natura *report* 2012

FULL GRI VERSION

natura BRASIL

content

our **essence**

GRI 4.8

VISION

Because of its corporate behavior, the quality of its relationships, and the quality of its products and services, Natura is bound to become an international brand, identified with the community of people who are committed to building a better world, based on better relationships with themselves, with other people, with the nature they are part of, and with the whole.

GRI 4.8

REASON FOR BEING

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

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

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

BELIEFS

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

Natura believes **that valuing relationships** is the foundation of the great human revolution in the 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 enhance quality of relationships.

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

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

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

GRI 4.8

culture drivers

COMMITMENT TO THE TRUTH
Being authentic and true, honoring our own commitments and commitments to others.

Standing for what we believe in and doing what we say we will.

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

Recognizing that others are different from us, listening without judging, respecting their opinions and accepting differences to find the best solution for the whole.

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

Continuously seeking self-knowledge, recognizing our talents and 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 about details.

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

Having Being disciplined to honor what has been agreed upon.

INNOVATION
Being entrepreneurial, taking a lead role, doing what has never been done before and taking the risks accordingly.

Continuously challenging the ways things are done and finding encouragement through the search.

SUSTAINABLE DEVELOPMENT
Consistently delivering superior results and relevant value in the economic, social and environmental areas.

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

PLEASURE AND JOY

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

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

Finding satisfaction at work and affinity with our own purpose in life, conveying meaning to everything we do.

The future we **dream of**

Some 72 years ago, the book Brazil, Land of the Future was released in six languages, depicting a country with great potential to the world. Its author, Austrian writer and journalist Stefan Zweig, tormented by the Second World War and the unbounded senselessness of that historical moment, saw the right geographic and cultural conditions in Brazil for the development of fairer, happier and more tolerant society. The book had such a great impact that its title practically became an epithet. And for many, it was a prophecy.

The highly unusual conditions of this early 21st century again form a scenario of global crisis, of complex interaction between economic, social and environmental phenomena. In this context, while the economies of the so-called developed world oscillate between slow recovery and the agony of recessive policies, we follow the emergence of countries such as China, India, Mexico and even Brazil. Has the future envisioned by Zweig finally left utopia and become a reality?

We do not believe it has yet. We have made progress, it's true. In Brazil, in the past 25 years, from the enactment of the new Constitution, consolidation of democratic institutions and stabilization of the economy, new and multiple instruments have allowed advances in individual and collective rights, access to education, jobs and income, and environmental protection. At the same time, we must care for these achievements and consolidate them so that other challenges can be solved and our society continues to evolve.

Latin America, the region where our main markets are located, experiences a period of steady growth, although heterogeneity, and social inequalities persist. Meanwhile, at a global level, the current crisis may give the company the opportunity to establish the foundations of a new capitalism that fosters a sustainable, fair, and inclusive model of development. The future, therefore, is under construction, and this effort is the responsibility of all citizens, governments, civil society organizations and companies. The vision of undertaking a collective project around common purposes has driven Natura over time. Our fundamentals, which are based on the pursuit of quality relationships, have been shared by a growing number of people.

We are proud to have reached in 2012 the highest level in our history in terms of quality of service we provide to more than 1.5 million Natura's consultants, with whom we share wealth and dreams, anticipating in each one of them a huge entrepreneurial capability, which can produce innovative solutions for the whole society. We are excited about the transformation potential of our relationship network, which expands into new geographical areas and that can be boosted and accelerated by new digital technologies. After all, what drives this company is the eagerness to transform social and environmental challenges into innovative business; to consolidate a corporate culture that is more supportive and committed to the generation of shared prosperity; to produce wealth for individuals and society; to relate to more conscientious consumers; to build civic awareness and enhance quality of life.

We understand that as society we still have a long way to go until the awareness that we are all interdependent and that our individual and collective decisions have a material impact on our habitat is disseminated. Such disseminated awareness is, in our opinion, the key for making it possible to use our creativity, knowledge and technologies to redesign our way of life.

Therefore, we believe that the qualities cherished by so many and that gave rise to Zweig's apology for Brazil deserve a new interpretation, a broadened understanding of what the Fundamentals of a new global society should be. For this reason, at the moment we thank all who contributed to the positive results for 2012, we reaffirm our commitment to work alongside our relationship network to move forward in the development of this future.

Friendly greetings from

ANTONIO LUIZ DA CUNHA SEABRA
GUILHERME PEIRÃO LEAL
PEDRO LUIZ BARREIROS PASSOS
Co-Chairmen of the Board of Directors

The beginning of **a new cycle**

In 2012, we experienced, with great enthusiasm, the beginning of a new cycle for Natura. We achieved the the highest level in our history in terms of the quality of the service we provide to our consultants, to such an extent that we cut the average order delivery time from 6 to 4.5 days in the second half of the year. This and other initiatives helped increase productivity of our network by 2.9% in the fourth quarter of the year. Our International Operations, meanwhile, already represent around 11.6% of Natura's total revenue and continue to expand at a brisk pace, accompanied by profitability gains, which reaffirms Latin America's position as a highly relevant business platform.

At the same time, we confirmed our belief in the directions set for the future: We took our first steps towards significantly improving the buying experience by means of the use of technology and we added to our portfolio another international brand, which shares our vision, is present in other geographical regions and, like us, prizes the quality of relationship.

The acquisition of the control, in December, of Australia's Aesop brand accrues to a sequence of record investments we have made in recent years that represent the bases of a new cycle of growth for Natura. Changes that enabled our future logistics model, and should now help the company use digital technology as in novation vectors applied to the quality of relationships rather than just as a support to our transactions. This volume of resources is the outcome of our consistent economic results over time. In 2012, Natura's consolidated net revenue totaled R$ 6,346 billion, EBITDA reached R$ 1,511 billion, and net profit was R$ 861 million.

The positive results reflect the efficient conduction of our strategy to increase consumer's buying frequency and the variety of products purchased in Brazil. They also reflect successful launches of products that filled in gaps in segment where we were not yet present, particularly perfumery, revealing the strength of our innovation process.

We sought inspiration in our history of expansion in Brazil to mold the strategy of growth in other Latin American countries, which includes: significant attraction and retention of consultants, who already total 300,000 in the region; increase of consumer awareness of and preference for our brand; and progress in local production by means of suppliers, which allows for greater flexibility in distribution and better economic, social and environmental results.

And the more we evolve in our social and environmental practices, the more we notice the opportunities for innovation and the challenges ahead of us. If, on one side, we maintain our efforts to reduce our impact, on the other side, we recognize that there is still much to do, for example, in the management of our waste, in order to turn this and other social and environmental issues into value drivers for the business. With the opening of Núcleo de Inovação Natura Amazônia (Natura's Amazon Innovation Center) in Manaus, State of Amazonas, we strengthened our commitment to acting as one of the agents that drive the potential future development of Pan-Amazonian social biodiversity.

In times when a "like" on the Internet may be more influential than an advertisement, we decided to strengthen the technological platform in our business strategy in order to bring our 1.5 million consultants even closer to the nearly 100 million consumers, improving the quality of service and the buying experience. Our commitment to placing the quality of relationships as a top priority in our way of doing business remains strong so that it can be reaffirmed as a distinguishing element of our corporate behavior. We are a dynamic organization in a network-linked world in continous transformation, and, for this reason, we must strengthen ties through common values. In this scenario, we see the opportunity to be increasingly connected to people's needs, using our innovative capability to meet these emerging demands and, therefore, boosting our future strategy, which fosters the materialization of our Reason for Being, the well being well, atllowing the expansion of the Natura relationship network by offering new brands, products, services and business.

Alessandro Giuseppe Carlucci
Agenor Leão de Almeida Junior
João Paulo Ferreira
José Vicente Marino
Marcelo Cardoso
Roberto Pedote

Enjoy the reading!

NATURA EXECUTIVE COMMITTEE

natura

GRI 2.1-2.9

Born out of a cosmetics and relationships passion, Natura has built its trajectory committed to sustainable development, quality of relationships and promotion of the Well Being Well. A leading player in the segment of personal care products, fragrances and cosmetics in Brazil, Natura operates through direct sales and currently rallies 1.5 million Natura consultants (NCs).

In order to support its relationship network, Natura employs 6,700 staff in Brazil, spread between its head office in Cajamar (SP), and four commercial offices - Salvador (State of Bahia), Alphaville (State of São Paulo), Rio de Janeiro (State of Rio de Janeiro) and Porto Alegre (State of Rio Grande do Sul). The company also has plants, and research and technology centers in Cajamar and in Benevides (State of Pará), and eight distribution centers spread nationwide that handle an average volume of 70,000 daily orders, and deliver one order per second to the consultants.

Natura also has a strong presence in Latin America, where it deploys nearly 304,400 consultants. The company's regional head office located in Buenos Aires, Argentina, coordinates operations in that country. Regional head offices are also located in Chile, Colombia, Mexico, Peru and France. Each of these countries also has a distribution center. Our products are also marketed in Bolivia through local distributors.

Natura's own operation in Paris (France) is in line with the goal to become a global brand and, in addition to selling products, we carry out research in partnership with local laboratories that closely follow the trends and progresses in the field of beauty and well-being.

In December 2012, Natura purchased a 65% interest in Aesop, an Australian premium cosmetics manufacturer that operates in Oceania, Asia, Europe and North America. The two companies will continue to operate independently.

Since 2004, Natura has been a publicly-held company with shares listed on the São Paulo Stock Exchange (BM&FBovespa).

HIGHLIGHTS FOR THE YEAR

ECONOMICS

_Natura's net revenue increased 13.5% totaling 6,346 billion, and net income was R$ 861 million, 3.7% higher than in the previous year;

_Natura's international operations accounted for a record rate of 11.6% of the company's net revenue, with enhanced profitability;

_We reduced average order delivery time from 6 to 4.5 days in the second half of the year;

_The strategy to increase the productivity of consultants in Brazil interrupted the drop trend and, at the end of 2012, it was practically unchanged from 2011. Among Natura Consultant Advisers (NCAs), average earnings soared 21%;

_Natura purchased a 65% interest in Australian Aesop, a global brand that operates in Oceania, Asia, Europe and North America;

We made significant investments in infrastructure and technology in 2012, totaling R$ 437 million.

ENVIRONMENTAL

_Natura reduced its absolute Greenhouse gas emissions by 7.4% from 2008 to 2012. However, this reduction was not enough to meet the target of 10%. As to relative emissions, they have been reduced by 28.4% since 2006;

_The company's hydric footprint inventory became an international case study at the Planet Under Pressure conference held by UNESCO;

_Solid waste generation rate grew from 20.01 grams per unit produced to 25.56, but did not meet the target to increase efficiency;

_Natura's innovative research proved the feasibility of producing palm oil in an agroforestry system, that is, combining the cultivation of palm with other plant species and ensuring a more sustainable production of palm;

_ Natura Amazon Innovation Center (NINA) was set up with the mission to stimulate the creation of a scientific and technological network in the region. Four research institutions have already become Natura's partners in this project.

_Our business volume in the Amazon region grew 88%, totaling R$ 122 million.

SOCIAL

_The company increased the loyalty of NCs and NCAs to 24% and 40%, respectively, which represented a significant improvement in terms of the quality of our relationship with the consultants.

_There was a 2 basis point increase in Natura's organizational climate survey after two years of drop, reaching a 72% favorable response rate.

_The quality of relationships with suppliers and with supplier communities dropped in the year, reaching 22.6% and 23%, respectively;

_The Programa Crer Para Ver (Believing is Seeing) raised the record amounts of R$ 13 million in Brazil and R$ 4.5 million in Latin America International Operations. The resources obtained from the sales of the exclusive Crer para Ver product line are transferred to the Natura Institute in Brazil and invested in the other countries.

OUR **MARKET**

In 2012, we were once again able to attest the strength of our market and of the Natura brand. The Personal Hygiene, Fragrances and Cosmetics market in Brazil showed a strong growth of 17.9% in the first ten months of 2012, according to data published by the Perfumery and Beauty Products Industry Union of the State of Sâo Paulo (Sipatesp)/Brazilian Association of the Cosmetics, Fragrances and Toiletries Industry (Abihpec). These data show that this market is less sensitive to economic oscillations and more related to the available income of consumers. The Personal Hygiene category showed stronger growth, particularly due to the launching of hair and deodorant products.

During this period, Natura's market share in the Personal Hygiene category dropped 90 basis points while market share in the Cosmetics and Fragrances categories increased. In 2013, the company's innovation plan should enable us to increase competitiveness in the Personal Hygiene category.

GRI 2.10

AWARDS AND RECOGNITIONS

Natura's sustainability initiatives and practices and business improvement actions were recognized through 88 awards and national and international rankings in 2012. The company ranked for the second consecutive year as the second most sustainable company in the world by the Canadian organization Corporate Knights and by Bloomberg.

In Brazil, Natura was elected the Company of the Year by the "Anuário Época Negócios 360o" (360o Época Business Yearbook), in a review that includes financial performance, corporate governance, social and environmental responsibility, human resources policies, innovation capacity and vision of the future.

Natura was also included in the ranking of the 50 most valuable Latin brands organized by Brandz, WPP and Millward Brown; and was considered the second company in the world with the best social, environmental and corporate governance practices according to the World's Most Ethical Companies Award organized by the Ethisphere Institute.

Natura's innovative capacity was recognized at The Long-Term Capitalism Challenge (The Harvard Review / McKinsey M-Prize), where Natura won an award with the case study "Innovation in Well-Being - the Creation of Sustainable Value at Natura", which presents the company's model of innovation focused on sustainability and social change. We were second at the Prêmio Finep de inovação (Finep Innovation Award), in the Large Companies category, which is the most important innovation award in Brazil.

Please see below Natura's main recognitions in the year 2012.

GRI 2.10

AWARDS AND RECOGNITIONS IN 2012			
CUSTOMER SERVICE			
Recognition	Organization	Category	2012
The 25 Best Companies in Customer Service in Brazil	IBRC (Ibero-Brazilian Customer Relationship Institute / Exame Magazine	Best Companies in the Customer Service in Brazil	4th
		Cosmetics Sector Ranking	2nd
COMMUNICATION			
Recognition	Organization	Category	2012
Companies that Communicate Best with Journalists	Negócios da Comunicação Magazine	Hygiene/Cleaning/Cosmetics	x
Aberje Award	Aberje – Brazilian Association of Corporate Communication	Digital Media - Natura Campus Portal – National winner	1st
		Communication and Marketing Campaign with the case study "Natura Plant no Cinema" ("Natura Plant at the Movie Theater") – National winner	1st
		Print Media with the 2011 Annual Report – Southeastern Region Winner	1st
FINANCE			
Recognition	Organization	Category	2012
Best of Dinheiro	IstoÉ/Dinheiro Magazine	Best Company in the Pharmaceutical, Hygiene and Cleaning industry	1st
Annual Report – Best of the Largest	Commercial Association of the State of São Paulo	General ranking	37th
		General industry	2nd
Stock Index with Special Corporate Governance – New Market (IGC-NM)	BM&FBovespa	Natura was among the first 10 of the 100 companies listed at BM&FBovespa to be included in the New Market segment	x
State Value-Added Tax (ICMS) Top Taxpayers – State of Paraná	Commerce Federation of the State of Paraná – Fecomércio and Indústria & Comércio newspaper	General ranking	89th
The 1000 Top Selling Companies - Argentina	Mercado magazine	General ranking	739th
Agência Estado Companies Ranking	Agência Estado (Estado Group) and Economática	General ranking of the 10 Best Companies listed at Bovespa	5th
Valor 1000	Valor Econômico newspaper	Best Pharmaceutical and Cosmetics Company	2nd
		General ranking	67th

INSTITUCIONAL			
Recognition	Organization	Category	2012
The 50 Best CEOs in Latin America	Harvard Business Review	General ranking	44th
The 100 Most Innovative Companies in IT	Information Week Brazil and IT Mídia	Pharmaceutical, Hygiene and Cosmetics Industry	1st
		General ranking	37th
The 100 Most Prestigious Companies	*Época Negócios magazine*	The Most Prestigious Companies	2nd
		The Most Prestigious Brand in the Beauty category	1st
The Most Admired Companies in Brazil	*Carta Capital magazine*	Brazil's Most Admired Company in Latin America	4th
		Most Admired Company in Brazil	2nd
		Most Admired Company in the Comestics, Fragrances and Toiletries Industry	1st
Beautycare Brazil Featured Company	Beautycare Brazil	Internalization	1st
DCI – Companies of the Year	DCI – Diário do Comércio newspaper	Most admired company in the Cosmetics, Hygiene and Cleaning category	1st
DSN Global 100: The Top Direct Selling Companies in the World	Direct Selling News	World Ranking of the Largest Direct Selling Companies	4th
Valuable Executive	Valor Econômico newspaper	Alessandro Carlucci, Chief Executive Officer of Natura, was elected valuable executive in the Hygiene and Cleaning category	1st
Forum of Corporate Leaders	Forum of Leaders	Alessandro Carlucci, Chief Executive Officer of Natura, was recognized as a leading executive in the Hygiene, Cleaning and Cosmetics industry	x
Leaders of Brazil	LIDE - Grupo Líderes Empresariais	Beauty and Well-Being Industry category	1st

Best and Largest	*Exame magazine*	Best Company in the Consumer Goods sector	5th
		Best company in the Pharmaceutical, Hygiene and Cosmetics industry	
		Best and Largest – General Ranking	66th
		100 largest publicly-traded companies in market value	26th
		50 largest companies in sales volume	33rd
		Company of the Year	
		Largest Groups	61st
		Largest Groups in Latin America	115th
		Largest Publicly-Traded Companies in Latin America	57th
Corporate Reputation Monitor - Chile	Merco Chile	Best Reputation in the Cosmetics, Hygiene and Personal Care industry	3rd
		Company with the Best Reputation appointed by the NGOs	4th
		General Corporate Reputation Ranking	33th
		Most Responsible Companies	31st
LIDE Corporate Marketing Award	LIDE - Grupo Líderes Empresariais	Internationalization Marketing	1st
Tijera de Plata Award - Argentina	Cámara Argentina de La Moda (CAM)	Veronica Mendoza, official makeup artist from Natura Argentina, was recognized for the best makeup in fashion show	1st
Finep Innovation Award	Financial Sponsor of Studies and Projects (Finep)	Large Company	2nd
Image Ranking – Top 100 Best - Argentina	Apertura magazine	General ranking	x
Corporate Reputation Index (IRCA) - Peru	Centrum Pontificia Universidad Católica del Perú y Arellano Marketing	Companies with the Best Reputation in Peru	x
The 100 Companies with the Best Reputation in Argentina	iEco de Clarín	Elected by NGOs	5th
		General ranking	35th
Multilatinas Ranking	América Economia magazine	Multilatinas general ranking	61st
Reputation Index	DOM Strategy Partners	General ranking	9th

INSTITUCIONAL (CONT.)			
Recognition	Organization	Category	2012
The Bizz	World Confederation of Business	Corporate Excellence	x
World's Most Ethical Companies	EthiSphere	Health and Beauty	1st
Brazilian Transnational Companies Ranking	Fundação Dom Cabral (Dom Cabral Foundation)	Ranking by transnationality index	22nd
		Distinction for its geographic dispersion	1st

BRAND			
Recognition	Organization	Category	2012
"As Marcas Cariocas" (The preferred brands by the people from the city of Rio de Janeiro)	Editora O Globo	Cosmetics	1st
		Respect for the Environment	1st
		Children's Hygiene	2nd
		Sunscreen Lotion	2nd
The Most Valuable Brands	Interbrand	The 10 Most Valuable Brands in Brazil	6th
The Most Valuable Brands in Brazil	BrandAnalytics, Millward Brown and IstoÉ Dinheiro magazine	The Most Valuable Brands	6th
		The Strongest Brands	6th
Reliable Brands	Seleções magazine	Moisturizers	1st
		Social Responsibility	1st
Brands for Decision Makers	Jornal do Comércio newspaper (State of Rio Grande do Sul)	Leading Brand in the Hygiene and Beauty Industry	1st
		Leading Brand in Environmental Preservation	1st
Raking of the 50 Most Valuable Latin Brands	Brandz, WPP and Millward Brown	15th - Natura (Brazil) - US$ 3.3 billion	15th
IMPAR Award - Preferred Brands and Regional Affinity Index	Impar magazine (State of Santa Catarina)	Cosmetics – Perfumes/ Cosmetics	1st
IMPAR Award - Preferred Brands and Regional Affi nity Index	Impar magazine (State of Paraná)	Cosmetic – Perfumes/ Cosmetics	2°
Brazil's Intangible Assets Awards -GDP	Padrão Group and Consumidor Moderno magazine	Talent Asset Special Category	1st
		The 5 Best Companies in the Non-Durable Consumer Goods sector	1st
		The 50 Best Companies in the Management of Intangible Assets	x
Brands & Leaders Award – Canoas (State of Rio Grande do Sul)	Chamber of Industry, Commerce and Services of Canoas, Diário de Canoas newspaper and Ulbra (Lutheran University of Brazil)	What Brand Makes You Think of Environmental Preservation / Recycling / Sustainability?	1st
		Perfumes/Cosmetics store	2nd
Brand Recall Award	*Jornal do Commercio newspaper (Recife, State of Pernambuco) – Harrop Institute of Market Research*	Green Recall Award	1st

BRAND (CONT.)			
Recognition	Organization	Category	2012
Ranking of the 100 Most Valuable Brands in Brazil	The Brander/IAM magazine	General ranking	40th
Ranking of the Most Prestigious Brands - Argentina	Prensa Económica magazine	General ranking	9th
Corporate Reputation	Amanhã magazine and Grupo Troiano de Branding	Cosmetics Manufacturer segment	1st
Top of Mind	Datafolha and Folha de São Paulo newspaper	Most Remembered Brand in the Environment Category	1st
Top of Mind – The Brands of the State of Rio Grande do Sul	Amanhã magazine	Category: Perfumes	2nd
		Category: Concern for the Environment	1st
		The Kaiak perfume won in the categories Top Man, Top Junior and Filão da Classe C (Lower Middle Class Favorite)	1st
Successful Top of Mind Brands – State of Minas Gerais	Mercado Comum magazine – State of Minas Gerais	Leadership Category: Cosmetics and Beauty Products	1st
		Leadership Category: Environment	1st
Top Vale	Vale Paraibano newspaper	Social Responsibility	2nd

MARKETING, PRODUCT AND PACKAGING			
Recognition	Organization	Category	2012
Socially Responsible Packaging - Colombia	Pack Andina	Packaging: Ekos Máscara Hidratante and Ekos Creme para Pentear	1st
IF Design Award	IF Design	Packaging, in the sale packaging category	1st
MaxiMídia	RBS Group	"Best Use of the Movie Theater" with the Plant advertising campaign	1st
		Grand Prix	1st
ABRE Award of Brazilian Packaging	ABRE – Brazilian Packaging Association	Perfume Packaging: Colônia Ekos Mate Verde	1st
		Packaging of Product Family: Vôvó	1st
		Graphic Design in Cosmetics: Humor Refresh	2nd
		Packaging of Product Family: Ekos Line Green Tea	3rd
Elle Beauty Award - Mexico	Elle magazine – Expansión Group	Best Product by Price and Quality: Natura Ekos Nuts Hands Moisturizer	1st

MARKETING, PRODUTO E EMBALAGEM (CONT.)			
Recognition	Organization	Category	2012
Nova Beauty Award	Nova magazine	Oily Hair: Shampoo and Conditioner – Ekos Pitanga	1st
		Body: Bath Oil – Amó Xodó	1st
		Makeup: Nude Lipstick – UNA line	1st
Mercúrio Award	Marketing Association of Argentina	Category: Large Companies' Sustainable Marketing	1st
WorldStar Packaging		Humor	1st

HUMAN RESOURCES			
Recognition	Organization	Category	2012
50 HRs Most Admired in Brazil	Gestão e RH	Company of the Year	1st
		Homage to Natura as one of the 20 Most Admired Companies by HR professionals	×
		Homage to Ney Silva, People Manager Officer, as one of the Most Admired HR professionals	×
The 150 Best Companies in People Management Practices	Gestão e RH	Featured in the Leadership category	×
Company of the Dreams of Youngsters	DMRH and Cia de Talentos	Company of the dreams of youngsters	8th
Company of the Dreams of Executives	DMRH and Nextview People	General ranking	4th
Great Place to Work – Latin America	Great Place To Work Institute	General ranking – The Best Companies to Work for in Latin America – from 50 to 500 employees	39th
Great Place to Work - Colombia	Great Place To Work Institute and Dinero magazine	General ranking	17th
Supercompanies, the Places Where Everyone Wants to Work	Expansión Group	Category: less than 500 employees	8th
Merca 2.0 Magazine	Merca 2.0	Lorena Carrasco, Marketing Officer at Natura Mexico, was recognized as one of the 50 Marketing leaders in Mexico	×
Top of Mind Estadão HR	O Estado de São Paulo newspaper	Best Practices in Social Responsibility	1st

INVESTOR RELATIONS			
Recognition	Organization	Category	2012
IR Magazine Brazil Awards	*IR Magazine, PR Newswire, RI magazine and IBRI - Brazilian Institute of Investor Relations*	Consumer Goods and Services Sector	1st
		Best Social and Environmental Sustainability	1st
		Best Corporate Governance	1st
Transparency Trophy	National Association of Financial, Administrative and Accounting Executives (Anefac), Accounting, Actuarial and Financial Research Institute Foundation (Fipecafe) and Serasa	Natura was recognized as one of the 5 most transparent publicly-traded companies with sales of up to R$ 8 billion	7th

SUSTAINABILITY			
Recognition	Organization	Category	2012
The 20 Most Reputable Companies in Argentina	Clarín newspaper	Ranking of Environmental Commitment	2nd
CAF'S First Productive Transformation Award	CAF, Development Bank Of Latin America	TOP 10 Ranking	1st
Socially Responsible Company Badge (ESR) - Mexico	Cemefi and Aliarse	Natura Mexico was recognized for its socially responsible management as part of the company's culture and business strategy	x
Green Companies Época	Época Negócios magazine	Green Companies Distinction - Industrial Sector	1st
		Natura was recognized as one of the 20 companies with Best Environmental Practices	x
360o Época Negócios Yearbook	Época Negócios magazine, Dom Cabral Foundation, Brazilian Association of Corporate Communication (Aberje) and Economática	Company of the Year	1st
		Hygiene and Beauty Industry	1st
		Distinction in the Human Resources Category	1st
		Distinction in the Innovation Category	1st
GreenBest	Greenvana	The Natura Ekos Açaí Safra line won in the Beauty and Personal Care Category by popular vote and by the decision of the Greenbest Committee	1st
		10 TOP Personalities of the Year: Guilherme Leal, Co-Chairman of Natura, was among the top 10	x
Global 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	2nd
Exame Sustainability Guide	Exame magazine	One of the 20 benchmark companies in sustainability	x

SUSTENTABILIDAD (CONT.)			
Recognition	Organization	Category	2012
Best Practices in Social Responsibility - Mexico	Mexican Center for Philanthropy	One of the 20 benchmark companies in sustainability	x
M&E LatinFinance Sustainability Stars Index (Brazil)	Management & Excellence	Best Practice in Corporate Social Responsibility in the Community Relations category with the program "Believing is seeing: boosting Education from the heart of the company"	1st
		The best in efficiency of social investments of the most sustainable companies in the Ibovespa	4th
Corporate Civic Awareness Award Amcham -Argentina	AmCham - American Chamber of Commerce in Argentina	Expenditures with social investments in 2011 in millions of Brazilian reais	8th
Global Top Nine	Ökovision Sustainability Leadership Award	Sustainability-Oriented Corporate Management	2nd
Ranking of the 100 Most Sustainable Companies according to the Media	Mídia B and Portal Imprensa	Global Top Nine	1st
		General ranking	1st
Fundación Chile Ranking: The Most Well-Prepared Companies for Climate Change	Fundación Chile y Capital magazine	Pharmaceutical, Hygiene, Cosmetics and Cleaning Industry	1st
National Ranking of Corporate Social Responsibility - The Socially Responsible Chilean Companies	Prohumana Foundation and Qué Pasa magazine	The Most Well-Prepared Companies for Climate Change	1st
The 50 Best case studies in Corporate Social Responsibility - Argentina	Apertura magazine	Honors - Socially Responsible Chilean Companies	13th
Redefining the Future of Growth: The New Sustainability Champions	World Economic Forum / The Boston Consulting Group	*General ranking*	x
The Harvard Business Review/McKinsey M-Prize for Management Innovation: Long-Term Capitalism Challenge	Harvard Business Review and McKinsey &Group	Case study	9th
Consumers TOP - Excellence in Consumer Relations and Respect for the Environment – State of Rio Grande do Sul	National Institute of education of Consumers and Citizens (INEC) and Consumidor Teste	Natura was among the 10 finalists with the case study Innovation in Well-Being - the Creation of Sustainable Value at Natura	x
Consumers TOP - Excellence in Consumer Relations and Respect for the Environment – State of Rio Grande do Sul	National Institute of education of Consumers and Citizens (INEC) and Consumidor Teste	General ranking (among 40 companies) – Certified company as 2012 CONSUMERS TOP	x

PROGRESS IN OUR COMMITMENTS

Learn more about Natura's sustainability commitments and targets that are regularly monitored by our senior management. They are an integral part of the company's Environmental Budget and guide all activities and relationships throughout the year.

2012 TARGET:	2012 PERFORMANCE	2013 TARGET:
QUALITY OF RELATIONSHIPS		
Employees		
Achieve a 30% employee loyalty rate in Brazil.	NOT ACHIEVED The rate was up 10 basis points to 29%.	Achieve a 31% employee loyalty rate in Brazil.
Achieve a 74% favorability rate in the Natura climate survey.	NOT ACHIEVED The favorability rate was up 20 basis points to 72%.	Achieve a 73% favorability rate in the Natura climate survey.
Consultants and NCAs		
Achieve a 21% loyalty rate among consultants in Brazil and 36% in international operations.	ACHIEVED The loyalty rate reached 24% among NCs in Brazil and 38% in international operations.	Achieve a 25% loyalty rate among consultants in Brazil and 39,2% in international operations.
Achieve a 33% loyalty rate among Natura Consultant Advisors in Brazil.	ACHIEVED The loyalty rate grew to 40%.	Achieve a 39% loyalty rate among Natura Consultant Advisors in Brazil and 49,1% in international operations.
Consumer		
Achieve a 54% consumer loyalty rate in Brazil.	NOT ACHIEVED The loyalty rate dropped to 51%.	Achieve a 54% consumer loyalty rate in Brazil.
Suppliers		
Achieve a 29% loyalty rate among suppliers.	NOT ACHIEVED The loyalty rate achieved was 23%.	Achieve a 28% loyalty rate among suppliers.
Supplier Communities		
Achieve a 30% loyalty rate among the supplier communities.	NOT ACHIEVED The loyalty rate reached 23%	Achieve a 28% loyalty rate among the supplier communities.
Achieve an average score of 3.76 in the assessment of the BioQlicar community development program.	ACHIEVED The score achieved was 3.80.	Achieve an average score of 3.89 in the assessment of the BioQlicar community development program.
CLIMATE CHANGE		
Reduce relative greenhouse gas (GHG) emissions by 33% by 2013 in relation to the 2006 baseline inventory.	UNDERWAY By 2012, our emissions had been reduced by 28.4%.	Reduce relative greenhouse gas (GHG) emissions by 33% by 2013 in relation to the 2006 baseline inventory.
Reduce scope 1 and 2 emissions under the GHG Protocol by 10% by 2012 in relation to the 2008 baseline.	NOT ACHIEVED The reduction rate achieved was 7.4%.	Reach 5.511 metric tons of CO_2e, reducing absolute emissions by 12.4%
SOCIAL BIODIVERSITY		
Amazon		
Generate R$ 136 million in business volume in the Amazon region, considering Natura and other partners.	NOT ACHIEVED We generated R$ 121.8 million in the period.	Generate R$ 190 million in business volume in the Amazon region, considering Natura and other partners.
Achieve a 12% share of raw materials from the Amazon region in Natura's raw material purchase volume.	NOT ACHIEVED The share of raw materials from the Amazon region was 11.4%.	Achieve a 13.2% share of raw materials from the Amazon region in Natura's raw material purchase volumes.
Supplier Communities		
Distribute R$ 12 million in wealth to the supplier communities.	ACHIEVED We distributed R$ 12.07 million.	Distribute R$ 13.6 million in resources to supplier communities.

2012 TARGET:	2012 PERFORMANCE	2013 TARGET:
WASTE		
Maintain the quantity of waste generated per unit produced in Brazil at 20 grams.	NOT ACHIEVED We generated 25.56 grams of waste per unit produced.	Maintain the quantity of waste generated per unit produced in Brazil at 24.7 grams.
WATER		
Maintain water consumption at 0.40 liters per unit produced in Brazil.	ACHIEVED Water consumption remained at the same level as in the previous year.	Consume 0.39 liters of water per unit produced in Brazil.
EDUCATION		
Employees		
Reach an average of 80 hours of training per employee in Brazil	ACHIEVED Natura reached 87.6 hours.	Reach an average of 83.2 hours of training per employee in Brazil throughout Natura
Consultants and NCAs		
Train 1,005,000 consultants per topic in Brazil.	LACHIEVED We trained 1,152,000 NCs.	Train 1.152 consultants per topic in Brazil.
Revenue of R$ 10.3 million from the sales of the Crer para Ver product line in Brazil and R$ 2.5 million in international operations.	ACHIEVED Record revenue of R$ 12.8 million in Brazil and R$ 4.5 million in other operations.	Revenue of R$ 14 million from the sales of the *Crer para Ver* product line in Brazil and R$ 5.06 million in international operations.
Maintain 123,000 NCs engaged in the Natura Movement.	ACHIEVED We engaged more than 176,000 NCs engaged in the Natura Movement.	Engage 14% NCs in the Natura Movement.
Achieve an 11% penetration rate among consultants in the Programa *Crer para Ver* (Believe is Seeing Program) in Brazil and 17.7% in international operations.	ACHIEVED We reached a penetration rate of 12% in Brazil and 18.2% in international operations.	Achieve a 14% penetration rate among consultants in the Programa *Crer para Ver* (Believing is Seeing Program) in Brazil and 18.9% in international operations.

corporate governance

Our ambition is to build an increasingly representative and transparent corporate governance system that is aligned with the best market practices. A publicly-traded company since 2004, Natura is listed on the BM&FBovespa's New Market, a special segment of the Brazilian Stock Exchange with the most advanced level of corporate governance.

Since 2007, Natura has also been a member of the Company Circle of Latin American Corporate Governance, a group of Latin American companies selected by the International Finance Corporation of the World Bank for their governance practices.

In 2012, we gathered a record number of 350 participants in Cajamar (State of São Paulo) at an event for shareholders that took place concomitantly with the Annual and Extraordinary Shareholders' Meeting. Non-controlling shareholders and representatives of major investment funds were able to watch the broadcast of the meetings that were held at Natura's office in Itapecerica da Serra and ask questions and talk to the company's founding partners and senior management. We also held a joint public meeting with the Association of Market Analysts and Professionals of Capital Markets of the State of São Paulo (Apimec-SP) with the presence of invited guests and market analysts.

In the same event, we confirmed the increase in the number of the members of the Board of Directors, which went from six to nine. Raul Gabriel Beer Roth, Roberto Oliveira de Lima and Plínio Villares Musetti joined the Board. This change strengthens our company's Board with professionals of different backgrounds and with varied qualifications in the corporate environment. Accordingly, the Board now has three independent members. The term of office of all Board members is one year and it may be renewed at the end of the period if it is approved at a Shareholders' Meeting.

GRI 4.1; 4.2; 4.3; 4.6; 4.7

Throughout the year, we held six Board meetings. As part of the strategy to bring the company's Board members closer to each other, we held two meetings outside Sao Paulo, one being in Salvador (State of Bahia) and one in Buenos Aires (Argentina). These meetings are important to promote the integration of teams, enabling Board members to become more familiar with each operation and keeping our leaders engaged and motivated.

COMPOSITION OF THE BOARD OF DIRECTORS

GRI 4.1

ANTONIO LUIZ DA CUNHA SEABRA
Co-Chairman of the Board of Directors and founding partner

GUILHERME PEIRÃO LEAL
Co-Chairmen of the Board of Directors

PEDRO LUIZ BARREIROS PASSOS
Co-Chairmen of the Board of Directors

MARCOS DE BARROS LISBOA - Board Member

JULIO MOURA NETO - Board Member

LUIZ ERNESTO GEMIGNANI - Board Member

RAUL GABRIEL BEER ROTH - Board Member

ROBERTO OLIVEIRA DE LIMA - Board Member

PLÍNIO VILLARES MUSETTI - Board Member

SUPPORTING COMMITTEES

GRI 4.1

The Board is supported by four committees that meet periodically to discuss and analyze proposals and make recommendations to the Board (see the table below). The increase in the number of Board members enabled the adoption of another good governance practice, which is to have the committees exclusively made up of Board members or external participants. The members of the Executive Committee are no longer officially part of the groups and participate in their meetings only when invited.

The number of meetings of each committee was also increased in 2012. The Audit, Risk Management and Finance Committee met eight times in the period and the other committees met tem times each

THE COMMITTEES AND THEIR ROLES

GRI 4.1 e 4.9

Audit, Risk Management and Finance Committee: its mission is to ensure the operation of the internal and external audit processes and mechanisms and controls related to risk management, and the consistency of the financial policies with the strategic guidelines and risk profile of the business. Our internal audit management also reports to this committee and it is responsible for recommending the external auditors to be hired. The group is supported by two external consultants who are specialists in risks and accounting.

Members: Marcos de Barros Lisboa (president), Luiz Ernesto Gemignani and Roberto Oliveira de Lima

***Frequency of meetings**: monthly (eight meetings in 2012)*

People and Organizational Development Committee: it is responsible for helping the Board of Directors make decisions related to Human Resources strategies, policies and rules for organizational and people development, planning, compensation and benefits of executives, as well as for monitoring and directing questions related to Natura's Management System.

Members: Luiz Ernesto Gemignani (president), Pedro Luiz Barreiros Passos, Fátima Raimondi, Roberto Oliveira de Lima and Raul Gabriel BeerRoth

Frequency of meetings: *monthly (ten meetings in 2012)*

Strategic Committee: it is also responsible for the dissemination of concepts, values and beliefs and supporting the perpetuity of the company.

Members: Julio Moura Neto (president), Pedro Luiz Barreiros Passos, Roberto Oliveira da Lima and Plínio Villares Musetti

Frequency of meetings: *monthly (ten meetings in 2012)*

Corporate Governance Committee: it is responsible for monitoring the operation of the entire corporate governance system of the company based on international best practices and for suggesting adjustments and improvements in Natura's governance system whenever necessary.

Members: Pedro Luiz Barreiros Passos (president), Antonio Luiz da Cunha Seabra, Guilherme Peirão Leal and Plínio Villares Musetti

Frequency of meetings: *semimonthly (ten meetings in 2012)*

SENIOR MANAGEMENT ASSESSMENT AND SELF-ASSESSMENT

GRI 4.10

In order to monitor the quality of our governance, we periodically perform a self assessment. In 2012, the assessments were made by six of our nine Board members. Since they have been in the Board for a short period of time, the new members did not participate in this process, which included topics such as dynamics of meetings, flow of information and the size of the Board.

Some conclusions generated immediate actions, such as increasing the number of meetings of the Corporate Governance Committee, a need which was expressed by the interviewees.

Our future goal is to expand this assessment process to also include the opinion of executives. In addition to the self-assessment, the Board members also periodically analyze the work of the CEO and the Executive Committee.

EXECUTIVE GOVERNANCE

GRI 4.1

The Executive Committee (Comex) is Natura's main executive body and is in charge of monitoring the development of the company's strategic planning and important projects. It is composed of Natura's CEO and Senior Vice Presidents and it is responsible for managing the business, assessing results and making decisions based on economic, social and environmental aspects.

Our recent expansion and the new challenges we will face in the future increased the complexity of the operation and motivated us to revise our senior management structure in 2012. In order to dedicate more time to the work focused on the future and innovation without losing sight of the operations, we created two new levels of support to Comex: the Executive Vice President Office and the Operations Committee (Comop). Therefore, Comex takes up a position that is more focused on more strategic topics and transforming projects, in addition to topics related to Natura's Essence, such as brand, culture, sustainability and leadership. And the new vice president office and Comop – which includes all senior vice presidents and executive directors from Brazilian and international operations - guarantee the management of the business and the proper execution of the strategy.

The need to establish a more robust information technology and digital media structure was part of this reassessment. We want the technology platforms to enable the evolution of Natura's current business and future vision. To this end, we created the vice president office of Information Technology and Digital Media. In March 2013, Gerson Valencia Pinto took office as the vice president of Innovation, a position that was vacant between 2011 and 2012.

With the redesign of Natura's processes, we reconfigured the number of committees that support Comex and Comop from eight to three: Customers, Ethics and Products.

EXECUTIVE COMMITTEE T (COMEX)

ALESSANDRO GIUSEPPE CARLUCCI
CEO

AGENOR LEÃO DE ALMEIDA JUNIOR
Senior Vice President of Digital Technology

GERSON VALENÇA PINTO*
Senior Vice President of Innovation

JOÃO PAULO FERREIRA
Senior Vice President of Operations and Logistics

JOSÉ VICENTE MARINO
Executive Vice President

MARCELO CARDOSO**
Senior Vice President of Organizational Development and Sustainability

ROBERTO PEDOTE
Senior Vice President of Finance, Investor Relations and Legal Affairs

** He took office in March, 2013.*

*** He left Natura in February, 2013*

EXECUTIVE BOARD

ALESSANDRO MENDES
Product Development Director

ALEXANDRE CRESCENZI
Commercial Director

ALEXANDRE ALVES LEMOS
Commercial Director

ALEXANDRE SHOZO NAKAMARU
Finance Director

ANA LUIZA MACHADO ALVES
Brand Director

ANGEL MANUEL L ROD DE MEDEIROS
Logistics Director

AXEL PABLO MORICZ DE TECSO
General Manager

ARNO CORREIA DE ARAUJO
International Operations Commercial Director

CECILIA GOYA MEADE
General Manager

DANIEL DE ALMEIDA GUSMAO ALVES SILVEIRA
Commercial Director

DANIEL CAMPOS
Business Unit Director

DANIEL LEVY
Business Unit Director

DANIEL MADUREIRA GONZAGA
General Manager

DANIEL MONTEIRO PAGANO
Strategic Planning Director

DENISE REGINA DE OLIVEIRA ALVES
Sustainability Director

DENISE DA SILVA MOREIRA ASNIS
Human Resources Director

DENISE LYRA DE FIGUEIREDO
Business Unit Director

DIEGO DE LEONE
International Operations Business Unit Director

ELIZABETE FERNANDES VICENTINI
Consumer Safety Director

ERASMO TOLEDO
International Operations General Business Manager

FABIO NOBRE DA COSTA BOUCINHAS
Digital Media Director

FLAVIO PESIGUELO
Human Resources Director

JOAO AUGUSTO PEDREIRA
Business Executive 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

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

MURILLO FEITOSA BOCCIA
Customer Relations Director

NESTOR MARIANO FELPI
Order Cycle Director - International Operations

NEY MAURO SIMONE DA SILVA
People Management Director

PEDRO CRUZ VILLARES
Instituto Natura Director

PEDRO ROBERTO GONZALES
General Director - International Operations

RENATO ABRAMOVICH
Business Unit Director

RICARDO LOBATO FAUCON
Customer Service Director

ROBERT CLAUS CHATWIN
Business Development Director

RODRIGO OLIVEIRA BREA
Supply Director

TATIANA DE CARVALHO PICCOLI PIGNATARI
Business Unit Director - International Operations

THIERRY AUBRY LECOMTE
General Manager – Natura France

VICTOR MUNIZ FERNANDES
R&D Director

SUPPORTING COMMITTEES

GRI 4.1

CUSTOMERS

Created in January 2011, the committee's main duties are the monitoring of the quality of the services Natura provides to end consumers and consultants. It is led by João Paulo Ferreira, Senior Vice President of Operations and Logistics, Agenor Leon, Senior Vice President of Digital Technology and has the participation of José Vicente Marino, Executive Vice President.

ETHICS

It is in charge of ensuring the application of the Natura Relationship Principles and resolving upon deviations. It is led by Roberto Pedote, Senior Vice President of Finance, Investor Relations and Legal Affairs and has the participation of Marcelo Cardoso, Senior Vice President of Organizational Development and Sustainability.

PRODUCTS

Led by the Executive Vice President, José Vicente Marino, this committee is responsible for approving stages of the innovation processes of Natura's products.

RISK MANAGEMENT

Risk management at Natura is an instrument incorporated into the strategic planning cycle and takes into consideration the economic, social and environmental aspects divided into two groups: strategic risks, that is, risks that could affect the company's ambition and continuity, and operational risks, under which our internal processes are assessed and checked periodically by the manager responsible and their team.

The strategic risk map is monitored by the corporate and executive governance supporting committees.

Even though we do not have shares traded on the Stock Exchange of New York, we have voluntarily adjusted the company, for the third consecutive year, to the SOx certification standards, which are based on the U.S. Sarbanes-Oxley Act. This system provides for the strengthening of audit and security mechanisms through which we seek to qualify our control processes and systems for protection against fraud and corruption, providing a more reliable process for our shareholders.

We understand that, in order to integrate sustainability to Natura's management, we must continuously assess the social and environmental risks of the business. Accordingly, our risk assessment includes the main sustainability and regulatory topics. Even though we do not have a specific analysis of the effects associated with climate change in the risk management process, the company has important mitigation projects aimed at the impacts our business may generate that have become formal sub-processes in the company, such as the Carbon Neutral Program *(learn more on page 33)* and our practices of sustainable use of social biodiversity and associated traditional knowledge *(learn more on page 34)*. GRI EC2

INTERNAL AUDIT

Natura's internal audit team reports to the Audit, Risk Management and Finance Committee within a framework that ensures the auditors' independence to work with no interference from any other departments of the company. GRI S04

Natura's internal audit process includes tests and procedures that assess the control environment, including measures to prevent fraud and corruption. In 2012, there was an increase in the number of reports received, a total of fifteen, compared to three in the previous year. Among these, eight were confirmed, resulting in the dismissal of four employees. The reports mainly addressed issues such as conflict of interest (four recorded), irregularities in procurement processes and payments (four recorded), misuse of resources (five recorded) and other external frauds (two recorded).

GRI S04

Throughout the year, we also carried out 30 audit exams at Natura, including all countries in which we operate, one more than in 2011.

GRI S04
GRI S02

In 2012, we concentrated our efforts mainly in meeting and investigating the demands, and we provided internal controls with prevention tools. Therefore, the integration of our controls - which was expected to occur in the period – will be implemented in 2013. Our goal is to integrate our fraud prevention controls with the involvement of the departments of internal controls, audit and legal and the Ombudsman's Office. In this period, we will also start to use the continuous audit tool, a quicker alternative for identifying process failures. This initiative aims to maintain environments increasingly transparent and ethical, improving our prevention process. We will also enhance communication about the Ombudsman's Office, the investigation process and the roles and responsibilities of the Ethics and Audit Committee.

SENIOR MANAGEMENT COMPENSATION

GRI 4.5

Our compensation plan for senior management seeks to balance short, medium and long term gains and foster the entrepreneurship and commitment of our executives to the company's growth and value increase.

For a group of executives that includes the CEO, vice presidents, directors and senior managers, consistent gains are tied to the commitment to our long-term project through the Stock Subscription or Purchase Option Plan. Since 2009, this Subscription Plan requires the granting of the option to be tied to the executive's decision to invest at least 50% of the net amount received as profit sharing in the acquisition of Natura shares.The shares can only be exercised after a vesting period of three years for 50% of the shares, and of four years for 100% of the shares.

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 2012, the volume of options held by the company's executives corresponded to around 1.39% of the Natura shares, compared to 1.71% in 2011.The total number of Natura shares on December 31, 2012 was 431,239,364.

Since 2002, we have granted 20,730,622 options and 22% of these options were cancelled because the executives left the company.

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	981,660	604,754	0	0	376,906	38%
2007	1,269,955	528,594	163,099	0	578,262	46%
2008	1,800,010	541,371	454,686	0	803,953	45%
2009	2,419,791	72,478	979,937	1,124,897	242,479	10%
2010	2,112,352	0	0	1,766,059	346,317	16%
2011	1,621,780	0	0	1,496,752	125,028	8%
2012	No options were granted	-	-	-	-	-
Total	**20.730.622**	**10,121,754**	**1,597,722**	**4,387,708**	**4,623,438**	**22%**

Maturity and validity of plans

Plan	50% Mature	100% Mature	Validity
2002	April 10, 2005	April 10, 2006	April 10, 2008
2003	April 10, 2006	April 10, 2007	April 10, 2009
2004	April 10, 2007	April 10, 2008	April 10, 2010
2005	March 16, 2008	March 16, 2009	March 16, 2011
2006	March 29, 2009	March 29, 2010	March 29, 2012
2007	April 25, 2010	April 25, 2011	April 25, 2013
2008	April 22, 2011	April 22, 2012	April 22, 2014
2009	April 22, 2012	April 22, 2013	April 22, 2017
2010	March 19, 2013	March 19, 2014	March 19, 2018
2011	March 23, 2014	March 23, 2015	March 23, 2019
2012	-	-	-

VARIABLE COMPENSATION

Variable Compensation is intended to recognize and reward Natura's executives for their performance and results over the year. The Profit Share System for management consists of the payment of monthly salary multiples in accordance with the executive's position in the organizational structure and it is tied to the effective achievement of targets and minimum growth levels established by management for the year. Therefore, payment is contingent on Natura's performance reaching the stipulated minimum. The criteria for determining their achievement takes into consideration performance indicators arising from the Strategic Plan distributed into the triple bottom line dimensions:

Economic – consolidated EBITDA for 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 – Non-Service Rate (NSR), which is the percentage of products unavailable for sale upon the placement of orders by consultants in Brazil and international operations.

