natura report #11

FULL GRI VERSION

natura
BRASIL

1. OUR ESSENCE

2. WHERE WE ARE

3. WHAT WE AIM FOR

4. WHO WE WORK WITH

5. WHAT FOOTPRINT WE LEAVE

I. our essence

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 and pleasant relationship of a person 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 building a better world**, based on better relationships with themselves, with others, with nature of which they are part, and with the whole.

beliefs

Life is a chain of relationships. Nothing in the universe exists alone. Everything is interdependent.

We **believe that valuing relationships** is the foundation of an enormous human revolution in the search for peace, solidarity, and life in all of its manifestations.

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

Commitment to the truth is the route to 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.

culture drivers

THE CULTURE DRIVERS WERE CREATED BASED ON OUR ESSENCE AS A GUIDE FOR OUR CHOICES AND MINDSETS. THEY ARE LIKE TRACKS SHOWING WHAT WE NEED TO PAY SPECIAL ATTENTION TO IN OUR DAILY ROUTINES.

THE CREATION OF THESE DRIVERS WAS THE RESULT OF A PROCESS THAT INVOLVED THE COMPANY FOUNDERS, MEMBERS OF THE EXECUTIVE COMMITTEE AND THE LEADERSHIP TEAM. WE ALSO DREW ON REFLECTIONS FROM THE CULTURE DIALOGUES HELD WITH 150 EMPLOYEES FROM ALL LEVELS OF THE ADMINISTRATIVE, OPERATIONAL AND SALES FORCES IN 2009.

THEY ARE:

COMMITMENT TO THE TRUTH

Being authentic and true, honoring our commitments with others and our owns.

Defending what we believe in and doing what we say we will.

CARING RELATIONS

Working together is better. Being generous, open and empathetic with others, creating a climate of trust based on relationship quality.

Recognize that others are different from us, listen without judging, respecting their opinions and incorporating differences to find the best solution for the whole.

CONTINUOUS IMPROVEMENT

Improving always, evolving in every dimension: material, emotional, intellectual and spiritual.

Striving continuously for self-knowledge, recognizing our talents and our limitations.

Creating an environment that promotes learning, continuous improvement and recognition of high performance.

DOING THINGS WELL

Insisting on doing everything simply, but with beauty, quality and care of details.

Discipline to honor what has been agreed upon.

INNOVATION

Be entrepreneurial, taking the lead, doing what has never been done and assuming the risks.

Continuously scrutinize the ways things are done and striving to find new ways to do them.

SUSTAINABLE DEVELOPMENT

Consistently deliver superior results and relevant value in the economic, social and environmental fields.

Manage the short term, with a commitment to build the company's future.

PLEASURE AND JOY

Face daily challenges with optimism, lightheartedly and in a good mood.

Celebrate achievements, fueling the enthusiasm and energy that encourage us to grow and continue to do more and to do it better.

Find satisfaction at work, affinity with our purpose in life, giving meaning to everything we do.

2. where we are

2.1 message from the chairmen

1.1; 1.2

THE ETHICAL CHALLENGE **OF OUR TIMES**

In 2011, we witnessed the confirmation that our world will be unsustainable, if current trends of production, global consumption and socio-environmental imbalances continue. The wave of events in recent years says a lot: in 2006, the awareness of global warming risks caused by man came into being; two years later, we lived through the hardships of an economic crisis, now deepening in the European Union. Lastly, since 2010, we have watched with bewilderment the social convulsions of the Arab Spring in their many forms, but which have one thing in common: the quest for a fairer and equalitarian society. We believe that only a deep transformation based on ethics of life, in which new development logics and revigorated global governance prevail over and above the interests of religions, countries, economic groups, will be a source of hope for future generations and for man to continue existing on Earth.

If on the one hand this scenario is troubling, on the other hand it reasserts our determination to make our best emotional and intellectual efforts for Natura to act increasingly as agent of necessary social change, always managed in accordance with the principles of sustainability, in the search for the best results – in an integrated manner – in the economic, social and environmental dimensions. This corporate behavior which is in harmony with society's aspirations, means we simply must take Natura and its proposed values to new heights and frontiers.

Today, Brazil and Latina America, our main operating markets, are in a privileged position. Though not immune to the effects of a tougher international environment, they are less likely to be adversely affected by global upheavals. The economic rise of an important section of the population – with women playing a particularly prominent role – seems to have a wingspan that will be able to foster a long and promising cycle of development, albeit far from a sustainable development, fostering full social inclusion, broadening distribution of wealth and mitigating environmental impacts. The significant investments of large companies in products for grooming, perfumery and cosmetics in Latin America are evidence of this much more favorable scenario. In the near future, Brazil will be the world's second largest market in this industry.

We began our message with an excerpt from the recently-published book by Christopher Meyer, Harvard University professor, who inspiringly describes the way in which we seek to carry on our business. We are very grateful for his generous interpretation, which simultaneously highlights our distinctive traits and encourages us to take part in a new and more community-oriented, fair and inclusive capitalist project. We believe that our path to success lies in the historical search for continuous improvement and innovative solutions for current and future dilemmas, learning the "zeitgeist" and projecting it into the future. In this new frame of mind, our greatest challenge will be to put together the new technologies with hearts attuned to the same cause. Therefore, we envisage the possibility of expanding the transformation power of our relationship network.

"Natura may be the most evolved example we've seen thus far of a company managing its world in full color and maximizing value added to its ecology."

The ever greater exercise of our raison d'être, which is to foster well-being, will lead us to improve and deepen the ties which unite us to our consultants, collaborators, business partners and consumers. Energized by the dreams and by the quest for professional and personal achievements, we are convinced that this group is determined to foster values such as solidarity, creativity and altruism, with respect and reverence to life. We therefore emphasize our historical commitment to stand by the side of all those who want to participate in this urgent collective construction of humanity.

Friendly greetings from

ANTONIO LUIZ DA CUNHA SEABRA
PEDRO LUIZ BARREIROS PASSOS
GUILHERME PEIRÃO LEAL

Co-Chairmen of the
Board of Directors

Christopher Meyer, "Standing on the Sun: How explosion of capitalism abroad will change business everywhere."

2.2 message from the executive committee

1.1; 1.2

THE BASIS FOR THE FUTURE OF NATURA

In the last five years we have spurted profound changes at Natura. The Company practically doubled in size between 2007 and 2011, and our results prove the consistency of our strategy: the number of Consultants increased from 718 thousand to 1.4 million, boosting product orders from 9 million to a telling 17 million a year; Ebitda rose from R$ 700 million to R$ 1.4 billion, with net revenue increasing from R$ 3 billion to R$ 5 billion. International operations increased their share from 4.4% to 9%. To support this growth, we completely reformulated our logistics model and attracted new leaders fully aligned with our business culture and conduct. We set up a management system based on Business Units and Regional Units, and we continued to invest in innovation, in the conception of our products, in managing our environmental impacts and in our commercial model.

In 2011, we made our biggest investment ever, worth around R$ 350 million to expand production, develop our logistics model and improve information technology, that are essential for sustaining our growth. We worked on bringing about a step change in infrastructure to increasingly streamline delivery of our products to consultants, at a reduced cost per order and lower greenhouse gases emissions.

However the simultaneous set up of new capture of orders systems, changes in the logistics model and the opening of new DCs affected our operations, service quality and relations. In parallel, we saw a drop in commercial and market efficiency. The combination of these two conditions impacted negatively on our results, which were below expectations, requiring planning adjustments during the year.

We intend to increase the impact of our promotions, setting a better balance between central and regional promotions. We are convinced that the infrastructure modifications in progress will enable us to reach service levels capable of boosting our brand's competitive differentials.

The year also brought new opportunities. After a period of significant expansion through growth in the sales channel that increased product penetration from 40% to 60% in Brazilian homes, we identified an opportunity to modify our strategy. Our focus is now on boosting our Consultants' productivity by persuading consumers to buy a greater variety of products more frequently. After all, ours is the top brand in the market, and our Consultants connect with 100 million consumers.

We continue to be enthusiastic about the expansion of our international operations which is the result of a high performance leadership team, allying experience in Natura and knowledge of the local markets. In Argentina, Chile and Peru, countries in which our operations are at the consolidation stage, Natura grew at the rate of 36% in local weighted currency. The Company recorded a significant increase in profitability, with our brands positioned among the industry's leaders. In 2011, we continued to implement local manufacturing, with the start-up of production in Colombia and the duplication of our Distribution Center in Mexico. We also began to reap results from the "Red de Relaciones Sustentables" (Sustainable Relationship Network), an innovation in our commercial model developed especially for the Mexican market which encourages socio-environmental enterprise, a novelty in the direct selling industry.

In financial terms, our net revenues increased 8.9%, with Ebitda growing 13.4%. In the social area, we expanded wealth distribution among our main stakeholders. The changes throughout the year affected our organizational climate and our service instability bore an impact on consultants' satisfaction levels. On the other hand, with regard to the environment, we achieved our targets, with reductions in emissions and in the use of natural resources such as water and energy.

In parallel with the changes undertaken on multiple fronts, we advanced towards a new perspective for our business. We are particularly enthusiastic about the future of direct sales. We have always believed in the entrepreneurial and transformational capacity of people engaged in a common purpose. In an ever more digitally connected world, in which personal treatment of consumers becomes increasingly important, direct sales has great potential to drive continuous growth. We anticipate a future in which relations between consultants and consumers will be supported by cutting edge information technology and social networks, a field in which services should expand greatly and drive increased value generation for all those involved.

Inspired by our desire to see our brand occupy new spaces, we reaffirm our desire to proceed with the entire Natura community, further reinforcing this unique relationship network.

ALESSANDRO GIUSEPPE CARLUCCI
Chief Executive Officer

JOÃO PAULO FERREIRA
Senior Vice-President of Supply Chain

JOSÉ VICENTE MARINO
Senior Vice-President of Sales and Marketing

MARCELO CARDOSO
Senior Vice-President, Organizational Development and Sustainability

ROBERTO PEDOTE
Senior Vice-President of Finance, Legal Affairs and Information Technology

2.3 natura

2.1 - 2.9

Natura was born in 1969, the fruit of two passions: cosmetics and relationships. For 43 years, we have sought to promote well being well – an expression that embodies our reason for being: to make people feel good about themselves, about others and about the natural environment and the whole of which we are part.

We operate in the Cosmetics Fragrances and Toilletries. Since 1974, we have used direct sales as our commercial model. This means our products reach our consumers through a network of 1.4 million consultants (NCs) in Brazil and abroad.

To support this sales channel, we have almost 7 thousand employees working in Brazil, in our head office in Cajamar, São Paulo (São Paulo State), in five commercial offices – Salvador (Bahia), Campinas (São Paulo State), Alphaville (São Paulo State), Rio de Janeiro (Rio de Janeiro State) and Porto Alegre (Rio Grande do Sul State)–, in addition to our plants and research and technology centers in Cajamar and in Benevides (Pará State) and eight distribution centers spread nationwide (see figure).

We also have a strong presence in Latin America. The regional head office, located in Buenos Aires, Argentina, co-ordinates our operations in Chile, Colombia, Mexico and Peru. Our products are also marketed in Bolivia through local distributors.

Additionally, Natura has an operation and an Advanced Technology Center in Paris, France, where the Company develops research into new technologies, trends and advances in the area of beauty and well-being.

HIGHLIGHTS OF THE YEAR

ECONOMIC

_ Natura net revenues reached R$ 5,591 million, a growth of 8.9%.

_ EBITDA was R$ 1,425 million, with an EBITDA margin of 25.5%, and net earnings of R$ 830 million, and margin of 14.9%.

_ Our international operations showed vigorous growth, with 40% increase in net revenues in weighted local currency (35.4% in Reais); they now account for 9% of the business.

_ We undertook our largest investment ever, with capital expenditure of R$ 350 million in production, logistics and technology.

_ The Company's growth was below projections due to operational instabilities caused by changes in the order capture systems and lower growth in the country and in the industry.

ENVIRONMENTAL

The following initiatives were taken:

_ Launching of the Amazônia Program aimed at yielding business around R$ 136 million in the region in 2012.

_ Performance of our first water inventory using the Water Footprint methodology; this should enable diagnosis and serve as the basis for a new water management policy.

_ Implementation of a new supplier selection methodology which takes into account social and environmental impacts, in addition to price, quality and logistics.

_ Reduction of our relative GHG emissions by 25.4% between 2006 and 2011. Our target is a 33% reduction by 2013.

_ On the other hand, with regard to our water and solid waste generation program unfortunately we were unable to reach the set targets per unit invoiced,

SOCIAL

_ The quality of our relations with our main stakeholders was below the desired levels. There was a drop in organizational climate from 73% to 70%. The NC and NCA loyalty rates also decreased to 19% and 24%, respectively.

_ On the other hand we created an innovative and enterprising commercial model in Mexico, obtaining 50% growth in the first six months.

_ We initiated an important leadership development program for the 600 top Natura managers in Brazil and overseas.

_ The Trilhas Program, a partnership with the Ministry of Education, became public policy and should benefit more than 3 million students in 2012.

_ We raised R$ 8.4 million with the Crer para Ver program, yet falling short of our target of R$ 13 million.

AWARDS AND **RECOGNITIONS**

2.10

In 2011, Natura was elected the second most sustainable company in the world by the Canadian Research Institute Corporate Knights. This was the third time we were classified in this ranking. We were also elected the 8th most innovative Company worldwide by Forbes magazine and were the subject of a Harvard Business School case study. *The main recognitions in the year are presented below.*

MAIN NATURA AWARDS AND RECOGNITIONS IN 2011

FINANCE

Recognition	Organization	Category	2011
FT ArcelorMittal Boldnes in Business Awards	Financial Times and ArcelorMittal	Natura was recognized as one of the 6 best companies in the Environment category.	×

INSTITUTIONAL

Recognition	Organization	Category	2011
The 10 Most Innovative Companies in the World	Forbes Magazine	The Most Innovative Companies in the World	8º
The 100 Most Prestigious Companies	Época Negócios Magazine	The Most Prestigious Companies	2º
		Most prestigious brand in the Beauty category.	1º
The Most Admired Companies in Brazil	Carta Capital Magazine	The Most Admired Companies in Brazil	1º
		The Most Admired Companies in the Cosmetics Fragrances and Toilletries.	1º
DSN Global 100: The Top Direct Selling Companies in the World	Direct Selling News	World Ranking of the Biggest Direct Selling Companies.	3º
		Latin American Ranking of Biggest Direct Selling Companies.	1º
World's Most Ethical Company	EthiSphere	Health and Beauty	1º

MARKETING PRODUCT AND PACKAGING

Recognition	Organization	Category	2011
Abre Award for Brazilian Packaging	Abre – Brazilian Packaging Association	Company of the year	1º
		Cosmetics and Personal Care Products Packaging - New Line Ekos Hair	1º
		Packaging of Family of Products - New Line Ekos Hair	1º
		Sustainability - New Line Ekos Hair	1º
		Structural Design – Functionality New Line Ekos Hair	1º
		Marketing – Communication Strategy: New Line Ekos Hair	1º

INVESTORS' RELATIONS

Recognition	Organization	Category	2011
Best Annual Report	ABRASCA –Brazilian Association of Public Companies	Public Company Ranking	3º
CR Reporting Awards	Corporate Register	Best Integrated Report	1º

SUSTAINABILITY

Recognition	Organization	Category	2011
The 20 Most Prestigious Companies in Argentina	Clarin Newspaper	Environmental Commitment Ranking	2º
100 Most Sustainable Corporations in the World	Corporate Knights Inc., Innovest Strategic Value Advisors, Asset 4 and Bloomberg.	100 Most Sustainable Corporations in the World.	2º
Exame Sustainability Guide	Exame Magazine	One of the 20 Corporate Role Models Exame Sustainability Guide.	×
Best Social Responsibility Practices - Mexico	Centro Mexicano para la Filantropia	Best Practices: Community Relations	1º
Fundación Chile Ranking: Best Prepared Companies for Climate Change.	Fundación Chile and Capital Magazine	Companies best prepared for climate change.	1º

OUR **MARKET**

According to the most recent data from the Brazilian CFT industry association Abihpec/Sipatesp2, the market in this country grew 7.7% in nominal terms in the first ten months of the year, albeit below projections. Even with lower economic growth, increased competition, and higher overseas investment in Brazil, Natura maintained its market leadership, with 23.2% market share against 23.6% the previous year. We also retained high levels of consumer preference: 89% intend to buy our products and 68% actually acquired Natura brand products.

In the Latin American countries in which we operate (Argentina, Chile, Peru, Colombia and Mexico), the most recent Euromonitor figures show a 7.5% average annual growth for the CFT industry. This rate has remained steady over the last four years. In the same period, Natura has grown on average 38% per year in these countries, climbing from the 15th to the 9th position in the CFT company ranking for the region.

The numbers for the direct selling market showed the same trend. According to the Associação Brasileira de Vendas Diretas (Brazilian Direct Selling Association), some 3 million consultants were involved in door to door sales last year, 3.2% up over 2010. The growth rate during the previous year was 12.2%.

PROGRESS IN OUR COMMITMENTS

Every year we assume commitments and targets to drive our socio-environmental performance. These targets are incorporated into our Socio-Environmental Budget and are monitored by the Natura Executive Committee. Our 2012 targets were adjusted in accordance with the operational market framework we encountered in 2011 and Natura made them challenging. The table below presents the results for the year:

2011 TARGET	2011 PERFORMANCE	2012 TARGET
WATER		
Reduce total water consumption per unit invoiced by 3%.	NOT ACHIEVED Water consumption increased by 14%.	Maintain water consumption at 0.40 liters per unit produced in Brazil.[1]
EDUCATION		
EMPLOYEES		
Reach average of 100 hours training per employee in Brazil	NOT ACHIEVED Natura had the same average as the previous year, 90 hours.	None. The scope of the target was expanded to include international operations *(see below)*.
Reach an average of 88 hours training per employee throughout Natura.	NOT ACHIEVED 85 hours reached.	Reach an average of 80 hours training per employee throughout Natura.
CONSULTANTS AND NCAS		
Train 540 thousand consultants per subject[2].	ACHIEVED 566 thousand NCs trained.	Train 1,005,000 consultants per subject.[1]
Achieve R$ 13 million sales from Crer para Ver product line.	NOT ACHIEVED Sales were R$ 8.4 million.	Achieve R$ 10.3 million sales from Crer para Ver product line in Brazil and R$ 2.5 million from international operations.
Reach 134 thousand NCs engaged in Natura Movement.	NOT ACHIEVED Almost 123 thousand NCs engaged in Natura Movement.	Maintain 123 thousand NCs engaged in Natura Movement.
Achieve 13% penetration among consultants with the Crer para Ver program in Brazil.	NOT ACHIEVED Rate achieved was 9.5%.	Achieve 11% penetration among consultants in the Crer program in Brazil and 17.7% in international operations.
CLIMATE CHANGE		
Reduce relative greenhouse gases (GHG) emissions by 33% by 2013, against 2006 baseline inventory.	UNDERWAY Reduction of 25.4% up to 2011.	Reduce relative greenhouse gases (GHG) emissions by 33% by 2013, against 2006 baseline inventory.
Reduce scope 1 and 2 GHG Protocol emissions by 10% by 2012, against 2008 baseline.	UNDERWAY The accrued variation from 2008 to 2011 increased 11%.	Reduce scope 1 and 2 GHG Protocol emissions by 10% by 2012, against 2008 baseline.

RELATIONSHIP QUALITY		
EMPLOYEES		
Achieve 32% employee loyalty in Brazil.	NOT ACHIEVED The rate was 28%.	Achieve 30% employee loyalty in Brazil.
Achieve 76% favorability in Natura climate survey.	NOT ACHIEVED The rate achieved was 70%.	Achieve 74% favorability in Natura climate survey.
CONSULTANTS AND NCAS		
Achieve 22% loyalty among consultants in Brazil.	NOT ACHIEVED The rate achieved was 19%.	Achieve 21% loyalty among consultants in Brazil and 36% in international operations.
Achieve 37% loyalty among Natura Consultant Advisors in Brazil.[3]	NOT ACHIEVED The rate was 24%.	Achieve 33% loyalty among Natura Consultant Advisors in Brazil.
CONSUMER		
Reach 54% consumer loyalty in Brazil.	NOT ACHIEVED The rate was 52%.	Reach 54% consumer loyalty in Brazil.
SUPPLIERS		
Maintain 28% Natura supplier loyalty.	NOT ACHIEVED The rate was 27%.	Reach 29% Natura supplier loyalty.
SUPPLIER COMMUNITIES		
Achieve 44% loyalty among suppliers' communities.	NOT COMPARABLE The rate was 28%, but it was not possible to compare it with the 2010 results because of changes in methodology.	Achieve 30% loyalty among suppliers' communities.
Achieve average score of 3.67 in assessment of BioQlicar community development program.	UNDERWAY Results will be available in May 2012.	Achieve average score of 3.76.
SOLID WASTE		
Reduce total weight of solid waste generated per unit invoiced by 3%.	NOT ACHIEVED Total weight of solid waste generated by unit sold grew 3%.	Maintain quantity of solid waste generated per unit produced in Brazil at 20 grams.[1]
Sociobiodiversity		
AMAZON		
Did not exist.	-	Generate R$ 136 million in business volume in the Amazon region, considering Natura and other partners.
Did not exist.	-	Achieve 12% share for Amazon raw materials in Natura's raw material purchase volumes.
SUPPLIERS' COMMUNITIES		
Increase funding for communities by 25%.	NOT ACHIEVED Funding was increased by 15%.	Distribute R$ 12 million in wealth to suppliers' communities.
PRODUCT IMPACTS		
Eliminate the use of the preservative parabens from the portfolio by July 1, 2011.	ACHIEVED Natura excluded parabens from the formulation of all its products.	No ingredient substitutions are scheduled for 2012

1. We replaced the unit sold metrics with the unit produced. In other words, we no longer do the calculation based on the units sold (invoiced), considering instead what is actually manufactured (produced) by Natura. According to the new calculation, water consumption and solid waste generation were reduced. (more on page 81).

2. Starting in 2012, we should have a new method of tracking this indicator, recording NC participation per subject and counting all the NC learning interactions. Training by subject refers to different actions with specific subjects and focuses.

3. Errata: the NCA loyalty target for 2011 was 37% and not 40%, as published in the 2010 report.

2.5 governance

4.1; 4.2; 4.3; 4.6

Natura aims for the best standards of corporate governance, and continually strives to for excellence in this area. We are listed on the BM&FBOVESPA New Market, a special segment of the Brazilian Stock Exchange with the most demanding levels of corporate governance.

Even though it is not listed on the New York Stock Exchange, Natura was the first Brazilian Company to voluntarily obtain SOx certification in line with the Sarbanes-Oxley Act to guarantee the integrity of our systems and controls against fraud and corruption. Since 2007, we have been members of the Company Circle of Latin American Corporate Governance, after being selected by the World Bank's International Finance Corporation.

BOARD OF DIRECTORS

4.7

The Natura Board of Directors includes seven members who hold a one-year mandate, renewable by approval of the General Shareholders Meeting. Currently one chair is vacant, and two of the board members are independent.

In 2011, the Board of Directors was renewed and two of its members replaced. Edson Vaz Musa and José Guimarães Monforte stepped down after helping in the growth and strengthening of Natura for 13 years. Marcos Lisboa and Adílson Primo were appointed to replace them in the Annual Shareholders Meeting held in April 2011. Well known in the market, they joined the Board as independent external members. However, Adilson Primo resigned in November and his position is still vacant. The same meeting confirmed the return of Guilherme Leal, who had resigned the previous year to run in Brazil presidential elections.

We believe renewing the Board is a healthy practice that helps bringing in new ideas and a differentiated vision for the company. In 2012, we intend to increase the number of chair members from seven to nine. This change and the new members will be voted in during the next Extraordinary and Annual Shareholders Meeting to be held on April 13, 2012.

The three new names to be indicated for the Board are Plínio Musetti, who is already on the Strategy Committee, Raul Beer and Roberto Lima. This composition will give the Board three independent members. The choice of these nominees is based on executive experience, knowledge of sustainability and the lack of conflicts of interest.

This increase in size is aligned with Natura's plans for the future, which include significant expansion in Brazil and Latin America, and will reinforce the team with professionals who have extensive and diverse corporate experience. The change will also enable us to broaden the composition and reinforce the capacity of the support committees.

The six meetings of the Board of Directors in 2011 were held in São Paulo (São Paulo State). We were unable to fulfill our wish of holding meetings in the other cities in which the Company business units are located, alternating between Brazilian and international operations.

There are four committees which meet at set intervals for discussions, to assess study proposals and make recommendations to the Board *(see figure below)*.

COMPOSITION OF THE BOARD OF DIRECTORS*

4.1

PEDRO LUIZ BARREIROS PASSOS
Board Member and CoChairman in office

ANTONIO LUIZ DA CUNHA SEABRA
Board Member and CoChairman

GUILHERME LEAL
Board Member and CoChairman

MARCOS LISBOA
Board Member and Chairman of the Audit, Risk Management and Finance Committee

JULIO MOURA NETO
Board Member and Chairman of the Strategy Committee

LUIZ ERNESTO GEMIGNANI
Board Member and Chairman of the People and Organizational Development Committee

BOARD OF DIRECTORS - SUPPORT COMMITTEES

4.1; 4.9

Audit, Risk Management and Finance

This committee is responsible for reviewing issues associated with taxes, accounting, company structure and new investments. It provides information to the Board on finance, risks and relations with external auditors. Since the beginning of 2011, it has been composed exclusively of independent external members. With the stepping down of José Guimarães Monforte, Edson Vaz Musa and Adilson Primo from the Board of Directors, the current Committee members are Luiz Ernesto Gemignani and Marcos de Barros Lisboa.

Although the Sox Act recommends that the committee should have three independent members, we believe our Audit Committee works well with the current number. The committee receives support from a technical group consisting of: the external specialists Gilberto Mifano and Taiki Hirashima; Roberto Pedote, Senior Vice-President, Finance, Legal Affairs and Information Technology; Moacir Salzstein, Director of Corporate Governance, and the Risk Management and Internal Audit Manager Mercedes Stinco. The committee meets quarterly.

Strategy

This committee monitors projects drawn in strategic planning and its purpose is to study long-term initiatives for the Company. Its composition changed last year with the entry of Plínio Musetti. Edson Vaz Musa was replaced by Adílson Antonio Primo, who held office until the end of October. Other members are Pedro Luiz Barreiros Passos, Julio Moura Neto and the company CEO, Alessandro Carlucci. The Committee meets every month, except in January and June.

Corporate Governance

This Committee is responsible for discussing improvements in the governance process and business operations. It also coordinates assessments by the Board and Corporate Governance. The four current members are: Pedro Luiz Barreiros Passos, Antonio Luiz da Cunha Seabra, Guilherme Peirão Leal and Julio Moura Neto, and a Secretary, the Director of Corporate Governance, Moacir Salzstein. Meetings take place quarterly.

People and Organizational Development

With the departure of Edson Vaz Musa, the Committee was reduced to two Board members: Pedro Luiz Barreiros Passos and Luiz Ernesto Gemignani. The other members are: Fátima Raimondi, an external participant; Alessandro Carlucci, CEO; and Marcelo Cardoso, Senior Vice-President, Organizational Development and Sustainability. The committee addresses issues in connection with compensation, succession, projects and training, in addition to Human Resources, the Culture Program and Natura Management System.

** On the date of publication of this report*

SENIOR MANAGEMENT ASSESSMENT AND SELF-ASSESSMENT

4.10

The most recent assessment process involving the Board of Directors took place at the end of 2010. This consisted of a self-assessment and a broad review conducted by external consultants which included issues such as the Board's size, attributions and work flow. This analysis indicated opportunities for improvement that have been implemented over the last two years. Due to the two analyses conducted in 2010 and the renewal of the Board in 2011, the decision was taken not to repeat this process last year. It should be resumed in the first half of 2012.

ORDINARY GENERAL SHAREHOLDERS' MEETING

For two years we have been making every effort to attract more shareholders to attend the Ordinary General Shareholders' Meeting, in particular our individual investors. Accordingly, in 2011 we assembled around 250 investors in Cajamar, where they were able to accompany the meeting held in Itapecerica da Serra in real time. All the members of the Board of Directors and Executive Committee were present at the Cajamar event to answer shareholders' questions.

A public meeting by Association of Investment and Capital Market Analysts and Professionals (Associação dos Analistas e Profissionais de Investimento do Mercado de Capitais, Apimec - São Paulo State) was also organized and held along the same event. Due to the success of the encounter and the importance of this audience, the event is expected to be repeated in 2012.

EXECUTIVE GOVERNANCE

The Executive Committee (Comex) is Natura's main executive body and is charged with overseeing development of the company's strategic planning and strategic projects, overall business management and evaluation of results based on the triple bottom line. In 2011, the CEO Alessandro Carlucci accumulated the position of Vice President of Innovation. This vacancy should be filled out in 2012.

Comex has eight supporting committees in which subjects in connection with the executive areas are discussed.

COMPOSITION OF THE **EXECUTIVE COMMITTEE (COMEX)**

ALESSANDRO GIUSEPPE CARLUCCI
CEO

JOÃO PAULO FERREIRA
Senior Vice-President, Operations and Logistics

JOSÉ VICENTE MARINO
Senior Vice-President, Business

MARCELO CARDOSO
Senior Vice-President, Organizational Development and Sustainability

ROBERTO PEDOTE
Senior Vice-President, Finance, Legal Affairs and Information Technology

EXECUTIVE BOARD

ALESSANDRO MENDES
Product Development Director

ALEXANDRE ALVES LEMOS
Commercial Director

ALEXANDRE CRESCENZI
Commercial Director

ANA LUIZA MACHADO ALVES
Brand and Culture Director

ANGEL MEDEIROS
Logistics Innovation Director

ARMANDO MARCHESAN NETO
Operations and Logistics Director

ARNO CORREIA DE ARAUJO
Commercial Director, Mexico

AXEL PABLO MORICZ DE TECSO
General Manager, Chile

DANIEL DE ALMEIDA GUSMAO ALVES SILVEIRA
Commercial Director

DANIEL LEVY
Business Unit Director

DANIEL MADUREIRA GONZAGA
General Manager, Peru

DENISE LYRA DE FIGUEIREDO
Business Unit Director

DENISE REGINA DE OLIVEIRA ALVES
Sustainability Director

DIEGO DE LEONE
Business Unit Director International Operations

ERASMO TOLEDO
Business Director International Operations

FABIO NOBRE DA COSTA BOUCINHAS
Digital Media Director

FLAVIO PESIGUELO
International Organizational Development
and Sustainability Director

CECILIA GOYA MEADE
General Manager, Mexico

HERIOVALDO RAMOS DA SILVA
Commercial Management Director International Operations

JOAO AUGUSTO PEDREIRA
General Business Director, Brazil

JOAO CARLOS MOCELIN
Industrial Director

JORGE LUIS ROSOLINO
commercial director

JOSE THOMAZ DEVECZ PENTEADO DE LUCA
Commercial Innovation Director

JOSELENA PERESSINOTO ROMERO
Product Availability Director

LOREDANA SARCINELLA MARIOTTO
Business Unit Director

LUCILENE SILVA PRADO
Legal Affairs Director

LUIS RENATO COSTA BUENO
Commercial Director

LUIZ CARLOS DE LIMA
Finance Director

MARCEL GOYA
Finance, IT and Legal Affairs
Director International Operations

MARCIA ANDREA DE MATOS LEAL
Management Systems Director

MARCUS OLIVER RISSEL
Commercial Director

MOACIR SALZSTEIN
Corporate Governance Director

MONICA GRANJA GREGORI
Communication and Marketing Director

NESTOR MARIANO FELPI
Order Cycle Director

NEY MAURO SIMONE DA SILVA
People Management Director

PEDRO CRUZ VILLARES
President, Instituto Natura

PEDRO ROBERTO GONZALES
General Director

RENATO ABRAMOVICH
Business Unit Director

RICARDO LOBATO FAUCON
Customer Service Director

ROBERT CLAUS CHATWIN
Business Development Director

RODOLFO WITZIG GUTTILLA
Corporate Affairs and Government Relations Director

TATIANA DE CARVALHO PICCOLI PIGNATARI
Business Unit Director

THIERRY AUBRY LECOMTE
General Director International Operations

VICTOR MUNIZ FERNANDES
Research and Development Director

COMEX SUPPORT COMMITTEES

4.1

Customers
Created in January 2011, the committee's main attributions are the monitoring of the quality of service Natura provides to end consumers and consultants. It is led by João Paulo Ferreira, Vice President, Logistics Operations, with the participation of José Vicente Marino, Vice President, Business.

Ethics
Charged with ensuring the application of the Natura Relationship Principles and correcting potential deviations, it is led by Roberto Pedote, Senior Vice-President, Finance, Legal Affairs and Information Technology, with the participation of Marcelo Cardoso, Senior Vice-President, Organizational Development and Sustainability.

Ideas and Concepts
Initiated in March 2011 and led by the CEO Alessandro Carlucci, this committee has as members the co-chairmen Pedro Luiz Barreiros Passos and Antonio Luiz da Cunha Seabra and investigates innovative long-term ideas and concepts for Natura.

Commercial Innovation
The committee's major function is to review projects that drive innovation. It is led by José Vicente Marino, Vice President, Business, with the participation of Roberto Pedote, Senior Vice-President Finance, Legal Affairs and Information Technology.

Brand
Responsible for managing the Natura brand, the committee addresses brand architecture, Natura language and movements. It is led by Alessandro Carlucci, CEO, with the participation of José Vicente Marino, Vice President, Business, and Marcelo Cardoso, Senior Vice-President, Organizational Development and Sustainability.

Processes
Led by Marcelo Cardoso, Senior Vice-President, Organizational Development and Sustainability, this committee is charged with overseeing the implementation of Management by Processes and defining action fronts and strategies. João Paulo Ferreira, Vice President, Operations and Logistics, is involved.

Products
Led by the Innovation area, the committee monitors approval processes for new Natura products. Alessandro Carlucci assumed temporarily the leadership of the committee, supported by José Vicente Marino, vice president, Business.

Sustainability
Led by Marcelo Cardoso, Senior Vice-President, Organizational Development and Sustainability; the other members are Roberto Pedote, Senior Vice-President, Finance, Legal Affairs and Information Technology, and João Paulo Ferreira, vice president, Operations and Logistics. This committee's role is to define and track the company's Socio-Environmental Budget and Materiality Matrix, and other matters linked to the Company's strategic planning. Its attributions also include the definition of strategic sustainability-related projects such as Carbon Neutral and Solid Waste and the company's positioning and strategies related to its vision of sustainability and relationship quality.

RISK **MANAGEMENT**

Risk management at Natura is an instrument incorporated into the strategic planning cycle encompassing economic, social and environmental matters. These are divided into two main groups: strategic risks, that is, risks that could affect company 's continuity and operational risks, in which our internal processes are monitored and verified periodically by the manager responsible and his/her team.

Ongoing improvement of our sustainability risk assessment mechanisms is integral to our strategy. It is our understanding that the challenge of integrating sustainability into company's management includes continually assessing socio-environmental risks in the business. Even though we do not have a specific analysis of effects associated with climate change in the risk management process, the company has important mitigation projects aimed at the impacts our business may generate, such as the Carbon Neutral Program *(more on page 26)* and water consumption reduction measures *(more on page 25)*

We identify major risks and controls for all processes, including regulatory questions and opportunities to develop technologies or products to face the challenges posed by climate change. *EC2*

We have a strategic risk map which is monitored by all the committees supporting corporate and executive governance.

Since 2009, we have been working on refining a crisis prevention system, studying the most relevant scenarios for the company within a broader contingency plan for all our operations.

INTERNAL AUDIT

The Natura internal audit team reports to the Audit, Risk Management and Finance Committee within a framework which guarantees the auditors' freedom of action with no interference from other company's functions. During the year, 29 audits were conducted in the company, encompassing all the countries in which we operate. A total of 36 processes were assessed, compared to 33 in 2010.

Natura's internal audits include tests and procedures that assess control environment, including measures to prevent fraud and corruption. In 2011, we received three reports from Brazilian and international operations. These were noticed via different channels, particularly worthy of note being the Ombudsman area. One case of irregularity was proven, resulting in the dismissal of an employee. All the operations are subject to the processes set forth in the Sarbanes-Oxley Act, including those involving corruption. We received SOx certification at the beginning of 2011, and this was renewed in 2012. *SO2; SO4*

In 2012, we should integrate our fraud prevention controls with the involvement of internal controls, audit, the ombudsman and legal areas. This initiative is intended to further reinforce fraud prevention. To ensure an environment that is increasingly open and ethical, we will step up communication with all the stakeholders about the channels available for reporting breaches and suspected breaches such as the ombudsman, the investigation process and the role and responsibilities of the Ethics and Audit Committee.

SENIOR MANAGEMENT **COMPENSATION** *4.5*

Our compensation plan for senior management seeks to foster engagement, balance short, medium and long term gains and is linked with the company's growth and share value.

For a group of executives that includes the CEO, vice presidents, directors and senior managers, gains are linked with long-term commitment through a share option subscription or purchase plan. Since 2009 the plan has required that the executive invest at least 50% of his/her net earnings from the profit share plan in the acquisition of Natura shares. 50% of these shares vest after three years, and 100% after four years.

In both cases, the plan is valid for eight years and the shares may not be sold before the end of the third year. The model establishes an annual grant limit of 0.75%, and a maximum of 4%.

In December 2011, the volume of share options owned by the company's executives corresponded to around 1.71% of Natura's stock, compared with 1.59% in 2010. The total number of Natura shares on December 31st, 2011 was 431,239,364.

Since 2002, we have granted 21,191,529 options, 23% of which have been canceled due to employees leaving the company.

Tables: Number of Options and Appreciation of Plans

NUMBER OF OPTIONS

Plan	Granted	Exercised	Mature Balance	Non-Mature Balance	Cancelled	
2002	3.533.610	2.712.645	0	0	820.965	23%
2003	3.969.220	3.404.495	0	0	564.725	14%
2004	1.901.460	1.606.063	0	0	295.397	16%
2005	1.120.760	651.354	0	0	469.406	42%
2006	1.153.756	230.007	320.062	0	536.687	47%
2007	1.305.508	150.985	470.274	0	614.843	47%
2008	1.800.010	0	347.838	498.823	802.364	45%
2009	2.690.064[1]	0	0	2.249.793	440.271	16%
2010	2.112.352	0	0	2.001.021	111.331	5%
2011	1.604.789	0	0	1.470.940	133.849	8%
Total	21.191.529	9.042.940	1.138.174	6.220.577	4.789.838	23%

The quantity of shares granted was altered due to contract changes with some employees (impacting 52,064 options).

APPRECIATION OF PLANS*

		Amounts in 000's R$				
Plan	Restated amount of plan	Actual Discount Obtained in year	Discount obtained in year	Potential discount of mature balance	Potential discount of non-mature balance	Plan Status
2002	R$ 7,29	42.412,4	55.612,0	0,0	0,0	Vencido
2003	R$ 4,08	66.917,3	84.884,7	0,0	0,0	Vencido
2004	R$ 10,05	26.152,8	31.214,9	0,0	0,0	Vencido
2005	R$ 21,56	8.531,0	9.396,3	0,0	0,0	Vencido
2006	R$ 32,13	3.421,0	3.705,8	1.384,6	0,0	100% maduro
2007	R$ 30,39	3.139,9	3.342,7	2.855,4	6.416,7	100% maduro
2008	R$ 23,60	2.670,4	2.744,9	4.474,5	-24.125,5	50% maduro
2009	R$ 25,74	0,0	0,0	0,0	-2.607,7	Não maduro
2010	R$ 37,76	0,0	0,0	0,0	-11.196,1	Não maduro
2011	R$ 44,07	0,0	0,0	0,0		Não maduro
Total		153.244,8	190.901,3	8.714,6	30.542,2	

** Accrued amounts, corrected by the IPCA index up to December 2011. NATU 3 on December 29th, 2011:* ***R$ 36,46***

50% MATURE	100% MATURE	VALIDITY
April 10 – 05	April 10 – 06	April 10 – 08
April 10 – 06	April 10 – 07	April 10 – 09
April 10 - 07	April 10 – 08	April 10 – 10
March 16 – 08	March 16 – 09	March 16 – 11
March 29 - 09	March 29 – 10	March 29 – 12
April 25 – 10	April 25 – 11	April 25- 13
April 22 – 11	April 22 - 12	April 22 – 14
April 22 - 12	April 22 – 13	April 22 – 17
March 19 – 13	March 19 – 14	March 19 -18
March 23 – 14	March 23 - 15	March 23 – 19

VARIABLE **COMPENSATION**

Variable compensation is designed to recognize and reward Natura's executives for their performance and results during the year. Because the Company did not achieve the social targets set for 2011, around 600 Company's managers, Directors and Executive Committee's members were not rewarded with any variable compensation.

The Profit Share System for management consists in the payment of monthly salary multiples in accordance with the executive's position in the organizational structure and is linked to the effective achievement of targets and minimum growth levels established for the year. Payment is contingent on Natura's performance reaching the stipulated minimum. The criteria reflect performance in the triple bottom line dimensions:

_ Economic – Consolidated Ebitda, covering Brazil and international operations;

_ Social – Organizational climate survey for employees in the Brazilian and international operations and loyalty rate for Brazilian consultants;

_ Environmental – Carbon emissions in Brazil and in the international operations;

_ Others – Product shortage, the percentage of products not available when ordered by consultants.

The total amount awarded in the profit share scheme, based on the long-term incentive program, may not exceed 10% of net earnings. This limit provides Natura with a balanced and coherent system that prevents distortions between executive compensation and company performance. The variable component, both short and long-term, is proportionally larger for senior executives than for other employees.

The table below shows the compensation of the main employee segments in the company:

2011	Average number of employees (number)	Total salary (in millions)[1]	Total variable (in millions)[2]	2012 Stock Option Plan (in number of shares)[3]
Board	7	3,13	1,30	-
Executive Committee	5	5,86	5,49	-
Senior Management and Directors	102	36,40	19,90	-
Middle Management	405	60,63	20,79	-
Administrative	1.488	92,85	9,20	-
Sales Force	875	49,09	49,67	-
Operational	2.436	52,21	12,77	-
Total 2011	**5.317**	**300,17**	**119,11**	**-**

1. Total Salary: Takes into account annual average base salary over 12 months (without charges) and overtime (with remunerated weekly rest - DSR), 13th and 14th salaries, in millions.
2. Variable Total: Bonus, Profit Share and Sales Bonus (with DSR) paid in year
3. Stock Options: 2012 plan not approved yet.

2010	Average number of employees (number)	Total salary (in millions)[1]	Total variable (in millions)[2]	2011 Stock Option Plan (in number of shares)[3]
Board	6	2,64	2,08	-
Executive Committee	6	5,25	6, 28	346.476
Senior Management and Directors	86	27,04	17,83	1.258.313
Middle Management	336	42,17	18,14	-
Administrative	1.255	63,63	6,29	-
Sales Force	905	44,60	43,19	-
Operational	2.542	41,89	10,33	-
Total 2010	**5.135**	**227,23**	**104,13**	**1.604.789,00**

1. Total Salary: Takes into account annual average base salary over 12 months (without charges) and overtime (with remunerated weekly rest - DSR), in millions.
2. Variable Total: Bonus, Profit Share and Sales Bonus (with DSR) paid in year
3. Stock Options: 2011 plan approved in March 2011.

2.6 natura management system

All our businesses and operations are run based on the Natura Management System – designed specifically to meet our needs and to transform Natura into a company that is fundamentally process driven.

This system makes for greater alignment with the company's Essence and organizational culture, establishing requirements that enable Natura to run the business more dynamically while simultaneously operating within well-defined processes. This is vital considering the decentralized structure we adopted in 2008. With our expansion in Brazil and Latin America, we needed an administration aligned with our value proposition, but flexible enough to meet specific demands from each location and segment.

The Natura Management System is based on three dimensions: the individual, the organization and the relationships. It functions through 12 priority interrelated components: leadership, strategic planning, relationships, sustainability, learning, individuals, processes, brand, culture, customers, innovation and triple bottom line results.

As an ongoing process, the System generates learning and is constantly improved. In 2011, the Company refined the definitions of each of the components, progressed in the processes and conducted extensive training for the teams directly involved. We also started to align the system with the Fundação Nacional da Qualidade (National Quality Foundation) management excellence model, enabling us to measure our maturity and make comparisons with other process-driven companies.

Our ongoing challenge is to ensure our employees to learn and appropriate the Natura Management System so that it is understood and executed seamlessly. In 2012, we will engage in an extensive effort to disseminate the system and train people accordingly.

The system will increasingly align business management with our Essence, oriented to service quality and triple bottom line results.

3. what we faim for

3.1 strategy and prospects

Brazil continues to be one of the major cosmetics, fragrances and hygiene products markets in the world. Although growth in 2011 was reduced as compared to previous years, it will continue to expand at a higher rate than the global industry. Now the third top market worldwide, coming after the United States and Japan, Brazil is expected to become number two in 2012.

In this expansion framework, it is our intent to make sure that services for our consultants and end consumers reach a level of excellence that will boost our competitive edge.

Given the high penetration of our products, found in the homes of some 100 million Brazilians, and consumer preference for the Natura brand, more than twice as high as the runner up, we can grow by selling consumers a wider variety of products more often. This will involve an increase in the productivity of our consultants. To do this we should modify our marketing mix and introduce innovations to occupy niches in which the brand is not yet present, among other initiatives.

We are confident and optimistic about the expansion of our international operations, which have proved to be an important and profitable business platform. In the Latin American countries we are expanding our sales channel and increasing local manufacturing, with a perspective of accelerated growth in a highly promising market.

We have closely accompanied transformations in the business environment, with a more demanding consumer, the advance of digital technologies and social networks. We intend to use these tools to further expand our business, generating income for our consultants and providing the consumer with an enhanced purchase experience.

Confident about the innovative spirit of our team, we believe this moment of transformation will enable Natura to extend its value proposition to new regions, further expanding the Company's relationship network and its potential to contribute toward the construction of the business model of the future.

INFRASTRUCTURE TO SUPPORT GROWTH

Natura's investments in infrastructure will underpin the Company's new cycle of growth. Since 2009, our logistics infrastructure has undergone significant transformation. We are striving to ensure that products get to our consultants more rapidly, at a lower cost per order and with fewer greenhouse gases emissions.

In 2011, we inaugurated a new Distribution Center (DC) and expanded the capacity of three others. With high technology product picking, extensive automation and low energy consumption, they are prepared to handle a higher number of orders, including those with fewer items, enabling more split deliveries. Gains in productivity ensue while reducing order costs.

This expansion will continue in 2012 with the inauguration of yet another distribution center and hub (cargo transshipment center) in São Paulo (São Paulo State). These investments have brought the remodeling of our logistics network forward by almost two years. Our overriding aim is to cut delivery times to consultants.

We have also driven logistics efficiency gains in our international operations with new distribution planning for Latin America, centralized in Colombia and Mexico. We consolidated the perfume bottling operation in Argentina where we started in 2010 and have begun soap production in Colombia. This is expected to increase significantly the proportion of products manufactured locally.

MANAGING **SUSTAINABILITY**

Innovation and the ongoing evolution of our business are underpinned by driving sustainability throughout our processes. To that effect our management of sustainability is cross-structured to define socio-environmental positioning and guidelines for every organizational area.

It is our understanding that the definition of targets and the ongoing monitoring of our socio-environmental performance provide the basis for transforming the organization and the decision-making processes. They also generate new business opportunities, transforming socio-environmental challenges into value for Natura and for our relationship network.

This evolution is an integral part of our Strategic Planning and is tracked systematically by Senior Management. The main socio-environmental indicators, with short and long-term goals, are part of the company's strategic targets and are reflected in our public commitments *(more on page 12)*.

Priorities are defined in conjunction with our stakeholders. Through the discussion panels held in Brazil and abroad, we identified a set of high impact subjects for the company which are represented in the materiality matrix. Reviewed every two years, these subjects operate as a guide for management, driving projects and operational initiatives. The Sustainability Committee reports on performance to Natura's Senior Management.

The matrix was reviewed in 2010 and finalized in 2011 helping to expand the scope of Natura's operations in Latin America, and the identification of the following priority subjects: water, education, sustainable entrepreneurship, climate change, relationship quality, solid waste and sociobiodiversity *(more on page 25 and 28)*.

Due to their relevance and the stage of maturity Natura has reached in these areas, some of these priority subjects are now structured as company's sub-processes.

As steward of this process, the Sustainability function is incorporated into the Organizational Development and Sustainability process. Managing relations quality with stakeholders and meeting their demands also comes under sustainability, encompassing the employees' instruction as to how to relate to and dialogue with strategic stakeholders *(more on page 27 and 31)*.

3.2 priority topics

4.17

WATER

The threat of drinking water shortage represents one of the major threats to life on our planet. Consequently, what was already a major focus in reducing our product impacts became a priority for Natura when it revised its materiality matrix in 2010 and 2011 *(read more on About this Report)*.

To identify the real impact our business has on water resources, two years ago Natura initiated a broad-based study throughout the production chain – from the extraction of raw materials used in manufacturing to final product disposal. This enabled the Company to measure the business' main impacts, both in terms of water consumption and pollution potential.

This study became Natura's first water inventory. The methodology, also known as Water Footprint, was created by WFN, the first international organization devoted to promoting the sustainable, equitable and efficient use of water. Natura has partnered with WFN since 2009 and was the first Company in the cosmetics industry worldwide to apply this technology. We are also the only company in the world to include consumers product use in the inventory.

In parallel, we invested in a series of initiatives to rationalize, reuse and treat the water used in our operations. This resulted in a 4.7% reduction in consumption per unit produced in 2011 *(more on page 83)*.

EDUCATION

We believe that improving the quality of education is key to developing awareness among individuals capable of promoting a fairer, more sustainable society. This is a collective challenge that goes beyond organizations and civil institutions. It is everyone's responsibility. This is why in 2011 we set about building a new educational architecture for Natura, resulting in a matrix that will guide all our internal and external actions.

Our measures aimed at education for sustainability seek to drive a transformational culture that will promote excellence in our business and enable us to influence the definition of a new economy. We intend to use the sustainability management structure we have, considered a benchmark in the industry, and our relationship network to raise the awareness of our employees, suppliers and other stakeholders.

Another basic pillar of our education strategy is the Instituto Natura. A not-for-profit organization created in 2010, it oversees our private social investments in Brazil with a focus on quality education. The major component in this commitment is the Crer para Ver program, which is funded by the sale of a special product line which proceeds are invested in public education improvement projects in Brazil and Latin America. Neither Natura nor the consultants make money from the sale of these products. The aim is to offer educational technologies that positively influence public policy on education as a means of expanding the reach of our initiatives. This is the case with the Trilhas Project to encourage reading and writing in infant education. In 2012, the initiative will be implemented in partnership with the Ministry of Education in two thousand municipalities, reaching three million students.

SUSTAINABLE ENTREPRENEURSHIP

Sustainable entrepreneurship is not only a new priority subject for Natura, but also a relatively unexplored concept in the business world. It is relevant for our strategy, but we know we still have some way to go to learn how to promote it. We are convinced, however, that our commercial model based on direct selling provides us with an opportunity to foster socio-environmental actions and boost the entrepreneurial potential of our relationship network.

In 2011, we held a discussion panel with employees to address this subject. A number of initiatives have already demonstrated this potential, such as the Acolher Program, which encourages and supports socio-environmental projects developed by NCs and NCAs. This is also the case with the Sustainable Relations Network the Company created in Mexico. In this direct selling model launched in mid-2011, the consultants' level of involvement with Natura increases not only as a function of their commercial performance, but also on account of their engagement in socio-environmental projects in the communities in which they live *(more on page 48 and 51)*.

CLIMATE CHANGE

In 2007, Natura assumed one of its boldest and most important environmental commitments: the decision to be carbon neutral. This means that the Company compensates for all product manufacturing greenhouse gases emissions throughout the value chain by investing in reforestation programs, energy efficiency and fuel substitution.

Even so, we know that the best initiative to save the planet is to effectively reduce our emissions. In this connection we are committed to a 33% reduction in our relative emissions by 2013, against a 2006 baseline. By the end of 2011, we reached a relative reduction of 25.4%. A further goal is a 10% decrease in our absolute emissions (generated in the production process) between 2008 and 2012. By the end of 2011, absolute emissions had increased by 11%, as a result of difficulties in implementing certain projects. This condition should be remediated in 2012.

The Company's commitments present some intense challenges which require serious learning. To achieve the targeted reductions we undertake constant analyses. In spite of our efforts, we are still dependent on external decisions such as the composition of Brazil's energy matrix, defined by public policy. With the increased use of thermoelectric power plants, which pollute more than hydroelectric plants, the electricity grid emission factor is more significant in calculating carbon emissions, impacting the emissions of companies plugged to the grid.

Another vital point is getting our employees on board. We have presented our managers with the challenge of incorporating carbon into our business vision, driving the issue throughout the company.

To compensate for our 2010 emissions, in 2011 we bought carbon credits in a compensation project in Colombia, the first time we have done so outside Brazil. We also launched a tender to select projects to neutralize our 2011 and 2012 emissions *(more on page 75)*.

RELATIONSHIP QUALITY

Natura believes our development and that of our stakeholders depends on our capacity to seek broad collective solutions to our current challenges and the relationships we establish with our diverse audiences.

