.14	3.31
Lost working days	16	57	69
Investment in prevention of diseases/personnel (R\$)	285.00	408.00	407.60
Investment in prevention of accidents/personnel (R\$) <sup>(2)</sup>	121.05	428.93	257.86
Number of communications to the National Social Security Institute regarding occupational disease – Cajamar	3	2	4
Number of communications to the National Social Security Institute regarding occupational disease – Itapeceira da Serra	0	0	0

1. The figure refers to in-house outsourced contractors.

2. The difference in the value of "investment on accident prevention" between 2004 and 2005 owes to the fact that in 2004 we registered higher expenses with facilities upgrades, especially those required by law, such as:

- Installation of sprinkler networks and fire hoses in compliance with the Fire Department contract (requirements);
- Purchase of emergency respiratory equipment;
- Bringing the generators' diesel tanks up to insurance codes;
- Installation of safety stairways in remote building and gallery locations and height-related safety equipment.

The improvements in safety equipment in 2005 were not as high as in the preceding year.

### In other operations

2005	Argentina	Chile	Mexico	Peru
Number of accidents with personnel (with absence)	0	0	0	0
Number of accidents with personnel (without absence)	8	5	0	0
Accidents average of labor/personnel	0.03	0.05	0	0
Number of accidents with subcontracted (with absence) <sup>(1)</sup>	0	0	0	0
Number of accidents with subcontracted (without absence) <sup>(1)</sup>	0	0	0	0

1. The figure refers to in-house outsourced contractors.

#### Description of programs to support continuous employability and retirement planning (GRI LA16)

### In Brazil

#### Natura Education Program

Approximately 2,000 employees and their families benefited from this program during its five years of existence. In 2005, 68 scholarships were granted to employees' children, plus scholarships for another 74 technical, 119 university, 90 MBA and graduate work as well as 82 language courses. For technical courses we reimbursed 50% of the cost, up to the monthly limit of R\$ 150.00; for University and Postgraduation we reimbursed 50%, up to the limit of R\$ 300.00; and for languages 50% of the limit per stage of R\$ 300.00.

See the analysis of goals established in 2004 at the end of this chapter.

#### Executive Education Program

Provides social assistance up to 80% of the cost of MBA, postgraduation and language courses for personnel and executive graduation programs for directors. In 2005 the total amount of investments reached R\$ 253,000.

#### Building the Future

The program helps employees to plan for longer-term life goals, involving good health, material comfort and activities capable of keeping them active after retirement. Their focuses are:

- Quality of Life: comprises issues of health care, healthy habits and wellness.
- Financial Planning: focuses on home budgeting skills through financial education, besides extolling the long-term benefits of regular savings through Natura Matched Savings.
- Postcareer Activities: focus on personnel over 58 years old. The activities give them the opportunity to discover new skills and, consequentially, new ways after retirement. Of an educational nature, the program is carried out by means of lectures, courses, affinity groups and individual assistance, structured to help them with their personal needs.

Natura also provides postcareers activities:

- Commercial Training: working in the services industry, helping

the launch of new products or mentoring new employees in the sales department.

- Corporate Responsibility: taking up work in non-profit organizations or NGOs.

#### Matched Savings

The Natura Matched Savings Plan was created for all employees and promotes savings habits; the company matches 60% of employees' savings up to 5% of their wages.

Even when leaving Natura, the employee can choose to:

- Remain in the program, keeping the savings consolidated by their contributions, at the same negotiated conditions in the Natura Plan;
- Redeem the balance accrued;
- Transfer the balance into another account.

All Natura employees can join the pension plan, from a basic contribution of 1% to 5% of the monthly wage up to the R\$ 10,700.00 limit.

#### Support Centers

In layoffs related to restructuring, Natura provides former employees with support services, including counseling, job retraining, computer courses and CV-writing classes; orientation on relocation alternatives; personal prospects after retirement; easy access to health care plans, unemployment insurance social security savings funds; orientation on financial planning for the family; career counseling and self-improvement tips.

### In other operations

Natura does not promote similar programs abroad at this time.

#### Training hours per year (GRI EC5) and Investments in education and training for personnel (GRI LA9).

#### Goals established in Natura Annual Report 2004

Initiative	Committed Target	Results
GRI LA11	Reach the target of 5% of people with disabilities in the total of the company's personnel.	⊗ Target missed. We closed 2005 with 3.6% of employees with disabilities and postponed the 5% target to October 2006.
Crer para Ver	a) To maintain fund raising for social projects at current levels. b) To reach 50,000 registrations all over the country by Natura Consultants.	⊙ Target reached. In 2005, the voluntary sale of Crer para Ver products raised R\$ 3.1 million. ⊙ Target reached. In 2005, there were more than 66,000 registrations in the Youth and Adult Education.
Natura Educação	a) To extend Natura Educação to outsourced employees who work in customer service. b) To include continuing education, postgraduation and MBA courses.	⊗ Target missed. The extended program to outsourced employees was not conducted due to possible law implications. ⊙ Target reached. In 2005, Natura Educação benefited 90 employees with scholarships in MBA and postgraduation courses. In 2006, the program will continue to offer scholarships.

### In Brazil

#### Average training hours per year, per employee and per category.

	2003	2004 <sup>(1)</sup>	2005
Workers in industrial facilities	33	78	122
Workers in office facilities	36	61	86
Workers in management positions	66	86	77
Workers in executive positions	40	68	22
Total (average hours/year/personnel)	37	70	101

1. From 2004, this indicator came also to consider training for sales promoters and the Programa Natura Educação, not contemplated in 2002 or 2003.

### In other operations

Information not available.

### In Brazil

#### Investment in education and training for employees (R\$ thousand)

	2003	2004 <sup>(1)</sup>	2005
Investment <sup>(1)</sup>	7,053	7,875	12,674

1. In 2005, the amount of investments in education and training for employees incorporate the sales force (managers, promoters and Consultants) not included in previous years.

### In other operations

#### Investment in education and training for personnel (R\$ thousand)

2005	Argentina	Chile	Mexico	Peru
Investment	10.4	10.9	81.9	N.D.

# Highlights of Investments in Corporate Responsibility

This chapter highlights some of Natura's most relevant projects included in the Investment Matrix in Corporate Responsibility (presented with respective values in Methodology and Key Indicators section on page 48).

Below are listed projects in different categories. Some are detailed and appear in the matrix in bold. The choice was made based on examples and nature of action importance.

Natura's resources	Personnel, Relatives and Third Parties	Consultants	Supplier Communities	Suppliers	Neighboring Communities	Consumers	Government and Society
Fundamentals	<ul style="list-style-type: none"> <li>Satisfaction survey (see page 81)</li> <li>Ombuds Service channel, diagnosis</li> <li>Internal communication materials focusing on corporate responsibility, environment and sustainability</li> </ul>	<ul style="list-style-type: none"> <li>Annual satisfaction survey (see pages 53, 83)</li> <li>Instant satisfaction survey (see page 83)</li> <li>Ombuds Service channel, diagnosis</li> </ul>		<ul style="list-style-type: none"> <li>Annual satisfaction survey (see pages 53, 85)</li> <li>Ombuds Service channel, diagnosis</li> </ul>	<ul style="list-style-type: none"> <li><b>Natura Cajamar working groups</b> (Relationship front)</li> <li><b>Itapeçerica da Serra working groups</b> (Relationship front)</li> </ul>	<ul style="list-style-type: none"> <li>Annual satisfaction survey (see pages 53, 84)</li> <li>Instant satisfaction survey (see page 84)</li> <li>Ombuds Service channel, diagnosis</li> </ul>	<ul style="list-style-type: none"> <li><b>Sponsorship and Patronage</b></li> <li>Annual Report development</li> </ul>
Socialeconomic	<ul style="list-style-type: none"> <li>Natura's sustainability week</li> <li>Diversity program</li> <li>Incentive program to hire disabled people (see page 99)</li> <li><b>Natura Education Program</b></li> <li>Sustainability training</li> <li>Nursery, fitness center, medical services (see page 103)</li> <li>Quality of Life Program</li> <li>Mother's Day event</li> <li>Parties, toys and Christmas presents</li> </ul>	<ul style="list-style-type: none"> <li><b>Crer para Ver Program and Young and Adults Education Program<sup>(1)</sup></b></li> </ul>	<ul style="list-style-type: none"> <li><b>Natural or Botanical Assets Certification Program</b></li> <li><b>Sustainable development program</b></li> <li>Relationship with Ekos line supplier community</li> </ul>	<ul style="list-style-type: none"> <li>Events to discuss socioenvironmental issues</li> <li>Natura Award to Suppliers (considering suppliers' social and environmental behavior)</li> <li>Suppliers' socioenvironmental mobilization</li> </ul>	<ul style="list-style-type: none"> <li><b>Cajamar Agenda 21</b></li> <li><b>Potuverá Agenda 21</b></li> <li><b>Natura-Cajamar working group</b> (other front)</li> <li><b>Natura-Itapeçerica da Serra working group</b> (other front)</li> </ul>		<ul style="list-style-type: none"> <li><b>Sponsorship and Patronage</b></li> <li>Voluntary work program</li> <li>Development of a legal framework for access and use of Brazilian biodiversity</li> <li>Sustainability education project</li> <li><b>Crer para Ver Program</b> (Natura's budget)</li> <li><i>Instituto Criar (Movimento Natura)</i></li> </ul>
Environmental	<ul style="list-style-type: none"> <li>Environmental consciousness</li> </ul>	<ul style="list-style-type: none"> <li>Refill Campaign to stimulate the selling of refill, a product with low impact packaging (see page 96)</li> </ul>	<ul style="list-style-type: none"> <li><b>Natural or Botanical Assets Certification Program</b></li> </ul>	<ul style="list-style-type: none"> <li>Suppliers' socioenvironmental mobilization<sup>(2)</sup></li> </ul>	<ul style="list-style-type: none"> <li><b>Cajamar Agenda 21</b></li> <li><b>Potuverá Agenda 21</b></li> </ul>		<ul style="list-style-type: none"> <li><b>Sponsorship and Patronage</b></li> <li>Forest re-composition project</li> <li>Energy reduction initiative</li> <li>Water reuse initiative</li> <li>Packaging life cycle assessment</li> </ul>
Management expenses	<ul style="list-style-type: none"> <li><b>Corporate Responsibility Management System</b> <ul style="list-style-type: none"> <li>Environmental Management System</li> </ul> </li> <li>Teams: Corporate Responsibility, Environment and Social Service</li> <li>Operating expenses: Corporate Responsibility, Environment and Social Service</li> </ul>						
<b>Natura Consultants generation of income</b>	Personnel, Relatives and Third Parties	Consultants	Supplier Communities	Suppliers	Neighboring Communities		Government and Society
Net income obtained from Crer para Ver Program	N.A.	N.A.	N.A.	N.A.	N.A.		<b>Crer para Ver Program</b>
<b>Fiscal resources</b>	Personnel, Relatives and Third Parties	Consultants	Supplier Communities	Suppliers	Neighboring Communities		Government and Society
Fiscal incentives							<b>Sponsorship and Patronage</b>