The total annual amount paid under profit sharing, based on the long-term incentive program, may not exceed 10% of net income. This limit provides Natura with a consistent and well-controlled system that prevents distortions between compensation and performance of the company. 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 groups of employees:

2012	Average number of employees	Total Salary (in millions)[1]	Total variable (in millions)[2]	2013 Stock Option Plan (in number of options)[3]
Board	8	4.33	-	-
Executive committee	7	6.13	-	-
Senior management and directors	105	33.33	-	-
Middle management	441	60.26	2.36	-
Administrative	1,523	88.95	9.38	-
Sales force	848	52.83	43.78	-
Operational	2,386	43.63	11.37	-
Total 2012	**5,317**	**289.46**	**66.89**	**-**

1. Total salary: takes into account annual average base salary over 12 months (without charges) and overtime.

2. Total variable: Profit sharing and sales bonus (with Remunerated Weekly Rest - DSR) paid in year.

3. Stock options: 2013 plan underway.

2011	Average number of employees	Total Salary (in millions)[1]	Total variable (in millions)[2]	2012 Stock Option Plan (in number of options)[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), and 13th and 14th salaries in millions.

2. Total variable: Bonus, profit sharing and sales bonus (with DSR) paid in the year. Variable compensation paid in 2011 for base year of 2010.

3. Stock options: 2012 plan not approved yet.

2010	Average number of employees	Total Salary (in millions)[1]	Total variable (in millions)[2]	2011 Stock Option Plan (in number of options)[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. Total variable: total salary plus bonuses, profit sharing and sales bonus (with DSR).

3. Stock options: 2011 plan approved in March 2011.

natura management system

Our Essence and Organizational Culture determine the way we work. Our brand, value of relationships and sustainable development are the most distinguishing elements of our business and must always be present in it. The driving force that ensures that this way of work is present in all of our processes is the Natura Management System (SGN). The system establishes the requirements that enable us to run the business on a more dynamic basis and supports our local growth and global expansion, in addition to ensuring the strengthening of our Essence. At the same time, it must ensure the flexibility to meet specific the demands of each operation.

The Natura Management System gathers the priority elements that differentiate our company and should be reflected in all processes, namely: brand, innovation, sustainability, relationships, leadership, individual, strategy development and execution with excellence and learning. These drivers were revised in 2012 as part of our mission of continuous evolution for the purpose of simplifying the system and strengthen our differentiating characteristics to make them more evident in our operations.

As we evolved in the management by process model in 2012, we worked to enable efficiency and productivity gains focused on the implementation of processes that had been revised based on the new chain. In the International Operations, the challenge is to consolidate global processes enhancing the synergy and the characteristics of each operation so as to include the growth plan of these units and their operational and cultural peculiarities.

Despite all advances, we still face the challenge of institutionalizing the Natura Management System, and it is necessary to consolidate the model and ensure that the system is appropriate and that it is adopted by all employees. The goals established are important to increasingly strengthen the operation and its processes and become differentiators in our strategic agenda.

strategy and prospects

Natura started a new growth cycle in 2012 and the results obtained were a consequence of the investments made in the past two years. We made a significant progress in the level of our service: we reduced the delivery time to consultants, doubled the number of orders delivered within 48 hours and reached the lowest product unavailability rate in the past ten years.

Our logistics infrastructure is prepared to meet the future expansion, which, in Brazil, will be driven by the initiatives aimed at increasing the productivity of consultants, a network of more than 1.2 million people who has already reached the homes of nearly 100 million consumers.

We will keep on working to increase the frequency of purchases and the variety of products purchased. For this reason, we have been investing in the development of our marketing, making progress in the training of our consultants and in the combined offer of products from different categories to our consumer *(learn more on page 69, Consultants and NCAs)*.

This change is supported by our innovation process, which generated major launches in 2012: the first fragrance of the UNA line, a deo parfum created for the premium segment, and the Natura Tododia sprays, created to establish a habit of after shower body perfuming. With sales that exceeded expectations, these products show the strength of our brand in different segments. We will continue to innovate in concepts and products to charm our customers and take spaces where the Natura brand can offer products that are aligned with our value proposal and is not present yet *(learn more on page 41, Innovation)*.

Meanwhile, our International Operations reached a level of development and profitability that confirms their position as a relevant business platform. Our strategy for Latin America includes an accelerated growth of our network of consultants, expansion of production supported by local partners and increase in brand prestige and institutional recognition. We are already among the three brands preferred by consumers in Argentina and Peru and we significantly increased the awareness of our brand in Mexico and Colombia, where our operations started more recently. We still have room to increase our market share in the region.

In 2012, we also began to explore, in practice, the opportunities that new digital technologies and social networks offer for the direct sales model. We identified a large potential to bring our consultants even closer to their customers by understanding their buying habits and fueling our network of NCs with information that increase their productivity and improve the shopping experience for our customers. This action will be supported by the planned investments in digital technology.

In this scenario, we see the opportunity of being increasingly connected to people's needs, allowing the expansion of our relationship network by offering new brands, products, services and business.

sustainability management

Natura's strategy is to make sustainability one of the main vectors of innovation and generation of new business by means of solutions that create shared value for all of its relationship network. Natura seeks an approach that allows us to reach the entire organization with the introduction of guidelines in all processes. The topic today is a relevant component of the company's strategic planning, from the definition of indicators and targets, support of educational activities for employees and other stakeholders, and is also tied to performance reviews and senior management compensation. This entire process is monitored by senior management and communicated regularly.

In a cycle that evolves and is retro fed, Natura's sustainability strategy is the result of a process of relationship and engagement of stakeholders, which helps it identify the most relevant social and environmental topics relating to its business choices *(learn more on page 143, About this Report)*. The so-called Priority Topics are taken into consideration in Natura's planning for determining work projects, programs and initiatives and monitored by their respective indicators and targets (which the company calls Social and Environmental Budget).

Natura wants to have a broadened view of its impacts on its entire value chain, which includes suppliers, the logistics network, the work of the NCs and final product disposal. Due to their relevance and Natura's own experience in these aspects, some of these priority topics, such as social biodiversity and climate change, are now structured as sub-processes of the company. Meanwhile, other topics are still structured as projects or programs, such as Water, Waste and Sustainable Entrepreneurship.

Another important stage of Natura's sustainability strategy is mobilization and education. The company believes it is possible, through its efforts, to encourage self-development and broaden the awareness of its network, which is formed by employees, consultants, customers, suppliers and supplier communities, shareholders, in addition to the media, civil society organizations and public agencies.

The cycle is closed with the communication of the company's practices and economic, social and environmental results which is periodically carried out through quarterly performance reports and the annual report, including data audited by independent auditors and in accordance with the Global Reporting Initiave (GRI) guidelines *(learn more on page 143, About this Report)*.

priority **topics**

QUALITY OF RELATIONSHIPS

Driven by the conviction that everything is interdependent, Natura believes it is essential to truly care for all of its relationships.

To this end, Natura has the challenge of strengthening the care, the connection with and the trust in these relationships, intensifying ties that are increasingly significant and based on common purposes. It believes that this change is only possible when listening, dialoguing and a collective creation become part of the company's culture in order to generate innovation and build an environment that enables the development of the individuals and of their actual relationships.

Therefore, in 2012, the company revised its matrix of stakeholders, prioritizing those to whom its attention should be enhanced due to their ties with the company. As a result, Natura's task today is primarily focused on interactions with consultants (NCs), Natura Consultants Advisors (NCAs), consumers, employees and suppliers.

GRI 4.15

However, Natura is aware that there is still much to be done for it to reach the level of excellence it desires in this issue. In 2012, it recorded important developments in the quality of the relationships with NCs and NCAs *(learn more on page 69)* and employees *(learn more on page 53)* and maintained high consumer satisfaction with products and services *(learn more on page 82)*. On the other hand, there is room for improvement in the relationship with suppliers, whose loyalty rate dropped 40 basis points, and supplier communities, whose rate dropped 50 basis points, both reaching a loyalty rate of 23% in 2012 *(learn more on pages 88 and 92).*

Natura is reinforcing its practices to increase the coverage and depth of the exchanges with stakeholders and the company's strategic goal is to increase the indicators relating to quality of relationships with these stakeholders by 2014. *(Learn more on page 45, Quality of Relationships)*

CLIMATE CHANGE

In view of the challenge of climate change, Natura structured a program in 2007 to reduce carbon emissions that is focused on the search for efficiency and innovative solutions across the entire production chain and on education and public awareness of the matter.

Since that year, the Carbon Neutral Program has been promoting actions in many areas of the company. The program is divided into quantifying (inventory), reducing and offsetting emissions that cannot be avoided in accordance with an integrated view of the entire value chain.

Natura has also taken public commitments to reduce greenhouse gases (GHG) in its internal processes and related emissions in the entire chain (kg of CO_2 per product sold). In the first item, it has reduced absolute emissions by 7.4% since 2008, in the plants in Cajamar (State of São Paulo) and Benevides (State of Pará) and in the administrative facilities. However, this reduction was not enough for Natura to achieve the target to reduce 10% of its absolute emissions (scope 1 and 2 of the GHG Protocol). The second target is to reduce relative emissions in the entire chain by 33% between 2006 and 2013. To date, Natura has reduced them by 28.4%.

The emissions that cannot be avoided are offset by means of the purchase of carbon credits from reforestation, energy efficiency and fuel replacement programs. In 2012, the company contracted projects to offset the emissions generated in the 2011-2012 biennium.

Natura's Carbon Neutral Program is comprehensive and reaches the entire company. Therefore, the company is able to identify new opportunities for improvement. One of the latest conclusions is that the impact of solid waste exerts great synergy with carbon emissions. Thus, Natura believes that its strategy for solid waste management can leverage a new cycle of reduction of greenhouse gas emissions.

Since the beginning of the Carbon Neutral Program in 2007, Natura has established a pillar of education and engagement of employees and other stakeholders so as to increase awareness and multiply gains. Today, structured as a sub-process of the company, the Program is a benchmark for other Natura projects and inspires its strategies for managing the generation of waste (learn more on page 38) and water *(learn more on page 38). (Learn more about Climate Change on page 118, Creation of Environmental Value)*

SOCIAL BIODIVERSITY

With a focus on the use of resources from Brazilian social biodiversity and recovery of traditional knowledge of the forest people, the company desires to establish new business models that generate regional development and positive impact across its value chain.

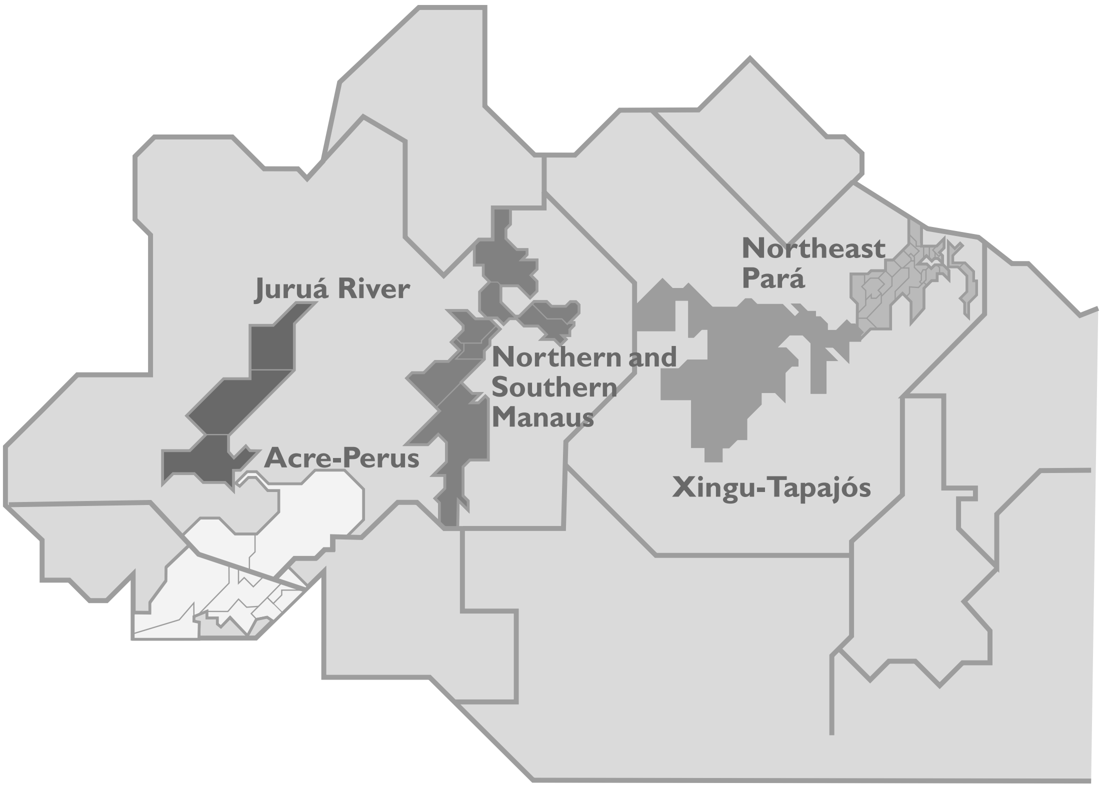
To this end, in 2011, Natura launched the *Amazônia* (Amazon) Program, which reinforces its commitment with the entire Amazon region in Brazil and neighboring countries. Natura wants to expand its presence and seek new models of sustainable development with the addition of local value, foster science and technology and strengthen the region institutionally. Accordingly, the program established three fronts: Science, technology and innovation; sustainable production chains; and institutional strengthening.

In 2011, Natura determined the six major topics for investment in the region in a materiality matrix built with the participation of local institutions and representatives of the Amazon community: education, entrepreneurship, social justice and civic awareness, public policies, conservation, appreciation and sustainable use of biodiversity, and culture. Its initial investment will focus on education, entrepreneurship, and social justice and civic awareness.

In 2012, five priority action territories were established in Brazil and Natura is also considering operations in a territory in Latin America (see map on next page). The option for a territorial management is aimed at facilitating the development of local centers for sustainable business development and innovation, establishing replicable and scalable models to favor the new economy that we want to stimulate. The definition of these locations took ten months and we considered more than 30 criteria, such as the offer of social biodiversity and potential for expansion, environmental conditions, mapping of institutional partners and government strategies, economic conditions and current and future infrastructure and logistics, among others. The implementation of the actions in these priority territories will take place gradually, starting in 2013.

Natura has established bold targets for the development of its business in the Amazon over the coming years. By 2020, we expect to increase the consumption of raw materials originated in the region from 11% to 30% (in R$ million), including 10,000 agroextractive families in the program and use company's own resources of R$ 1 billion. In 2012, the number of families involved was 3,500 and the business volume grew 88%, totaling R$ 122 million *(learn more on page 91, Supplier Communities).*

PRIORITY TERRITORIES



FRONTS OF THE AMAZÔNIA PROGRAM
- _Science, technology and innovation
- _Sustainable production chains
- _Institutional strengthening

See below the main action of the *Amazônia* Program in 2012:

SCIENCE, TECHNOLOGY AND INNOVATION

In August 2012, the Natura Amazon Innovation Center (Nina) was opened in Manaus (State of Amazonas); this is a knowledge center with the mission of stimulating the formation of a research network involving local, national and international science and technology institutions. We also determined the topics of interest of Nina's actions: Culture and Society; Conservation and biodiversity, Forests and agriculture, and Product design and processes.

In order to identify, support and conduct research that develop knowledge "in" the Amazon, "about" the Amazon, and "for" the Amazon, Natura executed letters of intent with the Federal University of Amazonas (UFAM), Brazilian Company of Agriculture and Cattle Raising (Embrapa), the National Research Institute of the Amazon (INPA) and the Amazon Biotechnology Center (CBA).

By means of the Natura Campus Program – which develops open innovation actions - the company launched a specific invitation to bid for institutions headquartered in the region in order to stimulate the creation of projects in collaboration with the company. To encourage the participation and interest in submitting proposals, we held meetings at many institutions. We also offered a coaching program on technology-based entrepreneurship for the finalists. As a result, we selected six research projects on the Amazon fauna and flora, community agroforests and population ecology, which are currently being contracted.

SUSTAINABLE PRODUCTION CHAINS.

To help Natura's significant growth plans in the Amazon region and to become even closer to the supplier communities, the company created in 2012 the Biodiversity Supply Center. In addition to planning future demand, the Center will ensure that this growth occurs with good management practices and production tracking. The Center is in charge of improving the process chain ensuring the complete mapping of the supply cycle, from the extraction of raw materials to their processing. The Center will also help prepare communities for the anticipated increase in supply and to seek new extractive organizations in the region. The Center's work will add to that performed by the Community Relations Management (GRC), which supervises an interdisciplinary team of professionals, including anthropologists, social scientists, psychologists, economists and agronomists in the management of community relations *(learn more on page 91, Supplier Communities).*

In 2012, Natura also began the construction works of Ecoparque in Benevides (State of Pará), an industrial park expected to be inaugurated in the second half of 2013. Covering an area of 175 hectares, the project was inspired by the concepts of symbiosis and industrial ecology, which connects companies with the additional needs in one area and which can generate synergy and greater efficiency in the use of resources. Therefore, the disposal material of one company can be the raw material for production of another company or for Natura's own experience in the sustainable use of inputs from the Amazon region may become a service to be offered to other local entrepreneurs.

The first step of the Ecoparque is the construction of Natura's new plant, where the company will start to produce all soaps. Currently, the Benevides unit prepares just the soap noodles, which are sent to Cajamar for the completion of the production process.

INSTITUTIONAL STRENGTHENING

In 2012, we officialized the establishment of the External Advisory Board of the *Amazônia* Program, a group composed of representatives from different segments, experts and institutions with experience in the region. Their role is to guide the company in its plans, programs and targets *(see complete list in the table below).*

Also, in 2012, we determined the focus of this group's work

a) elementary, middle and high school and technical education adjusted to the reality of farms and forests;

b) entrepreneurship, including leadership training and community management training, in addition to fostering local businesses based on social biodiversity and/or businesses that can meet the demands generated by the Ecoparque; and

c) conservation and appreciation of social biodiversity focused on technical skills of the agroextractive communities and creating local value, for example, through projects for efficiency gains and competitiveness of production chains and offset projects for environmental services that value and benefit the communities

EXTERNAL ADVISORY BOARD OF THE *AMAZÔNIA* PROGRAM

Chairman:

Marcelo Cardoso, Senior Vice President of Organizational Development and Sustainability of Natura*

Members of the Board:

Cláudio Pádua – Vice President of Ipê (Ecological Research Institute)
Bertha Becker - geologist and professor at the Federal University of Rio de Janeiro (UFRJ)
Pedro Leitão – Superintendent of Instituto Arapayu
Adalberto Veríssimo – Senior Researcher at the Institute of Man and the Environment of the Amazon (Imazon)
Paulo Roberto Moutinho – Director of the Environmental Research Institute of the Amazon (Ipam)
Carlos Nobre - Secretary of Research and Development Policies and Programs, Ministry of Science and Technology
Fernando Reinach – Partner at Fundo Pitanga
Adalberto Luis Val – Director of the National Research Institute of the Amazon (Inpa)
Adriana Ramos – Assistant Executive Secretary of the Social and Environmental Institute (ISA)
Rubens Gomes – Executive Director of the Amazonian Work Group (GTA)
Francisco Costa – Professor and Researcher at the Center of Higher Amazonian Studies (Naea)

** Mr. Cardoso withdrew from Natura at the end of 2012*

In addition to these priorities, Natura should continue to seek opportunities to influence the major players involved so that Brazil can have a new legal framework that regulates access to biodiversity and the sharing of benefits, fostering an environment that is more favorable to the development of science and technology, with less bureaucracy and greater legal security. We expect new legislation to contribute to Brazil's innovation agenda, allowing for the sharing of benefits in a fair and equitable way with the supplier communities, implementation of actions with the use of social technologies that promote sustainable development, thus complying with the principles of the Convention on Biological Diversity *(learn more on page 107, Government).*

SOLID WASTE

Since 2010, the company has been working on a solid waste management strategy with a view to lifecycle. The goal is to reduce the generation of solid waste and waste in general in the company's value chain and expand the use of recycled material by structuring efficient and inclusive supply chains, including cooperatives of recyclable material collectors, establishment of fair price and traceability. It is also part of Natura's strategy to raise stakeholders' awareness and engage them in the proper management of solid waste and challenge internal projects to consider eco-efficiency in their conception.

To support this strategy, Natura developed a methodology of an inventory of solid waste generation in the value chain with a lifecycle approach. However, this study does not address the first link in this process, which is made of direct and indirect suppliers of raw materials and packaging materials, due to their complexity and the assumption of shared responsibility described in the National Solid Waste Policy. In this case, the waste generated is quantified and managed by these suppliers and reported to Natura since the indicator is part of the supplier development program *(learn more on page 87, Suppliers).*

In the industry sphere, Natura supports actions promoted by the Brazilian Association of the Cosmetics, Fragrances and Toiletries Industry (Abihpec) to encourage compliance with the National Solid Waste Policy. The organization develops a model for the collection and recycling of post-consumer packaging that is already in use in the following states: Paraná, Rio de Janeiro, Santa Catarina and São Paulo. Abihpec also represents Natura at the Corporate Coalition, which negotiates with the Ministry of the Environment a sector agreement on this waste. *(Learn more on page 127, Creation of Environmental Value)*

WATER

Although water is a renewable resource, the lack of water supply is still a reality for at least 780 million people worldwide according to the report "Progress on drinking water and sanitation 2012" of the World Health Organization and UNICEF (United Nations Children's Fund). And, although the target of the Millennium Development Goals to halve the proportion of people without access to drinking water has been achieved, the scenario remains worrisome, especially due to the challenge of sanitation.

It is therefore even more important for Natura to understand how its business impacts water resources through consumption and potential water pollution. Two years ago, we began to develop a water management strategy based on the entire lifecycle of the business. The first step was to calculate the company's water footprint, a methodology developed by the WaterFootprint Network (WFN). Natura mapped the impact of the supply of raw materials and packaging materials, from the stage of production and distribution of products to their use and disposal by consumers. Natura was the first cosmetics company in the world to include this final stage of the lifecycle when calculating the water footprint.

This calculation, made in 2010, showed the stages of disposal of products by consumers (45.9%) and supply of raw materials and packaging materials (36.9%) as the most relevant in terms of the impact of Natura's chain. Meanwhile, the stage of use of the product represented a percentage of 13.8% of the total. The results were presented at the seminar "Solving the Water Crisis: common action toward a sustainable water footprint", organized by UNESCO in March 2012 during the Planet Under Pressure conference.

The survey data is still preliminary but, based on it, the need for additional methodologies that address all the complexity of the company's process was identified: expand the study applying methodologies that include the evaluation of biodegradability and toxicity of products, thus considering both consumption and potential for water pollution. Additionally, Natura needs a model that considers the characteristics of Brazil, with unequal distribution of water - the most populous regions are distant from areas with greater supply of the resource – and incipient basic sanitation conditions.

Therefore, the company assessed four methodologies in 2012 and one of them was chosen to be used in a new inventory in 2013 with two product categories. The goal is to test the sensitivity of the methodologies and assess whether they can be replicated in the different categories and products of Natura's brands. *(Learn more about water consumption on page 129, Creation of Environmental Value)*

GRI EC8

SUSTAINABLE ENTREPRENEURSHIP

We live in an increasingly complex world with financial, social and environmental crises. This scenario imposes new business formats and solutions that promote inclusion, development, quality of life and preservation of the natural resources available on the planet. We know that entrepreneurship is one of the new vectors of economic expansion worldwide, including Brazil, and has the potential to create innovative products and services that meet these emerging demands.

Although sustainable entrepreneurship is little disseminated and studied, it may bring together the tools of traditional business management, social entrepreneurs' transformative ideal and concern about environmental impact. This more comprehensive and complete approach has the potential to multiply opportunities for income generation with social and environmental benefits.

Natura identified room for contributing to the search for new forms of business and creation of value through its network of consultants. With major influence, the company sees the invaluable opportunity to encourage its NCs to take social and environmental entrepreneurial actions in their communities.

As one of the ways of expanding the company's knowledge, we decided to sponsor the organization of a global network of laboratories that research new business at the base of the pyramid (the lower classes). The project is led by Professor Stuart Hart, from Cornell University, U.S., one of the world's leading experts in this type of entrepreneurial activity.

A few own initiatives have also made Natura learn about the potential of its network of consultants to create value. We support NCs who participate in social and environmental initiatives in their communities throughout Brazil by means of the Acolher (Welcome) Program *(learn more on page 79, Consultants and NCAs)* and we also developed a business model in Mexico with a multilevel system, in which the consultants' level of involvement with Natura increases as they establish their own network of NCs and promote social and environmental activities *(learn more on page 78, Consultants and NCAs).* In another initiative in São Paulo (State of São Paulo), we promoted training in business, management, finance and other topics for NCs who are beauty professionals, including owners and employees of beauty parlors.

EDUCATION

Natura believes that the continuous search for improvement promotes the development of individuals, organizations and society. Based on the company's efforts and on the relationships nurtured, the company aims to create a learning model that not only generates results for Natura but is also strong enough towards contributing to the transformation of our society.

Internally, Natura sponsors the Cosmos program, a leadership development program that offers comprehensive training, involving lectures and workshops, time for exchanging experiences and practical application of knowledge; and the *Meu Caminho* (My Way) program, which is intended for the operational employees and includes training and development during and off working hours, as well as the distribution of certificates of knowledge, which give employees the opportunity to ascend the career ladder.

To increase sustainability awareness, we organized nine workshops with the company's managers in 2012. Since this is essential knowledge for Natura, we intend to expand these initiatives in 2013. Generally, the topic is covered in the Employee Integration Program (CIP) and in the functional training courses, whether by means of a more comprehensive approach or through specific topics, such as ecodesign. The company's goal is to make employees consider sustainability as part of their everyday life, including it throughout their activities *(learn more about corporate education on page 54, Employee).*

As for Natura's sales force, we want to take advantage of their potential and of the diversity of this network of 1.5 million NCs in Brazil and in International Operations to expand the value created by the consultants. For these stakeholders, the company's intention is to promote education as a business leverage, increasing actions of social transformation, sustainable entrepreneurship, technology and leadership platforms *(learn more on page 39,Sustainable Entrepreneurship).*

In 2012, company also extended the training program to youngsters of the municipality of Cajamar, where the main offices are located for the purpose of increasing their employability *(learn more on page 100, Surrounding Community).*

The Company's education strategy also includes the activities of the Natura Institute, a nonprofit organization created in 2010 to strengthen social initiatives through projects that can positively impact the quality of education in public schools. In 2012, the Trilhas (Trail) Project, to encourage reading and writing in early education, became a public policy in a partnership with the Ministry of Education, and reached 3,300 municipalities and 3 million students *(learn more about the Natura Institute on page 133, Creation of Social Value).*

INNOVATION

Innovation is the basis of our creation of value and permeates our entire business. Our understanding of innovation goes beyond product development, in a multidisciplinary vision that is present in the creation of new concepts, our business strategy, search for new business, and even in our logistics operations.

Our emphases on innovation seek to express this integral approach, with four main strategic guidelines that, in addition to traditional methods, encompass state of the art science and technology, concern about the reduction of the social and environmental impact and our desire to create products that cause a flow of Well Being Well experiences for our consumers (see table).

BROADER VIEW

Our research fronts

- _ Classical and advanced skin and hair sciences: studies biological and physicochemical mechanisms that affect skin and hair to develop new products and services with unprecedented benefits
- _ Sustainable Technologies: develops concepts and technologies to promote the sustainable use of products and services from social biodiversity, including ecological production systems, packaging materials and social technologies
- _ Senses, Design and Experiences: seeks to understand the operation of the physiological mechanisms of the production of sensations, perceptions and emotions to bring the best experience to consumers
- _ Well-Being and Relationship Sciences: integrates different fields of science to understand and create value from the well-being concept and its correlations across all dimensions (physical, emotional, social, cultural and spiritual)

Based on this understanding, we have, for example, developed a system for the sustainable production of palm oil *(learn more on page 94);* organized researchers to bring innovation to the daily lives of local communities in the Amazon *(learn more on page 36)*; been developing an experience with our consultants, who are using digital media in their relationships with customers *(learn more on page 69);* and created a virtual library of gestures based on body therapies to inspire people to recover and value human relationships *(learn more about Natura Gestos (Natura Gestures) at http://tinyurl.com/ctgf5fb).*

In 2012, we made internal improvements in our processes so as to further integrate all innovation initiatives to accelerate their pace. Among the new measures, we created the Innovation Center, whose main purpose is to reduce the time between the emergence of an idea and the creation of a concept of a product or service and facilitate the identification of opportunities in any area of the company.

To support and foster innovation, we annually invest between 2.5% and 3% of our net revenue in science, technology and creation of knowledge networks. In 2012, this investment totaled R$ 154 million, an increase of 5% in relation to the previous year.

We also received tax incentives for innovation and development by means of partnerships with institutions such as the Financial Sponsor of Studies and Projects (FINEP), National Bank for Economic and Social Development (BNDES) and National Council of Scientific and Technological Development (CNPq). In 2012, R$ 49 million, related to a refundable loan to support the company's research and development activities, was released by Finep. Additionally, we signed an economic subsidy agreement in the amount of R$ 3.3 million to finance the research on new ingredients for anti-aging products.

With CNPq, we signed the protocol of adherence to the Programa Ciência sem Fronteiras (Science without Borders Program), a joint effort of the Ministry of Education and Culture and the Ministry of Science, Technology and Innovation aimed at internationalizing the Brazilian science, technology and innovation through the grant of scholarships. Until 2014, Natura and CNPq will work together to enable 100 scholarships to researchers in strategic topics in well-known institutions of excellence abroad.

Our innovation rate was 67.2% last year, which shows how important product innovation is to Natura's commercial performance and to ensure our leadership in the cosmetics, fragrances and personal hygiene market.

Innovation Indicators	Unidad	2010	2011	2012
Investment in innovation[1]	R$ million	140	147	154
Percentage of net revenue invested in innovation[1]	%	2.8	2.7	2.6
Number of products launched[2]	unit	191	168	104
Innovation rate (%)[2]	%	65.7	64.8	67.2

1. The information does not include the development actions in International Operations and only takes into consideration the expenditures made in Brazil.

2. The number of products launched in 2012 and 2011 has been revised and corrected. This revision also caused changes in the innovation rate for 2010, which was recalculated.

In order to maintain our level of excellence and continue to play the lead role in innovation in our field, we have four centers of science, technology and development of products and processes.

The most recent one was inaugurated in August 2012. It is the Natura Amazon Innovation Center (Nina), a knowledge center with the mission of stimulating the formation of a research network involving local, national and international science and technology institutions. In the first months after its launch, we signed partnership contracts with the Federal University of Amazonas (UFAM), Brazilian Company of Agriculture and Cattle Raising (Embrapa), National Research Institute of the Amazon (INPA) and the Amazon Biotechnology Center (CBA). We also launched an invitation to bid for the Natura Campus Program specific for the Amazon region *(learn more on page 36, Social Biodiversity).*

Our other research centers are: Cajamar (State of São Paulo), the most complete and advanced technology research center in cosmetics in South America, and Benevides (State of Pará), which is focused on innovation based on the sustainable use of social biodiversity. In France, we reorganized our actions in science and technology, expanding the open innovation experiences in Paris, and replaced studies conducted in our own laboratory by collaborative research initiatives in partnership with distinguished laboratories. Our presence in France allows us to keep up with trends and new technologies in the area of beauty and well being.

OPEN INNOVATION

After identifying the potential of our networks and addition of knowledge, seven years ago we adopted the open innovation model, which proposes the organization of the scientific community, bringing together many researchers and science and research institutions and business partners. We believe networking expands our access to new ideas and knowledge and allows us to interact with the best talented people from the scientific community and the industry. The result is the generation of new and more relevant knowledge, built on a collaborative basis and shared, which not only adds value to Natura but to society as a whole.

Therefore, in addition to scientists and internal research (more than 250 employees are directly involved in Research and Development), our business is strongly linked to the partnerships we have with scientific institutions in Brazil and in the world to develop new concepts, methodologies, products and processes. The relationship with this network is developed mainly through the Natura Campus Program (www.naturacampus.com.br), a program through which we connect and activate a network of researchers, receive partnership and research proposals, propose challenges and generate and disseminate knowledge. In addition to information about our vision of innovation and our research fronts, we keep scientific blogs signed by experts who promote the exchange of ideas, mediate discussions, disclose relevant information and encourage interaction among the participants of our network.

In 2012, we joined the research laboratory of digital technologies - Media Lab - of the Massachusetts Institute of Technology (MIT) in Boston, USA, as the Brazilian representative. We also worked together with the Massachusetts General Hospital, a benchmark in skin studies, which is also located in Boston. Also, we have resources dedicated to the expansion of our open innovation model in the region.

We have kept the partnership with the National Laboratory of Biosciences (LNBio), in the Biological Assay Lab in Campinas (State of São Paulo), a research center with an automated system that enables large-scale assays and screening of natural and synthetic compounds with speed and high performance.

Among other actions, we encouraged the construction of an innovation network with our partners, including our suppliers, with the launch of IQlicar, a ramification of our supplier development program Qlicar (Quality, Logistics, Innovation, Social and Environmental Competitiveness and Relationship), focused on innovation. With this initiative, we want to promote the interaction between these suppliers and universities, research centers, entities, scientists and development agencies that collaborate with Natura.

In addition to encouraging the production of knowledge in open innovation, we are also concerned about encouraging research and generation of knowledge within Natura itself. We re-launched the Carreira Científica, a research incentive program designed for our employees with new selection parameters. In addition to master's and doctorate degrees, we started to praise knowledge from experience, and we extended the program to participants from all areas of the Innovation department. This is an opportunity for our employees to develop a career as a science specialist or manager in science parallely to their company manager career.

WHAT WE INNOVATED

Perfumers Veronica Kato, from Natura and Yves Cassar, from International Flavors and Fragrances (IFF), developed the Natura Una deo parfum, a new fragrance from the homonymous makeup line that was launched last year. The colors of the makeup line have influenced the choice of perfume ingredients, which is composed of notes of Damascus rose, lily of the valley and magnolia, and fruits like tangerine, plum, Surinam cherry, and cassis and pink pepper. After two years of work, the perfume, designed for the premium segment, was largely accepted by consumers, selling 600,000 units in its launch cycle.

Another innovation from perfumery was the Tododia line body spray, which proposes a new, fresh after-shower perfuming experience. In the lower price range, more than 3.5 million units of the item were sold in the launch cycle.

With sales that exceeded our expectations, these products show the strength of our brand in different segments. Our goal is to continue to innovate in concepts and products to charm our customers and take spaces where the Natura brand can offer products that are in line with our value proposal and is not yet present.

We are also innovating in terms of level of transparency about the ingredients in our products. We implemented the traceability of the chain of inputs and established a dialogue with our stakeholders on environmental and social impact, and health and safety. We are also concerned about anticipating positions on controversial topics and we are working on the implementation of a new form of open, collaborative and transparent communication with our stakeholders *(learn more on page 85, Consumer Safety).*

OTHER LAUNCHES IN THE YEAR

_In order to make parents' lives more practical, the packaging of the Mamãe e Bebê (Mother & Baby) line now has valves that make its application easier at bath time, in addition to having softer fragrances.

_Jumping ahead Brazilian legislation, which will increase the UVA protection factor, we adapted all of our products before the publication of the law.

_In France, Natura products will have more complete labeling in 2013, including information on all raw materials and ingredients. This change is in compliance with a new European regulation and will also be gradually applied to the brand portfolio in Brazil and in the rest of Latin America.

_Our innovations also resulted in the launch of two products of the Chronos line: the ultra light fluid for face protection - a non greasy and non shinny SPF 60 sunscreen –, and Chronos Tinted sunscreen with a foundation effect, which ensures sun protection and complements the daily makeup.

GRI PR3

stakeholders

GRI 4.14; 4.16; 4.17

QUALITY OF RELATIONSHIPS

Relationships are the core of our way of doing business and for this reason one of our priorities is to continuously improve the quality of the relationships we have with all of our stakeholders. We learned that the dialogue with our stakeholders and their opinion are important in the search for solutions to the challenges of our business and, for this reason, we increased their participation in strategic projects for Natura.

Based on the understanding that the company is part of a network in which many stakeholders connect, we have already collected examples of this collaborative process. The Programa Amazônia (Amazon Program), for example, carried out dialogues with the people from the Amazon region and established an external advisory board, with organizations local experts, to help determine its priorities and direct investments *(learn more on page 34, Social Biodiversity)*. The strategy of sustainable supply chains, which created a methodology for the assessment and management of suppliers' social and environmental investments as criteria for selecting and maintaining the relationship, was also developed together with commercial partners *(learn more on page 87, Suppliers)*.

In order to hear the opinion of our stakeholders on topics of interest in our decision-making process, we organized dialogue panels. In 2012, for example, we carried out an engagement initiative with the stakeholders from the areas surrounding the new Natura's unit to be inaugurated in Vila Jaguará, in São Paulo (State of São Paulo). At the time, we talked to government representatives, companies from the region, suppliers, employees and representatives of the local community to discuss our impacts and identify key opportunities in the region *(learn more on page 101, Surrounding Community)*.

We also organized a dialogue panel on conscious consumption in which we brought together experts, government officials, representatives of higher education institutions, civil society members, Natura consultants and consumers. The dialogue involved a discussion about the values that lead society to consume and a glance at conscious consumption in the future.

For the purpose of increasing the number of people involved in our engagement initiatives, since 2009, we have been seeking virtual tools to involve our stakeholders in building better relationships and solutions mainly through the Natura Conecta (Natura Connects) virtual community. In 2012, we decided to end the activities of this network and focus more on the potentials of the existing digital networks to work on the engagement of our stakeholders through virtual workshops, webcasts, and by using other interfaces.

In the 15 face-to-face meetings held in 2012, we gathered more than 400 people, which is less than the number of participants in 2011, when we had approximately 800 people involved in 23 dialogue panels. This result reflects the need to deepen the discussions in smaller groups and focus more on the topics that have already been addressed *(see table on the next page)*.

We also consider the promotion of the development of individuals essential to the development of relationships. In this aspect, we gave continuity to the program *Você tem fome de quê?* (What do you want?), which is a cycle of lectures and meetings for employees and their partners with the participation of experts and professionals specialized in the topics of interest for Natura and its stakeholders. In 2012, we organized six meetings to discuss the results of the United Nations Conference on Sustainable Development, Rio +20, held in June. The discussions were attended by specialists, such as the Indian physicist and environmentalist Vandana Shiva, Brazilian businessman and councilman Richard Young, president of the Instituto Akatu para o Consumo Consciente (Akatu Institute for Conscious Consumption) Helio Mattar, coordinator of Instituto Vitae Civilis (Vitae Civilis Institute) Aron Belinky, coordinator of Greenpeace campaigns Sérgio Leitão, among others.

In 2012, we also supported the cycle of conferences called Fronteiras do Pensamento (Thinking Frontiers), an initiative that gathers today's major experts and scientists to discuss important matters for today's world. In return for our support, some of our stakeholders participated in these events.

2012 Face-to-Face engagement initiatives

Topic	Stakeholders Involved	Participants	Date and place	Topics
NASP (Natura São Paulo) Dialogue	Multistakeholders	82	Feb / Natura São Paulo (State of São Paulo)	Impacts of Natura's new facility in Vila Jaguará, in São Paulo (State of São Paulo), and focus of work with the surrounding community.
Entrepreneurship	Multistakeholders	51	Apr / São Paulo (State of São Paulo)	Natura's potential to encourage entrepreneurship in its business.
Action Learning Ombudsman's Office	Employees	10	May / Natura Cajamar (State of São Paulo)	Relationship of employees with Natura Ombudsman's Office and focuses of improvement of this dialogue channel's process.
Action Learning Ombudsman's Office –non-managers	Employees	8	Jul / Natura Cajamar (State of São Paulo)	Relationship of employees with Natura Ombudsman's Office and focuses of improvement of this dialogue channel's process.
Action Learning Ombudsman's Office - operational	Employees	13	Jul / Natura Cajamar (State of São Paulo)	Relationship of employees with Natura Ombudsman's Office and focuses of improvement of this dialogue channel's process.
Action Learning Ombudsman's Office - managers	Employees	11	Jul / Natura Cajamar (State of São Paulo)	Relationship of employees with Natura Ombudsman's Office and focuses of improvement of this dialogue channel's process.
Action Learning Ombudsman's Office – Relationship Managers (GRs)	Employees	4	Jul / Natura Cajamar State of São Paulo	Relationship of employees with Natura Ombudsman's Office and focuses of improvement of this dialogue channel's process.
Ecosystemic Services	Employees	23	Aug / São Paulo (State of São Paulo)	Dialogue between employees from different areas who elected, among the projects developed by Natura, the one that they will apply, as pilot, two methodologies of assessment and valuation of ecosystemic services: TEEB and ESSP.

N Ciclos (N Cycles)	Employees	22	Aug / Santo André (State of São Paulo)	Impacts of the implementation of the N Ciclos project for the sales force – increase in the number of sales cycles per year.
N Ciclos	Employees	21	Aug / Brasília (Federal District)	Impacts of the implementation of the N Ciclos project for the sales force.
N Ciclos	Employees	21	Aug / Salvador (State of Bahia)	Impacts of the implementation of the N Ciclos project for the sales force.
N Ciclos	Employees	25	Aug / Porto Alegre (State of Rio Grande do Sul)	Impacts of the implementation of the N Ciclos project for the sales force.
Annual Report	Employees	40	Sept / Natura Cajamar (State of São Paulo)	The process of development of Natura's Annual Report.
Conscious Consumption	Multistakeholders	47	Oct / Natura Cajamar (State of São Paulo)	Función de la empresa en la discusión y estrategia de transformación sistémica en torno del tema consumo.
	The role of the company in the discussion and systemic transformation strategy on the consumption topic.	18	Out / Natura Cajamar	Construcción de la visión de futuro del Movimiento Natura.
Natura Movement	Employees	18	Oct / Natura Cajamar (State of São Paulo)	Construction of Natura Movement's vision of the future.
Surrounding Community – Cajamar (State of São Paulo)	Multistakeholders	22	Dec / Cajamar (State of São Paulo)	Identification of opportunities of work in the Cajamar area through the collection of perceptions of stakeholders from the region.
Feminine Values	Employees	12	Dec / Natura Cajamar (State of São Paulo)	Bringing back topics relating to this issue that have already been addressed by Natura and discussing the development of the next steps.
	TOTAL	**430**		

DIVERSITY

In 2011, we made our understanding of diversity publicly known and we expressed the desire that our practices go beyond the compliance with regulatory requirements or isolated actions around issues such as ethnicity, gender, nationality and religion. Based on our strategy and on the characteristics of our company, we determined three areas on which to focus: social inclusion, women and multiculturalism.

We are have a strong relationship with women, who represent the majority in our network of employees, NCs and consumers. Institutionally, we integrated important discussion forums on the participation and political and economic empowerment of women. Through the Brazilian Association of Direct Selling Companies (ABVED), we are part of the *Rede Mulheres Brasileiras Líderes pela Sustentabilidade* (Network of Brazilian Women in Leadership Positions for Sustainability), which was created by the Ministry of the Environment and mobilizes women in leadership positions to discuss new sustainable solutions. As members of this network, we undertook to encourage dialogues about conscious consumption with our NCs. We also participate in the advisory board of the *Mulheres 360* (Women 360) program. The initiative proposes discussions about the presence of women in the Brazilian corporate environment and stimulates their participation in leadership positions in companies.

Internally, we have created a space for debates, integrating men and women, for the purpose of collaboratively building actions to increasingly strengthen feminine values in our environment and relationships. This initiative is part of our strategy of training people to promote the individual development of our stakeholders through lectures, courses and conferences. In 2012, we invited 30 employees to a meeting with the Argentinean therapist Laura Gutman about her book "Maternity, coming face to face with our own shadow". We also offered a course on Cultural Biology with the neurologist Humberto Maturana and Professor Ximena D'Ávila, both from Chile. Ten employees took part in this course, which addressed the need to recover some values such as love and collaboration. Finally, we held a meeting with the spiritual guide Diane Hamilton and 16 employees to elicit a reflection on the motives for the lack of discussions about Feminine Values in society and in Natura's own corporate environment. This series of activities led us to include the topic in our dialogue panels. In December 2012, the face-to-face dialogue brought back topics that have already been addressed by Natura relating to Feminine Values and discussed the next steps for approaching the theme with our stakeholders.

In 2012, we did not make much progress in the sphere of multiculturalism, which expresses the need to have people with global experience and regional knowledge in our operations, although we did implement some actions such as the increase in the participation of employees from Latin America, Europe and the United States in our MBA program *(learn more on page 61, Employees).*

Due to the adoption of innovative technologies in our production environment, we identified an opportunity to promote the inclusion and development of disabled people. In 2012, even though number the diversity actions was not at the level we would like, we started discussions and actions that will allow us to take on tangible commitments in relation to the priority topics in the future. One of these actions is the distribution center in São Paulo (State of São Paulo) to be inaugurated in 2013 in which we invested in high technology and which will allow us to offer job opportunities to people with different disabilities, including cognitive. In order to promote a welcoming and inclusive environment, we worked throughout 2012 on the structuring of a number of awareness-raising, education and development actions *(learn more about diversity on page 61, Employees).*

GRI 4.4

THE OMBUDSMAN'S OFFICE

The Ombudsman's Office is a channel for dialogue and serves as a change facilitator through listening, dialoguing and transforming practices and relationships. With care and discretion, it confidentially forwards questions, criticisms or compliments to the management areas and monitors the resolution of cases, assessing the possibility of evolution in our processes, policies and relationships. All contacts are recorded and reviewed by the Ombudsman's Office team together with the parties involved.

The Ombudsman's Office is available to employees and in-house outsourced workers in Brazil and to all of our international operations personnel, in addition to suppliers and supplier communities in Brazil. Natura consultants (NCs) and end consumers are served by Natura Call Centers (CAN) and by Natura Customer Service (SNAC). In the case of these stakeholders, the Ombudsman's Office only deals with cases involving the conduct of consultants (behavioral issues) that are referred by the centers and with consumer issues that are referred by the Press Relations and Consumer Safety internal departments. In 2012, 2,500 cases regarding consultants and 199 cases of consumers were reviewed.

All contacts involving ethical misconducts are reported to the Ethics Committee composed of the senior vice presidents of Organizational Development and Sustainability, Finance, Investor Relations and Legal Affairs, by the People and Organization Director, and by the Ombudsman's Office. The CEO is a guest member and, when necessary, the departments of Internal Audit and Legal Affairs are also involved. In Natura's history, we have never had a proven discrimination complaint, but if we do, the proper measures will be taken. In 2012, we received a complaint from an employee that could not be properly investigated because the perpetrator of the alleged discrimination had already been terminated at the time of the investigation. Therefore, the case was closed. GRI HR4

Historically, the channel is used by these stakeholders not only to place complaints about behavioral and ethical misconducts but also to seek answers to more technical demands (concerning processes, policies, procedures and infrastructure). These technical issues did not use to be addressed by the Ombudsman's Office, which advised the addresser to refer to the proper managing department. In 2012, we increased the communication about the Ombudsman's Office, clarifying the role of the channel, its stakeholders, type of cases it addresses and how they are handled. As a result, there was a decrease in the number of contacts received and an increase in the percentage of cases solved. We reached a rate of 93% compared to 68% in 2011. We held dialogue panels with different addressers for the purpose of bringing this channel closer to the stakeholders served. We also revised our processes in order to improve the quality of the service.

As a consequence of the actions that were carried out in 2012, the 2012 climate survey recorded a 10% increase in this channel's credibility regarding the confidence in the Ombudsman's Office as an appropriate dialogue channel for criticisms, complaints or suggestions *(learn more on page 61, Employees)*.

The Ombudsman's Office is also responsible for addressing issues related to the Natura Relationship Principles, which are guidelines based on our Beliefs and Essence that inspire and guide our everyday actions to improve our relationships. The Natura Relationship Principles apply to all our operations and are under revision. A new edition is expected to be published in 2013. The release of the new edition was initially expected in 2012 but the revision deadline was extended so as to involve our stakeholders in the development of the material. GRI HR10

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HR11. Total number of contacts received by the Ombudsman's Office[1]	2010	2011	2012
Employees and In-house outsourced workers - Brazil	1,120	1,025	687
Employees and In-house outsourced workers – International Operations[1]	18	7	11
Suppliers – Brazil	17	4	10
Supplying Communities[2]	8	0	0
Total	**1,163**	**1,036**	**708**

1. Desde 2011, los datos incluyen a colaboradores de Francia.

2. Público atendido a partir de junio de 2012.

Percentage of requests addressed compared to total received (%)	2010	2011	2012
% requests addressed[1]	52	68	93
% requests forwarded	48	32	7

1. Cases addressed by the Ombudsman's Office together with the managing department involved.

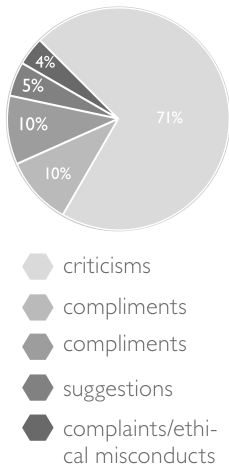
2. Until May 2011, the addresser was advised to contact the managing department to solve technical issues

EMPLOYEES AND IN-HOUSE OUTSOURCED WORKERS - BRAZIL

We consider the Ombudsman's Office a consolidated additional dialogue channel for employees and in-house outsourced workers of the Brazilian operations. In 2012, we identified a change in the profile of contacts from these stakeholders. We recorded an increase of 500 basis points in anonymous contacts - 25% in 2012 compared to 20% in 2011. The contacts related to behavioral misconducts grew 1100 basis points - totaling 28% in 2012 compared to 17% in 2011.

People management was the most mentioned process, totaling 44% of the contacts. The cases referred mainly to benefits such as restaurant, transportation and medical care.

Profile of the contacts – Internal Stakeholders - Brazil



Total contacts: 687

PR5. Satisfaction with the Ombudsman's Office channel[1]	Unit	2010	2011	2012
Internal stakeholders – Brazil	%	97	98	92

1. In 2012, the Satisfaction Survey for Employees - Brazil was revised. Until September 2012, positive answers to the question: "Are you satisfied with this dialogue channel?" were considered. From this date onwards, the answers rated 4 and 5 as satisfaction with the channel were considered.