To turn this belief into action, the Company has been developing structured relationship management initiatives since 2009, with permanent channels for interacting with and engaging our stakeholders. We have promoted discussion panels to receive inputs on strategic Company's projects and initiatives, as well as to assess relationship quality.

This has led to innovative thinking and differentiated solutions. We have increased the number of multistakeholder panels, noting that bringing together different visions and interests drives a creative tension that helps us see things from other people's perspective. This exchange of ideas broadens the perspective of all involved, allowing people to understand and respect different standpoints.

We organize activities to promote self-development and raise awareness on different subjects involving different audiences.

Our interactions also occur virtually through Natura Conecta (www.naturaconecta.com.br), a community dedicated to information exchange and discussion.

Maintaining relationship quality is an increasingly strategic process for Natura and the perceptions captured in these discussions are vital inputs for our strategic planning *(more on page 31)*.

SOLID WASTE

For the last two years, Natura has been developing its own solid waste management program involving partners, third-parties and consumers. The proposal is to use solid waste management to leverage new businesses through continuous innovation, collective construction, adaptation and social inclusion.

We developed a methodology which was applied to the first Natura solid waste generation inventory covering the full product life cycle. This enabled a broader diagnosis of solid waste generation throughout the production chain. The data will be used to guide Natura's solid solid waste management planning for the coming years.

However, we believe that effective solid waste management and a consequent reduction in impacts will only occur through a collective effort involving companies, public authorities, solid waste collection cooperatives, civil society and all the other links in the production and consumption chain. We also participate in a plan that is being led by the CFT segment association, Abihpec, to drive compliance with Brazil's national solid waste policy regarding reverse logistics of post-consumption packaging *(more on page 82)*.

SOCIOBIODIVERSITY

Natura's experience of more than ten years using Brazilian biodiversity assets in our products and distributing wealth based on traditional knowledge demonstrates the potential to use these resources to generate wealth for the country's sustainability.

Eleven years ago the Company developed a production model based on relations with suppliers' communities organized as cooperatives and associations. These are located in diverse regions of Brazil, in particular in the Amazon. We created production chains with these communities based on fair prices, compensation for the use of biological resources and valuing traditional knowledge. These relations are governed by Natura's Policy for the Sustainable Use of Biodiversity and Traditional Knowledge which in turn adopts the guidelines set forth by the United Nations Organization's (UN) Convention for Biological Diversity.

This production model provides a value proposition that generates income for hundreds of families, while driving regional development and environmental conservation. For this reason we seek to promote discussion about the sustainable use of sociobiodiversity products and services. We also advocate the establishment of a new legal framework for access to biodiversity that favors the sustainable use of the country's biological resources and its traditional associated manifestations. We want this relationship to drive research, production and conservation of the biological diversity in these regions.

This discussion is extremely timely. After making 2010 the Year of Biodiversity, the UN determined that the period from 2011 to 2020 would be the United Nations Biodiversity Decade, in which governments would be encouraged to disseminate the results of their national strategies for protecting biological diversity and the services provided *(more on our practices on page 58)*.

AMAZÔNIA PROGRAM

By recognizing the importance of the Amazon region for the country and Natura's history in this region, we intend to use our brand to create sustainable development proposals for the region that will benefit its inhabitants and conserve the forest. Launched in 2011, the Amazônia program expands and reinforces this commitment with view at promoting new sustainable business based on science, innovation, production chains and local entrepreneurship. These initiatives will be focused on sociobiodiversity and valuing traditional knowledge and regional culture. Already in its first year, the region was impacted by R$ 64.8 millions.

As such, we defined three interrelated action fronts:

Science, Technology and Innovation – Following the open innovation model adopted by Natura more than five years ago, we aim to develop knowledge "in" the Amazon, "about" the Amazon and "for" the Amazon. We want to foster new research and to help local researchers and scientists remain in their region of origin. In 2012, we are going to build the Natura Knowledge and Innovation Center in Manaus, bringing together local and Natura's researchers. Our target is to connect a network of more than one thousand researchers from diverse institutions by 2020.

Sustainable Production Chains – Natura should increase production in the Amazon in Benevides (Pará State), where a manufacturing plant exists since 2007. The set up of a new plant will begin in 2012 and will occupy a site area of 172 hectares. Our goal is to stimulate the formation of a network of local extractivist communities, encouraging the development of local production and social entrepreneurship. The purchase of materials from the Amazon is projected to grow from 11% to 30%, engaging 10 thousand families by 2020.

Institutional Reinforcement – Natura wishes to develop wide-range sustainable development plans and initiatives jointly with civil organizations, local governments, national and foreign companies, financial agents and other partners. An example of this kind of articulation was the definition of priority subjects for the Amazônia Program, which involved the collaboration of around 100 people from diverse backgrounds with experience in the features of Pará, Amazônia and neighboring States. This effort helped refine the program strategy and define our priorities: education; entrepreneurship; conservation, valuing and using biodiversity sustainability; social justice and citizenship; public policy and culture.

3.3
innovating
innovation

We understand innovation as a process that should cross permeate all our activities. It is at the core of our value creation and is expressed not only in our products, but also in our commercial model, management system and the relations we establish with our stakeholders and society as a whole. This dedication led us to be elected the 8th most innovative Company in the world by Forbes Magazine, in a survey published in July 2011. The only Brazilian Company ranked among the 50 most innovative companies, Natura was placed close to global icons in innovation such as Apple (5th place) and Google (7th place).

After preparing our Vision 2030 (a document which projects the future and seeks to define the Company's role in this new world) and Natura's vision of innovation in 2010, we are now consolidating governance of the innovation process and deciding on our courses of action.

We refined the definition of our four innovation differentiators which, in alignment with strategic planning, guide the creative process and underpin research in science, technology and open innovation. These are strategic guidelines that include new competencies as well as classical science, resulting in a more integrated approach. In addition to traditional methods, they encompass state-of-the-art science and technology, reduced socio-environmental impact and our desire to create products that provide an ongoing flow of *well being well* experiences for our consumers.

Natura Innovation Differentiators:

_ Classical and Advanced Skin and Hair Sciences

_ Sustainable Technologies

_ Well-Being and Relationship Sciences

_ Senses, Design and Experiences

Some recent examples of our innovation capacity are to be found throughout this report, such as the measurement of our water footprint *(more on page 25)*, the launch of the Amazônia Program *(more on page 28)* and the creation of the VôVó sub-brand, introducing the pioneering concept of celebrating the relationship between grandparents and grandchildren.

To develop these and other innovations, the Company invested between 2.5% and 3% of its net annual revenue in science, technology and the construction of knowledge networks. Investments in 2011 totaled R$ 146.6 million. We also received tax incentives for innovation and promotion through partnerships with institutions such as FINEP, BNDES, NCPq and FAPs. In 2011, these incentives totaled more than R$ 11 million in reimbursable and non-reimbursable funding.

We monitor our innovation closely. It is currently at a level the Company considers optimal - between 55% and 65%. The index indicates the proportional contribution of new products launches within the last 24 months to Natura's revenues.

INNOVATION INDICATORS

	2009	2010	2011
Investment in innovation (R$ millions)	111,8	139,7	146,6
Percentage of net revenue invested in innovation (%)	2,6	2,8	2,7
Number of products launched (units)	103	168	164
Innovation rate (%)	67,6	65,7	64,8

INNOVATION **MANAGEMENT**

Natura has a governance model structured to manage innovation. It was upgraded in 2011 after the creation of the Ideas and Concepts Committee, which is focused on ideas for the long term *(more on page 18)*. In our business routine, we work on four major fronts: Research and Technology; Product Development; Consumer Safety; and Partnerships and Promotion.

Management of the product funnel, the process for introducing new projects and proposals, was also refined. We increased the level of detail and specifications required for initiating a project or to develop a product. With well defined criteria, we drove efficiency, investing only in projects that truly add value to the brand. In this framework, value is understood in its broadest sense, including brand, environmental footprint and other benefits. This means that all new products must have attributes that strengthen our market presence, such as providing a new experience for consumers and having an environmental impact which is the same or lower than that of a similar product.

OPEN INNOVATION

We continually seek creative, innovative solutions for our scientific and technological challenges. Natura believes that collaboration and collective construction are effective tools for generating innovation. This is why we have groomed and expanded our open innovation program.

Through partnerships with scientific institutions Natura develops new products, processes and tools and has focused on creating a global science and knowledge network. In 2011, we revised the guidelines to align them with our innovation differentiators.

Natura established a partnership with the laboratory LNBio (Laboratório Nacional de Biociências) to open the Company's Bio-Essay Laboratory in Campinas (São Paulo State). This facility enables high performance research through High-Throughput Screening (HTS) techniques, a rapid, automated screening method for natural and synthetic compounds. We expect results to come in the long term; however, partnerships play a fundamental role by facilitating the discovery of new compounds to be used in our products and new uses for existing ones. The laboratory is managed by a board comprising representatives from LNBio, Natura and two other bodies. The project received funding from the Ministry of Science and Technology.

We have also strengthened relationship with the Massachusetts Institute of Technology (MIT), partnership which was announced in 2010. The projects to be developed are under discussion, and in 2012 we should sign the relevant agreements and start cooperative research.

NATURA CAMPUS

Our main communication and relationship platform with the scientific community is the Natura Campus portal (**www.naturacampus.com.br**). Reorganized last year, it is designed to encourage interaction among users, connectivity with the social networks and to diversify the means for building knowledge networks. Part of our open innovation strategy, the portal provides information on science, technology and innovation. It hosts blogs and interactive communication tools enabling researchers to contact Natura and the entire network.

Users have access to the program's relationship agenda, information on relevant activities and events organized by Natura and partners, and data from research and case studies we perform, reinforcing our commitment to share learning and driving new research. In 2011, we made presentations to more than 500 people and recorded more than 4,400 accesses to the portal. More than 100 researchers have newly enrolled in the program.

COMMERCIAL INNOVATION

In tune with transformations in the business environment, the Company has also identified opportunities to innovate our direct selling model in Brazil and abroad. E-commerce has transformed relations between companies and consumers, who are more and more willing to access their preferred products in different ways. We anticipate a huge potential in digital media.

In the communication with our sales channel, we have noted growing interest in our digital media. The digital Revista Natura has grown around 30% in user numbers, reaching 300,000 single visitors in the last cycle. Three million accesses were counted throughout the year. In 2011 we launched the digital version for tablets (iPad and other models). We also integrated production of communication materials for the international operations, in a more efficient manner, centralizing that production in Buenos Aires. This means that any advance in Brazil may be more rapidly incorporated in the other Latin American countries.

The evolution of our commercial model has been continuous. Three years ago the Company created the Natura Consultant Advisor (NCA), and more recently the Sustainable Relationship Network, developed especially for the Mexican market *(more on page 48)*.

4. who we work with

4.1 relationship quality

4.14; 4.16; 4.17; DMA HR

In line with its Beliefs, Natura constantly strives to improve relations and dialogue with the persons who impact or are impacted by our business *(more on page 25)*. In spite of our efforts, we experienced a drop in the quality of our relationship with our stakeholders in 2011, as captured in the loyalty and satisfaction surveys. This was felt most strongly among employees and consultants *(more on pages 35 and 48)*.

Since 2010, we have increased the number of multistakeholder discussion panels. These exchanges of ideas provide participants with more information, giving them the opportunity to compare different viewpoints on a subject. For Natura, it results in a new vision and valuable inputs for the innovation process and collective solutions. In 2011, more than 800 people took part in the 23 discussion panels promoted by Natura. We brought together representatives of employees, consultants, Natura Consultant Advisors, shareholders, consumers, suppliers, suppliers' communities and surrounding communities, the press and the government. The subjects discussed included product innovation, CO2 emissions and the construction of the Company's new factory in Benevides (Pará State).

In addition to the round of discussions for the preparation of the new Natura materiality matrix *(more on page 129)*, we promoted three panels involving more than 100 people with background and experience regarding Pará, the Amazon and neighboring States, the objective being to build a specific materiality matrix for the Amazônia Program, launched in May 2011. One of these meetings was reserved for specialists and opinion leaders familiar with the region, who contributed to Natura strategy *(more on page 28)*.

Natura also promoted activities centered on self-development, awareness, spirituality and sustainability. One of these was the "What you hunger for" program, a cycle of talks and meetings for employees and partners designed to stimulate discussions on issues related to Natura's value proposition. Additionally, Natura sponsored the cycle of talks Frontiers of Thought *(more on page 88)*.

2011 DISCUSSION PANELS

Subject	Stakeholders	Attendees	Date and place	Objectives
Amazônia Materiality Matrix	Multistakeholders	59	Feb. - Belém (Pará)	Definition of priority subjects for Amazônia program materiality matrix.
Amazônia Materiality Matrix	Multistakeholders	40	Feb. - Manaus (Amazonas State)	Definition of priority subjects for Amazônia program materiality matrix.
Natura strategy for the Amazônia program	Specialists and Opinion Leaders	40	Feb. - Manaus (Amazonas State)	Inputs for refining Natura's strategy for the Amazônia program.
Materiality Matrix - Chile	Multistakeholders	38	March – Casa Natura Santiago / Chile	Definition of priority subjects and preparation of Natura materiality matrix.
Carbon Neutral	Multistakeholders	54	April - São Paulo (São Paulo State)	Inputs for Carbon Neutral Program.
Sustainable Supply Chains	Suppliers (third parties, fleet, transport, fragrances, oleochemicals)	88	May – São Paulo (São Paulo State)	Joint mapping of potential positive and negative operational impacts with supply chain.
Sustainable Supply Chains	Suppliers (plastics and graphics)	78	May - São Paulo (São Paulo State)	Joint mapping of potential positive and negative operational impacts with supply chain.
Public consultation - New Benevides plant	Multistakeholder	57	July - Benevides (Pará State)	Presentation of plans for new Benevides plant. Inputs for evolution and improvement. Mapping and minimizing possible economic, social and environmental impacts on region.
Product Innovation-Hair Category	Multistakeholder	32	August - Cajamar (São Paulo State)	Obtaining inputs for hair product innovation process.
Product Innovation-Body Category	Multistakeholder	29	August - Cajamar (São Paulo State)	Obtaining inputs for body product innovation process.
Product Innovation-Shaving Category	Multistakeholder	22	August - Cajamar (São Paulo State)	Obtaining inputs for body product innovation process.
Product Innovation-Functional Deodorant Category	Multistakeholder	27	August - Cajamar (São Paulo State)	Obtaining inputs for functional deodorant product innovation process.
Natura Culture	Multistakeholder	49	August - Cajamar (São Paulo State)	Understanding perceptions of Natura Culture and finding points of leverage.

2011 DISCUSSION PANELS				
Subject	Stakeholders	Attendees	Date and place	Objectives
Results Communication	Multistakeholder	32	September – Cajamar (São Paulo State)	Obtain inputs to expand and innovate in Natura results communication process
Requirements for Hiring and Approving Suppliers - Production	Employees	21	September – Cajamar (São Paulo State)	Examine current supplier hiring and approval requirements and get inputs for revising and improving them.
Requirements for Hiring and Approving Suppliers - Services	Employees	12	September – Cajamar (São Paulo State)	Examine current supplier hiring and approval requirements and get inputs for revising and improving them.
Family involvement in agricultural extractivist chains	Multistakeholders (suppliers' communities, specialists, government and employees)	28	October – Cajamar (São Paulo State)	Promote understanding of subject, obtain inputs about risks, develop ideal future vision to identify actions
Cajamar School	Surrounding Community	26	May –Municipal Education Board – Cajamar (São Paulo State)	Inputs for educational development actions in Cajamar and preparation for labor market.
Itapecerica da Serra Surrounding Community	Itapecerica da Serra Community	19	May – Natura Itapecerica (São Paulo State)	Communicate closure of Natura unit in district and present municipal selective collection program.
Future Vision for Commercial Model	Multistakeholder	41	October – Cajamar (São Paulo State)	Inputs for vision of Natura's future commercial model.
Future Vision for Commercial Model	Employees	13	December – Casa Natura Vergueiro - São Paulo (São Paulo State)	Reinforce importance of expression of Natura essence in commercial model and reflect on how company will incorporate current societal challenges into model.
Sustainable Entrepreneur-ship	Employees	17	December – Cajamar (São Paulo State)	Alignment of Natura initiatives, seeking synergies and paths for subject, building common agenda

THE OMBUDSMAN'S OFFICE

4.4

HR4

The Ombudsman's Office is a communication channel between Natura and employees and resident third parties at all our units in Brazil and abroad. Tasked with the due handling of criticisms, reports of deviations, suggestions, praise etc, the area has a broader role in driving closer relations with the internal audience. All contacts are recorded and reviewed by the Ombudsman team. We have never received any reports of discrimination; incidents involving possible deviations in conduct are forwarded to the Ethics Committee, in which senior management participates *(read more on page 18)*.

HR10

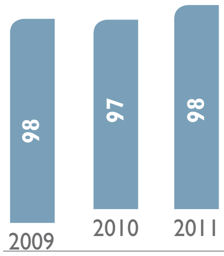
The Ombudsman area is also responsible for the Natura Relationship Principles. This is a set of guidelines based on our Beliefs and Essence designed to drive attitudes and actions to improve relations. In 2011, we reviewed the Relationship Principles, which are applied in all our operations. The new edition will be launched in 2012.

Over the years, the area's scope has been extended to include other audiences, such as suppliers, consultants and consumers. For consultants, the Ombudsman's office works with the Service Management area on more critical cases. This initiative is part of a movement to drive continuous service improvement and the results of the experience are being reviewed to check the feasibility of maintaining an ombudsman channel specifically for consultants. In 2011, 3,800 cases involving consultants were dealt with.

With respect to consumers, the Ombudsman area responds to cases forwarded by the Natura Legal and Press Relations areas, of which there were 322 in 2011.

PR5

SATISFACTION WITH OMBUDSMAN CHANNEL[1]



1. Result derived from positive responses to the question: "Are you satisfied with this channel of discussion?"

NUMBER OF CONTACTS WITH THE OMBUDSMAN AREA

	2009	2010	2011
Internal audience Brazil	1.096	1.120	1.025
Internal audience international operations	13	18	7
Suppliers Brazil	13	17	4
Consultants Brazil[1]	34	8	0
Total	1.156	1.163	1.036

HR11

1. Data from completed pilot project with NCs in Greater São Paulo.

PERCENTAGE OF REQUESTS DEALT WITH AGAINST TOTAL RECEIVED

	2009	2010	2011
% demands dealt with[1]	94%	52%	68%
% demands forwarded[2]	6%	48%	32%

HR11

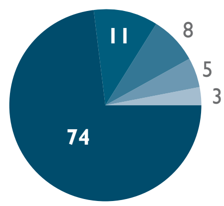
1. Cases dealt with by the Ombudsman's office and area responsible for the case.
2. Up until May 2011, contacts with the Ombudsman were forwarded to the area responsible for the resolution of technical issues.

EMPLOYEES IN THE **BRAZILIAN OPERATION**

After the experiment of filtering contacts and only acting as a last resort, in other words, cases not resolved via other relationship channels, in 2011 the Ombudsman's office once again started dealing with all suggestions, enquiries and incidents sent in by Natura employees. This two-year period confirmed that the area's positioning as a channel for information and communication was fully consolidated, which is precisely its differential.

Indicators for the Ombudsman have remained stable over the last three years. There has been a continuous decrease in anonymous contacts, normally reports of breaches or complaints, down 15% in 2011. Technical questions relative to processes, policies, procedures and infrastructure accounted for 83% of the contacts, compared with behavioral issues (referring to people's attitudes), at 17%. The most mentioned process in the Ombudsman's office was people management, corresponding to 63% of cases, the most common related to benefits, such as restaurant, transport, among others.

BREAKDOWN OF EMPLOYEE CONTACTS IN BRAZIL (%)



- CRITICISMS
- PRAISE
- QUESTIONS
- SUGGESTIONS
- REPORTS OF BREACHES, ETHICAL DEVIATIONS

TOTAL CONTACTS – 700

EMPLOYEES FROM **INTERNATIONAL OPERATIONS**

In September 2011, the Ombudsman service was extended to employees in the French operation, the only unit hitherto without access. There had been no contacts by the end of the year. There were seven contacts in the other countries in 2011. Different from Brazil, in these countries the channel is used mostly to report breaches and to make criticisms.

SUPPLIERS

Our suppliers are a fundamental part of our business chain. For this reason, the Ombudsman's office has been available to them since 2007. They may use this channel to report breaches and make criticisms. These contacts help to identify improvements in our practices. Four cases were recorded in 2011, compared with 17 the previous year.

4.2 employees

DMA LA;
DMA HR

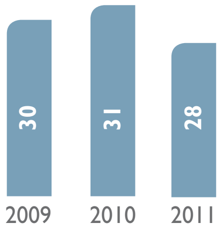
As Natura expands its activities in Brazil and abroad, the challenge of building, maintaining and developing its teams grows. In addition to having the necessary functional competencies, we want our employees to be aligned with our value proposition, inspiring and caring for the relationships the Company establishes with all its stakeholders. For this reason we have been strengthening instruments to develop our people and disseminating our organizational culture, fundamental for our success and for the execution of our strategic planning.

This challenge was even greater in 2011. We implemented a series of operational and technological changes, and a concentrated effort was required to manage the instability caused by this restructuring. This, together with budget adjustments, compromised achievement of part of our targets for the year. One factor that was affected was organizational climate. This challenging situation led to a drop in favorability from 73% to 70%, which was 3 percentage points below the 76% target for the year.

The survey results in the Brazilian operation were the ones that most affected the index. The organizational climate in the international operations – not affected by the operational problems – is improving. With the exception of Chile and France, all the units grew. This is an indication of advances in management and the formation of dedicated and engaged teams in the newly created structures.

Overall, we know we must improve the quality of our relations with our employees to drive higher levels of excellence. One focus will be to reinforce the role of leadership in managing people.

EMPLOYEE LOYALTY[1]



1. Equivalent to the percentage of employees selecting 5 (top 1 box) on a scale from 1 to 5 points.

NUMBER OF NATURA EMPLOYEES[1]

	2009	2010	2011
Brazil	4.807	5.482	5.483
Argentina	331	395	449
Chile	264	293	293
Mexico[7]	335	329	113
Peru	296	293	301
Colombia	168	170	191
France	45	48	55
Total	**6.246**	**7.010**	**6.885**
OTHER EMPLOYMENT CONTRACTS[2]			
Apprentices[3]	10	152	157
Interns[4]	47	68	141
Temporary workers[5]	340	445	255
Third parties[6]	1.310	2.048	2.094
Total – other employment contracts	**1.707**	**2.713**	**2.647**

LA1

1. The number of expatriates and the Board of Directors were excluded from the number of employees in Brazil. As such, the numbers for 2009 and 2010 were restated.
2. Includes the operations in Brazil, Argentina, Chile, Colombia, Peru, France and Mexico.
3. Apprentices are included among the Brazilian employees.
4. The growing number of interns is due to the emphasis on the Natura entry gate program.
5. Temporary workers are considered to be those contracted for a fixed term via employment agency under Brazilian labor law.
6. Third parties are considered to be suppliers occupying work posts (fixed or not) within company units for more than six months.
7. This decrease is mainly due to the implantation of the new commercial model in Mexico whereby relationship managers became consultants.

CLIMATE SURVEY – FAVORABILITY (%)[1]	2009	2010	2011
Brazil	72	72	70
Argentina	77	64	72
Peru	78	71	73
Chile	77	69	66
Mexico	84	82	85
France	75	72	64
Colombia	88	84	86
Natura	**74**	**73**	**70**

1. Equivalent to the percentage of employees selecting 4and 5 (top 2 box) on a scale from 1 to 5 points.

EDUCATION

While it is challenging for a company, Natura believes that promoting education represents an enormous development opportunity for our employees and a chance to sensitize our other audiences with respect to values such as sustainable development and caring relationships.

To develop a guideline that incorporates this vision and links all our educational platforms, in 2011 we formulated an educational architecture for Natura. This is a broad educational matrix setting forth the subjects to be worked on and proposals as to how this will be done. It will serve as a guide for our internal programs, as well as development measures for suppliers, consultants and surrounding communities.

We maintained the same training rate as the previous year in Brazil, with an average of 90 hours per employee. Some educational actions scheduled for the year were postponed until 2012, meaning we did not reach our target of 100 hours training per employee during the year.

Among the main educational and development actions, Natura invested in a leadership development program *(read more on the next page)*, education for innovation, relationship management training, and a program for interns.

Worthy of note is the fact that Human Rights has been included in the new employee induction programs and is also covered in leadership courses and in talks which are open to all employees. The total number of hours training given in the year was more than 7,400, an increase of almost 33% over 2010. Although there is no specific training on corruption, all new employees are made aware of Natura's Relationship Principles, in which we reject corruption and prohibit practices such as coercion and bribery. *HR3; HR8; SO3*

AVERAGE HOURS TRAINING PER EMPLOYEE, BROKEN DOWN BY EMPLOYMENT CATEGORY IN THE BRAZILIAN OPERATION[12]	2009	2010	2011
Production	89	93	97
Administrative	79	86	86
Management	62	90	88
Directors' level	90	78	60
Average Hours[3]	**82**	**90**	**90**

LA10

1. The calculation was modified in 2011 to drive greater adherence to the educational process. To ensure comparability, the numbers for 2009 and 2010 were restated.
2. This indicator includes sales force training (sales managers and relationship managers).
3. Considers total number of hours for all levels divided by the number of employees and interns in the corresponding year.

HOURS TRAINING BY GENDER IN BRAZIL [1](%)	2009	2010	2011
Men	n.d	n.d	55%
Women	n.d	n.d	45%

LA10

1. Monitoring of indicator began in 2011

In the international operations, internal training targets were exceeded in almost all the countries. In these recently opened units where employees are still new in the company, we concentrate more on our values and culture, brand, sustainability, the Natura Essence and the commercial model. To track the development of training activities in these countries, we created a specific indicator to record the number of hours of training *(see below)*.

TRAINING PER YEAR, PER EMPLOYEE

	2009	2010	2011
International Operations	n.d	n.d	66%
Natura	**n.d**	**n.d**	**85%**

LA10

INVESTMENT IN EMPLOYEE'S EDUCATION AND TRAINING (IN 000'S OF R$)[1]

Operation	2009	2010	2011
Brazil[2]	20.221	25.744	26.415
Argentina	103	96	115
Chile	165	131	260
Mexico	526	584	245
Peru	223	216	241
Colombia	22	41	214
France	51	103	380
Total	**21.311**	**26.915**	**27.870**

LA11

1. To enable greater comparability, the investments were converted into reais at the exchange rate for the year.
2. The Brazilian investment numbers include training for the sales force (sales managers and relationship managers).

IN THE BRAZILIAN OPERATION –NATURA EDUCATION PROGRAM[1]

	2009	2010	2011
Scholarships granted	611	546	510
Scholarships granted /enrollments (%)	48	43	69
Amount invested in Natura Education programs (000's of R$)	841	863	1.014

LA11

1. Considering all employees enrolled and selected during the year.

NATURA EDUCATION PROGRAM – COURSES TAKEN BY EMPLOYEES OR FAMILY MEMBERS FULLY OR PARTIALLY SUBSIDIZED BY NATURA (BRAZIL)[1]

	2009	2010	2011
Technical /vocational	77	47	57
Languages	117	134	43
Pre-university entrance	6	5	1
Degree programs	292	259	277
MBA and postgraduate programs	119	101	132
Total	**611**	**546**	**510**

LA11

1. Considering all employees enrolled and selected during the year.

LEADERSHIP AND DEVELOPMENT

LA11

We invest in continuous leadership development to ensure our managers share the company's values and model of behavior we seek from our employees and other audiences, inspiring and mobilizing our relationship network.

Due to the company's growth and need to prepare successors, three years ago we started a program aimed at developing talents and preparing future leaders. Since then, we have invested in engagement initiatives, organizational competency and leadership training, offering scholarships for MBAs and mentoring and coaching programs. This has had a direct impact on internal promotions, which increased from 62% to 68% in the leadership positions last year.

In 2011, the Company launched the Cosmos Program, the main development front for Natura's leaders. Comprising four levels, it involves all the company's 600 managers in Brazil and the international operations. The first dimension is called "school" and consists of talks and workshops on management, organizational dynamics and sustainability. The classes were given by international specialists and were attended by 225 managers. Another two Cosmos dimensions involve exchanging experiences (brotherhood) and connecting ideas and people (communities of interest). The final stage or workshop, consists of applying what has been learned in business related projects. Cosmos was the result of a collaborative process in which more than 80 people were involved, including Natura staff, the Board of Directors, the Executive Committee, as well as external consultants.

In parallel, we have invested heavily in succession plans for all the company's critical positions. This enabled us to end 2011 with short, medium and long term successors identified for 62% of these positions, compared with 40% in 2010.

Also in 2011 we undertook the first international selection for the trainee program, including all the countries in which we operate. The medium to long-term objective is to develop global leaders and talents.

Natura has also a Performance Management Program for all its employees and operations. The program enables LA12 all employees, regardless of gender, to effectively manage their performance through feedback and structured individual development plans. Moreover, employees receive full feedback on their performance, including self-assessment, the perceptions of managers, peers, partners and subordinates (should this be the case). This analysis is designed to assess employees' adherence to Natura's essence and organizational culture.

ATTRACTION AND **ENGAGEMENT**

All the investment in building a qualified team aligned with our values would make no sense if we did not pay attention to attracting new employees. Our recruitment and selection criteria have been perfected over time to ensure we attract people who not only have the right technical qualifications, but also values aligned with the company's.

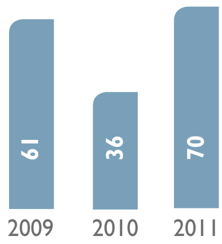
In 2011, this process was incremented with the development of a questionnaire to be filled out when candidates are interviewed. The questionnaire encourages candidates to reflect on their personal history, values and objectives and what connects them with Natura.

We also refined our internal promotion strategy, consolidating the My Choices program. We made the process more flexible, increased the visibility of vacancies for employees and created a committee dedicated to assessing internal and external candidates and their alignment with Natura's values and objectives. This has resulted in a series of learnings for the company: we now know more about gaps and areas in which internal promotion is more difficult. The intern program was also reformulated to retain candidates whose profile is more closely aligned with the trainee program, increasing their chance of being hired permanently.

The result of this effort was an increase from 36% to 70% in internal promotions and transfers in Brazil in 2011.

In the international operations, we maintained our strategy of building teams that combine employees familiar with Natura and professionals with local market knowledge. An average of 82% of management positions are filled by local people.

INTERNAL PROMOTIONS/ TRANSFERS IN BRAZIL (%)



SENIOR MANAGEMENT MEMBERS DRAWN FROM LOCAL COMMUNITY[1] (%)

	2009	2010	2011
Argentina	nd	nd	86
Chile	nd	nd	87
Colombia	nd	nd	71
France	nd	nd	91
Mexico	nd	nd	88
Peru	nd	nd	81
Total	**nd**	**nd**	**82**

EC7

1. The data for previous years were not disclosed because the indicator was reformulated in 2011. It now considers the percentage of local employees in the company. Previously, the indicator only took into account those employees hired during the year, which did not reflect the real presence of local employees.

SUPPORT AND SERVICES BENEFITING THE PUBLIC

	2009	2010	2011
Number of volunteers[1]	52	57	50

EC9

1. There was only one group of volunteers in 2011, organized during the second semester. The first semester was dedicated to studying opportunities for improving the volunteer program

STAFF TURNOVER

The company's turnover rate dropped considerably in most Natura operations, most notably in Peru, Argentina and Mexico. We believe this is due mainly to the consolidation of these operations, in line with the strategy to increase production in Latin America. In Brazil, the indicator has remained practically stable for the last three years.

EMPLOYEE TURNOVER (%)[1]

	2009	2010	2011
Brazil	8	8	8
Argentina	13	12	7
Chile	14	16	17
México	25	12	8
Perú	17	27	8
Francia	16	13	14
Colombia	40	21	21

LA2

1. Although we monitor these data by age group and gender, we do not consider these factors material for our business.

TURNOVER BY GENDER (%)

	2009	2010	2011
Men	12	12	10
Women	6	6	7

LA2

TURNOVER IN BRAZIL BY AGE GROUP (%)

	2009	2010	2011
Below 18 years	0	0	0
Between 18 and 25 years	11	15	10
Between 26 and 30 years	9	12	9
Between 31 and 40 years	7	7	9
Between 41 and 50 years	4	2	6
Above 50 years	3	4	5

LA2

TOTAL DISCHARGES

	2009	2010	2011
Brazil	551	641	751
Argentina	38	40	35
Chile	36	49	89
Mexico[1]	81	38	258
Peru	49	75	50
France	11	5	7
Colombia	31	37	43
Total	**797**	**885**	**1.233**

LA2

1. The number of discharges is due to the set up of the new commercial model in Mexico whereby relationship managers became consultants

DIVERSITY

In 2010, we committed to produce our first reflection on the subject of diversity. This led to the positioning Diversity, Essence of the Web of Life *(box below)*, which was validated by the Ethics Committee and will now provide a basis for a widespread discussion in the company.

In this document, we set forth Natura's understanding of diversity, based on our Essence and world view, and we identified three initial action fronts: social inclusion, women, and multiculturalism.

DIVERSITY, THE ESSENCE OF THE WEB OF LIFE

We are all different and unique, from our genetic structure and physical traits, to the way we feel and perceive the world around us. This multiplicity of perspectives, ways of thinking and acting enriches mankind and is the driving force behind our existence in society. On the other hand, this diversity is only possible because it stems from a unity, an interdependent cosmos comprising an endless network of relationships, the wonderful web of life.

In our beliefs we state: "The greater the diversity of the parts, the greater the wealth and vitality of the whole". We understand that Natura is an ecosystem of relationships, and, driven by this conviction, we realize that cultivating these interactions is intrinsic to our culture. We understand that working together is better: being open, generous and empathetic to others, building trust and quality into the relationships. To listen without judging, to respect opinions and incorporate differences for the benefit of the whole.

We believe, therefore, that promoting diversity is the ultimate expression of our world view, which begins with the individual. This is an individual who is strong, mature, self-reliant, and aware, and who has the power to choose and to transform. However, this individual will only materialize in an open and inclusive society in which the expression of diversity is allowed, in which everyone is born free and equal and where people have dignity, rights and access to opportunities. And, while we respect people's individuality, we also recognize the value of local cultures as the product of their history.

In this framework, our position goes beyond compliance with regulatory requirements; it rises above transitory issues of ethnicity, gender, nationality, religion etc. We repudiate discrimination. However, what we want most of all is to create an environment in which we shall all be accepted, respected and loved for what we are.

In accordance with this point in time Natura is passing by and in accordance with our strategy, which is predictive of a future of intense connectivity, geographical expansion and major transformations in the direct sales model; we have chosen three areas on which to focus: social inclusion, women and multiculturalism.

We are a direct sales company and have helped drive the socio-economic inclusion of thousands of women in Brazil and, more recently, in other Latin American countries. We have chosen sustainable entrepreneurship as our priority subject in sustainability, underpinned by the understanding that our capacity for social transformation will be even greater. We want to use the power of our sales channel to foster social inclusion, not only to generate income but also to improve education, a powerful driver of social transformation.

Moreover, as a community consisting primarily of women, be it employees, consultants or consumers, we consider the feminine values in our Essence to be fundamental for the construction of a new society. And we are committed to nourishing this feminine energy more and more in our relationships.

We believe in the power of cultural integration and in the interchange of perceptions, behavior and knowledge. As a company whose roots are in Brazil, we reflect the country's ethnic mix and actively promote multiculturalism. As we strive to extend our geographical reach, we are aware that this factor will be decisive for our future success.

In addition to these three priorities, we have also detected an opportunity to promote the inclusion and development of the disabled as a result of the adoption of new production technologies. We believe we can offer the disabled a new level of professional accomplishment, promoting their development and performance as individuals.

Last, we reaffirm our vision in which the wealth represented by each human being, the significance of others in our lives and our own significance in the lives of others convince us that it is in the dynamics of our relationships that we will encounter the energy necessary to drive mankind's evolution.

MULTICULTURALISM[1 2]

	2009	2010	2011
Total number of foreign leaders or leaders having international experience	12	27	42
Percentage of foreign leaders or leaders having international experience against total leaders (%)	14	23	33

LA13

1. Considering global leaders and those managing processes and businesses.
2. We consider international experience to be current or past experience of over two years in Natura operations in a different country from the employee's country of origin.

DIVERSITY [1]

	2009	2010	2011
Total Employees Brazil	**4.807**	**5.482**	**5.483**
Women (%)			
As a percentage of total employees	61	61	61
In management positions as a percentage of total management positions	53	55	57
In Director's positions as a percentage of all Director positions	21	25	24
Aged over 45 years (%)			
As a percentage of all employees	10	11	12
In management positions as a percentage of all management positions	9	9	11
In Director positions as a percentage of all Director positions	31	22	22
Hiring and training of disabled people in Brazilian operation			
Number of disabled employees	236	249	258
Number of disabled people as a percentage of total employees (%)	5,0	4,5	4,7
Number of disabled people trained in Basic Professional Competencies program	67	217	258

LA13

1. We do not report the classification by minorities due to a different understanding of diversity which involves broader concepts of social inclusion.

NATURA EMPLOYEES BY GENDER (%)[1]

	2009	2010	2011
Men	nd	nd	36
Women	nd	nd	65

LA1; LA13

1. Reporting of this indicator was initiated in 2011

NUMBER OF MATERNITY LEAVES AND RETURN RATE

	2009	2010	2011
Number of employees requesting maternity leave during the year	155	200	190
Percentage of employees who returned from maternity leave and remained in the company for at least 12 months upon return	90%	92%	96%

LA15

Since we have more women than men in the company, our maternity leave rate is high. Upon their return to work, the company offers mothers a nursery until the child is 2 years and 11 months old. All employees are entitled to this benefit, irrespective of area or salary level. We also guarantee an adaptation period for mothers, enabling them to continue to breast feed during working hours. The company provides monitoring by doctors and social assistants during maternity leave to help mothers' adaptation and has a pilot program offering flexible working hours for mothers in the administrative area. Natura also voluntarily joined the government's six month maternity leave program.

COMPENSATION

Our compensation practices follow the same corporate policy in all operations. In 2011, we reviewed compensation in the international operations seeking to standardize it and increase competitiveness in those countries.

The Company maintains a salary average in line with the market. Salaries are defined based on comparative surveys in the consumers' goods segment involving Brazilian companies or Brazilian multinationals, listed companies or those that use similar compensation practices as Natura. The comparison is by scope and complexity of the function.

RATIO OF LOWEST SALARY TO MINIMUM SALARY, BY OPERATION[1]	2009	2010	2011
Brazil	1,1	1,4	1,6
Argentina	2,0	1,7	1,3
Chile	1,3	1,3	1,2
Peru	1,7	1,0	1,4
Mexico	4,8	4,6	4,5
Colombia	1,6	1,1	1,0
France	1,5	1,1	1.0

EC5

1. Calculation involves lowest salary in the operation divided by the minimum salary in force in December 2011 in each country.

Coherent with our international expansion strategy, we have an expatriation program which provides employees with a differentiated package. In 2011, we had 29 expatriate employees.

Our variable compensation model is adapted to the needs of each employee segment, with specific targets and forms and amounts of payment. The amount paid to non-executive employees is limited to 3% of operating earnings. In 2011, employees in the operational area received on average three additional monthly salaries.

The collective agreements closed during the year granted our employees in the Brazilian operation with a salary increase of around 10%. Managers received a fixed increase on their base salary.

WOMEN'S SALARIES IN RELATION TO MEN'S (BY EMPLOYMENT CATEGORY) - %	2009	2010	2011
Operational	-16	- 16	-21
Administrative	33	30	34
Management	-6	-4	-7
Director	-19	-19	-17

LA14

SALARY PROFILE – MONTHLY AVERAGE IN BRAZILIAN OPERATION [1 2]	2009	2010	2011
Women - total (R$)	**4.755**	**4.944**	**5.553**
Average monthly salary in production positions	1.150	1.202	1.336
Average monthly salary in administrative positions	6.137	6.190	6.894
Average monthly salary in management positions	13.105	13.351	13.405
Average monthly salary in Director's positions	34.310	37.196	37.049
Men - total (R$)	**3.574**	**3.852**	**4.342**
Average monthly salary in production positions	1.362	1.428	1.700
Average monthly salary in administrative positions	4.621	4.746	5.146
Average monthly salary in management positions	13.886	13.972	14.415
Average monthly salary in Director's positions	42.163	45.919	44.592
Above 45 years (R$)	**8.068**	**8.089**	**8.638**
Average monthly salary in production positions	1.713	1.770	1.967
Average monthly salary in administrative positions	8.961	9.166	9.885
Average monthly salary in management positions	17.438	18.344	18.356
Average monthly salary in director positions	38.243	44.090	43.296
Up to 45 years (R$)	**3.850**	**4.095**	**4.609**
Average monthly salary in production positions	1.241	1.293	1.498
Average monthly salary in administrative positions	5.266	5.305	5.856
Average monthly salary in management positions	13.068	13.144	13.291
Average monthly salary in director positions	41.571	43.638	42.609

LA14

1. The calculation does not take into account short term incentive payment (Profit Sharing).
2. The bonuses paid to sales managers and relationship manager were taken into account for purposes of this calculation. When distributed throughout the categories, sales force employees reinforce the average women's salaries due to the sales bonus, with the exception of production jobs.

EC3

We also offer complementary pension plans, with employees deciding the percentage they wish to contribute, up to 12% of their salary. Natura covers 60% of this amount, up to 5% of the employee's salary. The plan is optional and is open to all employees in Brazil, up to a salary ceiling of R$ 13,129.00. In 2011, Natura paid R$ 4.3 million into the plan (compared to R$ 2.5 in 2010).

With the exception of relationship managers and sales managers, who receive a bonus proportional to their results, all Natura employees are paid 14 monthly salaries a year.

LA11 We do not have a formal plan to prepare employees for retirement. In 2011, however, we set up a pilot project with relationship managers and sales managers. Focused on individuals close to retirement, the Building the Future project is aimed at smoothing the emotional, physical and material aspects of this career transition. Sixty two employees participated voluntarily in the program in 2011.

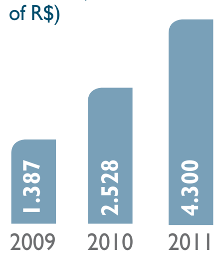
LA4 In all our operations we are fully compliant with local legislation governing collective bargaining. In Brazil, all employees are covered by union agreements. The Human Resources area manages relations with the unions representing our employees, conducting formal meetings with union representatives based on pre-established agendas.

LA5 Even though prior notice of operational changes is not specified in the collective bargaining agreements, the company seeks to communicate changes with advance notice and to provide explanations. An example is the negotiation of the transfer of workers from the Cajamar distribution center to São Paulo in 2012. The new DC employs high technology and is automated. It will have an inclusive policy and within five years some 40% of job vacancies will be for people with some form of cognitive disability. Consequently, not all the current employees will be transferred to the new center. During 2011, these employees negotiated the transfers and arrangements necessary with Natura as a consequence of this move.

HR5 Natura does not have processes to identify operations in which the right to exercise freedom of association and collective bargaining may be threatened. However, our employees have the Ombudsman's office through which they may voice any concerns *(more on page 33)*.

EC3

NATURA CONTRIBUTIONS TO THE EMPLOYEES SUPPLEMENTARY BENEFIT PLAN IN BRAZIL (in millions of R$)



BENEFITS

LA3

We have invested in a differentiated benefits package, which also focuses on promoting employee well-being.

Benefits and facilities for all employees in the Brazilian Operation:

_ Ergonomics program, designed to ensure comfort and productivity for workers, promoting any necessary adaptations.

_ Social Service: a service to help employees discuss, understand and resolve social issues.

_ Family Size Health Program.

_ Workplace exercise program.

_ Chronic disease management program for employees and dependents with chronic ailments.

_ 40% discount on purchase of up to five Natura products per month.

_ Program for mothers: postnatal meeting and course for mothers-to-be.

_ Nursery allowance and special educational allowance for disabled children.

_ Life insurance.

_ Vehicles for management level employees.

_ Medication subsidy.

_ Transport to and from the workplace.

_ Private pension plan.

_ Runners project: running and walking activities with dedicated supervision.

_ Restaurant or meal vouchers

_ Discounted school materials.

_ Fitness services, swimming pool, dance classes, football tournaments and multipurpose sports court at Clube Natura and Well Being Space (Cajamar and Itapecerica da Serra).

_ Services: seamstress, laundry, shoe repair, optician, insurance, mail, book and video rental (Cajamar and Itapecerica da Serra).

_ Natura Education: study scholarships for employees and family members.

_ Building the Future program (preparing for retirement for sales management, with savings incentive).

_ Nursery for children up to 2 years and 11 months of age.

_ Support in child adoption process.

_ Medical assistance plan.

_ Dental assistance plan.

_ Check-up for management level employees and above.

_ Partial reimbursement for medication for the following: cardiovascular, diabetes, kidney disease, liver disease, oncology, neurological disorders and work-related osteomuscular diseases and psychiatric disorders.

_ Telemedicine: emergency electrocardiograms by telephone.

_ Health in Movement: physical fitness program. Medical and nutritional assessment and guidance on physical activities.

_ Gym allowance for relationship and sales managers.

_ Five products free per month for management level employees and directors.

_ Christmas hamper.

_ Clinic: emergency medical service, physiotherapy, GPR, gynecology and obstetrics, acupuncture, orthopedics, nutrition and psychology.

_ Well Being Program: integrating all specialties and professional areas, holistically addressing the physical, emotional, spiritual and social dimensions.

We also offer special benefits to resident third parties providing services to Natura, with or without a fixed work post, for periods of more than six months:

Benefits for third party residents in the Brazilian Operation:

_ Course for mothers-to-be.

_ Clinic – emergency medical service.

_ Runners Project.

_ Restaurant.

_ Workplace exercises.

_ Toys.

_ Christmas hamper.

_ Transport to and from the workplace.

_ Fitness services, swimming pool, dance classes, multipurpose sports court at Clube Natura and Well Being Space (Cajamar and Itapecerica da Serra).

_ Services: seamstress, laundry, shoe repair, optician, insurance, mail, book and video rental (Cajamar and Itapecerica da Serra).

_ Presents on Mother's Day and Father's Day..

continua...

HEALTH AND SAFETY

Company investments in accident prevention totaled R$ 794 per employee* in 2011. We continued to work with Natura service providers to increase prevention among third parties. New audits were held in 2011, and we progressed in involving managers in this process.

A number of initiatives were postponed until 2012, such as new preventive measures in the distribution centers and international operations and the development of an occupational health and safety system focused on behavioral change.

An external consultancy was contracted to analyze health and safety at our Cajamar plants and at the product picking center. Work posts and working conditions were surveyed, identifying the most critical lines and cells and implementing corrective and improvement projects.

TYPICAL WORK-RELATED INJURIES, DAYS LOST AND ABSENTEEISM RATE (INCLUDING THIRD-PARTIES) IN THE BRAZILIAN OPERATION[1]

	2009	2010	2011
Employees - number of accidents with leave	12	7	10
Employees - number of accidents without leave	5	10	4
Number of work-related accidents per employee	0,004	0,004	0,003
Third-parties - number of accidents with leave[2]	4	4	6
Third-parties - number of accidents without leave[2]	4	2	0,0
Total work hours programed[3]	2016	2010	2011
Work days lost[3]	84	64	51
Days lost rate (TDP)[8]	9,1	6,3	4,7
Frequency rate - accidents with leave[4]	1,3	0,7	0,9
Frequency rate - accidents with/without leave[5]	1,9	1,7	1,2
Investment in accident prevention per employee (R$)[6]	852	882	794
Investment in disease prevention per employee (R$)	707	736	940
Occupational disease frequency rate	1,1	0,9	0,2
Number of cases of occupational disease reported to INSS - National Institute of Social Security - Cajamar	10	9	1
Number of cases of occupational disease reported to INSS - National Institute of Social Security - Itapecerica da Serra	0,0	0,0	1,0
Absenteeism rate[7]	Nd	6,5%	6,0%

1. Data in accordance with National Institute of Social Security regulations, collective agreements with Unions, and Ministry of Labor and Employment Ruling 3.214. Considering accidents recorded at the Cajamar, Itapecerica da Serra, Barueri, São Paulo and Benevides units and distribution centers. LA7
2. Accidents with leave are those in which the employee does not return to work on the day after the incident. Accidents without leave are those in which the employee returns to work on the same day or the next working day. There were non occupation-related fatalities in the period covered by the report.
3. Refers to Natura employees. Total number of hours programmed calculated as 8 hours/day x no. of work days scheduled.
4. Equivalent to number of accidents with leave divided by million/man hours worked.
5. Equivalent to number of accidents or victims with or without leave divided by number of man hours worked.
6. Includes full budget of Work Safety Department, expenses or investment in the Engineering and Manufacturing areas to assure and/or improve work safety conditions. Does not include training expenses.
7. There was an error in the previously reported 2010 absenteeism rate. This was corrected.
8. Days lost rate: the factor 1 million was considered in accordance with NBR 14280, the standard used by Natura. Days lost are counted from the day following the accident.

PERCENTAGE OF ACCIDENTS BY GENDER (WITH AND WITHOUT LEAVE) BRAZIL

	2009	2010	2011
Men	76	76	71
Women	24	24	29

LA7

Formal Natura agreements with the Unions include work safety protection measures such as the use of personal protective equipment; machinery and equipment accident prevention practices; communication of occupation-related accidents; and the functioning of an Internal Accident Prevention Commissions (Cipa in the Portuguese acronym). LA9

All employees in the Brazilian operations are represented in the formal work safety and health committees and

** In the 2010 Annual Report the amounts for safety and health investments were reported incorrectly in the text on this item. The correct data are: investment of R$ 882 per employee in accident prevention and R$ 737 per employee in health. The table contained the correct amounts.*

the Cipas, consisting of different hierarchical levels and open to all. They are structured as follows: 50% of the representatives are indicated by Natura and the other 50% by the staff. LA6

Investments in health totaled R$ 940 per employee* in 2011. Based on a broad diagnosis of employee health conducted in 2010, in the second half of 2011 we implemented the Family Size Health program, which is focused on prevention. We organized campaigns around the promotion of healthfulness, the importance of consulting doctors and take exams, in addition to specific actions related to breast and prostate cancer, cardiovascular disease and risk factors. We also set up a monitoring system for employees and dependents with chronic diseases. This is a voluntary program in which employees are advised to seek medical help, to assess medical services received and receive advice on consultations and examinations. LA8

Employees are provided with internal treatment for occupational diseases. The multifunctional team comprises doctors, an ergonomics specialist, orthopedist, physiotherapist, psychologist and Global Postural Re-education (GPR) therapists.

In parallel, we systematically monitor work posts. Our health team also started working with the innovation team to integrate ergonomics into new product creation and development.

EMPLOYEE COMMUNICATION

Building quality into employee's relations also involves efficient and adequate communication for each area. In 2011, we integrated the internal communication process into the Brand and Culture area, as part of our project to go beyond a mere organizational support and transform communication into a major channel for expressing company's values. Our current challenge is to incorporate these assumptions into the form and content of routine employee communications.

In addition to the change in structure, in 2011 we progressed with our formal communication systems, reviewing existing processes and implementing new ones, as well as internal communication outlets aimed at our regional units and international operations. We also extended the reach of the Natura Channel – a TV system presenting news, statements and relevant information with 30 broadcasting points in our main units. Our challenge for 2012 will be to enable more active and dynamic employees' interaction with the Company.

*[1] * In the 2010 Annual Report the amounts for safety and health investments were reported incorrectly in the text on this item. The correct data are: investment of R$ 882 per employee in accident prevention and R$ 737 per employee in health. The table contained the correct amounts.*

4.3
consultants **and NCAs**

Our consultants (NCs) are an essential link in our relationship network. It is this immense contingent of more than 1.4 million people spread over seven countries that not only take our products, but also our value proposition and our Essence to consumers. Our efforts are aimed at ensuring they have the best service quality, opportunities to generate income, to be enterprising, and to engage in our socio-environmental platform.

The main challenge in connection with Consultants in 2011 was the decrease in service quality to this channel, as a result of the instability caused by changes in the order capture and invoicing systems and logistics model. We intensified our efforts to correct imbalances in product availability throughout the year and managed to stabilize the platform during the last four cycles of 2011, leading to a significant improvement in service levels.

During this period of instability, we sought to maintain sincere, open communication with the sales force. The Natura encounters held during each cycle were used to inform Consultants about the difficulties and the measures being taken to correct them. Consultants also received an explanatory letter from the CEO.

We are confident that the investments undertaken are essential for our growth strategy and will have a very positive effect on the quality of service provided for NCs and Natura Consultant Advisors (NCAs). The expanded logistics infrastructure and the new order capture system should significantly reduce delivery terms. The benefits should already be felt in 2012, with a structure much better prepared to serve the sales channel.

Additionally, the ongoing vigor of our brand once again demonstrated its capacity to attract representatives, such is true that the number of NCs grew 16.3% in 2011. The number of Natura Consultant Advisors also grew to 13,200, 17% up on the previous year. Growth was even more striking in the international operations, reaching 27%. We currently have more than 245,000 Consultants in Argentina, Chile, Mexico, Peru, Colombia and France. In 2011, we initiated the expansion of the NCA model in Colombia and Peru. In 2012, it should be extended to Chile and Argentina.