1. Crer para Ver Program resources.

2. Resources nondeclared in the Investment Matrix in Corporate Responsibility, as they were declared in other trading activities.

Note: N.A. = Not applicable.

## All the publics

### 1. Corporate Responsibility Management System

See complete system description in the Social section, in Codes, Policies and General Management Systems, page 98, in the Economic, Social and Environmental Indicators chapter.

## Employees, families and outsourced employees

### 1. Education Program

See complete program description in Education in the Economic, Social and Environmental Indicators chapter on page 103.

## Consultants

### 1. Crer para Ver Program – Education Campaign for Youth and Adults

See complete program description in Education in the Economic, Social and Environmental Indicators chapter on page 103.

## Supplier Communities

### 1. Certification Program for Natural or Botanical Assets

**Objective:** Certify botanical assets to ensure the sustainable supply of raw materials considering environmental, social and economical aspects.

**Target Audience:** The civil society and the scientific community.

**Partners:** Instituto de Manejo e Certificação Florestal e Agrícola (Forestry and Agricultural Management and Certification Institute), Instituto Biodinâmico (Biodynamic Institute) and Ecocert.

**Results:** For Natura, both forestry and agricultural management are the center of conservation of biodiversity. The proper use of botanical resources in Natura's products is guaranteed by the Forest Stewardship Council (FSC), Sustainable Agriculture Network and the Organic Agriculture certifications granted by the Biodynamic Institute (IBD) and Ecocert. The certification process fosters preservation by complying with environmental and social guidelines, establishing a relationship of trust with consumers.

Eight botanical assets were included on Phase III of the certification process in 2005. Four raw materials are already present in Natura's products and four are in the research stage. The assets already used in Natura's products are:

- *Jambu*: organic certification
- *Macela* (Camomile): organic certification
- *Çupuçu*: socioenvironmental responsibility
- *Açaí*: socioenvironmental responsibility

### 2. Sustainable Development Program with Supplier Communities

**Objective:** Promote sustainable development in areas where supplier communities live, aiming at local social and environmental reinforcement that surpasses trading activity.

**Place:** Brazil's Northern region.

**Target Audience:** Communities that produce assets.

**Partners:** Different according to each region, local communities, public entities, NGOs, private sector and universities.

**Results:** In 2005 the Participative Local Diagnosis (*Diagnóstico Local Participativo*) and Iratapuru Sustainable Development Plan (*Plano de Desenvolvimento Comunitário Iratapuru Sustentável – PDCl*) were concluded. Both programs were jointly developed by Amapaz DS, with the community. The survey represents a balance of the present and a future vision for 2010 and 2015, an analysis of the current situation prepared by the community and its expectations for the upcoming years. PDCl presents crucial actions to be finished in the short and mid terms, as well as their respective implementation strategies.

However, the community had some difficulty to assume such action as a concrete proposal of next steps for local development. An action plan for administrative improvements and ethics management was defined for 2006.

On neighboring communities, such as Belém, a similar process was also concluded by the Peabiru Institute, with the elaboration of a diagnosis and a development plan for Boa Vista, Cotijuba and Campo Limpo communities.

## Neighboring Communities

### 1. Agenda 21 Cajamar

**Objective:** Articulate community leaderships and the public sector to work on a plan for the city's sustainable development (Agenda 21).

**Place:** Cajamar, São Paulo.

**Target Audience:** The Cajamar community.

**Partners:** Cajamar's Municipal Government, NGO *Mata Nativa*, neighboring associations, schools, trade associations, community leaderships.

**Results:** Analysis results are displayed below, segmented by area of operation.

### 1.1 Tripartite Working Group

The Tripartite Working Group formed by Natura, Cajamar's Municipal Government and the NGO *Mata Nativa* focused their efforts on the organization and set-up of the Agenda 21 Permanent Forum in Cajamar, officially established at the end of 2005 after a series of educational, training and discussion activities in the city's schools and neighborhoods. Preparatory seminars were held to discuss the meaning of the participatory planning (Agenda 21) and the importance of the community's involvement in the process, with the objective of creating development opportunities in the city, respecting the environment and improving living conditions. The starting point was the diagnostic assessment conducted in 2004.

### Seminar table:

Description/local seminars	Target audience	Date	Numbers of Attendees
Natura	Leadership from several sectors	7/19/2005	45
Natura – Municipal Councils	Advisors/other	8/26/2005	35
Village Scorpions – Rotary	Associates	8/30/2005	30
Suzana Dias State Public School	Teachers	9/6/2005	25
Élcio Cotrin State Public School	Teachers	9/19/2005	9
Tenente Marques State Public School	Teachers	9/20/2005	10
Vera Zucchi School	Teachers and students	9/12/2005	55
Ana Maria Garrido Orlandin State Public School	Teachers	9/28/2005	13
School Jundiá – Caxambu Agricultural Technical School	Teachers and students	9/29/2005	45
Demétrio Pontes Municipal Public School	Teachers, students and community	10/4/2005	25
Walter Ribas de Andrade State Public School	Teachers	10/11/2005	13
Cajamar Evangelical Ministers	Ministers	10/15/2005	40
São Luiz – Polvilho State Public School	Teachers	10/19/2005	23
Antonio Pinto de Campos State School	Teachers	10/25/2005	6
Odir Garcia State Public School	Students attending the fourth grade of Elementary School	10/26/2005	70
<b>Total</b>			<b>444</b>

As a second step, district forums were held to discuss the 2006 priorities for each Cajamar district. These priorities were presented at the Town Hall meeting on December 7th, 2005.





**2005 Lectures on Corporate Responsibility Area**

(continuation)