EMPLOYEES AND IN-HOUSE OUTSOURCED WORKERS – INTERNATIONAL OPERATIONS

In International Operations, the number of contacts with the channel remained stable. However, we still consider the use of the Ombudsman's Office by the stakeholders and in-house outsourced workers as being low, corresponding to 2% of the contacts. In 2012, 11 contacts were recorded and most of them were complaints related to misconduct. We still face the challenge of disseminating this channel among these stakeholders for the purpose of increasing the level of use.

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SUPPLIERS AND SUPPLIER COMMUNITIES IN BRAZIL

The Ombudsman's Office has been available to the company's suppliers in Brazil for five years and, in 2012, the channel was opened to our supplier communities. The channel receives criticisms, compliments, suggestions or questions, information that help us identify opportunities for improvement and enhance our processes and practices. In 2012, we recorded 10 contacts from our suppliers and supplying communities. Most of them were related to misconduct and payment processes. We also face the challenge of disseminating this channel among these stakeholders for the purpose of increasing the level of use.

employees

As our organization grows and expands its relationships, the need to train high-potential leaders and attract professionals with skills that are still lacking in the company also grows. Therefore, we have been working to accelerate professional development and improve what we call the company's entrance gate, which are the areas that attract more people, such as the trainee and internship programs *(learn more on page 40, Education)*.

In 2012, we took an important step to ensure the implementation of our future strategy. The cycle of review of the strategic planning included the task of explaining, more clearly, to employees, the company's short, medium and long-term goals, which were also disseminated in a large number of meetings and actions. We wanted to convey to the teams a more realistic vision of the future of the business to guide the work of the employees.

LA1 - Number of Natura employees by region/country	Unit	2010	2011	2012
Brazil	Unit	5,482	5,483	5,354
Argentina		395	449	394
Chile		293	293	268
Mexico[1]		329	113	119
Peru		293	301	283
Colombia		170	191	213
France		48	55	52
Total		**7,010**	**6,885**	**6,683**
Other employment contracts[2]				
Apprentices[3]	Unit	152	157	164
Interns[4]		68	141	80
Temporary workers[5]		445	255	337
In-house outsourced workers[6]		2,048	2,094	2,505
Total - other employment contracts		**2,713**	**2,647**	**3,086**

1. The decrease from 2010 to 2011 is mainly due to the implementation of a new commercial model in Mexico, in which the relationship managers who were employees became consultants.

2. Include the operations in Brazil, Argentina, Chile, Colombia, Peru, France and Mexico.

3. The 162 youngsters in the group of young apprentices were hired by a third party and, therefore, they are also accounted for in this category. Only two of the apprentices are included in the number of employees - Brazil.

4. The reduced number of interns is due to the end of the 2010 internship program, which will be replaced in January 2013, totaling 165 interns.

5. Temporary workers are those hired for a pre-determined period of time and registered in accordance with labor legislation by an employment agency and under subordination.

6. In-house outsourced workers are suppliers who have had work posts (fixed or not) in the company's units for more than six months.

In 2012, our workforce was practically stable, in line with recent years. The slight decrease in the number of employees in the Brazilian operations is due to a change in the employment contract for young apprentices who were previously included in the employee's database and, as of last year, they have been hired by a third party. The increase in the number of temporary and outsourced workers is due to the construction of an administrative and distribution center in São Paulo (State of São Paulo) and the construction works for the expansion of the plants in Cajamar (State of São Paulo) and Benevides (State of Pará). We also hired temporary workers to meet the increased demand for logistics in the Christmas period.

In the International Operations we also experienced changes in our employment contracts. In Argentina, Chile and Peru we outsourced order picking activities to partner companies and, in the transition process, we tried to ensure that our former employees were incorporated into the new companies in charge of that task. In Argentina and Chile, we also expanded the services provided by Natura Call Centers (CAN), which are carried out by third parties, so as to better serve our rapidly growing group of consultants.

CLIMATE SURVEY

Our main indicator of the quality of our relationship with employees is the climate survey. After a two years drop of the indicator, the 2012 survey showed an increase of 200 basis points in the level of favorability to Natura, reaching 72%. However, it is still below the stipulated 74% target.

The most significant improvements were identified in the communication channels – especially the Ombudsman's Office -, stimuli to innovation and performance management. On one hand, there was an improvement in the perception of the relationship factor, especially regarding the feeling of recognition and internal cooperation but, on the other hand, the relationship with the other areas as well as the quality of the decision-making process remain as issues that still need attention. None of the factors showed a decrease, but issues such as support, resources and working conditions in general remain critical. *GRI PR5*

In Brazil, the survey showed progress for all stakeholders, repositioning the company in the third quartile of the market (MQ3), the highest position in an analysis that ranks the best companies in terms of organizational climate. As strengths, we can point out employees' acknowledgement of Natura's commitment to sustainable development and consumers' positive perception of the company's credibility. The employee loyalty rate (which takes into consideration only the highest scores for questions about satisfaction, recommendation and intention to stay in the company), which is only measured in Brazil at this time, also rose from 28% to 29%.

The most significant increase in favorability rates occurred in France, Argentina and Chile. However, in Mexico, there was a decrease in the organizational climate rate. We believe that this negative result is related to the instabilities in the technology systems due to the implementation of a new commercial model, which adversely affected the level of service provided to the consultants in that country and the results for the period.

We understand that we need to improve the quality of relationships and we reaffirm this commitment for 2013 by establishing a new target for the favorability rate: of 73%.

Climate Survey – Favorability [1]	Unit	2010	2011	2012
Brazil	%	72	70	72
Argentina[2]		64	72	77
Peru		71	73	73
Chile		69	66	72
Mexico		82	85	73
France		72	64	73
Colombia		84	86	85
Natura		73	70	72

1. Equivalent to the percentage of employees who rated 4 and 5 (top 2 box) for the items surveyed on a 1 to 5 scale.

2. The data does not include the International Business office, which is the Buenos Aires office that coordinates the activities of all International Operations

PR5. Employee Loyalty – Brazilian Operations	Unidad	2010	2011	2012
	%	31	28	29

1. Percentage of employees who selected the highest score (top 1 box) on a 1 to 5 scale for three aspects: satisfaction, intention to maintain their relationship with Natura and recommendation.

EDUCATION

Natura believes that education is an essential tool to help achieve the company's vision of future and be in line with our Essence. The actions follow, in accordance with Natura education architecture, a large matrix built year after year that indicates the topics and proposals on which people should work in that period.

In general, we were more efficient in using the resources, especially if we consider that the portion allocated to education and development was reduced in 2012. This was due to the implementation of the matrix budget in Natura's planning, which allowed the optimization of resources throughout the company. In this connection, we sought to optimize training budgets, class sizes and formats and exceeded our corporate target by 8%, reaching a total of 88 average training hours per employee.

Operational employees, with the Meu Caminho (My Way) program, were the highlight. This program includes Professional training during working hours, development courses during non-working hours and learning certificates that give the employee the opportunity to climb the career ladder. We offered more than 13,000 hours of training to these stakeholders in the workplace. They also went through 19,000 hours of professional training and 31,000 hours of training required by the legislation in force.

The company also revised the Natura Educação (Natura Education) program, which provides grants for undergraduate and graduate technical courses, programs, to encourage our employees to pursue top ranked programs and institutions according to the Ministry of Education. We trained a smaller number of employees last year, but we increased by 75% the grants amount. In addition, the Company included another project to the Natura Educação program called Natura Estudar (Natura Study), whose purpose is to accelerate the development of high-potential employees who have excellent academic performance by offering scholarships in first-class institutions.

In the International Operations, Natura offered a total of 58 hours training per employee, exceeding by 31% the 44 hours target. We worked with important topics such as sustainability, brand, product and commercial model, always seeking to strengthen the key aspects of our Essence and of our values and culture, which are Natura's differentials.

In 2012, the Human Rights topic was discussed in training courses held during the integration of new employees, in leadership courses and in open lectures, which, together totaled 9457 hours (compared to 7,444 hours in 2011). Although there is no specific training on issues related to corruption, all new employees were made aware of Natura's Relationship Principles, which also describe the company's repudiation to activities that may be viewed as corruption and bribery.

GRI HR3 e HR8

GRI S03

LA10. Average training hours per employee, broken down by employment category, Brazilian operations[1]	**Unit**	**2010**	**2011**	**2012**
Production		93	97	128
Administrative		86	86	68
Management	hours	90	88	71
Executives		78	60	34
Average training hours[2]		90	90	95
Average training hours per employee		**2010**	**2011**	**2012**
International Operations	hours	NA	66	58
Natura[3]		NA	85	88

1. This indicator includes the training of the sales force (sales managers and relationship managers).

2. This includes total hours for all levels divided by total employees and interns for the respective year.

3. Consolidated average for all Natura operations, in Brazil and in International Operations.

LA10. Training hours per gender – Brazil1	**Unit**	**2010**	**2011**	**2012**
Male	%	NA	55	52
Female		NA	45	48

1. This indicator started to be monitored in 2011.

LA11. Investment in employee's education and training[1]				
Operation	Unit	2010	2011	2012
Brazil[2]		25,744	26,415	19,634
Argentina		96	115	138
Chile		131	260	215
Mexico	R$ thousand	584	245	395
Peru		216	241	121
Colombia		41	214	339
France		103	380	166
Total		**26,915**	**27,869**	**21,008**

1. In order to allow a better comparison, investments were translated into Brazilian reais at the exchange rate for the year.

2. Investments in Brazil also include the sales force training (sales managers and relationship managers).

LA11. Brazilian Operations – Natura Educação Program[1]	Unit	2010	2011	2012
Scholarships granted	Unit	546	510	376
Scholarships granted/number of applications	%	43	69	46
Amount invested in the *Natura Educação* program	R$ thousand	863	1,014	1,218

1.All employees enrolled and awarded with the scholarships in the year are considered to have been served by the program.

LA11. Courses attended by employees or their family members that were fully or partially sponsored by Natura (Brazil)	Unit	2010	2011	2012
Technical/vocational	Unit	47	57	44
Languages		134	43	6
Preparatory course for the College Entrance Examination (Vestibular)		5	1	0
Undergraduate programs		259	277	247
MBA and other graduate programs		101	132	79
Total		**546**	**510**	**376**

LEADERSHIP AND DEVELOPMENT

As part of our goals for 2013, we will continue to invest strongly in the strengthening of our leadership. To this end, we are focusing on accelerating the completion of our leaders' succession pipeline, intensifying the programs of talented professionals attraction for training future leaders, creating conditions for our employees to learn new skills and expanding internal education actions.

Launched in 2011, the Cosmos leadership development program completed its first cycle in March 2012.Between 2011 and 2012, 386 leaders participated in the activities and the expectation is that, in three years, the entire leadership team - composed of 600 managers - will have gone through all the training stages.

The program comprises four dimensions. The first of them is the "school" and consists of face-to-face classes taught by well known Brazilian and international leadership professionals about topics such as management, organizational dynamics and sustainability and relationships. In one of the activities carried out last year, for example, we started a discussion with leaders to understand how we could expand the analyses of our customers' purchasing patterns and turn this learning experience into actions for increasing sales.

In the "brotherhoods", another dimension of the Cosmos, we have meetings to exchange information and promote discussions related to work, for interactions that facilitate the sharing of experiences and lessons learned and mobilization for the construction of a better future. The meetings are open to all managers, regardless of whether or not they are formally enrolled in the program. In 2012, there were four of these meetings with lecturers such as the Indian physicist Vandana Shiva, who spoke about sustainability and social justice; Mozambican biologist and writer Mia Couto, who discussed the issue of cultural differences and similarities; historian Dante Marcello Claramonte Gallian, who presented his concept of humanity, and the specialist in occupational psychology Sigmar Malvezi, who spoke about how cinema can help in people management.

The "communities of interest" dimension is aimed at expanding the learning environment through social networks. The networks operate as instruments that allow the dissemination - through texts, videos, stories and conversations – of the intellectual output generated in other environments of the Cosmos and, consequently, strengthen the interaction of leaders and the discussion of matters of general interest. At the end of 2012, 14 communities were already in place.

Finally, the "workshops", scheduled to be launched in 2013, are the practical application of what has been learned. They give leaders the opportunity to develop projects of personal interest that are somehow related to Natura's business. Working in teams divided by business units, processes and related areas, the idea is to involve everyone in the pursuit of innovation and collective learning.

The Cosmos, as well as the attraction and engagement activities contribute to the occupation of vacant posts in the succession plans. Today, 54% of our strategic leadership positions already have short, medium and long-term identified successors.

ATTRACTION AND ENGAGEMENT

For the purpose of attracting new employees who are in line with our values and have the skills we are looking for, we reactivated the Leadership Office. The initiative, which was carried out between 2009 and 2011 for the development of the leadership training program, provides for the development of new leaders and trainees, attraction of students from renowned international courses and search, in the market, for people who have new skills and high potential for Natura.

In the International Operations, where the rapid growth of our business increases the demand for leaders with global experience and regional knowledge, we launched the Inspirando Caminhos (Inspiring Paths) program. The purpose of this program is to attract and train people in the region so that they can be in line with our value proposal and strategy. For nine months, these new employees will job shadow other leaders and follow the development of strategic projects and, at the end of that period, they will take leadership positions in our international operations. Three people were in the program in 2012 – all from Latin American countries, except Brazil. Although small, this program will provide the Company with significant lessons and it is in line with the idea of promoting multiculturalism, one of the company's diversity pillars *(learn more about diversity on page 61).*

Natura's trainee program has also a global approach, with 35 members from Brazil and other Latin American countries, and a plan that provides for exchange opportunities among these countries.

As a result of this training and talent development effort, the company maintained a high internal promotion rate, which reached 71% in Brazil and 48% in International Operations. Taking into consideration the leadership aspect only, the internal promotion rate was 71% compared to 68% in the previous year, including all operations.   In the International Operations, the presence of local professionals in management positions increased 32%.

The company's strategy for managers is to focus on internal promotions, giving opportunities of growth to current employees and not restricting or privileging those who live in the communities surrounding these operations. In general, we use external recruitment when there is the need to search for a candidate with specific skills and, in these cases, we do not make restrictions regarding the candidate's place of origin. *GRI EC7*

Internal promotions for positions offered to/taken by employees	Unit	2010	2011	2012
Brazil	%	36	70	71
International Operations		33	42	48
Total Natura		**N/A**	**64**	**67**

EC7. Senior management members from local community [1 2]	Unit	2010	2011	2012
Total number of senior management members	Unit	NA	168	179
Cajamar		NA	3,6	6,1
Itapecerica da Serra	%	NA	4,2	4,5
Benevides		NA	0,6	0,6

1. Senior management members are those in positions from Senior Manager up.

2. Surrounding communities of Cajamar: Cajamar, Campo Limpo, Santana de Parnaíba and Várzea Paulista; Surrounding communities of Benevides: Benevides, Barcarena, Belém, Ananindeua and Marituba; surrounding communities of Itapecerica da Serra: Itapecerica da Serra, Embu and Cotia.

EC7. Senior management members from local community [1 2]	Unit	2010	2011	2012
Argentina		NA	86	62
Chile		NA	87	0
Colombia		NA	71	33
France	%	NA	91	100
Mexico		NA	88	67
Peru		NA	81	20
Total		**NA**	**82**	**53**

1. Senior management members are those in positions from Senior Manager up. Locals are considered those members from the country in question. The data for previous years was not disclosed because the indicator was reformulated in 2011 and started to consider the percentage of local members in the company. Before, the indicator only took into account those employees hired during the year, which did not reflect the real presence of local members.

2. The variations in the percentages from one year to another are not significant. Since these are smaller units, any internal change, even if small, affects the percentage.

PERFORMANCE AND COMPENSATION

A challenge to any company, the performance assessment processes and bonus compensation for achieving performance targets and executives' goals are quite complex. Natura has been reviewing this process so that the performance program and variable compensation serve as an encouragement for the performance of the company's strategy and not just as an employee reward system for achieving targets.

GRI LA12

Today, the organization has different performance assessment instruments in place. An example is the all-round assessment, which includes employees' self-assessment and the perception of the work of multiple stakeholders (managers, company's departments, partners and subordinates (if any)). The purpose of this analysis is to assess employees' adherence to Natura's Essence and Culture. In addition to this behavioral assessment, the company also assesses performance by monitoring the achievement of individual targets set every year. Natura's assessments rely on objective (numerical) and subjective (performance agreement) variables.

It is also important to note that the Performance Management Program (PGD) covers all stakeholders and operations. The PGD ensures all eligible professionals, regardless of gender, the effective management of their performance through structured feedback and individual development plans.

GRI LA12

With respect to compensation, Natura considers its average salary appropriate to the market. Salaries are determined based on comparative surveys in the general market, in Brazilian national or multinational companies and in listed companies or companies that implement Human Resources practices that are similar to Natura's. The comparison considers the scope and the complexity of the functions.

In 2012, collective bargaining agreements granted 8% salary increase for employees in the operational and administrative areas. Meanwhile, managers received a fixed increase in their base salary.

Salary variations between male and female employees are exclusively due to the distribution of wages within Natura's structure. When we compare each salary group, we do not identify significant differences between the salaries of men and women, which is in accordance with Natura's Compensation Policy: when men and women have the same position, they receive the same salary. What we see is that, today, we have more men than women in positions within the highest salary groups.

EC5. Proportion of the lowest salary in relation to the local minimum wage, per Operation[1]	2010	2011	2012
Brazil	1.4	1.6	1,4
Argentina	1.7	1.3	1.4
Chile	1.3	1.2	1.2
Peru	1.0	1.4	1.3
Mexico	4.6	4.5	4.4
Colombia	1.1	1.0	1.0
France	1.1	1.0	1.1

1. Calculation based on the lowest salary in the operation divided by the minimum wage in each country.

LA14.Proportion of women's salary in relation to men's salary (per Professional category)	Unit	2010	2011	2012
Operational	%	-16	-21	-22
Administrative	%	30	34	16
Management	%	-4	-7	-7
Executive	%	-19	-17	-14

LA14.Salary profile – average monthly salary in Brazilian Operations [1,2]	Unit	2010	2011	2012
Women - total	R$	4,944	5,553	5,610
Average monthly salary in production positions		1,202	1,336	1,506
Average monthly salary in administrative positions		6,190	6,894	6,350
Average monthly salary in management positions		13,351	13,405	13,703
Average monthly salary in executive positions		37,196	37,049	38,965
Men – total	R$	3,852	4,342	4,831
Average monthly salary in production positions		1,428	1,700	1,921
Average monthly salary in administrative positions		4,746	5,146	5,494
Average monthly salary in management positions		13,972	14,415	14,780
Average monthly salary in executive positions		45,919	44,592	45,114
Over 45 years of age	R$	8,089	8,638	8,128
Average monthly salary in production positions		1,770	1,967	2,142
Average monthly salary in administrative positions		9,166	9,885	8,407
Average monthly salary in management positions		18,344	18,356	17,553
Average monthly salary in executive positions		44,090	43,296	48,212
Up to 45 years of age	R$	4,095	4,609	4,893
Average monthly salary in production positions		1,293	1,498	1,699
Average monthly salary in administrative positions		5,305	5,856	5,728
Average monthly salary in management positions		13,144	13,291	13,738
Average monthly salary in executive positions		43,638	42,609	40,928

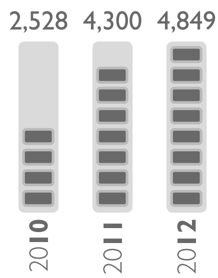
1. The calculation does not take into consideration the payment of the short-term incentive (Profit Sharing).

2. For the purpose of the calculation of this indicator, the bonuses paid to sales managers and relationship managers were taken into account. When the sales force employees are placed in their categories, this improves the average women's salaries due to the bonuses, excluding production jobs.

Natura offers pension plans to which the employees can determine what percentage of their salary they wish to contribute with (0% to 12%). Natura contributes with 60% of this amount, up to 5% of the employee's salary. The plan is offered in the Brazilian operations and it is limited to the ceiling of R$ 13,129.00. In 2012, Natura paid around R$ 4.8 million into the plan (compared to 4.3 million in 2011).

Natura does not have a formal program to prepare employees for retirement. However, since 2011, the Construindo o Futuro (Building the Future) project has been proposing a number of reflections on the emotional, physical and material aspects inherent to this career transition period. The program is offered to our sales force, composed of relationship and sales managers and, in 2012, 28 people were enrolled.

EC3.. NATURA'S CONTRIBUTIONS TO THE EMPLOYEES' PENSION PLAN IN BRAZIL (R$ MILLION)



Collective bargaining is coordinated by the Human Resources department and it covers all employees and follows the standards and limits set by local legislation. Natura promotes formal meetings with unions in connection to its business to discuss agreed upon topics with union representatives. Whenever these meetings take place, we notify about collective bargaining agreements preferably in advance in order to allow for an open discussion about the topics. Natura does not have formal processes in place to identify operations in which the right to exercise freedom of association and collective bargaining may be at risk.

GRI LA4 e LA5

GRI HR5

DIVERSITY

Caring for our relationships is part of our culture and mission as a company. In 2012, Natura introduced some actions to enhance opportunities for diversity and create a more welcoming environment and evolve in the three aspects that it considers priorities: social inclusion, women and multiculturalism. In 2012, however, our diversity indicators were adversely affected by an increase in Natura's overall turnover.

The opening of the company's new distribution center in São Paulo (State of São Paulo) will provide an opportunity for the inclusion of people with disabilities, especially cognitive disabilities, in our order picking lines. Since the operation is expected to start in 2013, we have already started to hire the first employees with the support of a specialized consulting company. The development of the company's managers so that they can act as sponsors and role models for these employees at Natura is part of the project. We believe this work may also positively reflect on our indicator of contracting disabled people, which, in 2012, dropped from 4.7% to 4.1% in relation to the total number of people contracted.

We also need to make progress with respect to the participation of women within our current staff. If, on one hand, we have a smaller participation of women in the senior managers group, on the other hand, when we analyze the succession pipeline, the gender of the leaders is primarily female, which means a vision of the future that is more in line with our diversity strategy.

With a staff composed primarily of women (64%), we have worked to establish a suitable environment that supports, particularly, the employees who have just given birth. Natura provides a nursery for infants up to two years and 11 months old, has created flexible work hours for nursing mothers, and has made available a program through which doctors and social workers assist new mothers during their maternity leave (since 2010, Natura has been offering a six-month maternity leave). In 2012, the percentage of female employees who returned from maternity leave showed a slight decrease when compared to 2011, but the rate is still high.

The multiculturalism indicator is part of a broader strategy for the future and reflects the growing interest of the company in having people with different experience, but always in line with our values and Essence. In 2012, Natura promoted some actions that favor multiculturalism within the company such as expanding the participation of Latin American employees in the MBA program, but the topic has not evolved at the desired speed and there was a 9% decrease in the indicator *(learn more about diversity on page 48, Quality of Relationships).*

LA1.Natura employees by gender1	Unit	2010	2011	2012
Male	%	NA	36	36
Female		NA	64	64

1. This indicator started to be monitored in 2011.

LA13. Diversity[1]	Unit	2010	2011	2012
Total employees in Brazil	**Unit**	**5,482**	**5,483**	**5,354**
Women	**%**			
As a percentage of total employees		61	61	60
In management positions as a percentage of total management positions		55	57	59
In executive positions as a percentage of total executive positions		25	24	26
Over 45 years of age	%			
As a percentage of total employees		11	12	13
In management positions as a percentage of total management positions		9	11	11
In executive positions as a percentage of total executive positions		22	22	35
Multiculturalism				
Total number of foreign leaders or leaders with international experience[2]	Unit	27	42	38
Percentage of foreign leaders or leaders with international experience in relation to total leaders[3]	%	23	33	30
Disabled employees				
Number of disabled employees	Unit	249	258	219
As a percentage of total employees	%	4.5	4.7	4.1
Number of disabled people trained in the Basic Professional Skills program	Unit	217	258	244

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

2. This considers global leaders and those managing processes and business.

3. Natura considers current or past international experience with Natura but in operations in markets that are different from those of the employee's nationality and for a minimum period of two years.

LA1.Employees by professional level[1]	Unit	2010	2011	2012
Operational	Unit	NA	NA	2.476
Administrative		NA	NA	3.474
Management		NA	NA	679
Executive		NA	NA	54
Total		**NA**	**NA**	**6.683**

1. This indicator started to be monitored in 2012

LA15. Number of maternity leave granted and return rate[1]	Unit	2010	2011	2012
Number of employees on maternity leave during the period	Unit	155	156	158
Percentage of employees who returned from maternity leave and stayed with the company for at least 12 months after their return	%	86	90	84

1. Due to the new method for calculating the indicator, the figures for 2010 and 2011 have been changed.

TURNOVER

GRI LA2

In 2012, the Company recorded an increase in turnover rates for management, administrative and operational employees and, consequently, the overall turnover rate increased from 8% to 9%.

Among the employees who left the company, 71% were terminated by Natura due to lower-than-expected performance for the job. This result is related to the improvements in the performance management process, which pays closer attention to low-performance employees, who have a six-month development plan to recover performance and, if they do not, they are terminated. Additionally, the absenteeism management program and greater proximity of leadership resulted in more effective management, with a consequent increase in the number of terminations by the company.

As for resignations, they were mostly due to the expansion of the job market, particularly in the administrative area and in more technical areas such as engineering. In order to reduce these cases, since the second half of 2012, we have been enhancing training, career and development initiatives for these stakeholders.

In the International Operations, we noted the opposite trend, with a reduction in the turnover rate to 8% compared to 12% in the previous year. This result is related to the consolidation of the teams in these units after intense turnover at the beginning of operations.

LA2. Total employees hired[1]	Unit	2010	2011	2012
Brazil		**1.328**	**758**	**708**
Argentina		NA	NA	*21*
Chile		NA	NA	*16*
Mexico	Unit	NA	NA	*20*
Peru		NA	NA	*16*
France		NA	NA	*3*
Colombia		**NA**	**NA**	**20**
Total		**1.328**	**758**	**804**

1. The indicator of International Operations started to be monitored in 2012.

LA2.Total employees' lay-offs	Unit	2010	2011	2012
Brazil		641	751	832
Argentina		40	35	103
Chile		49	89	53
Mexico	unid	38	258	18
Peru		75	50	60
France		5	7	17
Colombia		37	43	29
Total		**885**	**1.233**	**1.112**

LA2.Turnover by gender	Unit	2010	2011	2012
Male	%	12	10	12
Female		6	7	8

LA2.Turnover by age group - Brazil	Unit	2010	2011	2012
Under 18 years of age	%	0	0	4
Between 18 and 25 years of age		15	10	12
Between 26 and 30 years of age		12	9	11
Between 31 and 40 years of age		7	9	9,5
Between 41 and 50 years of age		2	6	6
Over 50 years of age		4	5	7

1. Turnover definition: the number of terminations by the company (with or without cause) or resignation by the employee and subsequent filling of the position. Calculation method: dismissals of employees who have been replaced / effective headcount of the company.

BENEFITS

Benefits and allowances to all employees in the Brazilian Operations:

_Ergonomics program: seeks a comfortable and productive adjustment of workers to their work place and working conditions making the necessary adjustments.

_Social Work: a service to help employees discuss, understand and resolve their social issues.

_Saúde Tamanho Família (Family Size Health) Program

_Workplace exercise program.

_Chronic Disease Management Program: for employees and family members with chronic illnesses.

_40% discount on the purchase of up to five Natura products per month.

_ Cuidando de Quem Cuida (Taking Care of Those Who Take Care) Program: postnatal meeting and courses for pregnant women.

_Daycare allowance and special allowance: for financing expenses with the education of disabled children.

_Life insurance.

_Vehicles for senior management level employees

_Medication allowance.

_Chartered transportation.

_Pension plan.

-Runners project: jogging and walking activities with specialized supervision.

_Restaurant or meal vouchers.

_Sale of school materials with discounts.

_Fitness services, swimming pool, dance classes, soccer tournaments and multipurpose sports court at Clube Natura (Natura Sports Club) and Espaço Bem Estar (Well Being Space) (Cajamar and Itapecerica da Serra).

_Services: seamstress, laundry, shoe repair, eyewear shop, insurance, post office and book and movie rental (Cajamar and Itapecerica da Serra).

_Natura Education: scholarships for employees and family members.

_Construindo o Futuro (Building the Future) program (preparation for retirement for sales management, including subsidized savings account).

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

_Support in child adoption processes.

_Health care plan.

_Dental care plan.

_Check-up for management or higher level employees.

_Partial reimbursement of expenses with medications for cardiovascular conditions, diabetes, renal failure, oncology, liver diseases, neurological disorders, occupational musculoskeletal disorders, and psychiatric disorders.

_Telemedicine: electrocardiogram (EKG) via telephone in emergency cases.

_Saúde em Movimento (Health in Movement) Program: incentive to physical exercise. Medical, nutritional and physical check-up before starting activities.

_Gym allowance for relationship and sales managers.

_Five free products available for management-level employees and executives.

_Christmas gift basket.

_Clinic: emergency medical care, physiotherapy, GPR, gynecology and obstetrics, acupuncture, orthopedics, nutrition and psychology.

_Quero Estar Bem (I Want to Be Well) Program: integration of all specialties and professionals of the Clinic, holistically addressing the four dimensions of the human being: physical, emotional, spiritual and social.

Brazilian Operations:

_Course for pregnant women.

_Clinic: medical emergency.

_Runners Project.

_Restaurant.

_Workplace exercises.

_Toys.

_Christmas gift basket.

_Chartered transportation.

_Fitness services, swimming pool, dance classes and multipurpose sports court at Clube Natura and Espaço Bem Estar (Cajamar and Itapecerica da Serra).

_Services: seamstress, laundry, shoe repair, eyewear shop, insurance, post office and book and video rental (Cajamar and Itapecerica da Serra).

_Presents on Mother's Day and Father's Day.

HEALTH AND SAFETY

Natura has a number of programs to promote a healthier lifestyle for its employees and their families. In relation to the previous year, the Company increased the number of preventive medical tests for its employees and their dependents, such as breast, cervical and prostate cancer tests, as well as diagnostic studies for the control of diabetes and cardiovascular diseases. In 2012, health investments amounted to R$ 942 per employee, an amount similar to last year's. *GRI LA8*

Under the umbrella of the Quero Estar Bem Program, Natura developed activities focused on health prevention, encouraging exercise and promoting quality of life. In 2013, the company should organize the 2nd Health Week - the first one took place in 2010 - with health risk assessments and specific actions aimed at the most frequently diagnosed diseases, such as cardiovascular diseases, high blood pressure and high cholesterol and/or blood sugar. The company also offers vaccines that are not available in public healthcare centers.

GRI LA8

Natura offers in-house workout three times a week to administrative employees and daily to operational employees. There are also fitness and sports themed events (running and soccer, for example), in addition to the gym allowance. The Cuidando de Quem Cuida Program includes actions to support activities related to the health of employees, especially women, with prenatal and postnatal courses for pregnant women, nursery, daycare allowance, special education allowance for disabled children and maternity leave extension. Natura also provides access to medication, funeral allowance and life insurance, and support in medical and dental care plans.

In order to promote a safe environment, the company invested the equivalent to R$ 582 per employee in accident prevention activities in 2012. The volume was lower than in the previous year, when the company invested R$ 794 per employee, mainly due to engineering works that involved higher costs.

Additionally, Natura reassessed its safety practices and structure of all Natura's facilities to determine how the company could improve what was being done. The results showed that it should be closer to the workers and respond faster and, in view of such answers, the company reallocated teams so as to serve more significant areas and processes, where there are more risks or demands for safety management. Natura wants safety to be a crosscutting issue because in order for it to be able to change behaviors, it needs to keep the matter present in the company's daily routine, so that employees understand its value and importance to the business.

Last year, Natura promoted specific and general training programs for its in-house outsourced employees, which reduced the number of accidents among these stakeholders by 16%. On the other hand, the number of accidents among Natura employees remained stable (see table below). It is worth noting, however, that all incidents reported were mild and included a behavioral component, which reinforces the need to work with safety and prevention conduct among employees.

The employees from Cajamar and Benevides units are represented in health and safety formal committees by means of the Internal Accident Prevention Commission (Cipa), which is open to all employees (from these units) and is composed of different hierarchical levels. They are structured as follows: 50% of the representatives are indicated by Natura and the other 50% by employees by means of elections. The existence of Cipa is provided for in formal agreements between Natura and the Unions and they also include work protection measures such as the use of individual protection equipment; machinery and equipment accident prevention practices and communication of occupational accidents.

GRI LA6

GRI LA9

LA7. Typical occupational injuries and lost days and absenteeism rate (including outsourced employees) in Brazilian operations[1]	Unit	2010	2011	2012
Employees – number of accidents with leave	Unit	7	10	8
Employees - number of accidents without leave		10	4	6
Number of occupational accidents per employee		0,004	0,003	0,003
Outsourced employees – number of accidents with leave[2]		4	6	5
Outsourced employees - number of accidents without leave[2]		2	0	0
Total working hours planned[3]	Hrs/year	2.010	2.011	2.016
Workdays lost[3]	unit	64	51	73
Rate of lost days (TDP)[4]	%	6,3	4,7	6,70
Frequency rate of accidents with leave[5]	%	0,7	0,9	0,8
Investment in the prevention of illnesses per employee (R$)[6]		1,7	1,2	1,3
Investment in the prevention of accidents per employee (R$)7	R$	882	794	582
Investment in the prevention of illnesses per employee (R$)		736	940	942
Frequency rate of occupational diseases	%	0,9	0,2	0,3
Number of cases reported to the National Institute of Social Security on occupational illnesses – Cajamar	unit	9	1	3
Absenteeism rate[8] (%)	%	6,5	5,8	3,9

1. The data is in accordance with the National Institute of Social Security regulations, collective bargaining agreements with Unions, and Directive No. 3,214 of the Ministry of Labor and Employment. This considers accidents recorded at the Cajamar, Itapecerica da Serra, and Barueri, São Paulo units, distribution centers and Benevides, excluding small injuries.

2. Accidents with leave are those in which employees do not return to work after the incident. Accidents without leave are those in which the employee returns to work on the same day of the accident or on the first working day after the incident. There were no work-related fatalities in the period covered by the report.

3. For Natura employees, the total number of working hours planned include 8 hours/day times planned working days.

4. Rate of lost days: the factor 1 million was considered for calculation in accordance with NBR No. 14280 of the Brazilian Association of Technical Standards (ABNT), which is the standard used by Natura. Lost days are counted from the day after the accident.

5. Equivalent to the number of accidents with leave divided by a million man-hours worked.

6. Equivalent to the number of accidents or injured employees with/without leave divided by a million man-hours worked.

7. Includes the whole budget of the Work Safety Department, expenses and the investments made by the Engineering and Manufacturing area to ensure and/or improve work safety conditions. Expenditures with training are not included.

8. In 2012, we identified opportunities for improvement in the computer hour record system, which started to consider different workloads for different days of the week and shifts. For this reason, we revised the rate for 2011.

LA7.Percentage of accidents by gender (with and without leave) - Brazil	Unit	2010	2011	2012
Male	%	76	71	71
Female		24	29	29

consultants and CNOs

Natura is a direct selling company and its main link with consumers is the Natura Consultants (NCs). Natura's network comprises more than 1.5 million NCs who deliver much more than just products and services to the company's stakeholders, they also take our values and our Beliefs in seven Latin American countries and France.

This structure is composed of two other groups: Natura Consultant Advisors (NCAs) and Relationship Managers. Whereas the NCAs, besides working as consultants themselves, work on the expansion of the network and on the relationship with other consultants, the Relationship Managers are Natura's employees who work closely with the NCs and NCAs in order to understand their needs and expand the value of their entrepreneurial activity.

The year 2012 was very positive for this network. The delivery of products within 48 hours already benefits 25% of the NCs in Brazil, compared with 5% in 2011. When considering just the large state capitals, this rate reaches 60%. The average delivery time dropped from 6.8 days to 5.1 days in the period. The company makes faster and more precise deliveries, since, in 2012, it also recorded the lowest backorder rate in the past seven years.

Over the past years, Natura has made large investments in the review and expansion of its logistics network in Brazil and in the development of technologies and systems for the receipt of orders. These are progresses that reflect in the satisfaction of Natura's network today. NCs and NCAs loyalty showed a significant growth last year, reaching the highest level since the beginning of loyalty monitoring in 2010. The rate, which only takes into consideration the highest score given to the items satisfaction, recommendation and intention to continue their relationship with Natura, reached 24% among consultants, higher than the 18.6% score in the previous year and even higher than the target of 21% for the period. Among NCAs, the growth was even more expressive, going from 24% to 40%.

In International Operations, the loyalty rates remained high, in line with the previous years' responses. Natura recorded a decrease only in Mexico, where systems instability in a specific period of the year adversely affected the quality of the service *(learn more on page XX, Entrepreneurial model in Mexico)*.

In order to continue adding excellence to direct sales, the company invested in surveys on the experience in digital media and identified a large potential to bring consultants closer to their customers. The purpose of this move is to try to understand customers' buying habits and provide the NCs network with information that can increase their productivity and improve their service. A group of NCs already uses mobile technology and the web to relate with their customers, an experience that is helping the company learn more about the potential of such mechanisms in direct sales.

Natura also intends to create a CRM (Customer Relationship Management) system, which should help manage information on consumers and NCs and will also provide consultants with information on consumption profile that will be useful to increase their sales and rate the relationship with their customers *(learn more on page 31, Strategy and Prospects).*

PR5.Quality of Relationship with NCs – Brazilian Operations	Unit	2010	2011	2012
Satisfaction[1]	%	90	87	90
Loyalty[2]		21	19	24

1. NCs satisfied and completely satisfied – Top 2 boxes.

2. Percentage of NCs who attributed the highest score (top 1 box) on a scale of 1 to 5 for three aspects: satisfaction, intention to maintain their relationship with Natura and recommendation.

PR5.Quality of relationships with NCs - International Operations – Loyalty Rate (%)[1]	Unit	2010	2011	2012
Argentina		35	38	45.4
Chile		35	36	39.0
Colombia	%	44	37	42.8
Mexico		51	40	38.4
Peru		30	23	25.9
Total International Operations		na	na	38
PR5.Quality of relationships with NCs - International Operations – Satisfaction Rate (%)[2 3]	**Unit**	**2010**	**2011**	**2012**
Argentina		93.3	94.0	96.5
Chile		91.3	95.5	94.0
Colombia	%	93.8	95.5	95.3
Mexico		93.8	91.5	90.0
Peru		92.7	92.5	91.0

1. Percentage of NCs who attributed the highest score (top 1 box) on a scale of 1 to 5 for three aspects: satisfaction, intention to maintain their relationship with Natura and recommendation.

2.This indicator started to be monitored in 2012. 2.The data is presented by country since they may vary depending on the size of the network in each place.

3. NCs satisfied and completely satisfied – Top 2 boxes.

PR5.Quality of relationships with NCAs – Brazilian Operations[2]	Unidad	2010	2011	2012
Satisfaction[1]	%	94	87	96
Loyalty[2]		33	24	40

1. NCAs satisfied and completely satisfied – Top 2 boxes.

2. Percentage of NCAs who attributed the highest score (top 1 box) on a 1 to 5 scale for three aspects: satisfaction, intention to maintain their relationship with Natura and recommendation.

PR5. Quality of relationship with NCAs – International Operations – Loyalty [1,2]	Unit	2012
Argentina	%	na
Chile		46
Colombia		58
Mexico		52
Peru		50

PR5. Quality of relationships with NCAs – International Operations – Satisfaction [2,3]	Unit	2012
Argentina	%	na
Chile		95,8
Colombia		99,0
Mexico		93,1
Peru		97,0

1. Percentage of NCAs who attributed the highest score (top 1 box) on a scale of 1 to 5 for three aspects: satisfaction, intention to maintain their relationship with Natura and recommendation.

2. This indicator started to be monitored in 2012. The data is presented by country because the size and weight of each country may be changed since this is a new model. Argentina does not have an NCA model yet.

3. NCAs satisfied and completely satisfied – Top 2 boxes.

THE SIZE OF NATURA'S NETWORK

In 2012, the total number of consultants exceeded 1.5 million, an increase of 10.7% over the previous year. In Brazil, the network grew 8%, totaling 1.2 million consultants. Among the NCAs, there was a slight decrease in the total number in Brazil due to adjustments made to the model: the company optimized geographical operations and increased the number of NCs served by each NCA, focusing on actions to increase the individual compensation of these stakeholders.

The International Operations, which is in a different stage of implementation, and with the establishment of the NCA model in Chile, Colombia and Peru, and of the differentiated commercial model in Mexico, the network grew more than 25% in relation to 2011 and reached 304,000 NCs. The exception is France, where the network was slightly reduced, which prompted us to review new measures to increase the attractiveness of the model in that country.

Number of consultants available [1,2]	Unit	2010	2011	2012
Brazil		1,028.7	1,175.5	1,268.5
Argentina		53.2	63.7	74.9
Chile		31.0	37.9	52.1
Mexico	thousands	41.2	58.5	74.3
Peru		45.5	54.9	63.6
Colombia		19.0	27.1	37.0
France		2.5	3.1	2.6
Total		**1,221.1**	**1,420.7**	**1,572.9**

1. In Brazil, this refers to the number of consultants available at the end of the year.

2. In International Operations, these refer to the closing position of cycle 17.

Number of Natura Consultant Advisers in Brazil[1]	Unit	2010	2011	2012
	Unit	11,276	13,230	12,125

1. Number of NCAs at the end of the year.

Number of NCAs available in International Operations[1]	Unidad	2012
Chile		728
Mexico		na
Peru	Mil	760
Colombia		388
France		na
Total International Operations		**1876**

1. Number of NCAs at the end of the year. First year that this indicator is monitored.

MORE PRODUCTIVITY, MORE INCOME

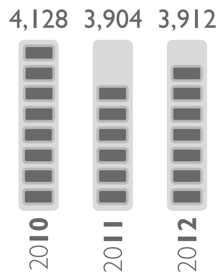
The smaller growth of the network in Brazil is in line with the company's strategy to focus on increasing NCs and NCAs' productivity. After years of expansion in the number of consultants, Natura realized the need to intensify training actions and tools to help Natura's network improve its sales performance, and increase consumers' purchase frequency and variety of products purchased.

Accordingly, the initiatives implemented last year allowed the average productivity of NCs to grow in the second half of the year (1.4% in the third quarter and 2.9% in the fourth quarter). The productivity of the NCs for the year was almost equal to the previous year, interrupting the downward trend. In the case of the NCAs, the result was more consistent and productivity increased 21%.

Among the actions, the company launched the Mais Natura (More Natura) program, which casts a new view on the business, and revised the relationship strategy and compensation rules for NCs and NCAs.

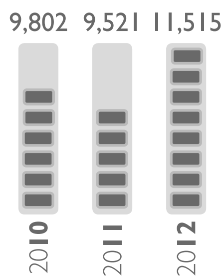
Natura also invested in marketing development and in the combined offer of different categories of products (cross category strategy) according to consumers' profiles. Another initiative that helped increase productivity was the change in the presentation of promotions on Natura Magazine in 2011. Before, promotions were packed at the end of the magazine, and now they are distributed across the publication as an incentive for the end user to browse along the entire portfolio.

CONSULTANTS (NCS)[1] (R$)



1. This takes into account a NC's profit of 30% over the price of the products shown in the magazine.

NATURA CONSULTANT ADVISERS (NCAS)[2] (R$)



2. The NCAs receive a commission according to their performance based on the number of consultants who place orders and volume of orders.

TRAINING

The strategy to increase productivity is also associated with the increase in the effectiveness of the company's training courses. In 2012, Natura invested primarily in the use of the Internet as a tool for publicizing content that improves the network operation. The Company recorded 1.1 million NCs who participated in training courses in Brazil, exceeding last year's target of 1,005,000 participants.

On the Internet, the Portal do Conhecimento (Knowledge Portal) - a website linked to the Internet's ordering platform and which provides information and training courses to consultants - had over 360,000 accesses in 2012. Out of these, 180,000 consultants completed at least one virtual training course, which represents an optimal performance for the platform, because it is a recent initiative. To encourage the use of this new resource, the company carried out campaigns through key communication channels such as the magazine and the Consultoria (Consulting) blog, and the Natura Meetings at every sales cycle.

In order to promote learning and enchant through concepts of and experiences with its products, Natura invested in new training actions, among which are the Vivências de Maquiagem e Perfumaria (Makeup and Fragrances Experiences) that took place in many cities in Brazil and that were conducted by specialists. Natura also developed and sent to the NCs a magazine with sales information and tips about the main product categories.

Natura has also been investing in face-to-face training courses and the initial training course was attended by 343,000 NCs. To those who lived in distant cities from the training locations, Natura sent 121,000 kits with tips and guidelines, resulting in 92% of the beginner consultants trained.

Training actions – Brazilian Operations[1 2]	Unit	2010	2011	2012
Total number of NCs trained in training actions	thousands	-	-	1,152

1. This takes into account the participation of the same NC in a training action, either through Relationship Managers, Virtual Training Courses and/or other corporate initiatives.

2. This indicator started to be monitored in 2012.

NCs Training – Brazilian Operation	Unit	2010	2011	2012
Beginner NCs	thousands	458	505	506
Initial training		361	358	343

Also in 2012, the company discontinued the activities of the Natura Houses in Brazil, hitherto used to host the Natura Meetings, which were regular meetings with the consultants for the presentation of the sales cycles, information on launches and other strategies. Although the Houses enjoyed a good approval rate among NCs, the company noticed that they were not fulfilling the task of increasing the participation of consultants in the meetings at each cycle nor bringing them any closer to Natura.

In the International Operations, the training courses expanded at the same fast pace of the growth in the number of Natura consultants. In some cases, such as in Chile and Argentina, the participation of the NCs more than doubled in relation to the previous year. Natura has been renewing the offer of trainning courses that meet the needs of each country, offering a segmented strategy to each consultant, which not only allows them to obtain technical knowledge about the products, but it also gives them tools for their business, promoting entrepreneurship.

NCs Training – International Operations[1 2]	Unit	2010	2011	2012
Argentina		3,501	7,243	10.973
Chile		1,671	3,802	7.450
Colombia	Unit	2,160	3,656	5.161
France		500	859	648
Peru		3,261	5,847	10.383
Total		**11,093**	**21,407**	**34,615**

1.Number of NCs trained mainly in the Boas-Vindas (Welcome), product line and business courses.

2.This indicator is no longer monitored in Mexico due to the implementation of the new commercial model.

A PERFECT SERVICE

In the search for continuous improvement, the company reduced the average delivery time to 5.1 days in the year, and to 4.5 days when considering only the second half of 2012. After establishing a proper basis for the entire network, Natura believes that it is necessary to improve its understanding of the service to its different stakeholders, particularly the NCs, NCAs and consumers.

Established in 2011, the Comitê de Clientes (Customers" Committee) is the Center of this strategy to search for quality and serves as a forum, bringing together the areas that affect the service level. This is the case, for example, of the information technology, commercial, logistics and distribution areas, in addition to the relationship managers, who work daily with the NCs and can bring an additional perspective from the end of the chain to ensure the efficiency of Natura's service.

At each sales cycle, Natura monitors in an integrated manner around 70 indicators that affect the quality of service and speed up the identification of points for improvement directly with those who are responsible for the processes. The Committee reviews all steps, from the registration of the NC, through the receipt of the order and availability of the product to the delivery at the consultant's home. This basket of indicators makes up the so-called Perfect Service, whose purpose is to ensure the delivery of orders within the shortest possible time and with quality.

The results of this investment are shown in the figures: in 2012, between 60% and 70% of the indicators showed an improvement of approximately 50% in the level of excellence, whereas in 2011, only 40% of the indicators followed this pattern. The company's target is to be able to offer the Perfect Service to 90% of the NCs in Brazil.

In 2012, Natura also started conducting the satisfaction survey with the NCs at each sales cycle to measure, more frequently, their opinion about the company's services and processes, improving quality control. In the past, satisfaction was assessed once a year.

For the time being, the operation of the Customers' Committee is restricted to Brazil. However, some experiences have already been made in Chile, with a pilot project in 2012, and the company anticipates expanding the strategy of all operations. In Natura's regional units in Brazil, a regional Customer Service made up of managers supported by a sales team, was created to identify opportunities for development in each region.

RELATIONSHIP WITH NCS AND NCAS

To improve the quality of the relationships with the sales force, the company created a new relationship policy for these stakeholders based on five principles: connecting; caring; generating learning; promoting opportunities and creating shared value (see table below).

Based on these guidelines, Natura wants to transform the purchasing experience of our consultants and consumers, reinforcing the central role of the relationship as a business differentiator, in addition to strengthening the loyalty of Natura's stakeholders, particularly the NCs and NCAs.

The new relationship policy should influence all contacts with Natura's network and, to this end, Natura is reviewing all of its procedures in the search for opportunities for improvement in the service channels (learn more in Communication Channels), in the policies for the incentive and recognition of consultants (learn more in Recognition and Incentives) and in the training programs offered (learn more in Training). Among the actions that have already been carried out is the creation of a center focused on attraction and initial development of new NCs and on the reduction of turnover by monitoring these stakeholders to understand their needs and difficulties so as to make their stay at Natura viable.

The company continues to hold dialogue panels to hear consultants and identify collaborative solutions for sales, customer relationship and customer service challenges, and other issues that may have direct consequences for the NCs. Natura believes it is necessary to look at others, valuing the opinion of all its stakeholders.

Principles	Meaning
Connecting	The relationships are established among individuals and their multiple roles in an ecosystem where they identify themselves with one another and connect around common purposes.
Caring	Caring is the central element of any and all interaction. Simplicity, serving with love and empathy express this caring and build relationships based on trust and loyalty.
Generating learning	A dynamic ecosystem of relationships that acts, interacts and collaborates, learns together, reconnects, rebuilds itself and evolves.
Promoting opportunities	Entrepreneurial actions are praised, without imposition. The opportunities are accessible to all and allow the potential of each individual to show up.
Creating shared value	The search for continuous improvement leads to the creation of shared value for the entire ecosystem.