We believe that, similar to Brazil, the NCA model will leverage growth in our sales channel and Consultants retention in our international operations. In addition to consulting, the Natura Consultant Advisors support the activities of groups of up to 150 NCs, giving them advice and driving their development.

Our sales structure is strengthened by the Relationship Managers and by the Sales Managers, Natura's employees who work closely with the NCs and NCAs, giving them support.

NUMBER OF CONSULTANTS AVAILABLE[1 2]

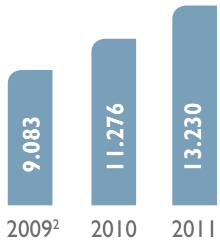
	2009	2010	2011
Brazil	879,7	1.028,7	1.175,5
Argentina	46,5	53,2	63,7
Chile	24,5	31,0	37,9
Mexico	31,2	41,2	58,5
Peru	42,6	45,5	54,9
Colombia	13,0	19,0	27,1
France	1,4	2,5	3,1
Total	**1.038,9**	**1.221,1**	**1.420,7**

1. With regard to Brazil, the data refer to Consultants available by the end of the year. 2. In International Operations they refer to the closing position in cycle 17.

Operational instability affected the Consultants satisfaction rate in 2011. In the Brazilian market loyalty rate dropped from 21% in 2010 to 19% in 2011. However, the most marked decrease occurred among the NCAs. Implemented two years ago, we have learned a great deal during this time and we are aware that this model requires further development. In the international operations, monitoring of satisfaction levels was initiated in 2010. Overall loyalty levels are high, but reductions in Colombia, Mexico and Peru were observed.

We understand we are not where we want to be with our Consultants but we are optimistic that we will reach our objectives

NUMBER OF NATURA CONSULTANT ADVISORS IN BRAZIL[1]



1. Refers to number of NCAs at the end of the year.

2. The increase in the number of NCAs is due to the expansion of the model in the City of São Paulo and in the Northern and Southern regions.

QUALITY OF RELATIONS WITH NCS (%) BRAZILIAN OPERATION

	2009	2010	2011
Satisfaction[1]	88	90	87
Loyalty[2]	17	21	19

PR5

1. Satisfied and completely satisfied NCs – Top Box.
2. Loyalty is the intersection of the Top Box referring to satisfaction, intention to continue and recommendation.

QUALITY OF RELATIONS WITH NCAS (%) BRAZILIAN OPERATION

	2009	2010	2011
Satisfaction[1]	95	94	87
Loyalty[2]	37	33	24

PR5

[1] Satisfied and completely satisfied NCAs– Top Box.
[2] Loyalty is the intersection of the Top Box referring to satisfaction, intention to continue and recommendation.

QUALITY OF RELATIONS WITH NCS INTERNATIONAL OPERATIONS – LOYALTY RATE (%)[1]

	2009	2010	2011
Argentina	n.a	35	38
Chile	n.a	35	36
Colombia	n.a	44	37
Mexico	n.a	51	40
Peru	n.a	30	23

PR5

1. Loyalty is the intersection of the Top Box referring to satisfaction, intention to continue and recommendation.

SUSTAINABLE RELATIONS NETWORK

Since 2010, we have been experimenting with a new way of working with our consultants in Mexico. Because of local market characteristics, we sought to innovate to be more attractive and to engage consultants in our value proposition. This involved the creation of the Sustainable Relations Network which, after nine work cycles in 2011, produced encouraging results: growth in the channel in Mexico reached 52% during this period.

While in Brazil we only have two levels in the sales chain (NCs and NCAs), in Mexico there are eight levels of progression for consultants: Natura Consultant, Natura Consultant Entrepreneur, Natura Trainer 1 and 2, Natura Transformer 1 and 2, Natura Inspirer and Natura Associate. To progress, consultants have to meet targets based on sales volume and the introduction of new consultants and – as a differential from other models in the country – personal development and social and environmental engagement in the community.

To help them meet these requirements, Natura offers a series of general training programs aimed at driving sustainable entrepreneurship *(more on page 26)*. We want to show Consultants their potential to transform social reality in their region, in addition to fostering the development of networks and entrepreneurial business opportunities. To this purpose we connected the NCs with partnering institutions such as Ashoka and the Fundação Educa.

The margin on product sales increases as Consultants progress through the levels. The NCs also receive productivity bonuses to invest in their business and their well-being –the focus being medical assistance.

We currently have leaders at Natura Transformer level 2 and expect to have our first Natura Associate within two and a half years. This is the time necessary for a consultant to develop and achieve the required level of network engagement. We ended the year with 61,100 NCs, of whom 1,137 were Natura Trainers 1, 312 were Natura Trainers 2, 69 were Natura Transformers 1 and 4 were Natura Transformers 2.

TRAINING

Our focus in preparing the NCs for consulting work led us to exceed our training targets for the period, reaching 566,000 Consultants trained, the highest number ever. The target was to train 540,000.

This is the outcome of planning and improvements made in the program geared to obtain accelerated channel growth over recent years. Since 2010, we have been reinforcing training for less experienced NCs. In 2011, we gave priority to the participation of new NCs in regular training courses – 75% of which are aimed at the newer consultants.

It is during this period that we experience the highest NC dropout rate, due to lack of experience or the fact that the model does not meet their expectations. To counter this, the current materials used to recruit consultants now provide a more in-depth explanation of the challenges and opportunities involved and a specific meeting has been organized for newer NCs.

For the Natura Consultant Advisors (NCAs), in addition to initial training, we offer courses on planning and transformational attitudes, in which they are prompted to mobilize their group of consultants for social action. In 2012, we intend to segment NCA training according to their NCA seniority in Natura.

Training in international operations presents the additional challenge of engaging the NCs in our value proposition, ensuring they become multipliers.

For our relationship managers we continued the workshops on culture, brand and individual development and reflection, in addition to training on relationship management and Natura products. In tune with contemporary reality and the potential represented by digital tools, we intend to expand our online training.

HR6; HR7; PR8

We are signatories of the Brazilian direct selling association ABEVD's Direct Selling Code of Conduct, which mediates relations between salespersons and companies. We prepare NCs to act in accordance with the company's ethical standards. As in previous years, there were no legal or administrative actions involving the loss of NC data or privacy. Neither were there any legal actions related to child or forced labor or hazardous working conditions involving NCs.

NC TRAINING – BRAZILIAN OPERATION (IN 000'S)

	2009	2010	2011
Beginners NCs	430	458	505
Initial training	354	361	358
Participation in training[1]	583	593	640
NCs trained by subject[2]	527	517	566

1. Considers participation of the same NC even in repeated training.
2. Considers participation of the same NC in different training sessions.

NC TRAINING - INTERNATIONAL OPERATIONS[1] (IN 000'S)

	2009	2010	2011
Argentina	2.546	3.501	7.243
Chile	936	1.671	3.802
Colombia	1.732	2.160	3.656
France	254	500	859
Mexico[2]	2.373	3.856	-
Peru	1.500	3.261	5.847
Total	**9.341**	**14.949**	**21.407**

1. Covers number of NCs trained, mainly in Welcome, product line and business courses.
2. Monitoring of the indicator was discontinued due to the new commercial model.

INCOME AND **PRODUCTIVITY**

The average annual income paid out to consultants showed a slight drop in 2011, from R$ 4,100 to R$ 3,900, the same occurring with NCAs. The channel's accelerated growth in recent years is decisive in this indicator since consultants with less experience show lower productivity. Natura's overall performance, which was below expectations, was also reflected in the Consultants' sales.

Our strategy continues to be to train the newer consultants to drive higher productivity in the channel, and the increase in training efforts is a reflex of such strategy.

AVERAGE ANNUAL INCOME (R$)

	2009	2010	2011
Consultants (NCs)[1]	3.987	4.128	3.904
Natura Consultant Advisors (NCAs)[2]	9.841	9.802	9.521

EC9

1 Considering the NC's 30% profit on the product price published in the magazine.
2 The NCAs receive commissions based on performance, the number of consultants placing orders and order volumes.

COMMUNICATION CHANNELS

A series of communication channels support sales activities, and there has been increased use of digital tools. Currently almost all NC orders in Brazil are placed via the internet - 98% - a percentage that underscores the potential of the web in company relations with consultants. In the other countries, use of the internet to send in orders varies between 70% and 80%. In Colombia, it is 90%.

This good result is due to campaigns and instructions on the use of the web. After investigations and tests to verify the ease of use by NCs, we launched a new site in 2011. To expand internet access, the Casas Natura (Natura´s space for product testing) has computers and internet connections for consultants to send in their orders. NCAs also provide guidance on Internet use.

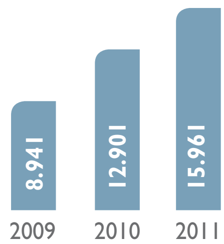
The internet facilitates and streamlines contacts with consultants and brings a much larger number of them within the Company's reach. In 2011, we conducted our first experiment with video service and service via social networks. We also provided an online chat, the use of which grew from 7% in the first semester to 18% by the end of the year.

Another channel is the Natura Call Center, or CAN in the Portuguese acronym, a toll free telephone line through which consultants may send in their orders, suggestions, criticisms, praise or clarify doubts.

The blog (www.blogconsultoria.natura.net) and the magazine Consultoria are key communication channels. They provide information on the concepts and features of each product, news on the Natura Movement, as well as relevant business information. In 2011, access to the blog increased by more than 50%, reaching a peak of 96,000 in one month, and an average of 73,000 single accesses per month. Some 1.5 million copies of the magazine are sent to the NCs each cycle, offering Consultants exclusive promotions.

The Natura Magazine is also a major point of contact with NCs and consumers. In addition to presenting products and features, it represents an important outlet for conveying our beliefs and values *(more about digital channels on page 30).*

NUMBER OF ORDERS PLACED VIA CONSULTORIA SITE (in 000's)[1]



1. Orders placed over the internet by the consultant, invoiced in the year.

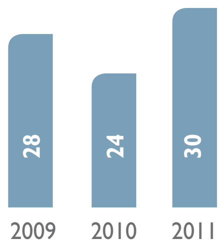
RECOGNITION AND **INCENTIVES**

We conducted a series of activities during the course of the year to recognize the role played by NCs and NCAs, not only in sales, but also in disseminating our beliefs and values and transforming society.

This recognition revolves around length of relationship, sales performance, sale of refills and Crer para Ver products – which income goes to the Instituto Natura.

We modified the criteria for length of relationship with Natura to make them more attractive and selective. Thus NCs now receive recognition upon completing 10, 20, 30 and 40 years of relationship. For the NCAs, a function set up more recently calls for recognition based on growth and performance.

AVERAGE NUMBER OF CALLS ANSWERED DAILY (in 000's)[1]



1. Calls for Brazilian Operation.

RECOGNITION FOR NCS

	2009	2010	2011
NCs recognized for length of relationship	64.030	73.286	13.753[1]
Special NC recognitions[2]	10.572	9.137	9.340
Quantity of prizes distributed in special recognitions	473	473	451
Special recognition events	43	43	41

1. Data includes only NCs recognized for 10 and 15 years relationship. The recognitions for 20, 30 and 40 years were postponed until 2012.
2. Annual recognition of best NCs in the categories sales volume, refill sales and Crer para Ver product sales.

RECOGNITION FOR NCAS

	2009	2010	2011
NCAs recognized for growth[1]	nd	2.248	2.443
Special NCA recognitions[2]	nd	3.018	2.931

1. Recognition for business growth.
2. Annual recognition of NCAs with best performance in: growth of number of NCs in the group, order frequency and NC retention in network.

NATURA MOVEMENT

The aim of the Natura Movement is to raise consultants' awareness and rally them to propagate our beliefs and vision of the world. We want to drive an individual and collective transformation process in our NCs and NCAs. We want them to become agents of transformation in the communities they live in. To do this, we encourage them to get involved in socio-environmental actions, on their own initiative or in partnership with other organizations.

In 2011, almost 123,000 NCs were engaged in 11 Natura Movement projects nationwide. The numbers show an incredible capacity to involve consultants in the movement, almost double the 2009 result, when monitoring was initiated. Even so, this figure was below our target of involving 135,000 NCs in the projects in 2011. This shortfall, however, may be attributed to overall business performance during the year.

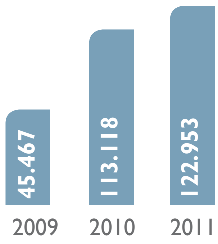
The main Natura Movement initiatives during the year included the Acolher Program. This is a pioneering social entrepreneurship scheme that identifies, recognizes and encourages Consultants engaged in socio-environmental actions nationwide. NCs participating in the program form a large network through which they exchange experience and are eligible for technical and financial support for their activities. In 2011, 18 NCs from 16 cities were selected to receive this support from more than 1,500 applications. The initiatives undertaken include recycling cooperatives, the manufacture of disposable diapers for children and sick adults, community nurseries, reading initiatives, social inclusion of the disabled and support for needy children. These projects may be seen on the Natura Movement portal at (www.movimentonatura.com.br).

The Acolher program is divided into two categories: "Seed" for incipient initiatives and "Growth" for more established ones. Consultants receive grants of R$ 5,000 and R$ 15,000 respectively, as well as technical support to drive their development as social entrepreneurs.

The Natura Movement website (www.movimentonatura.com.br) provides support for this work. The site contains videos and information on social entrepreneurship and enables interaction among users. A total of 2,922 NCs are enrolled to participate in the Acolher network.

We also invested in publicizing these initiatives with the set up of the category Natura Inspiring Consultant in the CLÁUDIA Award organized by the magazine CLÁUDIA. NCs recognized in the Acolher Program are eligible for this award. Moreover, Natura established a partnership with the Rede Record TV network program Hoje em Dia, which has a section that translates as Inspiring Women. The stories of consultants participating in the Acolher program are presented in this section.

NCS ENGAGED IN NATURA MOVEMENT[1]



1. Equivalent to average absolute number of consultants/year.

COMMUNITIES PROGRAM

Since 2007, Natura has been involved in social work in the Rio de Janeiro communities. Based on this experience, the Company created the Communities project in 2011. Developed in the Cidade de Deus and Complexo do Alemão districts, the project is aimed at people wishing to become NCs and takes advantage of these new consultants' interest to encourage them to get involved in social work that will transform their communities.

The first step was research in these districts. We realized that many people wishing to work as Consultants had questions that hampered them from getting started. Consequently, we made the rules for registration more flexible, admitting persons with protested debts of up to R$ 500, thus increasing enrollment by 75%. We also established a partnership with the Banco Santander for the provision of microcredit and financial education courses for the NCs.

In 2012, we will expand the project to a further 20 communities where so-called police pacification units or UPPs are in place. Part of the revenue generated will be reinvested in projects in these communities using the Acolher Program methodology.

Natura also supplies free products for use in hairdressing and make up vocational courses offered by Faetec, as well as supporting actions designed to promote women's self-esteem through dance and make-up sessions in partnership with the cultural group Afroreggae.

The Natura Movement also engages NCs in educational support through sales of the Natura Crer para Ver product line. In 2011, approximately 71,000 NCs embraced this cause, selling these products with no personal gain *(more on page 86)*.

Another important cause is the Natura Products Recycling program through which we encourage NCs to collect empty product packs when visiting their clients *(read more on page 82)*.

OTHER PROJECTS SUPPORTED BY THE NATURA MOVEMENT*

THIS IS THE ATLANTIC RAINFOREST (MATA ATLÂNTICA É AQUI)

In 2011, 1,660 NCs were involved in this project in partnership with the NGO SOS Mata Atlântica. A mobile exhibition on the Atlantic Rainforest visited 23 cities in Brazil. The program was aimed at raising public awareness and promoting environmental education and was attended by 114,000 people.

FORESTS MAKE A DIFFERENCE (FLORESTA FAZ A DIFERENÇA)

The dissemination of this campaign via the sales channel led around 40 thousand NCs to sign a petition against the bill of law modifying the Brazilian Forestry Code.

*In addition to these projects, in 2011 the Natura Movement supported the following initiatives: Água de Viver, Pracatum, Respeito SP, Canta Brasil and 10 Minutos Contra a Dengue. More information at **www.movimentonatura.com.br**

4.4 consumers

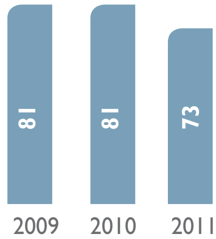
DMA PR

We constantly strive to strengthen the ties we establish with our consumers and increase our understanding of their habits, expectations and needs. Since the creation of our Consumer Insight area in 2009 we have boosted investment in research, studies and analyses. In 2011, these investments grew 50% compared to 2010.

These efforts do not translate merely in numbers. The main development last year was the achievement of greater consistency in the analytical process. All the information we gather today, from the most diverse points of contact with the consumer – including social networks – is forwarded to a Center of Analysis. This intelligence management provides a more integrated view of the moment our consumers, our consultants and the market are experiencing and enables us to identify opportunities and trends.

In 2011, as a result of operational difficulties caused by changes in the infrastructure systems, we experienced an increase in product shortages and delivery times. These factors, together with heightened competition, led to a slight drop in consumer relationship quality indicators. Consumer loyalty decreased from 53% to 52%. In Overall Brand Assessment, there was a drop from 81% to 73%, but even so we increased our lead over the second most popular brand.

OVERALL BRAND IMAGE ASSESSMENT IN BRAZIL (%)[1,2]



1. Source: Brand Essence.

2. The Top Box overall assessment measure considers respondents who gave the Natura brand the top score on a scale from 1 to 5.

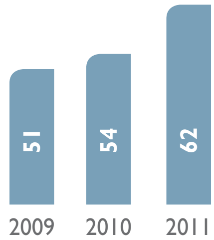
QUALITY OF RELATIONS WITH CONSUMERS IN BRAZIL[1 2 3] (%)

	2009	2010	2011
Loyalty	46	53	52
Preference	47	49	47

1. Source: Brand Essence / Instituto Ipsos
2. Research based on quantitative sample of 1,800 personal and household interviews in five markets.
3. Loyalty is the intersection of the Top Box referring to satisfaction, intention to continue and recommendation.

PR5

PENETRATION IN BRAZILIAN HOUSEHOLD[1 2 3] (%)



1. Penetration is the percentage of households in the universe represented in the survey that bought the brand in the specified period.

2. Source: Kantor World Panel.

3. The panel represents 81% of the household population and 90% of the country's consumption potential according to the Target index. Due to updates of the population profile, Natura data were adjusted and the numbers were reviewed.

Natura is the consumers' preferred brand, more than twice as popular as the runner up. We increased our share in Brazilian households to 62%, which means that we reach around 100 million people. These numbers stand behind the development of our strategy to get consumers to buy a larger variety of products more frequently. This will enable us to better leverage the power of the Natura brand and increase consultant productivity.

In Latin America, our brand is growing stronger year after year. In 2011, all the operations except Mexico showed an increase in spontaneous recall of the Natura brand *(see table below)*.

SPONTANEOUS KNOWLEDGE - BRAND IMAGE ASSESSMENT IN INTERNATIONAL OPERATIONS[1]

	2009	2010	2011
Argentina	10	17	24
Chile	7	9	16
Colombia	3	1	9
Mexico	4	11	5
Peru	26	32	43

1. Source: Brand Essence / Instituto Ipsos

INTERNET AND **SOCIAL NETWORKS**

Intensive use of the web and social networks dovetails with our wish to innovate in the way we relate to our consumers.

We have used the internet to support communication actions with great impact. For the relaunch of the hair product line Natura Plant, we invited customers buying cinema tickets via the website Ingresso.com to record a message as a tribute to a special woman and her relationship with her hair. The tribute was shown before the film session, surprising the customers in the audience. With extensive repercussion in the social networks, the action was elected the best Brazilian campaign of the year by readers of the trade publication Meio&Mensagem. The video may be seen on our YouTube channel (www.youtube/naturabemestarbem).

Another example of Natura communication with consumers is the "Adoro maquiagem" (I love makeup) portal (www.adoromaquiagem.com.br), which has become a meeting place for makeup aficionados. Launched in 2010, the channel receives more than 150 thousand single users per month, and the average time spent in the channel is above five minutes. The portal is connected with other online communication tools such as Twitter and Youtube.

ETHICAL COMMUNICATION

We believe that in addition to promoting our products, Natura's advertisements, commercials and other communications should provide clear information and raise consumer awareness. This is backed by the company's Ethical Communication Guidelines manual. The document is for employees and suppliers involved in Natura communication processes and sets forth the principles underlying all communication campaigns and actions. These include questions such as product environmental impact, conscious consumption, non-invasive communication, respect for children, promoting dialogue and co-creation, as well as valuing diversity, clarity, self-reflection and the truth.

We are compliant with the standards set forth by the Advertising Self-Regulatory body Conar and the codes of conduct of the Brazilian Advertisers Association, the Brazilian Consumer Defense Association and the Brazilian Direct Selling Association. These regulations are used as guidelines for all our communications. In 2011, we received no notices for breaches of regulations, laws and voluntary codes in connection with marketing communication, including advertising, promotion and sponsorship. *PR6; PR7*

CUSTOMER SERVICE

Natura consumers have an exclusive channel through which they may place complaints, criticisms and suggestions, the Natura Customer Service or SNAC in the Portuguese acronym. The channel is toll free and received just over 780,000 calls in 2011, 24% down on 2010.

SNAC –NATURA CUSTOMER SERVICE (000'S OF CALLS)[1]

	2009	2010	2011
Total	1.484	1.029	783
Answered	1.375	987	770
Unanswered	109	42	13

1 Calls related to Brazilian operation.

The reduction in calls received by the SNAC service is part of the company strategy to boost use of digital channels, in particular our online chat. It is also due to changes made in 2010 to streamline the product exchange process and improve fraud prevention. With more selective criteria, including the collection of products for evaluation, the number of complaints decreased. We believe the drop is associated with non-genuine communications. In spite of these measures, consumer satisfaction with this service channel remained stable.

Another highlight was the creation of a specialized service cell for the Chronos product line. Manned by a multifunctional team, we started offering consumers more detailed information about this high technology dermo-cosmetic. New specialized service cells organized by product line should be created in 2012.

Attentive to our consumers' right to privacy and confidentiality, everyone communicating with Natura via the internet or SNAC is protected by data security policies and systems. In 2011, there were no legal or administrative cases involving breaches of consumer privacy or loss of data.

In 2011, 697 complaints were filed with the Procon (Consumer Protection and Advisory Program). Those complaints were mostly related to NC requests to renegotiate debts, third-parties inclusion in credit protection agency listings, and consumer complaints in connection with request for product exchange or reimbursement. Complaints are reviewed by the appropriate functions and help identify potential improvements that could be made in the Company's processes.

CONSUMER **SAFETY**

We have a permanent commitment with the health and safety of our consumers. We have rigorous internal processes to ensure safety, from product conception to packaging disposal, encompassing research, certification, manufacture, marketing and promotion, warehousing, distribution, supply, customer service and effective product use. *PR1*

For example, we honored our commitment to completely eliminate parabens from our product formulations in 2011. Although still allowed, the lack of consensus about the safety of these substances led Natura to decide for their removal from our products. Based on our experience in this case, we established a project that acts as a radar to detect controversial ingredients worldwide. We anticipate trends and act preventively.

Additionally, our innovation and product development process adopts the precautionary principle. In other words, we closely monitor global scientific developments for possible adverse effects of any ingredient on health and replace them if necessary. In the case of raw materials in which there are limitations on the permitted concentration, we always apply the standards of countries with the most restrictive legislation. *4.11*

In Brazil the Company has set in place projects to improve the capture and analysis of reports of adverse events during 2011. We strive to obtain more detailed information about the safety of our products in the market as rapidly as possible. For this reason our service channels such as the Natura Customer Service are trained to obtain as many details as possible in case of adverse reactions.

We are also structuring our processes to ensure alignment with the standards being established for the cosmetics industry under the new European regulations.

It should be noted that international operations have a scientific management area responsible for regulatory, surveillance and quality processes, reporting to the Consumer Safety and Innovation function in Brazil.

In 2011, no penalties nor administrative sanctions were imposed to Natura by the Brazilian National Health Surveillance Agency (Anvisa). Nor any fines were imposed in connection with product impact on consumers' health and safety nor any significant fines in connection with product labeling. *PR2; PR4; PR9*

4.5 suppliers

Natura maintains an open dialogue and relationship based on partnership with its suppliers. This relationship is driven by continuous development and the joint development of solutions and improvements, because we know that collectively we can multiply the generation of economic, social and environmental value.

The Company's supply network is divided into different types of partners. Those who provide us with finished products (third-party manufacturers) and production inputs (biodiversity assets, raw materials and packaging) account for 50% of our purchase volume. The remainder includes indirect service and material suppliers. In 2011, a total of 190 materials and finished product suppliers and more than 4,700 indirect input and service suppliers were listed in our base.

With our expansion in Latin America, we have increased the participation of regional suppliers, through a new regional procurement structure for the international operations. The Company's strategy is to increasingly work with local manufacturers (third-party suppliers). In addition to perfume bottling, initiated in Argentina in 2010, last year the Company began soap production in Colombia. The manufacture of shampoo in Mexico, perfumes in Colombia and moisturizers in Argentina and Colombia should begin in 2012. Among other advantages, local production improves service levels and reduces environmental impacts of product distribution. *EC6*

SUSTAINABLE **SUPPLY CHAINS**

In 2011 Natura set up the Company's Sustainable Supply Chain strategy. Based on innovative methodology, it enables Natura to take into account the real value of socio-environmental aspects in the selection of suppliers and in establishing development plans to ensure an increasingly efficient and sustainable production chain.

Initiated in 2010 in partnership with international specialists and the suppliers themselves, the initiative was supported by the mapping of potential socio-environmental impacts caused by the chain and calculating the cost of preventing or mitigating these impacts. In 2011, the program was implemented: we included the following indicators in the purchasing criteria: environmental (carbon emissions, water consumption, solid waste generation) and social (investment in education, training, the inclusion of disabled people and occupational safety) .

Applied in the selection of new vendors and in the review of the existing packaging, third-party manufacture and logistics supplier base, the system brought gains in the three sustainability pillars: economic, social and environmental. The methodology was applied to 60% of our purchases measured by value. We closed supply contracts in which these partners committed to improving their socio-environmental performance during the next three years. This is expected to generate approximately R$ 2 million a year in socio-environmental improvements by 2014. Since these improvements will be multiplied throughout the suppliers' operations, the impact for society will be worth approximately R$ 20 million during the period.

We initiated the second phase of the program in 2011, extending the methodology to service and indirect input suppliers. As in the first phase, this involved meeting with these partners to map their impacts. The process should be completed in 2012 and should include the suppliers in the international operations.

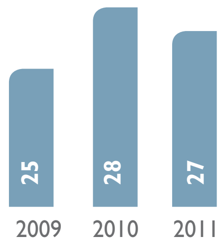
We consider this initiative as a consistent evolution of the triple bottom line management system, leveraging the socio-environmental potential of our supply chain. Worthy of note is the engagement of our suppliers. The Company firmly believes in the multiplying effect of this measure, because any improvement implemented by our partners should boost their overall performance and should not be restricted to their dealings with Natura.

RELATIONSHIP

We monitor the quality of our relationship with suppliers through satisfaction and loyalty indicators. In 2011, rates were stable compared with the previous year hence they did not reach the goals set for the year. The satisfaction rate was 81%, with loyalty at 27%, one percentile point below the 2010 results (within the survey margin of error). This result may be explained by operational shortfalls. We dealt with this situation by remaining close to our partners and keeping them informed of the measures being taken to normalize processes. After eight months, the main difficulties had been overcome. Evidently, the company is aware that it is in everyone's best interest to maintain a totally stable operation.

It should be noted that in 2011 we also started to monitor two supplier-related issues raised in the discussion panels: internal control of payments and material receipt lag-time. With respect to payments, the Company improved contract management procedures and internal controls. Regarding material receipt difficulties, operational improvements were set up in the second semester.

SUPPLIER LOYALTY (%)



QLICAR PROGRAM

Our supplier development program Qlicar (the Portuguese acronym for Quality, Logistics, Innovation, Competitiveness, Environment&Social and Relationship) was upgraded last year. In 2011, we reinforced critical service level indicators and included social parameters aligned with our sustainable supply chain strategy in the monitoring. Where we previously monitored only water and energy consumption, CO_2 emissions and solid waste generation, we now require data on investment in employees' education, occupational safety, social inclusion and community investment. Rather than just reporting this information, our suppliers should now be assessed based on the progress in these indicators.

The number of participants in Qlicar was also increased to 122 suppliers of inputs, finished products, logistics, brand-related services and services to consultants.

In line with our proposal to increase transparency throughout the value chain, since 2010 we have supported the Global Reporting Initiative (GRI) GANTSCh (Global Action Network for Transparency in the Supply Chain) training program to encourage sustainability reporting in the supply chain. In Brazil, the program is administered by Aberje (the Brazilian Business Communication Association) and entails workshops and different activities. We invited some small and mid-sized suppliers to participate and seven accepted in 2011. At the end of the program, these partners will be prepared to publish a GRI standard sustainability report.

It should be noted that 100% of the contracts we sign with suppliers contain human rights clauses, covering issues such as child, forced and slave labor. In 2011, we signed 36 new contracts worth some R$ 5 million. *HR1; HR6; HR7*

In 2011, 219 suppliers underwent self-assessment procedures and 82% of them were submitted to periodic audits covering aspects of quality, environment and social responsibility, including human rights. *HR2*

4.6 supplier communities

The sociobiodiversity inputs used in our products originate from family smallholders and extractivist communities in diverse parts of Brazil – mostly in the Amazon region. We establish production chains with these communities based on fair prices, compensation for access to biological resources and traditional knowledge and support for sustainable local development projects. This model has proved effective in generating social, economic and environmental value for Natura and for the communities.

In 2011, we worked with 32 suppliers' communities representing 3,235 families, 40% more than in the previous year. This increase is part of our strategy to strengthen business ties with the suppliers' communities, amplifying the social benefits derived from this relationship and business model.

SUPPLIERS' COMMUNITIES[1]

	2009	2010	2011
Communities with which Natura maintains relations	25	25	32
Families benefiting in the suppliers' communities	2.012	2.301	3.235

EC9

The income of these communities reached R$ 10 million last year, 15% more than in 2010. Although proportionally higher than Company's growth in the year, investment in the suppliers' communities did not reach the established target of 25% increase for the year. The main factor behind this performance was the review of production inputs purchased during the year.

Even considering only input purchases, the amount paid out to the communities was 50% higher than the previous year. The amount paid out per family decreased since the number of families grew more (40%) than spending (15%).

FUNDING (000'S OF R$)

	2009	2010	2011
Supply[1]	2.767	4.374	6.749
Compensation for access to biological resources and associated traditional knowledge[2]	1.056	1.480	1.597
Funds and support[3]	1.088	1.552	1.002
Use of image[4]	15	77	22
Training[5]	152	185	133
Certification and management[6]	28	212	21
Studies and assistance[7]	435	828	512
TOTAL	**5.540**	**8.706**	**10.037**

EC8

1. Amount paid by processors or the Benevides plant for raw materials used in Natura products.
2. Amount paid to communities for access to biological resources and/or associated to traditional knowledge related to Brazilian biodiversity.
3. Voluntary Natura sustainable development funds or agreements, disbursement of which is linked with infrastructure improvement projects or sponsorship.
4. Amounts paid for use of images of community members in institutional or marketing communication.
5. Workshops and courses funded by the company to improve sustainable production techniques.
6. Amounts invested in certification and management plans for areas under cultivation.
7. Includes studies by anthropologists, lawyers, economists, NGOs and other Natura contractors for the suppliers' communities. Also includes studies for structuring the production chain.

FUNDS ALLOCATED PER FAMILY (000'S R$) PER YEAR	2009	2010	2011
Direct funds[1]	2,5	3,2	2,9
Supply[2]	1,5	2,0	2,2

EC9

1. Includes funds effectively received by the communities: supply of inputs, sharing of benefits, use of image, funds and support.
2. Sub-item of direct funds, itemizing funds received from supply.

RELATIONSHIP GUIDELINES

Natura's relations with the suppliers' communities are governed by the company's Policy on the Sustainable Use of Biodiversity and Associated Traditional Knowledge which in turn is based on the United Nations Convention for Biological Diversity. To initiate a relationship with a community a number of factors are reviewed: existence of a legal organizational entity; administration and project management experience; relations with other local partners; participative management among members and sustainable environmental practices; prior experience in market relations; and production traceability.

In addition to follow the policy, Natura also draws on the Suppliers' Communities Relationship Principles, a document which guides the Company's conduct and formalizes our commitment to understand and respect a community's way of life and form of social organization. To do this, we always strive to establish a participative, inclusive and transparent dialogue, which is conducted through a dedicated multidisciplinary team.

Consolidated in 2011, the result of the suppliers' community loyalty assessment was 28%. This is not comparable with the previous year's result – 43% - because we revised the methodology. Previously conducted by telephone, last year the survey was based on field visits by surveyors with a background in social science. The change helped refine the result of the survey, providing complementary information about the quality of the relationship and different associated community perspectives. The most positive points include: diversification of sources of income, including sale of materials to new markets; formalization of the commercial relationship; crop planning; opportunities for discussion and new partnerships. It was also noted that the relationship with Natura goes beyond the financial issues, with the extractivists and family smallholders feeling appreciated by their partners, customers and the society as a whole.

We understand that there is room for our relations with the communities to evolve and we seek to continuously improve the way we manage this development. The challenges include the need to improve communication and materials purchase processes, which includes planning, crop advances, joint monitoring of logistics and administrative processes.

BIOQLICAR PROGRAM

BioQlicar is a monitoring and development program similar to the one applied to our regular suppliers, but focused exclusively on the suppliers' communities. It uses two groups of indicators: Bio, covering the human, social, environmental and economic resources the local society has at its disposal to drive development; and Qlicar (Quality, Logistics, Innovation, Competitiveness, Service and Relationship) – which addresses monitoring of production performance. By tracking performance and development, BioQlicar boosts the communities' overall market relations.

The program is evaluated annually by the processors and suppliers' communities. The 2011 results will be ready in May 2012. The 2010 score was 3.6 (on a scale of 0 to 5). HR2

In 2011, a series of training programs were organized, including administration, community exchanges, occupational health and safety, labor relations, as well as infrastructure improvements and local value generation. We also invested in a management and agricultural training program, in structuring cost chains and formalizing contracts.

We organized a round of talks to discuss the involvement of children and teenagers in the production chains. The encounter was coordinated by anthropologists and Natura employees in the three supplier communities where we carried out studies on the social division of labor. The objective of the meeting was to encourage discussion and deepen the participants' understanding of the subject. Our perception is that family participation in community activities is not only an economic matter, but also a social and cultural one. The challenge is to disseminate the debate among the different societal industries and increase understanding of the issue. It should be noted that all the benefit sharing and supply contracts include human rights-related issues, in particular child and forced labor and degrading work conditions. In 2011, there were no incidents involving indigenous populations in the areas in which we operate. *HR1; HR6; HR7; HR9*

SHARING BENEFITS AND CULTURAL HERITAGE

Natura addresses the issue of sharing benefits based on its policy on the Sustainable Use of Biodiversity and Associated Traditional Knowledge. The Company's approach is to share benefits whenever different forms of value in our access to biodiversity are perceived. As such, one of the practices defining how these resources will be shared is to associate payment with the number of raw materials produced from each plant and the commercial success of the products in which these raw materials are used.

In 2011, we signed two new benefit sharing contracts. One was for the traditional knowledge associated with the use of andiroba in the Médio Juruá, Amazon region. This is the first commercial contract undertaken with a community located in an environmental conservation area. The second contract was for access to the biological resources of vanilla types bahiana and chamisonis, with the Cabruca cooperative (Bahia).

We also entered various amendments to other agreements to expand the range of raw materials used in research within our innovation program. All are related to sharing the benefits from access to biological resources. They include two passion fruit contracts with the Aprocor Cooperative – Corumbataí do Sul Region Producers' Association (Paraná); five cocoa contracts with the Cabruca Cooperative (Bahia); one capitiú contract in Capo Limpo (Pará); one guaçatonga contract and a passion flower contract in the Consórcio Terra Medicinal (CTM) community; jenipapo, guaraná and annatto contracts with the Onça Cooperative; three cupuaçu contracts with the Reca Project (Rondônia); and a macela contract with the Coopaflora – Turvo Agroecological, Handicraft and Forestry Products Cooperative, in Turvo (Paraná).

LOCAL **DEVELOPMENT**

To stimulate the development of the suppliers' communities and the areas around them, we have a specific company-funded promotion program. The funds are invested in projects that foster the social reinforcement of the communities, as well as environmental conservation, cultural reinforcement, the creation of alternative sources of income, food security, interaction with external bodies and leadership development. *SO10*

One of these initiatives was the creation of the Médio Juruá, Amazon region Fund in partnership with the Conselho Nacional de Populações Extrativistas (National Extractivist Populations Council), with support from the Instituto Chico Mendes de Conservação da Biodiversidade (Chico Medes Conservation and Biodiversity Institute - ICMBio) and the Centro Estadual de Unidades de Conservação do Estado do Amazonas (Amazonas State Conservation Unit Center). The fund selects projects proposed by organizations in the region based on four action fronts: building citizenship, education and health; food security and income generation; environmental conservation and preservation; associative reinforcement and market diversification.

The aim is to enable organizations such as the Médio Juruá Extractivist Reserve to seek alternative sources of income for workers and to obtain project financing. The fund's first call to tender was issued in 2011. Natura also assisted the organizations by training them to prepare their applications in line with the required criteria.

As a result of our institutional and technical reinforcement initiatives in the Médio Juruá, Amazon region community, the quality of the materials gathered and andiroba and murumuru processing has improved. This in turn improves relations and increases family incomes. *SO10*

Another significant initiative was the inauguration of an agro-industrial venture in the Cofruta community (Pará). This process is the result of a collective discussion involving several cooperatives in the Lower Tocantins region and other local partners (NGOs, agricultural unions). With this unit, the communities which previously supplied Brazil nuts and seeds as production inputs now process the material and sell the oil to Natura and other customers. We have thus helped to add value to the production process, diversify the cooperative's business and strengthen the region. For Natura, the process results in logistics gains. The project is manned by young people trained in management and cooperative administration in a program organized by Fase (the Social and Educational Assistance Federation), another measure supported by Natura.

natura Suppliers' Communities

Apobv (Boa Vista do Acará Producers' Association) - *Piri piri root Cyperus articulatus*

Belém Islands Women's Movement - *Piri piri root (Cyperus articulatus)*

Aprocam (Campo Limpo Producers' Association) - *Piri piri root (Cyperus articulatus) andestoraque leaves (Myroxilon Balsamun)*

Camta (Tomé-Açu Mixed Agricultural Cooperative) - *Cupuaçu (theobroma grandiflorum) butter, Açaí(euterpe oleracta) pulp, Cocoa seed and passion flower oil (passiflora edulis)*

Cofruta (Abaetetuba Fruit Producers' Cooperative) - *Andiroba (Carapa guianensis) and Murumuru (Astrocaryum murumuru) seeds*

Associação Ver-as-Ervas das Erveiras e Erveiros do Ver-o-Peso - *Does not supply materials*

Igarapé-Miri Agricultural Cooperative - *Andiroba (Carapa guianensis) and Murumuru (Astrocaryum murumuru) seeds*

Cart (Resistência de Cametá Agricultural Cooperative) - *Murumuru (Astrocaryum murumuru)seeds*

Coomar (Mid Caeté and Gurupi Mixed Producers' Cooperative) - *Murumuru (Astrocaryum murumuru) seeds*

Copoam (Amazon Organic Producers' Cooperative) - *Cocoa seed (Theobroma cacao)*

Santo Antônio do Tauá Mixed Agro-Extactivist Cooperative - *Murumuru (Astrocaryum murumuru) seeds*

Associação Jauari (Jauari – Caminhos com Cristo Residents' and Producers' Association) - *Murumuru (Astrocaryum murumuru) seeds*

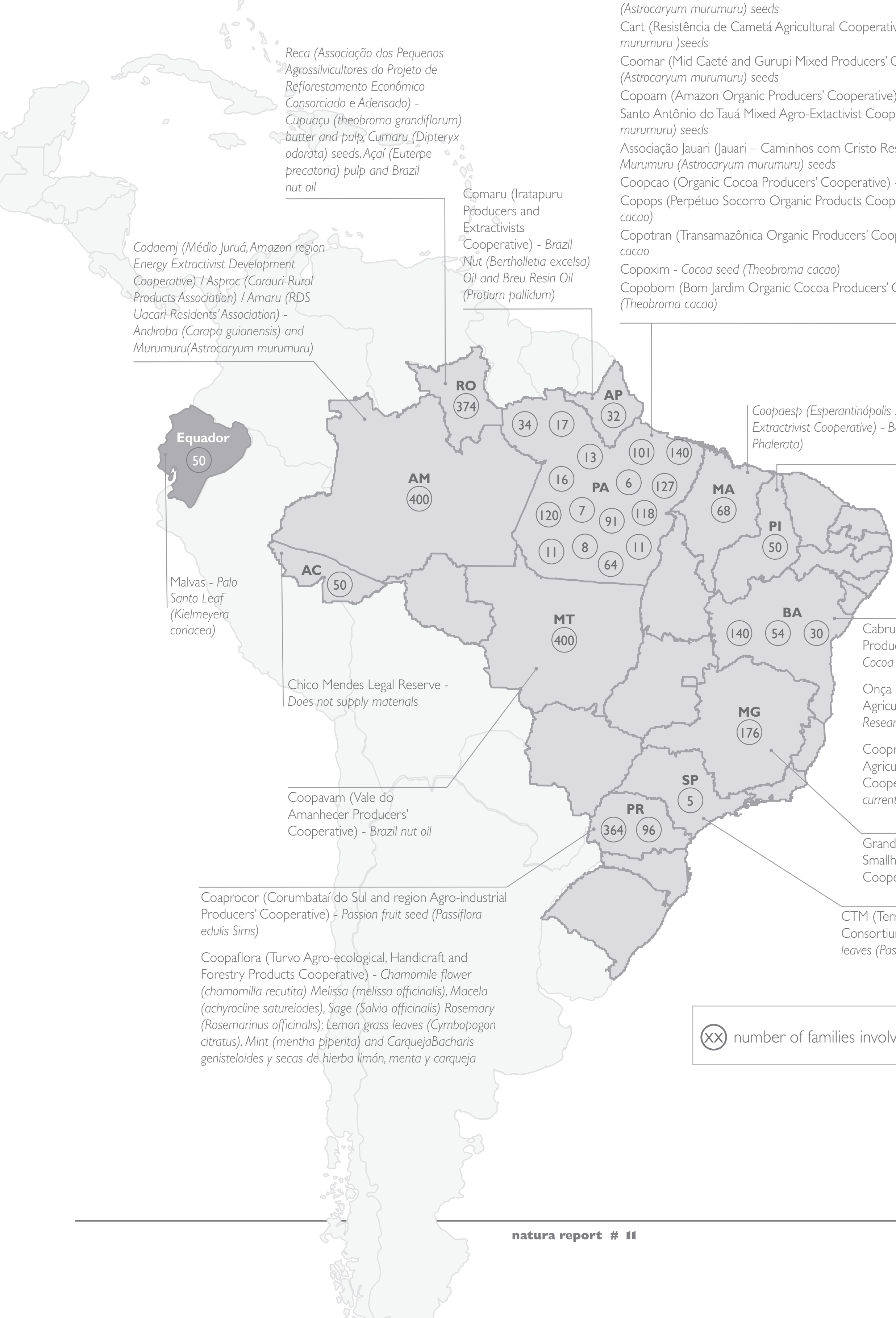
Coopcao (Organic Cocoa Producers' Cooperative) - *Cocoa seed (Theobroma cacao)*

Copops (Perpétuo Socorro Organic Products Cooperative) - *Cocoa seed (Theobroma cacao)*

Copotran (Transamazônica Organic Producers' Cooperative) - *Cocoa seed Theobroma cacao*

Copoxim - *Cocoa seed (Theobroma cacao)*

Copobom (Bom Jardim Organic Cocoa Producers' Cooperative) - *Cocoa seed (Theobroma cacao)*



Reca (Associação dos Pequenos Agrossilvicultores do Projeto de Reflorestamento Econômico Consorciado e Adensado) - Cupuaçu (theobroma grandiflorum) butter and pulp, Cumaru (Dipteryx odorata) seeds, Açaí (Euterpe precatoria) pulp and Brazil nut oil

Comaru (Iratapuru Producers and Extractivists Cooperative) - *Brazil Nut (Bertholletia excelsa) Oil and Breu Resin Oil (Protium pallidum)*

Codaemj (Médio Juruá, Amazon region Energy Extractivist Development Cooperative) / Asproc (Carauri Rural Products Association) / Amaru (RDS Uacari Residents' Association) - Andiroba (Carapa guianensis) and Murumuru(Astrocaryum murumuru)

Coopaesp (Esperantinópolis Smallholder and Extractrivist Cooperative) - Babassu flour (Orbignya Phalerata)

Buriticoop (Palmeira do Piauí) - *Does not supply currently*

Malvas - *Palo Santo Leaf (Kielmeyera coriacea)*

Chico Mendes Legal Reserve - *Does not supply materials*

Cabruca (South Bahia Organic Producers' Cooperative) - *Cocoa seed(Theobroma cacao)*

Onça (Onça Project Agricultural Cooperative) - *Research material*

Cooprocam (Camamu Agricultural Producers' Cooperative) - *Not supplying currently*

Coopavam (Vale do Amanhecer Producers' Cooperative) - *Brazil nut oil*

Grande Sertão Family Smallholder and Extractivist Cooperative - *Buriti palm oil*

Coaprocor (Corumbataí do Sul and region Agro-industrial Producers' Cooperative) - *Passion fruit seed (Passiflora edulis Sims)*

Coopaflora (Turvo Agro-ecological, Handicraft and Forestry Products Cooperative) - *Chamomile flower (chamomilla recutita) Melissa (melissa officinalis), Macela (achyrocline satureiodes), Sage (Salvia officinalis) Rosemary (Rosemarinus officinalis); Lemon grass leaves (Cymbopogon citratus), Mint (mentha piperita) and CarquejaBacharis genisteloides y secas de hierba limón, menta y carqueja*

CTM (Terra Medicinal Consortium) - *Passion flower leaves (Passiflora edulis)*

(XX) number of families involved

4.7 surrounding **community**

With the expansion of Natura's operations, the challenges and responsibilities involved in establishing relationship quality with the communities surrounding our operations has grown. We are aware that the company's presence causes impacts and we strive to ensure these are increasingly positive.

Our main rationale regarding surrounding communities is to identify local partners with whom we may operate. We believe that strengthening existing actors and leaders leads to more consistent and sustainable results.

A large part of our initiatives are focused on the Cajamar (São Paulo State), Itapecerica da Serra (São Paulo State) and Benevides (Pará State) communities, where our main operations are located. Investments in projects in these locations totaled R$ 822,000 in 2011, almost double the amount spent the previous year.

INFRASTRUCTURE AND SERVICE INVESTMENTS FOR PUBLIC BENEFIT (000'S OF R$)

	2009	2010	2011
Investments in communities surrounding Natura units - Natura funding[1]	408	409	822
Investments –Crer para Ver funding[2]	3	30	96

EC8

1 Investments refer to districts of Cajamar and Itapecerica da Serra.
2. Crer para Ver investments in Benevides.

One of our commitments for 2011 was to extend our relationship strategy beyond the communities in which we already invest. The aim is to expand our local development programs to other regions, a strategy which continues to be a challenge for the company.

In 2011, we directed 1% of Natura's income tax due to the Children's and Adolescents' Municipal Councils in seven municipal districts. Among these, we established closer relations with the councils in three locations in which Natura has DCs: Jaboatão dos Guararapes (Pernambuco), Canoas (Rio Grande do Sul) and Castanhal (Pará). In these regions we organized meetings to learn about the local reality and child and adolescent-related issues in the region.

With respect to employees resident in the areas around our main units, there was an increase in hiring in Cajamar, especially among operators and apprentices. All the 163 young people in the program were indicated by employees. Worthy of note is the fact that a large number of temporary workers, third-parties and service providers working with Natura live in the surrounding communities. In Benevides, like in 2010, there was a decrease in this indicator due to the unit's growth, meaning a number of employees from outside the region were hired.

EMPLOYEES RESIDENT IN SURROUNDING COMMUNITIES (%)[1]

	2009	2010	2011
Cajamar	17	17	21
Benevides	98	95	60

1. Itapecerica da Serra is an administrative unit and does not count employees from the surrounding community.

Business volume with suppliers from Cajamar, Itapecerica da Serra and Benevides accounted for 4% of Natura's total purchases during the year. EC6

PURCHASES FROM SUPPLIERS IN THE COMMUNITIES AROUND PLANTS[1] (R$ MILLIONS)	2009	2010	2011
Cajamar	70	74	62
Itapecerica da Serra	1,2	1,3	3,0
Benevides	45	47	64
Total	**116**	**121**	**129**

EC6

1. The method for consolidating this indicator was changed. From 2011, the amounts net of taxes recoverable were considered. Consequently the 2011 data are not comparable with previous years.

CAJAMAR

Since 1998, we have focused on establishing partnerships with the community, public authorities and civil associations in Cajamar with a view at contributing to local development. In 2011, we assisted in the set up of the targets and projects established in the Municipal Education plan funded by Natura the previous year. In partnership with the Municipal Education Board and with support from Ideca (Educational, Cultural and Community Action Development Institute), work began on building the municipal learning assessment system. This will be applied to students in municipal schools and will provide more accurate in-depth information on teaching quality and on the needs of each school.

To provide local youngsters with new employment opportunities, we created the Cajamar School in 2011. This is an educational program to prepare them to participate in apprentice selection processes, not only at Natura but also in other companies in the region, and increase their chance of employment. A total of 65 adolescents took part in the program, and five were recruited by Natura.

We also developed our existing partnership with the NGO Mata Nativa. Since 2010, we have contracted Ipesa (Socio-environmental Projects Institute) to strengthen the organization in institutional and management terms. We supported the NGO in a project involving shared management of a municipal park in partnership with public authorities and community leaders. The aim is to set up an environmental education framework and reinforce management of the environmental protection areas in the region that includes Cajamar, Cabreúva and Jundiaí.

ITAPECERICA DA SERRA

After 20 years in which a key part of our operations have been located in Itapecerica da Serra, we should be leaving the district by the end of 2012. This decision is due to the fact that the site offers no room for expansion considering the company's growth.

We recognize that our leaving the district generates impacts, in particular with respect to tax revenues. Since the decision was made, every care has been taken to inform the community and discuss the best way to close this current cycle of work and partnerships. The decision was communicated officially to the local government with two years notice, giving it time to adjust to the resulting fiscal impact *(more on page 68)*. The move was also discussed in a discussion panel with the surrounding community in 2011. SO1

The projects the company supports in the community will be maintained throughout 2012. The main action Natura supported was the set up of selective solid waste collection in the Potuverá district, which was concluded in 2011. The next challenge is to extend this service to other districts in the municipality. Natura has been involved in this project since 2007 in partnership with the Municipal Environment Department and Cris, the Itapecerica da Serra Recycling Collective. Our support entails contracting the NGO Ipesa, which has been training and assisting our partners in the project.

In the community discussion panel we addressed the future of the project. In our view, the cooperative and the local government are now ready to run the service by themselves - the main objective of the partnership all along. We also supported the communication plan to spread the information on the collection program in the community. SO1

To drive knowledge generation Natura supported Ipesa in systematizing the methodology for setting up cooperatives based on the experience in Itapecerica da Serra. We believe this model may be replicated in other districts and could even contribute to the creation of a public policy on selective solid waste collection. Thus our participation in the project is being concluded with support for systematization of the knowledge acquired during this period.

The Itapecerica da Serra operation will be transferred to a facility in the city of São Paulo (São Paulo State) which will house 2,500 administrative staff and a modern distribution center (DC). The new facility, which will be inaugurated in 2012, is projected to have a reduced environmental impact and to provide an inclusive workplace.

BENEVIDES

Natura's activities in the region around Benevides (Pará State), where we have a soap factory, increased significantly in 2011. As a result of the growing use of biodiversity assets in our products, the number of communities with whom we work increased from 12 to 15 in 2011. The number of families grew from 1,100 to 1,536, or more than 40%, last year. The disbursement generated from the acquisition of inputs increased 60%, from R$ 1.6 million in 2010 to R$ 2.6 million a year later.

Natura has been around in the Benevides region since 2006. It has a local team dedicated to community relations, which in this case covers a larger range, including several municipal districts in the state of Pará. With the construction of a new plant in Benevides and the increase in investment earmarked for the Amazônia Program, community relations should grow in the coming years *(more on page 28).* *SO9*

We organized a public consultation in the municipality to present the plans for the new unit and opened a discussion channel on the Natura Conecta portal (www.naturaconecta.com.br) through which the local community is able to accompany the progress of the new plant. Another public consultation is planned for 2012. *SO1*

To promote qualification of local manpower, we organized an initial training course for electromechanical operators in partnership with Senai. Within 12 months, there will be 40 trained professionals who will be eligible to work in the new Natura plant should they want to.

Finally, Natura initiated an education project in 10 municipalities in the Benevides and Castanhal region. This represents the beginning of an educational planning process in these districts in conjunction with the municipal education departments, with Cedac (Comunidade Educativa) as a partner *(more about Benevides on page 60)*.