Event	Lecture	Organization	Lecturer	Date	Location	Audience
Sustainability Management Specialization Course – Magna Class	Sustainable development challenges	Fundação Getulio Vargas	Pedro Passos	08/09/05	São Paulo, state of São Paulo	Approx. 100 people, among students and Foundation teachers
Environmental Educational Courses	Local Agenda 21	Secretary of Environment of the State of São Paulo	Isabel Ferreira	08/11/05	São Paulo, state of São Paulo	Approx. 100 people
<i>El Management Responsable</i>	How to design and achieve sustainable balance	Valor Sostenible magazine	Rodolfo Guttilla	08/22/05	Buenos Aires, Argentina	Approx. 150 participants
2nd Brazilian Environmental Communication Congress	Annual Report	Environmental Communication AG	Aline de Oliveira	08/25/05	São Paulo, state of São Paulo	Approx. 50 journalists and other professional focused on environmental issues
Assistants meeting	Corporate social responsibility	II R Training – Development and Enterprise Performance	Aline de Oliveira	08/27/05	São Paulo, state of São Paulo	Approx. 60 assistants
Third Quality Seminar	Social Responsibility	Commerce and Industry Trading Association of Jaraguá do Sul (Southern region).	Aline de Oliveira	08/30/05	Jaraguá do Sul, state of Rio Grande do Sul	Approx. 300 entrepreneurs, students and civil society representatives
Agenda 21	Local Agenda 21	Cajamar Rotary Club	Isabel Ferreira	08/30/05	Cajamar, state of São Paulo	Approx. 30 professionals
LCM 2005 – Innovation by Life Cycle Management – 2nd International Conference on Life Cycle Management	Intrinsic carbon model	Life Cycle Management, LCM	Alessandro Mendes	09/05/05	Barcelona, Spain	Approx. 1,000 researchers, NGOs and companies representatives
16th Annual Meeting of Latin American Entrepreneurs	Natura and social responsibility	Latin America Entrepreneurs Council	Guilherme Peirão Leal	09/09/05	Santiago, Chile	Approx. 300 participants, among company's directors and presidents and NGOs, students, journalists and sector's specialists
Second Marketing Seminar	Socioenvironmental responsibility: the sustainability and the investors	Febraban – Brazilian Banks Federation	Marcos Egydio	09/13/05	São Paulo, state of São Paulo	Approx. 100 participants, among corporate responsibility professionals and senior officers
5th Brazilian Association of Quality of Life Congress	Quality of Life	National Brazilian Association of Quality of Life	Nelmara Arbex	09/21/05	São Paulo, state of São Paulo	Approx. 100 entrepreneurs
1st Public Policies and Environmental Symposium	Society and environment: Natura's experience in selection, evaluation and environmental partnership with suppliers	Environmental Commission of the City of São Paulo Section of Attorney's Association and Young Attorney Commission	Eliane Anjos	09/23/05	São Paulo, state of São Paulo	Approx. 400 participants, among authorities, entrepreneurs, students and Cruzeiro do Sul University representatives
Ethics and Social responsibility: Commitment or Fashion Trend?	Natura's Corporate Responsibility	State of Minas Gerais Educational Union	Marcos Botelho	09/27/05	Uberlândia, state of Minas Gerais	Approx. 40 students
Local Pro-Agenda 21	Local Agenda 21	Caxambu permanent Forum	Isabel Ferreira	09/29/05	Jundiá, state of São Paulo	Approx. 40 students from Jundiá technical school
Seminar: Impact of Life Cycle Assessment in Brazilian Industry Competitiveness	Life Cycle Assessment studies applied to cosmetics development	Brazilian Association of Research Institutions - ABIPTI	Felipe Maranzato	10/04/05	São Paulo, state of São Paulo	Approx. 200 industry professional university and research institutions
First International Innova Quality Seminar	Natura: biodiversity sustainable use	Innova Quality	Sônia Tuccori	10/05/05	São Paulo, state of São Paulo	Approx. 150 people, among entrepreneurs, marketing managers and sector's professionals
Corporate Responsibility	Natura Corporate Responsibility	University of São Paulo Communications and Arts School	Cristiane Samarra	10/10/05	São Paulo, state of São Paulo	Approx. 50 students from the university's public relations course
Environmental Corporate Law National Conference 2005 – Biodiversity: a preparation for COP8	Industrial practices in implementing Biological Diversity convention targets: sustainable business	Pinheiro Neto Attorney Office, Brazilian Environment Institute and Renewable Natural Resources.	Eliane Anjos	10/27/05	Brasília, Federal District	Approx. 50 professionals and students from environmental law
Corporate Social Responsibility Seminar	Opening discussion: CSR as a management tool	Interrupcion	Maurício Bellora	11/01/05	Buenos Aires, Argentina	Approx. 150 participants among several companies, NGOs and government representatives
Business and the 2010 Biodiversity Challenge Meeting	Institutional presentation	Ministry of Environment and Brazilian Sustainable Development Enterprise Council, CEBDS	Eliane Anjos	11/05/05	Cajamar, state of São Paulo	Approx. 40 international representatives from governmental sectors, finance, students, industry and NGOs
Superior School of Advertising and Marketing - ESPM	Partnership among companies, organizations and agencies	Superior School of Advertising and Marketing - ESPM	Aline de Oliveira	11/17/05	São Paulo, state of São Paulo	Approx. 40 students
Annual Report Triple Bottom Line (GRI) Seminar	Annual Report as a management tool	Valor Sostenible magazine	Mauricio Bellora	11/17/05	Buenos Aires, Argentina	Approx. 50 companies and NGOs representatives
Environmental Engineering course	Products Life Cycle Assessment	State University of Sorocaba	Felipe Maranzato	11/23/05	Sorocaba, state of São Paulo	Approx. 60 students from third year attending such course
Seminar: Life Cycle Assessment (LCA) impact on the CF&T industry	LCA in Natura's product development	Brazilian Association of Personal Hygiene, Perfumery and Cosmetics Industry	Felipe Maranzato	11/28/05	São Paulo, state of São Paulo	Approx. 100 participants among companies representatives related to the personal hygiene sector that were interested in learning about LCA and discussing the development of Brazilian inventory
It is on the Table - Tá na Mesa	Business sustainability	The Federation of Commercial and Services Association of the state of Rio Grande do Sul - Federasul	Alessandro Carlucci	11/30/05	Porto Alegre, state of Rio Grande do Sul	Approx. 250 Rio Grande do Sul entrepreneurs
Municipal Workshop	Environmental and hydrographic management	Municipal workshop	Karina Aguiar	12/12/05	São Paulo, state of São Paulo	Approx. 20 municipal employees
Conal 2005 – National Convention "Let the Arrow Fly"	Natura Corporate Responsibility	Aiesec	Cristiane Samarra	12/16/05	Santa Isabel, state of São Paulo	Approx. 50 students

**Commitment with Leadership and Social Influence**
**Natura's representation in Trade Associations and Associations in General**

Entity/Association	Natura Representative	Type of Representation	Mandate
ABC – The Brazilian Association of Cosmetology	Elizabete Vicentini	Representative	
Aberje – The Brazilian Association of Corporate Communication (www.aberje.com.br)	Rodolfo Guttilla	Chairman of the Decision-Making Council	2005-2008
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. Bruno Antunes 6. Márcio Orlandi 7. Kássia Reis	1. Chairman 2. Research Committee Chairman 3. Communication Committee Chairman 4. Taxation and Government Relations Committee Chairman 5. Research Committee Member 6. Information Technology Committee Member 7. Legal Affairs and Government Relations Committee Member	1. 2004-2006
Abia – The Brazilian Association of Food Industries (www.abia.org.br)	1. Rodolfo Guttilla 2. Renata Novaes	1. Director 2. Representative	
Abihpec – The Brazilian Association of Personal Hygiene, Perfumery and Cosmetics Industry (www.abihpec.org.br)	1. Pedro Luiz Passos 2. Rodolfo Guttilla 3. Moacir Salzstein 4. Lucilene Prado 5. Elizabete Vicentini 6. Eliane Anjos	1. Vice-President 2. Director 3. Foreign Trade Committee Member 4. Taxation Committee Member 5. Technical and Regulatory Committee Member 6. Environment Committee Member	1, 2. Jun 2004-Jun 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. Luiz Mannello 3. Renata Franco	1. Copyright, Patents, Brands and Technology Committees Member 2. Copyright and Enforcement Committee Member 3. Brands Committee Member	
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)	Plínio Yasbek	Representative – Founder	
Abrasca – The Brazilian Association of Publicly Traded Companies (www.abrasca.org.br)	Helmut Bossert	Representative	
Acelp – The Portuguese Language Corporate Communication Association	Rodolfo Guttilla	Chairman	Jul 2004-Jul 2008
Aippi – The International Association for the Protection of Intellectual Property (www.aippi.org)	Renata Franco	Representative	
Amcham-SP – The American Chamber of Commerce of São Paulo (www.amcham.com.br)	1. Pedro Luiz Passos 2. Antônio Siqueira 3. Eliane Anjos 4. Carla Pavão 5. Elizabete Vicentini 6. Eneida Barbare 7. Luiz Mannello	1. Administrative Council Representative 2. Member of the Strategic Group – Legal Directors and Vice-Presidents 3. Environment Committee Member 4. Secretaries Committee Member 5. Technical Subgroup Member 6. Industrial Property Task Force 7. Task Force to Combat Counterfeits	1. 2004-2005
Amerco – The Association of Corporate Communication of the Mercosur	Rodolfo Guttilla	Chairman	Jul 1999-Jul 2005
Peruvian Civil Association of Companies Related to Brazil – Brazil Group	Erasmus Toledo	Director	
Anpei – The Brazilian Association of R&D of Innovative Companies (www.anpei.org.br)	Elizabete Vicentini	Director	May 2002-May 2005
Asipi – Interamerican Association of Industrial Property (www.asipi.org)	Eneida Barbare	Representative	2000-indeterminate
Aspi – The São Paulo Association of Intellectual Property (www.aspi.org.br)	1. Eneida Barbare 2. Renata Franco	Representative Representative	
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)	Mercedes Stinco	Representative	
Bramex – The Mexican Industry, Trade and Tourism Chamber	Rodolfo Guttilla	Vice-President	
Trade Chamber of Lima (www.camaralima.org.pe)	Erasmus Toledo	Representative	
Direct Sales Association of Chile	Maurício Pinto	Director	2004-2005
Peruvian Chamber of Direct Sales	Erasmus Toledo	Treasurer	
The Argentinian Chamber of Cosmetics and Perfumery Industry	1. Alejandro Díaz 2. Jelena Nadinic	Executive Commission Member Technical Representative	
Cavedi – Argentinean Chamber of Direct Sales (www.cavedi.org.ar)	Alejandro Díaz	Executive Commission Member	
Ceal – The Council of Latin American Businessmen (www.ceal-int.org)	Guilherme Peirão Leal	Representative	
Cempre – Corporate Commitment to Recycling (www.cempre.org.br)	Eliane Anjos	Representative	
CEN – National Business Council to HIV/AIDS Combat	1. Guilherme Peirão Leal 2. Plínio Yasbek	1. Representative 2. Technical Representative	
Fundação Getulio Vargas' Center of Studies of Sustainability (www.ces.fgvsp.br)	Nelmara Arbex	Member of the Advisory Board	
Ciesp – The Federation of Industries of the State of São Paulo (www.ciesp.org.br)	1. Guilherme Peirão Leal 2. Itamar Correia da Silva 3. Eliane Anjos 4. Rodolfo Guttilla	1. Director 2. Jundiá Regional Council 3. Director 4. Member of the Center of Strategic and Advanced Studies	1. Sep 2004-Sep 2007
CNI – The Brazilian Confederation of Industries (www.cni.org.br)	Eliane Anjos	Environment Thematic Council Coordinator	
Committee of the Upper Tietê Hydrographic Basin	Eliane Anjos	Officer; Technical Chamber of the Underground Waters – CTAS	Jan 2004-Dec 2005
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. Officer 3. Substitute I	1. Mai 2003-mai 2005
FNQ – National Quality Foundation (www.fnq.org.br)	1. Pedro Luiz Passos 2. Roberto Zardo 3. Sophia Segawa 4. Nelmara Arbex 5. Yara Rezende	1. Advisory Council Chairman 2. Planning Director 3. Benchmarking and Processes Management Thematic Committees Member 4. Social Responsibility Committee Member 5. Intellectual Capital and Innovation Committee Member	1. 2003-2005