COMMUNICATION CHANNELS

There are several communication channels to support the work of Natura's consultants and the company is improving online tools in particular so as to make their services more agile and improve them. Currently, almost all of the orders from the NCs have already placed through the website Consultoria (Consulting) - 94% in Brazil and 80% in International Operations - and the company wants to encourage the use of this channel also in communication.

Consultants can contact the Natura Call Centers (CAN) through the online chat, e-mail or telephone. Additionally, last year, the company started to monitor social networks to ensure that all consultants' contacts made via Natura's pages on Facebook, Twitter and on its blogs are addressed.

Last year, the contacts with CAN totaled 0.39 contacts per order billed compared to 0.85 in 2011. This decrease is the result of the improvement in the company's processes, particularly in the availability of products, credit and collection systems and order delivery. Overall, CAN received 20 million requests, compared to 30 million in the previous year, considering all Natura operations. To ensure a prompt service, specific channels were established to serve the more experienced NCs and those who were more productive in 2012.

In order to gain efficiency and make processes in the International Operations consistent, the company is centralizing the contacts of the Center in Peru and Colombia, instead of having separate centers in each country. In addition to bringing efficiency gains, this change should also help monitor and maintain the quality of the service provided.

Natura is working to unify its online communication channels and, consequently, make it easier for both consumers and consultants to surf on the websites and profiles of the Natura brand and its products on social networks, which are virtual addresses that are accessed by a large number of stakeholders. At the end of 2012, the company launched the new format of Natura Digital Magazine (www.revistanatura.com.br), which now has a more interactive website, identifying the profiles of consumers and consultants, allowing for a better experience with Natura's portfolio. Among the new features, there is a search system that facilitates the search by type of product and sub-brand and visitors can also see the presentation of the portfolio according to their profile and use a virtual makeup artist tool. The company's purpose is to create a culture of consultation to Natura's portfolio on the digital magazine and develop a relationship tool on the Internet, where the number of users is increasingly higher. In 2012, Natura Digital Magazine had an average 500,000 accesses per cycle.

Natura also issues the Consultoria blog (blogconsultoria.natura.net), which teaches about the concepts and features of Natura's products and discloses information on topics such as entrepreneurship and sustainability. In 2012, the blog reached an average of 300,000 single accesses per cycle.

However, the major communication channels are still the company's printed magazines - Natura Magazine, Consultoria Magazine and other brochures. The average print run of Natura Magazine was 3.5 million copies per cycle, and the average print run of Consultoria Magazine (which is also edited every cycle and provides information to the consultant on the activity, special promotions and relationship actions) was 1.5 million. In 2013, the company expects to launch the Consultoria Magazine in a more efficient format so that it can work as a training tool for consultants.

In 2012, the production process of these materials was redesigned to adjust the focus of each publication to its target audience. The increase in the number of pages or print run is also closely monitored, which is consistent with our environmental impact control efforts. In this connection, the company wishes to increasingly encourage the use of the online Natura Magazine and of other channels on the web.

Number of orders placed on the Consultoria website[1]	Unit	2010	2011	2012
Brazilian Operations	thou-sands	12,901	15,961	17,616
International Operations		611	2,111	2,801

1.Orders placed by consultants via the Internet that were billed in the relevant years.

Natura Call Center - CAN[1]	Unit	2010	2011	2012
Average number of daily calls answered	thou-sands	24	30	20

1. Calls related to the Brazilian Operations via telephone, online chat and e-mail.

RECOGNITION

Natura values the important role of the NCs and NCAs by means of many actions that acknowledge their performance in the sales channel, in the dissemination of our beliefs and values and in the development of sustainable initiatives aimed at the construction of a better world.

Every year, the company honors the most productive consultants, the ones who sell more products in refill packages and products of the *Crer para Ver* (Believing is Seeing) line – which revenue is donated to the Natura Institute. Natura also honors its consultants for the length of service with the their company seniority, who have been in the activity for after 10, 20, 30 and 40 years of activity , and the NCAs, for their progress and performance.

NCs Recognition - Brazil	Unit	2010	2011	2012
NCs recognized for length of service[1]	Unit	73,286	13,753	28,277
Events of recognition for length of service		56	44	91
NCs recognized for their performance[2]		9,137	9,340	9,510
Number of awards distributed to NCs recognized for their performance		473	451	457
Events of recognition for performance		43	41	41

1.Annual regional recognition of NCs who have been in activity for 10, 20, 30 and 40 years.
2.Recognition of NCs for their performance in the categories of sales volume, sales of refills and products of the Crer para Ver line.

NCAs Recognition - Brazil	Unit	2010	2011	2012
NCAs recognized for their growth[1]	Unit	2,248	2,443	2,730
NCAs recognized for their performance[2]		3,018	2,931	2,931

1. Recognition for their growth in the activity.
2. Performance recognition: growth in the number of NCs in the group, frequency of orders and retention of NCs in their network.

ENTREPRENEURIAL MODEL IN MEXICO

Approximately two years ago, Natura implemented the Sustainable Relationship Network, a multi-level direct sales model that encourages entrepreneurship among the company's consultants in Mexico. Under this model, the consultants evolve in their relationship with Natura as they add more NCs to their group and develop leaders in their networks. They must also participate in education modules on topics related to sustainable entrepreneurship, direct sales business skills and personal finance.

The consultant's career under this model comprises many steps that they climb as they increase their level of relationship with Natura and become leaders of their business, managing their own consulting network on an entrepreneurial basis. There are many examples of leaders who have their own network of more than 3,000 consultants, transforming their operation into a relevant entrepreneurial business.

In 2012, the *Módulo de Aprendizagem Essencial* (Essential Learning Module) - MAE, which recorded almost 15,000 participants, offered to consultants courses on personal finances, how to improve customer relationship, business ethics, makeup, fragrances, web business, among other subjects that help improve professional performance of the NCs. A total of 575 NCs participated in the *Vivência de Desenvolvimento Sustentável* (Sustainable Development Experience) - VDS, which cover topics that guide and encourage the network to develop social and environmental initiatives. Natura also provided business guidance in the *Módulo de Orientação ao Momento* (Moment Guidance), which had almost 11,000 participants. The figures show that the model has contributed to the establishment of social capital and economic inclusion in Mexico. The education modules are offered in face-to-face classes or via e-learning.

In 2012, the network grew 35% in Mexico, reaching a total of 74,275 consultants. The company is experiencing a time of learning and development of the model that has so far proved to be differentiated and attractive. This is a unique system even within Natura, different from the standards the company adopts in the other regions and, as part of the growing process, the infrastructure and processes were adapted. The period of adjustments to the operating systems adversely affected the quality of the service, with an increase in the local non-service rate. Natura is working to adapt systems and processes to reach the level of quality that has already been achieved in other Natura operations.

As an inclusive business, in 2012, the Rede de Relações Sustentáveis (Sustainable Relations Network) became part of the network of Business Call to Action, an international organization supported by the UN, which promotes actions to accelerate the achievement of the eight Millennium Development Goals. The organization works with companies with innovative and inclusive business vision that offer the opportunity to combine commercial success with the generation of positive impact for local development. The model Natura developed in Mexico contributes to the achievement of two of the Millennium Development Goals: eradicate extreme poverty and hunger, and promote gender equality and empower women. The partnership with Natura was consolidated during the Rio+20 conference *(learn more about Natura's participation at Rio+20 on page 107, Government).*

NATURA MOVEMENT

Natura Movement was created eight years ago with the purpose of encouraging the mobilization and engagement of the sales force, NCs and NCAs in social and environmental initiatives undertaken and supported by Natura. Over the years, the company realized that this movement would become more legitimate if it embraced and recognized actions that had already been undertaken by the consultants to transform their own local conditions, promoting the entrepreneurial potential of the network. And this is how the Acolher (Welcome) Program was created in 2010. Last year, the Acolher Program received 680 stories of initiatives taken by NCs from all over Brazil.

All NCs who share their stories in the *Acolher* Program receive feedback about their actions after their project is reviewed by an experts' committee. The nine consultants who were recognized by the program have access to technical support, which comprises guidelines sessions with specialists who monitor their development as well as the development of their initiatives for a period of up to 12 months. In order to foster the development of the NCs at different levels of social participation, acknowledgement is divided into two categories: *Semente* (Seed) – for incipient projects - and *Crescente* (Growth) - for more well-established actions. Each category receives financial support in the amount of R$ 5,000 and R$ 15,000, respectively.

More than just offering technical and financial support, the purpose of the *Acolher* Program is to encourage the creation of a network of consultants who develop sustainable entrepreneurship actions in all regions of Brazil. Natura intends to increase the opportunities for interaction among these stakeholders and help make these actions even more transforming and accessible to the entire network. In September 2012, Natura connected 26 NCs who participated in the program in a three-day event in Sao Paulo. Its purpose was to encourage the exchange of experiences and knowledge within the group through lectures and workshops on entrepreneurship.

In order to motivate other consultants to get involved and disseminate the topic, Natura invested in giving visibility to the actions it supports. Stories on social and environmental entrepreneurship developed by the NCs are presented in the short TV show Aqui Tem Natura (Natura is Here), which is broadcasted on Record television channel in the commercial breaks of the Hoje em Dia show *(learn more on page 81, Consumers).* Until November 2012, these stories were broadcasted in the Mulheres que Inspiram (Inspiring Women) segment of the same program of this TV channel, which was created for the purpose of disseminating the initiatives. NCs recognized in the Acolher Program also run for the Claudia Award, organized by Claudia Magazine, in the category Consultora Natura Inspiradora (Natura Inspiring Consultant).

In June 2012, ten consultants were given the opportunity to closely watch the dialogues and activities of the Rio +20 conference, held in Rio de Janeiro. Participants were selected based on the work they carry out in their communities and that are related to the topics discussed at the conference. The consultants attended the Forum on Social Entrepreneurship in the New Economy, the UN's Sustainable Development Dialogues and visited the Greenpeace vessel. Additionally, they visited the Espaço Natura (Natura Unit) in Complexo do Alemão district – where the company has expanded the network of consultants and carried out our work with the help of the Peacekeeping Police Units (UPPs)- and exchanged experiences on the work in their communities *(learn more about Natura's participation in Rio+20 on page 107, Government).*

Also last year, the Natura Movement encouraged the channel to think about the development of cities. Urged to express their opinion about the future they dream of, the NCs expressed their ideas about how to improve living conditions in urban centers on the initiative's hot site. The action was carried out in partnership with the Cidades Sustentáveis (Sustainable Cities) program, a platform of civil society organizations, in view of the 2012 municipal elections, took the opportunity to instigate the candidates to consider sustainability in their proposals. At the end of the campaign, the program prepared materials that can support mayors: a set of indicators, guidelines and benchmark examples for sustainable development in cities.

These initiatives increased by 43% the number of NCs involved in the Natura Movement last year, totaling more than 176,000 people. This result is also much larger than the target set for the period, which was to maintain the same percentage of 2011 (123,000).

NCs engaged in the Natura Movement[1]	Unit	2010	2011	2012
	Unit	113,118	122,953	176,331

Equivalent to the sum of the average number of active NCs in the sale of products of the Crer para Ver line per cycle with the NCs who are participating in other initiatives of the Natura Movement, such as the Acolher Program.

CONSUMERS

Natura faces the constant challenge of promoting Well-Being Well experiences and infusing the company's Essence into each new product or contact it establishes with its consumers. These guidelines are present in everything Natura does and they become even more challenging in a time when relationships are intensely changing due to, above all, the social networks.

Understanding the needs of these new times and delivering to consumers a valuable experience is the company's primary mission. Natura intends to use the new information and mobility technologies to bring all stakeholders closer, particularly end consumers and consultants and, consequently, Natura itself.

Within this sense of proximity, in 2012, Natura created the Espaço Conceito (Concept Space), in São Paulo (State of São Paulo). The place was specially designed to help consumers strengthen their relationship with Natura's brand, integrating conceptual, sensory and commercial perceptions so as to offer a multiple sense experience.

During the whole year, the space was open to the public at Rua Oscar Freire, which is an iconic address for Natura because it was there that Luiz Seabra, one of the Company's founders, opened the first store of the brand in 1970.The success of the experience, which ended in early 2013, encouraged the company to replicate the initiative in other parts of Brazil in 2013.

At Espaço Conceito, visitors had at their disposal hair, skin and makeup consultants, as well as perfumers and, at the end of the "immersion", they could also purchase the products. It was not just a shop, but a brand communication and relationship space that gave us important lessons. The strategy was important for Natura to understand how cohesive and attractive the brand is to different stakeholders. In 2012, 72,000 people visited the place, each one purchasing, on average, R$ 82.00 in products. Some 10% of the visitors were foreigners, which is a positive response to the dissemination of the brand abroad.

For the purpose of broadening the experience of the end consumer with the Natura brand, the company has itinerant spaces in 15 Brazilian capital cities. These spaces are kiosks where the company's fragrances portfolio is exhibited and they were visited by some 100,000 people in 2012.

In 2012, Natura also launched the weekly TV show Aqui tem Natura (Natura is Here), broadcasted on Record TV channel, in which the company directly speaks to consumers and consultants. The program works as a content channel about well-being, health, beauty, sustainability and social entrepreneurship in which Natura has the opportunity to tell inspiring stories that add value to its products and services. This is an innovative strategy for communicating the company's value proposition that reaches all Natura's stakeholders.

At the tv.natura.net web portal, the company makes available the videos of the show, with talks with specialists on odd and important topics, makeup tips by Marcos Costa - Natura's official makeup artist -, information on products and sustainable entrepreneurship actions developed by our consultants. The *Aqui tem Natura* show is broadcasted during the *Hoje em Dia* show on Wednesdays.

Natura understands that the digital media provides relevant tools that help continuing to add excellence to the relationship with its customers. In 2012, Natura launched a Facebook application also called Aqui tem Natura, which allows people who are registered Facebook users to find Natura consultants among the contacts of their friends.

Natura's official Facebook page has 1.7 million fans that access information on products, social and environmental actions undertaken by consultants and also on the company's field work with supplier communities. The page for Latin America also has over 1 million fans.

In 2012, Natura started using the Internet as a means for the NCs to relate with their customers, which is serving to generate lessons and help the company understand the potential of the digital media for direct sales. This experience includes the creation of a CRM (Customer Relationship Management) system, which will help manage information on consumers and NCs and better know and serve the people who use Natura's brand (*learn more on pages 32 and 69, Consultants and NCAs).*

QUALITY OF RELATIONSHIPS

The Natura brand continues to be positively evaluated by consumers. According to the Brand Essence image survey conducted by the consulting company Ipsos, the percentage of consumers who attributed the highest score to Natura grew from 73% to 79% in 2012.

Natura also maintained its position as the preferred brand in the Cosmetics, Fragrances and Toiletries market, with 46.5%, 50 basis points lower than in the previous year. The consumer loyalty indicator also decreased, from 66% to 51% in the period, a result that confirms the harshening of competition in the industry. Significant investments in advertising in the cosmetics industry in recent years have been positively reflecting in the evaluation of brands in general.

Overall evaluation of the brand image survey in Brazil[1,2]	Unit	2010	2011	2012
	%	81	73	79

1. Source: Brand Essence / Ipsos Institute.

2. The overall top box measure evaluation considers the respondents who attributed the highest score to the Natura brand on a scale of 1 to 5.

PR5. Quality of relationships with Consumers in Brazil[1,2,3]	Unit	2010	2011	2012
Loyalty[4]	%	53	66	51
Preference		49	47	46.5

1. Source: Brand Essence / Ipsos Institute.

2. Survey based on a quantitative sample of 2,900 personal interviews and home visits in five cities.

3. Percentage of consumers who attributed the highest score (top 1 box) on a scale of 1 to 5 for three aspects: satisfaction, intention to maintain a relationship with Natura and recommendation.

4. The data for previous years was changed due to the new calculation methodology.

2. Penetration in Brazilian homes[1,2,3]	Unit	2010	2011	2012
	%	55	62	60

1. Source: Kantor World Panel.

2. Penetration is the percentage of homes represented in the survey that bought the brand in the specified period.

3. The survey represents 81% of the domiciled population and 90% of the potential consumption in Brazil (according to the Target Index). Due to updates in the population profile, the information from Natura was adjusted and the numbers for the previous years were revised.

Spontaneous knowledge of the brand image survey in International Operations[1]	Unit	2010	2011	2012
Argentina	%	17	24	32.8
Chile		9	16	25.6
Colombia		1	9	5.8
Mexico		11	5	7.0
Peru		32	43	27.0
Overall evaluation – Latin America		**16.8**	**20.8**	**20.7**

1. Source: Brand Essence / Ipsos Institute.

With the expansion of the company's operations in Latin America, the investments in advertising in the countries in which Natura operates were also increased. Focused on the main concepts of the Natura brand and more relevant sub-brands, communication has been reflecting in image gain. The awareness of the Natura brand increased in Argentina, Chile and Mexico last year. The recognitions that the company received also show that the brand is growing in Latin America. In 2012, Natura was selected as the fourth most reputable company by non-governmental organizations in Chile, and was also included in the ranking of the most prestigious brands in Argentina, and of cosmetics in Mexico and Peru *(see the complete list of awards on page 9, Profile)*.

COMMUNICATION AND MARKETING

Natura's commercials and advertising and marketing campaigns publicize more than just the products and their features. The company follows the basic guideline of using these commercial spaces to convey its vision of the world and help increase the awareness of the end consumer on topics such as the quality of relationships, well-being and sustainability. The spontaneous spreading of special actions that we carry out in social media is evidence that people are touched by the concepts of the Natura brand.

Natura Amó, which is a line that celebrates love between couples, promoted one of the most widely-known actions on social networks last year. In June, the Saint Valentine's month in Brazil, Natura prepared a surprise for couples who have to live distant from each other. In partnership with the airline company Gol Linhas Aéreas, the company promoted a contest on its Facebook page. To participate, people only needed to record a love declaration to run for a free airline ticket. The love messages were played during the flight of the winners and their reactions were recorded on video.

In another initiative, the company invited people who were waiting for their flights at the airport in Guarulhos (State of São Paulo) to use the break to exercise. The bicycles that were installed in that area reproduced musical instruments when they were used and, when all were in use at the same time, they played a song. The action promoted the perfume Kaiak for men, which has a concept aimed at men who enjoy physical activities and contact with nature.

There was also an action to publicize the fall/winter collection of the Natura UNA makeup line that consisted of a virtual makeup mirror displayed in the restroom of a restaurant in São Paulo (State of São Paulo). The makeup simulator worked as an interactive mirror and had a sensory application mechanism with a differentiated level of reality. The action was an invitation for women to take care of themselves and recognize their own beauty, regardless of the time of the day.

All the initiatives can be seen on YouTube (www.youtube.com/user/naturabemestarbem) on the Natura Bem Estar Bem (Natura Well-Being Well) channel. The Um Voo Inesquecível (An Unforgettable Flight) (Amó) video reached around 2.5 million views in two weeks. Another one million views were recorded for the Espera Surpreendente (Surprising Waiting) (Kaiak) video in the first ten days it was online. Meanwhile, the Espelho Virtual (Virtual Mirror) (UNA) (Kaiak) was viewed a million times in two weeks and 125,000 people became fans of the brand on Facebook in that period.

Natura continues to invest in merchandising initiatives, focusing on the best explanation of the concepts of its brand and telling inspirational stories. In 2013, in Salve Jorge, a soap opera of the Rede Globo TV channel, there will be actions showing the work of our NCs and NCAs in the communities of Rio de Janeiro, particularly in Complexo do Alemão, a district of the city of Rio de Janeiro, focusing on initiatives that Natura has been developing there for many years.

It is worth noting that all our communication initiatives follow the Natura Ethical Communication Guidelines. The document is intended for all employees and suppliers involved in these processes and determines the main assumptions that support campaigns and communication actions, such as the environmental impact of products, conscious consumption, respect for children and valuing diversity.

Natura also works in accordance with the rules of the Advertising Self-Regulation Council (CONAR), and the codes of conduct of the Brazilian Association of Advertisers, Brazilian Association of Consumer Protection, and Brazilian Association of Direct Selling Companies (ABEVD). In 2012, the company did not receive any notices for breaches of regulations, laws and voluntary codes related to marketing communication, including advertising, promotion and sponsorship.

GRI PR6 e PR7

CUSTOMER SERVICE

Natura Customer Service (SNAC) is toll-free and received 667,000 calls in 2012, compared to 783 in 2011, a reduction of 15%.

Natura significantly reduced the number of requests for the exchange of products in the past three years and gave more speed to the replacement process. This result reflects the revision of the company's return policy, which improved the process of fraud prevention. The system now cross-references the data and uses specific filters, identifying the level of risk for a more careful analysis, and releasing the other cases so that the replacement can occur automatically.

Another improvement that increased the service speed was the simultaneous exchange service. Upon delivery of the new product, the unwanted item is collected. Before, the consumer had to send the faulty product to Natura in advance for an analysis. Only 5% to 10% of the replacements are still made by mail in regions where Natura does not yet perform reverse logistics.

Natura Customer Service (SNAC)[1]	Unit	2010	2011	2012
Answered	Calls	987	770	654
Unanswered	thousands	42	13	13
Total		**1,029**	**783**	**667**

1. Calls related to the Brazilian Operations via telephone, online chat and e-mail.

Natura continues to encourage the use of its virtual service channels and set an analysis service on its pages and profiles on Facebook, Twitter and blogs. The company replies to all questions and complaints received via these channels.

The experience of one year of specialized service for the Chronos line brought important results. Natura maintained the consulting services by specialists for the line to consumers, answering questions and monitoring cases of adverse reactions. Currently, the company is working on a development project of this model of service.

In respect to consumers' privacy and confidentiality of information, all consumers who contact the company via the Internet or through SNAC are protected by policies and systems that ensure data security. In 2012, we did not record any legal or administrative cases related to violation of privacy or loss of data of our consumers. *GRI PR8*

The improvements in the company's processes resulted in a reduction of complaints filed with the Consumer Protection and Advisory Program (Procon). There were 413 complaints in 2012, compared to 697 in 2011, a decrease of almost 60%.

The company's investment in the quality of the service provided to consumers is recognized by the *Instituto Brasileiro de Hospitalidade* (Brazilian Institute of Hospitality) - IBHE, which chose Natura as the second company in hospitality because it meets the expectations of consumers due to its approach to customers, the respect in its relationships and the good service it provides. The Reclame Aqui (Complain Here) web portal recognized Natura as the company that best addresses complaints and the most agile in responding to them. The company was also acknowledged as the fourth company in Brazil with the best service by the *Instituto Brasileiro de Relacionamento com o Cliente (*Brazilian Institute of Customer Relations).

CONSUMER SAFETY

Natura has a permanent commitment to the health and safety of its consumers. It maintains strict internal processes, from the conceptual development of products to their manufacturing and monitoring of their use in the market. These processes include tests and evaluation of products and raw materials safety and efficiency, stability tests, microbiology and quality control, thus ensuring the approval and compliance with the requirements of the health authorities and a differentiated stand aimed at the commitment to the truth, ethics and transparency. *GRI PR1*

Natura's cosmetovigilance process monitors products on the market and evaluates the profile of complaints about possible adverse reactions. The purpose is to identify any risk to consumers associated with the use of Natura's products and to generate guidelines for the improvement of its internal processes.

To ensure alignment with the rigorous standards that the company adopts in Brazil, a technical and scientific management was established for the International Operations, which is responsible for the regulatory, cosmetovigilance and quality processes and integrated with the Office of Consumer Safety in Innovation in Brazil.

The company's work has as one of its assumptions the precautionary principle. Natura follows the evolution of science worldwide and develops a robust process of monitoring trends in controversial issues and ingredients, working on replacements whenever necessary. The company's actions have already resulted, for example, in the elimination of a few substances from its products, such as paraben, in 2011, and phthalate, in 2008. *GRI 4.11*

In 2012, Natura improved the international monitoring methodology, defining more clearly the concept of controversial ingredients, also taking into consideration the consumer's perception about the risk and the international scientific, technical and digital media mapping on the issue.

The company does not test products on animals and has matured its alternative processes and methodologies to deliver increasingly safe products. It also participates in discussions on safe cosmetics in the relevant reference centers.

Since Natura uses a significant amount of raw materials of plant origin, knowledge of safety and monitoring predictive methods and their natural modifications has been developed that ensure that these changes do not affect the safety and efficiency standards of Natura's products.

In order to be increasingly transparent about the source of the ingredients, Natura has been publishing for seven years the environmental table in all of its products, informing the origin of raw materials that compose them. After the issue of the new European regulation, the information about the ingredients that make up these raw materials will be described as clearly as possible. First, the portfolio of Natura France will be adapted to meet the legal requirement for new products launched in that country as of June 2013. Additionally, in order to evaluate cosmetovigilance data, the company follows the guidelines of Colipa (Colipa Guidelines on the Management and Reporting of Undesirable Event Reports, 2008) for establishing the causality and severity of adverse events.

In addition, the company meets all legal requirements for the supply of information about the ingredients used, warnings, use directions, claimed benefits and outsourced production. The labels on all products are in accordance with the legislation in effect and respect all resolutions related to cosmetics determined by the Brazilian Health Surveillance Agency (ANVISA) and health agencies in the other countries where Natura operates, as well as metrological bodies.

GRI PR3

The main relationship channels of the company, such as Natura Customer Service (SNAC), are prepared to obtain all required details in case of reports on adverse events. The company has a specialized service cell for the Chronos line, which has been providing opportunities for the obtainment of important knowledge regarding the use of the product by consumers.

In 2012, no sanctions or administrative penalties were imposed to Natura by the Brazilian Health Surveillance Agency (Anvisa) nor were any significant fines imposed in connection with product labeling.

GRI PR2, PR9 e PR4

suppliers

Natura focuses its relationship on the creation of partnerships to build a chain with higher added value. Based on its operations and relationships, Natura knows that it can influence its commercial partners and it has been working to make this influence increasingly positive.

In 2012, the company expanded its Sustainable Supply Chain strategy, which uses a methodology for the assessment of the social and environmental aspects, converting them into monetary values, as a basis for selecting and developing its suppliers. In 2011, Natura revised 80% of its production inputs supplier base and, last year, it expanded the program to 87% of its suppliers. Through the methodology developed with the help of international specialists and with the participation of suppliers, the company determined the potential impacts of its supply chain and set up development plans in which partners establish the management of key social and environmental indicators and undertake to continue to invest in employees' education, occupational safety and private social investment.

In order to reinforce the company's principles and to qualify partners to evolve in their social and environmental management, Natura promoted qualification and specific training actions. In 2012, there were two training initiatives on Natura's relationship strategy with suppliers and two workshops to enhance the knowledge of the methodology.

Additionally, Natura monitors eight quarterly performance indicators of these partners: CO2 emissions, water consumption, waste generation, investment in education, training of employees, number of occupational accidents, social inclusion and private social investment.

Natura believes that the commitment of suppliers to these social and environmental factors will make a difference in the future. Natura's target is to generate R$ 16 million in social and environmental gains in five years through the investments from the company's entire chain. In 2011, the first year of the program, benefits of around R$ 1 million were generated and, in 2012, more R$ 1.8 million was obtained.

The data from the first two years of the program helped identify developments, improvements and consolidate the methodology for monitoring indicators and it is already possible to observe points of improvement in the suppliers operations and, therefore, generate a more sustainable, efficient and productive value chain.

RELATIONSHIP

Natura relates with different groups of suppliers. The company has 190 suppliers of finished products (third parties) and production inputs (supplying ingredients from biodiversity, raw materials and packaging materials), and these groups represent 50% of the company's purchase volume. The other suppliers of materials and of indirect services add up to more than 4,700.

Natura pays close attention to the quality of the relationship it establishes with its suppliers and implements improvements. This work is assessed by means of satisfaction and loyalty indicators, which are annually monitored.

In 2012, supplier loyalty dropped 400 basis points (from 26.5% to 22.6% in 2012), mainly influenced by the SAIN stakeholders (active and indirect service suppliers). A combination of factors explains the scenario of complexity in the relationship with these partners, including problems caused by the instability in the operation in 2011 and commercial negotiations (including costs and payment terms) influenced by exchange rate volatility and increase of inflation. The loyalty of the suppliers is an essential part of the company's strategy of sustainable supplies. In 2013, the causes for this drop will be analyzed in detail so that corrective actions can be developed together with these partners.

PR5. Quality of relationships with suppliers	Unit	2010	2011	2012
Satisfaction[1]	%	81	81	79
Loyalty[2]		28	27	23

1. Percentage of satisfied and totally satisfied suppliers (top 2 boxes).

2. Percentage of suppliers who attributed the highest score (top 1 box) on a scale of 1 to 5 for three aspects: satisfaction, intention to maintain the relationship with Natura and recommendation.

QLICAR PROGRAM

Qlicar (acronym for Quality, Logistics, Innovation, Competitiveness, Service, and Relationship in Portuguese) is a supplier development program that assesses critical indicators of service level, in addition to social and environmental issues, as part of the sustainable supply chain strategy. Accordingly, suppliers are assessed based on their investments and long-term social and environmental impact, in addition to more traditional criteria such as quality and price.

In 2012, 95 suppliers of inputs, finished products, brand-related services, logistics and service to NCs participated in the program, representing almost the same number of suppliers as in the previous year.

The program also recognizes the evolution of commercial partners through the annual Qlicar Award. In 2012, this award recognized 12 suppliers in the categories of Packaging, Fragrance, Raw Material, Third Parties - Brazil and Latin America, Natura Magazine, Customer Service, Logistics Operator, Carrier, Social and Environmental Evolution and Supplier Communities - the last two were included for the first time. Due to the development of its sustainable supply strategy, Natura recognized, for the first time, the supplier with the best social and environmental evolution, a category in which the winner was Box Print, from Campo Bom (State of Rio Grande do Sul), which produces packaging cartons for Natura. This company developed a new packaging for the Ekos Mate-Verde perfumes with 40% of post-consumption recycled cardboard. The packaging was also innovative for adopting a new format in which the corrugated cardboard eliminates the need to use a cradle to protect the product, which also generated a positive impact by reducing the generation of waste. In addition to the Qlicar Award, the company was also awarded by the Associação Brasileira de Embalagens (Brazilian Packaging Association) - Abre.

Among the supplier communities, partners that are increasingly relevant in Natura's value chain, two were awarded: Camta (Mixed Agricultural Cooperative of Tomé-Açu - State of Pará), supplier of cupuaçu butter, açaí berry pulp, cacao seed and passion fruit oil, with which Natura developed research on sustainable production of palm oil; and Camtauá (Mixed Agroextractive Cooperative of Santo Antônio do Tauá - State of Pará), which supplies andiroba and murumuru palm seeds *(learn more on pages 94 and 95, Supplier Communities).*

It is worth noting that 100% of the contracts signed with suppliers have clauses related to human rights, such as risks involving child labor and forced labor or similar. Significant investment contracts that include clauses related to human rights are those involving amounts equal to or higher than R$ 5 million. Last year, 240 suppliers (productive and unproductive) underwent monitoring audit processes and approximately 80% of the eligible productive suppliers were subject to regular audits, which can be annual, biennial or triennial, depending on the level of risk and profile of each company and market. The audits assessed quality, environment and social responsibility issues, including human rights aspects. In 2012, there were no cases in which contracts with business partners were terminated due to violations related to corruption.

GRI HR1; HR2; HR6 e HR7

GRI S04

HR2 – Investment and procurement practices – Brazilian Operations	Unit	2010	2011	2012
Audited productive suppliers[1]	%	53	82	80
Audited Qlicar suppliers[1]	%	100	100	81

1.The percentages refer to productive suppliers (suppliers of inputs that make up Natura's products) and third parties (companies that manufacture Natura's finished products).

INTERNATIONAL OPERATIONS

The bonds established with suppliers are particularly relevant for Natura's expansion plans for Latin America in the coming years. Natura's goal is to have, in three years, 30% of the products sold abroad in this region (except Brazil) produced locally by third party suppliers (manufacturers of finished products on behalf of Natura).

Currently, the company already produces in Argentina (perfumes, moisturizers and makeup), Mexico (shampoo and perfumes) and Colombia (perfumes, soaps and moisturizers). In 2012, Natura had more than three million units produced in the three countries and distributed to other operations in the region.

It was thanks to a close and aligned relationship with local suppliers that the company was able to quickly reverse an adverse scenario in Argentina. Due to changes in import rules, many of the Natura's products were retained at customs and were unavailable for Argentinean consumers in the first half of 2012.To resolve the situation, Natura accelerated the production expansion plan in that country, and was able to manufacture 30% of total products marketed locally at the end of the year. The successful experience was a result of the agility and partnership with suppliers in the region. It taught new lessons to the company and proved the success of the manufacturing strategy.

To keep up with the progress of International Operations, Natura also adjusted the governance structure, organizing the Operations and Logistics area in the countries, allocating procurement managers to each one of them. The company also implemented a loyalty survey for suppliers in Latin America, which should be of help, as is the case in Brazil, to measure and improve the quality of the relationship. The first results should be available in 2013.

supplier communities

Natura works with inputs from Brazilian social biodiversity as ingredients in the formulation of its products. The company encourages the extraction of these inputs through sustainable stewardship by cooperatives of family farmers with whom it establishes more than just a commercial relationship. Natura seeks to foster a relationship based on fair price and on the sharing of the benefits received from the use of the genetic heritage and associated traditional knowledge, thus helping create conditions for these communities to structure themselves, diversify their business and promote sustainable development in their region.

Last year, Natura maintained a relationship with 36 communities in different regions in Brazil, involving 3,500 families. The transfer of funds rose 20% in relation to the previous year, totaling R$ 12.1 million thus reaching the company's business expansion target and the social benefit generated therefrom. Most of the supplier communities are located in the Amazon region.

GRI S01, SO9 e SO10

A large portion of this increase was in the sharing of benefits from traditional knowledge, training in the communities, and funds and support. Funds from supply were lower because there was a reduction in demand for some inputs due to the sales planning for these products. But the creation of value will continue to increase in the years to come according to the business expansion strategy under the Amazônia (Amazon) Program. Natura intends to increase the purchases of inputs from the region from the current 11% to 30% of all raw materials used in its products and that should involve more than 10,000 families by 2020 *(learn more on page 34, in Social Biodiversity).*

EC9. Supplier Communities	Unit	2010	2011	2012
Communities with which Natura relates[1]		27	35	36
Benefited families from the supplier communities	Unit	2.301	3.235	3.571

1. The number of communities was revised in 2011 and the data was adjusted.

EC8. Funds Allocated	Unit	2010	2011	2012
Supply[1]	R$ thousands	4.374	6.749	6.303
Sharing of benefits from the access to genetic heritage or associated traditional knowledge[2]		1.480	1.597	3.099
Funds and support[3]		1.552	1.002	1.524
Use of Image[4]		77	22	69
Training[5]		185	133	301
Certification and stewardship[6]		212	21	29
Studies and advisory services[7]		828	512	749
TOTAL		**8.706**	**10.037**	**12.074**

1. Amount paid by processors or by the Benevides plant for raw materials used in Natura's products.

2. Amounts paid to communities as benefit sharing from the access to genetic heritage and/or associated traditional knowledge associated to a species from Brazilian biodiversity.

3. Natura's voluntary sustainable development funds and agreements, which can be used in projects or sponsorship for improving infrastructure.

4. Amounts paid for the use of images of community members in institutional or marketing materials.

5. Workshops and courses paid by the company to improve sustainable production techniques.

6. Amounts invested in certification and stewardship plans for areas under cultivation.

7. These include studies conducted by anthropologists, lawyers, economists, NGOs and other professionals contracted by Natura to work in the supplier communities. They also include studies for structuring production chains.

EC8 and EC9. Funds allocated per family, per year	Unit	2010	2011	2012
Direct funds[1]	R$ thousands	3,2	2,9	3,1
Supply[2]		2,0	2,2	1,8

1. These include funds actually received by the communities: supply of inputs, sharing of benefits, use of image, funds and support.

2. Subitem of direct funds, itemizing funds received per supply.

GRI SO9 e SO10

IMPROVING THE PRODUCTION PROCESS

In 2012, the satisfaction survey showed a loyalty rate of 23% among supplier communities, compared to 28% in the previous year, showing that this matter is still a challenge to be overcome. Since the supplier communities are essential stakeholders for the company's social biodiversity strategy, Natura is attentive to the needs and opportunities for improving this relationship. Natura concluded that this result was mainly the consequence of the commercial relationship with the communities as well as of the readjustments of prices. As an action plan, the *Núcleo de Abastecimento da Biodiversidade* (Biodiversity Provision Center), which has been recently created within the strategy of the Amazônia Program, should focus on these issues in 2013 *(learn more on page 34)*.

PR5. Loyalty – Supplier Communities[1 2]	Unit	2010	2011	2012
Loyalty	%	43	28	23

1. The loyalty rate is the percentage of interviewees who attributed the highest score for three aspects: satisfaction, intention to maintain their relationship with Natura and recommendation. In 2012, interviews were conducted on the field by anthropologists - 17 communities and 352 people were interviewed.

2. Due to the difference in methodology, the 2010 data is not comparable with the other data.

The Community Relations area promotes development actions in supplier communities, preserving the cultural identity of each one of them, and helps create opportunities to keep the population in their traditional locations. Among training courses and meetings, since 2009, Natura has been carrying out continuous leadership training, strengthening of interpersonal relationships, skills development and improvement of the management practices of the groups.

To improve the production process, the company promoted in 2012 the 8th Natura Supplier Community Exchange Program. The company brought together eight communities from the states of Amazonas, Pará and Rondônia to improve practices for the processing of raw materials from social biodiversity used in Natura's products. It was a rich exchange of knowledge that contributed to the strengthening of these social organizations.

Another area deeply involved in social biodiversity at Natura is the Management of Sustainable Technologies. This team has the specific skills to establish, together with rural supplier partners, good technical alternatives for determining the models and methods of production (extraction and cultivation) of raw materials from biodiversity that will be used in Natura's products. Promoting synergy between academic knowledge and local knowledge is one of the main challenges of this group.

As part of the relationship with the rural supplier partners, technical training courses on topics such as organic farming, seed collection, forest seedling production, permaculture and forest inventory methods are organized. The team also creates and disseminates educational materials of technical content, such as the rural crop calendar of social biodiversity raw materials, and promotes exchanges between partners in order to multiply knowledge and allow the exchange of experiences with the best practices.

Another example of partnership work was the implementation of an agroindustry at Cofruta (Cooperative of Fruit Farmers of Abaetetuba – State of Pará), a supplier of murumuru palm and açaí berry seeds. The implementation took place in 2011 and has evolved ever since by adding more value to the productive process and diversified the business of the cooperative. With this system, the cooperative currently extracts oil from nuts and seeds, which were previously supplied in their unprocessed state only, and sells them for a higher price. Using as example the partnership with Cofruta, Natura should promote actions in 2013 to increase the efficiency of the supply chains of its six cooperatives that supply organic cacao in the Trans-Amazonian Highway region and support the installation of an agroindustry for oil extraction.

For all these actions, Natura has the support of consulting companies and governmental and non-governmental organizations that collaborate in the projects developed with the communities. Natura develops projects in partnership with Criar, a consulting company on human development that supports the training of community leaders; Fase (Federation of Bodies for Social and Educational Welfare), an NGO that has been working in Brazil for 50 years, organizing and strengthening social initiatives; GIZ, a German agency for international cooperation for development, and CNS (National Council of Extractive Populations), a national organization that represents agroextractive workers.

INNOVATIVE RESEARCH FOR THE PRODUCTION OF PALM OIL

Traditionally associated with the deforestation of tropical forests for being a monoculture, the palm oil - or dendê as it is known in Brazil - is one of the most consumed oils, accounting for one third of the sale of oils in the world. In addition to deforestation, particularly in Asian countries, its production is also associated with impacts such as loss of biodiversity and emission of greenhouse gases.

The sustainable production of palm oil, which is the subject of an unprecedented research in the world, and which has been conducted since 2006 by Natura's science and technology investigations, is showing its first results. In the search for a form of sustainable cultivation of the species in the Amazon, Natura's bioagriculture researchers have been developing research on the cultivation of African oil palm (Elaeis guineensis) in agroforestry systems (AFSs) in family farms, totaling 18 hectares distributed over three rural properties.

The agroforestry systems are characterized by the presence of different plant species in a single production unit. In the study, the palm oil was produced together with the açaí berry, cacao, cassava, pepper, passion fruit, different wood species and plants for composting, among others, seeking high functional diversity. The research also had the partnership of institutions such as the Brazilian Company of Agriculture and Cattle Raising (Embrapa) - Western Amazon (CPAA) and Embrapa - Eastern Amazon (CPATU) and technical consultants.

In order to broaden the experience, Natura has been working on the adoption of this system since 2007 with farmers from Camta (Mixed Agricultural Cooperative of Tomé-Açu). The farmers are mixing palm oil and other plant species and, in four years, the production of palm oil equaled that of a conventional plantation system, harvesting between 5 to 10 metric tons a year.

In addition to producing the raw material for the production of palm oil, the research has shown that this production system contributes to the diversification of farmers' income and minimizes phytosanitary risks (pests and diseases) for the cultivated species. In addition to a low-impact production, the system developed by researchers and local farmers contributed to the generation of ecosystem services, including, biodiversity conservation, improvements in food safety and adoption of biological control, important benefits for the ecological balance, since they help in the regulation of natural resources such as water, soil and mitigation of greenhouse gas emissions.

There is no previous mention of the production of palm in agroforestry systems in the world and this makes Natura a pioneer in this research that can significantly contribute to the global discussion on sustainable production systems. Natura also believes that its research positively contributes to the Amazon's production models because it associates production to the environmental and social aspects of the region, an association which is essential for the maintenance of the biome.

This project was also chosen to apply, since last year, two innovative methodologies related to the ecosystem services: one of them is the Business Program for Ecosystem Services (PESE) in partnership with the World Resources Institute (WRI); the Center for Sustainability Studies (GVCES), of the Getulio Vargas Foundation; and the Brazilian Business Council for Sustainable Development (CEBDS), which aims at evaluating the impacts and consequences of ecosystem services. The other is the TEEB Brazil (The Economy of Ecosystems and Biodiversity), coordinated by Conservation International - Brazil, which aims at recognizing social and environmental external aspects. Both methodologies are complementary and Natura is the only company that is applying both in an integrated way.

GRI SO9 e SO10

HOW WE RELATE

The company's conduct of relationship with communities is expressed in Natura's Policy of Sustainable Use of Social Biodiversity and Traditional Knowledge. This policy comprises guidelines inspired by the assumptions of the Convention on Biological Diversity of the United Nations, the first global agreement that recognizes the conservation of biological diversity as an integral part of sustainable development.

To supplement Natura's Policy, the company is also supported by the Principles of Relationship with Supplier Communities. They guide the company's conducts of respect for the communities' culture and understanding of their way of life and social organization. For the purpose of understanding more and more the life and specificities of these families, Natura promotes participatory, inclusive and transparent dialogues. The company's program also includes maintaining its own multidisciplinary team that is responsible for practicing these principles.

BIOQLICAR PROGRAM

The BioQlicar is part of the supplier community training and development program and monitors two groups of indicators: the Bio, which cover the resources on which the local society counts to foster its development, such as human, social, environmental, physical and economic resources; and those aimed at the productive performance, the Qlicar (Quality, Logistics, Innovation, Competitiveness, Service, and Relationship). By monitoring development and performance actions, the BioQlicar helps prepare the communities for their relationship with the market in general.

GRI HR2

The program is annually assessed by the processing companies and supplier communities and, in 2012, it was attributed a score of 3.80 (on a scale of 1 to 5), a result similar to that of the previous year, when it was attributed the average score of 3.77. Since the beginning of the program, in 2009, the score increased 16%. The indicators that increased the most were relationship, contracts and costs. On the other hand, issues such as employment relationships, productive modules and technical specifications were down in the perception of the respondents.

In recognition of the growing importance of the supplier communities in our business, Natura included them in the Qlicar award as a new category, program for the development of Natura's suppliers in general. For the first time, the communities participated in the award and two of them were recognized based on the work they develop:

Camta (Mixed Agricultural Cooperative of Tomé-Açu - State of Pará), supplier of cupuaçu butter, açaí berry pulp, cacao seed and passion fruit oil, received the community award as the best performance in the year.

Camtauá (Mixed Agroextractive Cooperative of Santo Antônio do Tauá - State of Pará) was the community with the best performance in 2012 in the items assessed (quality, logistics, innovation, competitiveness and service). A Natura supplier of murumuru palm and andiroba seeds since 2007, the organization participated in a number of workshops and courses on cooperativism that contributed to improve the structure of the community which, in 2009, stopped being an association to adopt the cooperative system. Since then, Camtauá has multiplied its production and its business with Natura and other companies in the region.

Natura also works with the communities to encourage high human rights standards. The company encourages suppliers with whom it has a direct commercial relationship to use fair working conditions and it demands, through contracts, the same practice with the upstream supply chain.

In 2012, Natura surveyed all supplier communities in order to identify the broad practice of fair work, as well as regular and alternate audits, and it should continue with such practice in 2013. These diagnoses also assess any potential involvement of children and adolescents in the production chains. Natura works to ensure that any involvement of children or adolescents in the production chain – which traditionally occurs for cultural reasons in some communities – does not impair their formal education and leisure and does not pose risks to health and safety, and that the child or adolescent can develop by means of family activities for educational/cultural purposes and not economic so that these traditional ways of family organization are recognized by the entire society.

It is worth noting that all of Natura's 44 contracts for the sharing of benefits and supply include a requirement of respect to human rights, particularly regarding the involvement of children and adolescents, forced work or work in degrading conditions. In 2012, the company did not record any critical incident related to any involvement of children and adolescents in the places where it operates. It did not record any incident involving indigenous peoples either.

GRI HR1; HR6; HR7 e HR9

SHARING OF BENEFITS AND GENETIC HERITAGE

GRI SO9 e SO10

The benefits are shared in accordance with the guidelines of Natura's Biodiversity Policy. Natura uses the genetic heritage of native species of the Brazilian biomes and the associated traditional knowledge in the company's products, generating monetary benefits. The company shares these benefits with the communities to promote their development, the preservation and sustainable use of biodiversity, recognition of the genetic heritage and associated traditional knowledge.

In 2012, Natura recorded two new accesses to traditional knowledge: the capitiu plant, produced by the Association of Family Farmers of the São Jerônimo Community, in the region of the Baixada Cuiabana (Cuiabá's lowland), State of Mato Grosso, and the ucuuba plant, cultivated by the Movement of Women of the Belém Islands, in the island of Cotijuba, State of Pará. Early in 2013, the company also completed the access to the buriti palm through the Grande Sertão Cooperative of Family Farmers and Agroextractivists, in the State of Minas Gerais.

A significant portion of the benefits shared was allocated to the communities of RECA (Association of Small Agroforestry Farmers of the Syndicated and Compacted Economic Reforestation Project – State of Roraima), where Natura works with 374 families. The funds will be invested in the readaptation and expansion of the local industrial complex. Natura also supports the Escola Família Agrícola (Agricultural Family School), an educational institution that provides services to the families of the association of alternating education, a methodology that combines formal education and entrepreneurship, encouraging initiatives and stimulating the ideas of students to promote the sustainable development of the region.

GRI EC9 SO1

DEVELOPMENT OF THE SUPPLIER COMMUNITIES

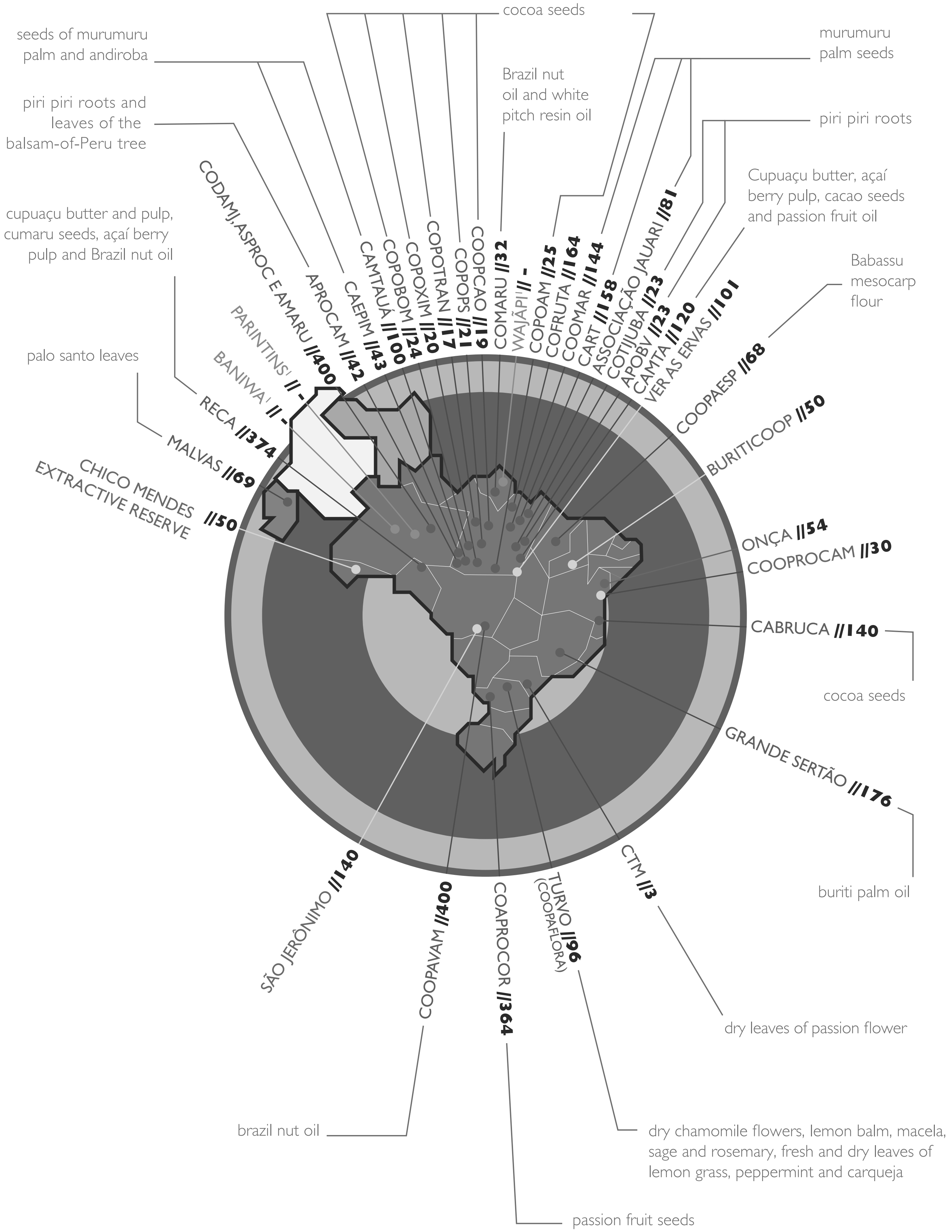
In order to encourage the development of supplier communities and of their surrounding areas, Natura allocated its own financial resources for investments in projects of social strengthening of the groups and making viable environmental preservation, cultural recognition, creation of alternative sources of income, food safety, intersector actions and training of leaders.