4.8
shareholders

2011 was a particularly challenging year for Natura, but one in which our investor relations strategy and transparency once again proved to be positive, generating value for the company.

In a year in which Natura's financial and operational results were below expectations, the Company successfully maintained communication with shareholders and the financial market, putting the Company's performance in perspective in 2011 and reaffirming our commitments and our future prospects.

Our communications with shareholders involved 553 encounters throughout 2011, quarterly teleconferences, as well as private meetings in Brazil and abroad. Another key communication tool is our webpage (**www.natura.net/investidor**).

For the first time ever we also organized a meeting with Association of Investment and Capital Market Analysts and Professionals (Associação dos Analistas e profissionais de Investimento do Mercado de Capitais, Apimec-São Paulo State) in conjunction with the Annual Shareholders Meeting *(more on page 16)*.

The third Natura's Day was attended by around 100 market analysts and specialists from Brazil and abroad. Presented by the Executive Committee, the meeting revealed Natura's future plans and helped forge closer relations between company leaders and the financial market.

The Company understands that it is still challenging to convince investors about the value of sustainability and the integrated management of financial, environmental, social results and governance. To learn more and make headways with this kind of approach in the capital markets, Natura held meetings with Socially Responsible Investors (SRI) in Canada and in the United States. The event was attended by 21 investors whose decisions are oriented to the triple bottom line. Natura intends to maintain this initiative.

Natura CEO Alessandro Carlucci's agenda includes annual visits to long-term shareholders and participation in periodic meetings with investors, of which there were nine in 2011.

In an operation approved by the Board of Directors in July 2011, Natura bought back 4 million shares to support the exercise of stock options, as a means of avoiding subscriptions.

SHAREHOLDER PROFILE

	2009	2010	2011
Individuals	7.699	7.838	8.722
Brazilian legal entities	560	560	659
Overseas legal entities	668	850	867
Total	**8.927**	**9.248**	**10.248**

BREAKDOWN OF SHAREHOLDERS

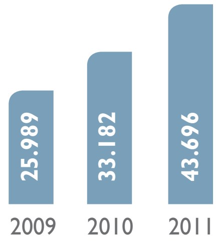
SHAREHOLDERS	STAKE	NUMBER OF SHARES
Controlling shareholders	59,83%	258.017.219
Treasury shares	0,70%	3.021.757
Management shares	0,55%	2.387.123
Outstanding shares	38,91%	167.813.165
Total Shares	**100,00%**	**431.239.264**

CONTROLLING SHAREHOLDERS

As it is listed on the BM&FBOVESPA New Market, Natura capital consists exclusively of ordinary shares. The table below shows the number of shares of our capital stock held by shareholders that own 5% or more of our capital stock or by members of the Board in 2011.

SHAREHOLDER	NUMBER OF ORDINARY SHARES	%
Lisis Participações S.A.		
Controlled by Antonio Luiz da Cunha Seabra	95.946.968	22,27
Utopia Participações S.A.		
Controlled by Guilherme Peirão Leal	91.557.964	21,25
Passos Participações S.A.		
Controlled by Pedro Luiz Barreiros Passos	22.606.809	5,25
ANP Participações S.A.		
Controlled by Anizio Pinotti	22.583.608	5,24
RM Futura Participações S.A.		
Controlled by Ronuel Macedo de Mattos	15.918.754	3,69
Antonio Luiz da Cunha Seabra	3.628.920	0,84
Guilherme Peirão Leal	3.462.917	0,80
Pedro Luiz Barreiro Passos	855.038	0,20
Anizio Pinotti	854.160	0,20
Ronuel Macedo de Mattos	602.081	0,14

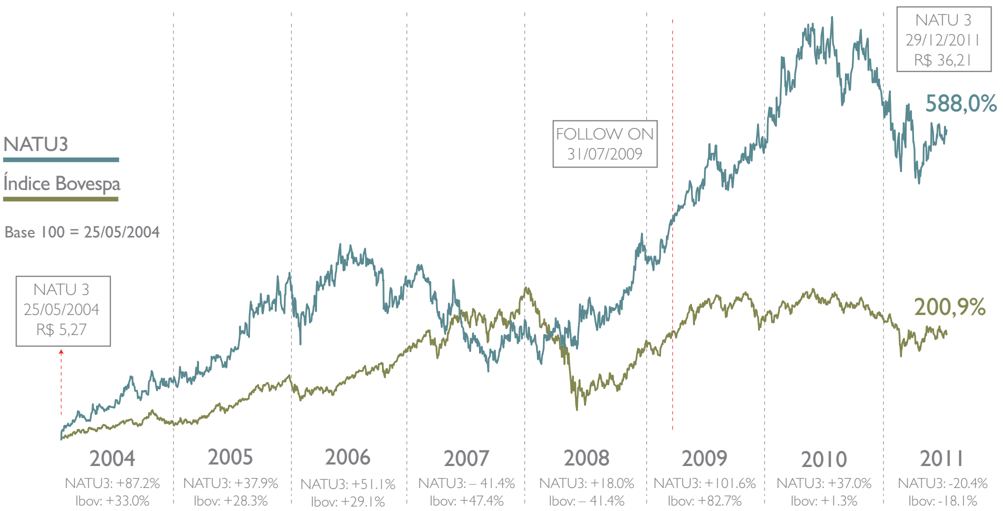
DAILY SHARE VOLUME TRADED (R$ million)



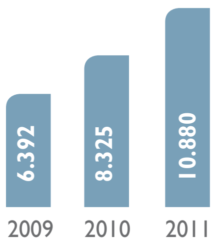
Source: Economática

NATURA SHARE PERFORMANCE (NATU3)

In 2011, Natura shares depreciated 20.4%, against a 18.1% decrease in Ibovespa, the main BM&FBOVESPA (Stock Exchange) index. Since Natura went public in 2004, its shares have significantly outperformed the index, as shown in the chart below:



TOTAL VOLUME TRADED (R$ millions)[1]



1. Source: Economática.

Natura is listed in the main indices in the Brazilian stock market: Ibovespa, IBrX-50 (which lists the most liquid shares on BM&FBOVESPA), ISE (Índice de Sustentabilidade Empresarial or Business Sustainability Index), Índice de Governança Corporativa (Corporate Sustainability Index), Tag Along Share Index, Morgan Stanley Composite Index and ICO2 (BM&FBOVESPA Carbon Efficient Index). In its second year of operation, the ICO2 only includes companies with emissions inventories and management. Natura was listed in the index once again.

PAYMENT OF **DIVIDENDS**

On February 15, 2012, the Board of Directors approved a proposal to be submitted to the Annual Shareholders Meeting on April 13, 2012, for the payment of dividends and interest on own capital of R$ 762.6 million and R$ 61.1 million (R$ 51.9 million net of withholding tax) respectively, relative to 2011 results[2].

On July 20, 2011, dividends totaling R$ 295.3 million and interest on own capital totaling R$ 31.9 million (net of withholding tax) were paid out, pending approval by the Annual Shareholders Meeting. The balance to be paid out on April 18, 2012, upon approval of the Annual Shareholders Meeting, will be R$ 467.3 million in dividends and R$ 20.1 million in interest on own capital (net of withholding tax).

The sum of these dividends and interest on own capital relative to the results of 2011 will represent a net compensation of R$ 1.89 per share (R$ 1.65 per share in 2010), corresponding to 99% of 2011 net profit.

4.9 government

Our government relations strategy is based on ethics and transparency. We believe that Natura's interests extend beyond business and that we should contribute to discussions and to the formulation of public policies that are relevant for the company and for social transformation.

One subject Natura has been debating with the Brazilian government for almost a decade: improvements to the legislation regarding access to biodiversity and traditional knowledge as a means of combining innovation and the sustainable use of these resources. Together with a number of other companies, experts and civil organizations, we advocate the creation of a new legal framework for research into biodiversity in Brazil and for biodiversity use.

Currently access to biological resources is governed by an unsatisfactory temporary act which provides security neither for companies or researchers, nor for the environment. Natura argues that it is possible to generate competitiveness for the country through the responsible use of these resources and wishes to create a system to integrate production, consumption and, more importantly, conservation of the planet's biodiversity.

As a result of this impasse, in 2011 Natura received two violation notices from Brazilian Institute of Environment and Natural Resources (Instituto Brasileiro do Meio Ambiente de dos Recursos Naturais Renováveis, IBAMA) for alleged illegal access to biodiversity for purposes of research and product development. The fines, which total R$ 500 thousand, are being challenged administratively.

In spite of the lack of solid results - we had expected a new bill of law to be forwarded to Congress by the Office of the Chief of Staff in 2011- we believe there has been some progress. The subject has been discussed by the Agriculture, Environment and Development and Technology ministries and a consensus has been reached on the need to change the legislation. There has also been greater engagement on the part of civil society, under the leadership of organizations such as the Cosmetics Fragrances and Toilletries association Abihpec, of which Natura is a member.

Another important step forward was the beginning of negotiations with the Federal Government about payment for sharing access to biological resources on Federal land, in an attempt to break a stalemate and in spite of divergences as to the current legal framework.

Through MEB (Business for the Conservation and Sustainable Use of Biodiversity), an organization which Natura helped found, we took part in the first industry discussions promoted by the Brazilian government to define Brazilian biodiversity targets for 2020.

2. These amounts already take into account the changes in treasury stock from the date of the Board meeting until the base date for the payment of dividends and interest on own capital on February 24, 2012, maintaining the amount to be paid per share decided in the meeting.

The vote on the new Brazilian Forestry Code was also on the Company's agenda. We communicated the proposed changes in the legislation to our consultants, arguing that they are not conducive to environmental conservation. This generated some 40 thousand signatures for the Floresta Faz a Diferença (Forests Make a Difference) internet campaign designed to involve the public in the Forestry Code reform.

In 2011, we also established initial discussions on biodiversity with the SBPC or the Brazilian Society for the Progress of Science, our objective being to propose a joint academic and business agenda on this subject.

We are paying close attention to Rio+20, which will take place in Rio de Janeiro in June 2012. We believe the conference could be a major opportunity to further the debate on the role of different nations in building a new economic model and applying the Convention for Biological Diversity.

Through intensive use of the social networks, the Company wishes to engage the public in discussing the subjects involved regardless of the diplomatic outcomes. We also participate in the "Grupo de Mulheres Rumo à Rio+20 – Sustentabilidade no Feminino" (Women for Rio+20 - Feminine Sustainability), coordinated by the Environment Ministry, which intends to introduce its own agenda in the conference. The initiative proposes discussions on the participation of women, incentives for green entrepreneurship and promotion of responsible consumption.

Also in the environmental area, we are on the Abihpec commission to build an industry agreement that meets the requirements of the National Solid Solid waste Policy, in force since 2010. The legislation requires the creation of solid waste disposal systems throughout the value chain, including manufacturers, the government and consumers. Although we consider the law to be an advance, it is our understanding that there is still much to be done in terms of establishing targets and responsibilities. Natura is seeking to transform this socio-environmental challenge into business opportunities in its production chain *(more on page 27)*.

Natura addresses tax issues mainly through the ABEVD - the Brazilian Direct Selling Association. We advocate the establishment of a common methodology for determining added value margin in all Brazilian States. We believe that this measure is necessary to avoid even greater fiscal conflicts and distortions between the States.

We established two important challenges for the government relations process in 2011: the extension of Natura's relations with government in our international operations and the regionalization of our priority agenda. For this reason, we will expand our internal team, which should increase our capacity to act in adverse situations.

Natura is not involved in any litigation related to anti-competitive laws and has received no significant penalties or non-monetary sanctions for breaches of associated laws and regulations. *SO7; SO8*

In 2011, financing from government fomenting agencies through tax incentives totaled R$ 37.3 million. Part of these funds were related to the 2005 Law 11.196, known as Lei do Bem, which provides incentives for companies that develop technological innovations. However, in 2011, the Brazilian tax authority, Receita Federal, established new rules for the use of the benefits provided for in the law. We believe that this change may block the granting of funding to many companies, including Natura. In conjunction with Fiesp (the Federation of Industry of the State of São Paulo), we are attempting to modify this ruling which could jeopardize the innovation potential of Brazilian companies. *EC4*

We also obtained R$ 71.2 million in finance from promotion agencies such as BNDES (Banco Nacional de Desenvolviomento Econômico e Social) and Finep (Financiadora de Estudos e Projetos) for innovation, industrial training, logistics and innovation technology. *EC4*

Another item on the Natura government relations agenda in 2011 was the transfer of the Company's facilities in Itapecerica da Serra (São Paulo State) to a new area in the city of São Paulo (São Paulo State). The move will occur in 2012. The local government was given two years notice on the move so it would have time to prepare and minimize the financial impact of our departure. The relations we have built with the local community over the years have ensured that this transition will take place smoothly. *(more on page 63)*.

GOVERNMENT FUNDING (R$ MILLIONS)

	2009	2010	2011
Tax Incentives for Support and Sponsorship[1]	6	9	10
Lei do Bem (Income tax (IR) and Social Contribution (CS)) deductions of up to double the expenditure in research and technological innovation)[2]	12	21	22
Sales Tax (ICMS) subvention in Itapecerica da Serra	3	6	4
Others[3]	0,0	0,6	1,1
Total	**22**	**36**	**37**

EC4

1. Corporate income tax (IRPJ)incentives related to the Rouanet law, Ancine, Children's and Adolescents' Fund, Worker's meal program and Minas Gerais sales tax (ICMS) incentive, corresponding to the Natura Musical projects.
2. The tax benefit related to Law 11.196, 2010, was changed due to the project revision/audits.
3. Incentive for the extension of maternity leave by two months instituted under Decree 7052/2009. The expense is non-deductible from actual profit and the CSLL base calculation, but is fully deductible from corporate income tax (IRPJ).

LOBBYING AND **SOCIAL INFLUENCE**

SO5

Natura defends political lobbying on the condition that it observes the strictest standards of ethics and transparency. The Company does, however, believe that this requires specific legislation in Brazil and, although there were no advances on the part of the government in this area in 2011, we continue to participate in debates promoted by institutions such as the University of São Paulo (USP) and Aberje (Brazilian Business Communication Association) about regulation of this activity in the country.

To minimize risks caused by lack of regulation, in 2011 Natura published its policy for contracting lobbyists. The policy is restrictive and adopts the principle that lobbying should be carried out by individuals who are qualified and conversant in the matter at hand. The professionals representing Natura are all company's employees: Rodolfo Guttilla, Lucilene Prado, Isabel Fujimori, Elizabete Vicentini, Luciene Soares, Carlos Henrique Silva, Kássia Reis and Luciano Pedregal.

Our activities are also subject to the Policy on Corruption and Bribery, which sets forth standards of conduct for dealing with public authorities. It should be noted that Natura, in accordance with its Campaign Donations Policy, does not make any donations to candidates or political parties. S04; SO6

We believe that joining forces is the most efficient way of achieving positive, transformational results and actively participate in trade and industry associations. In this area, the most significant event was the election of Natura CEO Alessandro Carlucci as chairman of the World Federation of Direct Selling Associations. The first Brazilian to hold the position, his main goals will be to promote and strengthen direct sales worldwide, underscoring its importance as an alternative for promoting entrepreneurship, income generation and social transformation. Carlucci's mandate lasts until October 2014.

Carlucci's election should increase our importance in Latin American trade associations, in which we are stepping up our activities. This participation will boost Natura's international experience and expand our global relationship network. In addition our local general manager in Chile, Hans Werner, is the Chairperson of the local

direct selling Association (Cámara de Venta Directa de Chile) We are active in the main industry bodies in Brazil and abroad such as Abihpec (CFT industry) and ABEVD (Direct selling industry).We seek to promote open, transparent dialogue with society. We believe that collective discussions associated with free competition is one of the most efficient ways of driving competitiveness, addressing critical issues and expanding the industry's presence.

REPRESENTATION IN TRADE/INDUSTRY ASSOCIATIONS

4.12; 4.13

Organization/Association	Natura Representative	Position
ABA - Associação Brasileira de Anunciantes (Brazilian Advertisers Association)	José Vicente Marino	Member of National Board
	Vanessa Giannotti	Member Best Communication Practices Committee
Aberje- Associação Brasileira de Comunicação Empresarial (Brazilian Business Communication Association) (www.aberje.com.br)	Rodolfo Guttilla	Chairman Steering Committee
Abevd – Associação Brasileira de Empresas de Vendas Diretas (Brazilian Direct Selling Association)	Guto Pedreira	Member Presidents' Council
	Rodolfo Guttilla	VicePresident
	Lucilene Prado	Coordinator Legal Affairs and Government Relations Committee
	Fernanda Airoldi	Member Research Committee
	Luciano Pedregal	Member Ethics Council
Abifra - Associação Brasileira das Indústrias de Óleos Essenciais, Produtos Químicos Aromáticos, Fragrâncias, Aromas e Afins (Brazilian Essential Oils, Aromatic Chemicals, Fragrances and Aromas Industry Association)	Sérgio Gallucci	Representative
Abihpec - Associação Brasileira da Indústria de Higiene Pessoal, Perfumarias e Cosméticos (Brazilian Personal Hygiene, Perfumery and Cosmetics Industry Association) (www.abihpec.org.br)	Rodolfo Guttilla	1st VicePresident
	Lucilene Prado	Director
	Elizabete Vicentini	Representative Technical and Regulatory Committee
	Luciene Soares	Representative Environment Group
	Kassia Reis	Representative Tributary Working Group
	Ricardo Bittencourt	Representative Overseas Trade Working Group
	Luiz Felipe Carvalho de Moreira	Representative Labor Relations Group
ABNT - Associação Brasileira de Normas Técnicas (Brazilian Technical Standards Association) (www.abnt.org.br)	Elizabete Vicentini	Representative
ABPI - Associação Brasileira da Propriedade Intelectual (Brazilian Intellectual Property Association) (www.abpi.org.br)	Lucilene Prado	Representative
Abrasca - Associação Brasileira das Companhias Abertas (Brazilian Listed Companies Association) (www.abrasca.org.br)	Fabio Cefaly	Representative
ABRH - Associação Brasileira de Recursos Humanos (Brazilian Human Resources Association)	Ney Silva	Representative
Agendis	Rodolfo Guttilla	Representative
Aippi - Association Internationale pour la Protéction de la Propriété Intellectuelle (International Intellectual Property Protection Association) (www.aippi.org)	Lucilene Prado	Representative
Instituto Akatu pelo Consumo Consciente (Akatu Conscious Consumption Institute	José Vicente Marino	Representative
AMVD - Associación Mexicana de Ventas Directas (Mexican Direct Selling Association)	Cecilia Riviello	Member of Steering Committee
	Carolina Muñoz	Representative Regulatory Affairs Committee
Anpei - Associação Nacional de Pesquisa, Desenvolvimento e Engenharia das Empresas Inovadoras (National Association of Research, Development and Engineering of Innovative Companies) (www.anpei.org.br)	Luciana Hashiba	Director
Asipi - Asociación Interamericana de la Propriedad Industrial (Inter-American Industrial Property Association) (www.asipi.org)	Lucilene Prado	Representative

Asociacion Civil Argentina de Empresas Brasileñas (Argentinean Association of Brazilian Companies) (www.grupobrasil.com.ar)	Heriovaldo Silva	Treasurer
Aspi - Associação Paulista de Propriedade Intelectual (São Paulo Intellectual Property Association) (www.aspi.org.br)	Lucilene Prado	Representative
Cámara de Comercio de Lima (Lima Chamber of Commerce)	Daniel Gonzaga	Representative
Cámara de Venta Directa de Chile (Chile Direct Selling Chamber)	Hans Werner	President
Cámara Peruana de Venta Directa (Peru Direct Selling Chamber)	Daniel Gonzaga	Representative
Cambras - Cámara de Comercio Argentino Brasileña (Argentine-Brazil Chamber of Commerce) (www.cambras.org.ar)	Heriovaldo Silva	Representative
Canipec - Camara Nacional de la Industria de Perfumeria, Cosmetica y Articulos de Tocador e Higiene (National Perfumery, Cosmetics, Toiletry and Hygiene Industries Association)	Carolina Muñoz	Representative on Regulatory Affairs Committee
	Javier Herrero	Vice President Sustainable Development Commission
Capa - Cámara Argentina de la Indústria de Cosmética y Perfumeria (Argentine Chamber of Cosmetics and Perfumery Industry)	Heriovaldo Silva	Deputy Member - Account Review Committee
Casic - Consejo de Asociaciones de la Industria de Cosmeticos Latinoamericana (Council of Latin American Cosmetics Industry Associations)	Rodolfo Guttilla	Director
Cavedi - Cámara de Venta Directa de Argentina (Argentine Direct Sales Chamber)	Pedro González	Representative
CEBDS – Conselho Empresarial Brasileiro para o Desenvolvimento Sustentável (Brazilian Business Council for Sustainable Development)	Janice Casara	Representative
Cemefi - Centro Mexicano para la Filantropía (Mexican Philanthropy Center)	Javier Herrero	Representative
	Rosana Bertozci	Representative
Ciesp - Centro das Indústrias do Estado de São Paulo (São Paulo Industries Center) (www.ciesp.org.br)	Rodolfo Guttilla	Director
	Luciano Pedregal	CIESP Councilor – Jundiaí
Copecoh – Comité Peruano de Cosmética e Higiene	Daniel Gonzaga	Representative
Conar - Conselho Regional de Auto-regulamentação Publicitária(Regional Advertising Self-Regulatory Council)	José Vicente Marino	Member of Higher Council
Ethos - Institutos Ethos de Empresas e Responsabilidade Social (Ethos Business and Social Responsibility Institute) (www.ethos.org.br)	Guilherme Peirão Leal	Board Member
	Marcelo Cardoso	Member of Ethos Management Council
FNQ – Fundação Nacional da Qualidade (National Quality Foundation) (www.fnq.org.br)	Pedro Luiz Passos	Vice President Curatorship Council
Funbio - Fundo Brasileiro para a Biodiversidade (Brazilian Biodiversity Fund) (www.funbio.org.br)	Guilherme Peirão Leal	Member of Consulting Council
Fundação SOS Mata Atlântica (SOS Atlantic Rainforest Foundation)	Pedro Luiz Passos	Member of Council
Global Compact - Caring for Climate	Guto Pedreira	Member of Steering Committee
GRI - Global Reporting Initiative (www.globalreporting.org)	Rodolfo Guttilla	Member of Stakeholder Council and Co-chairman of Brazilian National Annex
IBGC - Instituto Brasileiro de Governança Corporativa (Brazilian Corporate Governance Institute) (www.ibgc.org.br)	Moacir Salzstein	Representative
Ibri - Instituto Brasileiro de Relações com Investidores (Brazilian Investor Relations Institute) (www.ibri.org.br)	Fabio Cefaly	Representative
IEDI - Instituto de Estudos para o Desenvolvimento Industrial (Institute of Industrial Development Studies) (www.iedi.org.br)	Pedro Luiz Passos	Chairman of Board
IIRC - International Integrated Reporting Committee	Roberto Pedote	Member of Steering Committee
Instituto Empreender Endeavor Brazil (www.endeavor.org.br)	Pedro Luiz Passos	Member of Board
Instituto São Paulo Contra a Violência (Institute São Paulo Against Violence) (www.spcv.org.br)	Rodolfo Guttilla	Representative

INTA - International Trademark Association	Lucilene Prado	Representative
IPT - Instituto de Pesquisas Tecnológicas (Technological Research Institute) (www.ipt.br)	Pedro Luiz Passos	Member of Board
LIDE - Grupo de Líderes Empresariais Business Leaders Group	Alessandro Carlucci	Representative
	Rodolfo Guttilla	Representative
MBC - Movimento Brasil Competitivo (Competitive Brazil Movement) (www.mbc.org.br)	Pedro Luiz Passos	Member of Board
Movimento Nossa São Paulo (Our São Paulo Movement) (www.nossasaopaulo.org.br)	Guilherme Peirão Leal	Chairman of Board of Sustainable São Paulo Institute
PCPC Council - Personal Care Products Council (www.personalcarecouncil.org)	Elizabete Vicentini	Representative
SIPATESP - Sindicato da Indústria de Perfumaria e Artigos de Toucador do Estado de São Paulo (São Paulo State Perfumery and Toiletry Industry Association)	Rodolfo Guttilla	Vice President
	Lucilene Prado	Deputy Director
The Arthur W. Page Society (www.awpagesociety.com)	Rodolfo Guttilla	Representative
UEBT - Union For Ethical Biotrade	Ricardo Faucon	Vice Chairman
WBCSD - World Business Council for Sustainable Development (www.wbcsd.org)	Alessandro Carlucci	Board Member
WFDSA - World Federation of Direct Selling Associations	Alessandro Carlucci	President
	Rodolfo Guttilla	Advisory Council for Latin America, Member of Board of Directors and Member of Advocacy Committee
	Moacir Salzstein	Assistant Treasurer & Governance, Operating Group
WWF Brasil (www.wwf.org.br)	Guilherme Peirão Leal	Member of the Consulting Council

5. what footprint **we leave**

5.1
natura **value chain**

NATURA'S MAIN RESULTS IN 2011, FROM RAW MATERIAL EXTRACTION TO PACKAGING DISPOSAL

STAGE 1: EXTRACTION AND TRANSPORTATION OF RAW MATERIALS AND PACKAGING (DIRECT AND INDIRECT SUPPLIERS).

R$ 4,3 BILLION paid to suppliers for purchases of inputs and services 81% satisfaction among suppliers

81% satisfaction among suppliers

37 forestry **ASSETS** certified

117.276 TONS dof greenhouse gases (GHG) emissions from extraction and transport of raw materials and packaging (44% of Natura's total emissions)

21.299 TONS of GHG emissions by direct suppliers (processing and transport to Natura) (8% of total)

STAGE 2: INDUSTRIAL PROCESS AND INTERNAL PROCESSES

R$ 634 MILLION distributed to employees in benefits and salaries, a

147 MILLION invested in innovation

0,40 LITERS of water consumed per unit produced, 4.7% down on 2010

20 GRAMS of solid waste generated per unit produced, 13% down

24.731 TONS of GHG emissions from internal processes (9% of total)

STAGE 3: PRODUCT SALES (TRANSPORT AND DISTRIBUTION)

2,9 BILLION paid to Consultants for product sales, an increase of around 6% compared to 2011

1,4 MILLION Consultants in all operations, 16.3% growth in our Consultant base

19% Consultant loyalty rate, against 21% in 2010

24% NCA loyalty, against 33% in 2010

164 new products launched in 2011

EN29 **38.279 TONS** tons of GHG emissions in transport of products to consultants and consumers(14% of total Natura emissions)

STAGE 4: PRODUCT USE AND PACKAGING DISPOSAL EN26

17% refills among items invoiced in Brazil

123 MPT/KG, environmental impact of packaging per quantity of product[1], 10% down on 2010

63.431 TONS of GHG emissions in disposal of products and packaging (24% of total Natura emissions)

1. Indicator also includes impact on extraction and transformation of packaging.

CROSS INDICATORS

1,4 BILLION paid to government in direct and indirect taxes, the same level as the previous year

763 MILLION distributed to shareholders in dividends and interest on own capital, on a cash basis, an 18% increase

R$ 830,9 MILLION in net earnings, up 11.7%

R$ 5.591,4 MILLION in net revenues, up 8.9%

EBITDA R$ 1.425,0 MILLION an increase of 13.4%

EBITDA margin of **25,5%** (against 24.5% in 2010)

70 MILLION in sustainability investments

5.2 generating **environmental value**

DMA EN

Natura's business expansion has been accompanied by an increase in environmental programs and practices aimed at reducing impacts. From the start, the programs developed to meet the complexity of the business incorporated a broader perspective involving the entire production chain. This approach has guided initiatives to reduce carbon emissions, water consumption and solid waste generation, subjects Natura considers to be priorities *(more on page 26)*.

To fully assess Natura's environmental impact, we also monitor indicators from our main third-parties that supply raw materials and packaging. In addition to the Cajamar and Benevides plants, data includes the Casas Natura (Natura´s space for product testing) and distribution centers located in different regions in the country. It was noted that in comparison with the more mature units, some newer ones still need to refine environmental management. To guide this process and identify improvement opportunities, last year we created an operational sustainability committee to integrate the different areas involved and improve management at the new sites.

We also recognize that we need to further integrate environmental performance into the international operations, which have grown in importance since 2010.

EN18

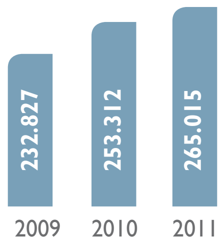
CARBON **NEUTRAL**

The Carbon Neutral program was launched in 2007. Since then the climate change debate has grown in importance. At Natura, our initiatives are centered on ongoing reduction of greenhouse gases (GHG) emissions and offsetting all emissions that cannot be avoided. The program's initial target was a 33% reduction in relative emissions by 2011, against a 2006 baseline. However, as we learned and dealt with numerous challenges, the decision was taken to extend this target to 2013.

In 2011, while our net revenue grew 8.9%, our absolute emissions totaled 265,015 metric tons of CO2e, an approximate 5% increase in volume over 2010. However, our relative emissions decreased 5.3%. In this calculation, absolute emissions are divided by the kilograms of products sold. On an aggregate basis since 2006, relative emissions were reduced by 25.4%.

EN16; EN17

TOTAL CO_2 E EMISSIONS
(in metric tons)



EMISSIONS INVENTORY

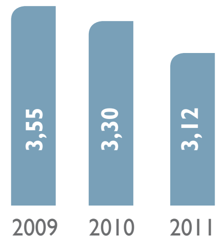
Natura's emissions calculation involves an inventory process that takes into account the total volume of direct and indirect emissions, ranging from raw material extraction to final product disposal in accordance with the Greenhouse gases Protocol Initiative scopes 1,2 and 3. The inventory is also compliant with the ABNT NBR ISO 14064-1 standard and is audited by an independent consultancy, which, in 2011, was KPMG. Both establish rules for the conception, development, management and execution of GHG inventories.

EN19; EN20

It should be noted that our operations do not emit or use substances harmful to the ozone layer. Particulate material and NOx and SOx emissions are monitored in our chain and are not deemed significant.

EN16; EN17

RELATIVE EMISSIONS (kg CO_2 e/kg products produced)



TOTAL EMISSIONS (BY SCOPE)

	2009	2010	2011
Direct GHG emissions (Scope 1)	6.104	7.969	6.062
Indirect GHG and energy emissions (Scope 2)	1.135	2.249	1.865
Other indirect GHG emissions (Scope 3)	225.587	243.094	257.089
Total (tons)	**232.827**	**253.312**	**265.015**

EN16; EN17

REDUCTION

EN18

The 2010 decision to postpone our 33% reduction target until 2013 led to a diagnosis of our operations and business aimed at identifying new elimination opportunities. In 2010, the Less Carbon, More Productivity program was implemented to build a project portfolio that simultaneously drives gains in efficiency and reductions in emissions.

The projects already underway include:

EN26

_ 6% reduction in the size of the Natura magazine.

_ Fuel credit cards for the sales force valid only for ethanol.

_ Replacement of LPG with ethanol to fire the Cajamar boiler.

_ Use of smaller boxes (half-size) for product deliveries, resulting in more efficient truck loading and reduced solid waste.

_ Encouragement to use videoconferencing instead of live meetings.

Programs in progress that will drive future gains:

_ Decentralization of logistics network with the opening of new distribution centers, reducing fuel consumption in deliveries *(more on page24)*.

_ Expansion of overseas production, resulting in reduction of imports from Brazil

_ Use of new pack sizes.

_ Benevides: we have two projects for the next two years– use of a biomass-powered boiler and the set up of a new industrial unit scheduled for 2013. Both will be more energy efficient.

We are driving the discussion of emissions volumes throughout the company and have increased visibility of this issue among employees through training and engagement initiatives in the Less Carbon, More Productivity program.

Since 2010, Natura's product development process has used an emissions calculation methodology that enables the Company to measure product and packaging emissions before the product is created, allowing managers to give priority to reduced emissions. Product launches involving higher emissions have to be re-examined.

In 2011 we began to develop emission reduction projects in our international operations and initiated training programs in the use of the emissions calculation tool.

COMPENSATION

EN26

Every two years we hold a tender for the selection of environmental projects that allow the Company to offset unavoidable GHG emissions. The initiatives include the reclamation of degraded forest areas and the replacement of fossil fuels with more efficient renewable alternatives.

The project selection tender to neutralize 2011 and 2012 emissions is underway. We have shortlisted 10 initiatives from 121 applications.

Natura has also contracted the first compensation project outside Brazil to complement its 2009/2010 projects. This involves the purchase of credits already generated by a reforestation project in the city of Cáceres, Colombia, offsetting 60,000 metric tons of CO2.

We have monitored the results of previous compensation projects from 2007/2008 and 2009/2010, some of which are still underway. A few examples are shown below:

2009/2010

USE OF RENEWABLE BIOMASS – CONSULTORIA SUSTAINABLE CARBON

This promotes the use of sawdust, woodchips and sugarcane bagasse instead of native Cerrado timber to generate energy for Cerâmica Santorini's ovens in Ituiutaba (MG). We purchased 35,634 metric tons of CO2 already generated in three years and have agreed to offset a further 102,200 over seven years. Credits were issued for 21,272 metric tons in 2011.

MORE EFFICIENT COOKERS IN THE RECÔNCAVO BAIANO II REGION – INSTITUTO PERENE

This is an extension of a 2008 initiative to replace rudimentary cookers for more efficient ones in rural households in Bahia. Five thousand new appliances that use less timber will be installed, reducing GHG emissions. The project should offset 94,000 metric tons of CO2 over 8 years. 1,200 cookers were installed in 2011.

CARBON PROJECT IN THE EMAS-TAQUARI BIODIVERSITY CORRIDOR – NGO ORÉADES NÚCLEO DE GEOPROCESSAMENTO

Reclamation with native species of 200 hectares of a degraded area from a total area of 600 hectares around the Emas National Park and the Nascentes do Rio Taquari State Park (Goiás and Mato Grosso do Sul). The projected compensation is 70,000 metric tons over 30 years. Planting was concluded early in 2012.

XINGU SOCIO-ENVIRONMENTAL CARBON – ASSOCIAÇÃO XINGU SUSTENTÁVEL, INSTITUTO SOCIOAMBIENTAL (ISA) AND INSTITUTO CENTRO DE VIDA (ICV)

The objective is to reclaim 220 hectares of degraded permanent preservation area in the headwaters of the Xingu river in Mato Grosso. 75,000 metric tons of CO2 should be offset over 30 years.

2008

CARBON, BIODIVERSITY AND COMMUNITY IN THE PAU BRASIL - INSTITUTO BIO ATLÂNTICA (IBIO) ECOLOGICAL CORRIDOR

Forestry rehabilitation in the Pau-Brasil and Monte Pascoal National Parks in Porto Seguro (Bahia). This project will offset 79,050 metric tons of CO2 for Natura over 30 years. A total of 56 out of 250 hectares were reclaimed and other areas will be prospected in 2012. The first credits are scheduled to be due by 2015.

XINGU SOCIO-ENVIRONMENTAL CARBON - INSTITUTO SOCIOAMBIENTAL (ISA) AND INSTITUTO CENTRO DE VIDA (ICV)

Reclamation of 116 hectares of degraded riverside vegetation around the headwaters of the Xingu river in the State of Mato Grosso. The area has already been planted and will compensate 40,000 metric tons of CO2 in 30 years. The first credits should be issued in 2014.

EFFICIENT STOVES IN THE RECÔNCAVO BAIANO REGION - INSTITUTO PERENE

The project involves the replacement of rudimentary wood stoves with efficient ones for families in rural communities in the Recôncavo Baiano region. All the stoves have already been installed and the compensation target is 18,880 metric tons of CO_2 e over eight years. The first credits should be issued in 2014.

2007

FOREST CARBON – RECLAMATION AND CONSERVATION OF NATURAL RESOURCES – INSTITUTO ECOLÓGICA

The project is aimed at reclaiming around 150 hectares of degraded areas through the planting of native tree seedlings in permanent protection areas and legal reserve areas in two rural settlements in the Cantão region of Tocantins. The project is underway and will compensate 60,000 metric tons of CO_2 in 20 years.

LANDSCAPE AND AGROFORESTRY RECONSTITUTION - INSTITUTO DE PESQUISAS ECOLÓGICAS (IPÊ)

The project reconstitutes the vegetation and conserves species diversity in a 55 hectare area and implements 129 hectares of agroforestry systems for coffee production. The total compensation will be 60,000 metric tons of CO_2e over 30 years. Planting took place between August 2008 and February 2009. The first credits were generated in December 2011.

SOCIOBIODIVERSITY

EN12; EN14

Natura's use of Brazilian sociobiodiversity assets is governed by the company's Sustainable Use of Biodiversity and Traditional Knowledge policy. This policy was developed in full alignment with the United Nations Organization's Convention for Biological Diversity guidelines. We acquire biodiversity inputs from suppliers' communities, cooperatives and smallholders in different regions of Brazil, in particular in the Amazon *(more on pages 28, 58 and 67)*.

ENVIRONMENTAL **CERTIFICATION**

EN12

RWe fully respect the ecological production limits of the biodiversity materials used in our products. The company has a Vegetable Raw Material Certification plan to ensure this process does not exceed the environmental carrying capacity.

This process is carried out by independent certification bodies and incorporates production traceability, requiring producers to document and account for the origin of their entire production.

Certification is extensive to family smallholders and traditional communities and is divided into three categories: organic produce (Instituto Biodinâmico, Ecocert, Organização Internacional Agropecuária and Instituto de Mercado Ecológico), sustainable agriculture (Sustainable Agriculture Network) and forestry produce (Forest Stewardship Council).

In 2011, five new species were certified, including rosemary, sage and guaraná, making for a total of 37 Natura production inputs that have some form of certification.

Natura does not use invasive plant species, avoids monoculture and gives priority to organic production. Neither does it promote activities that may subjugate natural environments to production interests (habitat conversion).

Among the inputs used by Natura, three are based on assets on the list of species threatened with extinction published by the Ministry of the Environment and the National Union for the Conservation of Nature and Resources (União Internacional para a Conservação da Natureza e dos Recursos). These are: Brazil nut (Bertholletia excelsa), considered vulnerable, yerba mate (Ilex paraguariensis), low risk, and Ucuúba (Virola surinamensis), which is threatened. Acquisition of these materials is governed by sustainable biodiversity usage principles; two of them are certified *(see table below)*. *EN15*

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STATUS OF ASSET CERTIFICATION PROGRAM[1]

Species	Production system	Status (phase)[2]	Certification
Açaí berry Euterpe precatoria (Roraima State)	Agroforestry system	III (final)	IBD
Açaí berry Euterpe oleracea (Pará State)	Agroforestry system	III (final)	IMO
Andiroba Carapa guianensis (Amazonas State)	Traditional stewardship	II	Underway
Breu Protium pallidum (Amapá State)	Traditional stewardship	III (final)	FSC – Imaflora
Cocoa Theobroma cacao (Bahia State)	Agroforestry system	III (final)	IBD
Lemon grass (F) Cymbopogon citratus (Paraná State/São Paulo State)	Cultivation	III (final)	ECOCERT
Brazil nut Bertholletia excelsa (Amapá State)	Traditional stewardship	III (final)	FSC – Imaflora
Cupuaçu Theobroma grandiflorum (Roraima State)	Agroforestry system	III (final)	IBD
Passion fruit Passiflora edulis (Minas Gerais State)	Cultivation	I	Underway
Yerba Mate Ilex paraguaiensis (Rio Grande do Sul State)	Traditional stewardship	III (final)	FSC – Imaflora
Murumuru Astrocaryum murumuru (Amazonas State)	Traditional stewardship	II	Underway
Surinam cherry Eugenia uniflora (Paraná State/São Paulo State)	Cultivationand organic stewardship	III (final)	ECOCERT
Piri piri root Cyperus articulatus (Pará State)	Organic cultivation	III (final)	IBD
Rosemary Rosmarinus officinalis L. (Paraná State)	Organic cultivation	III (final)	ECOCERT
Arabian coffee Coffea arabica (Minas Gerais State)	Cultivation	III (final)	SAN – Imaflora
Chamomile(F) Chamomilla recutita (Paraná State)	Organic cultivation	III (final)	Ecocert
Candeia Eremanthus erythropappus (Minas Gerais State)	Stewardship and cultivation	III (final)	FSC – Imaflora
Cinnamon (F) Cinnamomum zeylanicum Ness (Germany)	Organic cultivation	III (final)	Imo
Carnaúba Copernicea cerifera (Rio Grande do Norte State)	Stewardship	III (final)	Ibd
Species – Other lines	**Production system**	**Status (phase)**	
Carqueja (F) Bacharis genisteloides D.C. (Paraná State)	Organic cultivation	III (final)	Ecocert
Green Tea (F) Camelia sinensis (Paraná State)	Stewardship	III (final)	Ecocert
Copaiba Copaifera spp (Amapá State)	Stewardship	III (final)	Fsc – Imaflora
Lemon Brazil Ocimum americanum (Pará State)	Organic cultivation	III (final)	Ibd
Fennel (F) Foeniculum vulgare Miller (Paraná State)	Organic cultivation	III (final)	Ecocert
Guaraná Paullinia cupana (Bahia State)	Organic cultivation	III (final)	Ibd
Mint (F) Mentha piperita L. (Paraná State)	Organic cultivation	III (final)	Ecocert
Spilanthes extract Spilanthes oleracea (São Paulo State)	Organic cultivation	III (final)	Ibd
Fragrant granadilla Passiflora alata (São Paulo State)	Organic cultivation	III (final)	Ibd
Lemon balm (F) Melissa officinalis (Paraná State)	Organic cultivation	III (final)	Ecocert
Palo Santo Bursera graveolens (Ecuador)	Stewardship	III (final)	Ecocert
Paramela Adesmia buronioides (Patagonia- Argentina)	Stewardship	III (final)	Oia
Sage Salvia officinalis (Paraná State)	Organic cultivation	III (final)	Ecocert
Sapucainha Carpotroche brasiliensis (Bahia State)	Agroforestry system	II	Ibd

1. Only species that have already been included as raw materials in marketed products are considered in this table. Raw materials marked with an (F) are part of the organic fruit tea product line.
2. Phase I: Internal process of identifying and selecting a potential supply area. This phase consists of producer typology, community organization and type of stewardship (agricultural or forestry). Phase II: Development of certification strategies, entailing discussion of processes with producers, choice of certification body and preliminary analysis of supplying area by this body (when necessary). Phase III: Certification inspection in supplying areas, implementation of action plan for compliance with certification requirements and certifier report to obtain seal.

NUMBER OF CERTIFIED ASSETS[1]	2009	2010	2011
Total certified assets (units)	31	36	37
Percentage of total species certified (%)[2]	58	61	59

1. Only vegetable inputs in the form of waxes, oils, extracts, essential or natural oils (cosmetics and teas) are considered. Certifications considered: organic (IBD, Ecocert, OIA, IMO), sustainable agriculture (SAN), forestry stewardship (FSC). In exceptional cases, additional volumes of raw materials may be acquired from non-certified areas in function of: increased internal demand, decreases in productivity in certified areas, stock shortages among certified suppliers.
2. The percentage was adjusted to include inputs for the fruit based organic teas as well as cosmetics.

ORIGIN OF MATERIAL AND PRODUCT CERTIFICATION	2009	2010	2011
% material of renewable vegetable origin	79%	82%	81%
% material of natural vegetable origin	5%	7%	9%
% material with certified origin	16%	16%	12%

PR3

NATURAS FACILITIES

EN11; EN13

Occupying 646 thousand square meters, Natura headquarters are located in a designated Environmental Protection Area on the Anhanguera highway bordering Cajamar, São Paulo. A stewardship plan undertaken by Natura includes the removal of alien species, forestry reconstitution and an increase in local biodiversity. In 2011, 5 thousand seedlings of different native Atlantic Rainforest species were planted to reclaim and enrich the area. The project encompasses control and monitoring of species of flora and fauna. The plan is scheduled to be completed in 2012.

In Itapecerica da Serra, São Paulo, we occupy a 96,500 square meter area which is located within the Guarapiranga Water Basin Water Source Reclamation and Protection Area. The reclamation project for this area was completed in 2008, and the company has maintained it since then.

Cajamar and Itapecerica are located in permanent preservation areas, and Natura's operations in these locations are fully compliant with all legal requirements.

In Benevides (Pará State), we acquired land for the set up of a new Natura noodle (soap base) plant and ancillary facilities. The plot's size is 172,900 hectares and is part of the municipality's industrial and commercial expansion zone. There are two permanent protection areas (APPs) on the property.

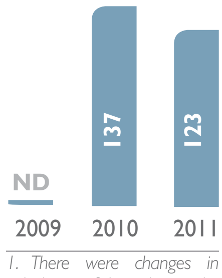
The company works with suppliers of inputs based on biodiversity assets in several regions of the country. Some of these are located in areas protected under the National Conservation Units System: the Médio Juruá Extractivist Reserve in Amazonas, and the Iratapuru State Sustainable Development Reserve in Amapá.

In the Médio Juruá, Amazon region, in which the protected area covers 253 thousand hectares, andiroba and murumuru extraction takes place in less than 1% of the total area of the reserve. We signed our first contract for sharing the benefit of traditional knowledge associated with andiroba with the suppliers' community in 2011. This was an unprecedented commercial agreement with a community in an environmental protection area and was authorized by the federal government's Biological resources Management Council (Conselho de Gestão do Patrimônio Genético).

The sustainable extraction of Brazil nuts, copaiba and breu takes place in an area of approximately 4 thousand hectares, less than 0.5% of the 842,000 hectares occupied by the Iratapuru Reserve. The extraction is fully approved by the management of these conservation units.

EN26

PACKAGING ENVIRONMENTAL IMPACT BY PRODUCT QUANTITY (mpt/kg)[1]



1. There were changes in calculation of the indicator; the 2010 figure was recalculated to allow comparability with 2011. The 2009 figure was not recalculated.

EN26

PRODUCT **IMPACT**

We seek to reduce the environmental impact caused by Natura packaging by investing in the development of innovative technology and cutting edge ecodesign, including the continuous reduction of packaging mass and the use of lower impact raw materials, as well as recycled and recyclable materials.

EN2

The investments made have led to a 10% reduction in impacts. Our performance is monitored using a life cycle assessment tool which quantifies impacts from raw material extraction, through production and use to final disposal.

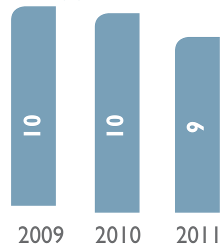
EN2; EN6 In 2011, one of the features of the relaunch of the Ekos line was the reformulation of product packaging, reducing GHG emissions by around 45% and increasing the percentage of recycled post-consumption material used in the products. The changes included FSC certified cartons produced with 40% recycled post-consumption paper. This material is 100% recyclable and results in GHG reductions of approximately 10% compared with the material used in the past. We also started to produce Ekos conditioner packs and refills using 100% green plastic and PET bottles with 50% recycled post-consumption material. The bar soap, previously packed in 3-unit cardboard packs, is now marketed individually in paper flow packs that are smaller and lighter.

There was, however, a reduction in the percentage of recycled and recyclable materials used. This was mainly due to the increase in the number of pages of the Natura magazine (which is not printed on recycled paper) and reduced use of transport cartons containing a higher proportion of recycled material. In these cases, eco-efficiency and a reduction in materials at source were given priority.

PR3 Natura products come with an environmental table providing information on the origin, transformation and certification percentage of raw materials, percentage of recycled and recyclable material used and number of product refills. They are fully compliant with legal requirements regarding information on ingredients. Product labeling is also compliant with legislation and meets all the cosmetic industry requirements determined by Anvisa, Brazil's national health surveillance authority.

EN2

RECYCLED MATERIALS USED (%)[1]



1. The indicator includes % of packaging materials and % of support materials, such as magazines, shipping cartons and bags using post-consumption recycled material.

PRODUCT

	2009	2010	2011
Post-consumption recycled (%)	0,7	0,8	1,1
Recyclable (%)	86	86	84

EN2

TOTAL USE OF MATERIALS BY TYPE (EXCEPT WATER)

	2009	2010	2011
Total direct materials (t)	27.991	22.475	22.170
Total direct materials (m^3)	10.814	11.017	11.279

EN1

REFILLS AS PERCENTAGE OF ITEMS INVOICED (%)

	2009	2010	2011
Brazil	18	17	17
Argentina	16	18	18
Chile	12	14	15
Colombia	12	13	15
France	9	10	10
Mexico	11	11	10
Peru	19	19	16

EN26

INDICATOR CALCULATION METHODOLOGY

An important decision Natura took in 2011 was to change the methodology to calculate its efficiency in water, energy and solid waste. The Company replaced the unit sold metrics by the unit produced. This means that instead of proceeding with the calculation by number of marketed units (invoiced) we now consider everything that Natura and its third-party suppliers actually produce). With this change, the water, energy and solid waste indicators, as well as our targets for the previous years were recalculated to allow comparability. The methodology for carbon emissions was maintained.

This change in metrics allows a more accurate assessment of the impact of our operations and accelerates the identification of opportunities for improvement.

SOLID WASTE

Natura's system of industrial solid waste management encompasses the stages of sorting, classification, disposition, collection, transport and disposal. The company constantly seeks to reduce the volume of solid waste generated and to increase recycling. In 2011, solid waste generation was reduced from 23 to 20 grams per unit produced. EN26

TOTAL QUANTITY OF SOLID WASTE PER UNIT PRODUCED (GRAMS/UNIT)[1]

	2009	2010	2011
Total weight of solid waste per unit produced (g/un)	19	23	20

EN22

1. The indicator was changed from unit sold to unit produced. The 2010 and 2009 data were recalculated accordingly.

In 2011, there was an increase in hazardous solid waste sent for recycling. This was due to a higher loss rate from product discontinuation, expiry or scrappage. These products are used in co-processing, as is the case with solid solid waste from makeup, contaminated materials and raw materials. There was a reduction in non-hazardous solid waste, such as sludge and wood. Recycling of these items also decreased because physico-chemical sludge is no longer used in composting operations upon the recommendation of the regulatory body. We increased incineration of non-hazardous solid waste due to an increase in damaged pallets in Benevides (Pará State), where we still do not have any disposal alternatives.

NATURA DIRECT SOLID WASTE BY TYPE AND DESTINATION (TONS)[1]

	2009	2010	2011
Total hazardous solid waste (Class I)[2]	**1.499**	**2.163**	**3.228**
% Recycling[3]	89	95	97
% Incineration	10,7	5,4	2,7
% Landfill	0	0	0
Total non-hazardous solid waste (Class II - A and B)	**6.371**	**6.254**	**5.767**
% Recycling[3]	91	91	89
% Incineration	0,6	0,2	0,6
% Landfill	8	9	10
Overall total Natura direct solid waste[4]	**7.870**	**8.416**	**8.995**
Natura indirect solid waste (tons)			
Waste from other Natura Spaces[5]	0	1.149	1.691
Waste from Natura third-party manufacturer[6]	1.242	1.347	1.589
Total indirect solid waste	**1.242**	**2.496**	**3.280**

EN22

1. These indicators were reformulated and recalculated in accordance with the new G3.1 guidelines.
EN24 *2. Natura does not import, export or transport solid waste overseas.*
3. Solid waste used in composting, co-processing and transformation is considered to be recycled.
4. Refers to the spaces in Cajamar, Itapecerica da Serra, Alphaville and Benevides. Natura does not include the solid waste generated in civil construction works (rubble) on its premises in this indicator.
5. Refers to the Distribution Centers, Advanced Centers, Hub and Casas Natura (Natura´s space for product testing). Monitoring of solid solid waste from these units begun in 2010.
6. Refers to the 10 major third-party manufacturers, who account for approximately 95% of total outsourced production volume.

To encourage recycling the Company has implemented two reverse logistics programs. In Brazil, we have been maintaining a Natura Movement program since 2009 whereby Consultants collect the packaging used by consumers. The program is active in only some cities, with 120 metric tons of packaging collected in 2011. In another initiative in place in Colombia since 2010, Consultants collect materials or create collection stations at their homes. A total of 235 metric tons of empty packaging were collected in the country last year. We recognize that these efforts are incipient considering the total solid waste generated by our products. For this reason, the new solid waste management strategy under development should reinforce reverse logistics *(more about solid waste on page 27)*.

BRAZIL RECYCLING PROJECT

	2009	2010	2011
Penetration among consultant[1] (%)	2,4	1,2	0,4
Total collected (tons)[2]	120	184	121

EN27

1. Percentage of Consultants participating (delivery of box with solid waste) divided by total consultants active in the cycle.
2. Natura post-consumption packaging and products.

WATER AND **EFFLUENTS**

EN26 In addition to the drawing of the first water inventory throughout the Natura production chain *(more on page 25)*, the Company continued to manage operation consumption. The result was a 4.7% reduction in water volume consumed per unit produced in 2011. This was due to a range of improvements such as: adjustments in the water treatment system in one of the Cajamar plants, enabling more water to be reused; a new rentank (mobile tank) washing system, which will be replicated in other units as of 2012; replacement of drinking water with reused water in sub-processes in the effluent treatment plant; identification of rationalization opportunities at third-parties.