**Natura's representation in Trade Associations and Association in General**

(continuation)

Entity/Association	Natura Representative	Type of Representation	Mandate
Funbio – The Brazilian Biodiversity Fund (www.funbio.org.br)	Guilherme Peirão Leal	Decision-Making Council Substitute Member	Nov 2001-Nov 2005
The Abrinq Foundation for the Rights of the Children (www.funcaoabrin.org.br)	1. Guilherme Peirão Leal 2. Nelmara Arbex 3. Pedro Villares 4. Susy Yoshimura	1. Decision-Making Council Member 2. Director Committee of the Crer para Ver Program Member 3. Director Committee of the Crer para Ver Program Member 4. Director Committee of the Crer para Ver Program Member	1. Since 1992 and since 1996 2, 3. Since 2003 4. Since 2004
G50 - Latin-American Businessmen Council	Guilherme Peirão Leal	Member	
GRI – Global Reporting Initiative (www.globalreporting.org)	1. Rodolfo Guttilla 2. Nelmara Arbex	Representative Stakeholders Council Members	2002-2005
Ibef – The Brazilian Institute of Finance Executives (www.ibef.com.br)	Jorge Casmerides	Representative	
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)	Helmut Bossert	Representative	
Iedi – Industrial Development Studies Institute (www.iedi.org.br)	Pedro Luiz Passos	Council Member	Sep 2000-indeterminate
Akatu Institute (www.akatu.org.br)	Guilherme Peirão Leal	Steering Council Member	
The Fernand Braudel Institute of World Economy (www.braudel.org.br)	Guilherme Peirão Leal	Representative	
The São Paulo Institute Against Violence (www.spcv.org.br)	Rodolfo Guttilla	Representative	
Inta – International Trademark Association (www.inta.org)	Renata Franco	Representative	
MBC – Competitive Brazil Movement (www.mbc.org.br)	Roberto Zardo	Representative	
Sipatesp – Perfume and Beauty Products Industry Union in the State of São Paulo	1. Pedro Luiz Passos 2. Rodolfo Guttilla	1. Delegate Representative 2. Director	1, 2. Jun 2004-Jun 2007
S.O.S. Mata Atlântica	Pedro Luiz Passos	Council Member	
Uniethos – (www.uniethos.org.br)	Nelmara Arbex	Technical Council Member	
WFDSA – World Federation of Direct Selling Associations (www.wfdsa.org)	Alessandro Carlucci	CEO Council Member	
WWF-Brasil (www.wwf.org.br)	Guilherme Peirão Leal	Steering Council Member	Dec 2001-Mar 2006

**Contact of Naturas's Representatives to Associations**

Name	Function	e-mail	Contact
Leandro Machado	Governmental Relations Manager	leandromachado@natura.net	(55 11) 4446 2544

**Awards and certifications received for social, ethical and environmental performance (SO4)**

Award	Promotion/Organization	Objective	Awarded category	2002	2003	2004	2005
The Most Highly Regarded Companies in Brazil	CartaCapital magazine and InterScience	The survey recognized organizations that stand out their business ethics, social commitment, environmental responsibility and civic responsibility awareness.	Most Highly Regarded Company in the sector One of the 10 most admired companies in Brazil	2nd	1st	1st	
The Best Companies according to ISTO É Dinheiro Magazine	ISTOÉ Dinheiro Magazine and Delloite	Recognize the best managed companies in Brazil based on financial sustainability, human resources, innovation, environment and social responsibility indicators.	Pharmaceutical, Hygiene and Health			1st	1st
The Best Companies to Work in Latin America	Great Place to Work® Institute	Identify companies that were benchmarks in the Best Companies to Work editions in the Latin American countries where the Great Place to Work Institute conducts this survey.	Natura was one of the 100 Best Places to Work in Latin America				
The Best Places to Work in Argentina	Great Place to Work® and Clarín daily paper business section	Identify the 100 best companies to work for in Argentina through a research of organizational environment.	26th place among the 100 best places to work in Argentina				26th
Modern Customer of Excellency in Services	Consumidor Moderno Magazine	Recognize the companies that stand out as reference in customer care in their industry and stimulate the companies to continually improve relations with the demanding Brazilian consumers.	Quality of relations. Distinct among the 38 companies that have excelled in customer care service in the Cosmetics category				1st 1st
Election of the Brand that Respects Consumer the Most	Rádio Bandeirantes and Omni Marketing	Elect the 10 most recognized brands in the opinion of the audience in the 'respect for consumer' category.	Socioenvironmental			4th	2nd
Companies that people most wish to work for	Forbes Brasil Magazine		General ranking Sector ranking		2nd		1st
Business Leaders – Gazeta Mercantil Journal	Balanço Anual Magazine, Gazeta Mercantil	Elect five leading national executives by business sector from readers' voting.	Leader of the Cosmetics, Hygiene and Health Sector (Guilherme Peirão Leal)				
Exame Guide of Good Corporate Citizenship	Exame Magazine – Editora Abril and Instituto Ethos	Recognize corporate citizenship practices based on criteria such as coverage, innovation, sustainability, establishment of partnerships and results of projects.	Company of reference in Social Responsibility				
Guia Exame – The Best Places to Work	Exame Magazine and Great Place to Work® Institute	In-depth assessment of the work environment and the practices and HR policies, taking employees' opinions into consideration.	Values and transparency among the 150 Best Places to Work Best Place for Women to Work			1st	1st 1st
IR Magazine Brazil Awards	IR Magazine	Evaluate the best performances in IR among public companies. In Brazil, the Investors' Perception Study was performed through an independent research conducted by Fundação Getulio Vargas from a poll with 350 investment professionals – analysts and stock market administrators working on the stock market in Brazil.	Grand Prix of Best Investors Relations Program (companies outside IBovespa index) Best Performance in Investors Relationship on an Initial Public Offer				1st 1st
The Best 25 Companies to Work For in Peru	Great Place to Work® Institute Peru and El Comercio	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		9th		
Most valuable brands in Brazil – ISTOÉ Dinheiro magazine	Interbrand/ ISTOÉ Dinheiro magazine	Honor Brazil's highest valued brands according to respected consulting firm Interbrand and published by Dinheiro Magazine.				3rd	4th
Best and largest by Exame Magazine	Exame Magazine	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 by employee.	Pharmaceutical, Hygiene and Health				1st
Aberje Award	Aberje – The Brazilian Association of Corporate Communication	Distinguish magazines, newsletters, bulletins, videos and corporate communication projects that best met the companies' strategic demands during the year.	Management Report Mural Newspaper (SP and Brazil) Company of the Year (SP) Relationship with the Investors (SP) Media Diversity (SP and Brazil) E-news External (SP and Brazil)		1st		1st 1st 1st 1st
Best Annual Report Abrasca Award	Abrasca – The Brazilian Association of Publicly Traded Companies	Encourage improvement in the preparation of clearer and more transparent quality reports and a larger volume of information and innovative character, regarding both the information reported and graphic design.	Private Company Public Company		1st	1st	4th
Annual Report Award	Gazeta Mercantil newspaper	Identify the companies that create the most value for shareholders.	Personal Hygiene sector				1st

(continuation)

Award	Promotion/ Organization	Objective	Awarded category	2002	2003	2004	2005
Social Report Award	The Brazilian Association of Analysts of Capital Market (Abamec); The Brazilian Association of Corporate Communication (Aberje); Fundação Instituto de Desenvolvimento Empresarial e Social (FIDES); Brazilian Institute of Social and Economic Analyses (IBASE) and Ethos	Stimulate the compilation and publication of social reports by the companies; recognize and honor the best social reports, according to criteria established under this regulation; disseminate the relevance of social reports as an instrument of transparency.	Overall National São Paulo State Regional	■	■	■	1st
Bramex Award	Brazil Mexico Chamber of Industry, Trade and Tourism	Identify and recognize initiatives by public or private companies, individuals and the people who promote environmentally responsible economic, social and cultural development.	Environmental Responsibility				■
DCI Award	DCI Journal	Recognize the companies most highly-regarded by executives and businessmen.	Most admired company in the Cosmetics, Hygiene and Health category		■	■	■
Eco – Amcham Award	The American Chamber of Commerce (Amcham)	Identify, recognize and promote social initiative projects developed by private companies in the fields of culture, education, environment, health and participation in communities.	Environmental and Social Responsibility – large companies		■	■	■
Ecodesign Award	Fiesp/Ciesp, IPT	Encourage the development of products with recycled material and which consume less energy.	Packing design			■	1st
Executive of Value Award	Valor Journal	Select the executives that have distinguished themselves in each industry according to a survey conducted at the top headhunting firms in Brazil. Leadership, strategic vision and management style are some of the aspects considered by the selection committee.	Executive of Value in the category Hygiene and Personal Care (Pedro Luiz Passos)				■
FGV Business Excellence Award	The Brazilian Institute of Economy and Fundação Getulio Vargas	Identify and recognize the 12 companies classified in the survey of "The 500 Largest Companies in Brazil" by business efficiency. The selection process takes into consideration objective parameters of recent financial-economical companies performance, with emphasis on the results of the immediate precedent accounting period to the award. The top 500 largest companies were chosen by total assets and net income.	Chemical sector				1st
Environmental Merit FIESP	Federation of Industries of the State of São Paulo	Annually identify and honor manufacturers that distinguished themselves in the implementation of an environmental project with significant results for the affected area.				■	1st
Environmental Preservation Ford Motor Company Award	Ford and Conservation International do Brasil	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	Publicly recognize the initiatives of businessmen, entities and individuals who contributed to improve the quality of life of other Brazilian individuals.	"O empresário que queremos" (Guilherme Peirão Leal)			■	
Quality of Life Award	ABQV – Brazilian Association of Quality of Life	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		■		
Renato Castelo Branco Social Responsibility Award	ESPM – Escola Superior de Propaganda e Marketing	Award professionals and companies for their contribution to corporate citizenship.					1st
State Week for the Fight against Cancer Award	Health Department of the State of São Paulo	Recognize the institutions that had the best projects against cigarette smoking.	Program for the Prevention and Fight Against Cigarette Smoking		■		
Value 1000 Award	Valor Econômico newspaper	Classify the 1,000 largest Brazilian companies by net income, based on their current financial statements. The 1,000 largest companies are classified into 27 industries.	"Empresa de Valor" (Value Company) Hygiene and Cosmetics sector.				■
Social Value Award	Valor Econômico newspaper with support from the Ethos Institute and Akatu Institute	Recognize corporate social responsibility practices through programs developed by companies that serve as reference and inspire the multiplication of initiatives.	Responsible Management and Sustainable Development, Popular Jury			■	1st
Viagem Award	Viagem e Turismo magazine	Identify the best among many items related to tourism.	Grand Award		■		1st
Transparency Trophy	Anelac – Hipecafi – Serasa	Select the best financial statements posted during the year.	1st place among Private Brazilian Companies				1st