In the scope of this purpose, Natura created the Middle Juruá River Fund in partnership with the National Council of Extractive People and with the support of the Chico Mendes Institute of Preservation of Biodiversity (ICMBio) and the State center of Preservation Units of the State of Amazonas. We selected projects of organization from the State of Amazonas, region of the Middle Juruá river, in four action fronts: Strengthening of Civic Awareness, Education and Health; Food Safety and Generation of Income; Environmental Conservation and Preservation; and Strengthening of Associativism and Diversification of Markets.

Natura wants to enable organizations to raise alternative sources of income for their workers and obtain financing for their actions. The company improved the monitoring process of projects after it was transferred from the Executive Department of the Middle Juruá River Fund to the National Council of the Extractive People. This reorganization will allow the Council to search for funds from new partners, benefiting the region from a collaborative investment.

In 2012, six local organizations benefited from the R$ 200,000 allocated to this year's bidding process, which was the second of the program.

NATURA'S SUPPLIER AND RELATIONSHIP COMMUNITIES



surrounding communities

Natura's challenge is to contribute in an innovative and significant way to the local communities where it operates. With the expansion of the company's business, its responsibility for establishing quality relationships with these stakeholders also grows.

In 2012, Natura reviewed its work strategy in the surrounding communities and prepared a plan to strengthen its contribution to the local development in three municipalities: Cajamar (State of São Paulo), São Paulo (State of São Paulo) and Benevides (State of Pará) (see table below). Natura's main operations are located in those municipalities and, consequently, these are the regions where the company generates impact and where it is are able to provide direct and indirect benefits.

GRI SO1 e SO9

GRI SO1 e SO9

Local development actions are supported by:
- _The creation of bonds of trust
- _The identification and recognition of leaderships
- _The establishment of a positive agenda with public authorities
- _The identification and strengthening of platforms for democratic social participation and the collective development of actions
- _In the development of the identity of every individual with this action

At the same time, Natura implements actions focused on the other municipalities where it is present. The company's relationship in these cases is via the Municipal Councils for the Rights of Children and Adolescents (CMDCA), with the allocation of 1% of the income tax payable and the monitoring of the investment of these funds. Natura's intention is to strengthen the activity of these councils as they are a legitimate representation space of the community that includes public managers from different areas and representatives of civil society. The municipalities that receive these funds in addition to Cajamar, São Paulo and Benevides are: Jaboatão dos Guararapes (State of Pernambuco), Castanhal (State of Pará); Jundiaí (State of São Paulo); Matias Barbosa (State of Minas Gerais); and Cotia (State of São Paulo).

Natura's activities with the surrounding communities do not include, for the time being, international operations.

EC8. Investment in infrastructure and services for public benefit	**Unit**	**2010**	**2011**	**2012**
Investments in the communities surrounding Natura's units – Funds from Natura[1]	R$ thousands	409	822	729
Investments – Funds from *Crer para Ver*[2]		30	96	130

1. The investments refer to the municipalities of Cajamar and Itapecerica da Serra.

2. Investment of funds from Crer para Ver in the municipality of Benevides.

Employees from surrounding communities	Unit	2010	2011	2012
Cajamar		17	21	22
Benevides	%	95	60	91
Itapecerica		na	na	4

EC6. Purchases from suppliers from the communities surrounding the plants[1 2]	Unit	2010	2011	2012
Cajamar	R$ millions	74	62	57
Itapecerica da Serra		1.3	3.0	1.4
Benevides		47	64	81
Total		**121**	**129**	**139**
Percentage of expenditures with suppliers from the surrounding communities in relation to the total expenditures with suppliers	%	nd	3,8	4,0

1. The consolidation method for this indicator was changed and, since 2011, the amounts net of recoverable taxes have been taken into consideration. Therefore, data for 2011 e 2012 are not comparable to those of 2010.

2. The 2012 basis considers all the purchases from suppliers located at the municipalities of Cajamar and Itapecerica da Serra and suppliers from the State of Pará that supply to any Natura unit.

CAJAMAR

The investments in the local development of Cajamar (State of São Paulo), where the company's head office is located, are mainly geared to public education. In 2012, Natura maintained the support for the development of a methodology to assess the quality of the municipal education so as to identify the progresses and opportunities for improvement. The municipality had already been working in the assessment and review of the course syllabus and the support to this methodology should add to this work and will be a reference for this process. Last year, the pilot project involved nine schools in Cajamar, and the students of the 5th and 9th elementary grades. The results are still under review and will serve as a basis for the adjustments required in the educational planning of the school system in 2013. GRI SO10

Another initiative in the region is the Rede Escola Cajamar (Cajamar School Network), a project launched in 2012 in partnership with the government and the private sector of the municipality that offers training courses to youngsters who live in the communities and guidelines in the search for a job position. More than 300 youngsters attended the training courses last year. After this phase, they are referred to the recruitment processes at Natura and other companies in the region. During that period, 14 institutions became partners in this process and 29 companies offered their facilities and material for the classes and included these youngsters in their recruitment processes. Even though the number of participants in the training courses increased, Natura still faces the challenge of increasing the employability of these youngsters – 250 youngsters were referred to recruitment processes last year and 47 were contracted. Other 55 youngsters got their first job without the intervention of the *Rede Escola Cajamar.*

Since the municipality of Cajamar is located in an environmental protection area, environmental management is a relevant component in its development. Accordingly, the topic is also an important focus of Natura's efforts in the region. In 2012, we maintained the partnership with the NGO Mata Nativa and the Environmental Board of Cajamar to determine a shared management of the Natural Municipal Park, involving the organization, the city government and community leaders. Created in 2007, the park has a managing council elected last year and determined the invitation to bid for the selection of proposals for the local stewardship plan.

SÃO PAULO

GRI SO10

In São Paulo, the Vila Jaguará region, in the West Zone of the capital city of the State of São Paulo, where a new administrative office and a Distribution Center were set up in 2010, is considered our surrounding area. In 2012, in order to establish a relationship, the first step was to identify the local community leaders and make a diagnosis of the region to understand its needs. The company conducted a multistakeholder dialogue with the neighboring community and the public authorities. One of the topics that was relevant in this work was public transportation, a major factor for the development of the region. Subsequently, Natura began to study a mobility plan, which will be one of the projects that the company will develop in the region in the coming years.

This new Natura's unit was expected to start operations in 2012, but its implementation was delayed on account of the granting of the necessary permits and it is now expected to be inaugurated in 2013. The administrative office will receive the employees who are currently allocated in Itapecerica da Serra (State of São Paulo), after the shutdown of these facilities. Also in 2013, the São Paulo Distribution Center will start its operations and will be responsible for the selection and preparation of the products (orders) for the consultants in the State of São Paulo. As a result, the operations of the Distribution Center in Cajamar will be discontinued.

ITAPECERICA DA SERRA

GRI SO10

Because of the transfer of the administrative office from Itapecerica da Serra to the new building in São Paulo in 2013, we ended our local activities in 2012, after a process that began in 2011. In addition to notifying in advance the municipal agencies of Natura's exit from the municipality, Natura made arrangements so as to ensure that the social projects be autonomous. One example was the technical support to the Municipal Program of Selective Garbage Collection, in partnership with the Municipal Green and Environmental Department and the Cooperative of Recyclers of Itapecerica da Serra. Natura had been working in this project since 2007, supporting the technical training of the cooperative staff and concluded that the city administration office and the organization are now prepared to manage the service in the city, which had always been the main purpose of the partnership.

BENEVIDES

GRI SO10

In 2012, the training of 40 electromechanical professionals was completed; this is a project that began in 2011 for the purpose of qualifying workers in Benevides (State of Pará). The training course was organized in partnership with Senai (National Service of Industrial Training) and part of these workers is expected to be hired to work in Natura's new plant that will be inaugurated in 2013 in the municipality *(learn more about our relationship with the supplier communities on page 91).*

Upon the review of the company's strategy for the surrounding communities, Natura also identified the need to create a work agenda in Benevides, adapted to its new context in the town. The progress of the *Amazônia* (Amazon Program) and the construction of the new plant allow for the strengthening of the company's relationship and of the bonds of trust with the local people.

Until now, Natura's approach in the region was associated with the strategy of relationship with the communities that supply inputs from biodiversity and covered a wider area, including many neighboring municipalities. Under the new strategy, Natura's action will be focused on the municipality of Benevides and, beginning in 2013, it will develop a specific action plan for this region.

shareholders

As part of the constant challenge to improve everything the company does, Natura works to strengthen its brand and Essence also in communications to the market. We want to convey Natura's differentiating values and provide an increasingly clearer and more accessible language. Natura is working to achieve this goal, guiding its relationship with investors based on a consistent, honest and open dialogue.

Natura maintains an open channel with the market to contextualize its performance and reaffirm its commitments and future prospects in a process led by its Senior Vice President of Finance, Investors Relations and Legal Affairs, Roberto Pedote, and supervised by Fábio Cefaly and Tatiana Bravin. An important dialogue time is the Natura Day, held annually, when the company's executives present the plans for the future and answer the questions and receive suggestions and which, in 2012, was attended by approximately 150 analysts and investors. In addition to contextualizing Natura's strategy and results, this event is considered an opportunity to be closer to these stakeholders and disclose more information on Natura's value proposal. For this reason, the event includes an exhibition of Natura's products and the disclosure of the main initiatives in sustainability and innovation. In 2012, the event was attended by Natura relationship managers – employees who work directly with the consultants – to talk with shareholders about their work.

Natura seeks to maintain the same level of dialogue in the Annual Shareholders' Meeting (ASM) which, in the past few years, attracted an ever more significant number of investors, particularly individual investors. In 2012, the Annual Shareholders' Meeting (ASM) gathered 350 people in April, in Cajamar (State of São Paulo), and once again it included a meeting with the Association of Investment Analysts and Professionals of Capital Markets (Apimec - State of São Paulo) *(learn more on page 20, Corporate Governance).*

Additionally, Natura held approximately 600 meetings in the year, including face-to-face meetings and teleconferences in Brazil and abroad. Another important communication tool is the company's Page on the Internet (www.natura.net/investidor).

As sustainability is an essential value to the company, Natura seeks to convey to the market its importance and the care taken by the company in its business when it takes into consideration the management principles in the economic, social and environmental aspects. It is also a way to encourage the market to follow a similar path, creating a transformation agenda for the future.

In 2011, Natura carried out the first road show for investors of companies that invest in a triple bottom line management (known as SRI, Socially Responsible Investors). In 2012, we used the United Nations Conference on Sustainable Development, Rio+20, and the presence of many investors in Brazil to gather a group with the Natura's sustainability team. Three meetings were held at Natura's headquarters, in Cajamar, and very positive feedback was received from participants, who were interested in learning more about our management in this area.

The company annually monitors its performance in communication by means of the Perception Study survey that assesses the quality of its relationship with shareholders and the market, collecting opinions from these stakeholders. The survey includes questions about the IR routine, the company's management and Natura's strategy. The findings show that the market recognizes the company's experience and active participation in its relations with investors and analysts, and indicate some points for improvement. Natura uses these findings to further develop its work.

Natura was recognized at the IR Magazine Brazil Awards, organized by the IR magazine, as the best company in the Social and Environmental Sustainability, Corporate Governance, and Consumer Goods and Service categories. Additionally, it received honors in the Annual Report, Meeting with the Analyst Community and IR with Individual Investors categories.

SHAREHOLDERS' PROFILE

No significant changes in the profile of shareholders and in the composition of Natura's capital stock in 2012 was observed.

Shareholders' Profile	2010	2011	2012
Individuals	7,838	8,722	7,821
Brazilian legal entities	560	659	714
Foreign legal entities	850	867	926
Total	**9,248**	**10,248**	**9,461**

Shareholding structure		
Shareholders	Participación	Cantidad de acciones
Controlling shareholders	59.83%	258,017,219
Treasury shares	0.45%	1,941,345
Management shares	0.56%	2,404,388
Outstanding shares	39.16%	168,876,312
Total de Acciones	**100.00%**	**431,239,264**

CONTROLLING SHAREHOLDERS

Natura's capital stock only comprises common shares, in accordance with the determination of BM&FBovespa's New Market. The table below shows the number of shares of Natura's capital stock held by shareholders that own 5% or more of its capital stock or by the members of the Board in 2012.

Shareholder	Number of common shares	%
Lisis Participações S.A. Controlled by Antonio Luiz da Cunha Seabra	95,946,968	22.25
Utopia Participações S.A. Controlled by Guilherme Peirão Leal	91,557,964	21.23
Passos Participações S.A. Controlled by Pedro Luiz Barreiros Passos	22,606,809	5.24
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 Barreiros Passos	855,038	0.20
Anizio Pinotti	854,160	0.20
Ronuel Macedo de Mattos	602,081	0.14

STOCK PERFORMANCE

In 2012, Natura shares appreciated 67.8%, whereas the Ibovespa, the main BM&FBovespa index, appreciated 7.2%.Since Natura went public in 2004, its shares have significantly outperformed the index, as shown in the chart below:

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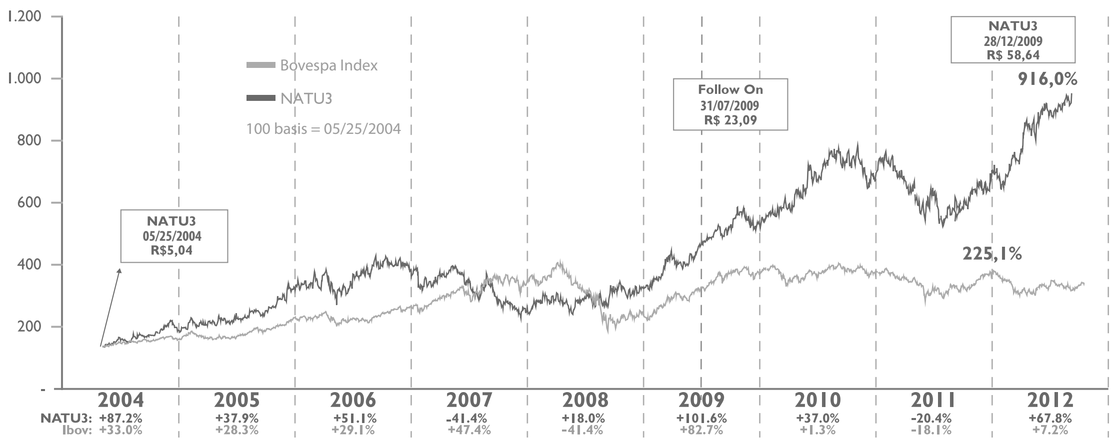


17. Table: Average daily volume of shares traded (R$ thousands)[1]		
2010	2011	2012
33,182	43,696	54,337

1. Source: Economática

Since Natura is listed on the BM&FBovespa New Market, it is part of the main indexes of the Brazilian stock market: Ibovespa, IBrX-50 (which lists the most liquid shares on the BM&FBovespa), ISE (Corporate Sustainability Index), Corporate Governance Index, Tag Along Share Index, Morgan Stanley Composite Index and ICO_2 (BM&FBovespa Carbon Efficient Index).

Total volume traded (R$ million)[1]		
2010	2011	2012
8,325	10,880	13,394

1. Source: Economática

PAYMENT OF DIVIDENDS

On February 6, 2013, the proposal for the payment, on April 17, 2013, of R$ 469.5 million in dividends and R$ 21.8 million as interest on capital for the period (R$ 18.6 million net of income tax) related to the results for 2012, was approved by Natura's Board of Directors and will be submitted to the Annual Shareholders' Meeting (ASM) to be held on April 12, 2013.

On August 15, 2012, interim dividends totaling R$ 327.0 million and interest on capital totaling R$ 31.0 million (net of withholding tax) were paid.

The sum of these dividends and interest on capital relative to the results for 2012 will represent net earnings of R$ 1.97 per share (R$ 1.89 per share in 2011), corresponding to 100% of net income1 for 2012.

government

Natura's belief in the strength of relationships and collectively developed solutions guides its work with social and governmental organizations. Natura actively participates in these institutions seeking to positively contribute to the development of public policies and influence social and environmental transforming actions.

In 2012, the United Nations Conference on Sustainable Development (Rio+20) held in Brazil, gave Natura the opportunity to prove the transforming power of social mobilization and its importance in the definition of actions to develop a fairer world. Even if this event did not make history as a time when the world's major nations came to a consensus on the development model that should be able to eradicate poverty and ensure natural resources for the future, the major legacy of the conference was the dialogue and mobilization environment. The interactions between civil society organizations, the corporate segment, local governments and other players were translated into initiatives and partnerships there and then. Natura believes that this mobilizing drive is a powerful asset and can be the milestone for a new engagement model. The companies, in turn, assumed an important role by creating platforms of mobilization of individuals and, together with civil society, they will be the leading players in the formulation of the agenda towards the future we want.

In addition to supporting the official event, Natura actively participated in the parallel dialogue initiative. Natura was represented by 22 executives who participated in 18 events, discussing different topics, such as entrepreneurship, green economy, biodiversity, sustainable business and innovation, which generated many commitments.

Among them, are the Commitment to Natural Capital, of Cambridge University; Caring for Climate Commitment, of the Global Compact; Commitments and Demands for Building the Future We Want, of the Ethos Institute; Commitment Letter of CEOs for Rio+20, of the Brazilian Global Compact and a commitment to the conscious consumption and promotion of women's participation in direct sales, in partnership with ABEVD (Brazilian Association of Direct Selling Companies) *(learn more about diversity on page 48, Quality of Relationships).*

With the motto "Esta conversa é com todos nós" ("This talk is with all of us"), Natura also invested in the involvement of its stakeholders so that they could know and reflect about the topics discussed. In order to engage consultants, ten NCs were invited to participate in the conference *(learn more on page 79, Consultants and NCOs).* The company also supported the participation of its employees with special publications and a series of six meetings at Natura's facilities with specialists held to cause reflection on Rio+20 *(learn more on page 48, Quality of Relationships).* Additionally, Natura launched a special campaign in the major means of communication, regional newspapers and online media not only to inform, but to foster reflection.

Another topic that guided this work during the period was the legislation on the access to biodiversity and associated traditional knowledge. More than ten years ago, Natura requested the creation of a new legal framework for the research and use of inputs from Brazilian social biodiversity. It defended a system that integrates production, consumption and, above all, favors the conservation of the planet's biological diversity. In 2012, Natura was invited by Farma Brasil, a trade association from the Brazilian pharmaceutical industry, to take part of an initiative aimed at expanding the discussion on current legislation. This initiative led to the development of a new proposed text, submitted by businessmen to the Ministry of Environment last November.

Natura believes that this proposal avoids restraints in the process of accessing the genetic heritage and considers the critical topics for fostering research and innovation based on the genetic heritage, and that it may trigger development from the sustainable use of these resources.

Natura believes that the law will evolve signifi cantly with these changes, particularly in terms of benefit sharing. The proposal, with more technical accuracy, avoids ambiguities and provides increased legal certainty. It is up to the government to analyze Natura's proposal and carry on with the process of review of current legislation.

Recognition of the genetic heritage to generate potential wealth, regional development and social and environmental conservation have been guiding Natura's work strategy in the Amazon. In 2012, with this program progress, the company launched Nina (Natura Amazon Innovation Center), an innovative model that proposes the networked production of scientific knowledge, connecting local and large international institutions' researchers. By means of Natura's government relations team, the company opened a dialogue channel with many representatives of the Ministry of Science and Technology to assist them to define the best scope for the technological complexes in the Northern region *(learn more about the* Amazônia *(Amazon) Program on page 34, Social biodiversity).*

OTHER TOPICS

In the tax scenario, the direct selling companies experienced a tax increase last year in São Paulo. The impact was due to an adjustment of the methodology used for the calculation of the Value-Added Margin (VAM), resulting in a signifi cant increase in Natura's disbursement. We are discussing with Cotepe (Permanent Technical Commission of the State Value-Added Tax (ICMS)), a Confaz (National Council of Fiscal Policy) subunit, so that Brazil can adopt a single national methodology for the calculation of the VAM, thus avoiding wide (tirar a palavra wide da frase) differences in tax calculations between the different states.

INTERNATIONAL OPERATIONS

Natura has been working together with the governments of our International Operations in order to make its business feasible, particularly in the company's recent expansion in Latin America. The International Operations are undergoing a restructuring phase as they have just started to operate and Natura is trying to become familiar with the peculiarities of each country, working locally and with support from Brazil, when necessary. In 2012, Natura was a party in the discussion on the access to the genetic heritage in Colombia, based on the experience obtained from more than a decade of discussions on the topic in Brazil. In Argentina, the company had an intense political dialogue with representatives of the Ministry of Domestic Trade due to the changes in the import rules in that country *(learn more on page 87, Suppliers).*

REPRESENTATION AND SOCIAL INFLUENCE

Natura actively participates in cosmetics and direct sale industry organizations in Brazil and abroad so that it can contribute to the discussions relevant to its business, the industry and the entire society.

Natura's CEO, Alessandro Carlucci, is in charge of WFDSA (World Federation of Direct Selling Associations), voted into office for the period from 2011 to 2014. Natura created a workgroup to support the different fronts and committees of the organization. As the company contributes to the development of the industry's actions at global level, this experience has enabled Natura to learn a lot about the direct sales market around the world.

In Brasil, Natura is represented by the Senior Vice Chairman of Abihpec (Brazilian Association of the Cosmetics, Fragrances and Toiletries Industry) and by the Chairman of ABEVD (Brazilian Association of Direct Selling Companies). By means of Abihpec, Natura is a party to the Corporate Commitment for Recycling (Cempre) – an industry's agreement aimed at meeting the requirements of the National Solid Waste Policy, creating processes for the proper destination of waste involving the whole chain. At the same time, Natura developed a proprietary project to work on innovative and sustainable solutions integrated with the business and recognized the company's impact on solid waste *(learn more on page 38, Solid waste).*

Natura is not a party in any litigation involving matters of competition law nor does it have a history of significant penalties or non-monetary sanctions arising from non-compliance with laws and regulations. Accordingly, Natura did not record any fines or sanctions arising from non-compliance with environmental laws and regulations.

GRI SO7 e SO8

GRI EN28

INVESTMENTS

In 2012, Natura received financial assistance from the government by means of tax incentives and from government development agencies totaling R$ 38 million. Part of these funds originates from the Lei do Bem (Good Law) which provides tax benefits to companies that develop technological innovations. Meanwhile, the financial assistance for innovation, training, logistics and information technology totaled R$ 106,1 million and was granted by BNDES (Brazilian National Bank for Social and Economic Development) and Finep (Financial Sponsor of Studies and Projects).

GRI EC4

Part of the work of the government relations function is to ensure tax benefits from important investments. In 2012, Natura's main investments were the construction of the new distribution center and administrative office in São Paulo (State of São Paulo), the Ecoparque in Benevides (State of Paraná) and the expansion of the plant in Cajamar (State of São Paulo). Natura works with the government of the State of Pará to obtain the necessary permits and follow the schedule and planning of the plant aimed at creating an industrial symbiosis in the Amazon *(learn more on page 34, Social biodiversity).* The company is also making progress in the construction works in São Paulo. The new center is expected to be inaugurated in 2013.

TableEC4. Government's resources	**Unit**	**2010**	**2011**	**2012**
Tax incentives for support and sponsorships[1]		9	10	9
Lei do Bem (income tax deductions on up to twice the spending on technological Research and Innovation)[2] x	R$ millions	21	24	22
ICMS value-added tax subsidy in Itapecerica da Serra		6	4	5
Other[3]		0,6	1,1	2,0
Total		**36**	**39**	**38**

1. Corporate income tax (IRPJ) incentives granted through the Rouanet Law, Sports Law, the Children and Adolescents' Rights Fund, the Workers' Meal Program and ICMS Value-Added Tax incentives through the Natura Musical (Musical Natura) projects.

2. The tax benefit related to the Lei do Bem, of 2011, was changed due to the review/audit of projects.

3. Incentive related to the extension of maternity leave by two months, established by Decree No. 7052/2009. The expense is undeductible from Taxable Income and Social Contribution calculation basis, but is fully deductible from corporate income tax.

POLITICAL LOBBYING

Natura applies its principles of ethics and transparency to political lobbying, a practice that the company considers relevant to the business, and supports its role based on the strictest ethical standards. Since there is no legislation regulating the activity in Brazil, Natura follows its own guidelines, such as the Integrity Policy against Corruption and Bribery, created in 2011, which sets forth rules of conduct for relating with public authorities. Natura has also the Campaign Donation Policy that prohibits any donations to candidates or political parties in election periods or not. *GRI SO6*

Natura works with academic and industry entities in order to promote the need for specific legislation on political lobbying in Brazil. It participates in debates on the matter and seeks to mobilize the government in this aspect. The following personnel is authorized to represent the company: Lucilene Prado, Elizabete Vicentini, Luciene Soares, Silene Moneta, Carlos Henrique Silva, Kássia Reis and Luciano Pedregal.

GRI 4.12 e 4.13

Representation in trade organizations and associations		
Organization/Association	Natura Representative	Type of Representation
ABA - Associação Brasileira de Anunciantes (Brazilian Advertisers Association)	José Vicente Marino	Member of the National Board
	Vanessa Giannotti	Vice Chairman of the Media Committee
ABERJE – Associação Brasileira de Comunicação Empresarial (Brazilian Association of Corporate Communication) (www.aberje.com.br)	Rodolfo Guttilla*	Chairman of the Decision-Making Council
ABEVD – Associação Brasileira de Empresas de Vendas Diretas (Brazilian Association of Direct Selling Companies) (www.abevd.org.br)	Rodolfo Guttilla*	Chairman
	Lucilene Prado	Coordinator of the Committee of Legal Affairs and Government Relations
	Pablo Montanes	Member of the Research Committee
	Luciano Pedregal	Member of the Ethics Council
	Kassia Reis	Representative in the Committee of Legal Affairs and Government Relations
ABIFRA – Associação Brasileira das Indústrias de Óleos Essenciais, Produtos Químicos Aromáticos, Fragrâncias, Aromas e Afins (Brazilian Association of Essential Oils, Aromatic Chemical Products, Fragrances, Aromas and Similar Industries)	Sérgio Gallucci	Representative in the Committee of Legal Affairs and Government Relations
ABIHPEC - Associação Brasileira da Indústria de Higiene Pessoal, Perfumarias e Cosméticos (Brazilian Association of the Cosmetics, Fragrances and Toiletries Industry) (www.abihpec.org.br)	Rodolfo Guttilla*	Vice Chairman
	Lucilene Prado	Effective Member of the Fiscal Council
	Elizabete Vicentini	Representative of the Technical and Regulatory Committee
	Luciene Soares	Representative in the Environment Group
	Kassia Reis	Representative in the Taxation and Foreign Trade Workgroup
	Ricardo Bittencourt	Representative in the Foreign Trade Workgroup
Abipla – Associação Brasileira das Indústrias de Produtos de Limpeza e Afins (Brazilian Association of the Cleaning Products and Similar Industries) (www.abipla.org.br)	Isabel Fujimori	Representative in the Regulatory Committee
ABPI - Associação Brasileira da Propriedade Intelectual (Brazilian Association of Intellectual Property) (www.abpi.org.br)	Lucilene Prado	Representative

Representation in trade organizations and associations

Organization/Association | Natura Representative | Type of Representation

ABRASCA – Associação Brasileira das Companhias Abertas (Brazilian Association of Listed Companies) (www.abrasca.org.br)	Roberto Pedote	Representative
ABRH - Associação Brasileira de Recursos Humanos (Brazilian Association of Human Resources)	Ney Silva	Representative
American Chamber of Commerce - Amcham Brazil	Ney Silva	Vice Chairman of the Strategic People Management Committee
AMVD – Asociación Mexicana de Ventas Directas (Mexican Direct Selling Association)	Cecilia Riviello	Member of the Steering Board
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
Anvisa - Agência Nacional de Vigilância Sanitária (National Agency of Sanitary Vigilance)	Elisabete Vicentini	Responsible for Legal Affairs
Asociacion Civil Argentina de Empresas Brasileñas (Argentine Civil Association of Brazilian Companies) (www.grupobrasil.com.ar)		Member Partner
ASPI - Associação Paulista da Propriedade Intelectual (São Paulo Association of Intelectual Property) (www.aspi.org.br)	Lucilene Prado	Representative
Cámara de Comercio de Lima (Chamber of Commerce of Lima)	Daniel Gonzaga	Representative
	Dejan Joksimovic	Member of the Cosmetics and Hygiene Committee
Cámara de Venta Directa de Chile (Direct Sales Chamber of Chile)	Hans Werner	Director
CANIPEC – Cámara Nacional de la Industria de Perfumaria, Cosmetica y Articulos de Tocador e Higiene (Mexican National Chamber of the Perfumery, Cosmetics and Toiletry and Hygiene Products Industry)	Carolina Muñoz	Representative
	Javier Herrero	Chairman of the Sustainable Development Commission
CAPA – Cámara Argentina de la Indústria de Cosmética y Perfumería (Argentine Chamber of the Cosmetics and Perfumery Industry)	Pedro Gonzalez	Alternate Member of the Account Review Committee
Capevedi - Cámara Peruana de Venta Directa (Peruvian Chamber of Direct Sales)	Daniel Gonzaga	Representative
	Dejan Joksimovic	Member of the Communication Committee
CASIC - Consejo de Asociaciones de la Industria de Cosmeticos Latinoamericana (Council of the Latin American Cosmetics Industry Associations)	Rodolfo Guttilla*	Representative
	Kassia Reis	Representative in the Trade Facilitation Committee

Representation in trade organizations and associations		
Organization/Association	Natura Representative	Type of Representation
CAVEDI – Cámara de Venta Directa de Argentina (Direct Sales Chamber of Argentina)	Pedro Gonzalez	Secretary of the Steering Board
CEBDS - Conselho Empresarial Brasileiro para o Desenvolvimento Sustentável (Brazilian Business Council for Sustainable Development)	Silene Moneta	Representative in the CTBIO - Câmara Temática de Biodiversidade (Thematic Biodiversity Chamber)
CEMEFI – Centro Mexicano para la Filantropía (Mexican Center for Philanthropy)	Gabriela Ocampo	Member of the Corporate Social Responsibility Committee
CIESP - Centro das Indústrias do Estado de São Paulo (Center of Industries of the State of São Paulo) (www.ciesp.org.br)	Rodolfo Guttilla*	Director
	Luciano Pedregal	CIESP Advisor – Jundiaí (State of São Paulo)
Conar - Conselho Nacional de Autorregulamentação Publicitária (National Council of Advertising Self-Regulation)	José Vicente Marino	Member of the Higher Council
Conservation International	Karina Aguilar	Natura's focal point at TEEB (The Economics of Ecosystems and Biodiversity) Brazil
Copecoh – Comité Peruano de Cosmética e Higiene (Peruvian Cosmetics and Hygiene Committee)	Daniel Gonzaga	Representative
	Dejan Joksimovic	Member of the Executive Board
ETHOS - Instituto Ethos de Empresas e Responsabilidade Social (Ethos Institute of Companies and Social Responsibility) (www.ethos.org.br)	Guilherme Peirão Leal	Member of the Decision-Making Council
	Marcelo Cardoso*	Member of the Ethos 10 Years Management Council
	Lucilene Prado	Alternate Member of the Advisory Board of the Ethos Platform
	Silene Moneta	Representative in the MEBB - Movimento Empresarial pela Biodiversidade (Corporate Initiative for Biodiversity)
FNQ – Fundação Nacional da Qualidade (National Quality Foundation) (www.fnq.org.br)	Pedro Passos	Vice Chairman of the Board of Trustees
FUNBIO – Fundo Brasileiro para a Biodiversidade (Brazilian Fund for Biodiversity) (www.funbio.org.br)	Guilherme Peirão Leal	Member of the Advisory Board
Fundação Dom Cabral (Dom Cabral Foundation)	Pedro Passos	Member of the Board
Fundação SOS Mata Atlântica (SOS Atlantic Forest Foundation)	Pedro Passos	Member of the Board
Global Compact - Caring for Climate	Denise Alves	Member of the Steering Committee
	Keyvan Macedo	Representative
GRI - Global Reporting Initiative (www.globalreporting.org)	Rodolfo Guttilla*	Member of the Stakeholder Council and Co-chair of the Brazilian National Annex

Representation in trade organizations and associations

Organization/Association	Natura Representative	Type of Representation
IBGC - Instituto Brasileiro de Governança Corporativa (Brazilian Institute of Corporate Governance) (www.ibgc.org.br)	Moacir Salztein	Representative in the Human Resources Committee
IBRI – Instituto Brasileiro de Relações com Investidores (Brazilian Institute of Investor Relations) (www.ibri.org.br)	Fabio Cefaly	Representative
IEDI – Instituto de Estudos para o Desenvolvimento Industrial (Institute of Studies for Industrial Development) (www.iedi.org.br)	Pedro Passos	Presidente del Consejo
IIRC – International Integrated Reporting Committee	Roberto Pedote	Member of the Steering Committee
	Alexandre Nakamaru	Member of the Technical Task Force
Instituto Akatu pelo Consumo Consciente (Akatu Institute for Conscious Consumption)	José Vicente Marino	Representative
Instituto Empreender Endeavor Brasil (Endeavor Brazil Entrepreneur Institute) (www.endeavor.org.br)	Pedro Passos	Member of the Board
INTA – International Trademark Association	Lucilene Prado	Representative
IPT - Instituto de Pesquisas Tecnológicas (Institute of Technological Research) (www.ipt.br)	Pedro Passos	Vice Chairman of the Advisory Board
ISA - Instituto Socioambiental (Social and Environmental Institute)	Renata Puchala	Representative in the Sustainable Amazon Forum
LIDE - Grupo de Líderes Empresariais (Business Leaders Group)	Alessandro Carlucci	Representative
	Rodolfo Guttilla*	Representative
MBC – Movimento Brasil Competitivo (Competitive Brazil Initiative) (www.mbc.org.br)	Pedro Passos	Representative
MEI - Mobilização Empresarial pela Inovação (Corporate Mobilization for Innovation) (CNI)	Pedro Passos	Representative
Ministry of Science, Technology and Innovation	Pedro Passos	Member of the National Council of Science and Technology
Movimento Empresarial pelo Desenvolvimento Econômico da Mulher + Mulher 360 (Corporate Initiative for Women's Economic Development + Mulher 360)	Lucilene Prado	Member of the Board
Movimento Nossa São Paulo (Our São Paulo Movement)(www.nossasaopaulo.org.br)	Guilherme Peirão Leal	Chairman of the Decision-Making Council of the Sustainable São Paulo Institute

Representation in trade organizations and associations		
Organization/Association	Natura Representative	Type of Representation
NEF - Núcleo de Estudos Fiscais da Escola de Direito da FGV (Center of Fiscal Studies of the Law School of Getulio Vargas Foundation)	Lucilene Prado	Member of the Board
PCPC Council - Personal Care Products Council (www.personalcarecouncil.org)	Elizabete Vicentini	Representative
United Nations Development Programme (UNDP)	Karina Aguilar	Representative in the Brazilian Global Compact Committee (Comitê Brasileiro Pacto Global – CBPG)
Rede América (America Network)	Isabel Ferreira	Representative
	Luara Maranhão	Representative
SIPATESP - Sindicato da Indústria de Perfumaria e Artigos de Toucador no Estado de São Paulo (Perfumery and Beauty Products Industry Union of the State of São Paulo)	Rodolfo Guttilla*	Vice-Presidente
	Lucilene Prado	Director
The Arthur W. Page Society (www.awpagesociety.com)	Rodolfo Guttilla*	Representative
UEBT – Union For Ethical Biotrade	Ricardo Faucon	Chairman of the Board
Water Footprint Network	Ines Francke	Representative
WBCSD - World Business Council for Sustainable Development (www.wbcsd.org)	Alessandro Carlucci	Member of the Board
	Keyvan Macedo	Liaison Delegate
WFDSA – World Foundation for Direct Selling Associations	Alessandro Carlucci	Chairman
	Rodolfo Guttilla*	Member of the Advisory Board
	Moacir Salztein	Deputy Treasurer
WWF Brasil (www.wwf.org.br)	Guilherme Peirão Leal	Member of the Advisory Board

* Have withdrawn from the company.

Natura
value chain

Natura's main results in 2012, from the extraction of raw material to the disposal of packaging.

Stage 1: Extraction and transportation of raw materials and packaging (direct and indirect suppliers)

R$ 4.8 billion paid to suppliers for the purchase of inputs and services

22.6% loyalty rate among suppliers in Brazil, a drop of 400 basis points

123,792 metric tons of Greenhouse Gas (GHG) emissions related to the extraction and transportation of raw materials and packaging (44% of Natura's total emission)

22,482 metric tons of GHG emissions per direct supplier (processing and transporting to Natura) (8% of total)

Stage 2: Industrial internal processes

R$ 803 million paid to employees in benefits and salaries, 26.5% higher than in 2011

R$ 437 million invested in infrastructure and logistics

0.40 liter of water consumed per unit produced, same as in the previous year

25.56 grams of waste generated by unit produced compared to 20.01 grams/unit in 2011

20,545 metric tons of GHG emissions in internal processes (7.5% of total)

Stage 3: Sale of products (transportation and distribution)

3.2 billion paid to consultants for gains related to the sale of products, an increase of around 10.5% from 2011

1.5 million consultants in all operations, a 10.7% growth in our consultant base

24% loyalty rate among consultants in Brazil (compared to 19% in 2011)

40% loyalty rate among NCAs in Brazil (compared to 24% in 2011)

104 new products launched

46,041 metric tons of GHG emissions related to transportation of products to consultants and consumers (16.5% of Natura's total emissions)

GRI EN29

Stage 4: Use of products and packaging disposal

EN26 (parte)

14% of refills on items billed in Brazil

125 mPt/kg is the environmental impact of packaging per number of products[1] compared to 123 mPt/kg in 2011

67,349 metric tons of GHG emissions related to the final disposal of products and packaging (24% of Natura's total emissions)

1. The indicator also includes effects on the extraction and transformation of packaging.

Cross-sectional indicators

R$ 1.7 billion paid to the government in direct and indirect taxes, the same as in the previous year

R$ 846 million distributed to shareholders in dividends and interest on capital that were actually paid to shareholders, that is, calculated on a cash basis (an increase of 11%).

R$ 861 million in net income, an increase of 3.7%

R$ 6.345,7 million in net revenue, an increase of 13.5%

R$ 1.510,7 million in EBITDA

EBTIDA margin of 23.8%

R$ 73.2 million invested in sustainability

creation of **environmental value**

Natura's management of the business impact on the environment is based on an integrated view of its chain while always seeking to reduce the negative impacts and maximize the positive impacts by means of solutions that create shared value to the entire relationship network.

In accordance with the company's materiality matrix, the priority environmental topics for the company are water, climate change, social biodiversity and solid waste. All these aspects are regularly monitored through many forums of the company, including the commitments assumed and the progresses made in each topic *(see table on page 18)*.

Natura's indicators cover at least all of its commercial and industrial units, offices and distribution centers in Brazil. Additionally, the company also reviews the impact of its main suppliers, including third parties (that manufacture finished products for Natura), as well as raw material and packaging suppliers. The company has been working to expand its management in the International Operations, with a progressive increase in the number of indicators monitored in those locations *(learn more on page 148, About this Report)*.

CARBON NEUTRAL

Natura has been a carbon neutral company since 2007, which means that its greenhouse gas (GHG) emissions generated in the production process, including the company's value chain, which cannot be avoided, are offset through carbon credits obtained from investments in reforestation, energy efficiency and replacement of fossil fuel programs.

Currently, as a subprocess of the organization, the topic provided a number of lessons after its inclusion in the discussion agenda in many decision forums and in profit sharing.

In 2012, Natura achieved a reduction of 7.4% in its absolute GHG emissions in relation to 2008. This data includes the company's plants in Cajamar (State of São Paulo) and Benevides (State of Pará), and the administrative offices. However, this reduction was not enough for Natura to achieve its commitment to reduce absolute emissions by 10% (scope 1 and 2 of the GHG Protocol) during the period. The company's reduction planning was adversely affected by the increase in the share of thermoelectric plants in the supply of electric energy to the Brazilian electric energy network at the end of 2012 in order to compensate the low level of the hydropower reservoirs. The inclusion of a more polluting energy source in the network is a government necessity and increases the emission factor of this component in the calculation of the company's GHG inventory. Accordingly, although Natura managed to implement all the projects that had been planned, including the reduction in the consumption of power by its direct production processes, it was still vulnerable to a factor that is the responsibility of the national energy network.

It is important to highlight that if we consider only the emission factor of the electricity network in 2008, we would have achieved a 21% reduction in absolute emissions in four years. We seek to encourage the use of energy from renewable sources and less environmental impact, acquiring energy from Small Hydropower Plants (SHP). But as we do not have electricity network distribution from the power generation site to our spaces, we need to account this emission using the emission factor of the national energy system, regardless of the source of energy gained, to follow the GHG Protocol methodology.

GRI EN 19/ EN20

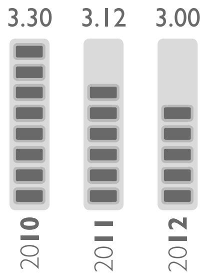
Additionally, in 2012, Natura's emissions followed the trend of the past years, with an increase that is proportionally lower than the growth of the company's business. Natura achieved a relative reduction of 4% in relation to the previous year and of 28% since 2006, in line with its commitment to achieve a 33% reduction by the end of 2013 *(learn more on page 33, Climate Change).*

It is worth noting that the company's operations do not emit or use substances that deplete the ozone layer. The emissions of particulate materials and NOx and SOx gases in Natura's chain are monitored and are not significant.

INVENTORY OF EMISSIONS

Natura draws an inventory on a yearly basis to map the total volume of direct and indirect emissions of greenhouse gases, taking into consideration scopes 1, 2 and 3 of the Greenhouse Gas Protocol Initiative (GHG Protocol) and the ABNT NBR ISO 14064-1 standards. In 2012, the inventory was audited by Ernst & Young Terco.

RELATIVE EMISSIONS (KG OF CO2E/ KG OF PRODUCT BILLED)



EN16/17. GHG emissions (by scope of the GHG Protocol)	Unit	2010	2011	2012
Direct GHG emissions (Scope 1)		7,969	6,062	3,435
Indirect GHG emissions and power (Scope 2)	metric ton	2,249	1,865	3,576
Other indirect GHG emissions (Scope 3)		243,094	257,089	273,198
Total		**253,312**	**265,015**	**280,209**

EN16/EN17. Emissions in the value chain	Unit	2010	2011	2012
Extraction and transportation of raw materials and packaging (to direct suppliers)		106,144	117,276	123,792
Direct suppliers (processing and transportation to Natura)		24,775	21,299	22,482
Industrial and internal process[1]	metric ton	25,611	24,731	20,545
Sale of products (transporting and distribution)		38,275	38,279	46,041
Use of products and packaging disposal		58,509	63,431	67,349
Grand total		**253,314**	**265,015**	**280,209**

1. Internal processes refer to fixed sources, exports, business trips, treatment of effluents, international operations.

EN29. CO2 EMISSIONS WITH TRANSPORTATION IN 2012 (METRIC TONS OF CO2E):
_Transportation of products: 46,041
_Export of products: 6,957
_Vehicles of the sales force: 733
_Vehicles of executives: 612
_Chartered transportation: 2,330
_Waste transportation: 162

REDUCTION

GRI EN18 e EN26

In order to reduce emissions, many improvement actions are in place, such as the installation of a biomass-powered boiler in Natura's plant in Benevides (State of Pará). Instead of diesel, the equipment is powered by certified wood briquettes. This new boiler is also prepared to operate using plant waste, such as fruits and seeds.

The company extended the use of the fuel card to executives, senior management and sales managers, restricting its use to ethanol in flex-fuel vehicles. As from 2013, Natura will also be the first company to have an ethanol-powered executive bus in its chartered fleet, which currently is found only in public transportation. The ethanol-powered bus produces 88% less emissions when compared to the traditional vehicle. In the future, the company wants to extend this measure to other vehicles of the fleet, including the product delivery trucks.

Natura's logistics system continues to obtain positive returns with the progress of local productions in Argentina and Colombia, reducing its exports from Brazil and, consequently, reducing emissions in transportation. In Brazil, the implementation of distribution centers in different regions in the past years allowed for the optimization of the distribution logistics network and also contributed to reduce CO2 emissions.

In the coming years, other projects to reduce the greenhouse gases should be implemented, such as the creation of new box sizes for the delivery of the orders to consultants.

OFFSETTING

Emissions that cannot be avoided are offset through the acquisition of carbon credits from forest projects (promoting forest recovery in unreclaimed areas), energy projects (aiming at replacing fossil fuels with renewable and/or more efficient sources) and waste treatment.

The submittal of applications to the invitation to bid for the 2011/2012 biennium finished in May 2011 and, in 2012, Natura signed contracts with seven of these initiatives, ensuring the offset of 452,857 tCO2e out of the 545,224 tCO2e generated in 2011 and 2012. Other projects of this invitation to bid are under review and negotiation to offset the remaining emissions in the period. A new selection of projects is expected for 2013.

Natura also seeks offsetting projects in other countries in Latin America and has projects implemented in the region. It purchased credits in Colombia once again and is at the final stage of negotiation with an initiative in Peru.

Learn about the projects support by Natura in the table below:

2011/2012

Carbon Project in the Emas-Taquari Biodiversity Corridor – NGO Oréades Núcleo de Geoprocessamento (States of Goiás and Mato Grosso do Sul)
The project was renewed after the positive results achieved in the previous cycle, which started in 2009. In this new cycle, reclamation of more than 164 hectares in the same region around the Emas National Park and the Nascentes do Rio Taquari State Park was contracted, which should result in the offsetting of 58,000 metric tons of CO_2e in 30 years.

Reforestation of Degraded Areas – ASORPAR Ltda. and Consultoria South Pole (Colombia)
Project developed in the region of Cáceres and Cravo Norte, in Colombia, which provides for the neutralization of emissions in other Latin American operations. Upon the 2011/2012 invitation to bid, Natura purchased more 29,000 metric tons of CO_2e.

Replacement of fuel in ceramic manufacturing companies – Consultoria Sustainable Carbon
Among the actions supported, there are four projects for the replacement of non-renewable fuel with biomass to be used in the ceramic manufacturing companies ovens in many regions of Brazil. The replacement of wood and firewood with renewable sources reduces gas emissions, avoids deforestation and improves work conditions. The list below shows where Natura supports these replacements:

_ Cerâmicas Arrozal, GGP and Sul América (State of Rio de Janeiro), with the offset of 60,680 metric tons of CO_2e.
_Cerâmica Velotex (State of Sergipe), with the offset of 133,800 metric tons of CO_2e.
_Cerâmicas Barbosa and Kamiranga (State of Pará), with the offset of 128,000 metric tons of CO_2e.
_Cerâmica Gomes de Matos (State of Ceará), with the offset of 120,200 metric tons of CO_2e.
_Cerâmica JL Silva (State of Pernambuco), with a new purchase of 34,500,000 metric tons of CO_2e.

2009/2010

Use of renewable biomass – Consultoria Sustainable Carbon (State of Minas Gerais)
This project also promotes the replacement of non-renewable fuels (native firewood from the Cerrado savannah region) with biomass (sawdust, woodchips and sugarcane bagasse) in Cerâmica Santorini's ovens in Ituiutaba (State of Minas Gerais).
In 2011 and 2012, Natura received 38,617 additional metric tons of CO_2e, and the remaining 63,000 metric tons of CO_2e will be delivered within the next five years.

Efficient stoves in the Recôncavo Baiano II – Instituto Perene (State of Bahia)
This is an extension of the 2008 initiative to replace rudimentary stoves with more efficient ones in rural households in Bahia. Five thousand new stoves that use less firewood will be installed, reducing GHG emissions. The project will offset 94,000 metric tons of CO_2e in 8 years. Of this total, more than 50% of the stoves have been installed to date.

Carbon Project in the Emas-Taquari Biodiversity Corridor – NGO Oréades Núcleo de Geoprocessamento (States of Mato Grosso do Sul and Goiás)
Reclamation, with native species, of 200 hectares of degraded areas, of a total area of 600 hectares around the Emas National Park and the Nascentes do Rio Taquari State Park (States of Goiás and Mato Grosso do Sul). The project is expected to offset 70,000 metric tons of CO_2e in 30 years. Planting was completed in 2012.

Social and Environmental Carbon of Xingu – Associação Xingu Sustentável, Instituto Socioambiental (ISA) and Instituto Centro de Vida (ICV) (State of Mato Grosso)
The purpose is to reclaim 220 hectares of degraded permanent preservation areas of the watercourses that form the Xingu river. The target is to offset 75,000 metric tons of CO_2e in 30 years.

2008

Carbon, Biodiversity and Community in the Pau-Brasil Ecological Corridor (Ibio) (State of Bahia)
Forest recovery project that is carried out in the Pau-Brasil National Park and at the Monte Pascoal National Park in Porto Seguro (State of Bahia). This project will offset 79,000 metric tons of CO_2e in 30 years. A total of 56 out of 250 hectares was recovered and other areas will be prospected for completing the planting.