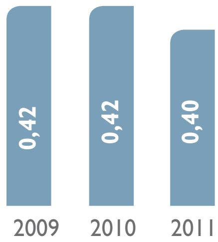
EN9; EN25 Due to the lack of a public supply, the water used in the Cajamar and Itapecerica da Serra facilities comes from artesian wells. Our ground water is withdrawn from the Cristalino Aquifer water table and the withdrawal is compliant with the permits granted by the DAEE (Portuguese acronym fot State Water and Electrical Power Department). In 2011, a new well was drilled, but the water volume was insufficient for industrial use. A new well should be drilled in a different location to meet increased production demand.

Our challenge is the trend towards an absolute increase in consumption due to the expansion of Natura's activities. However we continue to seek new ways to reuse water to attend ongoing efficiencies.

EN23 In 2011 there were no significant spillages or accidents with products causing any kind of impact.

EN8

WATER CONSUMPTION PER UNIT PRODUCED (liters/unit produced)[1]



1. There was a change in calculation of the indicator from unit sold to unit produced. For this reason, 2010 and 2009 data were recalculated.

WATER CONSUMPTION BY SOURCE[1]

	2009	2010	2011
Main sites (m^3)[1 2]	124.511	117.861	127.870
Other spaces (m^3)[2]	26.314	31.622	51.624
Third-party manufacturers (m^3)[3]	49.783	51.507	68.454
Total water consumption (m^3)[4]	200.608	200.991	247.948

EN8

1. Takes into account the Cajamar and Itapecerica da Serra units.
2. In 2009 and 2010, consumption at Itapecerica da Serra was mistakenly accounted for in Other Spaces. The calculation was adjusted and the figures for the two years updated.
3. Third-parties are companies that manufacture finished products for Natura. Water consumption is measured at major third-parties accounting for 95% of outsourced production.
4. Considers withdrawal from wells, public supply and supply by truck.

There was a decrease in reuse rates at Cajamar due to maintenance at the effluent treatment plant, which temporarily limited its efficiency. This was partially offset by a new treatment system which increased reuse. It should be noted that Natura's effluent treatment is fully compliant with legal requirements.

VOLUME OF WATER RECYCLED AND REUSED

	2009	2010	2011
Water recycled1and reused (m^3)[2]	38.267[5]	49.733	41.630
Percentage reuse over total water treated in effluent treatment plant (%)[3]	35	38	29
Percentage reuse over total water withdraw[4]	34	47	36

EN10

1. From sanitary and industrial wastewater generated at the Cajamar site which after treatment is used in watering plants, toilets and urinals, road cleaning and decorative pools.
2. Water from the Cajamar production process that is reused in the drinking water system.
3. The percentage refers to the volume of reused water from effluent treatment compared with the total amount of water treated in the Cajamar treatment plants.
4. The reuse and recycling data refer to the volume of water recycled and reused at Cajamar. The reuse percentages over the totals for 2009 and 2010 were reviewed because they mistakenly included data from Itapecerica da Serra, which does not reuse water.
5. Data reassessed and corrected.

SIGNIFICANT DISCHARGES IN WATER BODIES (M^3)[1]

	2009	2010	2011
Total volume of treated effluent	101.672	102.903	100.747

EN21

1. Refers to Cajamar and Itapecerica da Serra sites. At Benevides effluent is treated externally.

TREATED EFFLUENT AT CAJAMAR				
Cajamar	**Legal parameter**	**2009**	**2010**	**2011**
DBO[1] (Mg/L)	60	6	7	46
DQO[2] (Mg/L)	150	43	45	145
Oils and fats (Mg/L)	120	7	15	45
Itapecerica da Serra	**Legal parameter**	**2009**	**2010**	**2011**
DBO[1] (Mg/L)	60	20	25	31
DQO[2] (Mg/L)	150	69	65	59
Oils and fats (Mg/L)	120	8	15	26

EN21

1. BOD – Biological Oxygen Demand
2. COD– Chemical Oxygen Demand

ENERGY

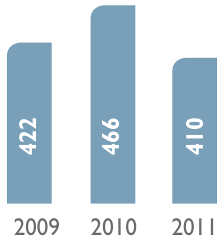
EN7 In 2011, we recorded a 12% decrease in relative electricity consumption due to the efforts to improve management and efficiency, in particular at third-party suppliers.

EN6; EN7 Currently 50% of the power used at Cajamar is associated with temperature control and compressed air, constituting a natural focus for improvement projects. We managed to eliminate losses and increase air conditioning distribution efficiency, reducing power consumption. We also completed a project to eliminate compressed air leakages in one of the plants and are replicating this initiative in other Company's areas.

Absolute energy consumption grew due to the expansion of the distribution centers and administrative support areas throughout the country. There was also an increase in diesel consumption due to greater use of emergency generators as a result of interruptions and oscillations in the energy supplied by power companies.

EN4

ENERGY CONSUMPTION – ENERGY MATRIX PER UNIT PRODUCED (kjoules/unit)[1]



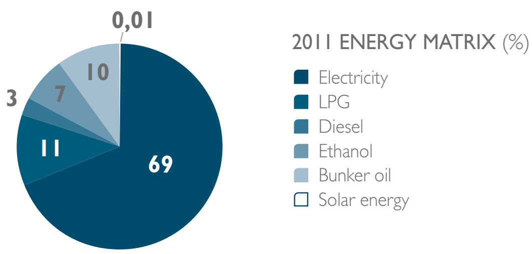
1. There was a change in calculation of the indicator from unit sold to unit produced. For this reason, 2010 and 2009 data were recalculated.

DIRECT ENERGY CONSUMPTION BY PRIMARY SOURCE (joules x 10^{12})[1]	2009	2010	2011
Solar energy[2]	0,02	0,02	0,02
Diesel oil used in generators	3	3	6
LPG consumption	29	30	21
Electricity	112	128	136
Ethanol consumptioN[3]	-	-	15
Bunker oil consumption	17	18	19

EN4

1. Until 2010, the Natura energy matrix only considered Cajamar and Itapecerica da Serra. In 2011, we incorporated into the indicators the distribution centers, administrative support centers and Casas Natura (Natura´s space for product testing) and the data for the previous years were recalculated.
2. At the Cajamar unit we use solar energy to light the car park and heat water in the cloakrooms and kitchen.
3. We started using ethanol to fire the boilers at Cajamar in 2011.

EN3



TOTAL ENERGY CONSUMPTION (joules x 10^{12})	2009	2010	2011
Cajamar and Benevides sites	142	150	158
Other Natura spaces in Brazil[1]	19	30	39
Natura third-party manufacturer energy consumptioN[2]	41	41	54
Total	201	220	251

EN3; EN4

1. Refers to consumption at Alphaville, Itapecerica, Casas Natura (Natura´s space for product testing), distribution centers, advanced centers. In 2011, the DCs were expanded and the CSC Água Branca offices were included.
2. Companies manufacturing finished products for Natura. The third-parties that are monitored account for approximately 95% of the outsourced production.

ENERGY SPARED (joulesx10^9)[1]

	2009	2010	2011
Due to energy efficiency projects[2]	2,0	2,6	1,8
Due to solar energy source	20	20	20

EN5; EN6

1. Refers to projects implemented in Cajamar.
2. The reduction projects are accounted for only once upon implementation. Therefore, as we invest in energy efficiency measures, there is a decrease in the pace of identification of new improvements.

THIRD-PARTY MANUFACTURERS

Natura also monitors the environmental impact of its main suppliers. In 2011, data from 62 partners were reviewed. The Company works with these suppliers to improve data collection.

MAIN NATURA PACKAGING AND RAW MATERIALS SUPPLIERS[1]

	2009	2010	2011
Total suppliers measured	62	58	62
Energy consumption (joules x 10^{12})			
Primary source electricity - electricity consumption	216,8	146,2	96,2
Self-generated energy - diesel generator	4,2	0,1	20,4
LPG consumption	4,8	4,9	6,2
Others - natural gasl	140,4	207,1	119,5
Total energy consumed	366,2	358,3	243,3
Water consumption (m^3)			
Total water consumption	166.528	135.500	179.740
Solid waste generation by main Natura suppliers (t)			
Total solid waste generated	2.947	3.419	2.005

1. Main Natura input suppliers in the following categories: accessories, packaging, design, fragrances, raw materials, printing services, chemicals and boxes. Suppliers inform their energy and water consumption and solid waste generation according to the percentage of their production dedicated to Natura.
2. To ensure greater reliability and consistency, we reorganized the data collection methodology for suppliers in 2011, improving the information received. Therefore it is not possible to compare current results with those of previous years.

5.3 generating social value

DMA SO

INSTITUTO **NATURA**

The Instituto Natura is a non-profit organization created in 2010 to expand and strengthen our private social investment initiatives. The institute has enabled us to leverage our efforts and investments in measures that improve the quality of public education.

The main achievement of the institute to date has been the partnership formalized with the Ministry of Education in 2011 to transform the Trilhas project into public policy. Executed by the Instituto Natura under the technical coordination of Cedac (Comunidade Educativa), Trilhas is a methodology to encourage 6 year-old children to read, write and speak. The initiative consists of teaching techniques, materials and practical support for teachers and principals in the participating schools, furthering the development of students beginning to acquire literacy skills. The partnership with the Ministry of Education should benefit more than 3 million students in 3 thousand municipalities as of 2012.

The Instituto Natura's main source of funding is the Natura Crer para Ver (To Believe is to See) program – a special non-cosmetic product line which earnings go to the institute. Neither Natura nor the Consultants earn money from sales of this line. In 2011, sales from the Crer para Ver line were R$ 8.4 million, coming in below target. Although lower than the record sales in 2010, the volume was still twice that of 2009.

This is due mainly to Natura's overall sales performance in the year and the fact that the Crer para Ver product line did not have the expected consumer appeal. The program will be adjusted accordingly in 2012.

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CRER PARA VER PROGRAM IN BRAZIL (000's of R$)

	2009	2010	2011
Net income from Crer para Ver Program[1]	3.768	10.099	8.397
Crer para Ver penetration (% cycle)[3]	7	10	9,5
Total cost of projects developed and supported[2]	4.076	3.877	5.900
Municipalities served	nd	370	345
Schools served	nd	5.690	4.943
Participating teachers, coordinators and principals	nd	22.861	18.471
Students benefiting	nd	427.685	922.028

EC8; EC9

1. Refers to profit before income tax dedicated to Crer para Ver Program Fund. Before 2009, net income referred to net profit after income tax.
2. The costs of the projects refer to the total amount injected in the project during the year (withdrawn from the fund and invested in the projects).
3. Percentage of NCs involved with Crer para Ver (through purchase of products from product line), among the active NCs.

CRER PARA VER PROGRAM IN THE INTERNATIONAL OPERATIONS (000's of R$)

	2009	2010	2011
Net income from Crer para Ver Program[1]	627	1.366	2.187
Crer para Ver penetration (% cycle)[2]	nd	15	18

EC8

1. Refers to profit before income tax dedicated to Crer para Ver Program Fund. Before 2009, net income referred to net profit after income tax.
2. Percentage of NCs involved with Crer para Ver (through purchase of products from product line), among the active NCs.

DISTRIBUTION OF WEALTH

Even in a year of less vigorous growth, Natura continued to increase value generation for some of its main stakeholders.

DISTRIBUTION OF WEALTH (R$ millions)

		2009	2010	2011
	Shareholders[1]	552	647	763
EC9	Consultants	2.303	2.738	2.906
	Employees	643	769	634
	Suppliers	3.088	3.707	4.363
	Government	1.147	1.477	1.472
	Total	**7.732**	**9.338**	**10.138**	EC1

1. The numbers for shareholder refer to dividends and interest on own capital during the period

SUPPORT AND SPONSORSHIP

Natura supported actions and initiatives aligned with its Beliefs, propagating well being well, culture, institutional reinforcement, increased awareness and sustainable development. In 2011, spending on support and sponsorships, including tax incentives, totaled R$ 24 million.

NATURA FUNDS (000's of R$)

	2009	2010	2011
Sustainable Development	1.600	1.702	1.900
Brazilian Culture with a focus on music	4.844	10.721	13.365
Behavior and Attitude[1]	na	na	750
Support for civil organizations	2.102	6.280	2.790
Total Natura funds	**8.546**	**18.703**	**18.806**
Funding through incentives (000's of R$)			
Sustainable Development	574	350	80
Brazilian Culture with a focus on music	2.989	4.722	4.853
Support for civil organizations	624	530	610
Total funding through incentives	**4.187**	**5.602**	**5.543**
Grand Total	**12.733**	**24.305**	**24.439**

1. In 2011, we included "Behavior and Attitude" in support and sponsorship. This involved sponsorship of two initiatives: Frontiers of Thought and Fashion Mob.

See a description of the main projects supported in 2011, by category:

1. BRAZILIAN CULTURE WITH A FOCUS ON MUSIC

NATURA MUSICAL

This is the Natura cultural program focused on music. Launched in 2005, it has supported some 170 music-related projects and processes, benefiting 17 Brazilian States and more than 700 thousand people.

The program operates on three fronts: music promotion, whereby sponsorship projects are selected directly or by public tender using tax incentives or direct funding; music festivals held in São Paulo and Minas Gerais; and an interactive digital music platform (**www.naturamusical.com.br**) for aficionados of Brazilian music.

In 2011, there was a national tender through which the program invested R$ 1.5 million in six projects via the Rouanet incentive law, as well as a tender in Minas Gerais awarding R$ 1 million to five initiatives via a State sales tax (ICMS) cultural incentive law. Natura Musical provided direct funding for four other projects.

The projects sponsored included the digitalization of the Gilberto Gil music collection, the recuperation of the Chiquinha Gonzaga music collection, the launch of Karina Buhr's second CD, a survey of traditional popular folk music entitled Mestres Navegantes and a book and CD by the instrumentalist Paulo Moura, in addition to a national tour for the launch of a Roberta Sá CD.

For the third year running, the company organized the Natura Nós Festival in São Paulo starring Brazilian and international artists which was attended by 28 thousand people. We also promoted the first Natura Musical Minas Festival in Belo Horizonte, Minas Gerais, with local artists and performers from other parts of the country. This 12-hour event featured 16 attractions in free shows held in the city's parks. The total audience was around 30 thousand.

In partnership with the cultural group AfroReggae, Natura set up the Natura Musical Studio in Rio de Janeiro's Vigário Geral community. With state-of-the-art equipment, the studio will be opened both to renowned artists and to local community talents.

More information is available at **www.naturamusical.com.br** and in the program social networks.

2. SUSTAINABLE DEVELOPMENT / INSTITUTIONAL REINFORCEMENT

TEEB BRASIL

The TEEB (The Economics of Ecosystems and Biodiversity Brazil) Brazil initiative for the business industry, launched in October 2011, is aimed at assessing and adapting this extensive global program to the Brazilian reality. The objective of the program, which is scheduled to be concluded in 2013, is to map biodiversity and ecosystem services, calculating the risks from losses and the opportunities from the conservation and sustainable use of these assets.

The project is led by Conservation International (CI-Brasil), the United Nations Environment Program (UNEP) and the World Conservation Monitoring Center or (UNEP-WCMC). Natura is in the top TEEB Brazil sponsorship category.

We accepted the invitation to support TEEB Brazil because, in addition to its potential for innovation, it is aligned with our strategies, in particular our Platform for the Sustainable Use of Biodiversity, and the Amazônia and Sustainable Production Chain programs. Active participation in TEEB Brazil provides the Company with the opportunity to learn more about the services provided by nature and attributing a monetary value to socio-environmental impacts.

GRI G4 *GUIDELINES*

Natura supports the development of guidelines for the fourth generation of GRI (Global Reporting Initiative) indicators. Together with other leading global corporations, we are members of the G4 Consortium, which is supporting the specialists, organizations and companies involved in reviewing economic, social and environmental performance indicators for sustainability reports.

The GRI is an international organization dedicated to defining a model for sustainability reporting, indicating quantitative and qualitative information that is relevant for understanding an organization's impact and the value it may generate for a specific region.

NATIONAL GREEN ECONOMY DISCUSSIONS

In 2011, Natura continued to support the National Green Economy Discussions – Road to Rio+20, part of the global Green Economy Coalition (GEC) initiative, which is led by the NGO Vitae Civilis in Brazil.

The Company also supports the East Amazon regional seminar coordinated by Vitae Civilis and the Instituto Peabiru. The objective of the meeting is to produce solid proposals to accelerate the transition to a green economy. Natura took part in the event and presented its Amazônia Program in public for the first time. The event, which was attended by companies, NGOs and government officials, was aimed at developing proposals for an Essential Green Economy Agenda for the United Nations Conference on Sustainable Development Rio+20.

REFLORA PROJECT

This project is aimed at repatriating information and images of the Brazilian flora collected by foreign researchers from the 18th to the 20th century. Distributed throughout different museums worldwide, this collection is being digitalized in a project coordinated by the Herbarium of the Rio de Janeiro Jardim Botânico. It is also supported by the National Scientific and Technological Development Council (Conselho Nacional de Desenvolvimento Científico e Tecnológico, CNPq)

MOVIMENTO EMPRESARIAL PELA BIODIVERSIDADE (BUSINESS MOVEMENT FOR BIODIVERSITY)

EThe Business Movement for the Conservation and Sustainable Use of Biodiversity (MEB) has as its aim the mobilization of Brazilian business to conserve and use biodiversity sustainability. Developing a joint agenda with civil organizations, the movement promotes discussion between the government and the private industry with a view to improving the current legal and regulatory frameworks governing the area. Natura led the creation of MEB in 2010 and maintained its support for the initiative in 2011.

3. BEHAVIOR AND ATTITUDE

FRONTIERS OF THOUGHT

Held for the second year in São Paulo, Frontiers of Thought is an annual program of seminars on behavioral trends given by important contemporary intellectuals, personalities and scientists. Eight seminars were held in 2011 with key thinkers such as the sociologist Zygmunt Bauman, philosophers Luc Ferry, Edgard Morin and Alain de Botton and the former Brazil's President Fernando Henrique Cardoso, among others.

FASHION MOB

In 2011, Natura sponsored the 3rd Fashion Mob in partnership with Casa de Criadores. The event objective is to turn fashion popular, enabling professionals (both experienced or not), students and others to gain visibility for their work in the fields of fashion, art and video in São Paulo's streets.

The participants organized a parade, a show and a contest in downtown São Paulo. Their work was evaluated by personalities from the fashion world, stylists, journalists and make-up artists, among others.

INVESTMENTS IN **SUSTAINABILITY**

Natura's sustainability-related investments totaled R$ 70.4 million in 2011. This amount includes the promotion of discussion panels with stakeholders, research into sustainable technologies, certification of natural materials used in production, among others. In 2011, investments in research into sustainable technologies decreased because a few projects were concluded and their results were turned into programs.

SUSTAINABILITY INVESTMENT MATRIX (000's of R$)[1]

	2009	2010	2011	
Socio-environmental projects and programs[2]	5.376	7.612	8.378	
Organization of discussion channels	1.312	2.518	2.023	
Education and training	18.572	23.799	21.301	
Research into sustainable technologies	312	588	159	EN30
Management expense[3]	22.103	28.260	32.616	
Certifications[4]	103	91	61	
Clean technologies[5]	1.090	775	640	
Effluent treatment and solid waste disposal	4.465	4.270	5.270	
Total	53.333	67.913	70.448	

1. The Sustainability Investment Matrix was reformulated and grouped by type of investment. The amounts were reviewed and recalculated from 2009.
2. Project and program spending related to priority subjects.
3. Spending related to team, studies and consultancies, additional benefits for employees and other general expenses.
4. Certification expenses: forestry, organic production, management systems and sustainable construction.
5. Spending on clean technologies set up in Natura's facilities, such as the flexible boiler at Cajamar.

5.4 generating economic value

DMA EC

Once again, Natura increased its revenues and profit. In 2011, the Company posted net revenues in the amount of R$ 5,591.4 million, 8.9% up on the previous year. EBITDA reached R$ 1,425.0 million, an increase of 13.4% with a 25.5% margin (compared to 24.5% in 2010). Net profit was up 11.7% at R$ 830.9 million. Net margin was 14.9%, against 14.5% in 2010. Noteworthy were our international operations, which now account for 9% of Natura consolidated net revenue.

To prepare Natura for further growth, in 2011 we made the largest investment ever. Capital expenditure totaling R$ 350 million was allocated to production, logistics and technology projects. In 2012 we intend to invest a further R$ 420 million in our information technology platform, in the final stage of the new logistics model and in the expansion of the Company's industrial capacity *(more on page 24)*.

COSTS AND **EXPENSES**

Cost of Goods Sold (CGS) showed a 50 base point improvement, reaching 29.8% of net revenue. The benefits of the price increase and better cost management in 2011 were partially offset by promotions.

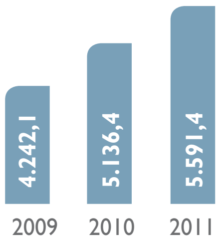
Selling expenses accounted for 34.9% of net revenues, a slight increase compared with 33.2% posted in 2010, due to a reduced dilution of fixed logistics and sales force costs. Investments in marketing in the international operations continued to increase in line with the expansion strategy for these units.

Administrative and general expenses were 12.2%, against 11.8% the previous year. We continued to invest in commercial and product innovation and, at the end of the year, we intensified our cost efficiency efforts without compromising growth strategy.

Employee profit share was down by 57.1% compared with the previous year, due to the non-achievement of social targets *(more on page 21)*.

Other revenues and operating expenses were R$ 63.1 million. This includes the non-recurring effect of the recognition of PIS and Cofins tax credits on services and the negotiation of added value margin in Paraná and the Distrito Federal. It also takes into account the non-recurring effect of recognition of a contingent PIS and Cofins tax asset, credit from taxes on financial earnings and warehousing.

CONSOLIDATED NET REVENUE (in million R$)



SUMMARY OF CASH FLOW

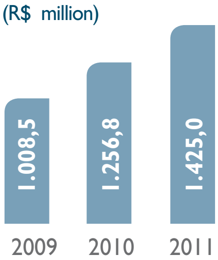
Internal cash generation in 2011 was R$ 940.8 million, 13% increase, in line with the 11.7% growth in net profit. From this amount, R$ 207.2 million was invested in working capital and R$ 346.4 million in property, plant and equipment, resulting in free cash generation of R$ 410.6 million, 42.7% down on 2010.

There was an ongoing increase in stock coverage, influenced mainly by a shortfall in sales. There was also an increase in taxes recoverable, due to the revision of PIS and Cofins tax credits on services, financial earnings and freight, which will be converted into cash in the first semester of 2012.

We believe that the planning model adopted will enable us to reduce stock coverage in the course of the year. This plus the conversion of taxes recoverable into cash will permit significantly improved working capital in 2012.

Investment in property, plant and equipment reached $ 346.4 million at the end of the year, 15% higher than the initial forecast. We continue to invest in logistics, manufacturing and information technology.

CONSOLIDATED EBITDA (R$ million)



SUMMARY OF CONSOLIDATED CASH FLOW[1] (R$ million)	2010	2011	Var %
Net earnings	**744,1**	830,9	**11,7**
(+) Depreciation and amortization	88,8	109,9	23,7
Internal cash generation	**833,0**	**940,8**	**13,0**
(Increase) / Reduction in Working Capital	99,6	(207,2)	na
Non-cash items (exchange variation)	20,7	23,3	12,6
Operational cash generation	**953,2**	**756,9**	**(20,6)**
Variations in intangible assets	(236,9)	(346,4)	46,2
Free cash generatio[3]	**716,4**	**410,6**	**(42,7)**

1. (Internal cash generation) +/- (changes in working capital and long term assets and liabilities) – (acquisitions of property, plant and equipment).

OPERATIONS RESULTS

In the Brazilian operation, Natura net revenues were R$ 5,087.6 million, an increase of 6.8%. EBITDA margin was 29.0%, compared with 28.0% the previous year.

The gross profit from Brazilian exports to the international operations was subtracted from the Cost of Goods Sold of the relevant operations, demonstrating the real impact of these subsidiaries on the company's consolidated results. Therefore, the pro forma Income Statement for Brazil only presents the result of sales to the internal market.

PRO FORMA FINANCIAL HIGHLIGHTS BRAZIL	2010	2011	Var %
Total number of consultants - end of year* (in 000's)	1.028,7	1.175,5	14,3
Product units for resale (in millions)	378,7	410,5	8,4
Gross revenue	6.489,6	6.898,9	6,3
Net revenue	4.764,6	5.087,6	6,8
Gross profit	3.356,4	3.611,3	7,6
Gross margin (%)	**70,4**	**71,0**	**0,5**
Sales expenses	(1.487,4)	(1.686,5)	13,4
Administrative and general expenses	(516,2)	(577,9)	12,0
Employee profit share	(70,4)	(30,2)	(57,1)
Management compensation	(14,4)	(9,4)	34,5
Other net operating revenues / (expenses)	(15,7)	65,7	n/d
Net operating revenues / (expenses)	(47,9)	(73,5)	53,3
Income before income tax and charges (IR/CSLL)	1.204,4	1.299,4	7,9
Net profit	836,0	901,1	7,8
Ebitda	1.335,2	1.476,1	10,5
Ebitda margin (%)	28	29	1,0

1. Number of Consultants at end of the 18th sales cycle.

The net revenue from the international operations during the year was R$ 503.8 million, a 40% increase in weighted local currency. EBITDA for the year (considering pro forma EBITDA) showed a loss of R$ 51.1 million, an improvement of R$ 27.3 million compared with the previous year (R$ 78.4 million).

PRO FORMA EBITDA BY OPERATING BLOCK (R$ millions)	2010	2011	Var %
Brazil	1.335,2	1.476,1	23,0
Argentina, Chile e Peru	13,1	43,0	47,8
Mexico e Colombia	(32,5)	(24,2)	(23,2)
Other investments	(59,1)	(69,9)	34,1
Total	**1.254,8**	**1.425,0**	**24,6**

Considering only the operations under consolidation (Argentina, Chile and Peru), net revenues were R$ 335.1 million, a 36.1% increase in weighted local currency (45.2% in reais). In these units, the number of Consultants increased by 20.5%, reaching 157,300 by the end of 2011. The EBITDA was favorable at R$ 43.0 million. The higher investment in marketing was offset by the dilution of the sales force and administrative expenses and greater logistics efficiency.

The net revenue in the international operations under development (Mexico and Colombia) were R$ 149.2 million, 55.6% up in weighted local currency (51.8% in reais). Consultant numbers grew 42.1%, reaching 85,600 by the end of 2011. These operations continued to show an accrued negative EBITDA of R$ 24.2 million, the result of the investments underway.

PRO FORMA FINANCIAL HIGHLIGHTS - OPERATIONS UNDER CONSOLIDATION (ARGENTINA, CHILE, PERU) - (R$ million)

	2010	2011	Var %
Total number of consultants - end of year* (in 000's)	130,5	157,3	20,5
Product units for resale (in millions)	23,6	32,9	39,3
Gross revenue	335,9	441,5	31,5
Net revenue	255,7	335,1	31,0
Gross profit	157,3	212,5	35,1
Gross margin (%)	**61,5**	**63,4**	**1,9**
Sales expenses	(124,4)	(148,8)	19,7
Administrative and general expenses	(21,5)	(23,2)	7,9
Financial effects	(0,8)	(2,6)	211,8
Profit / (loss) before income tax (IR/CSLL)	8,9	36,6	n/d
Net profit / (loss)	3,7	31,9	n/d
Ebitda	13,1	43,0	227,2
Ebitda margin (%)	**5,1**	**12,8**	**7,7**

PRO FORMA FINANCIAL HIGHLIGHTS - OPERATIONS UNDER DEVELOPMENT (MEXICO E COLOMBIA)[1] - (R$ million)

	2010	2011	Var %
Total number of consultants - end of year * (in 000's)	**60,2**	**85,6**	**42,2**
Product units for resale (in millions)	9,3	14,9	60,7
Gross revenue	114,0	172,9	51,7
Net revenue	98,3	149,2	51,8
Gross profit	56,3	92,2	63,8
Gross margin (%)	**57,3**	**61,8**	**4,5**
Sales expenses	(76,0)	(99,8)	31,3
Administrative and general expenses	(14,8)	(17,6)	19,0
Financial effects	(1,0)	(1,2)	27,6
Profit / (loss) before income tax (IR/CSLL)	(35,6)	(27,6)	(22,4)
Net profit / (loss)	(36,0)	(31,0)	(13,9)
Ebitda	(32,5)	(24,2)	(25,6)
Ebitda margin (%)	**n/d**	**n/d**	**-**

NATURA COSMÉTICOS S.A.

With reference to the fiscal year ending December 31, 2011 and to the opinion of the independent auditors and

pursuant to the legal and statutory norms, we hereby submit, for your review, the balance sheet and the account statements covering the fiscal year ending on December 31, 2011. In addition to the information provided in the explanatory notes, Management remains fully available for any further clarification the shareholders may require.

financial statements #11

natura BRASIL

BALANCE SHEETS AS OF DECEMBER 31, 2011

(In thousands of Brazilian reais - R$)

		Company (BR GAAP)		Consolidated (BR GAAP and IFRS)	
ASSETS	Note	2011	2010	2011	2010
CURRENT ASSETS					
Cash and cash equivalents	5	166,007	206,125	515,610	560,229
Trade receivables	6	535,309	493,692	641,872	570,280
Inventories	7	217,906	185,092	688,748	571,525
Recoverable taxes	8	69,417	34,799	201,620	101,464
Related parties	27.1	37,908	25,361	-	-
Derivatives	4.2	28,184	-	28,626	-
Other receivables	11	115,328	52,470	126,783	66,399
Total current assets		1,170,059	997,539	2,203,259	1,869,897
NONCURRENT ASSETS					
Long-term assets:					
Recoverable taxes	8	12,299	4,921	111,239	109,264
Deferred income tax and social contribution	9.a)	80,145	87,491	189,552	180,259
Escrow deposits	10	244,938	289,070	295,839	337,007
Other noncurrent assets	11	4,562	20,052	29,935	44,904
Investments	12	1,253,721	1,099,188	-	-
Property, plant and equipment	13	332,215	92,175	800,434	560,467
Intangible assets	13	78,929	18,586	162,754	120,073
Total noncurrent assets		2,006,809	1,611,483	1,589,753	1,351,974
TOTAL ASSETS		3,176,868	2,609,022	3,793,012	3,221,871

		Company (BR GAAP)		Consolidated (BR GAAP and IFRS)	
LIABILITIES AND SHAREHOLDERS' EQUITYS	Note	2011	2010	2011	2010
CURRENT LIABILITIES					
Borrowings and financing	14	66,424	60,086	168,962	226,595
Trade and other payables	15	183,317	113,232	488,980	366,494
Suppliers - related parties	27.1	293,024	246,589	-	-
Payroll, profit sharing and related taxes		58,551	63,769	132,045	162,747
Taxes payable	16	260,027	199,698	446,800	366,006
Derivatives	4.2	-	3,340	-	4,061
Other payables		29,359	41,788	37,932	52,064
Total current liabilities		890,702	728,502	1,274,719	1,177,967
NONCURRENT LIABILITIES					
Borrowings and financing	14	852,549	368,356	1,017,737	465,068
Taxes payable	16	97,955	175,575	140,545	215,125
Provision for tax, civil and labor risks	17	49,600	53,282	64,957	73,784
Others provisions	18	35,818	25,806	44,809	32,425
Total noncurrent liabilities		1,035,922	623,019	1,268,048	786,402
SHAREHOLDERS' EQUITY					
Capital	19.a)	427,073	418,061	427,073	418,061
Capital reserves		160,313	149,627	160,313	149,627
Earnings reserves		292,457	282,944	292,457	282,944
Treasury shares	19.c)	(102,849)	(14)	(102,849)	(14)
Proposed additional dividend	19.b)	490,885	430,079	490,885	430,079
Other comprehensive losses		(17,635)	(23,196)	(17,635)	(23,196)
Total equity attributable to owners of the Company		1,250,244	1,257,501	1,250,244	1,257,501
Noncontrolling interests		-	-	1	1
Total shareholders' equity		1,250,244	1,257,501	1,250,245	1,257,502
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		3,176,868	2,609,022	3,793,012	3,221,871

The accompanying notes are an integral part of these financial statements.

INCOME STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2011

(In thousands of Brazilian reais - R$, except earnings per share)

		Company (BR GAAP)		Consolidated (BR GAAP and IFRS)	
	Note	2011	2010	2011	2010
NET REVENUE	21	**5,848,777**	**5,514,315**	**5,591,374**	**5,136,712**
Cost of sales	22	(2,375,514)	(2,283,926)	(1,666,300)	(1,556,806)
GROSS PROFIT		**3,473,263**	**3,230,389**	**3,925,074**	**3,579,906**
OPERATING (EXPENSES) INCOME					
Selling expenses	22	(1,503,069)	(1,292,365)	(1,952,740)	(1,704,322)
Administrative and general expenses	22	(816,818)	(837,808)	(680,730)	(605,442)
Employee profit sharing	22	(3,765)	(18,174)	(30,168)	(70,351)
Management compensation	27	(9,443)	(14,417)	(9,443)	(14,417)
Equity in investees	12	54,789	25,764	-	-
Other operating income (expenses), net	25	43,579	456	63,077	(17,468)
INCOME FROM OPERATIONS BEFORE FINANCIAL INCOME (EXPENSES)		**1,238,536**	**1,093,845**	**1,315,070**	**1,167,905**
Financial income	24	86,502	17,515	122,698	53,639
Financial expenses	24	(163,247)	(58,237)	(200,038)	(103,375)
INCOME BEFORE INCOME TAX AND SOCIAL CONTRIBUTION		1,161,791	1,053,123	1,237,730	1,118,169
Income tax and social contribution	9.b)	(330,890)	(309,073)	(406,829)	(374,120)
NET INCOME		**830,901**	**744,050**	**830,901**	**744,050**
ATTRIBUTABLE TO					
Owners of the Company		830,901	744,050	830,901	744,050
Noncontrolling interests		-	-	-	-
EARNINGS PER SHARE - R$					
Basic	26.1	1,9320	1,7281	1,9320	1,7281
Diluted	26.2	1,9279	1,7219	1,9279	1,7219

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2011

(In thousands of Brazilian reais - R$)

		Company (BR GAAP)		Consolidated (BR GAAP and IFRS)	
	Note	2011	2010	2011	2010
NET INCOME		**830,901**	**744,050**	**830,901**	**744,050**
Other comprehensive income (losses) - Gains (losses) arising on translating the financial statements of foreign subsidiaries	12	5,561	(4,473)	5,561	(4,473)
TOTAL COMPREHENSIVE INCOME		**836,462**	**739,577**	**836,462**	**739,577**
ATTRIBUTABLE TO					
Owners of the Company		836,462	739,577	836,462	739,577
Noncontrolling interests		-	-	-	-

The accompanying notes are an integral part of these financial statements.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED DECEMBER 31, 2011

(In thousands of Brazilian reais - R$, except for dividends per share)

	Note	Capital	Capital reserves: Share premium	Capital reserves: Tax incentive reserve: Investment grants	Capital reserves: Additional paid-in capital	Earnings reserves: Legal	Earnings reserves: Tax incentives	Earnings reserves: Retained earnings	Treasury shares	Proposed additional dividend	Retained earnings	Other comprehensive income (losses)	Equity attributable to owners of the Company	Noncontrolling interests in subsidiaries' equity	Total shareholders' equity
BALANCE AS OF DECEMBER 31, 2009		404,261	103,620	17,378	21,995	18,650	4,961	230,082	(14)	357,611	-	(18,723)	1,139,821	1	1,139,822
Net income		-	-	-	-	-	-	-	-	-	744,050	-	744,050	-	744,050
Other comprehensive income		-	-	-	-	-	-	-	-	-	-	(4,473)	(4,473)	-	(4,473)
Total comprehensive income		-	-	-	-	-	-	-	-	-	744,050	(4,473)	739,577	-	739,577
2009 dividends and interest on capital approved at the Annual Shareholders' Meeting of April 6, 2010		-	-	-	-	-	-	-	-	(357,611)	-	-	(357,611)	-	(357,611)
Capital increase through subscription of shares	19.a)	13,800	-	-	-	-	-	-	-	-	-	-	13,800	-	13,800
Changes in stock option plans:															
Grant of stock options	23.2	-	-	-	11,288	-	-	-	-	-	-	-	11,288	-	11,288
Exercise of stock options	23.2	-	-	-	(4,654)	-	-	4,654	-	-	-	-	-	-	-
Allocation of net income:															
Recognition of tax incentive reserve		-	-	-	-	-	5,973	-	-	-	(5,973)	-	-	-	-
Interim dividends and interest on capital	19.b)	-	-	-	-	-	-	-	-	-	(289,374)	-	(289,374)	-	(289,374)
Dividends declared on February 23, 2011	19.b)	-	-	-	-	-	-	-	-	405,623	(405,623)	-	-	-	-
Interest on capital declared on February 23, 2011	19.b)	-	-	-	-	-	-	-	-	24,456	(24,456)	-	-	-	-
Retained earnings reserve	19.f)	-	-	-	-	-	-	18,624	-	-	(18,624)	-	-	-	-
BALANCE AS OF DECEMBER 31, 2010		418,061	103,620	17,378	28,629	18,650	10,934	253,360	(14)	430,079	-	(23,196)	1,257,501	1	1,257,502
Net income		-	-	-	-	-	-	-	-	-	830,901	-	830,901	-	830,901
Other comprehensive income	12	-	-	-	-	-	-	-	-	-	-	5,561	5,561	-	5,561
Total comprehensive income		-	-	-	-	-	-	-	-	-	830,901	5,561	836,462	-	836,462
2010 dividends and interest on capital approved at the Annual Shareholders' Meeting of April 8, 2011		-	-	-	-	-	-	-	-	(430,079)	-	-	(430,079)	-	(430,079)
Capital increase through subscription of shares	19.a)	9,012	-	-	-	-	-	-	-	-	-	-	9,012	-	9,012
Acquisition of treasury shares	19.c)	-	-	-	-	-	-	-	(104,452)	-	-	-	(104,452)	-	(104,452)
Sale of treasury shares due to exercise of stock options	19.c)	-	(377)	-	-	-	-	-	1,617	-	-	-	1,240	-	1,240
Changes in stock option plans:															
Grant of stock options	23.2	-	-	-	13,369	-	-	-	-	-	-	-	13,369	-	13,369
Exercise of stock options	23.2	-	-	-	(2,306)	-	-	2,306	-	-	-	-	-	-	-
Allocation of net income:															
Recognition of tax incentive reserve		-	-	-	-	-	3,677	-	-	-	(3,677)	-	-	-	-
Interim dividends and interest on capital	19.b)	-	-	-	-	-	-	-	-	-	(332,809)	-	(332,809)	-	(332,809)
Dividends declared on February 14, 2012	19.b)	-	-	-	-	-	-	-	-	467,261	(467,261)	-	-	-	-
Interest on capital declared on February 14, 2012	19.b)	-	-	-	-	-	-	-	-	23,624	(23,624)	-	-	-	-
Retained earnings reserve	19.f)	-	-	-	-	-	-	3,530	-	-	(3,530)	-	-	-	-
BALANCE AS OF DECEMBER 31, 2011		427,073	103,243	17,378	39,692	18,650	14,611	259,196	(102,849)	490,885	-	(17,635)	1,250,244	1	1,250,245

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2011

(In thousands of Brazilian reais - R$)

	Note	Company (BR GAAP) 2011	Company (BR GAAP) 2010	Consolidated (BR GAAP and IFRS) 2011	Consolidated (BR GAAP and IFRS) 2010
CASH FLOW FROM OPERATING ACTIVITIES					
Net income		830,901	744,050	830,901	744,050
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation and amortization	13	27,565	15,305	109,921	88,848
Provision for losses on swap and forward transactions		(16,442)	5,477	(14,305)	8,787
Provision for tax, civil and labor contingencies	17	(2,866)	106	(7,998)	3,545
Interest and inflation adjustment of escrow deposits		(28,841)	(15,318)	(51,173)	(18,129)
Income tax and social contribution	9.a)	330,890	309,073	406,829	374,120
(Gain) loss on sale on property, plant and equipment and intangible assets		1,559	(468)	13,457	32,620
Equity in investees		(54,789)	(25,764)	-	-
Interest and exchange rate changes on borrowings and financing and other liabilities	24	94,985	(4,668)	121,674	(5,137)
Exchange rate changes on other assets and other liabilities		22	-	(7,767)	-
Stock options plans expenses		6,359	4,081	13,369	11,288
Provision for discount on assignment of ICMS credits		-	-	323	465
Allowance for doubtful accounts	6	(492)	9,005	(674)	9,149
Allowance for inventory losses	7	9,801	3,981	19,725	30,132
Provision for healthcare plan and carbon credits	18	10,012	10,739	12,384	10,400
Recognition of untimely used tax credits	25	(11,887)	-	(16,852)	-
Recognition of tax credits related to lawsuit	25	(15,461)	-	(40,378)	-
		1,181,316	1,055,598	1,389,436	1,290,137
(INCREASE) DECREASE IN ASSETS					
Trade receivables		(41,125)	(88,052)	(70,918)	(126,561)
Inventories		(42,615)	(77,360)	(136,948)	(92,106)
Recoverable taxes		(14,648)	97,664	(45,224)	45,134
Other receivables		(171,952)	(43,394)	(157,950)	(41,418)
Subtotal		(270,340)	(111,142)	(411,040)	(214,951)
INCREASE (DECREASE) IN LIABILITIES					
Domestic and foreign suppliers		69,443	28,761	121,752	111,212
Payroll, profit sharing and related taxes, net		(5,218)	7,019	(30,702)	31,955
Taxes payable		28,692	74,726	24,060	50,844
Other payables		34,006	62,565	(14,132)	34,528
Provision for tax, civil and labor contingencies		(816)	(2,673)	(829)	(2,658)
Subtotal		126,107	170,398	100,149	225,881
CASH GENERATED BY OPERATING ACTIVITIES		1,037,083	1.114,854	1,078,545	1,301,067
OTHER CASH FLOWS FROM OPERATING ACTIVITIES					
Payments of income tax and social contribution		(255,182)	(221,535)	(319,623)	(269,001)
Payments of derivatives		(15,082)	(9,006)	(18,382)	(13,378)
Payment of interest on borrowings and financing		(57,812)	(35,405)	(76,700)	(44,902)
NET CASH GENERATED BY OPERATING ACTIVITIES		709,007	848,908	663,840	973,785
CASH FLOW FROM INVESTING ACTIVITIES					
Acquisition of property, plant and equipment and intangible assets	13	(277,036)	(66,870)	(346,367)	(236,876)
Proceeds from sale of property, plant and equipment and intangible assets		2,535	3,174	3,726	9,864
Withdrawal (payment) of escrow deposits		72,973	(86,096)	92,341	(86,524)
Dividends received from subsidiaries		34,000	30,000	-	-
Investments in subsidiaries	12	(121,173)	(117,486)	-	-
NET CASH USED IN INVESTING ACTIVITIES		(288,701)	(237,278)	(250,300)	(313,536)

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	Note				
CASH FLOW FROM FINANCING ACTIVITIES					
Repayments of borrowings and financing - principal		(425,383)	(592,075)	(648,687)	(781,931)
Proceeds from borrowings and financing		822,047	565,293	1,045,702	819,275
Payment of dividends and interest on capital	19.b)	(430,079)	(357,611)	(430,079)	(357,611)
Interim dividends and interest on capital		(332,809)	(289,375)	(332,809)	(289,375)
Repurchase of treasury shares		(104,452)	-	(104,452)	-
Sale of treasury shares due to exercise of stock options		1,240	-	1,240	-
Capital increase through subscription of shares (353,289 common shares at average price of R$39.69)		9,012	13,800	9,012	13,800
NET CASH USED IN FINANCING ACTIVITIES		(460,424)	(659,968)	(460,073)	(595,841)
Gains (losses) arising on translating foreign currency cash and cash equivalents		-	-	1,914	(4,473)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(40,118)	(48,338)	(44,619)	59,935
Cash and cash equivalents at beginning of year		206,125	254,463	560,229	500,294
Cash and cash equivalents at end of year		166,007	206,125	515,610	560,229
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(40,118)	(48,338)	(44,619)	59,935
NON-CASH TRANSACTIONS:					
Capital lease of property, plant and equipment	13	56,694	-	56,694	-
Offseting of tax liability and escrow deposit	17	114,345	-	114,345	-
ADDITIONAL INFORMATION TO THE STATEMENTS OF CASH FLOWS					
Restricted cash	11	-	-	6,757	6,155
Bank overdrafts - unused		117,900	147,900	235,500	265,500

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF VALUE ADDEDFOR THE YEAR ENDED DECEMBER 31, 2011

(In thousands of Brazilian reais - R$, except additional information)

	Note	Company (BR GAAP)				Consolidated (BR GAAP and IFRS)			
		2011		2010		2011		2010	
REVENUES		6,847,933		6,394,783		7,499,050		6,850,225	
Sales of goods and services		6,887,213		6,477,739		7,524,250		6,951,106	
Other operating income (expenses), net	25	43,580		456		63,078		(17,468)	
Allowance for doubtful accounts	6	(82,860)		(83,412)		(88,278)		(83,412)	
INPUTS PURCHASED FROM THIRD PARTIES		(4,538,955)		4,278,970)		(4,362,838)		(3,707,385)	
Cost of sales and services		(2,610,197)		(2,488,991)		(2,624,578)		(2,355,631)	
Materials, electricity, outside services and other		(1,928,758)		(1,789,979)		(1,738,260)		(1,351,754)	
GROSS VALUE ADDED		2,308,978		2,115,813		3,136,212		3,142,841	
RETENTIONS		(27,565)		(15,305)		(109,921)		(88,848)	
Depreciation and amortization	13	(27,565)		(15,305)		(109,921)		(88,848)	
WEALTH CREATED BY THE COMPANY		2,281,413		2,100,508		3,026,291		3,053,993	
TRANSFERRED VALUE ADDED		141,291		43,279		122,698		53,639	
Equity in investees	12	54,789		25,764		-		-	
Financial income - includes inflation adjustments and exchange differences	24	86,502		17,515		122,698		53,639	
TOTAL WEALTH FOR DISTRIBUTION		2,422,704		2,143,786		3,148,989		3,107,632	
DISTRIBUTION OF WEALTH:		(2,422,704)	100%	(2,143,786)	100%	(3,148,989)	100%	(3,107,632)	100%
Employees and payroll taxes		(250,870)	10%	(222,957)	10%	(634,261)	20%	(769,245)	25%
Taxes and fees		(1,182,449)	49%	(1,111,331)	51%	(1,472,345)	47%	(1,476,512)	47%
Financial expenses and rentals		(158,485)	7%	(65,448)	4%	(211,483)	7%	(117,825)	4%
Dividends		(762,563)	31%	(659,570)	31%	(762,563)	24%	(659,570)	21%
Interest on capital		(61,130)	3%	(59,883)	3%	(61,130)	2%	(59,883)	2%
Retained earnings		(7,207)	0%	(24,597)	1%	(7,207)	0%	(24,597)	1%

Additional information to the statements of value added

R$442,063 and R$454,114 of the amounts recorded in line item 'Taxes and fees' in 2011 and 2010, respectively, refer to reverse charge State VAT (ICMS) levied on the estimated profit margin set by the State Departments of Finance based on sales made by Natura consultants to final customers.

To analyze this tax impact on the statement of value added, these amounts should be deducted from those recorded in 'Sales of goods and services' and 'Taxes and fees'

since sales revenue does not include the estimated profit attributable to Natura consultants on the sale of products, in the amounts of R$2,906,137 and R$2,738,227 in 2011 and 2010, respectively, considering an estimated profit margin of 30%.

The accompanying notes are an integral part of these financial statements.

NOTES TO THE INDIVIDUAL AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2011

(Amounts in thousands of Brazilian reais - R$, unless otherwise stated)

1. GENERAL INFORMATION

Natura Cosméticos S.A. ("Company") is a publicly-traded company, registered in the special trading segment called "Novo Mercado" in the São Paulo Stock Exchange (BM&FBOVESPA), under the ticker "NATU3", and headquartered in Itapecerica da Serra, State of São Paulo.

The Company's and its subsidiaries' activities ("Natura Group" or "Group") include the development, production, distribution and sale of cosmetics, fragrances, and hygiene products, substantially through direct sales by Natura Beauty Consultants. The Company also holds equity interests in other companies in Brazil and abroad.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1. Statement of compliance and basis of preparation

The Company's financial statements include:

• The consolidated financial statements prepared in accordance with the International Financial Reporting Standards (IFRSs), issued by the International Accounting Standards Board (IASB), and the accounting practices adopted in Brazil, identified as Consolidated - IFRS and BR GAAP.

• The Parent's individual financial statements prepared in accordance accounting practices adopted in Brazil, identified as Company - BR GAAP.

The accounting practices adopted in Brazil include those established in the Brazilian Corporate Law as well as the Pronouncements, Instructions and Interpretations issued by the Accounting Pronouncements Committee (CPC) and approved by the Brazilian Securities and Exchange Commission (CVM).

The individual financial statements present the valuation of investments in subsidiaries, joint ventures and associates which are measured by the equity method, as required by legislation prevailing in Brazil. Therefore, these individual financial statements are not fully compliant with IFRS, which requires that these investments be carried at fair value or acquisition cost.

Since there is no difference between the consolidated shareholders' equity and the consolidated net income attributable to owners of the Company recorded in the consolidated financial statements prepared in accordance with IFRSs and accounting practices adopted in Brazil and the Company's shareholders' equity and net income disclosed in the individual financial statements prepared in accordance with accounting practices adopted in Brazil, the Company elected to present the individual and the consolidated financial statements as a single set, placed side-by-side.

The financial statements have been prepared based on the historical cost basis except for certain financial instruments that are measured at their fair values, as described in the accounting policies below. The historical cost is generally based on the fair value of the consideration paid in exchange for an asset.

The significant accounting practices applied to the preparation of these consolidated financial statements are presented below. These policies have been consistently applied in the previous annual reporting period presented, except as otherwise indicated.

2.2. Consolidation

a) Subsidiaries and joint-controlled entities

Subsidiaries are all entities over which the Company has the power to govern the financial and operating policies so as to obtain benefits from their activities and in which generally holds more than 50% of the equity interest. In the applicable cases, the existence and the effect of potential voting rights, currently exercisable or convertible, are taken into consideration to determine if the company control another entity. Subsidiaries are fully consolidated from the date in which control is transferred to the Company and cease to be consolidated, when applicable, when control no longer exists.

In the cases control is jointly held, the consolidation of the financial statements is made proportionately to the interest percentage.

b) Companies include in the consolidated financial statements

	Equity interest - %	
	2011	2010
Direct interest:		
Indústria e Comércio de Cosméticos Natura Ltda.	99.99	99.99
Natura Cosméticos S.A. - Chile	99.99	99.99
Natura Cosméticos S.A. - Peru	99.94	99.94
Natura Cosméticos S.A. - Argentina	99.97	99.97
Natura Inovação e Tecnologia de Produtos Ltda.	99.99	99.99
Natura Cosméticos y Servicios de México, S.A. de C.V.	99.99	99.99
Natura Cosméticos de México, S.A. de C.V.	99.99	99.99
Natura Distribuidora de México, S.A. de C.V.	99.99	99.99
Natura Cosméticos Ltda. - Colombia	99.99	99.99
Natura Cosméticos España S.L. - Spain	100.00	100.00
Natura (Brasil) International B.V. - The Netherlands	100.00	100.00
Indirect interest:		
Via Indústria e Comércio de Cosméticos Natura Ltda.:		
Natura Logística e Serviços Ltda.	99.99	99.99
Via Natura Inovação e Tecnologia de Produtos Ltda.:		
Ybios S.A. (proportionate consolidation - joint control)	43.33	42.11
Natura Innovation et Technologie de Produits SAS - França	100.00	100.00
Via Natura (Brasil) International B.V. - The Netherlands:		
Natura Brasil Inc. - USA - Delaware	100.00	100.00
Natura International Inc. - USA - New York	100.00	100.00
Natura Worldwide Trading Company - Costa Rica	100.00	100.00
Natura Brasil SAS - France	100.00	100.00
Natura Brasil Inc. - USA - Nevada	100.00	100.00
Natura Europa SAS - France	100.00	100.00

The consolidated financial statements have been prepared based on the financial statements as of the same date and consistent with the Company's accounting policies. Investments in subsidiaries have been eliminated proportionately to the investor's interests in the subsidiaries' shareholders' equity and net income or loss, intergroup balances and transactions and unrealized profits, net of taxes.

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

• Indústria e Comércio de Cosméticos Natura Ltda.: engaged principally in the production and sale of Natura products to Natura Cosméticos S.A. - Brasil, Natura Cosméticos S.A. - Chile, Natura Cosméticos S.A. - Peru, Natura Cosméticos S.A. - Argentina, Natura Cosméticos Ltda. - Colombia, Natura Europa SAS - France, and Natura Cosméticos de Mexico S.A. de C.V..

• Natura Cosméticos S.A. - Chile, Natura Cosméticos S.A. - Peru, Natura Cosméticos S.A. - Argentina, Natura Cosméticos Ltda. - Colombia and Natura Distribuidora de Mexico, S.A. de C.V.: their activities are an extension of the activities conducted by the parent company Natura Cosméticos S.A. - Brazil.

• Natura Inovação e Tecnologia de Produtos Ltda.: it is engaged in product and technology development and market research. It is the only owner of Natura Innovation et Technologie de Products SAS - France, a research and technology satellite center opened in 2007 in Paris.