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

The following awards received by Natura involve quality seals that may be used:

- Exame Guide of Good Civic Responsibility;
- The Best Places to Work in Latin America;
- The Exame Você S.A. Guide – The Best Companies to Work For;
- Social Report Award;
- Valor 100 Award.

Natura is also recognized in Brazil with the titles:

- Children-friendly Company, granted by the Abrinq Foundation for the Rights of Children and Adolescents;
- Civically Responsible Company, granted by the Assembly of the City of São Paulo;
- AACD Partnership Company Seal, granted by the Association of Assistance to the Disabled Child.

#### Goals Established in Natura Annual Report 2004

Initiative	Target	Results
Biodiversity Brazil	a) Production of 48 Biodiversity TV shows;	⊗ Target partially reached. Production totaled 39 Biodiversity TV shows.
	b) Production of documentary on theme to be defined;	⊗ Target missed. The documentary was not produced.
	c) Search for a partner to produce a second documentary;	⊗ Target missed. Search did not happen.
	d) Initial studies to distribute public television programs in Latin America.	⊗ Target missed. Studies were not conducted.
Agenda 21 Cajamar	a) Expand the tripartite working group, involving other local businesses in the process;	⊗ Target missed. Participating companies joined the local forum and the corporate forum, but did not yet join the tripartite working group.
	b) Publish the results from the diagnostic assessment to the community;	⊗ Target reached. The findings of the assessment were widely released, with hard copies and diskettes distributed to all public schools in Cajamar and other communities, local company officers and other community organizations.
	c) Promote the installation of a Sustainable Development Forum;	⊗ Target reached. The district forums and municipal forum were installed in November and December 2005, respectively, after a long discussion and preparation process.
	d) Carry out workshops in two additional city subdivisions.	⊗ Target reached. Two more workshops were conducted during 2005, in the neighborhoods of Polvilho and Gato Preto, with high attendance.

# Financial Statements

Natura Cosméticos S.A.

## Balance Sheets

As of december 31, 2005 and 2004

(In thousands of Brazilian reais - R\$)

Assets	Company		Consolidated	
	2005	2004	2005	2004
<b>CURRENT ASSETS</b>				
Cash and banks	38,882	26,656	56,198	29,592
Cash investments (Note 5)	237,084	158,631	330,241	202,020
Trade accounts receivable (Note 6)	302,688	236,453	316,264	250,066
Inventories (Note 7)	835	1,634	152,307	121,961
Recoverable taxes (Note 8)	508	3,009	23,967	18,158
Advances to employees	3,312	4,084	5,331	6,949
Related parties (Note 10)	4,850	833	-	-
Deferred income and social contribution taxes (Note 9.a)	16,404	12,198	25,757	21,630
Other receivables	8,160	358	14,799	6,063
<b>Total current assets</b>	<b>612,723</b>	<b>443,856</b>	<b>924,864</b>	<b>656,439</b>
<b>LONG-TERM ASSETS</b>				
Receivables from shareholders (Notes 10.e and 19.c)	130	172	130	172
Advance for future capital increase (Note 10.d)	1,007	770	-	-
Recoverable taxes (Note 8)	1,432	876	9,574	3,848
Deferred income and social contribution taxes (Note 9.a)	17,680	12,624	29,324	21,301
Escrow deposits (Note 16)	23,590	20,370	29,477	24,256
Other receivables	-	1,122	526	2,878
Cash investments (Notes 5 and 16.i)	-	-	3,968	-
<b>Total long-term assets</b>	<b>43,839</b>	<b>35,934</b>	<b>72,999</b>	<b>52,455</b>
<b>PERMANENT ASSETS</b>				
Investments (Note 11)	516,929	373,748	5,761	8,707
Property, plant and equipment (Note 12)	17,674	13,231	365,284	298,822
<b>Total permanent assets</b>	<b>534,603</b>	<b>386,979</b>	<b>371,045</b>	<b>307,529</b>
<b>TOTAL ASSETS</b>	<b>1,191,165</b>	<b>866,769</b>	<b>1,368,908</b>	<b>1,016,423</b>

Liabilities and shareholders' equity	Company		Consolidated	
	2005	2004	2005	2004
<b>CURRENT LIABILITIES</b>				
Loans and financing (Note 14)	44,942	11,879	68,309	62,407
Domestic suppliers	38,070	17,197	148,045	89,348
Foreign suppliers	-	-	4,115	4,172
Suppliers - related parties (Note 10)	124,241	102,151	-	-
Salaries, profit sharing and related charges, net (Note 17)	30,074	28,272	73,122	67,618
Taxes payable (Note 15)	75,536	52,776	89,085	62,382
Dividends (Notes 10 and 19.e)	195,070	113,644	195,070	113,644
Interest on capital (Notes 10, 19.d and 19.e)	17,699	13,623	17,699	13,623
Accrued freight	13,786	10,178	13,786	10,026
Sundry accruals	8,863	4,802	9,026	4,802
Related parties (Note 10)	-	94	-	-
Other payables	12,780	9,934	13,564	12,773
Allowance for losses on swap and forward contracts (Notes 22.b and 22.d)	2,703	4,544	2,703	6,138
<b>Total current liabilities</b>	<b>563,764</b>	<b>369,094</b>	<b>634,524</b>	<b>446,933</b>
<b>LONG-TERM LIABILITIES</b>				
Loans and financing (Note 14)	44,290	19,549	119,156	71,982
Allowance for losses on subsidiaries (Note 11)	4,202	64	-	-
Reserve for contingencies (Note 16)	53,843	3,769	90,599	59,559
Other payables	1,806	841	3,232	1,885
<b>Total long-term liabilities</b>	<b>104,141</b>	<b>60,223</b>	<b>212,987</b>	<b>133,426</b>
<b>MINORITY INTEREST</b>				
	-	-	8	7
<b>SHAREHOLDERS' EQUITY (Note 19)</b>				
Capital (Note 19.b)	230,762	230,762	230,762	230,762
Capital reserves (Notes 19.b e 19.g)	120,678	113,122	120,678	113,122
Profit reserves (Note 19.i)	172,589	94,674	170,718	93,279
Treasury shares (Note 19.f)	(769)	(1,106)	(769)	(1,106)
<b>Total shareholders' equity</b>	<b>523,260</b>	<b>437,452</b>	<b>521,389</b>	<b>43,057</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>1,191,165</b>	<b>866,769</b>	<b>1,368,908</b>	<b>1,016,423</b>





**Statements Of Income**

For the years ended december 31, 2005 and 2004

(In thousands of Brazilian reais - R\$, except for earnings per share)

	Company		Consolidated	
	2005	2004	2005	2004
<b>GROSS SALES</b>				
Domestic market	3,127,462	2,457,891	3,149,654	2,472,046
Foreign market	-	-	92,616	66,782
Other sales	1	5	1,341	829
<b>GROSS OPERATING REVENUES</b>	<b>3,127,463</b>	<b>2,457,896</b>	<b>3,243,611</b>	<b>2,539,657</b>
Taxes on sales, returns and rebates	(721,114)	(576,564)	(961,447)	(769,993)
<b>NET OPERATING REVENUES</b>	<b>2,406,349</b>	<b>1,881,332</b>	<b>2,282,164</b>	<b>1,769,664</b>
Cost of sales	(960,012)	(776,170)	(731,134)	(575,260)
<b>GROSS PROFIT</b>	<b>1,446,337</b>	<b>1,105,162</b>	<b>1,551,030</b>	<b>1,194,404</b>
<b>OPERATING (EXPENSES) INCOME</b>				
Selling	(600,073)	(458,913)	(709,190)	(535,909)
General and administrative	(323,203)	(249,223)	(276,144)	(216,900)
Employee profit sharing (Note 17)	(11,209)	(12,094)	(28,577)	(31,594)
Management compensation (Note 18)	(7,467)	(7,084)	(12,289)	(11,818)
Equity in subsidiaries (Note 11)	(6,741)	2,788	-	-
Other operating expenses, net	(3,640)	-	(3,220)	-
<b>INCOME FROM OPERATIONS BEFORE FINANCIAL EFFECTS</b>	<b>494,004</b>	<b>380,636</b>	<b>521,610</b>	<b>398,183</b>
Financial expenses	(11,800)	(18,301)	(43,453)	(38,156)
Financial income	31,470	21,125	54,714	35,414
<b>INCOME FROM OPERATIONS</b>	<b>513,674</b>	<b>383,460</b>	<b>532,871</b>	<b>395,441</b>
Nonoperating (expenses) income, net	(212)	1,098	(1,242)	(868)
<b>INCOME BEFORE DEBENTURES PARTICIPATION AND TAXES</b>	<b>513,462</b>	<b>384,558</b>	<b>531,629</b>	<b>394,573</b>
Debentures participation	-	(7,178)	-	(7,178)
<b>INCOME BEFORE TAXES ON INCOME</b>	<b>513,462</b>	<b>377,380</b>	<b>531,629</b>	<b>387,395</b>
Income and social contribution taxes (Note 9.b)	(116,105)	(76,969)	(134,747)	(87,102)
<b>NET INCOME BEFORE MINORITY INTEREST</b>	<b>397,357</b>	<b>300,411</b>	<b>396,882</b>	<b>300,293</b>
Minority interest	-	-	(1)	1
<b>NET INCOME</b>	<b>397,357</b>	<b>300,411</b>	<b>396,881</b>	<b>300,294</b>
<b>EARNINGS PER SHARE - R\$</b>	<b>4.6745</b>	<b>3.5431</b>	<b>4.6689</b>	<b>3.5417</b>