Xingu Social and Environmental Carbon – Instituto Socioambiental (ISA) and Instituto Centro de Vida (ICV) (State of Mato Grosso)
Recovery of 116 hectares of degraded riverbank forests and springs that form the Xingu river. The planting has already been completed and the project will offset 40,000 metric tons of CO_2e in 30 years. The first issue of credits is expected for 2014.

Efficient stoves in the Recôncavo Baiano – Instituto Perene (State of Bahia)
The project provides for the replacement of rudimentary wood stoves of the families that live in rural communities in the Recôncavo Baiano with more efficient stoves. All the stoves have already been installed and the target is to offset 18,880 metric tons of CO_2e in eight years. Of this total, more than 70% of the stoves have been installed to date.

SOCIAL BIODIVERSITY

GRI EN12/ EN14

Considering the experience accumulated in more than ten years of work and research, Natura believes it is possible to use the resources from social biodiversity in harmony with men and nature within a sustainable model. In this period, the company established a direct relationship with the supplier communities for the development of business with sustainable stewardship of natural inputs, process traceability and sharing of the benefits generated by these resources, always in line with Natura Policy of Sustainable Use of Biodiversity and Associated Traditional Knowledge (Social Biodiversity Policy). This document is also in line with the guidelines of the Convention on Biological Diversity established by the United Nations and governs Natura's potential impacts on biodiversity.

For the coming years, Natura should increase its investments in inputs from biodiversity in the Pan-Amazonian region by means of the Amazônia (Amazon) Program.

ENVIRONMENTAL CERTIFICATION

GRI EN12/ EN14

In order to ensure that the extraction of the inputs from social biodiversity is carried out within the capacity of the environment, Natura has set in place a plan for the certification of plant raw materials. This process is carried out by independent certifying entities and one of the requirements is production traceability, in which the producer documents and accounts for the origin of all the materials produced.

During the year, Natura monitored the certifications, together with certifying audits in the communities or groups of producers. In specific cases, Natura also provides technical assistance to groups to meet their needs in terms of documents required by the standards, validity of the certificates of the supplier companies involved in the chain and constant attention to the updates or amendments to laws related to certifications in effect for field production. Although certification for organic cosmetics is not covered in the Brazilian legislation, Natura always seeks to participate in technical discussion groups to assess and contribute to the development of regulations for this purpose.

The certifications include family farmers and traditional communities and is divided into two categories: organic (Instituto Biodinâmico, Ecocert, Organização Internacional Agropecuária and Instituto de Mercado Ecológico) and forest (Forest Stewardship Council). In 2012, the indicator of certification of ingredients dropped from 59% to 47% of total species, due to the discontinuation of the Frutífera organic tea line, which resulted in the removal of ten certified raw materials from the list.

Additionally, Natura does not use invasive plant species, avoids monoculture and prefers organic production. Neither does it promote activities that may transform a natural environment in order to meet production interests (habitat conversion).

EN26. Certified ingredients [1] [2]	Unit	2010	2011	2012
Certified ingredients	Unit	36	37	27
Percentage of certified species	%	61	59	47

1. Only plant inputs in the form of waxes, oils, extracts, essential or unprocessed oils (cosmetics and teas) are considered. Certifications considered: organic (IBD, Ecocert, OIA, IMO) and forest stewardship (FSC).

2. In exceptional cases, additional volumes of raw materials may be acquired from uncertified areas due to: increase in internal demand, decreases in the production of certified areas, lack of inventories at certified suppliers

PR3. Origin of material and product certification	Unit	2010	2011	2012
Renewable plant material	%	82	81	82
Natural plant material	%	7	9	8
Material with origin certification	%	16	12	15

Among the inputs used, three are developed from species included in the list of threatened species, according to the Ministry of the Environment and the International Union for the Conservation of Nature (IUCN). They are: Brazil nut (Bertholletia excelsa), in vulnerable status, yerba maté (Ilex paraguariensis), low risk, and ucuúba (Virola surinamensis), which is threatened. *GRI EN15*

The acquisition of these raw materials follows the principle of the sustainable use of biodiversity and two of these raw materials are certifi ed *(see table below).*

GRI EN26

Number of certified ingredients and status of the certification program [1 2 3]			
Especie – Línea Ekos	**Production system**	**Status (phase)**	**Certification**
Açaí berry (State of Roraima) *Euterpe precatória*	Agroforestry	III (final)	IBD
Açaí berry (State of Pará) *Euterpe oleracea*	Agroforestry	III (final)	IMO
Andiroba (States of Amazonas and Pará) *Carapa guianensis*	Traditional	I	
White pitch (State of Amazonas) *Protium pallidum*	Traditional	III (final)	FSC
Cacao (States of Bahia and Pará) *Theobroma cacao*	Agroforestry	III (final)	IBD
Lemongrass (States of Paraná and São Paulo) *Cymbopogon citratus*	Organic	III (final)	ECOCERT
Brazil nut (States of Amazonas, Mato Grosso and Roraima) *Bertholletia excelsa*	Traditional	III (final)	FSC
Cupuaçu (State of Roraima) *Theobroma grandiflorum*	Agroforestry	III (final)	IBD
Passion fruit (States of Minas Gerais and Paraná *Passiflora edulis*	Cultivation	I	
Yerba mate (State of Rio Grande do Sul) *Ilex paraguaiensis*	Traditional	III (final)	FSC
Murumuru palm (States of Amazonas and Pará) *Astrocaryum murumuru*	Traditional	I	
Surinam cherry (States of Paraná and São Paulo) *Eugenia uniflora*	Organic cultivation and stewardship	III (final)	ECOCERT
Piri piri (State of Paraná) *Cyperus articulatus*	Organic cultivation	III (final)	IBD
Species – Other lines	**Production system**	**Status (phase)**	**Certification**
Rosemary (State of Paraná) *Rosmarinus officinalis L.*	Organic cultivation	III (final)	ECOCERT
Babassu (State of Maranhão) *Orbgnya speciosa*	Stewardship	I	
Buriti palm (State of Minas Gerais) *Mauritia flexuosa*	Stewardship	I	
Arabian coffee (State of Minas Gerais) *Coffea arábica*	Organic cultivation	III (final)	IBD
Candeia (State of Minas Gerais) *Eremanthus erythropappus*	Stewardship and organic cultivation	III (final)	FSC
Carnauba (State of Ceará) *Copernicea cerifera*	Stewardship	III (final)	IBD
Copaiba (State of Amazonas) *Copaifera spp*	Stewardship	III (final)	ECOCERT

Balsam-of-Peru (State of Pará) *Ocimum americanum*	Organic cultivation	III (final)	IBD
Guarana (State of Bahia) *Paullinia cupana*	Organic cultivation	III (final)	IBD
Para cress (State of São Paulo) *Spilanthes oleracea*	Organic cultivation	III (final)	IBD
Palo Santo (Ecuador) *Bursera graveolens*	Stewardship	III (final)	ECOCERT
Paramela (Patagonia-Argentina) *Adesmia buronioides*	Stewardship	III (final)	OIA
Poejo (State of Rio Grande do Sul) *Cunilla gallioides*	Organic cultivation	III (final)	ECOCERT
Sage (State of Paraná) *Salvia officinalis*	Organic cultivation	III (final)	ECOCERT
Sapucainha (State of Bahia) *Carpotroche brasiliensis*	Agroforestry	II	IBD

1. Ten ingredients cannot be disclosed in the table because they are under research and the related products have not yet been launched. Five of these ingredients are certified.

2. Ten raw materials used in the Frutífera line were withdrawn from the list due to the discontinuation of the products.

3. Phase I: Internal process of identification and selection of a potential supplier area. This phase is characterized by the typology of producers, the organization of the community and the existing type of stewardship (agricultural or forest); Phase II: Preparation of certification strategies, with discussion of the processes with plant product suppliers, selection of the certifying body and preliminary analysis of the supplier area by this body (when necessary); Phase III: Certification inspection in the supplier areas, implementation of the action plan to comply with the requirements of the certifying bodies and opinion of the certifying body to obtain the seal.

WORK IN PROTECTED AREAS

GRI EN11, EN13

Natura's main operational units in Brazil are located in land owned by the company, which invests in the reclamation and conservation of these areas, in accordance with the provisions in the environmental licenses granted.

The company's headquarters in Cajamar (State of São Paulo) are located in an area of 646,000 sq. m in an Environmental Protection Area on the Anhanguera Highway. The unit consists of the administrative office, the company's main industrial unit and a distribution center. In 2012, Natura completed the local stewardship plan, which included the removal of exotic species, recovery of the native forest and increase of local biodiversity and, from then onwards, it will continue to invest in the maintenance of the area. It is worth noting that the environmental agency confirmed that the stewardship plan was appropriately implemented by Natura.

In Itapecerica da Serra (State of São Paulo), the company is located on the side of Régis Bittencourt Highway in an area of 96,500 sq. m within the Protection and Recovery Area of the Springs of the Guarapiranga Water Basin. The recovery of this area was completed in 2008, when Natura started to work on the maintenance of vegetation area.

In Benevides (State of Pará), Natura is building a new industrial unit on a 172,900 hectare plot of land, which is part of the Industrial and Commercial Expansion Zone of the municipality. There are two permanent protection areas on the property and the preservation actions are provided for in the environmental licenses of the development. The construction meets the applicable environmental criteria and is covered by an environmental license.

Additionally, the company works with suppliers of inputs of species from social biodiversity in many regions in Brazil. Among them communities of two areas protected by the National System of Conservation Units: the Extractive Reserve of Middle Juruá, in the State of Amazonas, and the Sustainable Development State Reserve of Iratapuru, in the State of Amapá.

In the Middle Juruá, which covers 253,000 hectares of protected area, the stewardship of andiroba and murumuru palm takes place in an area of less than 1% of the total area. In 2011, Natura obtained access to the traditional knowledge associated with the andiroba through an unprecedented commercial agreement with a community in an environmental conservation area. The benefit sharing contract was monitored by ICMBio (Chico Medes Institute of Preservation of Biodiversity) and authorized by the federal government's Genetic Heritage Management Council (CGen).

The sustainable stewardship of the Brazil nut, copaiba and white pitch takes place in an area of approximately 4,000 hectares of the Iratapuru Reserve, less than 0.5% of its total area, which covers a surface of 842,000 hectares. All the activities are approved by these preservation units.

IMPACT OF PRODUCTS

Natura invests in the development of innovative technology to reduce the environmental impact of its products and packaging.

In the case of packaging, Natura periodically monitors the Life Cycle Assessment (LCA), a system that quantifies the impact, from the extraction of raw material, production and use, through final disposal.

In 2012, the company recorded a slight increase in the total LCA impact, from 123 mPt/kg to 125mPt/kg, due to the increase in the print run of the Natura Magazine and supporting materials for the NCs, in line with the expansion of Natura's sales network. Considering only the packaging of products in the analysis, the environmental impact dropped in relation to the previous year.

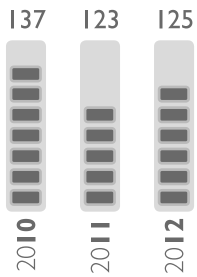
Natura uses cutting edge ecodesign concepts in its packaging, and the guidelines with respect to this commitment include the continuous reduction of packaging mass, the use of lower impact raw materials, in addition to the use of recycled and recyclable materials. One example was the Ekos line, which was relaunched in 2011 and increased its social and environmental differentials by increasing the use of post-consumption recycled materials in its packaging, resulting, last year, in a higher rate of recycled materials use, from 9% to 11%.

On the other hand, the company recorded a small negative variation in the use of recyclable materials due to the increase in the sales of makeup products, which have a low recyclability rate.

We were unable to meet the desired performance in the sales of refills, whose representativeness in total sales in Brazil and other operations decreased. Among the associated factors are the increase in the sales of makeup products and perfumes, categories with little refilling options; the mix of promotions that increased the sales of other products; and restrictions in the supply of refills of the body products category in the period. To better understand its impact, this indicator was included in the Social and Environmental Budget, which gathers the most strategic indicators for the company that are monitored by senior management on a quarterly basis.

Natura's products are monitored based on an environmental table that presents data on origin, transformation and percentage of certification of raw material, percentages of use of recycled and recyclable material, and number of product refilling. We comply with all legal requirements concerning information release on the ingredients used. Natura's labels are in accordance with the laws in effect and comply with all resolutions related to cosmetics determined by the Brazilian Health Surveillance Agency (Anvisa).

EN26. ENVIRONMENTAL IMPACT OF PACKAGING BY QUANTITY OF PRODUCTS1[1]
(MPT/KG)

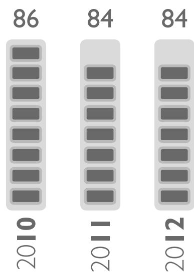


1. Packaging of products and supporting materials, such as shipping boxes and Natura Magazine are considered..

EN2. Post-consumption recycled material [1]	Unit	2010	2011	2012
Post-consumption recycled material included in packaging of finished products and supporting materials[1]	%	10.4	9.4	10.8
Post-consumption recycled material included in packaging of finished products		0.8	1.1	1.6

1. The indicator considers the % of packaging materials and % of supporting materials, such as magazines, boxes for the distribution of products and bags, arising from post-consumption recycling..

EN2. RECYCLABLE PRODUCT (%)



EN1. Total use of materials by type (except water)	Unit	2010	2011	2012
Direct materials	Metric tons	22,475	22,170	22,540
Direct materials	Cubic meters	11,017	11,279	10,832

EN26 and EN1. Percentage of refills on billed items [1]	Unit	2010	2011	2012
Brazil	%	17	17	14
Argentina		18	18	13
Chile		14	15	13
Colombia		13	15	15
France		10	10	11
Mexico		11	10	10
Peru		19	16	15

1. From 2013 we will replace this indicator for the percentage of eco-efficient packaging to also consider products that offer a choice of packaging with lower environmental impact in its category.

SOLID WASTE

Natura monitors the generation of waste in the company's units and facilities of outsourced suppliers (companies that manufacture products on behalf of Natura) in Brazil. Due to the relevance of this information, Natura has been disclosing it to the public as of last year in its quarterly performance reports. In 2012, the company did not reach the desired efficiency. The waste generation rate increased from 20.01 grams per unit produced to 25.56 grams. This result is higher than the target of 20 gram/unit produced in the period and reflected mainly the losses on discontinued inventories of materials (finished products and raw materials). Natura also recorded an increase in the generation of sediments due to changes in the effluent treatment process to improve the efficiency of the Effluent Treatment Station and experienced some delay in the implementation of a few projects regarding cardboard boxes.

EN22. Waste per unit produced [1]	Unit	2010	2011	2012
Total waste per unit produced	g/unit	23	20	26

1.. The waste/unit produced indicator is the sum, in grams, of total direct and indirect waste divided by total units directly and indirectly units produced by Natura

In addition to the new waste management strategy, Natura invested in a project to establish a process with guidelines for the donation of finished products in order to minimize losses. Since 2011, Natura has issued a guidebook for the development of products that stimulate new projects that take into consideration the strategic objectives of the reduction of waste generation, such as the increase of post-consumption recycled materials, easy-open packaging, and types of finishing to increase recyclability, among others. Aiming at engaging employees, Natura also promotes guiding and awareness raising training courses.

EN22. Natura's direct waste by type and destination	Unit	2010	2011	2012
Total hazardous waste (Class I) [1 2]	Metric tons	**2,163**	**3,228**	**4,969**
For recycling [3]	%	95	97	98
Incinerated	%	5.4	2.7	1.7
Disposed in landfills	%	0	0	0
Total non-hazardous waste (Class II - A and B)[4]	Metric tons	**6,254**	**5,767**	**6,964**
For recycling [3]	%	91	89	87
Incinerated	%	0.2	0.6	0.3
Disposed in landfills	%	9	10	12
Grand total Natura's direct waste [5]	Metric tons	**8,416**	**8,995**	**11,933**
Natura's indirect waste (metric tons)		2010	2011	2012
Waste related to the other Natura's units [6]	Metric tons	1,149	1,691	2,230
Waste in Natura's outsourced manufacturers [7]		1,347	1,589	1,498
Total indirect waste		**2,496**	**3,280**	**3,728**

1. Natura does not import, export or transport this waste internationally. GRI EN24

2. The increase in this indicator is mainly due to the increase in losses on products.

3. Waste for recycling is considered the waste sent for composting, co-processing and transformation.

4. The growth is mainly due to the increase in the generation of sediments arising from changes in the treatment of effluents to improve the efficiency of the Effluent Treatment Station.

5. This refers to the units in Cajamar, Itapecerica da Serra, Alphaville and Benevides. Natura does not include in this indicator the waste generated in civil construction works (rubble) carried out in its units.

6. This refers to the Distribution Centers, Advanced Centers, Hub, Shared Service Center and Natura Houses. The waste from these units started being monitored in 2010.

7. This refers to the ten largest outsourced manufacturers of Natura's products, which represent approximately 95% of the total produced by these partners.

In order to stimulate recycling, since 2010, Natura has been making an experiment in Colombia in which the consultants collect material or create collection stations at their houses or buildings. In Colombia, 322 metric tons of empty packaging were collected last year, a significant increase in relation to 2011, when the packaging collected totaled 235 metric tons. GRI EN27

In Brazil, a similar action was carried out between 2009 and 2012, in which the Natura Movement mobilized consultants to collect the packaging used by their consumers. The company noted, however, the unfeasibility of this action in the required scale and the initiative is being reassessed. In 2012, by means of this action, 12 metric tons of empty packaging were collected, and, between 2009 and 2012, the project collected a total of 438 metric tons. GRI EN27

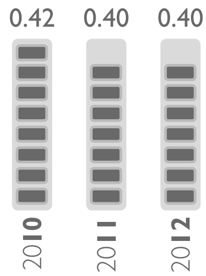
We know that this experience is still incipient in relation to the total waste generated by the company's products. For this reason, the new waste management strategy, under development, will also involve the strengthening of reverse logistics (learn more about waste on page 38). In the industry sphere, Natura supports actions implemented by the Brazilian Association of the Cosmetics, Fragrances and Toiletries Industry (Abihpec) supporting compliance with the National Solid Waste Policy.

GRI EN27

WATER AND EFFLUENTS

Another priority topic for Natura is water management. In addition to the development of a specific water resources management strategy, which takes into consideration our value chain *(learn more on page 38, Water)*, Natura monitors the performance of water consumption in its operations in Brazil (including offices, distribution centers and own and third-parties' plants). This management is monitored by the technical area on a monthly basis, presented to the Executive Committee on a quarterly basis and also disclosed in the quarterly performance reports. In 2012, the company's main challenge was to keep the relative consumption at the same level as in previous years, in view of the increase in production and operation in recent years (with new or expanded Distribution Centers, and construction works such as the implementation of a new administrative office, and a Distribution Center in São Paulo, etc).

EN8. WATER CONSUMPTION PER UNIT PRODUCED (LITERS/UNIT PRODUCED)[1]



1. The methodology for measuring the indicator was changed and started to take into consideration the unit produced instead of the unit billed. As a result, the data for 2010 and 2009 was recalculated

The company achieved its target, maintaining the consumption at 0.40 liters per unit produced. To this end, Natura delivered improvements in bathrooms, in the Effluent Treatment Station, in the boiler and at the Natura club, located in Cajamar, among many other improvements. Also in Cajamar, Natura implemented a project for the electronic monitoring of consumption that enabled the instant identification of deviations, reducing the response time to contain water losses.

Due to the lack of a public water supply system, the water resources used in the facilities in Cajamar and Itapecerica da Serra come from semi-artesian wells. Natura's underground water source is the Guarani Aquifer water table and the extraction of water meets the regulations of the permits granted by the State Department of Water and Electric Power (Daee). In 2012, a new well was drilled to supply the growing production and Natura is waiting for Daee's approval to start its operation.

GRI EN9

In 2012, there were no significant spills of substances or accidents with products that caused any environmental impact. A significant spill is that which requires specialized treatment of affected areas (removal of soil for treatment, neutralizations, etc.). In case of a spill, the Natura Emergency Service Plan is in place to restrain and mitigate the impact.

GRI EN23

There was an increase in the water reuse rate, which was 67% higher in relation to the previous year. Until 2011, recycled water was used only in the irrigation system and bathrooms. Beginning 2012, one more stage was included in the treatment, improving quality of water and making it possible to use it for other purposes, such as in the boilers to generate steam, for cooling or heating equipment, and for cooling the air conditioning system.

GRI EN10

In Cajamar, the effluents are discharged into the Juqueri river. Natura is constantly monitoring the conditions of the water body to ensure that its discharges do not harm the characteristics of this river. In Itapecerica da Serra, the effluent is discharged into a sinkhole, as mentioned in the company's environmental licenses. Meanwhile, in the Benevides unit, the effluent is totally reused for road cleaning and irrigation.

GRI EN25

EN8. Water consumption by source	Unit	2010	2011	2012
Natura's units[1]		117.861	127.870	132.572
Other units	Cubic	31.622	51.624	55.780
Natura's outsourced manufacturers[2]	meters	51.507	68.454	61.825
Total water consumption[3]		200.991	247.948	250.177

1. It takes into consideration the units of Cajamar, Itapecerica da Serra and Benevides, which are only supplied by artesian wells.

2. Companies that manufacture finished products on behalf of Natura. The water consumption is controlled at the main third parties', which account for 94% of the total contribution.

3. It takes into consideration the extraction from wells, public system and supply by trucks.

EN10. Volume of water recycled and reused	Unit	2010	2011	2012
Recycled[1] and reused[2] water	Cubic meters	49,733	41,630	69,465
Percentage of recycled water on total water treated at the effluent treatment station[3]	%	38	29	45
Total reuse percentage on total water extracted[4]		47	36	57

1. From sanitary and industrial effluents generated in the Cajamar unit which, after treatment, is used in plant watering, toilets and urinals, road cleaning and reflecting pools.

2. The water from the production process in Cajamar is reused in the drinking water system.

3. The percentage refers to the volume of recycled water from effluent treatment compared to total volume of water treated in the Cajamar treatment station.

4. The reuse and recycling data refers to the volume of water recycled and reused at Cajamar. Previously, this calculation included data from Itapecerica da Serra and Cajamar. The historical data was recalculated based on the same assumption.

EN21. Significant discharges into water [1]	Unidad	2010	2011	2012
Total volume of treated effluents	Cubic meters	102,903	100,747	134,568

1. This refers to the Cajamar and Itapecerica da Serra units. In Benevides, until 2011, the industrial effluent was delivered for external treatment (the total volume disclosed for 2010 and 2011 does not take Benevides into consideration), whereas the sanitary effluent was discharged into a septic tank and was not controlled. In 2012, every effluent started to be treated at Natura's own station, which is why the volume treated increased considerably.

EN21. Effluent treated at Cajamar	Unit	Legal parameter	2010	2011	2012
BOD[1]		60	7	46	53
COD[2]	Mg/L	150	45	145	137
Oils and grease		120	15	45	28
EN21 Effluent treated in Itapecerica da Serra		**Legal parameter**	**2010**	**2011**	**2012**
BOD[1]		60	25	31	34
COD[2]	Mg/L	150	65	59	86
Oils and grease		120	15	26	25
EN21 Effluent treated in Benevides		**Legal parameter**	**2010**	**2011**	**2012**
BOD[1]		60	NA	NA	19
COD[2]	Mg/L	150	NA	NA	70
Oils and grease		120	NA	NA	2

1. BOD – Biological Oxygen Demand

2. COD – Chemical Oxygen Demand

3. In Benevides, until 2011, the industrial effluent was delivered for external treatment, whereas the sanitary effluent was discharged into a septic tank and was not controlled. In 2012, every effluent started to be treated at the actual Natura's station.

EN21. Total disposal of water by quality and destination	Unit	2010	2011	2012
Treated Volume - Cajamar	Cubic meters	95,954	96,635	117,223
Treated Volume – Itapecerica da Serra		6,949	4,112	6,446
Treated Volume - Benevides		334	367	10,899[1]

1. In Benevides, until 2011, the industrial effluent was delivered for external treatment (the total volume disclosed for 2010 and 2011 does not take Benevides into consideration), whereas the sanitary effluent was discharged into a septic tank and was not controlled. In 2012, every effluent started to be treated at Natura's own station, which is why the volume treated increased considerably.

ENERGY

In 2012, Natura's relative energy consumption was slightly higher than in the previous year. Just like with water management, the company's major challenge in the period was to absorb the growth of its logistics network in recent years, including the new distribution centers in the calculation. These units represent a relevant fixed energy consumption for the company, accounting for 16% of the total amount (except for the Cajamar Distribution Center, which is accounted for in the total energy consumption of this Natura unit).

Natura's main improvement in the period was the start up of operations of the biomass-powered boiler at the Benevides industrial unit (State of Pará), which is fed with wood briquettes (waste from certified wood used in other activities), which also reduced CO2 emissions.

GRI EN5

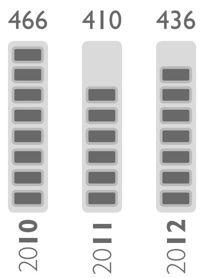
The energy saved with these improvement projects was 0.9 joules, a reduction lower than in the past two years. The slower reduction pace in relation to the previous years is due to the increase in accumulated ecoefficiency and to the fact that the projects are accounted for only once. Among the continuous actions carried out in all the units is the search for compressed air leakages, the installation of LED or high-performance lamps, the installation of a protection film on the windows of the administrative offices and photoelectric sensors, among others.

GRI EN7

The company is also attentive to the performance of outsourced suppliers (that manufacture finished products for Natura) in order to monitor their consumption and encouraging improvement actions, which resulted in 18% reduction in the consumption of the energy matrix. Forums are held on a monthly basis with these suppliers in order to monitor performance.

GRI EN3 and EN4

EN3 AND EN4. ENERGY CONSUMPTION BY UNIT PRODUCED (JOULES/10^{12})[1]



1.. Calculation formula: sum of Natura's energy sources (Cajamar, Benevides, other units and outsourced suppliers that manufacture finished products on behalf of Natura) divided by all units produced.

EN3 and EN4. Direct and indirect energy consumption by primary source [1]	Unit	2010	2011	2012
Solar energy[2]	joules × 10^{12}	0.02	0.02	0.02
Diesel oil used in generators		3	6	5
Consumption of LPG		30	21	7
Electricity		128	136	153
Consumption of ethanol[2]		-	15	34
Consumption of bunker fuel oil		18	19	18
Consumption of briquettes[3]		-	-	9

1. Consumption related to Natura's units (Cajamar, Benevides, Distribution Centers, administrative support and Natura Houses).

2. In 2011, the company started to use ethanol to fire the boilers in Cajamar.

3. Replacement of the bunker fuel oil-powered boiler with a biomass-powered boiler in Benevides, fed with wood briquettes (waste from certified wood used in other activities).

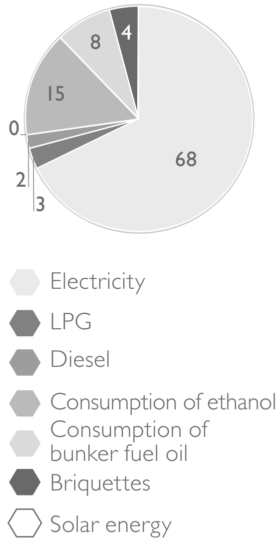
EN3 and EN4. Total energy consumption	Unit	2010	2011	2012
Cajamar and Benevides units[1]	joules $\times 10^{12}$	150	158	173
Other Natura's units in Brazil[2]		30	39	53
Energy consumption of Natura's outsourced manufacturers[3]		41	54	44
Total		**220**	**251**	**270**

1. The energy consumption in Cajamar and Benevides corresponds to 76% of the total energy matrix of all Natura's units.

2. This refers to the Alphaville and Itapecerica da Serra units, Natura Houses, Distribution Centers and Advanced Stations.

3. These are manufacturers of finished products for Natura. They are monitored and represent approximately 94% of the total units purchased by Natura.

EN3 and EN4. 2012 energy matrix (%)



EN5.Energy saved [1]	Unit	2010	2011	2012
Due to energy efficiency projects	joules $\times 10^{12}$	2.6	1.8	0.9
Due to consumption of solar energy		0.02	0.02	0.02

1. Amounts related to projects implemented in Cajamar (theoretical amounts).

ENVIRONMENTAL IMPACT OF SUPPLIERS

Natura also monitors the environmental impact caused by its main suppliers. Natura monitored the performance of water and energy consumption and waste generation of input suppliers in the following categories: accessories, packaging, graphic materials, fragrances, raw materials, printing services, chemicals and Natura boxes. The information on outsourced suppliers (companies that manufacture products on behalf of Natura) is accounted for in Natura's general indicators (whenever it is reported on the footnotes of tables and charts).

In 2012, data of 66 partners was reviewed. Natura has been working closely with these suppliers in order to improve the data collected.

Main suppliers of packaging and raw materials for Natura	Unit	2010	2011	2012
Number of suppliers assessed	Unit	58	62	66
Energy consumption				
Primary electricity source – consumption of electric energy (J)	joules	1.5×10^{14}	9.7x1013	9.3×10^{13}
Self-generated electricity – diesel-powered generator (J)		1.0×10^{11}	2.0×10^{13}	2.7×10^{13}
Consumption of LPG (J)		4.9×10^{12}	6.2×10^{12}	5.7×10^{12}
Other – natural gas (J)		2.1×10^{14}	1.2×10^{14}	9.7×10^{13}
Total energy consumed (J)		3.6×10^{14}	2.4×10^{14}	2.2×10^{14}
Water consumption				
Total consumption of water	Cubic meters	135,500	179,740	184,049
Generation of waste by the main suppliers of Natura				
Total waste generated[1]	Metric tons	NA	577	622

1. The methodology was changed in 2012 and the volume calculated considers only the volume discharged, that is, all the waste sent to recycling is excluded from the calculation. Since the company realized the importance of measuring also recycled waste, as of 2013, it will disclose this information separately. Due to this change, the 2011 data was recalculated to be comparable. This was not possible in the case of the 2010 data.

creation of **social value**

Every company and organization has a social function. Natura believes that, in addition to distributing value to its stakeholders, its main contribution to society may be delivered by means of education. Natura believes that quality education expands horizons, increases awareness and generates opportunities, supporting the construction of a better world. Based on this inspiration, which is also a mission, the company created the Natura Institute.

The Natura Institute was created in 2010 as an independently headquartered and managed, non-profit organization. Its objective is to expand and strengthen Natura's social initiatives, which have already been in place since the 90s, through projects that can positively impact education quality in public schools in Brazil and Latin America.

The projects of the Natura Institute are funded through the sales of the Natura Crer para Ver product line, the earnings from which are fully transferred to the organization. The Institute also receives the equivalent to 0.5% of Natura's net income for its operations.

In order to make its projects feasible, the Natura Institute establishes public-private partnerships and encourages third-parties' initiatives, focused on three operation pillars: Support to public education management (include the best practices in the Brazilian systems and support the redesign of the public educational management system); Innovation in educational technologies (propose innovation in educational practices, bringing together new teaching methods, information and communication technology); Educational and social transformation (support projects that foster social transformation based on education, incorporating the principles of learning communities). The guidelines of the Institute include the involvement of Natura consultants in its actions, raising the awareness of its relationship network with respect to education. In 2012, the funds raised from the sales of the Crer para Ver product line was record and exceeded the targets set for the period. In Brazil, R$ 12.8 million was raised, 53% more than in 2011. In the other Latin American countries, the program yielded R$ 4.5 million, more than twice the amount received in the previous year. In these operations, the amounts are invested in the countries where the funds originated, in many activities, particularly in education initiatives for sustainability.

As important allies of Natura in raising these funds, the consultants promote and sell the product of this line and do not make any profit. Through the Natura Movement, the company encourages the participation of the NCs in this activity to increase investments in education actions. In 2012, the penetration of the Crer para Ver Program – percentage of consultants that sold items of this line among all active NCs – increased to 12% (compared to 9.5% in 2011) in Brazil. In International Operations, the rate remained at 18%.

The indicators of funds raised within the program and of the engagement of the NCs in this activity are part of Natura's strategic sustainability topics, under education heading, and are monitored on a monthly basis by the company's Executive Committee (learn more about the Natura Institute in the organization's annual report).

EC8 and EC9. Crer para Ver Program in Brazil	Unidad	2010	2011	2012
Net funds raised from the Crer para Ver Program[1]	R$ thousands	10,099	8,397	12,835
Penetration of the Crer para Ver Program[2]	(% cycle)	10	9,5	12
Total amount from the projects developed and supported[3]	R$ thousands	3,877	5,838	15,361
Municipalities served		370	345	3,300
Schools served		5,690	4,943	72,000
Participating teachers, coordinators and principals		22,861	18,471	140,000
Students benefited		427,685	922,028	3,000,000

1. Refers to income before income tax allocated to the Crer para Ver Program Fund.

2. Percentage of NCs involved in the Crer para Ver Program (through the purchase of products of the line) among the active NCs.

3. The total amounts from the projects refer to the total actually invested in the year (withdrawn from the fund and used in the projects and their execution).

EC8 e EC9. EC8 and EC9. Crer para Ver Program in International Operations	Unidad	2010	2011	2012
Net funds raised from the Crer para Ver Program[1]	R$ thousands	1,369	2,146	4.497
Penetration of the Crer para Ver Program[2]	(% cycle)	15	18	18
Total amount from the projects developed and supported	R$ thousands	NA	NA	3,243
Schools/organizations served		NA	NA	606
Participating teachers, coordinators and principals		NA	NA	405
Students benefited		NA	NA	35,933

1. Refers to income before income tax allocated to the Crer para Ver Program Fund. Previous years data was reviewed to correct inconsistencies.

2. Percentage of NCs involved in the Crer para Ver Program (through the purchase of products of the line) among the active NCs.

DISTRIBUTION OF WEALTH

In a year of vigorous growth, Natura continued to expand the creation of value for its main stakeholders, as shown in the table below:

EC1. Distribution of wealth[1]	Unit	2010	2011	2012
Shareholders[2]	R$ million	647	763	846
Consultants		2,738	2,906	3,211
Employees		769	634	803
Suppliers		3,707	4,363	4,837
Government		1,477	1,472	1,743
Total		9,338	10,138	11,440

1. Other information on the statements of value added is included in the Financial Statements.

2. The amounts for shareholders refer to dividends and interest on own capital during the period

SUPPORT AND SPONSORSHIP

Natura promotes the Bem Estar Bem (Well-Being Well) by supporting initiatives related to its beliefs, which recognize the Brazilian culture and the social and environmental entrepreneurship and deliver sustainable development. In 2012, Natura restructured the management of support and sponsorship, focusing investments on the following segments: recognition of the Brazilian culture with a focus on music; sustainable development; strengthening os civil society organizations; behavior and attitude and sports. With respect to the latter, Natura structured for the first time a support and sponsorship pillar for sports activities.

Last year, the company's support and sponsorship totaled R$ 33.5 million, including funds from incentives, a volume 38% higher than in the previous year.

Funds from Natura	Unit	2010	2011	2012
Sustainable development		1,702	1,900	12,282
Recognition of the Brazilian culture with a focus on music		10,721	13,365	11,982
Behavior and attitude	R$ thousand	N/A	750	900
Strengthening of civil society organizations		6,280	2,790	2,311
Sports		NA	NA	603
Total funds from Natura		**18,703**	**18,806**	**28,078**

Funds from incentives	Unit	2010	2011	2012
Sustainable development		350	80	NA
Recognition of the Brazilian culture with a focus on music		4,722	4,853	4,617
Strengthening of civil society organizations	R$ thousand	530	610	400
Sports		NA	NA	455
Total funds from incentives		5,602	5,543	5,472
Total funds from Natura and incentives		**24,305**	**24,349**	**33,550**

See the description of the main projects supported, by focus of investment, in the table below:

RECOGNITION OF THE BRAZILIAN CULTURE WITH A FOCUS ON MUSIC

Natura believes in music as an expression of the Well-Being Well and recognizes the Brazilian culture in its multiple and exclusive manifestations. For seven years, the Natura Musical (Musical Natura) program has been the major platform of cultural sponsorship and development and has already benefited more than 200 projects in 18 states in Brazil, involving more than 800,000 people.

In 2012, Natura expanded its platform of invitations to bid, increasing the amount invested in projects and also the scope of the selection processes, totaling five invitations to bid for sponsorship: two national invitations by means of the Federal Cultural Incentive Law (Rouanet Law), and three regional invitations using state cultural incentive laws, in the states of Minas Gerais, Bahia and Pará. Natura allocated R$ 3 million to the national invitations to bid for 11 projects. For the selections in the states, each one totaled R$ 1 million to support projects: four projects were selected in the State of Minas Gerais, five in the State of Bahia, and eight in the State of Pará. Last year, other nine projects were directly selected to receive the support of Natura Musical.

Among the projects sponsored are the tours of Milton Nascimento, Roberta Sá and Tulipa Ruiz. Natura also supported the recording of the new albums release and the release shows of Otto and Tom Zé. The film "A música segundo Tom Jobim" (Music According to Tom Jobim), of Nelson Pereira dos Santos, also sponsored by Natura, was exhibited in movie theaters and attracted more than 50,000 people. Natura's regional actions have also started to generate results: the singer Luê, one of the new names from the State of Pará, will release her first album in 2013, sponsored by Natura. The singer Marcia Castro, from the State of Bahia, released her second album last year and will begin a tour of this new work in 2013.

Additionally, Natura promoted the Natura Musical Festival in Belo Horizonte (State of Minas Gerais) to provide visibility to the projects it sponsors, gathering more than 21 attractions and 45,000 people in the two events.

The musical productions of the artists supported are available for download on the www.naturamusical.com.br portal.

SUSTAINABLE DEVELOPMENT

In addition to developing sustainable practices in its processes and engaging its consultants in social and environmental causes, Natura invested in other actions to promote sustainability.

In 2012, the movie "Xingu", of director Cao Hamburger, the production of which was supported by Natura with its own funds, was released. The movie is about the story of the Villas Bôas brothers who went in an expedition through the Xingu river in the 40's and became the main advocates of the preservation of the environment and indigenous culture.

Additionally, the company made an important investment for its participation in the United Nations Conference on Sustainable Development, Rio+20. Natura was one of the supporters of the official event, enabled the participation of its executives in a number of debates, and promoted activities to include employees and consultants in the events that were held at the same time as the conference *(learn more on pages 79 and 107, Government and Consultants and NCAs).*

STRENGTHENING OF CIVIL SOCIETY ORGANIZATIONS

We continue to support the development of a new generation of indicators for the disclosure of integrated reports under the Global Reporting Initiative (GRI), to be launched in 2013. Known as G4, the initiative involves specialists, organizations, companies, institutions and civil society from many regions of the world. The flexibility of the current model will enable organizations to lay out a path for the continuous improvement of their sustainability reports.

Still in line with the G4, Natura influenced the mobilization of the main institutions that lead the Climate Change topic in Brazil (GVCes, CDP, Ethos Institute, CEBDS and IBGC) to hold a dialogue and a collective assessment on the Climate Change Supplement, open to public consultation by the GRI last year. This event resulted in the involvement of more than 28 organizations that established a position containing many notes and improvements to the G4 on the topic.

In order to recognize the importance of culture, Natura sponsored the third construction phase of the Brasiliana USP library, a project of the President of the University of São Paulo (USP) with the institutional support of the "Instituto de Altos Estudos Brasileiros" (Brazilian Institute of Higher Studies) (IEB-USP) and the Guita and José Mindlin Library (BBM-USP). Brasiliana brings together one of the most valuable collections in the world, which is available for research to the academic community and students in general.

Natura also sponsored the Women's Forum, a regional edition of the international Women's Forum for the Economy & Society, which was held in Brazil for the first time. The event was held in June and gathered more than 400 people, men and women, important opinion makers from the government, industry, academic community and civil society. They shared their views and perspectives for Brazil about economy, education, politics, sustainability and social responsibility.

BEHAVIOR AND ATTITUDE

Natura supports the access to information to contribute to reflections that allow for a better understanding of the changes in contemporary society. Accordingly, it supports the Frontiers of Thought, a cycle of lectures aimed at presenting behavioral trends and attended by important thinkers, personalities and scientists. In 2012, the third year of the project, the Frontiers of Thought sponsored the participation of philosophers Tzvetan Todorov and Michel Onfray, economist Amartya Sen, filmmaker Peter Greenaway, and researcher Michael Shermer, among others. More than 15,000 people attended the lectures. As a consideration to our support, part of our stakeholders was able to attend these events.

Natura understands that fashion is on the streets, in cars and at people's homes and it is the best expression of people's identity. For this reason, Natura supported, for the second year, the Fashion Mob project, of Casa de Criadores, which brings together the work of professionals, students and audiovisual artists. Some 80 people registered for the event and around 1,500 participants organized a parade in downtown São Paulo (State of São Paulo).

INVESTMENTS IN SPORTS

In 2012, Natura began a few projects focused on sports, using incentive funds, among others. The company intends to enhance its knowledge of this topic in order to improve its support strategy. In total, three initiatives were sponsored, totaling R$ 591,000, through on the Federal Sports Incentive Law.

INVESTMENT IN SUSTAINABILITY

Natura's sustainability-related investments and expenses totaled more than R$ 73.2 million in 2012, a volume higher than in the previous year, when the total was R$ 70.9 million. This amount includes investments and expenses in environmental programs, such as the preparation of strategies for solid waste and water, activities for the reduction of CO2 emissions, the Amazônia (Amazon) Program, the development of clean technologies and relationship activities with our stakeholders.

EN30. Sustainability Investment Matrix[1]	Unit	2010	2011	2012
Social and environmental projects and programs[2]	R$ million	7.8	8.2	9.2
Promotion of dialogue channels[3]	R$ million	2.5	2.0	1.5
Education and training[4]	R$ million	23.8	21.3	19.1
Research in sustainable technologies	R$ million	0.6	0.4	0.6
Management expenses[5]	R$ million	28.4	32.6	37.6
Certifications[6]	R$ million	0.1	0.1	0.2
Clean technologies[7]	R$ million	0.8	0.6	0.1
Effluent treatment and disposal of solid waste[8]	R$ million	5.1	5.7	5.0
Total		69.0	70.9	73.2

1. Some amounts were recalculated due to the expansion of the scope of expenses in the International Operations and to adjustments and corrections of retroactive data.

2. This refers to expenses and investments in projects and programs related to the priority topics: Social biodiversity, Climate Change, Water and Solid Waste. The increase was mainly due to higher investments in the new strategy for solid waste.

3. Drop in the amounts invested in the engagement of stakeholders due to an internal reshuffling of expenses.

4. The drop in the amounts was due to specific training actions with suppliers completed in 2011 and to the reduction in the budget for training employees.

5. This refers to expenses related to teams, studies and consulting services, additional benefits to employees and other general expenses. The increased amounts are due to the inclusion, as from 2012, of the expenses of the International Operations and to the increase in the amount of employees' benefits.

6. This refers to expenses with forest, organic, management system (ISO) and sustainable construction certifications. The higher amount in 2012 is due to the long-term audit contract for management systems.

7. This refers to expenses with clean technologies implemented in Natura's units.

8. The drop in the amounts was mainly due to savings and efficiency in expenses with waste management and to the replacement with lower cost suppliers.

creation of **economic value**

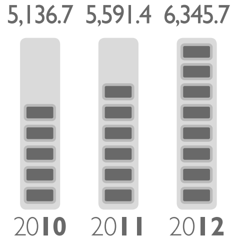
2012 was characterized by important progress in the company's results, such as the recovery of the production of the company's consultants in Brazil and the progress of its International Operations, which exhibit growing profitability and are becoming a relevant business platform.

In the period, Natura's net revenue increased 13.5%, reaching R$ 6.345.7 million last year. The EBITDA totaled R$ 1.510.7 million, with a 23.8% margin, and net income amounted to R$ 861.2 million, representing a 3.7% increase.

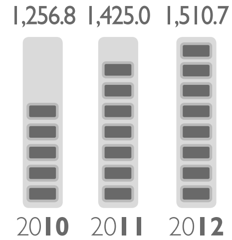
At the end of the year, Natura's International Operations had an 11.6% share of the company's revenue, a record since the beginning of the acceleration of the expansion in Latin America in 2010. The net revenue of the units under consolidation (Argentina, Chile and Peru) grew 28% in local currency and, for the units under implementation (Mexico and Colombia), the consolidated net revenue grew 25.2%. In Brazil, net revenue totaled R$ 5.611 million, an increase of 10.3% from 2011. The figures do not include Natura's operation in France, which is classified as "other investments".

In December, the acquisition of Australia's Aesop brand, which is present in 11 countries, represented one more consistent investment in our long-term strategy, enabling the access to an expressive and global brand, with excellent products offered by means of a unique purchase experience in concept stores. This investment should increase Natura's exposure in markets outside Latin America, also allowing the sharing of relevant skills between both companies.

CONSOLIDATED
NET REVENUE
(IN MILLION R$)



CONSOLIDATED
EBITDA
(R$ MILLION)



SELLING, ADMINISTRATIVE AND GENERAL EXPENSES

In 2012, Natura's expenses totaled R$ 11.6 million compared with an income of R$ 63.1 million in the previous year. The positive result of this indicator in 2011 is due to the impact of non-recurring effects of the untimely recognition of PIS and COFINS tax credits.

In Brazil, the relative increase in selling expenses in 2012 (32.7% in 2012 compared to 33.1% in 2011) was mainly motivated by the adjustments in incentives to Natura Consultant Advisors (NCAs) related to the production program and to the increase in marketing investments. As for Natura's administrative expenses, if the reversal of employee profit sharing, which favored the result for 2011 – in that year the variable compensation was not paid to management due to non-achievement of social targets– is excluded, the indicator appears stable.

In the International Operations, selling expenses also increased in relation to the previous year (44.6% in 2012 compared to 45.0% in 2011), due to investments in marketing and higher expenses in the initial phase of the implementation of the NCA model in Argentina, Chile and Colombia. Administrative expenses also increased as a result of an inflationary pressure in Argentina and due to a smaller base in 2011 on account of the reversal of profit sharing that year.

Other operating income and expenses represented R$11.6 million in 2012 and income of R$ 63.1 million in 2011. In 2011, other income was the result of the impact of the non-recurring effect of the recognition of PIS and Cofins tax credits.

CASH FLOWS

In 2012, the 115.4% increase in free cash generation was the result of the reduction by R$ 281.1 million in investments in working capital due to the progress in inventory management, recovery of taxes, and accounts payable that were positively impacted by the 2012 calendar and by the concentration of capital expenditures in the last months of the year.

In order to support the company's strategy for robust growth in the coming years, in 2012, Natura maintained significant investments in property, plant and equipment, and intangible assets in the amount of R$ 437 million (capital expenditures), higher than in 2011, when investments reached R$ 350 million. The funds were invested in the expansion of our production capacity, information technology and logistics. Natura will continue to invest significantly in 2013, allocating around R$ 450 million to the inauguration of its new soap plant in Benevides (State of Pará) and of the new distribution Center in São Paulo, to the expansion of the Cajamar production capacity, and to the acquisition of systems that should allow for a significant improvement in the purchase experience of its consumers by means of digital technologies *(learn more on page 31, Strategy and Perspectives).*

Summary of consolidated cash flow [1] (R$ million)	2011	2012	Var %
Net income for the year	830.9	861.2	3.7
(+) Depreciation and amortization	109.9	141.2	28.4
Non-cash items (foreign exchange variation)	23.3	38.3	64.2
Internal cash generation	964.1	1.040.7	7.9
(Increase) decrease in working capital	(207.2)	281.1	235.7
Cash generated by operating activities	756.9	1.321.8	74.6
Acquisition of intangible assets	(346.4)	(437.4)	26.3
Free cash generation[1]	410.6	884.3	115.4

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

RESULTS OF OPERATIONS

In Brazilian operations, Natura's net revenue totaled R$ 5.611,2 million, a 10.3% increase. The EBITDA margin was 27.1%, compared to 29.0% in the previous year. The increase in revenue showed a better balance between the increase in the consultant base and productivity. In 2012, the number of NCs increased 8% in Brazil to 1.2 million consultants, whereas their production remained stable, interrupting the downward trajectory. Among NCAs, the result was more consistent and productivity increased 21% *(learn more on page 72, Consultants and NCAs).*

The profit margin accrued from the exports from Brazil to International Operations was deducted from the cost of sales of the relevant operations, showing the real impact of these subsidiaries on the company's consolidated result. Accordingly, the pro forma Statement of Income Brazil shows only total sales in the domestic market.

GRI 2.8

Pro forma financial highlights - Brazil	2011	2012	Var %
Total number of consultants – end of the period* (in thousand)	1,175.5	1,269.4	7.9
Product units for resale (in million)	410.5	445.8	8.6
Gross revenue	6,898.9	7,629.4	10.6
Net revenue	5,087.6	5,611.2	10.3
Gross profit	3,611.3	3,971.7	10.0
Gross margin (%)	*71.0*	*70.8*	*(20) b.p.*
Selling expenses	(1,686.5)	(1,835.3)	8.8
Administrative and general expenses	(577.9)	(645.6)	11.7
Employee profit sharing	(30.2)	(74.4)	NA
Management compensation	(9.4)	(20.7)	NA
Other operating income (expenses), net	65.7	(5.9)	NA
Operating income (expenses), net	(73.5)	(90.9)	23.6
Income before income tax and social contribution	1,299.4	1,298.9	0.0
Net income	901.1	896.8	(0.5)
Ebitda	1,476.1	1,522.6	3.2
Ebitda margin (%)	29	27.1	(190) b.p.

1. Number of consultants at the end of the sales cycle 18.

In Natura's International Operations, which already represent 11.6% of Natura's total net revenue, the profitability of the Operations under Consolidation (Argentina, Chile, Peru) totaled R$ 78.4 million, with an EBITDA margin of 16.1%, and in the Operations under Implementation (Mexico and Colombia), Natura got close to the breakeven point.

This reflects the important progresses achieved in the region, such as the continuous increase in the local production volume to around 10% of the needs for December 2012 and the stabilization of the NCA model in Colombia, Chile and Peru, in addition to adjustments in the Sustainable Relationship Network in Mexico. Natura is particularly confident and excited about its activities in International Operations, and expects to become one of the most relevant players in the market in the countries in which it operates.

This scenario allowed for a 27.4% increase in local currency in the Operations under Consolidation and of 32.6% in the Operations under Implementation in the year accrual.