• Natura Europa SAS - France: engaged in the purchase, sale, import, export and distribution of cosmetics, fragrances in general, and hygiene products.

• Natura Cosméticos de Mexico, S.A. de C.V.: engaged in the import and sale of cosmetics, fragrances in general, and hygiene products to Natura Distribuidora de Mexico, S.A. de C.V.

• Natura Cosméticos y Servicios de Mexico, S.A. de C.V.: engaged in the provision of administrative and logistics services to Natura Cosméticos de Mexico, S.A. de C.V. and Natura Distribuidora de Mexico, S.A. de C.V.

• Natura Cosméticos España S.L.: company in start-up stage and its activities will be an extension of the activities carried out by its parent company Natura Cosméticos S.A. - Brazil.

• Natura Logística e Serviços Ltda.: engaged in the provision of administrative and logistics services to Natura Group companies based in Brazil.

• Natura Innovation et Technologie de Produits SAS - France: engaged mainly in research activities developed for in vitro testing as an alternative to animals testing, for to the safety and efficiency of test active compounds, skincare products and new packaging materials.

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

As Ybios S.A. is a jointly controlled entity whose financial statements were proportionately included in the Company's consolidated financial statements, the main assets, liabilities and income statement accounts, which were included in the consolidated financial statements at the ratio of 43.33% of interest (42.11% as of December 31, 2010) after equity interest elimination adjustments, are stated below:

	2011	2010
Current assets	567	630
Property, plant and equipment	56	98
Current liabilities	30	87
Net revenue for the year	128	1,098
Loss for the year	(1,086)	(682)

• Natura Europa SAS and Natura Cosmetics USA Co.: in January 2009 the shares of these subsidiaries were assigned as a capital contribution to the holding company Natura (Brasil) International B.V. - The Netherlands, and the Company became the indirect holder of such interests through this company headquartered in The Netherlands.

c) Discontinuation of subsidiaries' operations

At the meetings held in July and October 2009, the Board of Directors approved the discontinuation of the operations of subsidiary Natura Cosméticos C.A. - Venezuela, which resulted in the need to recognize an allowance for asset impairment losses.

As of December 31, 2011, the net assets balance of Natura Cosméticos C.A. - Venezuela, recorded in the Company's consolidated financial statements, less allowances for asset impairment losses and collection of liabilities during the operation termination process, was R$306.

2.3. Segment reporting

Information per operating segments is consistent with the internal report provided to the chief operating decision maker. The chief operating decision maker, responsible for allocating resources to the operating segments and assessing their performance, is the Company's Executive Committee.

2.4. Translation of foreign currency

a) Functional currency

Items included in the financial statements of the Company and each one of the subsidiaries included in the consolidated financial statements are measured using the currency of the main economic environment in which the companies operate ("functional currency").

b) Foreign currency transactions and balances

Foreign currency-denominated transactions are translated into the Company's functional currency - Brazilian reais - at the exchange rates prevailing on the dates of the transactions. Balance sheet accounts are translated at the exchange rates prevailing at the end of the reporting period. Foreign exchange gains and losses arising on the settlement of such transactions and the translation of monetary assets and monetary liabilities denominated in foreign currency are recognized in profit or loss, in line items "Financial income" and "Financial expenses".

c) Presentation currency and translation of financial statements

The financial statements are presented in Brazilian reais (R$), which corresponds to the Group's presentation currency.

In preparing the consolidated financial statements, the statements income statement and the statement of cash flows, and all other changes in foreign subsidiaries' assets and liabilities, whose functional currency is the local currency, are translated into Brazilian reais at the average monthly exchange rate, which approximates the exchange rate prevailing at the date of the underlying transactions. Balance sheets are translated into Brazilian reais at the exchange rates prevailing at yearend.

The effects of exchange differences resulting from these translations are presented in line item 'Other comprehensive income' and in shareholders' equity. In case of disposal or partial disposal of interest in a Group company, through sale or as a result of capital payment, the cumulative exchange difference is recognized in the income statement as part of the gain or loss on the disposal of the investment.

2.5. Cash and cash equivalents

Include cash, demand deposits and short-term investments redeemable within up to 90 days from the investment date, highly liquid or convertible to a known cash amount and subject to immaterial change in value, which are recorded at cost plus income earned through the end of the reporting period and do not exceed their fair or realizable values.

2.6. Financial instruments

2.6.1. Categories

The category depends on the purpose for which financial assets and financial liabilities were acquired or contracted and is determined on the initial recognition of the financial instruments.

Financial assets held by the Company are classified into the following categories:

Financial assets measured at fair value through profit or loss

Consist of financial assets held for trading, when acquired for such purpose, principally in the short term. These assets are measured at fair value at the end of the reporting period and any differences are recognized in profit or loss. Derivative financial instruments are also classified in this category. Assets in this category are classified in current assets.

In the case of the Company, this category includes only derivative financial instruments. The balances of outstanding derivatives are measured at their fair values at the end of the reporting period and classified in current assets or current liabilities, and changes in fair value are recorded in "Financial income" or "Financial expenses", respectively.

Held-to-maturity financial assets

Comprise investments in certain financial assets classified by treasury at their origination as held to maturity, and are measured at amortized cost using the effective interest method.

Available-for-sale financial assets

When applicable, this category includes non-derivative financial assets that either designated as available for sale or are not classified into any of the other categories, such as (a) loans and receivables; (b) held-to-maturity investments; or (c) financial assets at fair value through profit and loss. As of December 31, 2011 and 2010, the Company did not have financial assets recorded in its financial statements under this classification.

Loans and receivables

Include non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are recorded in current assets, except for maturities greater than 12 months after the end of the reporting period, when applicable, which are classified as noncurrent assets. As of December 31, 2011 and 2010, in the case of the Company, comprise cash and cash equivalents (note 5) and the balances of trade receivables (note 6).

Financial liabilities held by the Company are classified into the following categories:

Financial liabilities at fair value through profit or loss

They are classified as fair value through profit or loss when the financial liability is either held for trading or it is designated as fair value through profit or loss.

Other financial liabilities

They are measured at the amortized cost using the effective interest method. As of December 31, 2011 and 2010, in the case of the Company, comprise borrowings and financing (note 14) and domestic and foreign trade payables.

2.6.2. Measurement

Regular purchases and sales of financial assets are recognized on the transaction date, i.e., on the date the Company agrees to buy or sell the asset. Loans and receivables and held-to-maturity financial assets are measured at amortized cost.

Financial assets at fair value through profit or loss are initially recognized at their fair value and transaction costs are recognized in the income statement. Gains or losses resulting from changes in the fair value of financial assets at fair value through profit or loss are recognized in the income statement, in "Finance income" or "Finance costs", respectively, for the period in which they occur. Changes in financial assets classified as "Available for sale", when applicable, are recorded in "Other comprehensive income" and shareholders' equity until the financial assets are settled, when they are ultimately reclassified to profit or loss for the year.

2.6.3. Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount is presented in the balance sheet when there is a legally enforceable right to set off recognized amounts and the intent to either settle them on a net basis, or to recognize the asset and settle the liability simultaneously.

2.6.4. Derivative instruments and hedge accounting

Derivative transactions contracted by the Group consist of swaps and non-deliverable forwards (NDFs) intended exclusively to hedge against the foreign exchange risks related to the positions in balance sheets and projected cash outflows in foreign currency for capital increases in foreign subsidiaries.

They are measured at fair value, and changes in fair value are recognized through profit or loss, except when they are designated as cash flow hedges, to which changes in fair value are recorded in "Other comprehensive income" within shareholders' equity.

The fair value of derivatives are measured by the Company's treasury department based on information on each contracted transaction and related market inputs at the end of the reporting period, such as interest rates and exchange coupon. When applicable, these inputs are compared with the positions reported by the trading desks of each involved financial institution.

Even though the Group uses derivatives for hedging purposes, it does not apply hedge accounting.

The fair values of derivatives are disclosed in note 4.

2.6.5. Effective interest method

Used to calculate the amortized cost of a debt instrument and allocate its interest income over the related period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as fair value through profit or loss.

2.7. Trade receivables and allowance for doubtful debts

Trade receivables are stated at their nominal amount, less the allowance for doubtful debts, which is recognized based on the history of losses using an aging list, in an amount considered sufficient by management to cover possible losses, as described in note 6.

2.8. Inventories

Carried at the lower of average cost of purchase or production and net realizable value. Details are disclosed in note 7.

2.9. Investments in subsidiaries, associates and jointly controlled entities

The Group holds interest in subsidiaries, associates and joint controlled entities (shared control).

Subsidiaries are the companies over which the Company has control. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities, which in general consists of the ability to exercise the majority of the voting rights. Potential voting rights considered when assessing the control exercised by the Company over the other entity, when they can be exercised at the time of the assessment.

An associate is an entity over which the Company has significant influence and that does not qualify as a subsidiary or a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The investees under shared control are jointly controlled entities where the venturers have a contractual agreement which establishes joint control on its economic activities.

Investments in subsidiaries, associates and jointly controlled entities are accounted for by the equity method of accounting. The financial statements of subsidiaries, associates and jointly controlled entities are prepared for the same reporting date of the Company. Adjustments are made, if necessary, to conform their accounting policies to those adopted by the Company.

Under the equity method of accounting, the share attributable to the Company of the profit or loss for the period of such investments is accounted for in the income statement, in line item "Equity in investees". Unrealized gains and losses arising on transactions between the Company and the investees are eliminated based in the percentage interest held in such investees. The other comprehensive income of subsidiaries, associates and jointly controlled entities is recorded directly in the Company's shareholders' equity, in line item "Other comprehensive income".

2.10. Property, plant and equipment

Stated at cost of purchase or construction, plus interest capitalized during construction period, when applicable, for the case of eligible assets, and reduced by accumulated depreciation and impairment losses, if applicable.

Rights in tangible assets that are maintained or used in the operations of the Group, originated from finance leases, are recorded as purchase financing, and a fixed asset and a financing liability are recognized at the beginning of each transaction, where assets are also submitted to depreciation calculated based on the estimated useful lives of the assets.

Land is not depreciated. Depreciation of the other assets is calculated under the straight-line method to distribute their cost over their useful lives, as follows:

	Years
Buildings	25
Machinery and equipment	13
Molds	3
Facilities and leasehold improvements	5 - 13
Furniture and fixtures	14
Vehicles	3

The useful lives are reviewed annually.

Gains and losses on disposals are calculated by comparing the proceeds from the sale with the carrying amount, and are recognized in the income statement.

2.11. Intangible assets

2.11.1 Software

Software and ERP systems licenses purchased are also capitalized and amortized at the rates also described in note 13, and expenses on the software maintenance are recognized as expenses when incurred.

The ERP system purchase and implementation costs are capitalized as intangible assets when there is evidence that future economic benefits will flow into the Company, taking into consideration its economic and technologic viability. Expenses on software development recognized as assets are amortized under the straight-line method over its estimated useful life. The expenses related to software maintenance are expensed when incurred.

2.11.2 Trademarks and patents

Separately purchased trademarks and patents are stated at their historic cost. Trademarks and patents acquired in a business combination are recognized at fair value on the acquisition date. Amortization is calculated on a straight-line basis at the annual rates described in note 13.

2.11.3 Carbon credits - Carbon Neutral Program

In 2007 the Company assumed to its employees, customers, suppliers and shareholders the commitment to become a Carbon Neutral company, which consists of offsetting all the emissions of Greenhouse Gases (GHGs) by its entire production chain, from raw material extraction to post-consumption. Even though this commitment is not a legal obligation, since Brazil did not adopt the Kyoto Protocol requirements, it is considered a constructive obligation, under CPC 25 - Provisions, Contingent Liabilities and Contingent Assets, which required the recognition of a provision in the financial statements if it can result in a disbursement and be realizably measured.

The liability is estimated using audited carbon emission inventories taken on an annual basis and valued based in the average price per ton of carbon of outstanding contracts and the estimated prices of future carbon purchases. As of December 31, 2011, the liability's balance recognized in line item "Other provisions" (see note 18) refers to total carbon emissions in 2007-2011 that were not fully offset through the related projects, thus preventing the awarding of a carbon neutral certificate.

In line with its beliefs and principles, the Company elected not to directly purchase any carbon credits and invested, instead, in socio-environmental projects in communities. Accordingly, the expenses incurred will produce carbon credits as these projects are completed or mature. During this period, these expenses are recognized at cost as intangible assets (see note 13) as they represent a right for future use. As of December 31, 2011, the balance recognized in intangible assets refers to expenses incurred in socio-environmental projects that will result in future carbon neutral company certificates.

The obligation to become a carbon neutral company will be met when the related carbon neutral company certificates are actually awarded to the Company, and thus these assets will be offset against said liabilities.

The difference between the assets and liabilities as of December 31, 2011 refers to the cash amounts that the Company will still disburse on other socio-environmental projects to ensure the future issuance of carbon neutral company certificates.

The accounting methodology was designed in accordance with IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors, which prescribes that in the absence of a standard, interpretation or guideline that specifically applies to a transaction, management shall use its judgment in developing and applying an accounting policy that results in information that is relevant to the economic decision-making needs of users and reliable, in that the financial statements represent faithfully the financial position, financial performance and cash flows of the entity.

2.12. Research and product development expenses

In view of the high level of innovation and the turnover rate of the products in the Company's sales portfolio, the Company adopts the accounting policy of recognizing product research and development expenditure as expenses for the year, when incurred. Details are disclosed in note 22.

2.13. Leases

Lease classification is made at the inception of the lease. Leases where the lessor does not retain substantially all the risks and rewards incidental to ownership are classified as operating leases. Lease payments under an operating lease are recognized as an expense on a straight-line basis over the lease term.

Leases where the Group retains substantially all the risks and rewards incidental to ownership are classified as finance leases. These leases are capitalized in balance sheet at the commencement of the lease term at the lower fair value of the leased asset and the present value of minimum lease payments.

Each lease payment is apportioned between liabilities and the finance charges so as to permit obtaining a constant effective interest rate on the outstanding liability. The corresponding obligations, less the finance charge, are classified in current liabilities and noncurrent liabilities, according to the lease term. Property, plant and equipment items purchased through finance leases are depreciated over their useful lives, as described in note 2.10, or over the lease term, when it is shorter.

2.14. Impairment assessment

Property, plant and equipment, intangible assets and, when applicable, other noncurrent assets are annually tested to identify evidences of impairment, or also significant events or changes in circumstances that indicate the carrying value of an asset may not be recoverable. Where applicable, when there is a loss, arising from situations where the carrying amount of an asset exceeds its recoverable amount, defined as the higher of its value in use and its fair value less costs to sell, this loss is recognized in the income statement.

For impairment assessment purposes, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units, or CGUs).

2.15. Trade payables

These are initially recognized at their nominal amounts, plus interest, inflation adjustments and exchange differences through the end of the reporting period, when applicable.

2.16. Borrowings and financing

Initially recognized at fair value of proceeds received less transaction costs, plus charges, interest, adjustments and exchange differences incurred through the end of the reporting period, as shown in note 14.

2.17. Provision for tax, civil, and labor contingencies

The provisions for contingent liabilities are recognized when the Group has a legal or constructive obligation as a result of past events, and it is probable that disbursements will be required to settle the obligation, and its value can be reliably estimated. Provisions are quantified at the present value of the expected disbursement to settle the obligation using the appropriate discount rate, according to related risks.

Adjusted for inflation through the end of the reporting period to cover probable losses, based on the nature of contingencies and the opinion of the Company's legal counsel. The bases for and nature of the provisions for tax, civil, and labor contingencies are described in note 17.

2.18. Current and deferred income tax and social contribution

Recognized in the income statement, except, when applicable, in the proportion related to items recognized directly in shareholders' equity. In this case, taxes are recognized directly in shareholders' equity, in line item "Other comprehensive income".

Except for the foreign subsidiaries, which apply the tax rates prevailing in each one of the countries where they are located, income tax and social contribution on the Company's and its Brazilian subsidiaries' profits are calculated at the tax rates of 25% and 9%, respectively.

Current income tax and social contribution expenses are calculated using the laws and regulations enacted by the end of the reporting period, pursuant to Brazilian tax regulations. Management periodically measures the positions assumed in the income tax return regarding the situations where applicable tax law is subject to possibly different interpretations and, when appropriate, recognizes provisions based on the amounts it expects to pay tax authorities.

Deferred income tax and social contribution are calculated on temporary differences between the tax base of assets and liabilities and their carrying amounts. Deferred income tax and social contribution are calculated using the tax rates enacted on the end of the reporting period and that must be applied when the corresponding deferred income tax and social contribution assets are realized or deferred income tax and social contribution liabilities are settled.

Deferred income tax and social contribution assets are recognized only to the extent that there is a reasonable certainty that future taxable income will be available and against which temporary differences can be offset.

The amounts of deferred income tax and social contribution assets and liabilities are only utilized when there is a legally enforceable right to offset current tax assets against tax liabilities and/or when current deferred income tax and social contribution assets and liabilities are related to the income tax and social contribution levied by the same tax authorities on the taxable entity or different taxable entities, where there is intention to settle the net balances. Details are disclosed in note 9.

2.19. Stock option plan

The Company offers equity-settled share-based compensation plans to its executives.

The stock option plan is measured at fair value on grant date and is expensed during the vesting period as a balancing item to "Additional paid-in capital", in shareholders' equity. At the end of the reporting period, the Company's management reviews its estimates on the number of options vesting based on the conditions fulfilled and, when applicable, recognizes in the income statement the effect arising from the revision of the initial estimates as a balancing item to shareholders' equity. The details are disclosed in note 23.2..

2.20. Profit sharing

The Company recognizes a profit sharing liability and an expense based on a formula that takes into consideration the net income attributable to the owners of the Company after certain adjustments, which is linked to the achievement of operational goals and specific objectives, established and approved at the beginning of each year.

2.21. Dividends and interest on capital

The proposed distribution of dividends and interest on capital made by the Company's management included in the portion equivalent to the mandatory minimum dividends is recognized in line item "Other payables" in current liabilities, as it is considered as a legal obligation provided for by the Company's bylaws; however, the portion of dividends exceeding minimum dividends declared by management after the reporting period but before the authorization date for issuance of these financial statements is recognized in line item "Proposed additional dividends" and their effects are disclosed in note 18.(b).

For corporate and accounting purposes, interest on capital is stated as allocation of income directly in shareholders' equity.

2.22. Actuarial gains and losses of healthcare plan and other costs related to employees' benefit plans

The costs related to the contributions made by the Group to defined--contribution retirement plans are recognized on the accrual basis. Actuarial gains and losses recorded in the retirees' healthcare expansion plan are recorded in the income statement in accordance with IAS 19 and CPC 33 – Employee Benefits, based on the actuarial calculation prepared by an independent actuary, as detailed in note 18.

2.23. Revenue and expense recognition

Revenue and expenses are recognized on an accrual basis. Sales revenue is recognized when all risks and rewards of ownership of the product are transferred to the customers.

Income from tax incentives, received in the form of a monetary asset, is recognized in the income statement when received as a balancing item to costs and investment already incurred by the Company in the jurisdiction where the tax incentive is granted. There are no established conditions to be met by the Company that might affect the recognition of tax incentives.

The portion of tax incentives recognized in the income statement is allocated to the tax incentive reserves, in the "Earnings reserves", in shareholders' equity.

2.24. Statement of value added

The purpose of this statement is to disclose the wealth created by the Company and its distribution during a certain reporting period, and is presented by the Company, as required by the Brazilian Corporate Law, as an integral part of its individual financial statements, and as additional disclosure of the consolidated financial statements, since this statement is not required by IFRSs.

The statement of value added was prepared using information obtained in the same accounting records used to prepare the financial statements and pursuant to the provisions of CPC 09 - Statement of Value Added. The first part of this statement includes the wealth created by the Company, represented by revenue (gross sales revenue, including taxes levied thereon, other income, and the effects of the allowance for doubtful accounts), inputs acquired from third parties (cost of sales and purchase of materials, electricity, and services from third parties, including taxes levied at the time of the acquisition, the effects of impairment losses, and depreciation and amortization), and the value added received from third parties (equity in investees, financial income, and other income). The second part of the statement of value added presents the distribution of wealth among personnel, taxes, fees and contributions, lenders and lessors, and shareholders.

2.25. New and revised standards and interpretations

a) Standards, interpretations and revised standards in effect on December 31, 2011 which did not have a material impact on the Company's financial statements

The following interpretations and revised standards were issued and were in effect on December 31, 2011. However, they did not have a material impact on the Company's financial statements:

Standard	Main requirements	Effective date
Improvements to IFRSs - 2010	Amendments to several standards.	Effective for annual periods beginning on or after January 1, 2011
Amendments to IFRS 1	Limited exemption from comparative IFRS 7 disclosures for first-time adopters	Effective for annual periods beginning on or after July 1, 2010
Amendments to IAS 24	Related-party disclosures	Effective for annual periods beginning on or after January 1, 2011
Amendments to IFRIC 14	Prepayments of minimum funding requirements	Effective for annual periods beginning on or after January 1, 2011
Amendments to IAS 32	Classification of issue rights	Effective for annual periods beginning on or after February 1, 2010
IFRIC 19	Extinguishing financial liabilities with equity instruments	Effective for annual periods beginning on or after July 1, 2010

b) Standards, interpretations and revised standards not yet effective and which were not early adopted by the Company

The following standards and revised standards have been issued and are mandatory for the Company's annual periods beginning on or after December 31, 2011. However, the Company did not early adopt these standards and revised standards.

Standard	Main requirements	Effective date
IFRS 9 (as amended in 2010)	Financial instruments	Effective for annual periods beginning on or after January 1, 2013
Amendments to IFRS 1	Removal of fixed dates for first-time adopters	Effective for annual periods beginning on or after July 1, 2011
Amendments to IFRS 7	Disclosures - transfers of financial assets	Effective for annual periods beginning on or after July 1, 2011
Amendments to IAS 12	Deferred taxes - recovery of the underlying assets when an asset is measured using the fair value model in IAS 40	Effective for annual periods beginning on or after January 1, 2012
IAS 28 (Revised in 2011) Investments in Associates and Joint Ventures	Revision of IAS 28 to include the changes changes introduced by IFRSs 10, 11 and 12.	Effective for annual periods beginning on or after January 1, 2013.
IAS 27 (Revised in 2011) Separate Financial Statements	IAS 27 requirements related to consolidated financial statements are replaced by IFRS 10. The requirements for separate financial statements are maintained.	Effective for annual periods beginning on or after January 1, 2013.

IFRS 10 - Consolidated Financial Statements	Replaces the IAS 27 requirements applicable to consolidated financial statements and SIC 12. IFRS 10 provides a single consolidation model that identifies control as the basis for consolidation for all types of entities.	Effective for annual periods beginning on or after January 1, 2013.
IFRS 11 - Joint Arrangements	Eliminated the proportionate consolidation model for jointly controlled entities and maintained equity method model only. It also eliminates the concept to 'jointly controlled assets' and maintains only 'jointly controlled operations' and 'jointly controlled entities'.	Effective for annual periods beginning on or after January 1, 2013.
IFRS 12 - Disclosure of Interests in Other Entities	Expands the current disclosure requirements in respect of entities, whether or not consolidated where the entities have influence.	Effective for annual periods beginning on or after January 1, 2013.
IFRS 13 - Fair Value Measurement	Replaces and consolidates in a single standard all the guidance and requirements in respect of fair value measurement contained in other IFRSs. IFRS 13 defines fair value and provides guidance on how to measure fair value and requirements for disclosure relating to fair value measurement. However, it does not introduce any new requirement or amendment with respect to items to be measured at fair value, which remain as originally issued.	Effective for annual periods beginning on or after January 1, 2013.
Amendments to IAS 19 - Employee Benefits	Eliminates the corridor approach and requires, recognition of actuarial gains and losses as other comprehensive income for pension plans and other long-term benefits in profit or loss, when earned or incurred, among other changes.	Effective for annual periods beginning on or after January 1, 2013.
Amendments to IAS 1 - Presentation of Financial Statements	Introduces the requirement that all items recognized in other comprehensive income be separated into and totaled as items that are and items that are no subsequently reclassified to profit or loss.	Effective for annual periods beginning on or after January 1, 2013.

Considering the current operations of the Group, management does not expect these new rules, interpretations and changes to have a material impact on the financial statements as from their adoption.

The CPC has not yet issued the pronouncements and amendments related to the new and revised IFRSs presented above. Because of the CPC's and the CVM's commitment to keep the set of standards issued updated according to the changes made by the IASB, we expect that such pronouncements and amendments be issued by the CPC and approved by the CVM by the date they become effective.

3. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of financial statements requires the use of certain critical accounting estimates and the exercise of judgment by the Company's management in the process of application of accounting policies.

The accounting estimates and underlying assumptions are reviewed on an ongoing basis and are based on historical experience and other factors that are considered to be relevant in the circumstances. Actual results may differ from those estimates. The effects resulting from the revision of accounting estimates are recognized in the revision period.

These significant assumptions and accounting estimates are follows:

a) Income tax, social contribution, and other taxes

The Company recognizes deferred tax assets and liabilities based on differences between the carrying amount stated in the financial statements and the tax base assets and liabilities using statutory tax rates. The Company reviews regularly deferred tax assets in terms of possible recovery, considering the history of earnings generated and projected future taxable income, based on a technical feasibility study.

b) Provision for tax, civil, and labor contingencies

The Company is a party to several lawsuits and administrative proceedings, as described in note 17. Provisions are recognized for all contingent liabilities arising from lawsuits that represent probable losses and can be reliably estimated. The probability assessment includes assessing available evidences, the hierarchy of laws, available previous decisions, most recent court decisions and their relevance within the legal system, and the assessment of the outside legal counsel. Management believes that these provisions for tax, civil and labor contingencies are fairly presented in the financial statements.

c) Healthcare plan

The current amount of the healthcare plan is contingent to a series of factors determined based on actuarial calculations that update a series of assumptions, for example, the discount and other rates, which are disclosed in note 23.2. The change in one of these estimates could impact the results presented.

4. FINANCIAL RISK MANAGEMENT

4.1 General considerations and policies

Risks and the financial instruments are managed through the definition of policies and strategies and implementation of control systems, defined by the Company's Treasury Committee and approved by the Board of Directors. The compliance of the treasury area's positions in financial instruments, including derivatives, in relation to these policies, is presented and assessed on a monthly basis by the Treasury Committee and subsequently submitted to the analysis of the Audit Committee, the Executive Committee and the Board of Directors.

Risk management is performed by the Company's general treasury function, which is also responsible for approving the short-term investments and loan transactions conducted by the Group's subsidiaries.

4.2. Financial risk factors

The Group's activities expose them to several financial risks: market risk (including currency and interest risks), credit risk and liquidity risk. The Company's overall risk management program is focused on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance, using derivatives to protect certain risk exposures.

a) Market risks

The Group is exposed to market risks arising from their business activities. These risks mainly comprise possible changes in exchange and interest rates.

i) Foreign exchange risk

The Group is exposed to the foreign exchange risk arising from financial instruments denominated in currencies different from their functional currencies. To reduce this exposure, the Group implanted a policy to hedge against the foreign exchange risk that establishes exposure limits linked to this risk (Foreign Exchange Hedging Policy).

The treasury area's procedures defined by the current policy include monthly projection and assessment of the Company's and its subsidiaries' foreign exchange exposure, on which management's decision-making is based.

The Foreign Exchange Hedging Policy considers foreign currency-denominated amounts from receivables and payables related to commitments already assumed and recorded in the interim financial information based on the Company's operations.

As of December 31, 2011 and 2010, the Group is basically exposed to risks of fluctuations in the U.S. dollar. To hedge against foreign exchange exposures, the Group contracts derivative (swaps) and non-deliverable forward (NDF) transactions. The Foreign Exchange Hedging Policy establishes that the derivatives contracted by the Group should limit loss due to exchange rate depreciation related to the net income estimated for the current year considering the expected depreciation of the Brazilian real against the U.S. dollar. This limit sets the cap on the maximum foreign exchange exposure that the Group can undertake in relation to the U.S. dollar.

As of December 31, 2011, the Company's and the consolidated balance sheets include accounts denominated in foreign currency which, in the aggregate, represent net liabilities of R$438,667 and R$444,894, respectively (R$52,567 and R$58,675 as of December 31, 2010, respectively). These accounts are substantially represented by borrowings and financing which, as of December 31, 2011, are hedged by swap arrangements.

Derivatives to hedge foreign exchange risk

The Company classifies derivatives into "financial" and "operating". "Financial" derivatives include swaps or forwards contracted to hedge against the foreign exchange risk associated with foreign-currency-denominated borrowings and financing. "Operating" derivatives (usually forwards) include derivatives contracted to hedge against the foreign exchange risk on the business's operating cash flows.

As of December 31, 2011, outstanding swap and forward contracts, with maturities between January 2013 and January 2018, were entered into the counterparties represented by the banks Bradesco (25%), Banco do Brasil (12%), Bank of America (62%) and HSBC (1%), broken down as follows:

Financial swaps - Company	Principal		Fair value		Gain (loss) for the year	
Type of transaction	2011	2010	2011	2010	2011	2010
Swap contracts (1)						
Asset position:						
Long position - U.S. dollar	396,938	53,534	435,094	52,121	28,184	(2,110)
Liability position:						
CDI floating rate:						
Short position in CDI	396,938	53,534	406,910	54,231	-	-

Financial swaps - consolidated	Principal		Fair value		Gain (loss) for the year	
Type of transaction	2011	2010	2011	2010	2011	2010
Swap contracts (1)						
Asset position:						
Long position - U.S. dollar	404,662	59,817	442,574	57,367	28,626	(2,830)
Liability position:						
CDI floating rate:						
Short position in CDI	404,662	59,817	413,947	60,197	-	-

Operating forwards - Company and consolidated	Principal		Fair value		Gain (loss) for the year	
Type of transaction	2011	2010	2011	2010	2011	2010
Forward contracts (2):						
Asset position:						
Long position - U.S. dollar	-	34,542	-	34,555	-	(1,231)
Liability position:						
Fixed rates:						
Short position in fixed rate	-	34,542	-	35,786	-	-

(1) Swap transactions consist of swapping the exchange rate fluctuation for a percentage of the floating rate Interbank Deposit Rate (CDI).

(2) Forward transactions establish a future parity between the Brazilian real and the foreign currency based on their equivalence when contracted, adjusted by a fixed interest rate.

The notional amount represents the amounts of the contracted derivatives. Fair value refers to the value of outstanding contracted derivatives recognized in balance sheets.

For derivatives maintained by the Group as of December 31, 2011 and 2010, due to the fact contracts are directly entered into with the financial institutions and not through a Mercantile and Futures Exchange, there are no margin calls deposited as guarantee of the related transactions.

Sensitivity analysis

For the sensitivity analysis of derivatives, the Company's management understands it is necessary to take into consideration corresponding assets and liabilities with exposure to exchange rates recorded in the balance sheet, as follows:

	Company	Consolidated
Total borrowings and financing in foreign currency		
(*)	438,667	444,894
Receivables in foreign currency	-	(5,231)
Payables in foreign currency	15,043	18,765
Notional amounts of financial derivatives	(435,543)	(439,742)
Net asset (liability) exposure	18,168	18,685

(*) The stated amount does not take into account the loan of the Company´s Peruvian subsidiary totaling R$36,483. Management understands that there is no foreign exchange exposure on this liability since it will be settled by the subsidiary with proceeds from transactions in this country, therefore in the same currency the debt was raised.

The tables below show the gain (loss) that would have been recognized in profit or loss for the year ended December 31, 2011 based on the following scenarios:

The tables below show the gain (loss) that would have been recognized in profit or loss for the year ended December 31, 2011 based on the following scenarios:

	Company			
Description	Company's risk	Probable scenario	Scenario II	Scenario III
Net liability exposure	Us dollar appreciation	(322)	(4,542)	(9,084)

	Consolidated			
Description	Company's risk	Probable scenario	Scenario II	Scenario III
Net liability exposure	Us dollar appreciation	(331)	(4,671)	(9,342)

The probable scenario considers future U.S. dollar rates obtained at BM&FBOVESPA for the maturity dates of the financial instruments exposed to foreign exchange risks. Scenarios II and III consider a 25% (R$2.34/US$1.00) and 50% (R$2.81/US$1.00) appreciation of U.S. dollar, respectively. Probable scenarios II and III are presented as required by CVM Instruction 475/08. In assessing possible changes in exchange rates, management uses the probable scenario, which is being presented for compliance with IFRS 7 – Financial Instruments: Disclosures.

The Group does not use derivatives for speculative purposes.

ii) Interest rate risk

The interest rate risk arises from short-term investments and loans. Financial instruments issued at floating rates expose the Group to cash flow risks associated with the interest rate. Financial instruments issued at fixed rates expose the Group to fair value risks associated with the interest rate.

The Company's cash flow risk associated with the interest rate arises from short-term investments and short- and long-term loans and financing issued at floating rates. The Company's management adopts the policy of maintaining its rates of exposure to asset and liability interest rates pegged to floating rates. Short-term investments are adjusted by the Interbank Deposit Rate (CDI) whereas borrowings and financing are adjusted based on the Long-term Interest Rate (TJLP), CDI and fixed rates, according to the contracts made with the related financial institutions, and trading securities with investors in this market.

Management believes that the risk of significant changes in the CDI and TJLP in the next 12 months is low taking into consideration the stability achieved with the current monetary policy implemented by the Federal Government, in addition to the history of increases in Brazilian policy rate over the past years. For this reason, the Company has not conduct derivative transactions to hedge against this risk.

The Group contracts swap transactions to mitigate risks on borrowing and financing transactions subject to an index other than CDI, TJLP or fixed rates. However, as of December 31, 2011 and 2010, the Group did not have this type of derivative as they assessed the related risk as very low, as described below.

Sensitivity analysis

As described in the foreign exchange risk section above, as of December 31, 2011 almost all foreign-currency-denominated borrowings and financing are hedged by swap arrangements that exchange the foreign-currency liability index for the CDI rate fluctuation, in light of the Company's policy to hedge such risks. The Company is, therefore, exposed to CDI fluctuation. The table below presents the exposure to interest rate risks of transactions pegged to CDI and TJLP, including derivative transactions:

	Company	Consolidated
Total borrowings and financing - in local currency (note 14)	(480,305)	(705,322)
Derivatives pegged to CDI/TJLP	(438,667)	(444,894)
Short-term investments (note 5)	138,078	424,159
Net liability exposure	(780,895)	(726,057)

The sensitivity analysis considers the exposure of borrowings and financing pegged to CDI and TJLP rates, net of short-term investments, also pegged to the CDI rate (note 5).

The tables below show the loss (gain) that would have been recognized in profit or loss for the year ended December 31, 2011 based on the following scenarios:

	Company			
Description	Company's risk	Probable scenario	Scenario II	Scenario III
Net liabilities	Interest rate increase	1,328	(19,561)	(40,450)

	Consolidated			
Description	Company's risk	Probable scenario	Scenario II	Scenario III
Net liabilities	Interest rate increase	1,234	(18,188)	(37,610)

The probable scenario considers future interest rates obtained at BM&FBOVESPA for the maturity dates of the financial instruments exposed to interest rate risks. Scenarios II and III consider an increase in the interest rate of 25% (13.4% per year) and 50% (16.1% per year), respectively.

b) Credit risk

Credit risk refers to risk of a counterparty not complying with its contract obligations, which would result in financial losses for the Company. Sales of the Group are made to a great number of sales representatives (Natura Beauty Consultants) and this risk is managed through a strict credit granting process. The result of this management is reflected in the 'Allowance for doubtful accounts', as explained in note 6.

The Group is also subject to credit risks related to financial instruments contracted for the management of its business, primarily represented by cash and cash equivalents, short-term investments and derivative instruments.

The Company believes that the credit risk of transactions with financial institutions is low, as these are considered by the market as prime banks.

The Policy for Short-term Investments adopted by the Company's management establishes the financial institutions with which the Group can do business and defines fund allocation limits and the amounts that may be invested in each of these financial institutions.

c) Liquidity risk

Effectively managing liquidity risk implies to maintain enough cash and marketable securities, funds available through credit facilities used and the ability to settle market positions.

Management monitors the Company's consolidated liquidity level considering the expected cash flows against unused credit facilities.

The carrying amounts of financial liabilities is measured at amortized cost, and their corresponding maturities are as follows:

Company as of December 31, 2011	Less than one year	One to two years	Two to five years	More than five years	Fair value 2011	Discount effect	Carrying amount 2011
Current:							
Borrowings and financing	118,949	-	-	-	118,949	(52,525)	66,424
Trade payables	148,805	-	-	-	148,805	-	148,805
Derivatives	29,555	-	-	-	29,555	(1,371)	28,184
Noncurrent:							
Borrowings and financing	-	810,404	53,284	80,154	943,842	(91,293)	852,549

Consolidated as of December 31, 2011	Less than one year	One to two years	Two to five years	More than five years	Fair value 2011	Discount effect	Carrying amount 2011
Current:							
Borrowings and financing	199,515	-	-	-	199,515	(30,553)	168,962
Trade payables	454,093	-	-	-	454,093	-	454,093
Derivatives	29,948	-	-	-	29,948	(1,322)	28,626
Noncurrent:							
Borrowings and financing	-	890,243	146,652	94,300	1,131,195	(113,458)	1,017,737

4.3. Capital management

The Company's objectives in managing its capital are to ensure that the Company is continuously capable of offering return to its shareholders and benefits to other stakeholders, and maintain an optimal capital structure to reduce this cost.

The Company monitors capital based on the financial leverage ratios. This ratio corresponds to the net debt divided by the total capital. The net debt corresponds to total borrowings and financings (including short- and long-term borrowings, as shown in the consolidated balance sheet), deducted from cash and cash equivalents. The net debt shown below does not take into consideration the adjustments to derivatives contracted to mitigate the foreign exchange risk.

The consolidated financial leverage ratios as of December 31, 2011 and 2010 are as follows:

	Company		Consolidated	
	2011	2010	2011	2010
Short- and long-term borrowings and financing	918,973	428,442	1,186,699	691,663
Cash and cash equivalents	(166,007)	(206,125)	(515,610)	(560,229)
Net debt	752,966	222,317	671,089	131,434
Shareholders' equity	1.238,553	1,257,501	1,238,554	1,257,502
Financial leverage ratio	60,79%	17,68%	54,18%	10,45%

4.4. Fair value estimate

Financial instruments are measured at fair value at the end of the reporting period as prescribed by CPC 40 – Financial Instruments: Disclosures and according to the following hierarchy:

• Level 1: Prices quoted (unadjusted) in active markets for identical assets or liabilities. A market is considered active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's-length basis.

• Level 2: Used for financial instruments that are not traded in active markets (for example, over-the-counter derivatives) and whose fair value is determined using valuation techniques that, in addition to the quoted prices, included in Level 1, use other inputs adopted by the market for assets or liabilities, whether directly (i.e., prices) or indirectly (i.e., derived from prices).

• Level 3: Inputs for assets or liabilities that are not based on the data adopted by the market (i.e., unobservable inputs).

As of December 31, 2011 and 2010, the measurement of all the Company's and its subsidiaries' derivatives falls under the Level 2 characteristics. The fair value of exchange rate derivatives (swap and forwards) is determined based on the exchange rate at the end of the reporting period, with the resulting amount being discounted to present value.

<u>Fair value of financial instruments at amortized cost</u>

<u>Short-term investments</u>

The carrying amounts of the short-term investments approximate their fair values as transactions are conducted at floating interest rates and can be immediately redeemable.

<u>Borrowings and financing</u>

The carrying amounts of borrowings and financing, except those pegged to a fixed rate, approximate their fair values as they are pegged to a floating rate, the CDI fluctuation. The carrying amounts of financing pegged to TJLP approximate their fair values as the TJLP is also pegged to CDI and is a floating rate.

The fair value of borrowings and financing contracted at fixed interest rates does not have significant variation related to the book value disclosed in note 14.

<u>Trade and other payables</u>

It is estimated that the carrying amounts of trade receivables and trade payables approximate their fair values in view of the short term of the transactions conducted.

5. CASH AND CASH EQUIVALENTS

	Company		Consolidated	
	2011	2010	2011	2010
Cash and banks	27,929	9,688	98,208	38,314
Floating rate Bank certificates of deposit (CDBs)	138,078	196,437	417,402	521,915
	166,007	206,125	515,610	560,229

As of December 31, 2011, the CDBs yield interest ranging from 100.0% to 101.5% of CDI (100.0% to 101.5% as of December 31, 2010).

6. TRADE RECEIVABLES

	Company		Consolidated	
	2011	2010	2011	2010
Trade receivables	591,480	550,355	706,861	635,944
Allowance for doubtful accounts	(56,171)	(56,663)	(64,989)	(65,664)
	535,309	493,692	641,872	570,280

The aging list of trade receivables is as follows:

	Company		Consolidated	
	2011	2010	2011	2010
Current	452,392	432,703	543,472	492,947
Past due:				
Up to 30 days	102,107	79,136	117,560	93,967
31 to 60 days	14,029	10,897	16,254	16,777
61 to 90 days	9,950	8,072	13,306	9,406
91 to 180 days	13,002	19,547	16,269	22,847
	591,480	550,355	706,861	635,944

The balance of trade receivables in consolidated is basically denominated in Brazilian reais, and approximately 89% of the outstanding balance as of December 31, 2011 refers to real-denominated transactions (91% as of December 31, 2010). The remaining balance is denominated in several currencies and refers to sales of foreign subsidiaries.

The changes in the allowance for doubtful accounts for the period ended December 31, 2011 are as follows:

Company

Balance at 2010	Additions (a)	Reversals (b)	Balance at 2011
(56,663)	(82,860)	83,352	(56,171)

Consolidated

Balance at 2010	Additions (a)	Reversals (b)	Balance at 2011
(65,664)	(88,277)	88,952	(64,989)

(a) Allowance recognized according to note 2.7..

(b) Refers to accounts that are over 180 days past due that were written off due to uncollectible amounts.

The expense on the recognition of the allowance for doubtful accounts was recorded in 'Selling expenses' in the income statement. When recovery of additional cash is less than probable, the amounts credited to line item 'Allowance for doubtful accounts' are in general reversed against the definite write-off of the receivable and is recorded in net income or loss.

Maximum exposure to credit risk at the reporting date is the carrying amount of each aging range, net of the allowance for doubtful accounts, as shown in the aging list above. The Group does not have any guarantee for past-due receivables.

7. INVENTORIES

	Company		Consolidated	
	2011	2010	2011	2010
Finished products	219,626	181,188	565,739	465,027
Raw materials and packaging	-	-	149,806	127,305
Promotional material	18,560	14,383	52,288	37,576
Work in progress	-	-	16,314	17,290
Allowance for losses	(20,280)	(10,479)	(95,399)	(75,673)
	217,906	185,092	688,748	571,525

The changes in the allowance for inventory losses for the year ended December 31, 2011 are as follows:

Company

Balance at 2010	Additions (a)	Reversals (b)	Balance at 2011
(10,479)	(20,741)	10,940	(20,280)

Consolidated

Balance at 2010	Additions (a)	Reversals (b)	Balance at 2011
(75,673)	(66,900)	45,175	(95,399)

(a) Refer basically to the recognition of the allowance for losses due to discontinuation, expiration and quality, to cover expected losses on the realization of inventories, pursuant to the Group's policy.

(b) Consist of write-offs of products discarded by the Company.

8. RECOVERABLE TAXES

	Company		Consolidated	
	2011	2010	2011	2010
ICMS on purchases of goods	-	-	154,942	97,888
Refundable ICMS - ST on interstate sales, RS	-	3,022	-	3,022
Refundable ICMS - ST on interstate sales, SP (a)	8,296	7,120	8,296	7,120
Refundable ICMS - ST - voluntary reporting proceeding, SP (b)	-	-	-	16,421
Taxes - foreign subsidiaries	-	-	22,170	21,567
ICMS on purchases of fixed assets	15,428	6,825	24,318	16,136
PIS and COFINS on purchases of fixed assets	-	-	7,376	11,826
PIS and COFINS on purchase of goods	45,012	19,743	68,187	20,025
PIS and COFINS resulting from win on a lawsuit (c)	11,887	-	16,852	-
IRPJ and CSLL on freight	728	10	3,236	1,746
PIS, COFINS and CSLL - withheld at source	-	-	2,024	5,574
Other	365	3,000	8,834	12,282
Provision for discount on sale of ICMS credits	-	-	(3,376)	(2,879)
	81,716	39,720	312,859	210,728
Current	69,417	34,799	201,620	101,464
Noncurrent	12,299	4,921	111,239	109,264

(a) Refers to the State Reverse Charge System VAT (ICMS - ST) amount that has been separately disclosed and withheld on a monthly basis on the Company's and its subsidiary Indústria e Comércio de Cosméticos Natura Ltda.'s products sold and shipped to customers located in the Federal District and States other than the State of São Paulo, pursuant to São Paulo State tax legislation in effect since February 2008. In 2010, São Paulo State Department of Finance (SeFaz - SP) granted the Company a special regime that allows it to offset the credits through the "Fast Track", in which the credits are offset in the month following its computation, through a bank guarantee.

(b) On September 24, 2008, the Tax Administration Coordinator of the SeFaz - SP accepted the voluntary reporting request filed by the subsidiary Indústria e Comércio de Cosméticos Natura Ltda. where, after internal verifications made by its management, this company evidenced undue withholdings of ICMS - ST in the period February-May 2008 due to a different interpretation of the provisions of article 264, IV, 313-E and 313-G of ICMS Regulation (RICMS/2000). Said voluntary reporting request clarified and permitted the application of the procedures necessary to regularize the transactions carried out by this subsidiary during the referred period. The requirements were met and the credit was fully offset in 2011.

(c) The stated amount refers to the recognition of PIS and COFINS tax credits as a result of the favorable outcome in a lawsuit claiming the unconstitutionality and illegality of the PIS and COFINS taxable basis broadening established by Law 9718/98. See details on note 17 (a) (contingent assets).

9. INCOME TAX AND SOCIAL CONTRIBUTION

a) Deferred

Deferred Corporate Income Tax (IRPJ) and Social Contribution on Net Income (CSLL) result from temporary differences in the Company and in its subsidiaries. These credits are kept recorded in noncurrent assets, as prescribed by CPC 26 (R1) – Presentation of Financial Statements. The amounts are as follows:

	Company		Consolidated	
	2011	2010	2011	2010
Allowance for doubtful accounts (note 6)	19,098	19,266	19,098	19,266
Allowance for losses on inventories realization (note 7)	6,895	3,563	28,219	21,725
Reserve for tax, civil and labor contingencies (note 17)	17,743	18,884	36,896	40,375
Non-inclusion of ICMS in the PIS and COFINS basis (note 17)	620	573	39,173	28,869
Actuarial liability - healthcare plan (note 23.2)	6,573	4,462	9,565	6,702
Allowance for losses on swap and forward contracts (note 24)	(9,583)	1,136	(9,733)	1,381
Provision for ICMS – ST, PR, DF, MS, MT and RJ States (note 16)	8,247	13,672	8,247	13,672
Allowances for losses on advances to suppliers	1,992	3,879	2,137	4,432
Accrued contractual obligations	1,439	1,947	2,713	2,777
Provision for discount on assignment of ICMS credits	-	-	1,148	979
Accrued benefits sharing and partnerships	6,178	6,874	6,178	6,874
Temporary differences of foreign subsidiaries	-	-	9,681	6,562
Provision for profit sharing	3,955	-	10,947	-
Depreciation rate adjustments to useful lives (RTT)	1,420	-	(6,989)	-
Other temporary differences	15,568	13,235	32,272	26,645
	80,145	87,491	189,552	180,259

Management, based on projections of future taxable income, estimates that the recorded tax credits will be fully realized within five years.

Tax credits will be realized as follows:

	Company	Consolidated
2012	42,679	83,230
2013	11,753	18,180
2014	4,633	59,240
2015 and thereafter	21,080	28,902
	80,145	189,552

With respect to the Company's foreign subsidiaries, except for the operation in Argentina which reports taxable income, the other subsidiaries do not record tax credits on tax loss carryforwards and temporary differences in their financial statements due to the absence of a history of taxable income and taxable income projections for the coming fiscal years.

As of December 31, 2011, tax credits calculated at the prevailing tax rates in the countries where the subsidiaries are located, are as follows:

Total temporary differences:	
Tax loss carryforwards:	
Argentina	9,533
Chile	82,379
Mexico	110,771
Colombia	73,980
France	110,678

Tax credits on tax loss carryforwards generated by the subsidiaries can be carried forward indefinitely, except for those of the subsidiaries in Argentina and Mexico, which expire as follows:

	Argentina	Mexico
2012	3,060	-
2013	4,564	-
2014	-	11
2015	1,909	7,434
2016 and thereafter	-	103,326
	9,533	110,771

b) Reconciliation of income tax and social contribution

	Company		Consolidated	
	2011	2010	2011	2010
Income before income tax and social contribution	1,161,791	1,053,123	1,237,730	1,118,169
Income tax and social contribution at the rate of 34%	(395,009)	(358,062)	(420,828)	(380,177)
Technological research and innovation benefit - Law 11196/05 (*)	22,386	19,035	22,386	19,035
Tax incentives - donations	6,582	5,820	9,668	8,296
Equity in investees (note 12)	18,628	8,760	-	-
Unrecognized deferred taxes on tax losses generated by foreign subsidiaries	-	-	(28,915)	(31,459)
Tax Transition Regime (RTT) - Provisional Act 449/08 – Law 11,638/07 adjustments	(774)	649	(3,242)	(1,623)
Write-off of goodwill – liquidation of Flora Medicinal	-	8,332	-	8,332
Interest on capital tax benefit	21,067	18,242	21,067	18,242
Other permanent differences	(3,770)	(11,849)	(6,965)	(14,766)
Income tax and social contribution expenses	(330,890)	(309,073)	(406,829)	(374,120)
Income tax and social contribution - current	(323,543)	(313,612)	(416,123)	(408,233)
Income tax and social contribution - deferred	(7,347)	4,539	9,294	34,113
Effective rate - %	28.5	30.5	32.9	33.5

(*)Refers to the tax benefit established by Law 11196/05, which allows for the direct deduction from the calculation of taxable income and the social contribution tax basis of the amount corresponding to 60% of the total expenses on technological research and innovation, observing the rules established in said Law.

The changes in income tax and social contribution for the year were as follows:

Company		
Balance at 2010	Charged / (credit) to profit or loss	Balance at 2011
87,491	7,346	80,145

Consolidated		
Balance at 2010	Charged / (credit) to profit or loss	Balance at 2011
180,259	(9,293)	189,552

10. ESCROW DEPOSITS

Represent Group's restricted assets related to amounts deposited and held by the courts until the litigation to which they are linked is resolved.

The Group's escrow deposits as of December 31, 2011 and 2010 are as follows:

	Company		Consolidated	
	2011	2010	2011	2010
ICMS - ST (note 17.(a))	80,304	53,809	80,304	53,809
ICMS - ST suspended collection (*) (note 16 (b))	88,521	167,019	88,521	167,019
Other accrued tax obligations (note 16 (e) and (g))	9,434	8,556	52,024	48,106
Other suspended tax obligations (note 16 (c))	10,955	10,426	10,955	10,426
Unaccrued tax lawsuits	34,373	30,676	38,254	36,034
Accrued tax lawsuits (note 17)	9,952	9,600	11,515	10,754
Unaccrued civil lawsuits	1,016	938	1,108	1,343
Accrued civil lawsuits (note 17)	1,886	1,874	1,992	1,976
Unaccrued labor lawsuits	5,844	4,410	6,999	5,130
Accrued labor lawsuits (note 17)	2,653	1,762	4,167	2,410
	244,938	289,070	295,839	337,007

11. OTHER CURRENT AND NONCURRENT ASSETS

	Company		Consolidated	
	2011	2010	2011	2010
Advances to advertisement services	111,690	64,886	112,666	66,246
Asset held for sale	-	-	17,752	17,752
Insurance	1,829	1,565	2,464	2,224
Restricted cash - CDBs (*)	-	-	6,757	6,155
Others	6,371	6,071	17,079	18,926
	119,890	72,522	156,718	111,303
Current	115,328	52,470	126,783	66,399
Noncurrent	4,562	20,052	29,935	44,904

(*) Refers to a blocked account pledged as guarantee related to the court collection of Federal VAT (IPI) for July 1989 when wholesale units were held equivalent to manufacturing establishments under Law 7798/89. The lawsuit is pending a decision on the appeal from the defendant at the Federal Regional Court of the 3rd region (São Paulo). Based on the Company's legal counsel assessment the likelihood of loss in this lawsuit is possible.