**Statements of changes in shareholders' equity (company)**

For the years ended december 31, 2005 and 2004

(In thousands of Brazilian reais - R\$)

	Capital	Capital reserves			Profit reserves		Retained earnings	Total
		Treasury shares	Share premium	Investment grants	Legal	Retention		
<b>BALANCES AS OF DECEMBER 31, 2003</b>	<b>56,387</b>	-	-	<b>9,998</b>	<b>10,687</b>	<b>45,544</b>	-	<b>122,616</b>
<b>Capital increases:</b>								
Capitalization of debentures (Notes 19.b and 19.g)	138,569	-	100,000	-	-	-	-	238,569
Merger of Natura Empreendimentos S.A. (Notes 1, 19.a and 19.b)	1,415	-	-	-	-	-	-	1,415
Subscription of shares (Note 19.b)	34,391	-	-	-	-	-	-	34,391
Purchase of shares (Note 19.f)	-	(1,415)	-	-	-	-	-	(1,415)
Sale of treasury shares by exercise of stock options (Note 19.f)	-	309	5,177	-	-	-	-	5,486
Receivables from shareholders (Note 19.c)	-	(3,029)	-	-	-	-	-	(3,029)
Payment of receivables from shareholders (Note 19.c)	-	480	496	-	-	-	-	976
Absorption of excess liabilities through merger of Natura Empreendimentos S.A., after the elimination of the merged company's investment in the Company (Notes 1 and 19.a)	-	-	-	-	-	(23,367)	-	(23,367)
Absorption of excess liabilities through merger of Natura Participações S.A., after the elimination of the merged company's investment in the Company (Notes 1 and 19.a)	-	-	-	-	-	(29,235)	6,986	(22,249)
Absorption of reserve (Note 19.b)	-	-	-	-	(7,058)	7,058	-	-
Net income	-	-	-	-	-	-	300,411	300,411
<b>Allocation of net income:</b>								
Legal reserve (Note 19.h)	-	-	-	-	15,021	-	(15,021)	-
Profit retention reserve (Note 19.i)	-	-	-	-	-	76,024	(76,024)	-
Dividends - R\$2.204 per outstanding share (Note 19.e)	-	-	-	-	-	-	(186,910)	(186,910)
Interest on capital - R\$0.347 per outstanding share (Note 19.e)	-	-	-	-	-	-	(29,442)	(29,442)
<b>BALANCES AS OF DECEMBER 31, 2004</b>	<b>230,762</b>	<b>(3,655)</b>	<b>105,673</b>	<b>9,998</b>	<b>18,650</b>	<b>76,024</b>	-	<b>437,452</b>
Sale of treasury shares by exercise of stock options (Note 19.f)	-	337	4,537	-	-	-	-	4,874
Payment of receivables from shareholders (Note 19.c)	-	2,053	249	-	-	-	-	2,302
Tax incentives	-	-	-	717	-	-	-	717
Net income	-	-	-	-	-	-	397,357	397,357
<b>Allocation of net income:</b>								
Profit retention reserve (Note 19.i)	-	-	-	-	-	77,915	(77,915)	-
Dividends - R\$3.357 per outstanding share (Note 19.e)	-	-	-	-	-	-	(285,237)	(285,237)
Interest on capital - R\$0.403 per outstanding share (Note 19.e)	-	-	-	-	-	-	(34,205)	(34,205)
<b>BALANCES AS OF DECEMBER 31, 2005</b>	<b>230,762</b>	<b>(1,265)</b>	<b>110,459</b>	<b>10,715</b>	<b>18,650</b>	<b>153,939</b>	-	<b>523,260</b>

**Statements of changes in financial position**  
For the years ended December 31, 2005 and 2004  
(In thousands of Brazilian reais - R\$)

	Company		Consolidated	
	2005	2004	2005	2004
<b>SOURCES OF FUNDS</b>				
<b>From operations:</b>				
Net income	397,357	300,411	396,881	300,294
Items not affecting working capital:				
Depreciation and amortization (Notes 12 and 13)	4,989	3,809	44,035	34,340
Monetary and exchange variations on long-term items, net	4,980	(5,601)	9,234	175
Reserve for contingencies (Note 16)	10,598	16,625	21,638	31,570
Sundry accruals	1,626	1,168	4,255	1,420
Deferred income and social contribution taxes (Note 9.a)	(5,056)	(4,233)	(8,023)	(9,196)
Equity in subsidiaries (Note 11)	6,741	(2,788)	-	-
Proceeds from sale and disposal of permanent assets	559	1,333	3,056	1,828
Minority interest	-	-	1	(1)
	<b>421,794</b>	<b>310,724</b>	<b>471,077</b>	<b>360,430</b>
<b>From shareholders:</b>				
Capitalization of debentures (Note 19.b)	-	107,913	-	107,913
Capital increase through subscription of shares (Note 19.b)	-	34,391	-	34,391
Sale of treasury shares by exercise of stock options (Note 19.f)	4,887	630	4,887	630
Payment of receivables from shareholders (Note 19.c)	2,288	-	2,288	-
<b>From third parties:</b>				
Transfer from long-term to current assets	-	-	-	20,122
Increase in long-term liabilities	25,007	-	121,712	-
Tax incentives	717	-	717	-
Minority interest	-	-	-	37
<b>Total sources</b>	<b>454,693</b>	<b>453,658</b>	<b>600,681</b>	<b>523,523</b>
<b>USES OF FUNDS</b>				
Additions to property, plant and equipment (Note 12)	9,991	7,629	111,636	76,886
Increase in investments (Note 11)	149,425	34,975	-	6,179
Increase in long-term assets	1,639	9,070	9,987	15,289
Decrease in long-term liabilities	-	18,656	-	-
Transfer from long-term to current liabilities	-	11,809	78,783	24,740
Dividends proposed and paid (Note 19.e)	285,237	186,910	285,237	186,910
Interest on capital proposed and paid (Note 19.e)	34,205	29,442	34,205	29,442
<b>Total uses</b>	<b>480,497</b>	<b>298,491</b>	<b>519,848</b>	<b>339,446</b>
Merger of Natura Empreendimentos S.A. and Natura Participações S.A. net assets (Notes 1 and 19.a)	-	23,393	-	3,383
<b>(DECREASE) INCREASE IN WORKING CAPITAL</b>	<b>(25,804)</b>	<b>131,774</b>	<b>80,833</b>	<b>180,694</b>
<b>REPRESENTED BY</b>				
Increase in current assets	168,867	170,771	268,425	218,908
Increase in current liabilities	194,671	38,997	187,592	38,214
<b>(DECREASE) INCREASE IN WORKING CAPITAL</b>	<b>(25,804)</b>	<b>131,774</b>	<b>80,833</b>	<b>180,694</b>

**Notes to the Financial Statements**

For the Years Ended December 31, 2005 and 2004

(Amounts in thousands of Brazilian reais - R\$, unless otherwise stated)

1. OPERATIONS

Natura Cosméticos S.A. (the "Company") and its subsidiaries 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. These mergers did not modify the activities described in the paragraph above.

The net assets 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.

2. PRESENTATION OF FINANCIAL STATEMENTS

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

Until December 31, 1995, the Brazilian GAAP 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 statements of income in a specific account under the heading "Monetary restatement of the balance sheet". This monetary restatement was prohibited by Law No. 9,249, of December 26, 1995, effective January 1, 1996.

The terminology and grouping of certain accounts in the balance sheet and in the statements of income, changes in financial position and cash flows have been changed from the prior year for better classification and presentation. Such changes included fiscal year 2004, in order to allow comparability between years. Please note that such changes did not result in any change in the individual account balances and total balances.