GRI 2.8

Pro forma Ebitda per operation block (R$ million)	2011	2012	Variation %
Brazil	1,476.1	1,522.6	3.2
Argentina, Chile and Peru	43.0	78.4	82.3
Mexico and Colombia	(24.2)	(8.2)	n/d
Other investments	(69.9)	(82.0)	17.3
Ebitda	**1,425.0**	**1,510.7**	**6.0**

GRI 2.8

Pro forma financial highlights - operations under consolidation (Argentina, Chile, Peru) - (R$ million)	2011	2012	Variation %
Total number of consultants – end of the period (in thousand)*	157.3	190.6	21.1
Product units for resale (in million)	32.9	35.2	7.1
Gross revenue	441.5	649.7	47.1
Net revenue	335.1	487.2	45.4
Gross profit	212.5	340.2	60.1
Gross margin (%)	*63.4*	*69.8*	*640 b.p.*
Selling expenses	(148.8)	(224.2)	50.6
Administrative and general expenses	(23.2)	(31.0)	33.5
Financial income (expenses)	(2.6)	(2.2)	NA
Income (loss) before income tax and social contribution	36.6	71.7	95.7
Net income (loss) for the year	31.9	60.0	88.1
Ebitda	43.0	78.4	82.3
Ebitda margin (%)	**12.8**	**16.1**	**330 b.p.**

Pro forma financial highlights - operations under implementation (Mexico and Colombia)1 - (R$ million)	2011	2012	Changes %
Total number of consultants – end of the period (in thousand)	85.6	111.2	30.0
Product units for resale (in million)	14.9	17.3	15.9
Gross revenue	172.9	263.5	52.4
Net revenue	149.2	226.7	52.0
Gross profit	92.2	153.4	66.4
Gross margin (%)	*61.8*	*67.7*	*580 b.p.*
Selling expenses	(99.8)	(137.5)	37.7
Administrative and general expenses	(17.6)	(23.4)	32.8
Financial income expenses)	(1.2)	(0.3)	NA
Income (loss) before income tax and social contribution	(27.6)	(11.4)	NA
Net income (loss) for the year	(31.0)	(12.4)	NA
Ebitda	(24.2)	(8.2)	66.0
Ebitda margin (%)	(16.2)	(3.6)	NA

about this report

GRI 3.1-3.11

Natura's purpose is to present to its relationship network complete information about its performance, offering each of its stakeholders the best conditions to assess the company's progress.

For this reason, during 13 years Natura has been preparing its annual sustainability report following the Global Reporting Initiative (GRI) guidelines and, for 11 years, it has been publishing its sustainability and annual (financial) reports as a single document.

Its strategy for the disclosure of results also includes other communication material that seek the same language and a comprehensive approach to performance, including the economic, social and environmental aspects (see table below).

In addition to the improvements to make this communication increasingly important, the company made some progresses in the publication of the printed report and launched a website with more interactive content. The structure of the content in both formats gives priority to relevant topics. The presentation of the content is concise, favoring the reading interest of Natura's stakeholders.

In order not to lose the consistency of the report, Natura continues to publish the complete version, with detailed information on the more than 100 indicators regularly monitored. This report is available in PDF format on Natura's website (learn more in Technical Information below).

BROAD COMMUNICATION

Natura Management Report – main performance data for the year published in the Valor Econômico newspaper and Diário Oficial (Official Gazette) on February 7, 2013. Available in Portuguese and in English.

Natura Annual Report (printed version) – summarized format, objective information and more accessible and simpler language, with room for company stakeholders to express their opinion about Natura's performance and relationship practices. Available in Portuguese, English and Spanish.

Website – reformulated this year, the website is now more interactive and includes more resources than the printed version, such as video films and links to other company's documents and publications, taking advantage of the information connectivity principle. Available in Portuguese and in English at www.natura.net/relatorio. The website is also adapted for tablets and smartphones.

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 and comprehensive information. Available in Portuguese, English and Spanish.

Quarterly Information – this is the quarterly information to the market, mandatory for listed companies, and repeats the same integrated approach, providing information on Natura's performance with respect to the main social and environmental indicators.

INTEGRATED REPORT

The improvements in our reporting process are intended to be as close as possible to an integrated report, which is a global trend and is aimed not only at combining financial and non-financial documents in the same publication but at reflecting a corporate strategy that effectively includes all dimensions of the business in its management and in the analysis of risks and opportunities.

To learn more about this topic, Natura participated in the main global forums that discuss this matter: The company sponsored the development of the fourth generation of GRI indicators, which are expected to take into consideration an enhanced integration between financial and non-financial information. The company is also a member of the International Integrated Reporting Council (IIRC), which gathers global leaders of companies, investors, academic institutions, industry associations, regulatory and standardization bodies seeking to create a global standard for integrated reports.

The global committee of the IIRC works on the definition of global indicators and principles, and the first version of which is expected to be issued in 2013.

Together with other important global companies, Natura is in the group of companies that participate in the pilot project. One of the adaptations of our report this year helped, for example, highlighting the relevant topics in the printed material and I n the website.

TECHNICAL INFORMATION

GRI 3.1; 3.6 e 3.7

The performance indicators are in accordance with the GRI G3.1 guidelines and meet the A+ application level. The data refers to the period from January 01 to December 31, 2012. The scope of social and environmental information is mainly related to the activities in Brazil, where our production is concentrated and, consequently, where most of our social and environmental impacts occur. In contrast, the economic data includes all of our operations, in Brazil and abroad. Every year, Natura seeks to include a larger number of indicators from the International Operations. However, the company is aware that it needs to increase the monitoring of the International Operations, which constitutes a challenge.

In the main environmental impacts – water and energy consumption and waste generation – the figures also include data from outsourced suppliers in Brazil (companies that manufacture finished products on behalf of Natura). This enables Natura to produce a more accurate diagnosis of the impact generated by its operations.

GRI 3.9-11

Possible significant changes in relation to the previous years, as well as changes in the calculation basis or measurement techniques, are presented throughout the report and in the tables. The report also presents data on the relationship with the stakeholders that are part of Natura's daily routine: employees, Natura consultants, Natura Consultant Advisors (NCAs), consumers, suppliers, supplier communities, surrounding communities, shareholders and government.

GRI 4.14 e 4.15

The annual report was assued by Ernst & Young Terco Auditores Independentes S.S.

GRI 3.13

The process of collecting the information is supported by a communication consultancy firm for sustainability and includes over 50 interviews with representatives of both the internal audience and management, in addition to the updating of indicators by many departments of the company. For the printed version of this report, over 20 people from outside Natura, representing our stakeholders, were interviewed. The quantitative indicators are collected using an online tool that is filled out by the departments in charge.

GRI 3.9

APPLICATION LEVEL

The Natura Annual Report meets the requirements of the GRI A+ application level in accordance with the parameters presented in the table below:

		C	C+	B	B+	A	A+
Content of the report	G3 Profile	Report on: 1.1; 2.1 – 2.10; 3.1 – 3.8; 3.10 – 3.12; 4.1 – 4.4; 4.14 – 4.15	Report Externally Assured	All profile and governance indicators: 1.1 – 4.17	Report Externally Assured	All profile and governance indicators: 1.1 – 4.17	Report Externally Assured
	G3 management approach	Not required		Management approach disclosures for each indicator category		Management approach disclosures for each indicator category	
	G3 performance indicators & sector supplement performance indicators	Minimum of any 10 performance indicators (core or additional), including at least one from each dimension: economic, environmental, and social. If they are available, sector indicators may be reported on, as long as seven of them are not sector indicators		Minimum of any 20 performance indicators (core or additional), including at least one from each dimension. In they are available, sector indicators may be reported, as long as 14 of them are not sector indicators		Mandatory report on sector indicators one year after the launch of the final version of the supplement	

MATERIALITY MATRIX

GRI 3.5; 4.14 e 4.15

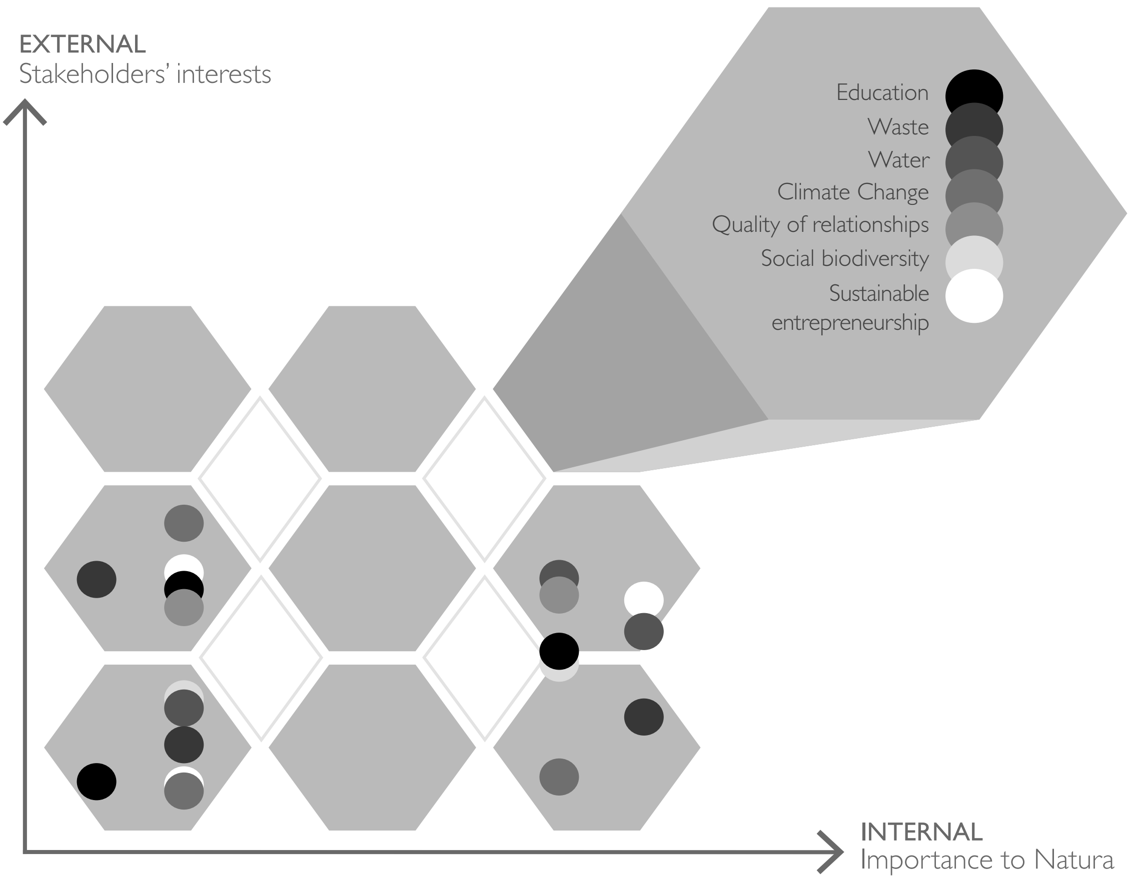
The materiality matrix is the graphical representation of Natura's priority sustainability-related topics (see chart). It is not only at the base of the report content, but it also provides a diagnosis on which senior management can make plans for the company, which are consequently reflected in its report.

Reviewed every two years, the matrix is the result of cross-reference of the social and environmental topics indicated as being relevant by our stakeholders (external axis) with their importance to the company (internal axis), in accordance with its strategy, its risks or opportunities and its pioneering spirit.

The matrix presented in this report was developed between 2010 and 2011 based on the dialogue panels with stakeholders from Brazil and, for the first time ever, from the International Operations. This enabled Natura to develop a corporate matrix with a broader perspective that reflects the needs of the locations in which it operates. The priority sustainability topics identified are: water, education, sustainable entrepreneurship, climate change, quality of relationships, waste and social biodiversity *(learn more on pages 35 and 40).*

GRI 3.4

For further information on this report, please contact the team in charge for its preparation via e-mail: relatorioanual@natura.net.



GLOBAL COMPACT

Since 2000, Natura has been a signatory of the Global Compact, a UN initiative that brings together companies, workers, and civil society to promote sustainable growth and civic awareness. The company is also a member of the Global Compact Steering Committee and signatory of its Caring for Climate program.

Natura is also part of the Global Compact Brazilian Committee (CBPG), created from the partnership between Ethos Institute and the UN Development Programme (UNDP) in 2003.

The CBPG is a voluntary group made up of companies, UN agencies in Brazil, legal entities, academia and civil organizations that promote the adoption and inclusion of the principles of business management. For further information on this initiative, please visit www.pactoglobal.org.br

THE GLOBAL COMPACT PRINCIPLES

See on page 149 the list of the GRI indicators that meet the Global Compact principles:

1. Respect the protection of human rights
2. Prevent human rights violations
3. Uphold freedom of association at work
4. Eliminate forced labor
5. Abolish child labor
6. Eliminate discrimination at work
7. Support a precautionary approach to environmental challenges
8. Promote environmental responsibility
9. Encourage environmentally friendly technologies
10. Work against 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 to develop globally accepted sustainability reporting guidelines through the participation of stakeholders.

G3.1 INDEX				
1 - Strategy and analysis				
Profile	Description	Report	Pages	Details on part not reported
1.1	Message from the CEO and Chairman of the Board.	Total	5; 6	
1.2	Description of key impacts, risks and opportunities.	Total	5; 6	
2 - Organizational profile				
Profile	Description	Report	Pages	Details on part not reported
2.1	Name of the organization.	Total	7	-
2.2	Brands, products and/or services.	Total	7	-
2.3	Operational structure.	Total	7	-
2.4	Location of organization's headquarters.	Total	7	-
2.5	Countries where the organization operates.	Total	7	-
2.6	Legal form.	Total	7	-
2.7	Markets served.	Total	7	-
2.8	Scale of the organization.	Total	7; 141; 142	-
2.9	Changes during the reporting period.	Total	7	-
2.10	Awards and certifications.	Total	9- 17	-
3 – Report parameters				
Profile	Description	Report	Pages	Details on part not reported
3.1	Reporting period.	Total	144	-
3.2	Previous report.	Total	143	-
3.3	Reporting cycle.	Total	143	-
3.4	Contact point.	Total	146	-
3.5	Definition of content.	Total	146	-
3.6	Boundary of the report.	Total	144	-
3.7	Scope of the report.	Total	144	-
3.8	Basis for preparing the report.	Total	144	-
3.9	Data measurement techniques and the bases of calculations.	Total	144	-
3.10	Consequences of restatement of information.	Total	144	-
3.11	Significant changes.	Total	144	-
3.12	GRI summary.	Total	148-158	-
3.13	External assurance.	Total	185 e 186	-
4 - Governance, commitments and engagement				
Profile	Description	Report	Pages	Details on part not reported
4.1	Governance structure.	Total	20; 21; 23; 25	-
4.2	Indication of whether the Chair of the highest governance body is also an executive officer.	Total	20	-
4.3	Number of members of the highest governance body that are independent and/ or non-executive members.	Total	20	-
4.4	Mechanisms for recommendations to governance bodies.	Total	49; 50	-
4.5	Linkage between compensation and economic, social and environmental performance.	Total	26- 29	-
4.6	Processes to ensure conflicts of interest are avoided.	Total	20	-
4.7	Qualification of members.	Total	20	-

4.8	Internally-developed values, codes of conduct and principles.	Total	3	-	
4.9	Procedures of the Board of Directors.	Total	21	-	
4.10	Self-assessment of the Board of Directors.	Total	22	-	
4.11	Precautionary principle.	Total	85	-	
4.12	Charters, principles and initiatives.	Total	111-115	-	
4.13	Memberships in associations.	Total	111-115	-	
4.14	List of stakeholders.	Total	45; 46, 143,146	-	
4.15	Identification of stakeholders.	Total	33; 143; 146	-	
4.16	Engagement of stakeholders.	Total	45; 46	-	
4.17	Key topics and concerns raised by stakeholders.	Total	45; 46	-	
G3.1 DMA	Description	Report	Page	Details on part not reported	
ECONOMIC PERFORMANCE INDICATORS					
DMA EC	Information on economic management approach	Total	139	-	
Aspects	Economic performance	Total	31	-	
	Market presence	Total	9;31	-	
	Indirect economic impacts	Total	31;39;72		
Performance indicator	Description	Report	Pages	Details on part not reported	Global Compact 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 capital providers and governments.	Total	134		
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.	Partial	25	There is no specific analysis of the effects associated with climate change in the risk management process. Important mitigation projects are focused on the impacts that Natura's business may generate and they have become formal subprocesses of the company. Carbon Credit is a voluntary initiative of Natura, non-compulsory, and does not reflect the financial implication of risks of climate change, such as adaptation.	7
EC3	Coverage of the organization's defined benefit plan obligations.	Total	60		
EC4	Significant financial assistance received from government.	Partial	109	Not applicable because Natura does not work with Export Credit Agencies.	

Market presence					
EC5	Range of ratios of standard entry-level salary by gender to local minimum salary at significant locations of operation.	Partial	59	There are no differences in salaries by gender. Although this data is monitored accordingly, it is not considered relevant to the business due to a different understanding of the diversity issue.	1; 6
EC6	Policies, practices and proportion of spending on locally-based suppliers at significant locations of operation.	Total	100		
EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation.	Total	57; 58		6
Indirect economic impacts					
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind or pro bono engagement.	Total	92; 99; 134		
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts.	Total	72; 91; 92; 97; 134		
G3.1 DMA	Description	Report	Page	Details on part not reported	
ENVIRONMENTAL PERFORMANCE INDICATORS					
DMA EN	Information on environmental management approach	Total	118	-	
Aspectos	Materials	Total	122	-	
	Energy	Total	33;131	-	
	Water	Total	38;129	-	
	Biodiversity	Total	34	-	
	Emissions, effluents and waste	Total	38;118; 127	-	
	Products and services	Total	126	-	
	Compliance	Total	122	-	
	Transport	Total	120	-	
	Overall	Total	18; 32; 118	-	
Performance indicator	**Description**	**Report**	**Pages**	**Details on part not reported**	**Global Compact Principles**
Materials					
EN1	Materials used by weight or volume.	Partial	127	Natura reported total direct materials used by weight and volume, but did not classify them as non-renewable materials because the information is not available.. Natura will start to measure this data in 2012 and, accordingly, to report it in the 2015 results.	8
EN2	Percentage of materials used that are recycled input materials.	Total	127		8; 9

Energy					
EN3	Direct energy consumption by primary source.	Total	135-136		8
EN4	Indirect energy consumption by primary source.	Total	135-136		8
EN5	Energy saved due to conservation and efficiency improvements.	Total	135-136		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.	No		Natura's does not have direct energy-based products in its portfolio. However, based on a more systemic view, some of Natura's products may be considered indirect energy-based products (such as shower products), but there are no clear and recognized methodologies to quantify their energy consumption.	8; 9
EN7	Initiatives to reduce indirect energy consumption and reductions achieved.	Total	135		8; 9
Water					
EN8	Total water withdrawal by source.	Total	129-130		8;9
EN9	Water sources significantly affected by withdrawal of water.	Total	129		8
EN10	Percentage and total volume of water recycled and reused.	Total	129-130		8; 9
Biodiversity					
EN11	Location and size of land owned, leased or managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	Total	125-126		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	122-123		8
EN13	Habitats protected or restored.	Total	125-126		7,8
EN14	Strategies, current actions and future plans for managing impacts on biodiversity.	Total	122-123		7,8
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	Total	123		7,8
Emissions, effluents and waste					
EN16	Total direct and indirect greenhouse gas emissions by weight.	Total	119		8
EN17	Other relevant indirect greenhouse gas emissions by weight.	Total	119		8
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	Total	120		7;8;9

EN19	Emissions of ozone-depleting substances by weight.	Total	119		8
EN20	NOx, SOx and other significant air emissions by type and weight.	Total	119		8
EN21	Total water discharge by quality and destination.	Total	130-131		8
EN22	Total weight of waste by type and disposal method.	Partial	127-128	Natura does not take into consideration the concept of waste reuse, only recycling. In this case, there may be waste that can be reused (for example: plastic drums), but these processes are controlled by the companies that receive the waste. Additionally, Natura does not use the underground injection process as destination and does not have a waste inventory because the waste department temporarily stores the waste for proper lawful destination.	8,9
EN23	Total number and volume of significant spills.	Total	129		8
EN24	Weight of transported, imported, exported or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III and VIII, and percentage of waste shipped internationally.	Total	128	Natura does not export waste.	8
EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff.	Partial	129	Natura provides information about water bodies impacted by its discharges, but it does not report on the size and value of the biodiversity of the water body. This information not relevant to the company's business.	7; 8
Products and services					
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	Partial	120-121; 123-124; 126-131	Natura reports on a number of initiatives to mitigate environmental impacts of products and services. The company does not include initiatives to mitigate noise-related impacts in the report. Natura's materiality matrix prioritized environmental topics such as greenhouse gases, impact of products with a special attention to solid waste. Noise pollution was not included because it is not relevant to our business.	7;8;9
EN27	Percentage of products sold and their packaging materials that are reclaimed by category.	Partial	129-130	Natura will begin a new project to meet its eagerness to use reverse logistics of post-consumption packaging. With this project, Natura aims to comply with the National Solid Waste Policy and it also believes that this is a more proper social, economic and environmental way. The recycling initiative is still in place in some locations, but the percentage figures are immaterial due to the complexity of Natura's business model, which is based on direct sales and does not provide for collection stations. Natura will soon review this initiative in order to fit it in a broader context, together with the reverse logistics project and the national industry agreement for post-consumption packaging. The information is not yet available. Natura will report on the results in 2015.	8; 9

Compliance					
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	Total	109		8
Transport					
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.	Total	120; 123; 124		8
Overall					
EN30	Total environmental protection expenditures by type.	Total	138		7;8;9;
G3.1 DMA	Description	Report	Page	Details on part not reported	
LABOR PRACTICES AND DECENT WORK PERFORMANCE INDICATORS					
DMA LA	Information on labor practices management approach	Total	52-54; 56-59;66		
Aspects	Employment	Total	52; 53		
	Labor/ management relations	Total	52; 53		
	Occupational health and safety	Total	66		
	Training and education	Total	40; 54; 56		
	Diversity and equal opportunity	Total	48		
	Equal compensation for women and men	Total	59		
Performance indicator	Description	Report	Pages	Details on part not reported	Global Compact Principles
Employment					
LA1	Total workforce by employment type, employment contract, and region.	Total	52; 54; 62		
LA2	Total number and rate of employee turnover by age group, gender and region.	Parcial	63; 64	Natura does not segment by gender and age group. Although this data is monitored accordingly, it is not considered relevant to the business due to a different understanding of the diversity issue.	6
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant location of operation.	Total	65; 66		
LA15	Return to work and retention rates after parental leave, by gender.	Total	63		

Labor/ management relations					
LA4	Percentage of employees covered by collective bargaining agreements.	Total	61		1; 2; 3
LA5	Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements.	Total	61		
Occupational health and safety					
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.	Total	67		1;2;3
LA7	Rates of injuries, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region.	Partial	68	Natura reports on different data on health and safety at the workplace, but it does not report on the segmentation of this information by region. This information is not relevant to the company's business.	1
LA8	Education, training, counseling, prevention, and risk control programs in place to assist workforce members, their families, or community members regarding serious diseases.	Total	66		1
LA9	Health and safety topics covered in formal agreements with trade unions.	Total	67		1
Training and education					
LA10	Average hours of training per year per employee by employee category.	Partial	55		
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing the final part of their career.	Total	55; 56		
LA12	Percentage of employees receiving regular performance and career development reviews.	Total	58; 59		
Diversity and equal opportunity					
LA13	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.	Partial	62	Natura breaks down its employees' report in accordance with its view of diversity but does not segment the data by gender and age group. This information is not relevant to the company's business.	1; 6
Equal compensation for women and men					
LA14	Ratio of basic salary and compensation of women to men by employee category.	Total	59; 60		1; 6

G3.1 DMA	Description	Report	Page	Details on part not reported
HUMAN RIGHTS PERFORMANCE INDICATORS				
DMA HR	Information on human rights management approach	Total	49;55;61; 89;91-92; 96	
Aspects	Management and investment practices	Total	89; 91;92	
	Non-discrimination	Total	49	
	Freedom of association and collective bargaining	Total	61	
	Child labor	Total	89;96	
	Forced and compulsory labor	Total	89;96	
	Security practices	Total	55	
	Indigenous rights	Total	96	
	Assessment	Total	49	
	Remediation	Total	49	

Performance indicator	Description	Report	Pages	Details on part not reported	Global Compact Principles
Management and investment practices					
HR1	Percentage and total number of significant investment agreements and contracts that include human rights concerns, or that have undergone human rights screening.	Total	89; 96		1,2,3,4,5
HR2	Percentage of significant suppliers and contractors that have undergone human rights screening, and actions taken.	Total	89; 95		1,2,3,4,6
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	Total	55		
Non-discrimination					
HR4	Total number of incidents of discrimination and corrective actions taken.	Total	49		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 actions taken to support these rights.	Total	61		1; 3
Child labor					
HR6	Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the abolition of child labor.	Total	89; 96		1; 5
Forced and compulsory labor					
HR7	Operations identified as having significant risk for incidents of forced or compulsory labor, and measures taken to contribute to the elimination of forced or compulsory labor.	Total	89; 96		1; 5

Security practices					
HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to the operations.	Partial	55	Natura provides information on its security practices, which include training in Human Rights, but it does not report on the percentage of security teams subject to training and outsourced employees that participated in the training program in relation to the total number. This data is not available.	
HR9	Total number of incidents of violations involving rights of indigenous peoples and actions taken.	Total	96		I
Assessment					
HR10	Percentage and total number of operations that have been subject to human rights reviews and / or impact assessments.	Total	49		I
Remediation					
HR11	Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms.	Total	50		I
G3.1 DMA	Description	Report	Page	Details on part not reported	
SOCIAL PERFORMANCE INDICATORS					
DMA SO	Information on social management approach	Total	21;26 91; 98; 108-110		
Aspects	Surrounding communities	Total	99		
	Corruption	Total	21;26;110		
	Public policy	Total	108;109		
	Anti-competitive behavior	Total	108;110		
	Compliance	Total	110		
Performance indicator	Description	Report	Pages	Details on part not reported	Global Compact Principles
Surrounding communities					
SO1	Nature, scope and effectiveness of any programs and practices to assess and manage the impacts of operations on communities, including entering, operating and leaving.	Total	91; 97; 99		
SO9	Operations with significant potential or actual negative impacts on local communities.	Total	91- 93; 95; 96; 99		
SO10	Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities.	Total	91- 93; 95; 96; 100-102		

Corruption					
SO2	Percentage and total number of business units reviewed for risks related to corruption.	Total	26		10
SO3	Percentage of employees trained in organizations' anti-corruption policies and procedures.	Total	55		10
SO4	Actions taken in response to corruption incidents	Total	26; 89		10
Public policy					
SO5	Public policy positions and participation in public policy development and lobbying.	Total	110		10
SO6	Total amount of financial and in-kind contributions to political parties, politicians and related institutions by country.	Total	114		10
Anti-competitive behavior					
SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcome.	Total	109		
Compliance					
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	Total	109		

G3.1 DMA	Description	Report	Page	Details on part not reported
PRODUCT AND SERVICE RESPONSIBILITY PERFORMANCE INDICATORS				
DMA PR	Information on products and services management approach	Total	83-86	
Aspects	Customer health and safety	Total	85	
	Product and service labeling	Total	86	
	Marketing communications	Total	83	
	Customer privacy	Total	84	
	Compliance	Total	86	

Performance indicator	Description	Report	Pages	Details on part not reported	Global Compact Principles
Customer health and safety					
PR1	Lifecycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of products and services subject to such procedures.	Total	85		
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their lifecycle, by type of outcome.	Total	86		

Product and service labeling					
PR3	Type of product and service information required by procedures, and percentage of products and services subject to such information requirements.	Total	44; 86; 127		8
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcome.	Total	86		
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	Total	50; 70; 71; 82; 88; 92		
Marketing communications					
PR6	Programs for adherence to laws, standards and voluntary codes related to marketing communication, including advertising, promotion, and sponsorship.	Total	84	The indicator is reported in full, however, as Natura does not sell banned products, it considers that the company is in full compliance.	
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communication, including advertising, promotion, and sponsorship, by type of outcome.	Total	84		
Customer privacy					
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	Total	85		
Compliance					
PR9	Penalties related to the supply and use of products and services.	Total	86		

financial statements

natura
BRASIL

BALANCE SHEETS AS OF DECEMBER 31, 2012 AND 2011

(In thousands of Brazilian reais - R$)

		Company (BR GAAP)		Consolidated (BR GAAP and IFRS)	
ASSETS	Note	2012	2011	2012	2011
CURRENT ASSETS					
Cash and cash equivalents	5	72,767	166,007	1,144,390	515,610
Short-term investments	6	1,168,487	-	498,672	-
Trade receivables	7	530,033	535,309	651,416	641,872
Inventories	8	158,003	217,906	700,665	688,748
Recoverable taxes	9	23,417	69,417	144,459	201,620
Related parties	28.1.	25,908	37,908	-	-
Derivatives	4.2.	80,271	28,184	80,928	28,626
Other receivables	12	130,532	115,328	157,787	126,783
Total current assets		2,189,418	1,170,059	3,378,317	2,203,259
NONCURRENT ASSETS					
Long-term assets:					
Recoverable taxes	9	12,952	12,299	151,350	111,239
Deferred income tax and social contribution	10.a)	94,813	80,145	214,246	189,552
Escrow deposits	11	267,598	244,938	349,537	295,839
Other noncurrent assets	12	23,187	4,562	41,295	29.935
Investments	13	1,311,364	1,253,721	-	-
Property, plant and equipment	14	357,443	332,215	1,012,089	800,434
Intangible assets	14	206,036	78,929	228,545	162,754
Total noncurrent assets		2,273,393	2,006,809	1,997,062	1,589,753
TOTAL ASSETS		4,462,811	3,176,868	5,375,379	3,793,012

		Company (BR GAAP)		Consolidated (BR GAAP and IFRS)	
LIABILITIES AND SHAREHOLDERS' EQUITY	Note	2012	2011	2012	2011
CURRENT LIABILITIES					
Borrowings and financing	15	844,261	66,424	999,462	168,962
Trade and other payables	16	252,318	183,317	649,887	488,980
Suppliers - related parties	28.1.	254,535	293,024	-	-
Payroll, profit sharing and related taxes		98,351	58,551	211,814	132,045
Taxes payable	17	303,833	260,027	501,509	446,800
Other payables		44,820	29,359	52,040	37,932
Total current liabilities		1,798,118	890,702	2,414,712	1,274,719
NONCURRENT LIABILITIES					
Borrowings and financing	15	1,144,421	852,549	1,325,057	1,017,737
Taxes payable	17	106,928	97,955	177,259	140,545
Provision for tax, civil and labor risks	18	38,488	49,600	63,293	64,957
Others provisions	19	68,760	35,818	88,961	44,809
Total noncurrent liabilities		1,358,597	1,035,922	1,654,570	1,268,048
SHAREHOLDERS' EQUITY					
Capital	20.a)	427,073	427,073	427,073	427,073
Treasury shares	20.c)	(66,105)	(102,849)	(66,105)	(102,849)
Capital reserves		155,905	160,313	155,905	160,313
Earnings reserves		308,079	292,457	308,079	292,457
Proposed additional dividend	20.b)	491,343	490,885	491,343	490,885
Other comprehensive losses		(10,199)	(17,635)	(10,199)	(17,635)
Total equity attributable to owners of the Company		1,306,096	1,250,244	1,306,096	1,250,244
Noncontrolling interests		-	-	1	1
Total shareholders' equity		1,306,096	1,250,244	1,306,097	1,250,245
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		4,462,811	3,176,868	5,375,379	3,793,012

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

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2012 AND 2011

(In thousands of Brazilian reais - R$)

		Company (BR GAAP)		Consolidated (BR GAAP and IFRS)	
	Note	2012	2011	2012	2011
NET INCOME		861,222	830,901	861,222	830,901
Other comprehensive losses-					
Gains from translation of financial statements of foreign subsidiaries	13	7,436	5,561	7,436	5,561
TOTAL COMPREHENSIVE INCOME		868,658	836,462	868,658	836,462
ATTRIBUTABLE TO					
Owners of the Company		868,658	836,462	868,658	836,462

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

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2012 AND 2011

(In thousands of Brazilian reais - R$)

		Company (BR GAAP)		Consolidated (BR GAAP and IFRS)	
	Note	2012	2011	2012	2011
CASH FLOW FROM OPERATING ACTIVITIES					
Net income		861,222	830,901	861,222	830,901
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation and amortization	14	63,594	27,565	141,178	109,921
Provision for losses on swap and forward transactions		(52,087)	(16,442)	(52,302)	(14,305)
Provision (reversal) for tax, civil and labor contingencies	18	(5,176)	(2,866)	4,623	(7,998)
Interest and inflation adjustment of escrow deposits		(17,371)	(28,841)	(21,049)	(51,173)
Income tax and social contribution	10.b)	344,907	330,890	414,878	406,829
(Gain) loss on sale on property, plant and equipment and intangible assets		(2,098)	1,559	15,692	13,457
Equity in investees		(59,380)	(54,789)	-	-
Interest and exchange rate changes on borrowings and financing and other liabilities	25	145,660	94,985	163,228	121,674
Exchange rate changes on other assets and other liabilities		691	22	9,101	(7,767)
Stock options plans expenses		2,712	6,359	10,844	13,369
Provision for discount on assignment of ICMS credits		-	-	807	323
Allowance for doubtful accounts	7	2,776	(492)	7,942	(675)
Allowance for inventory losses	8	(1,460)	9,801	(23,842)	19,726
Provision for healthcare plan and carbon credits	19	32,942	10,012	44,152	12,384
Recognition of untimely used tax credits		(7,311)	(15,461)	(11,617)	(40,378)
Recognition of tax credits related to lawsuit	26	(715)	(11,887)	(1,665)	(16,852)
		1,308,906	1,181,316	1,563,192	1,389,436
(INCREASE) DECREASE IN ASSETS					
Trade receivables		2,500	(41,125)	(17,486)	(70,918)
Inventories		61,363	(42,615)	11,925	(136,948)
Recoverable taxes		53,373	(14,648)	29,525	(45,224)
Other receivables		(13,068)	(171,952)	(48,570)	(157,950)
Subtotal		104,168	(270,340)	(24,606)	(411,040)
INCREASE (DECREASE) IN LIABILITIES					
Domestic and foreign suppliers		68,310	69,443	162,102	121,752
Payroll, profit sharing and related taxes, net		39,800	(5,218)	79,769	(30,702)
Taxes payable		1,623	28,692	(2,650)	24,060
Other payables		(23,028)	34,006	14,108	(14,132)
Provision for tax, civil and labor contingencies		(5,936)	(816)	(6,287)	(829)
Subtotal		80,769	126,107	247,042	100,149
CASH GENERATED BY OPERATING ACTIVITIES		1,493,843	1,037,083	1,785,628	1,078,545
OTHER CASH FLOWS FROM OPERATING ACTIVITIES					
Payments of income tax and social contribution		(293,751)	(255,182)	(320,805)	(319,623)
Payments of derivatives		(23,428)	(15,082)	(18,488)	(18,382)
Payment of interest on borrowings and financing		(87,480)	(57,812)	(104,332)	(76,700)
NET CASH GENERATED BY OPERATING ACTIVITIES		1,089,184	709,007	1,342,003	663,840
CASH FLOW FROM INVESTING ACTIVITIES					
Acquisition of property, plant and equipment and intangible assets	14	(215,929)	(277,036)	(437,451)	(346,367)
Proceeds from sale of property, plant and equipment and intangible assets		2,098	2,535	3,135	3,726
Withdrawal (payment) of escrow deposits		(5,289)	72,973	(32,649)	92,341
Short-term investments		(3,015,724)	-	(4,213,731)	-
Redemption of short-term investments		1,847,237	-	3,715,059	-
Dividends received from subsidiaries		66,148	34,000	-	-
Dividends received from subsidiaries	13	(48,843)	(121,173)	-	-
NET CASH USED IN INVESTING ACTIVITIES		(1,370,302)	(288,701)	(965,637)	(250,300)
CASH FLOW FROM FINANCING ACTIVITIES					
Repayments of borrowings and financing - principal		(462,885)	(425,383)	(629,650)	(648,687)
Proceeds from borrowings and financing		1,474,413	822,047	1,708,574	1,045,702
Sale of treasury shares due to exercise of stock options		30,834	1,240	30,834	1,240
Payment of dividends and interest on capital		(490,951)	(430,079)	(490,951)	(430,079)
Interim dividends and interest on capital		(363,533)	(332,809)	(363,533)	(332,809)
Acquisition of treasury shares		-	(104,452)	-	(104,452)
Capital increase through subscription of shares (353,289 common shares at average price of R$39.69)		-	9,012	-	9,012
NET CASH GENERATED (USED) IN FINANCING ACTIVITIES		187,878	(460,424)	255,274	(460,073)
Gains (losses) arising on translating foreign currency cash and cash equivalents		-	-	(2,860)	1,914
					-
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(93,240)	(40,118)	628,780	(44,619)
Cash and cash equivalents at beginning of year		166,007	206,125	515,610	560,229
Cash and cash equivalents at end of year		72,767	166,007	1,144,390	515,610
					-
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(93,240)	(40,118)	628,780	(44,619)
ADDITIONAL INFORMATION TO THE STATEMENTS OF CASH FLOWS					
Restricted cash	12	-	-	-	6,757
Bank overdrafts - unused		299,500	117,900	343,600	235,500

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

INCOME STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012 AND 2011

(In thousands of Brazilian reais - R$, except earnings per share)

		Company (BR GAAP)		Consolidated (BR GAAP and IFRS)	
	Note	2012	2011	2012	2011
NET REVENUE	22	6,249,086	5,848,777	6,345,669	5,591,374
Cost of sales	23	(2,438,873)	(2,375,514)	(1,868,045)	(1,666,300)
GROSS PROFIT		3,810,213	3,473,263	4,477,624	3,925,074
OPERATING (EXPENSES) INCOME					
Selling expenses	23	(1,642,380)	(1,503,069)	(2,212,205)	(1,952,740)
Administrative and general expenses	23	(899,128)	(816,818)	(772,688)	(680,730)
Employee profit sharing	24.1	(29,555)	(3,765)	(90,799)	(30,168)
Management compensation	28.2	(20,739)	(9,443)	(20,739)	(9,443)
Equity in investees	13	59,380	54,789	-	-
Other operating income (expenses), net	26	15,472	43,579	(11,643)	63,077
INCOME FROM OPERATIONS BEFORE		1,293,263	1,238,536	1,369,550	1,315,070
FINANCIAL INCOME (EXPENSES)					
Financial income	25	129,831	86,502	161,808	122,698
Financial expenses	25	(216,965)	(163,247)	(255,258)	(200,038)
INCOME BEFORE INCOME TAX AND SOCIAL CONTRIBUTION		1,206,129	1,161,791	1,276,100	1,237,730
Income tax and social contribution	10.b)	(344,907)	(330,890)	(414,878)	(406,829)
NET INCOME		861,222	830,901	861,222	830,901
ATTRIBUTABLE TO					
Owners of the Company		861,222	830,901	861,222	830,901
EARNINGS PER SHARE - R$					
Basic	27.1.	2,0081	1,9320	2,0081	1,9320
Diluted	27.2.	1,9980	1,9278	1,9980	1,9278

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

STATEMENTS OF VALUE ADDED
FOR THE YEAR ENDED DECEMBER 31, 2012 AND 2011

(In thousands of Brazilian reais - R$, except additional information)

		Company (BR GAAP)		Consolidated (BR GAAP and IFRS)	
	Note	2012	2011	2012	2011
REVENUES		7,501,382	6,847,932	8,515,446	7,499,050
Sales of products and services		7,608,134	6,887,213	8,665,145	7,524,250
Allowance for doubtful accounts	7	(122,224)	(82,860)	(138,056)	(88,277)
Other operating (expenses) income, net	26	15,472	43,579	(11,643)	63,077
INPUTS PURCHASED FROM THIRD PARTIES		(4,823,121)	(4,538,954)	(4,836,794)	(4,362,838)
Cost of sales and services		(2,846,755)	(2,610,197)	(3,025,657)	(2,624,578)
Materials, electricity, outside services and other		(1,976,366)	(1,928,757)	(1,811,137)	(1,738,260)
GROSS VALUE ADDED		2,678,261	2,308,978	3,678,652	3,136,212
RETENTIONS		(63,594)	(27,565)	(141,178)	(109,921)
Depreciation and amortization	14	(63,594)	(27,565)	(141,178)	(109,921)
WEALTH CREATED BY THE COMPANY		2,614,667	2,281,413	3,537,474	3,026,291
TRANSFERRED VALUE ADDED		189,211	141,291	161,805	122,698
Equity in investees	13	59,380	54,789	-	-
Financial income - includes inflation adjustments and exchange differences	25	129,831	86,502	161,805	122,698
TOTAL WEALTH FOR DISTRIBUTION		2,803,878	2,422,704	3,699,280	3,148,989
DISTRIBUTION OF WEALTH:		(2,803,878)	(2,422,704)	(3,699,280)	(3,148,989)
Employees and payroll taxes		(333,466)	(250,870)	(802,966)	(634,261)
Taxes and fees		(1,369,813)	(1,182,449)	(1,743,401)	(1,472,345)
Financial expenses and rentals		(239,377)	(158,485)	(291,691)	(211,483)
Dividends		(796,531)	(762,563)	(796,531)	(762,563)
Interest on capital		(58,347)	(61,130)	(58,347)	(61,130)
Retained earnings		(6,344)	(7,207)	(6,344)	(7,207)

Additional information to the statements of value added

R$541,669 and R$442,063 of the amounts recorded in line item 'Taxes and fees' in 2012 and 2011, 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$3,210,727 and R$2,906,137 in 2012 and 2011, respectively, considering an estimated profit margin of 30%.

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

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED DECEMBER 31, 2012 AND 2011

(In thousands of Brazilian reais - R$, except for dividends per share)

					Capital reserves			Earning reserves							
					Tax incentive reserve										
	Note	Capital	Treasury shares	Share premium	Investment grants	Additional paid-in capital	Legal	Tax Incentives	Earnings reserves	Retained earnings	Proposed additional dividend	Other comprehensive losses	Equity attributable to owners of the Company	Noncontrolling interests in subsidiaries' equity	Total shareholders' equity
BALANCE AS OF DECEMBER 31, 2010		418,061	(14)	103.620	17,378	28,629	18,650	10,934	253,360	-	430,079	(23,196)	1,257,501	1	1,257,502
Net income		-	-	-	-	-	-	-	-	830,901	-	-	830,901	-	830,901
Other comprehensive income		-	-	-	-	-	-	-	-	-	-	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		9,012	-	-	-	-	-	-	-	-	-	-	9,012	-	9,012
Acquisition of treasury shares		-	(104,452)	-	-	-	-	-	-	-	-	-	(104,452)	-	(104,452)
Sale of treasury shares due to exercise of stock options		-	1,617	(377)	-	-	-	-	-	-	-	-	1,240	-	1,240
Changes in stock option plans:															
Grant of stock options		-	-	-	-	13,369	-	-	-	-	-	-	13,369	-	13,369
Exercise of stock options		-	-	-	-	(2,306)	-	-	2,306	-	-	-	-	-	-
Allocation of net income:															
Recognition of tax incentive reserve		-	-	-	-	-	-	3,677	-	(3,677)	-	-	-	-	-
Interim dividends and interest on capital		-	-	-	-	-	-	-	-	(332,809)	-	-	(332,809)	-	(332,809)
Dividends declared on February 14, 2012		-	-	-	-	-	-	-	-	(467,261)	467,261	-	-	-	-
Interest on capital declared on February 14, 2012		-	-	-	-	-	-	-	-	(23,624)	23,624	-	-	-	-
Retained earnings reserve		-	-	-	-	-	-	-	3,530	(3,530)	-	-	-	-	-
BALANCE AS OF DECEMBER 31, 2011		427,073	(102,849)	103,243	17,378	39,692	18,650	14,611	259,196	-	490,885	(17,635)	1,250,244	1	1,250,245
Net income		-	-	-	-	-	-	-	-	861,222	-	-	861,222	-	861,222
Other comprehensive income	13	-	-	-	-	-	-	-	-	-	-	7,436	7,436	-	7,436
Total comprehensive income		-	-	-	-	-	-	-	-	861,222	-	7,436	868,658	-	868,658
2011 dividends and interest on capital approved at the Annual Shareholders' Meeting of April 13, 2012		-	-	-	-	-	-	-	(66)	-	(490,885)	-	(490,951)	-	(490,951)
Sale of treasury shares due to exercise of stock options	20.c)	-	36,744	(5,910)	-	-	-	-	-	-	-	-	30,834	-	30,834
Changes in stock option plans:															
Grant of stock options	24.2.	-	-	-	-	10,844	-	-	-	-	-	-	10,844	-	10,844
Exercise of stock options	24.2.	-	-	-	-	(9,342)	-	-	9,342	-	-	-	-	-	-
Allocation of net income:															
Recognition of tax incentive reserve		-	-	-	-	-	-	6,346	-	(6,346)	-	-	-	-	-
Interim dividends and interest on capital		-	-	-	-	-	-	-	-	(363,533)	-	-	(363,533)	-	(363,533)
Dividends declared on February 6, 2013		-	-	-	-	-	-	-	-	(469,512)	469,512	-	-	-	-
Interest on capital declared on February 13, 2013		-	-	-	-	-	-	-	-	(21,831)	21,831	-	-	-	-
Retained earnings reserve		-	-	-	-	-	-	-	-	-	-	-	-	-	-
BALANCE AS OF DECEMBER 31, 2012		427,073	(66,105)	97,333	17,378	41,194	18,650	20,957	268,472	-	491,343	(10,199)	1,306,096	1	1,306,097

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

(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.

On December 20, 2012, Natura Cosméticos S.A. entered into a purchase and sale agreement, subject to certain conditions precedent, for the acquisition of 65% of Emeis Holdings Pty Ltd., an Australian manufacturer of premium cosmetics and beauty products that operates under the brand name "Aesop" in Australia, Asia, Europe and North America. The price of the acquisition agreed by the parties was AU$68.25 million, subject to certain adjustments.

The Company expects that the acquisition will be closed by April 30, 2013, and that the acquisition price will be paid from the Company's cash flow.

2. SUMMARY OF SIGNIFICANT ACCOUNTING PRACTICES

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 IFRS 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.

New or revised pronouncements applied for the first time in 2012

The accounting policies adopted in 2012 are consistent with those adopted in the financial statements of the previous year, except for the following revisions to IFRS in force from January 1, 2012:

IAS 12 Income Taxes (review)-deferred taxes – Underlying asset recovery.

The revision clarifies the determination of deferred tax calculation on investment property measured at fair value. Introduces a rebuttable presumption that the deferred tax on investment property measured at fair value model in IAS 40 (CPC 31) must be set based on the fact that its carrying amount will be recovered through sale. Additionally, introduces the requirement that deferred tax assets not subject to the depreciation that are measured using the revaluation model in IAS 16 (CPC 27) always be measured based on the sale of the asset. This review will have validity for annual periods beginning on or after January 1, 2012. This review did not generate an impact on the financial position, performance, or disclosures of society.

IFRS 1 initial adoption of IFRS (revised)-Hyperinflation and removal of fixed dates for First Adoption (review).

The IASB has provided guidance on how an entity should resume the presentation of financial statements based on IFRS as their functional currency is no longer subject to hyperinflation. The revision will be effective for annual periods beginning on or after July 1, 2011. This review did not generate any impact on society.

IFRS 7 financial instruments-Disclosure — Major Requirements for disclosure of derecognitions.

The revision requires additional disclosure on financial assets transferred but not derecognized assets to allow the user of the financial statements of the company understand the relationship between the assets that were not derecognized assets and corresponding liabilities. Additionally, the review requires disclosure about the continuous involvement of the entity with the assets derecognized assets, to allow users to evaluate the nature of the involvement and the related risks. The revised standard will have validity for annual periods beginning on or after July 1, 2011.

The company has no assets with these characteristics, so there was no impact on its financial statements.

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 - %	
	2012	2011
Direct interest:		
Indústria e Comércio de Cosméticos Natura Ltda.	99.99	99.99
Natura Biosphera Comércio de Cosméticos e Serviços Ltda.	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 Mexico, S.A. de C.V.	99.99	99.99
Natura Cosméticos de Mexico, S.A. de C.V.	99.99	99.99
Natura Distribuidora de Mexico, 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 (Brazil) International B.V. - The Netherlands	100.00	100.00

	Equity interest - %	
	2012	2011
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
Natura Innovation et Technologie de Produits SAS - France	100.00	100.00
Via Natura (Brazil) International B.V. - The Netherlands:		
Natura Brasil Inc. - USA – Delaware	100.00	100.00
Natura Brasil Inc. - USA – Nevada	100.00	100.00
Natura Brasil SAS – France	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. - Brazil, 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 Biosphera Comércio de Cosméticos e Serviços Ltda.: engaged in trading, including by electronic means, of products from Natura brand.

• 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.: On June 29, 2012, the company sold its share and no longer had equity interest in Ybios. The effects of this sale were not relevant. Engaging 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.

• Natura Europa SAS – France, Natura Brazil Inc. e Natura International Inc.: in January 2009 the shares of these subsidiaries were assigned as a capital contribution to the holding company Natura (Brazil) International B.V. - The Netherlands, and the Company became the indirect holder of such interests through this company headquartered in The Netherlands.

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 (R$) - 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.

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, less losses due to reduction of the recoverable amount. The Society does not have investments held to maturity during the years ended December 31, 2011 and 2012.

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. These financial assets include shares of investment funds and government debt securities. In this category are registered instruments which are held for an indefinite period and may be sold to meet liquidity needs or changes in market conditions.

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. After initial measurement, these financial assets are accounted for at amortized cost, using the effective interest method (effective interest rate), less loss by decrease in recoverable value. Amortized cost is calculated taking into account any discount or premium on acquisition and fees or costs incurred. In December 31, 2012 and 2011 include trade accounts receivable (note 7).