12. INVESTMENTS

	Company	
	2011	2010
Investments in subsidiaries and jointly controlled entities	1,253,721	1,099,188

Information and changes in the balances for the year ended December 31, 2011

	Indústria e Comércio de Cosméticos Natura Ltda.	Natura Cosméticos S.A. - Chile	Natura Cosméticos S.A. - Peru	Natura Cosméticos S.A. - Argentina	Natura Cosméticos C.A. - Venezuela	Natura Inovação e Tecnologia de Produtos Ltda.	Natura Cosméticos de Mexico S.A. (*)	Natura Cosméticos Ltda. - Colombia	Natura (Brasil) International B.V. - The Netherlands (*)	Natura Cosméticos España S.L.	Total
Share capital	526,155	101,336	13,903	106,116	6,609	5,008	192,975	72,948	85,847	73	1,110,970
Equity interest	99.99%	99.99%	99.94%	99.97%	99.99%	99.99%	99.99%	99.99%	100.00%	100,00%	
Subsidiaries' shareholders' equity	1,060,440	20,385	1,486	72,847	306	28,812	47,601	13.435	8,444	106	1,253,861
Interest in shareholders' equity	1,060,334	20,383	1,485	72,825	306	28,809	47,596	13.434	8,444	106	1,253,721
Subsidiaries' net income (loss) for the year	124,882	(3,535)	(4,728)	7,685	(1)	15,527	(46,023)	(20.973)	(18,052)	-	54,782
Carrying amount of investments											
Balance as of December 31, 2010	930,614	23,246	(891)	56,902	273	45,021	26,950	8.782	8,208	83	1,099,188
Equity in investees	124,881	(3,535)	(4,725)	7,683	(1)	15,527	(46,019)	(20.970)	(18,052)	-	54,789
Exchange rate change and other adjustments on the translation of investments in foreign subsidiaries	-	672	357	2,431	34	89	(384)	1.893	468	-	5,561
Company's contribution to the stock options plan of subsidiaries' executives and other reserves	4,839	-	-	-	-	2,171	-	-	-	-	7,010
Profit distribution	-	-	-	-	-	(34,000)	-	-	-	-	(34,000)
Capital increases	-	-	6,744	5,809	-	-	67,049	23.729	17,819	23	121,173
Balance as of December 31, 2011	1,060,334	20,383	1,485	72,825	306	28,809	47,596	13.434	8,444	106	1,253,721

(*) Consolidated information of the following companies:

Natura Cosméticos de México S.A.: Natura Cosméticos y Servicios de México, S.A. de C.V., Natura Cosméticos de México, S.A. de C.V. and Natura Distribuidora de México, S.A. de C.V.

Natura (Brasil) International B.V. - The Netherlands: Natura (Brasil) International B.V. (The Netherlands), Natura Brasil Inc. (USA - Delaware), Natura International Inc. (USA - New York), Natura International Inc. (USA - Nevada), Natura Worldwide Trading Company (Costa Rica), Natura Europa SAS (France) and Natura Brasil SAS (France)

Natura Inovação e Tecnologia de Produtos Ltda.: Ybios S.A. and Natura Innovation et Technologie Produits S.A.S. - France

13. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

		Company					
	Weighted average annual	2011			2010		
PROPERTY, PLANT AND EQUIPMENT	depreciation rate - %	Adjusted cost	Accumulated depreciation	Residual amount	Adjusted cost	Accumulated depreciation	Residual amount
Vehicles	21	39,010	(16,991)	22,019	34,234	(14,491)	19,743
Leasehold improvements (a)	15	35,419	(11,844)	23,575	23,486	(9,053)	14,433
Machinery and equipment	4	114,844	(7,421)	107,423	27,668	(3,018)	24,650
Buildings		56,694	-	56,694	-	-	-
Furniture and fixtures	7	11,633	(3,006)	8,627	6,264	(2,584)	3,680
IT equipment	18	50,867	(7,024)	43,843	6,614	(3,803)	2,811
Projects in progress	-	67,843	-	67,843	11,699	-	11,699
Advances to suppliers	-	2,191	-	2,191	15,159	-	15,159
		378,501	(46,286)	332,215	125,124	(32,949)	92,175

		Company					
	Weighted average annual	2011			2010		
INTANGIBLE ASSETS	amortization rate - %	Adjusted cost	Accumulated amortization	Residual amount	Adjusted cost	Accumulated amortization	Residual amount
Software and other	17	88,848	(17,356)	71,492	23,852	(10,604)	13,248
Carbon credits (c)		7,437	-	7,437	5,338	-	5,338
Software and other	17	96,285	(17,356)	78,929	29,190	(10,604)	18,586

		Consolidated					
	Weighted average annual	2011			2010		
PROPERTY, PLANT AND EQUIPMENT	depreciation rate - %	Adjusted cost	Accumulated depreciation	Residual amount	Adjusted cost	Accumulated depreciation	Residual amount
Machinery and equipment	6	410,901	(145,342)	265,559	308,262	(124,315)	183,947
Buildings	4	207,836	(60,400)	147,436	151,161	(54,305)	96,856
Installations	9	132,919	(73,512)	59,407	120,440	(65,066)	55,374
Land	-	27,214	-	27,214	27,180	-	27,180
Molds	30	116,068	(87,966)	28,102	105,362	(79,921)	25,441
Vehicles	21	59,490	(22,430)	37,060	56,361	(21,181)	35,180
IT equipment	19	76,305	(23,933)	52,372	75,749	(45,969)	29,780
Furniture and fixtures	11	32,976	(11,937)	21,039	27,164	(11,926)	15,238
Leasehold improvements (a)	15	50,599	(18,581)	32,018	44,273	(18,725)	25,548
Projects in progress	-	80,563	-	80,563	35,489	-	35,489
Advances to suppliers	-	47,724	-	47,724	28,648	-	28,648
Other	3	4,196	(2,256)	1,940	3,897	(2,111)	1,786
		1,246,791	(446,357)	800,434	983,986	(423,519)	560,467

		Consolidated					
	Weighted average annual	2011			2010		
INTANGIBLE ASSETS	amortization rate - %	Adjusted cost	Accumulated amortization	Residual amount	Adjusted cost	Accumulated amortization	Residual amount
Software	18	182,890	(32,676)	150,214	183,322	(73,376)	109,946
Carbon credits (c)	-	7,437	-	7,437	5,338	-	5,338
Business lease - Natura Europa SAS – France (b)	-	5,074	-	5,074	4,629	-	4,629
Trademarks and patents	10	1,652	(1,623)	29	1,573	(1,413)	160
		197,053	(34,299)	162,754	194,862	(74,789)	120,073

(a) The amortization rates take into consideration the lease terms of leased properties, which range from three to five years.
(b) The business lease generated on the purchase of a commercial location where Natura Europa SAS - France operates is supported by an appraisal report issued by independent appraisers, attributable to the fact that it is an intangible, marketable asset, the value of which does not decrease over time. The change in the balance between December 31, 2011 and December 31, 2010 is basically due to the effects of the exchange fluctuation for the period.
(c) Carbon Neutral Program (note 2.11.3).
The Company reviewed the remaining useful lives of the property, plant and equipment items and intangible assets and recorded the resulting effects beginning January 1, 2010. As a result of the revision of this accounting estimated, which had the purpose of aligning the remaining useful lives of the assets and, consequently, the remaining depreciation with the residual lives of the assets, the Company recorded an impact, credited to depreciation in 2011, as compared to depreciation recorded in the previous year, totaling R$11,482.
Additional information on property, plant and equipment:
a) Assets pledged as collateral
As of December 30, 2011, the Group has property, plant and equipment items pledged as collateral of bank financing and loan transactions, as well as items attached to the defense of lawsuits, as shown below:

	Company	Consolidated
Vehicles	4,229	4,229
IT equipment	3,477	4,063
Machinery and equipment	3,171	3,171
Balances at yearend	10,877	11,463

b) Leases
In 2011 the Company entered into finance lease transactions to purchase property, plant and equipment totaling R$56,694, recognized in line item "Buildings" and "sale leaseback" transactions totaling R$24,537, recognized in line item "Machinery and equipment" . As of December 31, 2011, the balance of lease payables, classified in line item "Borrowings and financing" (note 14) totals R$79,673.
c) Balance of capitalized interest

	Consolidated	
	2011	2010
Buildings	1,427	1,479

Changes in property, plant and equipment

	Company		Consolidated	
	2011	2010	2011	2010
Balance at beginning of year	92,175	50,375	560,467	492,256
Additions (less transfers from projects in progress - when terminated):				
Machinery and equipment	28,373	8,884	45,037	29,669
Projects in progress/advances to suppliers	114,902	32,389	165,726	84,555
Vehicles	15,069	13,498	21,031	24,193
Molds	-	-	15,344	16,986
Facilities	-	-	6,112	7,208
IT equipment	40,611	769	11,377	7,304
Furniture and fixtures	4,176	545	5,679	1,618
Other	4,777	1,036	5,524	3,696
	207,908	57,121	275,830	175,228
Leases	56,694	-	56,694	-
Depreciation	(20,814)	(12,615)	(84,108)	(69,412)
Transfers and disposals, net	(3,748)	(2,706)	(8,449)	(37,605)
Balance at yearend	332,215	92,175	800,434	560,467

Changes in intangible assets

	Company		Consolidated	
	2011	2010	2011	2010
Balance at beginning of year	18,586	11,527	120,073	82,740
Additions:				
Software (includes implementation costs)	64,993	4,411	66,402	56,310
Carbon credits	4,135	5,338	4,135	5,338
	69,128	9,749	70,537	61,648
Transfers and disposals, net	(2,034)	-	(2,043)	(4,879)
Amortization	(6,751)	(2,690)	(25,813)	(19,436)
Balance at year end	78,929	18,586	162,754	120,073

14. BORROWINGS AND FINANCING

	Company		Consolidated		
	2011	2010	2011	2010	Reference
Local currency					
BNDES - EXIM	-	-	67,607	116,388	A
FINEP (Financing Agency for Studies and Projects)	-	-	27,106	27,633	B
Debentures	353,256	352,669	353,256	352,669	C
BNDES	21,708	23,206	141,689	110,996	D
Guaranteed account	-	-	-	2,001	E
Working capital	48,613	-	48,613	-	F
BNDES FINAME	-	-	7,336	6,506	G
Banco do Brasil - FAT Fomentar (Workers' Assistance Fund)	-	-	2,697	3,908	H
Finance leases	56,729	-	56,729	940	I
FINEP - grant	-	-	289	2,086	J
Total local currency	480,306	375,875	705,322	623,127	
Foreign currency					
BNDES - EXIM	-	-	-	1,229	K
BNDES	4,486	2,479	10,713	7,358	L
Resolution 4131/62	411,237	50,088	411,238	50,088	M
International operation - Peru	-	-	36,483	9,861	N
Machinery financing	22,944	-	22,944	-	O
Total foreign currency	438,667	52,567	481,377	68,536	
Grand total	918,973	428,442	1,186,699	691,663	
Current	66,424	60,086	168,962	226,595	
Noncurrent	852,549	368,356	1,017,737	465,068	

Reference	Currency	Maturity	Charges	Collaterals
A	Real	March 2014	Interest of 2.5% p.a. + TJLP (462)	Guarantee of Natura Cosméticos S.A.
B	Real	March 2013 and May 2019	TJLP (b) for the installment maturing in 2013 and interest of 5% for the installment maturing in May 2019	Guarantee of Natura Cosméticos S.A. and bank guarantee
C	Real	May 2013	Interest of 108% of CDI (c)	N/A
D	Real	January 2018	TJLP (b) for the installment maturing in March 2016 + interest of 0.7% to 2.8% p.a.	Bank guarantee
E	Real	April 2011	123.9% of CDI (c) p.a. + IOF (b)	Guarantee of Natura Cosméticos S.A.
F	Real	January 2012	105.5% of CDI (c) p.a. + IOF (b)	Guarantee of Natura Cosméticos S.A.
G	Real	September 2016	Interest of 4.5% p.a. + TJLP	Chattel mortgage, guarantee of Natura Cosméticos S.A. and promissory notes
H	Real	February 2014	Interest of 4.4% p.a. + TJLP	Chattel mortgage, guarantee of Natura Cosméticos S.A. and promissory notes
I	Real	Through August 2026	Interest of 108.0% of DI - CETIP (c)	Leases are collateralized by the underlying assets
J	Real	December 2012	N/A	None
K	Dollar	February 2011	Exchange fluctuation + 8.31% p.a. (a)	Guarantee of Natura Cosméticos S.A.
L	Dollar	January 2018	Exchange fluctuation + 1.8% p.a. + Resolution nº 635 (a)	Guarantee of Natura Cosméticos S.A. eand bank guarantee
M	Dollar	October 2013	Exchange fluctuation + interest of 1.87% to 3.89% p.a. (a)	Guarantee of subsidiary Indústria e Comércio de Cosméticos Ltda.
N	Novo sol	December 2012	Interest of 5.20% p.a.	Bank guarantee
O	Dollar	December 2016	Exchange fluctuation + interest of 3.87% p.a. (a)	Leases are collateralized by the underlying assets

(a) Loans and financing for which swap contracts (CDI) were entered into.
(b) IOF - Tax on Financial Transactions.
(c) DI - CETIP - daily index calculated based on the average DI, disclosed by Cetip S.A. (Brazilian clearinghouse and over-the-counter market).

Maturities of noncurrent liabilities are as follows:

	Company		Consolidated	
	2011	2010	2011	2010
2012	-	6,530	-	39,425
2013	771,468	355,820	840,496	379,440
2014	11,067	4,450	48,132	22,963
2015	8,364	1,539	38,413	19,001
2016 and thereafter	61,650	17	90,696	4,239
	852,549	368,356	1,017,737	465,068

A description of the outstanding bank loan agreements is as follows:

a) Description of bank loans

1. BNDES - EXIM Pré-Embarque and BNDES - EXIM Pré-Embarque Especial Programs

The subsidiary Indústria e Comércio de Cosméticos Natura Ltda. benefits from BNDES financing programs for the pre-shipment stage of goods and services exports. As a rule, the requirements for participation in said programs are: (i) to have credit approved by the financial institution that will enter into the financing agreement; and (ii) to manufacture products using at least 60% of locally sourced materials.

2. Financing agreements with the BNDES

The Company and its subsidiaries Indústria e Comércio de Cosméticos Natura Ltda. and Natura Inovação e Tecnologia de Produtos Ltda. have credit facility agreements with the BNDES to facilitate direct investments in the Company and its subsidiaries in order to improve certain product lines, train research and development employees, optimize operation product separation lines in the Cajamar, SP industrial facilities, build new distribution centers, and restructure the administration of the Itapecerica da Serra, SP unit and purchase the equipment necessary for these purposes

3. Financing agreement with the FINEP

The subsidiary Natura Inovação e Tecnologia de Produtos Ltda. has innovation programs aimed at the development and acquisition of new technologies by means of partnerships with universities and research centers in Brazil and abroad. These innovation programs have the support of FINEP's research and technological development incentive programs, which facilitates and/or co-finances equipment, scientific grants and research material for the participating universities.

These funds were used to partially fund the investments made in the drafting of the "Technology Platforms for New Cosmetics and Nutritional Supplements" and the "Research and Innovation for the Development of New Cosmetics" projects.

4. Machinery and Equipment Financing - FINAME

The Company benefits from a credit facility with the BNDES, related to FINAME onlendings, intended to finance the purchase of new machinery and equipment manufactured in Brazil. Said onlending is carried out by granting credit to subsidiary Indústria e Comércio de Cosméticos Natura Ltda., granting rights to receivables to the financial institution accredited as a financing agent, usually Banco Votorantim S.A., Banco Itaú Unibanco S.A., Banco do Brasil S.A., HSBC Bank Brasil S.A. or Banco Santander Brasil S.A., which enters into such said financing with Indústria e Comércio de Cosméticos Natura Ltda.

These agreements are collateralized by assigning the fiduciary ownership of the assets described in the related agreements. The subsidiary Indústria e Comércio de Cosméticos Natura Ltda. is the trustee and the Company is the guarantor of these assets. In addition, the Group is required to meet the Provisions Applicable to BNDES Agreements and the General Regulatory Terms and Conditions of FINAME-related Transactions.

5. Resolution 4131/62

Bank Credit Note - Onlending of funds raised abroad under Resolution 4131/62, through financial institutions.

6. Debentures

First issuance of simple debentures, nonconvertible into shares, totaling R$350,000, in single series, without guarantee and without financial covenants, with face value of R$1,000, in conformity with CVM Instruction 476/09, issued on May 26, 2010 and subscribed and paid in May 28, with the payment of semiannual interest in May and November, and principal maturing on May 26, 2013.

b) Finance lease obligations

Financial obligations are broken down as follows:

	Consolidated	
	2011	2010
Gross finance lease obligations - minimum lease payments:		
Less than one year	12,633	642
More than one year and less than five years	54,102	-
More than five years	78,800	377
	145,535	1,019
Future financing charges on finance leases	(65,862)	(79)
Financial lease obligations - accounting balance	79,673	940

c) Restrictive covenants

As of December 31, 2011 and 2010, most financing and loan agreements entered into by the Group subsidiaries do not contain restrictive covenants establishing obligations regarding the maintenance of financial ratios by the Company or its subsidiaries.

Only the agreement entered into with BNDES contains restrictive covenants requiring maintenance of certain financial ratios. As of December 31, 2011, the Company was in compliance with all the restrictive clauses.

The agreement entered into with BNDES in July 2011 contains restrictive covenants requiring maintenance of the following financial ratios:

- EBITDA margin equal or higher than 15%; and
- Net debt/EBITDA equal or lower than 2.5 (two wholes and five tenths).

As at December 31, 2011, the Company was fully compliant with such restrictive covenants.

15. TRADE AND OTHER PAYABLES

	Company		Consolidated	
	2011	2010	2011	2010
Domestic trade payables	133,762	77,805	435,328	326,945
Foreign trade payables (*)	15,043	842	18,765	4,964
Freight payable	34,512	34,585	34,887	34,585
	183,317	113,232	488,980	366,494

(*) Refer mostly to US dollar-denominated amounts.

16. TAXES PAYABLE

	Company		Consolidated	
	2011	2010	2011	2010
Taxes on revenue (PIS/COFINS) (injunction) (a)	1,823	1,686	115,214	84,908
Ordinary ICMS	59,894	50,807	81,687	75,657
Regular and reverse charge ICMS (b)	89,301	167,019	89,301	167,019
IRPJ and CSLL	127,458	99,347	150,639	125,816
IRPJ and CSLL (injunction) (c)	56,941	33,472	56,941	33,472
IRPJ and CSLL (injunction - PAT)	2,656	-	6,029	2,261
Withholding income tax (IRRF)	7,621	7,901	11,974	13,203
IPI - exempt and zero-taxed products (d)	-	-	42,432	39,404
UFIR adjustment to federal taxes (e)	6,361	6,216	6,519	6,360
IPI credit on purchase of property, plant and equipment and supplies for own use and consumption (f)	-	-	-	3,768
Action for annulment of INSS debt (g)	3,073	2,893	3,073	2,893
Withholding PIS/COFINS/CSLL	2,490	5,319	3,324	7,554
PIS/COFINS	-	-	1,110	6,663
Taxes - foreign subsidiaries	-	-	17,888	9,354
Service tax (ISS)	364	613	1,214	2,799

	357,982	375,273	587,345	581,131
Escrow deposits ((b) and (g)) (note 10)	(97,955)	(175,575)	(140,545)	(215,125)
Current	260,027	199,698	446,800	366,006
Noncurrent	97,955	175,575	140,545	215,125

(a) The Company and its subsidiary Indústria e Comércio de Cosméticos Natura Ltda. are challenging in court the inclusion of ICMS in the tax basis of Integration Program Tax on Revenue (PIS) and Social Security Funding Tax on Revenue (COFINS). In June 2007, the Company and its subsidiary were authorized by the court to pay PIS and COFINS without the inclusion of ICMS in their tax basis, starting April 2007. The balances recognized as of December 31, 2011 refer to the unpaid amounts of PIS and COFINS, from April 2007 to December 2011 adjusted using the SELIC (Central Bank's policy rate), the collection of which is on hold. Part of the balance, in the adjusted amount of R$3,065, is deposited in escrow.

(b) As of December 31, 2011, R$12,669, R$52,305, R$23,274, R$273 and R$780 of the total amount recognized refer to the ICMS - ST of State of Paraná, Federal District, State of Mato Grosso do Sul, State of Mato Grosso and State of Rio de Janeiro, respectively (R$119,371, R$34,969 and R$12,679 Federal District and State of Mato Grosso do Sul, respectively as of December 31, 2010), which is being challenged in court, as also mentioned in note 17 'Contingent tax liabilities - possible risk', (a). The Company has made monthly escrow deposits for the unpaid amounts.

On November 26, 2011, the Company entered into an arrangement, to be enforced after the end of the current reporting period, with the State of Paraná to set the Value Added Margin (MVA) applicable to the calculation of ICMS-ST due on transactions conducted by consultants.

Accordingly, Natura Cosméticos recognized the MVA application (up to the cap determined by the technical study) for taxable events prior to November 2011 and dropped part of the lawsuits on this matter, resulting in (i) the transfer of R$114,345 to the State of Paraná as ICMS-ST and (ii) the withdrawal of the deposited R$16,930 excess because of the retrospective extension of the tax benefit.

The MVA applicable to taxable events prior to November 2011 is still being discussed in courts and is currently at court expert review stage.

(c) On February 4, 2009, the Company was granted an injunction, subsequently confirmed by court decision, that suspended the collection of income tax and social contribution on any amounts received as arrears interest, paid on late payment of contractual obligations receivables to the Natura Beauty Consultants. The appeal filed by the Federal Government is awaiting judgment.

(d) Refers to Federal VAT (IPI) on zero-taxed, untaxed or exempt raw materials and packaging materials. Subsidiary Indústria e Comércio de Cosméticos Natura Ltda. filed a writ of mandamus and obtained an injunction granting the right to the credit. On September 25, 2006, the injunction was revoked by a decision that considered the request invalid. The Company filed an appeal for reconsideration of merits and reinstatement of the injunction. To suspend the payment of tax, in October 2006, the Company made an escrow deposit in the amount offset under the injunction, whose adjusted balance totals R$42,432 as of December 31, 2011 (R$39,404 as of December 31, 2010). In the fourth quarter of 2009, in order to utilize the benefits granted under Provisional Act 470/09, which creates a program for the payment and payment in installments of tax debts, the subsidiary filed a motion partially withdrawing the claims made in the injunction filed that maintains only the claim of tax credits on tax-exempt products, thus dropping the lawsuits claiming IPI credits of zero-taxed and untaxed products (see details in topic 'Tax installment plans created under Provisional Act 470/09). On this date, after having met the requirements to join the tax installment plan introduced by Provisional Act 470/09, the subsidiary awaits the tax authorities' approval to write off the suspended collection amounts and the corresponding escrow deposits. Subsequently, in December de 2011, the subsidiary filed a motion to also drop the lawsuit claiming tax credits on tax-exempt products, which are deposited in escrow. Thus, the subsidiary awaits the transfer to the State of the escrow deposits after a final and unappealable decision is issued.

(e) Refers to the inflation adjustment of 1991 federal taxes on income (IRPJ/CSLL/ILL) based on the UFIR (fiscal reference unit), discussed in a writ of mandamus. The amount involved is deposited in escrow. On February 26, 2010, the Company filed a motion dropping this lawsuit to be able to utilize the benefits granted under Law 11941/09, which creates a program for the payment and payment in installments of tax debts and awaits the issue of a final and unappealable decision.

(f) Subsidiary Indústria e Comércio de Cosméticos Natura Ltda. discusses, through writs of mandamus, the right to IPI credit on the purchase of property, plant and equipment items and consumables. On February 26, 2010, this subsidiary filed a motion for the withdrawal of this lawsuit to be able to utilize the benefits granted under Law 11941/09, which creates a program for the payment and payment in installments of tax debts.

(g) Refers to the social security contribution required by tax assessments issued by the National Institute of Social Security as a result of an inspection, which claims that the Company, as a taxpayer having joint liability for tax payment, is required to pay INSS on services provided by third parties. The amounts are being challenged in court through a tax debt annulment action and are deposited in escrow. The amounts required in the tax assessment notice cover the period from January 1990 to October 1999. In 2007, the Company reversed the amount of R$1,903, relating to the expiration of part of the amount involved in the lawsuit for the period from January 1990 to October 1994, as recently instructed under Case Law Decision 08 of the Federal Supreme Court (STF). On March 1, 2010, the Company filed a motion dropping part of the claims made and partially waiving its right to utilize the benefits granted under Law 11941/09 regarding the social security contributions due by the companies that provided services to the Company (joint liability) during the period from November 1994 to December 1998.

Tax installment program established by Law 11941/09

On May 27, 2009, Federal Government enacted Law 11941, as a result of the conversion of Provisional Act 449/08, which, among other changes to tax law, established the possibility of a tax debt installment plan managed by the Federal Revenue Service, the National Social Security Institute and the National Treasury Attorney General (PGFN), including the remaining balance of consolidated debts in the REFIS (Law 9964/00), Special Installment Plan (PAES) (Law 10684/03) and the Exceptional Installment Plan (PAEX) (Provisional Act 303/06), in addition to the regular payments in installments provided for by article 38 of Law 8212/91 and article 10 of Law 10522/02.

The entities that opted for paying or dividing into installments the debts under this Law, in the applicable cases, may settle the amounts corresponding to default and automatic fines and late-payment interest, including those related to legally enforceable debts to the Government, using tax loss carryforwards, and will benefit from reduced fines, interest and legal charges whose reduction percentage depends on the installment plan chosen.

Pursuant to the established rules, for compliance with the first stage of installment payments, the Company and its subsidiaries, after having filed motions at Court formalizing the withdrawal of lawsuits whose taxes would be paid in installments, applied for installment payments, choosing installment plans and indicating the generic nature of tax debts, paying the respective initial installments, pursuant to the provisions of Federal Revenue Service (SRF) and National Treasury Attorney General (PGFN) Joint Administrative Rule.

The tax debts recorded for payment in installments by the Company and its subsidiaries, pursuant to Law 11941/09, are as follows:

		Company				
	2010	Additions	Reversals	Payments	Inflation adjustment	2011
Action for annulment of INSS debt (a)	2,893	-	-	-	180	3,073
IRPJ/CSLL/ILL debts (b)	6,216	186	(521)	-	480	6,361
	9,109	186	(521)	-	660	9,434

		Consolidated				
	2010	Additions	Reversals	Payments	Inflation adjustment	2011
INSS debt - action for annulment (a)	2,893	-	-	-	180	3,073
IRPJ/CSLL/ILL debts (b)	6,360	186	(521)	-	494	6,519
IPI on acquisition of property, plant and equipment and materials for own use and consumption (c)	3,768	-	(3,654)	(223)	109	-
	13,021	186	(4,175)	(223)	783	9,592

(a) See item (g) on this note for details.
(b) See item (e) on this note for details.
(c) See item (f) on this note for details.

Due to the lack of tax loss carryforwards, the Company will not offset them against the remaining balance of the interest on installments.

In the second half of 2011, after the consolidation of the debts, the administrative proceedings were settled in one single payment, which led to a reversal of the provision.

The next steps of the Company's and its subsidiaries' tax installment plans, which are being discussed in courts, depend on a decision about the consolidation of the related debts, which is expected in order to settle such debts by transferring existing escrow deposits to the Federal Government.

Tax installment plans created under Provisional Act 470/09

On October 13, 2009, Provisional Act 470 was enacted introducing the tax debt payment and installment plans arising from the undue use of an industry tax incentive, introduced by Article 1 of Law Decree 491, of March 5, 1969, and the undue use of IPI credits, regulated by the Attorney General of the National Treasury (PGFN) and Federal Revenue Service (RFB).

On November 3, 2009, the PGFN and the Federal Revenue Service published in the Federal Official Gazette (DOU) Joint Administrative Rule 9, which establishes the debt payment and installment plan addressed in Article 3 of Provisional Act 470/09. The debts arising from the undue utilization of industry tax incentives introduced by Article 1 of Decree Law 491/69, and those arising from the undue utilization of IPI credits challenged by the PGFN and Federal Revenue Service may be exceptionally paid at sight or in installments to each agency by November 30, 2009.

As mentioned in item (d) above, subsidiary Indústria e Comércio de Cosméticos Natura Ltda. filed a motion partially withdrawing from the injunction filed related to IPI credits claimed on products purchased at zero tax rate or tax exempt.

As of December 31, 2011, the Company awaits a decision of the 3rd Region Federal Court, based on the PGFN's and Federal Revenue Service's position, to complete the stage related to the consolidation of tax debts and write off the balances of suspended liabilities against escrow deposits made until this date at the inflation adjusted amounts. As there are escrow deposits made in the past and in light of the option made by the subsidiary to pay tax debts at sight, no gain was recognized in profit or loss from the reversal of late payment fine and interest.

17. PROVISION FOR TAX, CIVIL AND LABOR CONTINGENCIES

The Company and its subsidiaries are parties to tax, labor and civil lawsuits and administrative tax proceedings. Management believes, based on the opinion and estimates of its legal counsel, that the provision for tax, civil, and labor contingencies are sufficient to cover potential losses. This provision is broken down as follows:

	Company		Consolidated	
	2011	2010	2011	2010
Tax	27,612	29,867	33,850	42,970
Civil	12,234	9,284	16,986	14,137
Labor	9,754	14,131	14,219	16,677
	49,600	53,282	65,055	73,784

Tax contingencies

The provision for tax contingencies is broken down as follows:

	Company					
	2010	Additions	Reversals	Payments	Inflation adjustment	2011
Late payment fines on federal taxes paid in arrears (a)	999	424	-	(683)	54	794
CSLL deductibility (Law 9316/96) (b)	7,562	-	-	-	323	7,885
IRPJ and CSLL tax assessment - attorney fees (c)	4,452	-	(666)	-	1,182	4,968
Tax assessment - 1990 IRPJ (d)	3,342	-	-	-	172	3,514
Failure to include ICMS in PIS and COFINS tax bases - attorney fees (e)	951	-	(635)	-	(316)	-
Attorney and other fees (g)	12,561	-	(3,137)	-	1,027	10,451
Total provision for tax contingencies	29,867	424	(4,438)	(683)	2,442	27,612
Escrow deposits (note 10)	(9,600)	-	-	-	(352)	(9,952)

	Consolidated					
	2010	Additions	Reversals	Payments	Inflation adjustment	2011
Late payment fines on federal taxes paid in arrears (a)	1,505	424	(453)	(683)	72	865
CSLL deductibility (Law 9316/96) (b)	7,562	-	-	-	323	7,885
IRPJ and CSLL tax assessment - attorney fees (c)	4,452	-	(666)	-	1,182	4,968
Tax assessment annulment action - 1990 IRPJ (d)	3,342	-	-	-	172	3,514
Failure to include ICMS in PIS and COFINS tax bases - attorney fees (e)	6,063	-	(5,588)	-	(475)	-
Semiannual PIS - Decree Laws 2445/88 and 2449/88 (f)	2,191	-	-	-	129	2,320
Attorney and other fees (g)	17,855	700	(6,571)	-	2,314	14,298
Total provision for tax contingencies	42,970	1,124	(13,278)	(683)	3,717	33,850
Escrow deposits (note 10)	(10,754)	-	-	-	(761)	(11,515)

(a) Refer to fine for late payment of federal taxes.

(b) Refers to CSLL that was addressed by an injunction that questions the constitutionality of Law 9316/96, which prohibited the deduction of CSLL from its own tax basis and the IRPJ basis. A portion of this provision, in the adjusted amount of R$5,905 (R$5,559 as of December 31, 2010), is deposited in escrow. The lawsuit is stayed waiting a decision of the STF on the subject and will be decided under established case law.

(c) Refers to attorney fees for the defense in the tax assessment notices issued against the Company in December 2006 and December 2007 by the Federal Revenue Service, claiming the payment of income tax and social contribution on the deductibility of the yield of debentures issued by the Company for fiscal years 2001 and 2002, respectively. The legal counsel's opinion is that the likelihood of unfavorable outcome in these tax assessment notices is remote. A final and unappealable administrative decision on the tax assessment notice issued against the Company in August 2003 challenging the deductibility, in fiscal year 1999, was issued on January 2010 that maintains part of the income tax assessed and the whole of the social contribution. After this decision, on April 7, 2010, the Company filed a lawsuit to cancel the remaining installment of IRPJ and CSLL. The legal counsel considers that the likelihood of an unfavorable outcome is remote.

(d) Refers to a tax assessment notice issued by the Federal Revenue Service claiming the payment of income tax on the earnings obtained on exports entitled to tax benefits carried out in fiscal year 1989, at the rate of 18% (Law 7988, of December 29, 1989) and not 3%, as set out in article 1 of Decree Law 2413/88, used by the Company at the time to pay its taxes. The Company has filed a lawsuit to cancel the tax assessment. The lawsuit is stayed waiting a STF decision on the subject.

(e) Refers to attorney fees for filing and handling the lawsuits challenging the inclusion of ICMS in the PIS and COFINS tax basis in the period from February 1998 to December 2011. The provision for attorney fees was reversed in the second half of 2011 as the risk of loss assessed by the legal counsel was reviewed and changed from remote to possible loss, based on the progress of the leading case (ADC-18) which is with the Federal Supreme Court and the changes in this Court's composition.

(f) Refers to the offset of PIS paid as per Decree Laws 2445/88 and 2449/88, in the period from 1988 to 1995, against Federal taxes due in 2003 and 2004. The reversal made by the Company in 2007 in the amount of R$14,910 is due to the final decision favorable to the Company, rendered in August 2007. The remaining reserve refers to the subsidiary Indústria e Comércio de Cosméticos Natura Ltda., which is awaiting the appreciation of the lawsuit by the Board of Tax Appeals.

(g) The balance refers to lawyer fees to defend the Company's and its subsidiaries' interests in tax lawsuits. The amount of (i) R$4,000, accrued in 2009, refers to lawyers' fees to prepare the defense against an IRPJ and CSLL infringement notification against the Company, issued on June 30, 2009, which challenges the tax deductibility of goodwill amortization carried out resulting from the merger of Natura Participações S.A. It is the opinion of the Company's legal counsel that, as structured, the transaction and its tax effects can be upheld in a court of law and thus the risk of loss is classified as remote; (ii) R$700 refers to the lawyers' fees to present the defense in the tax assessment by the SeFaz - RS which has identified supposed differences on the ICMS-ST with respect to interstate shipments made to Company's sites located in the Rio Grande do Sul (RS). According to the Company's legal counsel opinion, the risk of an unfavorable outcome is remote.

Civil contingencies

	Company					
	2010	Additions	Reversals	Payments	Inflation adjustment	2011
Several civil lawsuits (a)	4,828	10,925	(9,052)	(133)	219	6,787
Lawyer fees - environmental civil lawsuit (b)	1,512	-	(64)	-	87	1,535
Civil lawsuits and lawyer fees - Nova Flora Participações Ltda	2,944	-	(3)	-	971	3,912
Total provision for civil contingencies	9,284	10,925	(9,119)	(133)	1,277	12,234
Escrow deposits (note 10)	(1,874)	-	-	-	(12)	(1,886)

	Consolidated					
	2010	Additions	Reversals	Payments	Inflation adjustment	2011
Several civil lawsuits (a)	5,716	11,193	(9,291)	(146)	250	7,723
Lawyer fees - environmental civil lawsuit (b)	1,512	-	(64)	-	87	1,535
Lawyer fees - IBAMA lawsuit (c)	3,965	-	(301)	-	152	3,816
Civil lawsuits and lawyer fees - Nova Flora Participações Ltda.	2,944	-	(3)	-	971	3,912
Total provision for civil contingencies	14,137	11,193	(9,659)	(146)	1,460	16,986
Escrow deposits (note 10)	(1,976)	-	-	-	(16)	(1,992)

(a) As of December 31, 2011, the Company and its subsidiaries are parties to 2,491 civil lawsuits and administrative proceedings (1,211 as of December 31, 2010), of which 2,382 were filed with civil courts, special civil courts and the consumer protection agency (PROCON) by Natura Beauty Consultants, consumers, suppliers and former employees, most of which claiming compensation for damages.

(b) The provision includes R$1,192 with respect to legal fees for the defense of the Company's interests in the public lawsuit filed by the Federal Public Prosecution Office of Acre against the Company and other institutions for alleged access to the traditional knowledge associated to the asset ("murumuru"). Our legal counsel's opinion is that the risk of losses is remote.

(c) Refers to attorney fees for the defense in the tax assessment notice issued by Instituto Brasileiro do Meio Ambiente e dos Recursos Naturais Renováveis, or IBAMA (Brazilian environmental agency) against the Company in 2010 for alleged irregular access to biodiversity. Through December 2011, the Company had been imposed 70 fines by IBAMA, totaling R$21,955, and filed administrative defenses for all of them. No decision on the merits has been rendered yet; therefore, such fines cannot be considered as a liability. The Company's management and its legal counsel consider the risk of loss in these fines for the alleged non-sharing of benefits and the fines for the alleged irregular access to biodiversity as remote due to full compliance with all the principles established in the Convention on Biological Diversity ("CBD"), an international treaty signed during Rio-92 and of the illegality and unconstitutionality of the current legal framework, which incorporates the CBD in the Brazilian legal system. Except for inputs from Federal Government land - which refuses to negotiate - the Company shares benefits in 100% of the accesses in the use of biodiversity; it is the first to share benefits with traditional communities and detains approximately 68% of the requests with the Regulatory Body for authorization to have access to biodiversity.

Labor contingencies

As of December 31, 2011, the Company and its subsidiaries are parties to 827 labor lawsuits filed by former employees and third parties (766 as of December 31, 2010), claiming the payment of severance amounts, salary premiums, overtime and other amounts due, as a result of joint liability. The provision is periodically reviewed based on the progress of lawsuits and history of losses on labor claims to reflect the best current estimate.

	Company				
	2010	Additions	Reversals	Inflation adjustment	2011
Total provision for labor contingencies	14,131	4,439	(9,241)	425	9,754
Escrow deposits (note 10)	(1,762)	(891)	-	-	(2,653)

	Consolidated				
	2010	Additions	Reversals	Inflation adjustment	2011
Total provision for labor contingencies	16,677	7,708	(11,096)	930	14,219
Escrow deposits (note 10)	(2,410)	(1,757)	-	-	(4,167)

Contingent liabilities - possible risk

The Company and its subsidiaries are parties to tax, civil and labor lawsuits, for which there is no reserve for losses recorded, because the risk of loss is considered possible by management and their legal counsel. These lawsuits are as follows:

	Company		Consolidated	
	2011	2010	2011	2010
Tax:				
Declaratory Action - ICMS - ST (a)	80,304	53,809	80,304	53,809
Offset of 1/3 of COFINS - Law 9718/98 (b)	5,357	5,121	5,357	5,121
Action for annulment of INSS debt (c)	4,910	4,567	4,910	4,567
IPI assessment notice (d)	5,451	5,178	5,451	5,178
Administrative proceeding - ICMS - ST assessment, DF (e)	8,815	25,077	8,815	25,077
Administrative proceeding - ICMS - ST assessment, PA (e)	3,423	-	3,423	-
Administrative proceeding - tax debt - ICMS - ST, RS (f)	9,066	15,919	9,066	15,919
Tax assessment notice – Rio Grande do Sul State Department of Finance (g)	30,184	-	30,184	-
Tax assessment notice - São Paulo State Department of Finance - ICMS audit (h)	-	-	9,837	9,837
Tax assessment - transfer pricing on loan agreements with foreign related company (i)	1,856	1,779	1,856	1,779
Other	36,837	55,870	43,828	54,355
	186,203	167,320	203,031	175,642
Civil	2,953	3,315	3,076	4,133
Labor	42,792	61,547	73,856	85,899
	231,948	232,182	279,963	265,674

(a) As of December 31, 2011, the balance recorded is broken down as follows:

1. ICMS – ST, PR - R$49,962 (R$46,768 as of December 31, 2010) - lawsuit filed by the Company challenging the changes in ICMS - ST tax basis introduced by Paraná Decree 7018/06. The amount discussed in the lawsuit, related to the period from January 2007 to December 2011, is fully deposited in escrow, as mentioned in notes 10 and 16 (b), and its collection is suspended.

2. ICMS - ST, Federal District - R$15,401 (R$5,574 as of December 31, 2010) - declaratory action filed by the Company to challenge its liability for the payment of ICMS - ST due to the lack of a statute on and statutory criteria for the determination of the tax base of this tax or, subsequently, the need to enter into an Agreement to set out the ICMS - ST tax basis. The amount under litigation, related to the period from February 2009 to December 2011, is fully deposited in escrow, as referred to in notes 10 and 16 (b), and its collection is suspended.

3. ICMS - ST, MS - R$9,734 (R$1,467 as of December 31, 2010) - declaratory action filed by the Company to challenge its liability for the payment of ICMS - ST to the State of Mato Grosso do Sul due to the lack of a statute on and statutory criteria for the determination of the tax base of this tax or, subsequently, the need to enter into an Agreement to set out the ICMS - ST tax basis. The amount under litigation, related to the period from February 2010 to December 2011, is fully deposited in escrow, as referred to in notes 10 and 16 (b), and its collection is suspended.

4. ICMS - ST, MT - R$3,410 as of December 31, 2011 - declaratory action filed by the Company to challenge its liability for the payment of ICMS - ST to the State of Mato Grosso do Sul due to the lack of a statute on and statutory criteria for the determination of the tax base of this tax or, subsequently, the need to enter into an Agreement to set out the ICMS - ST tax basis. The amount under litigation, related to the period from October 2009 to July 2011, is fully deposited in escrow, as referred to in notes 10 and 16 (b), and its collection is suspended.

5. ICMS - ST, SC - R$1,797 as of December 31, 2011 - declaratory action filed by the Company to challenge its liability for the payment of ICMS - ST to the State of Santa Catarina due to the lack of a statute on and statutory criteria for the determination of the tax base of this tax or, subsequently, the need to enter into an Agreement to set out the ICMS - ST tax basis. The amount under litigation, related to the period from July 2011 to August 2011, is fully deposited in escrow, as referred to in notes 10 and 16 (b), and its collection is suspended.

(b) Law 9718/98 increased the COFINS rate from 2% to 3%, and allowed this 1% difference to be offset in 1999 against the social contribution tax paid in the same year. However, in 1999, the Company and its subsidiaries filed for an injunction and obtained authorization to suspend the payment of the tax credit (1% rate difference) and to pay COFINS based on Supplementary Law 70/91, prevailing at that time. In December 2000, considering former unfavorable court decisions, the Company and its subsidiaries enrolled in the Tax Debt Refinancing Program (REFIS), for payment in installments of the debt related to the COFINS not paid in the period. With the payment of the tax, the Company and its subsidiaries gained the right to offset 1% of COFINS against social contribution tax, which was made in the first half of 2001. However, the Federal Revenue Service understands that the period for offset was restricted to base year 1999. On September 11, 2006, the Company was notified that the offsets made were not approved, and timely filed the applicable appeal. This proceeding is awaiting ruling at the lower administrative court.

(c) Lawsuit filed by the Company seeking the annulment of the tax demanded by the INSS through a tax assessment notice issued for purposes of collecting the social security contribution on the allowance for vehicle maintenance paid to sales promoters. The amounts are being challenged in court through a tax debt annulment action and are deposited in escrow. The amounts required in the tax assessment notice cover the period from January 1994 to October 1999.

(d) Refers to a tax collection lawsuit intended to collect IPI due to alleged nonpayment and incorrect classification of the goods sold. The Company has filed a defense with courts and awaits a final ruling on the matter.

(e) Tax assessment notice collecting ICMS - ST, issued by the Federal District, as a result of an alleged underpayment of the Company's own ICMS and ICMS - ST. The Company has filed its defense at the administrative level and is awaiting the final judgment.

(f) Tax assessment notice issued by the Rio Grande do Sul State Department of Finance against the Company due to its condition of tax substitute, in order to charge allegedly due ICMS, due to the lack of a criterion to determine the correct tax basis, related to subsequent transactions conducted by independent resellers domiciled in the State of Rio Grande, do Sul. The Company filed an annulment action to cancel this collection and awaits a final court decision on the matter.

(g) Tax assessment issued by the Rio Grande do Sul State Department of Finance claiming a tax credit related to ICMS for an alleged incorrect use of the tax basis reduction granted to intrastate transactions and reduction of the intrastate tax rate to calculate the tax rate differences. We have filed administrative defense, which awaits a final decision.

(h) Tax assessment notice issued by São Paulo State Department of Finance for alleged credits claimed on the purchase of property, plant and equipment items which were transferred to other units on purchase date, and goods purchased that allegedly are not directly related to production and sales activities. The Company filed an administrative defense, whereby it claims the possibility of claiming such tax credits, the expiration of tax debt, and illegality of charging interest equivalent to one-tenth percent per day, and awaits a final decision thereon.

(i) Refers to a tax assessment notice whereby the Federal Revenue Service is demanding the payment of IRPJ and CSLL on the difference of interest on loan agreements with a foreign related party. On July 12, 2004, an administrative defense was filed and is still being judged. In June 2008, the Company filed a discretionary appeal against the unfavorable decision with the Board of Tax Appeals, which is awaiting judgment.

Contingent assets

The Company and its subsidiaries material contingent assets are as follows:

a) The Company and its subsidiary Indústria e Comércio de Cosméticos Natura Ltda. are challenging in court the unconstitutionality and illegality of the increase in the tax basis for PIS and COFINS established by Article 3, Paragraph 1, of Law 9718/98. The amounts involved in the lawsuits, updated to December 31, 2011, are R$21,935 (R$20,920 as of December 31, 2010). In the first quarter of 2011, the 3rd Region Federal Court published a court decision, on a Motion for Clarification of Judgment filed by the companies, favorable to the Company and that allows the offset of the tax credits (i) against any federal taxes payable by Natura Cosméticos and (ii) limited to PIS and COFINS debts of Indústria e Comércio de Cosméticos Natura Ltda. As a result, the Company has recognized PIS and COFINS credits in the amount of R$16,852 in line item 'Recoverable taxes' related to undue payments made in the five years prior to the date the lawsuits were filed, as a balancing item to line item 'Other operating income (expenses)' for the period.

b) The Company and its subsidiary Indústria e Comércio de Cosméticos Natura Ltda. have filed special and extraordinary appeals with the Superior Court of Justice and the Federal Supreme Court claiming the recognition of their right to offset unduly paid taxes during the ten-year period prior to date both lawsuits were filed and, with respect to Indústria e Comércio de Cosméticos Natura Ltda., the right to offset such credits against any federal taxes managed by the subsidiary. The Company has filed a request for the recognition and awaits the approval of the related credits to be able to offset them against federal taxes.

c) The Company and its subsidiaries Indústria e Comércio de Cosméticos Natura Ltda., Natura Inovação e Tecnologia de Produtos Ltda. and Natura Logística e Serviços Ltda. are requesting the refund of ICMS and ISS included in the PIS and COFINS tax basis and paid in the period from April 1999 to March 2007. The amounts of the refund requests as of December 31, 2011 are R$135,305 (R$120,808 as of December 31, 2010). The legal counsel believes that the likelihood of a favorable outcome is probable.

18. OTHER PROVISIONS

	Company		Consolidated	
	2011	2010	2011	2010
Retirees' healthcare plan	19,332	13,123	28,132	19,713
Carbon credit (note 2.11.3)	16,486	12,683	16,486	12,683
Other provisions	-	-	191	29
	35,818	25,806	44,809	32,425

The Group has a postemployment healthcare plan for a group of former employees and their spouses that is governed by specific rules. As of December 31, 2011, the plan had 1,073 (Company) and 2,144 (Consolidated) participants.

As of December 31, 2011, the Group had a provision for the actuarial liability arising from this plan, totaling R$19,332 (Company) and R$28,132 (Consolidated) (R$13,123, Company and R$19,713, Consolidated as of December 31, 2010).

During the year, the impact of this plan on profit or loss is related to the service cost totaling R$1,192, interest expenses totaling R$2,823, and changes in actuarial assumptions totaling R$4,499.

The carried liability was calculated by an independent actuary taking into consideration the following main assumptions:

	Annual percentage (in nominal terms)
	2011
Financial discount rate	10.5
Increase in medical expenses (reduced by 0.5% p.a.)	10.5 a 5.5
Long-term inflation rate	4.5
General mortality table	RP2000

19. SHAREHOLDERS' EQUITY

a) Issued capital

As of December 31, 2010, the Company's capital was R$418,061.

In the first quarter of 2011, 153,230 common shares without par value were subscribed at the average price of R$24,78, totaling R$3,797, and, therefore, at March 31, 2011 the Company's capital was represented by 431,034,646 subscribed and paid-in registered common shares without par value, totaling R$421,858. Authorized capital decreased from 10,428,709 to 10,275,479 registered common shares.

In the second quarter of 2011, 200,059 common shares without par value were subscribed at the average price of R$25,51, totaling R$5,104, and, therefore, the Company's capital at June 30, 2011 was represented by 431,234,705 subscribed and paid-in registered common shares without par value, totaling R$426,962. Authorized capital decreased from 10,275,479 to 10,075,420 registered common shares.

In the third quarter of 2011, 4,559 common shares without par value were subscribed at the average price of R$24.71, totaling R$111, and, therefore, the Company's capital was represented by 431,239,264 subscribed and paid-in registered common shares without par value, totaling R$427,073. Authorized capital decreased from 10,075,420 to 10,070,861 registered common shares

In the fourth quarter of 2011 there was no change in capital. Therefore, the shareholders' equity stated as of December 31, 2011 is equal to the capital detailed above.

b) Dividend and interest on capital payment policy

The shareholders are entitled to receive every year a mandatory minimum dividend of 30% of net income, considering principally the following adjustments:

• Increase in the amounts resulting from the reversal of previously recognized reserves for contingencies.

• Decrease in the amounts intended for the recognition of the legal reserve and reserve for contingencies.

The bylaws allow the Company to prepare semiannual and interim balance sheets and, based on these balance sheets, authorize the payment of dividends upon approval by the Board of Directors.

On April 14, 2011, dividends paid totaled R$405,623 (R$0.9414 per share) and gross interest on capital paid totaled R$24,456 (R$0.0567 gross per share), in accordance with the 2010 net income distribution approved by the Board of Directors on February 23, 2011 and confirmed by the Annual Shareholders' Meeting held on April 8, 2011, which added to the R$253,947 in dividends and the R$35,427 in interest on capital paid in August 2010, totals a distribution of approximately 95% of the net income for the year ended December 31, 2010.

On July 20, 2011, the Board of Directors approved, for confirmation at the Annual Shareholders' Meeting that will resolve on the approval of the financial statements for the year ending December 31, 2011, a proposal for the payment of interim dividends and interest on capital on income recorded in the first half of 2011, in the amount of R$295,302 (R$0.68 per share) and R$37,507, gross of withholding income tax (R$0.087 gross per share), respectively. The total amount of interim dividends and interest on capital corresponds to 98% of net income recorded in the first half of 2011.

In addition, on February 15, 2012, the Board of Directors approved a proposal to be submitted to the Annual Shareholders' Meeting to be held on April 13, 2012, for the payment of dividends and gross interest on capital totaling R$467,261 and R$23,624 (R$20,080, net of IRRF), respectively, related to income for 2011, which added to the R$295,302 in dividends and the R$37,506 in interest on capital paid in August 2010 correspond to a distribution of approximately 99% of net income for 2011.

Dividends were calculated as follows:

	Company	
	2011	2010
Net income for the year	830,901	744,050
Tax incentive reserve - investment grant	(3,677)	(5,973)
Calculation basis for minimum dividends	827,224	738,077
Mandatory minimum dividends	30%	30%
Annual minimum dividend	248,167	221,423
Proposed dividends	762,563	659,570
Interest on capital	61,130	59,883
IRRF on interest on capital	(9,170)	(8,983)
Total dividends and interest on capital, net of IRRF	814,523	710,470
Amount exceeding mandatory minimum dividend	566,356	489,047
Dividends per share - R$	1.7760	1.5312
Interest on capital per share, net - R$	0.1208	0.1182
Total dividends and interest on capital per share, net - R$	1.8968	1.6494

As referred to in note 2.21, the portion of dividends exceeding minimum dividends, declared by management after the reporting period but before the authorization date for issuance of these financial statements, is not be recorded as a liability in the related financial statements and the effects of such supplementary dividends must be disclosed in a note. As a result, as of December 31, 2011 and 2010, the following portions of dividends exceeding mandatory minimum dividends were recorded in shareholders' equity as 'Proposed additional dividends':

	Company	
	2011	2010
Dividends	467,261	405,623
Interest on capital	23,624	24,456
	490,885	430,079

c) Treasury shares

The Company repurchased during the period 3,066,300 common shares, at the average price of R$34.06, in order to meet the exercise of options granted to the Company's and its direct and indirect subsidiaries' management and employees. In addition to the repurchase of shares in the period, a total of R$895, at an average unit cost of R$32.92, was used in the exercise of options.

As of December 31, 2011, line item 'Treasury shares' is broken down as follows:

	2011		
	Number of shares	R$'000	Average price per share - R$
Balance at beginning of year	655	14	21.37
Repurchased	3,066,300	104,452	34.06
Used	(45,198)	(1,617)	26.58
Balance at yearend	3,021,757	102,849	34.04

d) Share premium

Refers to the premium generated on the issuance of 3,299 common shares resulting from the capitalization of debentures totaling R$100,000, occurred on March 2, 2004.

e) Legal reserve

Since the balance of legal reserve plus capital reserves, addressed by article 182, paragraph 1, of Law 6404/76, exceeded 30% of the capital, the Company decided, in accordance with article 193 of the same Law, not to recognize a legal reserve on net income earned in fiscal years 2006, 2007, 2008, 2009, 2010 and 2011.

f) Reserve for retained earnings

As of December 31, 2011, the reserve for retained earnings was recognized pursuant to article 196 of Law 6404/76 for use in future investments, and amounts to R$3,530 (R$23,421 recognized as of December 31, 2010). The retention for 2011, prepared by management and approved by the Board of Directors on February 15, 2012, will be submitted to and approved by the Annual Shareholders' Meeting on April 13, 2012.

g) Other comprehensive income

The Company records in this line item the effects of exchange differences arising on translating investments in foreign subsidiaries. The accumulated effect will be reversed to income as a gain or loss only in case of sale or write-off of the investment.