3. SIGNIFICANT ACCOUNTING PRACTICES

a) Results of operations

Determined on the accrual basis of accounting.

b) Cash investments

Consists of highly liquid temporary investments stated at cost plus income earned through 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 through December 31, 1995, plus interest capitalized during the construction period, if applicable. 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 maintenance of dividend payment capacity, 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 through 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 No. 273/98 and CVM Instruction No. 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 through the balance sheet dates, as provided for by contract and mentioned in Note 14.

k) Reserve for contingencies

Adjusted through 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 attorneys. The fundamentals and the nature of reserves are described in Note 16.

l) Swap and forward contracts

The nominal values of swap and forward contracts 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 Notes 22.b and 22.d.



b) Current expense

Reconciliation of income and social contribution taxes:

	Company		Consolidated	
	2005	2004	2005	2004
Income before taxes on income	513,462	377,380	531,629	387,395
Income and social contribution taxes at the rate of 34%	(174,576)	(128,309)	(180,753)	(131,714)
Reversal of provision for maintenance of dividend payment capacity (Note 13)	49,933	41,611	49,933	41,611
Interest on capital (Note 19,d)	11,630	10,011	11,630	10,011
Tax incentives (donations)	2,147	1,649	2,268	2,089
Equity in subsidiaries and exchange variation on translation of foreign investments (Note 11)	(3,530)	948	-	-
Permanent differences	(1,700)	(2,831)	(1,932)	(3,203)
Losses generated by subsidiaries (Note 11)	-	-	(15,952)	(6,317)
Other	(9)	(48)	59	421
Income and social contribution taxes: net expenses	<u>(116,105)</u>	<u>(76,969)</u>	<u>(134,747)</u>	<u>(87,102)</u>
Income and social contribution taxes: current	(125,367)	(81,497)	(146,897)	(96,736)
Income and social contribution taxes: deferred	9,262	4,528	12,150	9,634
Income and social contribution taxes: net expenses	<u>(116,105)</u>	<u>(76,969)</u>	<u>(134,747)</u>	<u>(87,102)</u>
Effective rate - %	<u>22.6</u>	<u>20.4</u>	<u>25.3</u>	<u>22.5</u>

10. RELATED PARTIES

Receivables from and payables to related parties are as follows:

	Company		Consolidated	
	2005	2004	2005	2004
Current assets:				
Related parties:				
Natura Logística e Serviços Ltda. (a)	2,806	-	-	-
Natura Inovação e Tecnologia de Produtos Ltda. (b)	1,211	-	-	-
Nova Flora Participações Ltda. (c)	833	833	-	-
	<u>4,850</u>	<u>833</u>	<u>-</u>	<u>-</u>
Advance for future capital increase- Nova Flora Participações Ltda. (d)	1,007	770	-	-
Receivables from shareholders (e)	130	172	130	172
Current liabilities:				
Suppliers:				
Indústria e Comércio de Cosméticos Natura Ltda. (f)	106,470	85,874	-	-
Natura Logística e Serviços Ltda. (g)	9,259	8,028	-	-
Natura Inovação e Tecnologia de Produtos Ltda. (h)	8,512	8,249	-	-
	<u>124,241</u>	<u>102,151</u>	<u>-</u>	<u>-</u>
Related parties- Natura Inovação e Tecnologia de Produtos Ltda.	-	94	-	-
Dividends payable - Shareholders	195,070	113,644	195,070	113,644
Interest on capital payable - Shareholders	17,699	13,623	17,699	13,623

Transactions with related parties are summarized as follows:

	Product sales		Product purchases	
	2005	2004	2005	2004
Natura Cosméticos S.A.	-	1,111,577	924,649	-
Indústria e Comércio de Cosméticos Natura Ltda.	1,144,178	949,674	-	-
Natura Cosméticos S.A. - Argentina	-	-	13,403	13,353
Natura Cosméticos S.A. - Peru	-	-	9,623	6,800
Natura Cosméticos S.A. - Chile	-	-	6,112	4,374
Natura Cosméticos S.A. - Mexico	-	-	1,865	-
Natura Europa SAS	-	-	923	317
Natura Inovação e Tecnologia de Produtos Ltda.	-	-	675	164
Flora Medicinal J. Monteiro da Silva Ltda.	-	-	-	17
	<u>1,144,178</u>	<u>949,674</u>	<u>1,144,178</u>	<u>949,674</u>

	Service sales		Service purchases	
	2005	2004	2005	2004
Administrative structure: (i)				
Natura Logística e Serviços Ltda.	172,383	118,749	-	-
Natura Cosméticos S.A.	-	-	124,082	84,297
Indústria e Comércio de Cosméticos Natura Ltda.	-	-	34,264	24,355
Natura Inovação e Tecnologia de Produtos Ltda.	-	-	14,037	10,097
	<u>172,383</u>	<u>118,749</u>	<u>172,383</u>	<u>118,749</u>
Product and technology research and development: (j)				
Natura Inovação e Tecnologia de Produtos Ltda.	113,596	71,914	-	-
Natura Cosméticos S.A.	-	-	113,596	71,865
Ybios S.A.	-	-	-	49
	<u>113,596</u>	<u>71,914</u>	<u>113,596</u>	<u>71,914</u>
Lease of properties and common charges: (k)				
Indústria e Comércio de Cosméticos Natura Ltda.	8,575	8,627	-	116
Natura Logística e Serviços Ltda.	-	-	5,695	5,804
Natura Inovação e Tecnologia de Produtos Ltda.	-	-	1,831	1,753
Natura Cosméticos S.A.	-	136	1,049	1,049
Natura Empreendimentos S.A.	-	-	-	27
Natura Participações S.A.	-	-	-	14
	<u>8,575</u>	<u>8,763</u>	<u>8,575</u>	<u>8,763</u>
Total service sales and purchases	<u>294,554</u>	<u>199,426</u>	<u>294,554</u>	<u>199,426</u>

(a) Refers to advances granted for provision of logistics and general administrative services.

(b) Refers to advances granted for provision of product and technology development and market research services.

(c) Amount receivable due to the capital reduction made on January 30, 2004, approved by the shareholders' meeting held on the same date.

(d) Cash contributions to Nova Flora Participações Ltda. mainly for maintenance of working capital.

(e) On September 29, 2000, April 30, 2002, December 30, 2002 and January 5, 2004, under a stock purchase and sale agreement, a financing in the total amount of R\$6,174 was made to two directors of the Company, with interest rate of 3% per year and maturities between April 30, 2009 and September 30, 2010. This financing was granted to the directors in order for them to acquire common shares in Natura Empreendimentos S.A. and Natura Participações S.A. In the corporate restructuring completed in March 2004, these shares were exchanged for common shares issued by Natura Cosméticos S.A. The financing, in the amount of R\$2,493 as of December 31, 2005 (R\$4,823 as of December 31, 2004), is amortized with dividends and interest on capital paid by the Company to those directors.

(f) Payables for the purchase of products. Prices and terms are within normal market conditions.

(g) Payables for services described in item (i).

(h) Payables for services described in item (j).

(i) Logistics and general administrative services.

(j) Product and technology development and market research services.

(k) Rental of part of the industrial complex located in Cajamar and buildings located in the municipality of Itapeçerica da Serra.

The main intercompany balances as of December 31, 2005 and 2004, 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	
	2005	2004	2005	2004
Investments in subsidiaries	516,921	373,748	-	-
Goodwill on acquisition of investment - Nova Flora	-	-	8,015	8,015
Amortization of goodwill - Nova Flora	-	-	(8,015)	(5,487)
Goodwill on acquisition of investment - Natura Europa	-	-	5,753	6,179
Other	8	-	8	-
	<u>516,929</u>	<u>373,748</u>	<u>5,761</u>	<u>8,707</u>

The goodwill on the acquisition made by the subsidiary Nova Flora Participações Ltda. was fully amortized in 2005, due to the low expectation of profitability from 2006 onwards. Liabilities related to this subsidiary are properly reflected in the consolidated financial statements.

The goodwill generated on the purchase of a commercial location where Natura Europa SAS operates is supported by an appraisal report issued by independent appraisers, attributable to the fact that it is an intangible, marketable asset, which does not suffer any decrease in value over time. The balance variation between December 31, 2004 and 2005 is basically due to the effects of the exchange variation for the period.







As of December 31, 2005 and 2004, the Company had swap and forward (only for 2004) transactions with financial institutions in the amounts of R\$7,242 and R\$74,007, respectively. These transactions generated liabilities of R\$2,703 and R\$6,138, respectively, recorded in consolidated current liabilities. The exchange exposure is substantially indexed to the U.S. dollar:

The Company and its subsidiaries do not use derivative financial instruments for speculation purposes.

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 and FINEP.

d) Fair values

As of December 31, 2005 and 2004, the fair values of cash and banks, temporary cash investments, and accounts receivable and payable approximate the carrying amounts due to the short-term maturity of these financial instruments. The fair values of loans and financing substantially approximate the carrying amounts since these financial instruments have variable interest rates.

Regarding the swap and forward (only for 2004) transactions the carrying and fair values are as follows:

	Consolidated			
	2005		2004	
	Carrying value	Fair value	Carrying value	Fair value
Swap and forward transactions	2,703	2,775	6,138	6,494

At the balance sheet dates the Company consults the financial market and updates the fair value of financial instruments.

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 the opinion of its insurance advisors. As of December 31, 2005, the insurance coverage was as follows:

Items	Coverage	Insured amount
Industrial complex/ inventories	Any material damages to buildings, installations and machinery and equipment	434,862
Vehicles	Fire, theft and collision for 954 vehicles	25,171
Loss of profits	Non-realization of profits arising from material damages to installations, buildings and production machinery and equipment	604,241

24. SUBSEQUENT EVENTS

On February 21, 2006, the Board of Directors approved a proposal to be approved at the Extraordinary Shareholders' Meeting, which will be held on March 29, 2006, for the:

- Issuance of 340,450 common shares (1,702,250 common shares, if the proposed stock split is approved as described below), without par value, by the Company, within the limit of authorized capital, to fulfill the exercise of 50% of the options granted to the Company's Management and Employees, as well as to the direct or indirect subsidiaries' Management and Employees, participants in the "Amendment to the Stock Option Plan of Purchase or Subscription of Common Shares Issued by the Company Related to Calendar Year 2003", approved by the Company's Board of Directors on May 17, 2004, excluding the right of preference for subscription by the Company's other shareholders due to the specific purpose described above, pursuant to the last portion of the third paragraph of article 171 of Law No. 6,404/76. The price for payment of shares issued and to be subscribed, according to the conditions described above, established according to said "Amendment to the Stock Option Plan of Purchase or Subscription of Common Shares Issued by the Company Related to Calendar Year 2003", currently corresponds to R\$15.30, subject to monetary restatement based on the IPCA, calculated and disclosed by the Brazilian Institute of Geography and Statistics, through the effective subscription date, and must be paid in cash, upon subscription.

- Split of common shares, without par value, issued by the Company, in the proportion of 5 shares after the split for each existing share. The purpose of this stock split is to adjust the Company's shares price to increase individual investor access to the securities market, diversify the shareholder composition and increase liquidity of the Company's shares. Due to this stock split, the number of shares will increase from 85,438,611 to 427,193,055. Likewise, the balance of authorized capital will increase from 2,823,414 to 14,117,070.

In compliance with CVM Regulatory Instruction No. 358, of January 3, 2002, the Company disclosed on the CVM's site (in the Periodic Eventual Information - IPE) significant event notice on February 21, 2006 related to the events described above.

**Statements of cash flows**  
For the years ended december 31, 2005 and 2004  
(In thousands of Brazilian reais - R\$)

	Company		Consolidated	
	2005	2004	2005	2004
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Net income	397,357	300,411	396,881	300,294
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization (Notes 12 and 13)	4,989	3,809	44,035	34,340
Monetary and exchange variations, net	5,550	(1,143)	3,920	8,835
Reserve for losses on swap and forward contracts (Notes 22.b and 22.d)	1,231	2,648	12,064	4,243
Reserve for contingencies (Note 16)	10,598	16,625	21,638	31,570
Allowance for inventory losses (Note 7)	-	-	1,943	7,007
Sundry accruals	5,726	1,171	11,794	1,420
Deferred income and social contribution taxes (Note 9.a)	(9,262)	(4,528)	(12,150)	(9,634)
Proceeds from sale and disposal of permanent assets	(204)	1,333	2,242	1,828
Equity in subsidiaries (Note 11)	6,741	(2,788)	-	-
Debentures participation, net of taxes	-	5,743	-	5,743
Minority interest	-	-	1	(1)
	<u>422,726</u>	<u>323,281</u>	<u>482,368</u>	<u>385,645</u>
<b>(INCREASE) DECREASE IN ASSETS</b>				
Current assets:				
Accounts receivable (Note 6)	(66,235)	(63,193)	(66,198)	(68,455)
Inventories (Note 7)	800	(1,280)	(32,289)	(49,715)
Other receivables	(7,750)	26,193	(212)	532
Long-term assets:				
Escrow deposits (Note 16)	(888)	(7,128)	(2,688)	(9,073)
Other receivables	(4,252)	(654)	(1,615)	115
Subtotal	<u>(78,325)</u>	<u>(46,062)</u>	<u>(103,002)</u>	<u>(126,596)</u>
<b>INCREASE (DECREASE) IN LIABILITIES</b>				
Current liabilities:				
Suppliers	42,816	96,455	51,216	31,476
Salaries, profit sharing and related charges (Note 17)	2,574	5,981	7,122	24,044
Taxes payable, net (Notes 8 and 15)	24,705	(6,662)	14,068	(20,705)
Other payables	9,171	(4,236)	(5,910)	(6,213)
Long-term liabilities:				
Other payables	-	(1,496)	1,346	(1,448)
Subtotal	<u>79,266</u>	<u>90,042</u>	<u>67,842</u>	<u>27,154</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>423,667</u>	<u>367,261</u>	<u>447,208</u>	<u>286,203</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of property, plant and equipment (Note 12)	(9,991)	(7,629)	(111,636)	(76,886)
Investments (Note 11)	(149,425)	(34,975)	-	(6,179)
NET CASH USED IN INVESTING ACTIVITIES	<u>(159,416)</u>	<u>(42,604)</u>	<u>(111,636)</u>	<u>(83,065)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Decrease in short-term loans (Note 14)	(12,907)	(76,963)	(75,104)	(47,898)
Fundings - long-term loans (Note 14)	65,342	-	120,366	38,768
Payment of dividends (Note 19.e)	(203,812)	(130,003)	(203,812)	(130,003)
Payment of interest on capital (Note 19.e)	(30,129)	(11,403)	(30,129)	(11,403)
Other	717	-	717	-
Sale of treasury shares by exercise of stock options (Note 19.f)	4,929	630	4,929	630
Payment of receivables from shareholders (Note 19.c)	2,288	-	2,288	-
NET CASH USED IN FINANCING ACTIVITIES	<u>(173,572)</u>	<u>(217,739)</u>	<u>(180,745)</u>	<u>(149,906)</u>
Merger of Natura Empreendimentos S.A. and Natura Participações S.A. net assets (Notes 1 and 19.a)	-	21,086	-	42,269
NET INCREASE IN CASH AND BANKS	<u>90,679</u>	<u>128,004</u>	<u>154,827</u>	<u>95,501</u>
Cash and banks at beginning of year	185,287	57,283	231,612	136,111
Cash and banks at end of year	275,966	185,287	386,439	231,612
CHANGE IN CASH AND BANKS	<u>90,679</u>	<u>128,004</u>	<u>154,827</u>	<u>95,501</u>
<b>SUPPLEMENTARY CASH FLOW DISCLOSURE</b>				
Income and social contribution taxes paid (Note 9)	103,859	69,183	111,605	84,378
Interest paid on loans and financing (Note 14)	2,484	3,991	6,645	12,061
Payments of swap and forward contracts (Notes 22.b and 22.d)	3,072	7,117	15,499	9,170



**Statements of value added**  
For the years ended december 31, 2005 and 2004  
(In thousands of Brazilian reais - R\$)

ATTACHMENT II

**Independent Auditors' Report**

	Company		Consolidated	
	2005	2004	2005	2004
<b>REVENUES</b>	<b>3,088,611</b>	<b>2,432,140</b>	<b>3,201,561</b>	<b>2,509,073</b>
Sales of goods, products and services	3,119,889	2,453,708	3,234,980	2,533,614
Allowance for doubtful accounts - recognition	(31,066)	(22,666)	(32,177)	(23,673)
Nonoperating	(212)	1,098	(1,242)	(868)
<b>INPUTS PURCHASED FROM THIRD PARTIES</b>	<b>(1,860,261)</b>	<b>(1,485,412)</b>	<b>(1,731,670)</b>	<b>(1,365,906)</b>
Cost of sales and services	(1,110,075)	(921,613)	(1,046,472)	(852,405)
Materials, energy, outside services and other	(750,186)	(563,799)	(685,198)	(513,501)
<b>GROSS VALUE ADDED</b>	<b>1,228,350</b>	<b>946,728</b>	<b>1,469,891</b>	<b>1,143,167</b>
<b>RETENTIONS</b>	<b>(4,989)</b>	<b>(3,809)</b>	<b>(44,035)</b>	<b>(34,340)</b>
Depreciation and amortization (Notes 12 and 13)	(4,989)	(3,809)	(44,035)	(34,340)
<b>VALUE ADDED GENERATED BY THE COMPANY</b>	<b>1,223,361</b>	<b>942,919</b>	<b>1,425,856</b>	<b>1,108,827</b>
<b>VALUE ADDED RECEIVED IN TRANSFER</b>	<b>24,729</b>	<b>23,913</b>	<b>54,714</b>	<b>35,414</b>
Equity in subsidiaries (Note 11)	(6,741)	2,788	-	-
Financial income	31,470	21,125	54,714	35,414
<b>TOTAL VALUE ADDED TO BE DISTRIBUTED</b>	<b>1,248,090</b>	<b>966,832</b>	<b>1,480,570</b>	<b>1,144,241</b>
<b>DISTRIBUTION OF VALUE ADDED</b>	<b>(1,248,090) 100%</b>	<b>(966,832) 100%</b>	<b>(1,480,570) 100%</b>	<b>(1,144,241) 100%</b>
Payroll and related charges	(118,907) 10%	(106,100) 11%	(306,416) 21%	(247,291) 21%
Taxes and contributions	(714,503) 57%	(532,934) 55%	(727,181) 49%	(547,804) 48%
Financial expenses and rents - includes exchange variation on translation of foreign investments (Note 11)	(17,323) 1%	(20,209) 2%	(50,091) 3%	(41,675) 4%
Debenture participation	- 0%	(7,178) 1%	- 0%	(7,178) 1%
Dividends (Note 19.e)	(285,237) 23%	(186,910) 19%	(285,237) 19%	(186,910) 17%
Interest on capital (Note 19.e)	(34,205) 3%	(29,442) 3%	(34,205) 2%	(29,442) 2%
Minority interest	- 0%	- 0%	(1) 0%	1 0%
Retained earnings (*)	(77,915) 6%	(84,059) 9%	(77,439) 5%	(83,942) 7%

(\*) Unrealized profit from subsidiaries is eliminated.

**Additional information on the statements of value added:**

Of the amounts recorded under "Taxes and contributions" in 2005 and 2004, the amounts of R\$412,131 and R\$296,892, 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 revenue does not include the estimated profit attributable to Natura beauty consultants upon the sale of products, in the amounts of R\$1,311,672 and R\$1,059,324 in 2005 and 2004, respectively, considering an estimated profit margin of 30%.

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, 2005 and 2004, and the related statements of income, changes in shareholders' equity (Company), 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, 2005 and 2004, and the results of their operations, the changes in shareholders' equity (Company), and the changes in their financial position 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. Such information was audited by us in accordance with the auditing procedures mentioned in paragraph 2 and, in our opinion, is fairly presented, 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 21, 2006

DELOITTE TOUCHE TOHMATSU  
Auditores Independentes  
CRC 2 SP 011609/O-8

Edimar Facco  
Contador  
CRC 1 SP 138635/O-2



# Global Reporting Initiative Index

As it is fully adopting the guidelines of the Global Reporting Initiative, GRI, Natura is including the index in the 2005 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](http://www.globalreporting.org) website.

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