20. SEGMENT INFORMATION

Segment reporting is consistent with management reports provided by the main operating decision-maker to assess the performance of each segment and the allocation of funds. Although the main decision-maker analyzes the information on revenue at its different levels, according to the reports used by management to make decisions, the Company's business is mainly segmented based on the sales of cosmetics by geography, which are as follows: Brazil, Latin America ("LATAM") and other countries. In addition, LATAM is divided into two groups for analysis: (i) Argentina, Chile and Peru ("Consolidating Operations"); and (ii) Mexico and Colombia (" "). The segments' business features are similar and each segment offers similar products through the same consumer access method.

Net revenue by geography is as follows in 2011:

- Brazil: 91.0%
- Consolidating Operations: 6.0%
- Operations under Implementation: 2.7%
- Other: (0.3%)

Although the international segments do not represent more than 10% of the information required to aggregate a segment, pursuant to the aggregation criteria described in IFRS 8 - Operating Segments, management has substantial evidence that its foreign business share will increase considerably against consolidated financial balances and, thus, management opted to report them separately.

The accounting practices for each segment are the same as those described in note 2, description of Natura's business and significant accounting policies. The performance of the Company's segments was assessed based on the net operating income, net income and noncurrent assets. This measurement basis excludes the effects of interest, income tax and social contribution, depreciation and amortization.

The financial information related to the segments as of December 31, 2011 and 2010 is summarized in the tables below. The amounts provided to the Executive Committee related to net income and total assets are consistent with the balances recorded in the financial statements and with the accounting policies applied.

2011	Net revenue	Net income	Depreciation and amortization	Financial expenses, net	Income tax	Noncurrent assets	Total assets	Current liabilities
Brazil	5,089,533	916,148	(102,938)	(73,470)	(406,168)	1,535,676	3,482,649	1,142,356
Argentina, Chile and Peru	355,058	(578)	(4,226)	(2,625)	379	25,282	187,016	90,915
Mexico and Colombia	149,166	(66,996)	(2,183)	(1,245)	(1,040)	11,857	96,070	34,730
Other (*)	17,617	(17,673)	(574)	-	-	16,938	27,277	6,718
Consolidated	5,591,374	830,901	(109,921)	(77,340)	406,829	1,589,753	3,793,012	1,274,719

2010	Net revenue	Net income	Depreciation and amortization	Financial expenses, net	Income tax	Noncurrent assets	Total assets	Current liabilities
Brazil	4,767,741	835,484	(82,692)	(47,918)	(374,412)	1,305,450	2,970,381	1,074,101
Argentina, Chile and Peru	255,702	(19,822)	(3,405)	(842)	(1,027)	19,489	156,666	76,802
Mexico and Colombia	98,275	(45,992)	(2,104)	(976)	1,319	10,858	69,041	33,009
Other (*)	14,994	(25,620)	(647)	-	-	16,177	25,783	6,738
Consolidated	5,136,712	744,050	(88,848)	(49,736)	(374,120)	1,351,974	3,221,871	1,190,650

(*) Includes operations in France and Corporate LATAM.

The Company has only on class of products that is sold to Natura Beauty Consultants which is classified as "Cosmetics". As such, disclosure of information by products and services is not applicable.

The Company has a diversified customer portfolio, with no concentration of revenue.

The revenue from foreign related parties reported to the Executive Committee was measured in accordance with that presented in the income statement.

21. NET REVENUE

	Company 2011	Company 2010	Consolidated 2011	Consolidated 2010
Gross revenue:				
Domestic market	6,898,727	6,486,421	6,896,735	6,487,124
Foreign market	-	-	637,593	471,185
Other sales	-	-	1,437	1,479
	6,898,727	6,486,421	7,535,765	6,959,788
Returns and cancellations	(11,514)	(8,682)	(12,212)	(8,682)
Taxes on sales	(1,038,436)	(963,424)	(1,932,179)	(1,814,394)
Net revenue	5,848,777	5,514,315	5,591,374	5,136,712

22. OPERATING EXPENSES AND COST OF SALES

a) Breakdown of operating expenses and cost of sales by function:

	Company 2011	Company 2010	Consolidated 2011	Consolidated 2010
Cost of sales	2,375,514	2,283,926	1,666,300	1,556,806
Marketing and selling expenses	1,503,069	1,292,365	1,952,740	1,704,322
General and administrative expenses	816,818	837,808	680,731	605,442
Compensation of key management personnel (note 23.1.)	3,765	18,174	30,168	70,351
Compensation of key management personnel (note 27.2.)	9,443	14,417	9,443	14,417
Total	4,708,609	4,446,690	4,339,382	3,951,338

b) Breakdown of operating expenses and cost of sales by nature:

	Company 2011	Company 2010	Consolidated 2011	Consolidated 2010
Variable costs and indirect costs of resale materials and products	2.375,514	2,283,926	1,385,624	1,319,106
Marketing and selling expenses	955,713	846,913	1,016,101	910,489
Freight expenses	246,563	223,236	265,148	234,066
Services expenses	57,927	65,227	180,332	171,970
Employee benefits (note 23)	263,540	261,441	644,983	628,078
Depreciation and amortization charges	27,565	15,305	109,921	88,848
Compensation of key management				
Compensation of key management personnel (note 27.2.)	9,443	14,417	9,443	14,417
Others expenses	103,275	141,083	727,830	584,364
Provision of administrative services (note 27.1)	433,192	328,183	-	-
Provision of research and development services (note 27.1.)	235,877	266,959	-	-
Total	4,708,609	4,446,690	4,339,382	3,951,338

23. EMPLOYEE BENEFITS

	Company 2011	Company 2010	Consolidated 2011	Consolidated 2010
Payroll and bonuses	183,741	177,326	439,684	414,167
Employee profit sharing	3,765	18,174	30,168	70,351
Defined contribution de pension plan (note 23.1.)	2,553	2,167	4,300	2,528
Executives' compensation	6,359	4,081	13,369	11,288
Taxes payable	67,122	59,693	157,462	129,744
	263,540	261,441	644,983	628,078

23.1. Profit sharing

The Company and its subsidiaries pay profit sharing to their employees and officers tied to the achievement of operating targets and specific goals, established and approved at the beginning of each year. As of December 31, 2011 and 2010, the amounts below were recorded as profit sharing:

	Company 2011	Company 2010	Consolidated 2011	Consolidated 2010
Employees	3,765	18,174	30,168	70,351
Officers (*)	-	6,018	-	6,018
	3,765	24,192	30,168	76,369

(*) Included in line item 'Management compensation'.

23.2. Share-based payments

Once a year the Board of Directors meets in order to choose the directors and managers who will receive the options and the total number to be distributed.

Under the format prevailing until 2008, the programs had a four-year vesting period, after which 50% of the options could be exercised at the end of the third year and 50% at the end of the fourth year, and a maximum term of two years for the exercise of options after the end of the fourth year of the vesting period.

In 2009, the plan was revised to establish the end of the fourth year as the vesting date of all the options granted, with the possibility of reducing the vesting period to three years through the cancelation of 50% of the options granted and setting the four years as the maximum term for the exercise of the options.

On March 23, 2011, 1,491,780 options were granted under this new plan format, with the Exercise price of R$42.39.

The changes in the number of outstanding stock options and their related weighted-average prices are as follows:

	2011 Average exercise price per share - R$	2011 Options (thousands)	2010 Average exercise price per share - R$	2010 Options (thousands)
Balance at beginning of year	28.10	6,839	23.22	5,538
Granted	42.39	1,492	34.17	2,176
Cancelled	29.35	(563)	22.80	(268)
Exercised	25.33	(405)	22.74	(607)
Balance at yearend	32.84	7,363	28.10	6,839

Out of the 7,363,000 outstanding options as of December 31, 2011 (6,839,000 outstanding options as of December 31, 2010), 1,214,000 outstanding options are vested (822,000 outstanding options as of December 31, 2010). The options exercised in 2011 resulted in the issuance of 405,000 shares (607,000 shares in for the year ended December 31, 2010) and in the use of 45,000 of the shares held in treasury.

The expense related to the fair value of the options granted recognized in net income for the year ended December 31, 2011, according to the elapsed vesting period, was R$6,359 and R$13,369, Company and on a consolidated basis, respectively (R$4,081 and R$11,288, Company and on a consolidated basis, respectively, as of December 31, 2010).

The stock options outstanding at the end of the year have the following vesting dates and exercise prices:

As of December 31, 2011

Grant date	Exercise price - R$	Existing options	Remaining contractual life (years)	Vested options
March 29, 2006	31.97	319,317	0.21	319,317
April 24, 2007	30.24	470,274	1.33	470,274
April 22, 2008	23.48	848,250	2.34	424,125
April 22, 2009	25.61	2,249,793	5.39	-
March 19, 2010	37.58	2,004,244	6.31	-
March 21, 2011	43.85	1,470,940	7.31	-
		7,362,818		1,213,716

As of December 31, 2010

Grant date	Exercise price - R$	Existing options	Remaining contractual life (years)	Vested options
March 16, 2005	20.25	82,981	0.21	82,981
March 29, 2006	30.17	414,120	1.23	414,120
April 24, 2007	28.53	650,333	2.35	325,167
April 22, 2008	22.16	1,128,902	3.36	-
April 22, 2009	24.17	2,436,105	6.40	-
March 19, 2010	35.46	2,126,372	7.32	-
		6,838,813		822,268

As of December 31, 2011, market price per share was R$36.26 (R$47.69 as of December 31, 2010).

The options were measured at their fair values on grant date, pursuant to IFRS 2 - Shared Based Payments. The weighted average fair value of the options as of December 31, 2011 was R$32.84.

The options were priced using the binomial pricing model. The significant data included in the fair value pricing model of the options granted in 2011 was as follows:

- 36% volatility (37% as of December 31, 2010).
- Dividend yield of 5.3% (5.3% as of December 31, 2010).
- Expect option life of three and four years.
- Risk-free annual interest rate of 10.98% (10.8% as of December 31, 2010).

23.3. Pension plan

The Company and its subsidiaries sponsor two employees' benefit plans: a pension plan, through a private pension fund managed by Brasilprev Seguros e Previdência S.A., and an extension of healthcare plans to retired employees. The defined contribution pension plan was created on August 1, 2004 and all employees hired from that date are eligible to it. Under this plan, the cost is shared between the employer and the employees so that the Company's share is equivalent to 60% of the employee's contribution according to a contribution scale based on salary ranges from 1% to 5% of the employee's monthly compensation.

As of December 31, 2011, the Group did not have actuarial liabilities arising from the former employees' pension plan.

The contributions made by the Company and its subsidiaries totaled R$2,553 (Company) and R$4,300 (Consolidated) in the period ended December 31, 2011 (R$2,167, Company and R$2,528, Consolidated in the period ended December 31, 2010) and were recorded as expenses for the year.

24. FINANCIAL INCOME (EXPENSES)

	Company 2011	Company 2010	Consolidated 2011	Consolidated 2010
Financial income:				
Interest on short-term investments	21,707	13,171	55,463	35,809
Inflation adjustment and foreign exchange gains (a)	-	-	3,218	34
Gains on swap and forward transactions	40,438	2,403	39,469	3,901
Other financial income	24,357	1,941	24,548	13,895
	86,502	17,515	122,698	53,639
Financial expenses:				
Interest on financing	(72,487)	(39.896)	(92,044)	(58,457)
Inflation adjustment and foreign exchange losses (a)	(36,496)	(3,757)	(38,266)	(7,130)
Losses on swap and forward transactions	(26,359)	(9,491)	(27,688)	(12,218)
Gains (losses) on the mark-to-market of swap and forward derivatives	(1,171)	416	(1,040)	142
Other financial expenses	(26,735)	(5,509)	(40,999)	(25,712)
	(163,248)	(58,237)	(200,037)	(103,375)
Financial expenses, net	(76,746)	(40,722)	(77,340)	(49,736)

The objective of the breakdowns below is to explain more clearly the foreign exchange hedging transactions contracted by the Company and the related balancing items in the income statement shown in the previous table:

	Consolidated	
(a)	2011	2010
Inflation adjustment and foreign exchange gains	3,218	34
Inflation adjustment and foreign exchange losses	(38,266)	(7,130)
	(35,048)	(7,096)
(a) Breakdown:		
Exchange rate changes on borrowings and financing	(32,104)	(2,781)
Adjustment for inflation on financing	(55)	34
Exchange rate changes on imports	(2,256)	(1,089)
Exchange rate changes on accounts payable in foreign subsidiaries	(3,852)	(1,399)
Exchange rate changes on export receivables	3,218	(1,861)
	(35,048)	(7,096)

25. OTHER OPERATING INCOME (EXPENSES), NET

	Company		Consolidated	
	2011	2010	2011	2010
Gain (loss) on sale of property, plant and equipment	918	106	(1,125)	(9,044)
PIS and COFINS credits (*)	11,887	-	16,852	-
Untimely used PIS and COFINS credits	15,461	-	40,378	-
Other operating income (expenses)	15,313	350	6,973	(8,424)
Other operating income (expenses), net	43,579	456	63,078	(17,468)

(*) The stated amount includes the recognized PIS and COFINS tax credits arising from a favorable outcome in a lawsuit claiming the unconstitutionality and illegality of the PIS and COFINS taxable basis broadening established by Law 9718/98. For further details see note 17 (a), on contingent assets.

26. EARNINGS PER SHARE

26.1. Basic

Basic earnings per share are calculated by dividing the net income attributable to the owners of the Company by the weighted average of common shares issued during the year, less common shares bought back by the Company and held as treasury shares.

	2011	2010
Net income attributable to owners of the Company	830,901	744,050
Weighted average of common shares issued - thousands	431,129,772	430,548,910
Weighted average of treasury shares	(1,059,330)	(655)
Weighted average of outstanding common shares	430,070,442	430,548,255
Basic earnings per share - R$	1.9320	1.7281

26.2. Diluted

Diluted earnings per share is calculated by adjusting the weighted average outstanding common shares supposing that all potential common shares that would cause dilution are converted. The Company has only one category of common shares that would potentially cause dilution: the stock options.

	2011	2010
Net income attributable to owners of the Company	830,901	744,050
Weighted average of outstanding common shares	430,070,442	430,548,255
Adjustment for stock options	930,348	1,564,844
Weighted average number of common shares for diluted earnings per share calculation purposes	431,000,790	432,113,098
Diluted earnings per share - R$	1.9279	1.7219

27. RELATED-PARTY TRANSACTIONS

27.1. Intergroup balances and transactions

Receivables from and payables to related parties are as follows:

	Company	
	2011	2010
Current assets:		
Natura Inovação e Tecnologia de Produtos Ltda. (a)	12,531	13,143
Natura Logística e Serviços Ltda. (b)	20,809	12,218
Indústria e Comércio de Cosméticos Natura Ltda. (c)	4,568	-
	37,908	25,361
Current liabilities:		
Trade payables:		
Indústria e Comércio de Cosméticos Natura Ltda. (c)	163,146	153,597
Natura Logística e Serviços Ltda. (d)	114,737	47,356
Natura Inovação e Tecnologia de Produtos Ltda. (e)	15,141	45,636
	293,024	246,589

Related-party transactions are as follows:

	Company			
	Product sales		Product purchases	
	2011	2010	2011	2010
Indústria e Comércio de Cosméticos Natura Ltda.	3,155,905	3,006,596	-	-
Natura Cosméticos S.A. - Brasil	-	-	2,972,918	2,837,687
Natura Cosméticos S.A. - Peru	-	-	35,382	34,104
Natura Cosméticos S.A. - Argentina	-	-	49,852	42,693
Natura Cosméticos S.A. - Chile	-	-	33,211	32,971
Natura Cosméticos S.A. - Mexico	-	-	38,715	35,533
Natura Cosméticos Ltda. - Colombia	-	-	19,989	18,514
Natura Europa SAS - France	-	-	5,365	4,672
Natura Inovação e Tecnologia de Produtos Ltda.	-	-	431	388
Natura Logística e Serviços Ltda.	-	-	42	34
	3,155,905	3,006,596	3,155,905	3,006,596
	Service provided		Services received	
	2011	2010	2011	2010
Administrative structure: (f)				
Natura Logística e Serviços Ltda.	433,192	438,095	-	-
Natura Cosméticos S.A. - Brasil	-	-	323,715	328,183
Indústria e Comércio de Cosméticos Natura Ltda.	-	-	67,694	67,810
Natura Inovação e Tecnologia de Produtos Ltda.	-	-	41,783	42,102
	433,192	438,095	433,192	438,095
Product and technology research and development: (g)				
Natura Inovação e Tecnologia de Produtos Ltda.	235,877	266,959	-	-
Natura Cosméticos S.A. - Brazil	-	-	235,877	266,959
	235,877	266,959	235,877	266,959
In vitro research and testing: (h)				
Natura Innovation et Technologie de Produits SAS - France	2,790	3,538	-	-
Natura Inovação e Tecnologia de Produtos Ltda.	-	-	2,790	3,538
	2,790	3,538	2,790	3,538
Lease of properties and shared charges: (i)				
Indústria e Comércio de Cosméticos Natura Ltda.	7,296	6,728	-	-
Natura Logística e Serviços Ltda.	-	-	4,227	3.899
Natura Inovação e Tecnologia de Produtos Ltda.	-	-	1,699	1,567
Natura Cosméticos S.A. - Brasil	-	-	1,370	1,262
	7,296	6,728	7,296	6,728
Total of sales or purchases and services	3,835,060	3,721,916	3,835,060	3,721,916

(a) Advances granted for provision of product and technology development and market research services.
(b) Advances granted for provision of logistics and general administrative services.
(c) Payables for the purchase of products.
(d) Payables for services described in item (f).
(e) Payables for services described in item (g).
(f) Logistics and general administrative services.
(g) Product and technology development and market research services.
(h) Provision of in vitro research and testing services.
(i) Lease of part of the industrial complex located in Cajamar, SP and buildings located in the municipality of Itapecerica da Serra, SP.

The main intergroup balances as of December 31, 2011 and 2010, as well as intergroup transactions that affected the years then ended, refer to transactions between the Company and its subsidiaries.

Because of the Company's and subsidiaries' operational model, as well as the channel chosen to distribute products, direct sales via Natura Beauty Consultants, a substantial portion of sales is made by the subsidiary Indústria e Comércio de Cosméticos Natura Ltda. to the parent company Natura Cosméticos S.A. in Brazil and to its foreign subsidiaries.

Sales to unrelated parties amounted to R$5,341 for the period ended December 31, 2011 (R$5,650 for the period ended December 31, 2010).

No allowance for doubtful accounts was recognized for intragroup receivables as of December 31, 2011 and 2010 due to the absence of past-due receivables with risk of default.

According to note 14, the Group companies usually grant each other pledges and collaterals to guarantee bank loans and financing.

27.2. Key management personnel compensation.

The total compensation of the Group's key management personnel is broken down as follows:

	2011			2010		
	Compensation			Compensation		
	Fixed	Variable (*)	Total	Fixed	Variable (*)	Total
Board of Directors	3,786	-	3,786	3,348	1,985	5,333
Officers	5,657	-	5,657	5,051	4,033	9,084
	9,443	-	9,443	8,399	6,018	14,417
Executives	30,587	2,390	32,977	25,194	14,917	40,111

(*) Refers to profit sharing recorded in the year. The amounts include any additions and/or reversals to the provision recorded in the previous year in view of the final assessment of the targets established for directors, officers and executives.

27.3. Share-based payments

Breakdown of Company officers and executives' compensation:

	2011		2010	
	Stock option grant		Stock option grant	
	Stock option balance (number) (a)	Average exercise price R$ (b)	Stock option balance (number) (a)	Average exercise price R$ (b)
Officers	1,700,155	32.84	1,512,569	28.10
Executives	3,173,327	32.84	2,961,042	28.10

(a) Refers to the balance of unexercised vested and unvested options at the end of the reporting period.
(b) Refers to the weighted-average exercise price of the option at the time of the stock option plans, adjusted for inflation based on the Extended Consumer Price Index (IPCA) through the end of the reporting period.

28. COMMITMENTS

28.1. Inputs supply contracts

The subsidiary Indústria e Comércio de Cosméticos Natura Ltda. entered into a contract for the supply of electric power to its manufacturing activities, in effect through 2015, which provides for the purchase of a minimum monthly volume of 3.6 Megawatts, equivalent to R$363. As of December 31, 2011, the subsidiary was compliant to the contract's commitment.

The amounts are carried based on electric power consumption estimates in accordance with the contract period, whose prices are based on volumes, also estimated, resulting from the subsidiary's continuous operations.

Total minimum supply payments, measured at nominal value, according to the contract, are:

	2011	2010
Less than a year	3,983	3,899
More than one year and less than five years	9,842	9,591
More than five years	-	2,578
	13,825	16,068

28.2. Operating lease transactions

The Company and its subsidiaries have commitments arising from operating leases of properties where some of its foreign subsidiaries, the head office in Brazil and "Casas Natura" in Brazil and abroad are located.

Contracts have lease terms of one to ten years and no purchase option clause when terminated; however, renewal is permitted under the market conditions where they are entered into, for an average of two years.

As of December 31, 2011, the commitment made for future payments of these operating leases had the following maturities:

	Company	Consolidated
2012	1,217	6,011
2013	1,119	4,940
2014 and thereafter	2,687	6,618
	5,023	17,569

29. INSURANCE

AThe Group has an insurance policy that considers principally risk concentration and materiality, and insurance is obtained 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, 2011, insurance coverage is as follows:

Item	Type of coverage	Insured amount
Industrial complex/ inventories	Any damages to buildings, facilities, and machinery and equipment	916,659
Vehicles	Fire, theft and collision for 1,337 vehicles	52,242
Loss of profits	Loss of profits due to material damages to facilities, buildings and production machinery and equipment	1,615,685

30. APPROVAL OF FINANCIAL STATEMENTS

The individual and consolidated financial statements were approved by the Board of Directors and authorized for issue at the meeting held on February 15, 2012.

INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS

To the Shareholders, Board of Directors and Management of Natura Cosméticos S.A.
Itapecerica da Serra - SP

We have audited the accompanying individual and consolidated financial statements of Natura Cosméticos S.A. (the "Company"), identified as Parent and Consolidated, respectively, which comprise the balance sheet as of December 31, 2011, and the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Company's Management is responsible for the preparation and fair presentation of the individual financial statements in accordance with accounting practices adopted in Brazil and the consolidated financial statements in accordance with International Financial Reporting Standards - IFRSs, issued by the International Accounting Standards Board - IASB, and in accordance with accounting practices adopted in Brazil, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Brazilian and international standards on auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the individual financial statements

In our opinion, the individual financial statements referred to above present fairly, in all material respects, the financial position of Natura Cosméticos S.A. as of December 31, 2011 and its financial performance and its cash flows for the year then ended in accordance with accounting practices adopted in Brazil.

Opinion on the consolidated financial statements

In our opinion, the consolidated financial statements statements referred to above present fairly, in all material respects, the consolidated financial position of Natura Cosméticos S.A. as of December 31, 2011 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRSs issued by IASB and accounting practices adopted in Brazil.

Emphasis of matter

We draw attention to note 2.1. to the financial statements, which states that the individual financial statements have been prepared in accordance with accounting practices adopted in Brazil. In the case of Natura Cosméticos S.A., these accounting practices differ from the IFRSs, applicable to separate financial statements, only with respect to the measurement of investments in subsidiaries, associates and joint ventures by the equity method of accounting, which, for purposes of IFRSs, would be measured at cost or fair value. Our opinion is not qualified in respect of this matter.

Other matters

Statements of value added

We have also audited the individual and consolidated statements of value added (DVA) for the year ended December 31, 2011, prepared under the responsibility of the Company's Management, the presentation of which is required by Brazilian Corporate Law for publicly-traded companies, and as supplemental information for IFRS that do not require the presentation of DVA. These statements were subject to the same auditing procedures described above and, in our opinion, are fairly presented, in all material respects, in relation to the financial statements taken as a whole.

The accompanying financial statements have been translated into English for the convenience of readers outside Brazil.

São Paulo, February 15, 2012

Deloitte.
Auditores Independentes
CRC nº 2 SP 011609/O-8

Edimar Facco
Engagement Partner
CRC nº 1 SP 138635/O-2

ABOUT THIS **REPORT**

3.1 - 3.11; 4.12; 4.14 - 4.17

We developed different forms of discussion with view at presenting Natura's performance to stakeholders as completely as possible and enabling them to assess the Company's progress.

For this reason, for 12 years Natura has issued its annual sustainability report in accordance with the Global Reporting Initiative (GRI) guidelines and for the last ten years the Company has published its sustainability report and annual (financial) report as a single document. Every year we seek to improve this process by providing complete data in perspective that is widely accessible to anyone interested in the Company.

In this year's Natura Report, we have refined both the format and the language of the publication (see box 1). In the discussion panels held in 2010 and 2011 our stakeholders expressed the wish for a more concise content and a lighter format. The information in the print version, for example, is more objective and was developed with the input of Natura stakeholders. The complete annual report with more detailed information is available for download in PDF format from our website.

DIFFERENT FORMS OF COMMUNICATION

_Natura Management Report – main performance data for the year published in the newspapers Valor Econômico, Brasil Econômico and Diário Oficial on February 16, 2012.

_Natura Annual Report (printed version) – summarized format with room for company stakeholders to express their opinion on Natura's performance and relationship practices. Available in Portuguese, English and Spanish.

_Website – as with the print version, the portal www.natura.net/relatorio presents the information in summarized report. Available in Portuguese, English and Spanish.

_Natura Annual Report (full version) – available for download in PDF format also from the website www.natura.net/relatorio. This version presents the full content of the report with detailed information. Available in Portuguese, English and Spanish.

_Ipad – the content of the Natura Report is available for iPads in Portuguese.

The performance indicators are in accordance with GRI G3.1 guidelines at application level A+. The data refer to the period from January 1st to December 31st 2011. The socio-environmental information relates in great part to the Company's activities in Brazil where our production is concentrated, as are most of our social and environmental impacts. The economic data encompasses all our operations, both in Brazil and abroad. Between 2010 and 2011, we included the Latin American countries in the construction of the materiality matrix (more below) and in a greater number of socio-environmental indicators. We are, however, aware that we need to increase monitoring of our international operations, which constitutes a challenge for the company.

For our main environmental impacts - water and energy consumption and waste generation - the calculations also include data from third-party manufacturers who supply us with finished products in Brazil. This enables us to carry out a more accurate diagnosis of the impact generated by our operations.

Significant changes in the bases of calculations or indicator measurement techniques are indicated throughout the text and the tables.

The report also presents data on the people who are part of Natura's daily routine: employees, consultants and Natura Consultant Advisors (NCAs), consumers, suppliers, suppliers' communities, surrounding communities, shareholders and government.

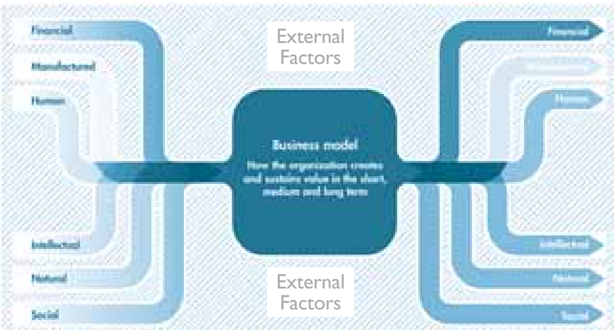
The financial data were audited by the Consulting Company Deloitte Touche Tohmatsu Auditores Independentes, while the GRI indicators and AccountAbility AA1000 Standards were assured by Ernst & Young Terco Auditores Independentes S.S.. The consultancy KPMG also provided a limited assurance of the company's greenhouse gas (GHG) emission data in the 2011 inventory.

INTEGRATED REPORTING

Since 2002, Natura has published its sustainability and financial reports in a single document encompassing all dimensions of the business: economic and financial, social, environmental and governance.

The integrated report, a global trend, is aimed not only at combining financial and non-financial documents in the same publication but at reflecting a business strategy that incorporates all dimensions of the business in its management and analysis of risks and opportunities.

To learn and to grow in this area, Natura is involved in the main global forums discussing integrated reporting. It sponsors the development of the fourth generation of GRI indicators, designed to further integrate financial and non-financial information. The Company also participates in the International Integrated Reporting Council (IIRC), comprising global leaders of companies, investors, academic institutions, industry associations, regulatory and standardization bodies seeking to create a global standard for integrated reports. The IIRC global committee is engaged in defining global indicators and principles. Natura is one of the companies involved in the pilot project, and this report is aligned with the initial framework set forth by the IIRC. *(see the table below)*.



The information is gathered with the support of a sustainability communication consultant Company. It involves more than 50 interviews both with employees and a control, as well as the updating of indicators by diverse company areas. An additional 20 people representing external Natura stakeholders were interviewed for the printed version of the report. Quantitative indicators are gathered using an online tool which is filled out by the areas in charge. The content is also evaluated by an internal committee comprising managers responsible for the quality of relations with our different stakeholders and led by Natura senior management.

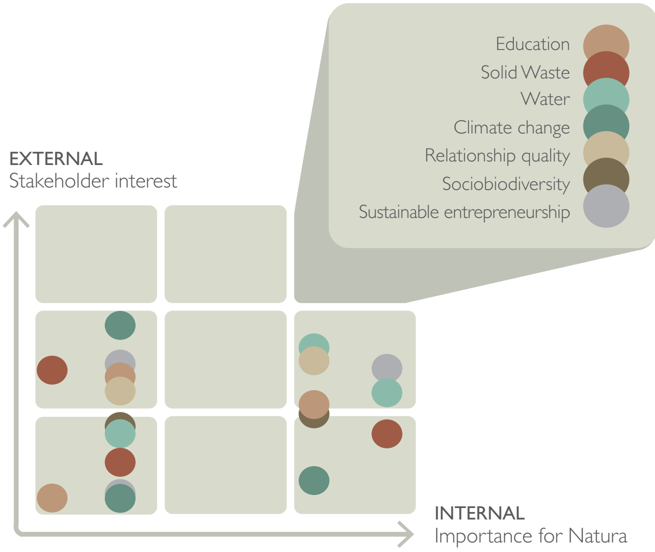
MOST RELEVANT SUBJECTS

The materiality matrix is the graphical representation of Natura's priority sustainability-related subjects (see chart). It not only underpins the report content, but also provides a diagnosis from which senior management makes plans for the Company, which are consequently reflected in its report.

Reviewed every two years, it is the result of the cross referencing of the socio-environmental subjects indicated as relevant by our stakeholders (external axis) and their importance for the company (internal axis) in accordance with its strategy, risks or opportunities and willingness to innovate.

The matrix in this report was built from 2010 to 2011 based on discussion panels held with stakeholders from Brazil and, for the first time ever, from our international operations. This enabled us to build a corporate matrix with a broader perspective that reflects the needs of the locations in which we operate. The priority sustainability topics identified were: water, education, sustainable entrepreneurship, climate change, relationship quality, waste and socio-biodiversity *(more on page 25).*

For more information about this report, contact **relatorionatura@natura.net**.



GLOBAL COMPACT

Natura has been a signatory of the Global Compact since July 2000. This is a United Nations Organization (UN) initiative that unites companies, workers and civil society in pursuit of sustainable growth and citizenship. We are also members of the Global Compact Steering Committee and signatories of its Caring for Climate program.

The Company is also on the Brazilian Global Compact Committee (CBPG in the Portuguese acronym), which foundation resulted from a partnership between the Instituto Ethos and the United Nations Development Program (UNDP) in 2003.

The CBPG is a voluntary group comprising companies, United Nations agencies in Brazil, trade bodies, academics and civil organizations. It is dedicated to incorporating these principles into business. For further information on the initiative, please access www.pactoglobal.org.br

THE GLOBAL COMPACT PRINCIPLES

The following is a list of GRI indicators aligned with the Global Pact principles: .

1. Respect and protection of human rights
2. Prevention of human rights violations
3. Support of freedom of association at work
4. Abolishment of forced labor
5. Abolishment of child labor
6. Elimination of discrimination at work
7. Support of a preventive approach to environmental challenges
8. Promotion of environmental responsibility
9. Encouragement of environmentally friendly technologies
10. Combat corruption in all its forms, including extortion and bribery

Natura supports the Global Reporting Initiative (GRI). As an organizational stakeholder, it contributes to the GRI mission of developing globally accepted sustainability reporting guidelines through the participation of stakeholders.

Global Reporting Initiative™ Organizational Stakeholder 2012

assurance declaration

3.13

INDEPENDENT AUDITORS' LIMITED ASSURANCE REPORT ON THE ANNUAL REPORT ON SUSTAINABILITY IN LINE OF GRI GUIDELINES (LEVEL A) AND OF ACCOUNTABILITY PRINCIPLES STANDARD AA1000APS – NATURA COSMÉTICOS S.A.

To the Board of Directors, Shareholders and Officers
Natura Cosméticos S.A.

1. We have performed limited assurance procedures on certain information contained in the Annual Report on Sustainability of Natura Cosméticos S.A., GRI Level A for the year ended December 31, 2011, prepared under the responsibility of Company management. Our responsibility is to issue a limited assurance report on certain information disclosed in this report.

2. The work was carried out in accordance with Assurance Standards and Procedures - NBC TO 3000, issued by the Brazil's National Association of State Boards of Accountancy (CFC) on assurance work other than audit or review of historical information, and comprised: (a) planning of the work considering the materiality and volume of information; (b) inquiry of and discussion with the professionals of Natura Cosméticos S.A. to gain an understanding of the main criteria, assumptions and methodologies used when preparing the Annual Report on Sustainability; (c) check, on a sampling basis, of evidence which supports the report data; (d) comparison of the information contained in the sustainability report with the Global Reporting Initiative (GRI) Guidelines – Level A and with Accountability Principles Standard AA1000APS; (e) discussion with Natura Cosméticos S.A. about the results obtained.

3. Our work aimed at checking whether the documentation of the Sustainability Report was in accordance with the GRI Level A indicators, which represent the global parameters for the preparation of sustainability reports and Accountability Principles Standard AA-1000APS. The GRI indicators comprise three levels of information which guide the limited assurance procedures. Worth noting is that our checking procedures relied on the Level A indicators, which represent an advanced level with regards to the number of performance indicators reported at Economic, Social, Environmental, Human Rights, Labor Practices and Product Accountability levels, as well as to how the related indicators are managed. Also, the work considered the specific indicators of Profile G3.1 (generation 3.1 of GRI parameters). With regards to Accountability Principles Standard AA1000APS, we checked the information contained in the report, based on its three key principles: inclusion, materiality and responsiveness, as set forth in the standard.

4. The scope of our work did not include: (i) validation of historical information, market information, descriptive information, financial data audited by other independent auditors, goals, projections and opinions subject to subjective evaluations, Natura Institute and Inventory of Greenhouse Gas Emissions (GGE) effect; (ii) check of input data used to design the aforesaid GRI indicators, relying therefore on data provided by Natura Cosméticos S.A. Accordingly, our report does not provide any limited or reasonable assurance on such information.

5. Based on our work described in this report, we are not aware of any significant change which should be made to the information contained in the Natura Cosméticos S.A.'s Sustainability Report for the year ended December 31, 2011 for it to be in accordance with the GRI Guidelines – Level A and with Accountability Principles Standard AA1000APS.

6. The information contained in Natura Cosméticos S.A.'s Sustainability Report for periods before and after the year ended December 31, 2011 was not checked by us.

São Paulo, April 3, 2012

ERNST & YOUNG TERCO

Auditores Independentes S.S.
CRC 2SP015199/O-6

Partner **Luiz Carlos Passetti**
CRC 1SP144343/O-3

Global Reporting Initiative™

Statement
GRI Application Level Check

GRI hereby states that **NATURA COSMETICS** has presented its report "NATURA REPORT" (2011) to GRI's Report Services which have concluded that the report fulfills the requirement of Application Level A+.

GRI Application Levels communicate the extent to which the content of the G3.1 Guidelines has been used in the submitted sustainability reporting. The Check confirms that the required set and number of disclosures for that Application Level have been addressed in the reporting and that the GRI Content Index demonstrates a valid representation of the required disclosures, as described in the GRI G3.1 Guidelines.

Application Levels do not provide an opinion on the sustainability performance of the reporter nor the quality of the information in the report.

Amsterdam, April 10th 2012

Nelmara Arbex
Deputy Chief Executive
Global Reporting Initiative

A+
GRI REPORT
GRI CHECKED

The "+" has been added to this Application Level because **NATURA COSMETICS** has submitted (part of) this report for external assurance. GRI accepts the reporter's own criteria for choosing the relevant assurance provider.

The Global Reporting Initiative (GRI) is a network-based organization that has pioneered the development of the world's most widely used sustainability reporting framework and is committed to its continuous improvement and application worldwide. The GRI Guidelines set out the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance. www.globalreporting.org

***Disclaimer:** Where the relevant sustainability reporting includes external links, including to audio visual material, this statement only concerns material submitted to GRI at the time of the Check on April 4th 2012. GRI explicitly excludes the statement being applied to any later changes to such material.*

REMISSIVE INDEX

G3.1 REMISSIVE INDEX				
1 - Strategy and analysis				
Profile	Description	Report	Pages	Details of part not reported
1.1	Message from the President and Chairman of the Board.	Total	5	
1.2	Description of main impacts, risks and opportunities.	Total	5	
2 - Organizational profile				
Profile	Description	Report	Páginas	Details of part not reported
2.1	Name of the Organization.	Total	9	
2.2	Brands, products and / or services.	Total	9	
2.3	Operating structure.	Total	9	
2.4	Location of organizational head office.	Total	9	
2.5	Countries in which the organization operates.	Total	9	
2.6	Nature of ownership and legal form.	Total	9	
2.7	Markets served.	Total	9	
2.8	Size of organization.	Total	9; 93	
2.9	Changes during the reporting period.	Total	9	
2.10	Awards and certifications.	Total	10	
3 - Report parameters				
Profile	Description	Report	Páginas	Details of part not reported
3.1	Reporting period.	Total	126	
3.2	Previous report.	Total	126	
3.3	Reporting cycles.	Total	126	
3.4	Contact information.	Total	126	
3.5	Definition of content.	Total	126	
3.6	Boundary of report.	Total	126	
3.7	Scope of report.	Total	126	
3.8	Basis for preparation of the report.	Total	126	
3.9	Data measurement techniques and bases for calculations.	Total	126	
3.10	Consequences of restatement information.	Total	126	
3.11	Significant changes.	Total	126	
3.12	GRI Summary.	Total	130	
3.13	External assurance.	Total	128	
4 - Governance, commitments and engagement				
Profile	Description	Report	Páginas	Details of part not reported
4.1	Governance structure.	Total	14	
4.2	Indication of whether the President of the highest governance body is also an executive director.	Total	14	
4.3	Number of independent or non executive members in the highest governance body.	Total	14	
4.4	Mechanisms for nomination to government bodies.	Total	33	
4.5	Relationship between compensation and economic and socio-environmental performance.	Total	19	
4.6	Processes to avoid conflicts of interest.	Total	14	
4.7	Qualification of members.	Total	14	
4.8	Internal values, conduct codes and principles.	Total	3	
4.9	Board activities.	Total	14; 15	
4.10	Board self-assessment.	Total	16	
4.11	Precautionary principle.	Total	55	
4.12	Charters, principles and initiatives.	Total	70; 126	
4.13	Participation in associations.	Total	70	
4.14	List of stakeholders.	Total	31; 126	
4.15	Identification of stakeholders.	Total	31; 126	
4.16	Engagement of stakeholders.	Total	31; 126	
4.17	Main stakeholders' subjects and concerns.	Total	25; 126	
Profile	Description	Report	Páginas	Details of part not reported

ECONOMIC PERFORMANCE INDICATORS					
DMA EC	Information on approach to economic management	Total	10; 90; 93		
Aspectos	Economic performance	Total	10; 90; 93		
	Disclosure on Management Approach	Total	9		
	Indirect economic impacts	Total	38; 50; 58; 59; 62; 86; 87		
Performance indicator	Description	Report	Pages	Details of part not reported	Global Pact Principles
Economic performance					
EC1	Direct economic value generated and distributed, including revenue, operating costs, employee compensation, donations and other community investments, retained earnings and payments to providers of capital and governments.	Total	87		
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.	Total	19		7; 8
EC3	Coverage of organization-defined pension benefits obligations.	Total	42; 43		
EC4	Significant financial assistance received from government.	Total	68; 69		
Market presence					
EC5	Ratio of lowest salary to local minimum wages in important operating units.	Total	42		6
EC6	Policies, practices and proportion of spending on local suppliers in important operating units.	Total	56; 62; 63		
EC7	Procedures for local hiring and proportion of senior managers recruited from local community in important operating units.	Total	38		6
Indirect economic impacts					
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial engagement, in kind donations or pro bono activities.	Total	58; 62; 86		
EC9	Identification and description of significant indirect economic impacts, including extent of impacts.	Total	38; 50; 58; 59; 86; 87		

ENVIRONMENTAL PERFORMANCE INDICATORS					
DMA EN	Information on approach to environmental management	Total	75		
Aspectos	Materials	Total	80		
	Energy	Total	84		
	Water	Total	25; 83		
	Biodiversity	Total	28; 78		
	Emissions, effluents and waste	Total	25 - 27; 75 - 85		
	Products and services	Total	80; 81		
	Compliance	Total	75		
	Transport	Total	74; 75		
	General	Total	75		
Performance indicator	Description	Report	Pages	Details of part not reported	Global Pact Principles
EN1	Materials used by weight or volume.	Parcial	81	"We reported the total materials used by weight and volume but did not classify them by non-renewable materials and direct materials used because the information is not available. We will measure this data in 2012 and report it in 2013.	8
EN2	Percentage of recycled materials used.	Total	80; 81		8; 9
Energy					
EN3	Direct energy consumption discriminated by primary energy source.	Total	84		8
EN4	Indirect energy consumption discriminated by primary source.	Total	84		8
EN5	Energy saved due to conservation and efficiency improvements.	Total	85		7; 8; 9
EN6	Initiatives to provide energy efficient or renewable energy-based products and services, and reductions in energy requirements as a result of these initiatives.	Total	81; 85		7; 8; 9
EN7	Initiatives to reduce indirect energy consumption and reductions achieved.	Total	84		7; 8; 9
Water					
EN8	Total water withdrawal by source.	Total	83		8
EN9	Water sources significantly affected by water withdrawal.	Total	83		8
EN10	Percentage and total volume of water recycled and reused.	Total	83		7; 8; 9
Biodiversity					
EN11	Location and size of areas owned, leased or managed in or adjacent to protected areas and areas of high biodiversity value outside protected areas.	Total	80		7; 8
EN12	Description of significant impacts of activities, products and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	Total	78		7; 8
EN13	Habitats protected or restored.	Total	80		7; 8
EN14	Strategies, current measures and future plans to manage impacts on biodiversity.	Total	78		7; 8
EN15	Number of IUCN Red List species and domestic species listed for conservation with habitats in areas affected by operations, discriminated by level of risk of extinction.	Total	78		8
Emissions, effluents and waste					
EN16	Total direct and indirect greenhouse gas emissions by weight.	Total	75; 76		8
EN17	Other relevant greenhouse gas emissions by weight.	Total	76		8
EN18	Initiatives to reduce greenhouse gas emissions and reductions obtained.	Total	75; 76		7; 8; 9
EN19	Emissions of ozone depleting substances by weight.	Total	76		8
EN20	NOx, SOx and other significant atmospheric emissions by weight and type.	Total	76		8
EN21	Total water discharge by quality and destination.	Total	83; 84		8
EN22	Total weight of waste by type and disposal method.	Total	82		8
EN23	Number and total volume of significant spillages.	Total	83		8
EN24	Weight of waste transported, imported, exported or treated deemed hazardous under the terms of the Basel Convention Appendices I, II, III and VIII, and percentage of waste shipped internationally .	Not	82		8
EN25	Identification, size, protection status and biodiversity value of water bodies and their habitats significantly affected by water discharge and runoff from reporting organization.	Partial	83	We provide information about water bodies impacted by our discharges, but we do not report on the size and biodiversity value of the water body. Information not material to our business.	7; 8
Products and services					
EN26	Initiatives to mitigate environmental impacts caused by products and services and extent of reduction of these impacts.	Partial	74; 76; 77; 80 - 83	"We reported on a number of initiatives to mitigate the environmental impacts of our products and services. Measures to mitigate noise-related impacts were not included in the report. The Natura materiality matrix prioritized environmental themes such as greenhouse gases, product impacts and in particular solid waste. Sound pollution was not included because it is not material for our business."	7; 8; 9
EN27	Percentage of products and packaging reclaimed by product category.	Partial	82	Relatamos o peso total de produtos e embalagens recuperados, mas não a porcentagem em relação ao total faturado. A informação ainda não está disponível. Passaremos a fazer a gestão deste dado em 2012, desta forma, reportaremos seus resultados em 2013. O tema Resíduos é prioritário para a Natura, refletido em nosso exercício de materialidade. Para nós, é importante atuar de forma a promover resultados para a sociedade, mais do que apenas para a Natura. Por isso, nossas ações contabilizarão também materiais além de nossos produtos.	7; 8; 9

Compliance					
EN28	Monetary value of relevant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	Total	67		8
Transport					
EN29	Significant environmental impacts from the transport of products and other goods and materials used in the organization's operations, including the transport of workers.	Total	74		8
General					
EN30	Total investment and spending on environmental protection by type.	Total	89		7; 8; 9
LABOR AND DECENT WORK PRACTICE PERFORMANCE INDICATORS					
DMA LA	Information on approach to managing labor practices	Total	35		
Aspectos	Employment	Total	35; 39; 41		
	Relations between workers and management	Total	27; 33		
	Occupational health and safety	Total	45		
	Training and education	Total	36		
	Diversity and equal opportunity	Total	36; 39		
	Ratio of men's base salary to women's	Total	41		
Performance indicator	Description	Report	Pages	Details of part not reported	Global Pact Principles
Emprego					
LA1	Total number of workers by employment type, employment contract and region.	Total	35; 41		
LA2	Total number and turnover rate of employees by age group, gender and region.	Total	39		6
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, broken down by major operation.	Total	43		
LA15	Rate of return to work and retention after maternity/paternity leave, by gender.	Total	41		
Relations between workers and management					
LA4	Percentage of employees covered by collective bargaining agreements.	Total	43		1; 3
LA5	Minimum prior notice of operational changes and whether this procedure is specified in collective bargaining agreements.	Partial	43	We give prior notification of operational changes, but do not have a minimum notice period for this. This information is not material for our business.	3
Occupational health and safety					
LA6	Percentage of employees represented by formal health and safety committees comprising managers and workers and which help monitor and provide guidance on occupational health and safety programs.	Total	46		
LA7	Rates of injuries, occupational diseases, days lost, absenteeism and total number of work-related fatalities by region.	Partial	45	We report a number of occupational health and safety data, but not by region. This information is not material for our business.	
LA8	Education, training, counseling, prevention and risk control programs in place to assist employees, their families or community members regarding serious diseases.	Total	46		
LA9	Health and safety topics covered by formal Union agreements.	Total	45		
Training and education					
LA10	Average number of training hours per year, per employee, broken down by employee category.	Total	36; 37		
LA11	Competency management and ongoing training programs supporting continued employability and end of career management.	Total	37; 43		
LA12	Percentage of employees receiving regular performance and career development assessments.	Total	38		
Diversity and equal opportunity					
LA13	Composition of governance bodies and breakdown of employees by category, gender, age group, minority groups and other diversity indicators.	Partial	40; 41	We report the breakdown of the work force in accordance with our view of diversity. We do not segment the data by gender and age group. This information is not material for our business.	1; 6
Ratio of men's base salary to women's					
LA14	Ratio of men's basic salary to women's by employment category.	Total	42		1
HUMAN RIGHTS PERFORMANCE INDICATORS					
DMA HR	Information on management approach to human rights	Total	31; 35		
Aspects	Management and investment practices	Total	36; 57; 60		
	Non discrimination	Total	33		
	Freedom of association and collective bargaining	Total	43		
	Child labor	Total	49; 57; 60		
	Forced or slave labor	Total	49; 57; 60		
	Safety practices	Total	45		
	Indigenous rights	Total	60		
	Assessment	Total	33; 34		
	Remediation	Total	33; 34		
Performance indicator	Description	Report	Pages	Details of part not reported	Global Pact Principles
Management and investment practices					
HR1	Percentage and total number of significant investment contracts that contain human rights clauses or were submitted to human rights related assessments.	Total	57; 60		1; 2; 4; 5; 6
HR2	Percentage of critical contractors and suppliers that were submitted to human rights related assessments and measures taken.	Total	57; 59		1; 2; 4; 5; 6
HR3	Total hours training for employees in human rights related policies and procedures pertinent to the operations, included percentage of employees trained.	Total	36		1; 2; 4; 5
Non discrimination					
HR4	Total number of cases of discrimination and measures taken.	Total	33		1; 6
Freedom of association and collective bargaining					
HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk and measures taken to support this right.	Total	43		1; 3
Child labor					
HR6	Operations identified in which there is significant risk of use of child labor and measures taken to abolish child labor.	Total	49; 57; 60		1; 4; 5
Forced or slave labor					
HR7	Operations identified in which there is significant risk of use of forced or slave labor and measures taken to eradicate forced or slave labor.	Total	49; 57; 60		1; 4; 5

Performance indicator	Description	Report	Pages	Details of part not reported	Global Pact Principles
Security practices					
HR8	Percentage of security personnel submitted to training in human rights related policies or procedures as relevant to the operations	Partial	36	We provide information on our safety practices, which include Human Rights training. However, we do not report on the percentage of security teams undergoing training and third parties participating in training as a proportion of the whole. These data are not available.	1; 2
Indigenous rights					
HR9	Total number of cases of breaches of indigenous peoples' rights and measures taken.	Total	60		1
Assessment					
HR10	Percentage and total number of operations that have undergone human rights reviews and / or impact assessments.	Total	33		1
Remediation					
HR11	Number of human rights complaints filed, addressed and resolved formally through complaint mechanisms	Partial	34		1
SOCIAL PERFORMANCE INDICATORS					
DMA SO	Information about approach to social management	Total	58; 62; 86		
Aspects	Surrounding communities	Total	58; 62		
	Corruption	Total	36; 69		
	Public policies	Total	63		
	Anti-competitive practices	Total	68		
	Compliance	Total	68		
Performance indicator	Description	Report	Pages	Details of part not reported	Global Pact Principles
Surrounding communities					
SO1	Nature, scope and effectiveness of any programs and practices to assess and manage the impacts of operations on the community, including startup, operation and closure.	Total	63; 64		1
SO9	Operations having significant potential or real negative impacts on local communities.	Total	64		
SO10	Preventive and mitigating measures implemented in operations having significant potential or real negative impacts on local communities.	Total	60		
Corruption					
SO2	Percentage and total number of units submitted to risk assessments related to corruption.	Total	19		10
SO3	Percentage of employees trained in organization's anticorruption policies and procedures.	Total	36		10
SO4	Measures taken in response to cases of corruption.	Total	19; 69		10
Public policy					
SO5	Positioning on public policy and participation in the drawing of public policy and lobbying.	Total	69		10
SO6	Total amount of financial contributions and contributions in kind to political parties, politicians or related institutions discriminated by country.	Total	69		10
Anti-competitive practices					
SO7	Total number of legal actions related to anti-competitive, market sharing or monopolistic practices and their outcomes.;	Total	68		
Compliance					
SO8	Monetary value of relevant penalties and total number of non-monetary sanctions resulting from non-compliance with laws and regulations.	Total	68		
PRODUCT AND SERVICE RESPONSIBILITY PERFORMANCE INDICATORS					
DMA PR	Information about management approach to products and services	Total	53		
Aspectos	Customer health and safety	Total	55		
	Product and service labeling	Total	55; 81		
	Communication and marketing	Total	54		
	Customer privacy	Total	54		
	Compliance	Total	55		
Performance indicator	Description	Report	Pages	Details of part not reported	Global Pact Principles
Customer health and safety					
PR1	Product and service life cycle phases at which impacts on health and safety are assessed with view at improving and percentage of products and services subject to these procedures.	Total	55		
PR2	Total number of cases of non-compliance with regulations and voluntary codes related to impacts caused by products and services on health and safety during their life cycle, discriminated by type of outcome.	Total	55		
Product and service labeling					
PR3	Type of product and service information required in labeling procedures, and percentage of products and services subject to such requirements.	Total	80; 81		8
PR4	Total number of cases of non-compliance with regulations and voluntary codes related to product and service information and labeling, broken down by type of outcome.	Total	55		8
PR5	Practices related to customer satisfaction, including results of surveys measuring satisfaction.	Total	34; 48; 53		
Communication and marketing					
PR6	Adherence to laws, standards and voluntary codes related to marketing communication, including advertising, promotions and sponsorship.	Total	54		
PR7	Total number of cases of non-compliance with laws, standards and voluntary codes related to marketing communication, including advertising, promotions and sponsorship, broken down by type of outcome.	Total	54		
Customer privacy					
PR8	Total number of substantiated complaints regarding breaches of customer privacy and loss of customer data.	Total	49		
Compliance					
PR9	Penalties in connection with the supply and use of products and services.	Total	55		

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