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, 2012 and 2011, in the case of the Company, comprise borrowings and financing (note 15) 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. Derecognition of financial instruments

UA financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is downloaded when:

The rights to receive cash flows from the asset have expired;

The company transferred its rights or risk receiving the cash flows of the asset or has assumed an obligation to pay the received cash flows in full.

2.6.5. 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.

2.6.6. 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 7.

2.8. Inventories

Carried at the lower of average cost of purchase or production and net realizable value. Details are disclosed in note 8.

The Company considers the following when determining its provision for inventory losses: discontinued products, products with slow turnover, products with expired validity and products that do not meet quality standards.

2.9. Investments in subsidiaries, associates and jointly controlled entities

The Company holds interest only in subsidiaries.

Subsidiaries are entities in which the Company, directly or through other subsidiaries, has ownership rights that provide it with the ability to direct the subsidiaries' activities and to elect the majority of the subsidiaries' management members on a permanent basis. 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.

Investments in subsidiaries are accounted for by the equity method of accounting. The financial statements of subsidiaries 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 14, 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 14.

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, 2012, the liability's balance recognized in line item "Other provisions" (see note 19) refers to total carbon emissions in 2007-2012 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 14) as they represent a right for future use. As of December 31, 2012, 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, 2012 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.

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.

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).

The recoverable amount of an asset or cash-generating unit is determined defined as being the larger of the value in use and the net selling value. In the estimation of the value in use of the asset, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the weighted average cost of capital for the industry in which it operates the cash-generating unit. The net selling value is determined, whenever possible, on the basis of the contract of sale firm in a transaction in commutative bases, between knowledgeable and interested parties, adjusted for expenses attributable to the sale of the asset, or, where there is no contract of sale firm, based on the market price of an active market, or in the price of the most recent transaction with similar assets.

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 15.

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 18.

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 10.

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 24.2.

The cost of transactions settled with equity securities is recognized, together with a corresponding increase in equity under the heading "additional paid-in Capital", throughout the period in which the performance and/or service conditions are fulfilled, ending on the date on which the employee acquires the full right to prize (date of acquisition). The cumulative expense recognized for equity instruments transactions settled on each base date up to the date of acquisition reflects the extent to which the vesting period has expired and the best estimate of the number of equity securities Company to be acquired. The expense or credit in the statement of income of the period is recorded under the heading "administrative expenses".

When an award of equity instruments settlement is cancelled, it is treated as if it had been acquired on the date of cancellation, and any expense not recognized award is registered immediately. This includes any award where non-vesting conditions within the control of the company or the counterparty were not met. All cancellations of transactions settled with equity securities are treated in the same way.

The dilution effect of options open is reflected as additional share dilution in the calculation of diluted earnings per share (Note 27.2).

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 20.(b).

For corporate and accounting purposes, interest on capital is stated as allocation of income directly in shareholders' equity.

2.22. Treasury shares

Own equity instruments which are reacquired (Treasury shares) and recognized at acquisition cost and deducted from shareholders ' equity. No gain or loss is recognized in the income statement on the purchase, sale, issue or cancellation of the company's own equity instruments. Any difference between the book value and the consideration is recognized in other capital reserves.

2.23. Actuarial gains and losses of healthcare plan and other costs related to employees' benefit plans

The company has defined contribution retirement plans, which require that contributions are made to the funds administered separately from the equity of the Company. The company also provides certain benefits of extension of medical assistance to retired employees. The costs associated with the contributions made by the company and its subsidiaries to the plans are recognized on the accrual basis. The costing of the benefits granted by the defined benefit plans is established separately for each plan using the projected unit credit method.

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 19.

2.24. Revenue and expense recognition

Sales revenue is recognized when all risks and rewards of ownership of the product are transferred to the customers and there are recognized on an accrual basis.

Revenues are recognized to the extent in which it is probable that the economic benefits associated with the transaction will accrue to the Company, and when such benefits can be reliably measured. Sales revenues are primarily generated through sales made by the Natura Beauty Consultants (our clients), measured based on the fair value of the consideration received (or to be received), excluding any discounts, rebates and taxes or charges with respect to such sales. Sales revenue is recognized when the significant risks and rewards of title to products have been transferred to the client, which generally occurs upon delivery thereof to the Natura Beauty Consultants.

Sales revenue is generated and accumulates initially in the subsidiary sales ledger of the Company, as of the moment in which the proof of shipping is issued in the name of our clients. However, as our revenues are recorded for accounting purposes only when the final delivery of products has occurred, the Company makes a provision to eliminate the amount of revenues with respect to products shipped but not yet received by the Natura Beauty Consultants as of the closing date of the financial statements for each period.

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.

2.25. 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.

2.26. New and revised standards and interpretations

a) Standards, interpretations and revised standards not yet effective and which were not early adopted by the Company

Standard	Main requirements	Effective date
IFRS 9 Financial instruments	Classification and Measurement end the first part of the project to supersede "IAS 39 Financial Instruments: Recognition and Measurement". This new standard adopts a simple approach to determine whether a financial asset is measured at amortized cost or fair value, based on the way an entity manages its financial instruments (its business model) and contractual cash flow typical of financial assets. IFRS 9 also requires only one method to be adopted to determine impairment losses.	Effective for annual periods beginning on or after January 1, 2013
IFRS 10 - Consolidated Financial Statements	IFRS 10, establishes principles for the presentation and preparation of the consolidated financial statements when an entity controls one or more entities. The IFRS 10 overrides the requirements of SIC-12 Consolidation special purpose entities and IAS 27 consolidated financial statements and separate.	Effective for annual periods on or after January 1, 2013
IFRS 11 - Joint Arrangements	IFRS 11 provides for a more realistic reflection of agreements together, focusing on the rights and obligations of the agreement, rather than its legal form. The standard addresses inconsistencies in the treatment of an agreement together, requiring a single method to treat in controlled entities jointly through the equity method. The IFRS 13 replaces IAS 31 and SIC jointly Controlled Enterprises-13 jointly controlled entities-non-monetary Contributions by Shareholders. Early application is permitted. The main effects of the adoption of IFRS 11 will be the end of proportionate consolidation, which will not affect the consolidated information of the company.	Effective for annual periods beginning on or after January 1, 2013.
IFRS 12 - Disclosure of Interests in Other Entities	IFRS 12 is a new and comprehensive standard on disclosure requirements for all forms of investments in other entities, including subsidiaries, joint ventures, associates and unconsolidated structured entities. Early application is permitted.	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.
IAS 27 Demonstrações	As a result of the recent IFRS and IFRS 12 10, what remains in the IAS 27 restricted to accounting for subsidiaries, joint control and entities associated in separate financial statements.	Effective for annual periods beginning on or after January 1, 2013.
IAS 28 (Revised in 2011) - Investments in Associates and Joint Ventures	As a result of the recent IFRS and IFRS 12 11, IAS 28 become IAS 28 investments in associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures, in addition to the investment in associates.	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.
IAS 12 Income Taxes (review)-deferred taxes – Underlying asset recovery	The revision clarifies the determination of deferred tax calculation on investment property measured at fair value. Introduces a rebuttable presumption that the deferred tax on investment property measured at fair value model in IAS 40 (CPC 31) must be set based on the fact that its carrying amount will be recovered through sale. Additionally, introduces the requirement that deferred tax assets not subject to the depreciation that are measured using the revaluation model in IAS 16 (CPC 27) always be measured based on the sale of the asset. This review will have validity for annual periods beginning on or after January 1, 2012.	Effective for annual periods beginning on or after January 1, 2013.
IFRS 1 initial adoption of IFRS (revised)- Hyperinflation and removal of fixed dates for First Adoption (review)	The IASB has provided guidance on how an entity should resume the presentation of financial statements based on IFRS as their functional currency is no longer subject to hyperinflation. The revision will be effective for annual periods beginning on or after July 1, 2011.	Effective for annual periods beginning on or after January 1, 2013.
IFRS 7 financial instruments-Disclosure — Major Requirements for disclosure of derecognition	The revision requires additional disclosure on financial assets transferred but not derecognized assets to allow the user of the financial statements of Company the relationship between the assets that were not derecognized assets and corresponding liabilities. Additionally, the review requires disclosure about the continuous involvement of the entity with the assets derecognized assets, to allow users to evaluate the nature of the involvement and the related risks. The revised standard will have validity for annual periods beginning on or after July 1, 2011.	Effective for annual periods beginning on or after January 1, 2013.
IAS 1 presentation of financial statements	This clarifies the difference between voluntary and additional comparative information comparative information required minimum.	Effective for annual periods beginning on or after January 1, 2013.
IAS 16 property, plant and equipment	This explains that the main spare parts and equipment to provide services that meet the definition of fixed assets are not a part of inventory.	Effective for annual periods beginning on or after January 1, 2013.
IAS 32 Instrumentos	This clarifies that income taxes resulting from distributions to shareholders are accounted for in accordance with IAS 12 Income Taxes.	Effective for annual periods beginning on or after January 1, 2013.
IAS 34 Intermediate financial statements	The review presents an alignment of disclosure requirements for total assets total liabilities with segment in the segment in the financial statements. This clarification also ensures that the intermediary disclosures are aligned with the annual disclosures.	Effective for annual periods beginning on or after January 1, 2013.

The Company intends to adopt such standards when they go into effect.

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.

There are not further standards and interpretations issued but not yet adopted which may, in the management's view, have a significant impact on P&L or equity disclosed by the Company.

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 18. 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) Retirees' healthcare plan

The current amount of the retirees' 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 19. The change in one of these estimates could impact the results presented.

d) Stock option plan

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 24.2.

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 based on 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.

Exchange rate Protection Policy considers the values of foreign currency receivables and Payables balances of commitments already made and recorded in the financial statements from the operations of the Company and its subsidiaries, as well as future cash flows, with an average of six months, still not recorded in the balance sheet.

As of December 31, 2012 and 2011, the Group is basically exposed to risks of fluctuations in the U.S. dollar and particularly as of December 31, 2012, the Company's is basically exposed to risks of fluctuations in the Australian 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, 2012, the Company's and the consolidated balance sheets include accounts denominated in foreign currency which, in the aggregate, represent net liabilities of R$1,510,721 and R$1,515,328, respectively (R$438,667 and R$444,894 as of December 31, 2011, respectively). These accounts are substantially represented by borrowings and financing which, as of December 31, 2012 and December 31, 2011, are hedged by swap arrangements.

As of December 31, 2012, the Company has future financial obligations denominated in Australian dollars, as described in the Material News Release ("Fato Relevante") published on December 20, 2012, in an amount equivalent to R$144,670. This amount is the future disbursement for the acquisition, subject to certain conditions precedent, of 65% of Emeis Holdings Pty Ltd., and is hedged with forward contracts.

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, 2012, outstanding swap and forward contracts, with maturities between January 2013 and July 2020, were entered into the counterparties represented by the banks Bank of America (43%), HSBC (23%), Bradesco (19%), Citibank (6%), Itaú (6%) and Brasil (3%), broken down as follows:

Financial swaps – Company	Principal		Fair value		Gain for the year	
Type of transaction	2012	2011	2012	2011	2012	2011
Swap contracts (1)						
Asset position:						
Long position – U.S. dollar	1,411,816	396,938	1,531,596	435,094	80,624	28,184
Liability position:						
CDI floating rate:						
Short position in CDI	1,411,816	396,938	1,450,972	406,910	-	-

Financial swaps – Consolidated	Principal		Fair value		Gain for the year	
Type of transaction	2012	2011	2012	2011	2012	2011
Swap contracts (1)						
Asset position:						
Long position – U.S. dollar	1,418,092	404,662	1,538,307	442,574	81,281	28,626
Liability position:						
CDI floating rate:						
Short position in CDI	1,418,092	404,662	1,457,026	413,947	-	-

Operating forwards - Company and consolidated	Notional amount		Fair value		Gain (loss) for the year	
Type of transaction	2012	2011	2012	2011	2012	2011
Contratos de "forward" (2):						
Asset position:						
Long position - Australian dollar	147,522	-	147,522	-	(353)	-
Liability position						
Fixed rates:						
Short position in Australian dollar	147,522	-	147,875	-	-	-

(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, 2012 and December 31,2011, due to the fact contracts are directly entered into with the financial institutions and not through São Paulo Stock Exchange (BM&FBOVESPA), 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.

	Company	Consolidated
Loans and financing in foreign currency (*)	1,510,721	1,536,507
Receivables in foreign currency	-	(5,752)
Accounts payable in foreign currencies	10,308	15,686
Value of the "financial" derivatives	(1,646,856)	(1,649,894)
Net passive exposure	(125,827)	(103,453)

The tables below show the gain (loss) that would have been recognized in profit or loss for the year ended December 31, 2012 based on the following scenarios:

	Company			
Description	Company's risk	Probable scenario	Scenario II	Scenario III
Net liability exposure	Us dollar appreciation	1,170	31,457	62,914

	Consolidated			
Description	Company's risk	Probable scenario	Scenario II	Scenario III
Net liability exposure	Us dollar appreciation	962	25,863	51,727

During the year ended December 31, 2012, there were no changes in any of the levels of the fair value estimates.

The probable scenario (R$ 2.04/US$1.00) considers future U.S. dollar rates obtained at BM&FBOVESPA for the maturity dates of the financial instruments exposed to foreign exchange risks. Scenarios II and III consider a 25% (R$ 2.55/US$1.00) and 50% (R$3.07/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 adjustments 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, 2012 and December 31, 2011, the Group did not have this type of derivative as they assessed the related risk as very low, as described above.

Sensitivity analysis

As described in the foreign exchange risk section above, as of December 31, 2012 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 15)	(477,961)	(788,011)
Derivatives pegged to CDI/TJLP	(1,510,721)	(1,536,507)
Short-term investments (notes 5, 6 and 12)	1,189,521	1,499,052
Net liability exposure	(799,161)	(825,466)

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 (notes 5 and 6).

The tables below show the loss (gain) that would have been recognized in profit or loss for the year ended December 31, 2012 based on the following scenarios:

	Company			
Description	Company's risk	Probable scenario	Scenario II	Scenario III
Net liabilities	Interest rate increase	(799)	(13,786)	(27,571)

	Consolidated			
Description	Company's risk	Probable scenario	Scenario II	Scenario III
Net liabilities	Interest rate increase	(825)	(14,239)	(28,479)

The probable scenario (6.9% per year) 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% (8.6% per year) and 50% (10.4% 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 7.

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 are measured at amortized cost, and their corresponding maturities are as follows:

Company as of December 31, 2012	Less than one year	One to two years	Two to five years	More than five years	Fair value 2012	Discount effect	Carrying amount 2012
Current:							
Borrowings and financing	893,202	-	-	-	893,202	(48,941)	844,261
Trade payables	252,318	-	-	-	252,318	-	252,318
Financial instruments	68,939	-	-	-	68,939	11,332	80,271
Noncurrent:							
Borrowings and financing	-	1,127,258	65,606	64,736	1,257,600	(113,179)	1,144,421

Company as of December 31, 2012	Less than one year	One to two years	Two to five years	More than five years	Fair value 2012	Discount effect	Carrying amount 2012
Current:							
Borrowings and financing	1,057,712	-	-	-	1,057,712	(58,250)	999,462
Trade payables	649,887	-	-	-	649,887	-	649,887
Financial instruments	69,402	-	-	-	69,402	11,526	80,928
Noncurrent:							
Borrowings and financing	-	1,261,619	121,712	74,840	1,458,171	(133,114)	1,325,057

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 consolidated financial leverage ratios as of December 31, 2012 and December 31, 2011 are as follows:

	Company		Consolidated	
	2012	2011	2012	2011
Short- and long-term borrowings and financing	1,988,682	918,973	2,324,519	1,186,699
Derivative financial instruments	(80,271)	(28,184)	(80,928)	(28,626)
Cash and cash equivalents and Short-term investments	(1,241,254)	(166,007)	(1,643,062)	(515,610)
Net debt	667,157	724,782	600,529	642,463
Shareholders' equity	1,306,096	1,250,244	1,306,097	1,250,245
Financial leverage ratio	51.08%	57.97%	45.98%	51.39%

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, 2012 and December 31, 2011, 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.

Short-term investments

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.

Borrowings and financing

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 15.

Trade and other payables

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	
	2012	2011	2012	2011
Cash and banks	51,732	27,929	144,011	98,208
Floating rate Bank certificates of deposit (CDBs) (a)	21,035	138,078	965,777	417,402
Repurchase agreements (b)	-	-	34,602	-
	72,767	166,007	1,144,390	515,610

(a) Investments in Bank Deposit Certificates are restated with yield interest ranging from 99.60% to 103.75% of CDI.

(b) Repurchase agreements are securities issued by banks with a commitment by the bank to repurchase the security, and by the client to resell the security, at a fixed price (rate of interest) and within a predetermined term, which are backed by public or private securities (depending on the bank) and are registered with the CETIP.

6. SHORT-TERM INVESTMENTS

	Company		Consolidated	
	2012	2011	2012	2011
Exclusives investments funds	1,168,487	-	-	-
Government security	-	-	498,672	-
	1,168,487	-	498,672	-

From April 2012, the Company concentrated most of its short-term investments in an investment fund. At December 31, 2012, the amount referring to the exclusive investment fund is stated at fair value through profit or loss. Under CVM Rule No. 408/04, short-term investments in funds, which the Company has exclusive participation were consolidated.

The exclusive funds are as follows:

The Fundo de Investimento Sintonia (Sintonia Investment Fund) is a fixed income private credit fund under the management, administration and custody of BTG Pactual. The assets eligible for inclusion in the portfolio are repurchase operations, CDBs and public debt issuances used to guarantee repurchase operations. There is no grace period for the redemption of shares, which may be redeemed with accrued returns at any time.

The Fundo de Investimento Essencial (Essential Investment Fund) is a fixed income private credit fund under the management, administration and custody of Itaú Unibanco. The assets eligible for inclusion in the portfolio are public debt issuances, CDBs and repurchase operations. There is no grace period for the redemption of shares, which may be redeemed with accrued returns at any time.

Breakdown of the exclusive fund portfolio at December 31, 2012 is as follows:

	Sintonia	Essencial	Total
Floating rate Bank certificates of deposit (CDBs)	249,516	683,563	933,079
Repurchase agreements	31,069	-	31,069
Government security (LFT)	-	498,672	498,672
	280,585	1,182,235	1,462,820

7. TRADE RECEIVABLES

	Company		Consolidated	
	2012	2011	2012	2011
Trade receivables	588,980	591,480	724,347	706,861
Allowance for doubtful accounts	(58,947)	(56,171)	(72,931)	(64,989)
	530,033	535,309	651,416	641,872

The aging list of trade receivables is as follows:

	Company		Consolidated	
	2012	2011	2012	2011
Current	463,023	452,392	567,207	543,472
Past due:				
Up to 30 days	54,489	102,107	72,145	117,560
31 to 60 days	23,020	14,029	26,481	16,254
61 to 90 days	14,448	9,950	17,708	13,306
91 to 180 days	34,000	13,002	40,806	16,269
	588,980	591,480	724,347	706,861
Allowance for doubtful accounts	(58,947)	(56,171)	(72,931)	(64,989)
	530,033	535,309	651,416	641,872

The balance of trade receivables in consolidated is basically denominated in Brazilian reais, and approximately 84% of the outstanding balance as of December 31, 2012 refers to real-denominated transactions (89% as of December 31, 2011). 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 movimentação da provisão para créditos de liquidação duvidosa para o exercício findo em 31 de dezembro de 2012 está assim representada:

Company

Balance at 2011	Additions (a)	Reversals (b)	Balance at 2012
(56,171)	(122,224)	119,448	(58,947)

Consolidated

Balance at 2011	Additions (a)	Reversals (b)	Balance at 2012
(64,989)	(138,056)	130,114	(72,931)

(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.

8. INVENTORIES

	Company		Consolidated	
	2012	2011	2012	2011
Finished products	162,952	219,626	549,697	565.739
Raw materials and packaging	-	-	150,167	149,806
Promotional material	13,871	18,560	52,273	52,288
Work in progress	-	-	20,085	16,314
Allowance for losses	(18,820)	(20,280)	(71,557)	(95,399)
	158,003	217,906	700,665	688,748

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)	47,174	(95,399)

The changes in the allowance for inventory losses for the year ended December 31, 2012 are as follows:

Company

Balance at 2011	Additions (a)	Reversals (b)	Balance at 2012
(20,280)	(11,803)	13,263	(18,820)

Consolidated

Balance at 2011	Additions (a)	Reversals (b)	Balance at 2012
(95,399)	(86,894)	110,736	(71,557)

(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.

9. RECOVERABLE TAXES

	Company		Consolidated	
	2012	2011	2012	2011
ICMS on purchases of goods	-	-	208.907	154.942
Refundable ICMS - ST on interstate sales, SP (a)	3.693	8.296	3.693	8.296
Taxes - foreign subsidiaries	-	-	26.315	22.170
ICMS on purchases of fixed assets	12.812	15.428	21.992	24.318
PIS and COFINS on purchases of fixed assets	-	-	44	7.376
PIS and COFINS on purchase of goods	18.512	45.012	21.394	68.187
PIS and COFINS resulting from win on a lawsuit (b)	-	11.887	7.881	16.852
IRPJ and CSLL on freight	970	728	1.362	3.236
PIS, COFINS and CSLL - withheld at source	-	-	3.221	2.024
Other	382	365	5.184	8.834
Provision for discount on sale of ICMS credits (c)	-	-	(4.184)	(3.376)
	36.369	81.716	295.809	312.859
Current	23.417	69.417	144.459	201.620
Noncurrent	12.952	12.299	151.350	111.239

(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 of 1.5 times the credit amount.

(b) 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. The Company received authorization from the Brazilian Internal Revenue Service ("Receita Federal do Brazil"), to offset the credits of the Company following the definitive judgment of the claim. In December 2012, the judicial proceeding was decided in favor of the Company, and as a result, the Brazilian IRS granted the authorization of credits requested by the Company.

(c) The negative goodwill is a result of the desire of the Company to realize its ICMS credits from exports in a prompt and cost-effective manner. As a result, it used a legal provision that permits the sale of such credits. However, the realization of the sale is subject to approval of the Secretaria de Fazenda do Estado de São Paulo – SEFAZ/SP (Finance Department of the State of São Paulo), and as a result, the sale has not yet been completed.

10. 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	
	2012	2011	2012	2011
Allowance for doubtful accounts (note 7)	22,316	19,098	22,316	19,098
Allowance for losses on inventories realization (note 8)	6,399	6,895	20,039	28,219
Reserve for tax, civil and labor contingencies (note 18)	14,168	17,743	36,273	36,896
Non-inclusion of ICMS in the PIS and COFINS basis (note 18)	656	620	49,342	39,173
Actuarial liability - Retirees' healthcare plan (note 19)	14,181	6,573	18,661	9,565
Allowance for losses on swap and forward contracts (note 25)	(27,292)	(9,583)	(27,516)	(9,733)
Provision for ICMS – ST, PR, DF, MS, MT and RJ States (note 17)	13,856	8,247	13,856	8,247
Allowances for losses on advances to suppliers	2,011	1,992	2,614	2,137
Accrued contractual obligations	7,809	1,439	10,310	2,713
Provision for discount on assignment of ICMS credits	-	-	1,422	1,148
Accrued benefits sharing and partnerships	8,510	6,178	8,510	6,178
Temporary differences of foreign subsidiaries	-	-	10,019	9,681
Provision for profit sharing	15,412	3,955	31,016	10,947
Depreciation rate adjustments to useful lives (RTT)	1,241	1,420	(9,605)	(6,989)
Other temporary differences	15,546	15,568	26,989	32,272
	94,813	80,145	214,246	189,552

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
2013	57,432	121,423
2014	4,514	6,616
2015	5,916	49,189
2016 and thereafter	26,951	37,018
	94,813	214,246

With respect to the Company's foreign subsidiaries, except for the operation in Argentina and Peru 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, 2012, tax credits calculated at the prevailing tax rates in the countries where the subsidiaries are located, are as follows:

Tax loss carryforwards:

Chile	100,146
Mexico	158,930
Colombia	95,738
France	122,578

Tax credits on tax loss carryforwards generated by the subsidiaries can be carried forward indefinitely, except for the subsidiary in Mexico, which expire as follows:

	México
2014	15
2015	8,524
2016	13,216
2017 and thereafter	137,176
	158,931

b) Reconciliation of income tax and social contribution

	Company		Consolidated	
	2012	2011	2012	2011
Income before income tax and social contribution	1,206,129	1,161,791	1,276,100	1,237,730
Income tax and social contribution at the rate of 34%	(410,084)	(395,009)	(433,874)	(420,828)
Technological research and innovation benefit - Law 11196/05 (*)	22,008	22,386	22,008	22,386
Tax incentives – donations	6,242	6,582	8,487	9,668
Equity in investees (note 13)	20,189	18,628	-	-
Unrecognized deferred taxes on tax losses generated by foreign subsidiaries	-	-	(11,345)	(28,915)
Tax Transition Regime (RTT) - Provisional Act 449/08 – Law 11,638/07 adjustments	1,352	(774)	(1,413)	(3,242)
Interest on capital tax benefit	20,447	21,067	20,447	21,067
Other permanent differences	(5,060)	(3,770)	(19,187)	(6,965)
Income tax and social contribution expenses	(344,907)	(330,890)	(414,878)	(406,829)
Income tax and social contribution - current	(359,575)	(323,544)	(439,572)	(416,122)
Income tax and social contribution - deferred	14,668	(7,346)	24,694	9,293
Effective rate - %	28,6	28,5	32,5	32,9

(*) 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 of 2011 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

The changes in income tax and social contribution for the year of 2012 were as follows:

Company		
Balance at 2011	Charged / (credit) to profit or loss	Balance at 2012
80,145	(14,668)	94,813

Consolidated		
Balance at 2011	Charged / (credit) to profit or loss	Balance at 2012
189,552	(24,694)	214,246

11. 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, 2012 and December 31, 2011 are as follows:

	Company		Consolidated	
	2012	2011	2012	2011
ICMS - ST (note 18.(a))	88,475	80,304	88,475	80,304
ICMS - ST suspended collection (note 17 (b))	96,898	88,521	96,898	88,521
Other accrued tax obligations (note 17 (e) and (f))	10,030	9,434	80,361	52,024
Other suspended tax obligations (note° 18.(c))	11,351	10,955	11,351	10,955
Unaccrued tax lawsuits	36,576	34,373	42,337	38,254
Accrued tax lawsuits (note 18)	9,913	9,952	11,554	11,515
Unaccrued civil lawsuits	1,027	1,016	1,118	1,108
Accrued civil lawsuits (note 18)	2,056	1,886	2,167	1,992
Unaccrued labor lawsuits	8,241	5,844	10,123	6,999
Accrued labor lawsuits (note 18)	3,031	2,653	5,153	4,167
	267,598	244,938	349,537	295,839

12. OTHER CURRENT AND NONCURRENT ASSETS

	Company		Consolidated	
	2012	2011	2012	2011
Advances to advertisement services	138,149	111,690	139,149	112,666
Asset held for sale (a)	4,327	-	22,079	17,752
Advances to employee	3,666	3,867	5,479	5,750
Advances to trade payables	2,548	2,504	5,096	3,643
Insurance	2,123	1,829	2,699	2,464
Restricted cash - CDBs (b)	-	-	-	6,757
Others	2,906	-	24,580	7,686
	153,719	119,890	199,082	156,718
Current	130,532	115,328	157,787	126,783
Non-current	23,187	4,562	41,295	29,935

(a) This balance refers to assets which the company intends to sell one of the next 12 months as CPC 31-non-current assets held for sale (IFRS 5). These assets are measured at the lower value between the carrying amount and fair value less costs to sell. The company classifies these assets under this heading by considering selling highly probable and the assets are available for immediate sale in its present condition. Once classified as intended for sale, the assets are not depreciated or amortized.

(b) 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. On December 17, 2012, this value was released in exchange for a letter of guarantee.

13. INVESTMENTS

	Company	
	2012	2011
Investments in subsidiaries and jointly controlled entities	1,311,364	1,253,721

Information and changes in the balances for the year ended December 31, 2012 and 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 México S.A. (*)	Natura Cosméticos Ltda. - Colômbia	Natura (Brazil) International B.V. - The Netherlands (*)	Natura Cosméticos España S.L.	Natura Biosphera Comércio de Cosméticos e Serviços Ltda.	Total
Share capital	526,155	124,846	30,181	101,248	7,200	5,008	225,054	102,843	(5,784)	73	100	1,116,924
Equity interest	99,99%	99,99%	99,94%	99,97%	99,99%	99,99%	99,99%	99,99%	100,00%	100,00%	99,99%	
Subsidiaries' shareholders' equity	1,105,729	36,537	5,469	80,562	334	31,290	30,215	10,863	10,283	142	89	1,311,513
Interest in shareholders' equity	1,105,618	36,533	5,466	80,538	334	31,287	30,212	10,862	10,283	142	89	1,311,364
Subsidiaries' net income (loss) for the year	89,528	11,758	(9,995)	12,222	-	16,080	(23,678)	(21,758)	(14,772)	-	(11)	59,374
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	469	-	-	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	28,808	47,596	13,434	8,444	106	-	1,253,721
Equity in investees	89,529	11,756	(9,989)	12,218	-	16,080	(23,676)	(21,756)	(14,771)	-	(11)	59,380
Exchange rate change and other adjustments on the translation of investments in foreign subsidiaries	-	4,394	(675)	(4,505)	28	170	6,292	1,988	(256)	-	-	7,436
Company's contribution to the stock options plan of subsidiaries' executives and other reserves	5,755	-	-	-	-	2,377	-	-	-	-	-	8,132
Profit distribution	(50,000)	-	-	-	-	(16,148)	-	-	-	-	-	(66,148)
Capital increases	-	-	14,645	-	-	-	-	17,196	16,866	36	100	48,843
Balance as of December 31, 2012	1,105,618	36,533	5,466	80,538	334	31,287	30,212	10,862	10,283	142	89	1,311,364

(*) 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 (Brazil) International B.V. (The Netherlands), Natura Brazil Inc. (USA - Delaware), Natura International Inc. (USA - New York), Natura Europa SAS (France) and Natura Brasil SAS (France).
Natura Inovação e Tecnologia de Produtos Ltda.: Ybios S.A (until June 29, 2012) and Natura Innovation et Technologie Produits S.A.S. - France

14. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

		Company					
	Weighted average annual depreciation	2012			2011		
PROPERTY, PLANT AND EQUIPMENT	rate - %	Adjusted cost	Accumulated depreciation	Residual amount	Adjusted cost	Accumulated depreciation	Residual amount
Vehicles	21	39,872	(21,270)	18,602	39,010	(16,991)	22,019
Leasehold improvements (a)	15	41,108	(24,247)	16,861	35,419	(11,844)	23,575
Machinery and equipment	4	123,467	(16,251)	107,216	114,844	(7,421)	107,423
Buildings	15	56,694	-	56,694	56,694	-	56,694
Furniture and fixtures	7	16,039	(5,131)	10,908	11,633	(3,006)	8,627
IT equipment	18	66,832	(19,857)	46,975	50,867	(7,024)	43,843
Projects in progress	-	100,187	-	100,187	70,034	-	70,034
		444,199	(86,756)	357,443	378,501	(46,286)	332,215

		Company					
	Weighted average annual depreciation	2012			2011		
INTANGIBLE ASSETS	rate - %	Adjusted cost	Accumulated depreciation	Residual amount	Adjusted cost	Accumulated depreciation	Residual amount
Software and other	17	238,840	(42,468)	196,372	88,848	(17,356)	71,492
Carbon credits (c)	-	9,664	-	9,664	7,437	-	7,437
		248,504	(42,468)	206,036	96,285	(17,356)	78,929

		Consolidated					
	Weighted average annual depreciation	2012			2011		
PROPERTY, PLANT AND EQUIPMENT	rate - %	Adjusted cost	Accumulated depreciation	Residual amount	Adjusted cost	Accumulated depreciation	Residual amount
Machinery and equipment	6	439,844	(174,839)	265,005	410,901	(145,342)	265,559
Buildings	4	207,836	(66,028)	141,808	207,836	(60,400)	147,436
Installations	9	144,090	(81,451)	62,639	132,919	(73,512)	59,407
Land	-	27,484	-	27,484	27,214	-	27,214
Molds	30	137,492	(105,197)	32,295	116,068	(87,966)	28,102
Vehicles	21	64,766	(27,228)	37,538	59,490	(22,430)	37,060
IT equipment	19	93,910	(40,001)	53,909	76,305	(23,933)	52,372
Furniture and fixtures	11	39,446	(15,738)	23,708	32,976	(11,937)	21,039
Leasehold improvements (a)	15	57,395	(34,012)	23,383	50,599	(18,581)	32,018
Projects in progress	-	341,884	-	341,884	128,287	-	128,287
Other	3	4,688	(2,252)	2,436	4,196	(2,256)	1,940
		1,558,835	(546,746)	1,012,089	1,246,791	(446,357)	800,434

		Consolidated					
	Weighted average annual depreciation	2012			2011		
INTANGIBLE ASSETS	rate - %	Adjusted cost	Accumulated depreciation	Residual amount	Adjusted cost	Accumulated depreciation	Residual amount
Software	18	276,824	(63,596)	213,228	182,890	(32,676)	150,214
Business lease - Natura Europa SAS – France (b)	-	5,600	-	5,600	5,074	-	5,074
Carbon credits (c)	-	9,664	-	9,664	7,437	-	7,437
Trademarks and patents	10	936	(883)	53	1,652	(1,623)	29
		293,024	(64,479)	228,545	197,053	(34,299)	162,754

(a) The amortization rates take into consideration the lease terms of leased properties, which range from three to seven 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, 2012 and December 31, 2011 is basically due to the effects of the exchange fluctuation for the period.
(c) Carbon Neutral Program (note 2.11.3).

Additional information on property, plant and equipment:

a) Assets pledged as collateral

As of December 31, 2012, 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
IT equipment	487	1,074
Vehicles	100	100
Total	587	1,174

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, 2012, the balance of lease payables, classified in line item "Borrowings and financing" (note 15) totals R$69,263 (R$79,673 as of December 31, 2011).

c) Balance of capitalized interest

	Consolidated	
	2012	2011
Buildings	1,453	1,479

The Company did not capitalize interest during the year ended December 31, 2012 and 2011.

Changes in property, plant and equipment

	Company		Consolidated	
	2012	2011	2012	2011
Balance at beginning of year	332,215	92,175	800,434	560,467
Additions (less transfers from projects in progress - when terminated):				
Machinery and equipment	4,967	28,373	22,487	45,037
Projects in progress	44,134	114,902	235,376	165,726
Vehicles	11,379	15,069	20,386	21,031
Molds	-	-	13,904	15,344
Facilities	-	-	3,059	6,112
IT equipment	11,507	40,611	12,805	11,377
Furniture and fixtures	3,975	4,176	5,181	5,679
Other	2,351	4,777	3,443	5,524
	78,313	207,908	316,641	275,830
Leases	-	56,694	-	56,694
Depreciation	(38,483)	(20,814)	(100,016)	(84,108)
Acquisitions of subsidiaries	461	-	-	-
Transfers and disposals, net	(15,063)	(3,748)	(4,970)	(8,449)
Balance at yearend	357,443	332,215	1,012,089	800,434

Changes in intangible assets

	Company		Consolidated	
	2012	2011	2012	2011
Balance at beginning of year	78,929	18,586	162,754	120,073
Additions:				
Software (includes implementation costs)	95,427	64,993	111,081	66,402
Carbon credits	9,729	4,135	9,729	4,135
	105,156	69,128	120,810	70,537
Transfers and disposals, net	(5,063)	(2,034)	(13,857)	(2,043)
Acquisitions of subsidiaries	52,125	-	-	-
Amortization	(25,111)	(6,751)	(41,162)	(25,813)
Balance at yearend	206,036	78,929	228,545	162,754

15. BORROWINGS AND FINANCING

	Company		Consolidated		
	2012	2011	2012	2011	Reference
Local currency					
BNDES – EXIM	-	-	-	67,607	A
FINEP (Financing Agency for Studies and Projects)	-	-	75,178	27,106	B
Debentures	352,240	353,256	352,240	353,256	C
BNDES	77,918	21,708	203,258	141,689	D
Working capital / NCE	-	48,613	72,448	48,613	E
BNDES FINAME	-	-	5,660	7,336	F
Banco do Brasil - FAT Fomentar (Workers' Assistance Fund)	-	-	1,324	2,697	G
Finance leases	47,803	56,729	47,803	56,729	H
FINEP – grant	-	-	705	289	I
Total local currency	477,961	480,306	758,616	705,322	
Foreign currency					
BNDES	14,545	4,486	19,152	10,713	J
Resolution 4131/62	1,474,716	411,237	1,474,716	411,237	K
International operation – Peru	-	-	27,278	36,483	L
International operation – Mexico	-	-	2,117	-	M
ACE	-	-	21,180	-	N
Machinery financing	21,460	22,944	21,460	22,944	O
Total foreign currency	1,510,721	438,667	1,565,903	481,377	
Grand total	1,988,682	918,973	2,324,519	1,186,699	
Current	844,261	66,424	999,462	168,962	
Noncurrent	1,144,421	852,549	1,325,057	1,017,737	

Reference	Currency	Maturity	Charges	Collaterals
A	Real	March 2014	Interest of 2.5% p.y. + TJLP. Early settlement agreement.	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 maturing in May 2013	None
D	Real	Through May 2020	TJLP + Interest of 0,7% to 2,8% p.y. for the installment maturing in March 2016 to 3.3% for the installment maturing in 2020.	Bank guarantee
E	Real	April 2013	105,9% do CDI a.a.	Guarantee of Natura Cosméticos S.A.
F	Real	Through March 2017	Interest of 4.5% p.y. + TJLP	Chattel mortgage, guarantee of Natura Cosméticos S.A. and promissory notes
G	Real	February 2014	Interest of 4.4% p.y. + TJLP	Chattel mortgage, guarantee of Natura Cosméticos S.A. and promissory notes
H	Real	Through August 2026	Interest of 108% of DI - CETIP (c)	Leases are collateralized by the underlying assets
I	Real	July 2015	N/A	None
J	Dollar USD	July 2020	Exchange fluctuation + 2.3% p.y. + Resolution° 635 (a)	Guarantee of Natura Cosméticos S.A. and bank guarantee
K	Dollar USD	Through July 2015	Exchange fluctuation + interest of 1.87% to 3.89% p.y. (a)	Guarantee of subsidiary Indústria e Comércio de Cosméticos Ltda.
L	Novo sol	December 2013	Interest of 5.2% p.y.	Bank guarantee
M	Peso an Peso	June 2014	Interest of 5.7% p.y.	Guarantee of Natura Cosméticos S.A.
N	Dollar USD	April 2013	Exchange fluctuation + interest of 1,15% p.y	Guarantee of Natura Cosméticos S.A.
O	Dollar USD	December 2016	Exchange fluctuation + interest of 3.87% p.y. (a)	Chattel mortgage of immovable object of contracts

(a) Loans and financing for which swap contracts (CDI) were entered into.
(b) 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	
	2012	2011	2012	2011
2014	253,617	771,468	315,314	840,496
2015	806,435	11,067	864,748	48,132
2016	26,513	8,364	47,045	38,413
2017 and thereafter	57,856	61,650	97,950	90,696
	1,144,421	852,549	1,325,057	1,017,737

A description of the outstanding bank loan agreements is as follows:

a) Description of bank loans

1. 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.

2. 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.

3. 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 Itaú Unibanco S.A. and Banco do 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.

4. Resolution nº 4.131/62

Bank Credit Note - Onlending of funds raised abroad under law 4131/62, through financial institutions.

5. 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.

6. NCE

Export Note ("Nota de Crédito à Exportação") – Funds for use as working capital for export purposes, with interest payable on a monthly basis and principal maturing on April 15, 2013.

b) Finance lease obligations

Financial obligations are broken down as follows:

	Consolidated	
	2012	2011
Gross finance lease obligations - minimum lease payments:		
Less than one year	14,561	12,633
More than one year and less than five years	49,592	54,102
More than five years	70,718	78,800
	134,871	145,535
Future financing charges on finance leases	(65,608)	(65,862)
Financial lease obligations - accounting balance	69,263	79,673
Accounting balance of property, plant and equipment: leasing and 'sale leaseback'	77,924	80,378

c) Restrictive covenants

As of December 31, 2012 and December 31, 2011, 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.

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 30, 2012, the Company was fully compliant with such restrictive covenants.

16. TRADE AND OTHER PAYABLES

	Company		Consolidated	
	2012	2011	2012	2011
Domestic trade payables	223,433	133,762	615,189	435,328
Foreign trade payables (*)	10,308	15,043	15,686	18,765
Freight payable	18,577	34,512	19,012	34,887
	252,318	183,317	649,887	488,980

(*) Refer mostly to US dollar-denominated amounts.

17. TAXES PAYABLE

	Company		Consolidated	
	2012	2011	2012	2011
Taxes on revenue (PIS/COFINS) (injunction) (a)	1,929	1,823	145,124	115,214
Ordinary ICMS	100,696	59,894	100,184	81,687
Regular and reverse charge ICMS (b)	96,898	89,301	96,898	89,301
IRPJ and CSLL	93,446	127,458	132,548	150,639
IRPJ and CSLL (injunction) (c)	88,105	56,941	88,105	56,941
IRPJ and CSLL (injunction - PAT)	4,630	2,656	8,693	6,029
Withholding income tax (IRRF)	8,844	7,621	13,403	11,974
IPI - exempt and zero-taxed products (d)	-	-	44,766	42,432
UFIR adjustment to federal taxes (e)	6,809	6,361	6,973	6,519
Action for annulment of INSS debt (f)	3,222	3,073	3,222	3,073
Withholding PIS/COFINS/CSLL	5,652	2,490	6,092	3,324
PIS/COFINS	-	-	-	1,110
Taxes - foreign subsidiaries	-	-	30,709	17,888
Service tax (ISS)	530	364	2,051	1,214
	410,761	357,982	678,768	587,345
Escrow deposits ((b), (e) and (f)) (note 11)	(106,928)	(97,955)	(177,259)	(140,545)
Current	303,833	260,027	501,509	446,800
Noncurrent	106,928	97,955	177,259	140,545

(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, 2012 refer to the unpaid amounts of PIS and COFINS, from April 2007 to December 2012 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$28,653, is deposited in escrow.

(b) As of December 31, 2012, R$14,083, R$74,037, R$308 and R$8.470 of the total amount recognized refer to the ICMS - ST of State of Paraná, Federal District, State of Mato Grosso and State of Rio de Janeiro, respectively. 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. This unpaid ICMS-ST amount is being questioned in court by the Company and is the subject matter of a monthly judicial deposit, as also mentioned in note 18 'Contingent tax liabilities - possible risk', (a).

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 of the State of Paraná.

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 (reduction in the basis of calculation of ICMS for HPPC products).

The MVA applicable to taxable events prior to November 2011.

(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 and 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$44,766 as of December 31, 2012 (R$42,432 as of December 31, 2011). 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 did not have any amount involved. Thus, the subsidiary awaits the transfer to the State of the escrow deposits after a final and non-appealable decision is issued regarding the credits on products acquired at IPI rate reduced to zero.

(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 non-appealable decision.

(f) 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					
	2011	Additions	Reversals	Payments	Inflation adjustment	2012
Action for annulment of INSS debt (a)	3.073	-	-	-	149	3,222
IRPJ/CSLL/ILL debts (b)	6,361	-	-	-	448	6,809
	9,434	-	-	-	597	10,031

	Consolidated					
	2011	Additions	Reversals	Payments	Inflation adjustment	2012
Action for annulment of INSS debt (a)	3,073	-	-	-	149	3,222
IRPJ/CSLL/ILL debts (b)	6,519	-	-	-	454	6,973
	9,592	-	-	-	603	10.195

(a) See item (f) on this note for details.
(b) See item (e) 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.

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, 2012, 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.

18. PROVISION FOR TAX, CIVIL AND LABOR CONTINGENCIES

The Company and its subsidiaries are parties to tax, labor and civil lawsuits and administrative tax proceedings and an arbitration proceeding. 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	
	2012	2011	2012	2011
Tax	23,903	27,612	36,211	33,850
Civil	12,141	12,234	16,238	16,986
Labor	2,444	9,754	10,844	14,121
	38,488	49,600	63,293	64,957

Tax contingencies

The provision for tax contingencies is broken down as follows:

	Company					
	2011	Additions	Reversals	Payments	Inflation adjustment	2012
Late payment fines on federal taxes paid in arrears (a)	794	-	-	-	27	821
CSLL deductibility (Law 9316/96) (b)	7,885	-	(7,006)	-	(879)	-
IRPJ and CSLL tax assessment - attorney fees (c)	4,968	608	-	-	121	5,697
Tax assessment - 1990 IRPJ (d)	3,514	-	-	-	134	3,648
Attorney and other fees (f)	10,451	2,707	(481)	-	1,060	13,737
Total provision for tax contingencies	27,612	3,315	(7,487)	-	463	23,903
Escrow deposits (note 11)	(9,952)	-	395	-	(356)	(9,913)

	Consolidated					
	2011	Additions	Reversals	Payments	Inflation adjustment	2012
Late payment fines on federal taxes paid in arrears (a)	865	-	-	-	28	893
CSLL deductibility (Law 9316/96) (b)	7,885	-	(7,006)	-	(879)	-
IRPJ and CSLL tax assessment - attorney fees (c)	4,968	608	-	-	121	5,697
Tax assessment - 1990 IRPJ (d)	3,514	-	-	-	134	3,648
Semiannual PIS - Decree Laws 2445/88 and 2449/88 (e)	2,320	-	(2,420)	-	100	-
Attorney and other fees (f)	14,298	10,865	(481)	-	1,291	25,973
Total provision for tax contingencies	33,850	11,473	(9,907)	-	795	36,211
Escrow deposits (note 11)	(11,515)	-	420	-	(459)	(11,554)

(a) Refers 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. During the year, due to judgments in similar cases, the chances of loss were reclassified from remote to possible, in accordance with the evaluation of the Company's legal advisors.

(c) Refers to attorney fees for the defense in the tax assessment notices issued against the Company in August 2003, 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 1999, 2001 and 2002, respectively. The tax assessment notices referring to 2001 and 2002 are pending from a final and non-appealable decision from the Board of Tax Appeals (CARF) ruling. The legal counsel's opinion is that the likelihood of unfavorable outcome in these tax assessment notices is remote.

A final and non-appealable 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 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 consideration of the lawsuit by the Board of Tax Appeals, and the provision has been reversed because the Company's legal advisors consider the chances of loss to be remote.

(f) The balance refers to lawyer fees to defend the Company's and its subsidiaries' interests in tax lawsuits. The amount of (i) R$4,994, accrued in 2009, refers to lawyers' fees to prTepare 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. which has goodwill related to its investment in the then subsidiary Natura Empreendimentos S.A. In December 2012, the proceeding was decided by the Board of Tax Appeals, which rendered a judgment partially in favor of the Company to reduce the fine. On the merits, the decision was unfavorable for the Company, and the Company is awaiting the formal issuance of the administrative decision to appeal to the Higher Administrative Board of Tax Appeals ("Câmara Superior de Recursos Fiscais" -CSRF). In April 2012, a favorable ruling was rendered by CARF on a case involving internal goodwill, thus representing important case law for the Company. In the opinion of the Company's legal advisors, the operation as it was structured and its tax effects are defensible, reason why the case is assessed as involving remote loss; and (ii) R$760 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					
	2011	Additions	Reversals	Payments	Inflation adjustment	2012
Several civil lawsuits (a)	6,787	6,783	(1,251)	(5,936)	148	6,531
Lawyer fees - environmental civil lawsuit (b)	1,535	250	-	-	82	1,867
Civil lawsuits and lawyer fees - Nova Flora Participações Ltda, (c)	3,912	176	(681)	-	336	3,743
Total provision for civil contingencies	12,234	7,209	(1,932)	(5,936)	566	12,141
Escrow deposits (note 11)	(1,886)	(170)	-	-	-	(2,056)

	Consolidated					
	2011	Additions	Reversals	Payments	Inflation adjustment	2012
Several civil lawsuits (a)	7,723	7,148	(1,262)	(6,204)	235	7,640
Lawyer fees - environmental civil lawsuit (b)	1,535	475	-	(83)	136	2,063
Lawyer fees - IBAMA (c)	3,816	522	(1,629)	-	83	2,792
Civil lawsuits and lawyer fees - Nova Flora Participações Ltda (c)	3,912	176	(681)	-	336	3,743
Total provision for civil contingencies	16,986	8,321	(3,572)	(6,287)	790	16,238
Escrow deposits (note 11)	(1,992)	(175)	-	-	-	(2,167)

(a) As of December 31, 2012, the Company and its subsidiaries are parties to 2,247 civil lawsuits and administrative proceedings (2,491 as of December 31, 2011), of which 2,123 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$1,256 with respect to legal fees, ad exitum, 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 and 2011 for alleged irregular access to biodiversity. Through December 2012, the Company had been imposed 70 fines by IBAMA, totaling approximately R$21,805, and filed administrative defenses for all of them, two of the administrative proceedings were subsequently cancelled. In the remaining cases, there was no definitive decision issued by IBAMA, which is why such fines do not represent eligible credits. 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 – despite having recently established the Negotiation Committees, 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 the most of the requests with the Regulatory Body for authorization to have access to biodiversity as well as in relation to the authorizations already issued to private companies.

Labor contingencies

As of December 31, 2012, the Company and its subsidiaries are parties to 589 labor lawsuits filed by former employees and third parties (827 as of December 31, 2011), 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				
	2011	Additions	Reversals	Inflation adjustment	2012
Total provision for labor contingencies	9,754	4,629	(13,463)	1,524	2,444
Escrow deposits (note 11)	(2,653)	(378)	-	-	(3,031)

	Consolidated				
	2011	Additions	Reversals	Inflation adjustment	2012
Total provision for labor contingencies	14,121	9,217	(18,134)	5,640	10,844
Escrow deposits (note 11)	(4,167)	(986)	-	-	(5.153)

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	
	2012	2011	2012	2011
Tax:				
Declaratory Action - ICMS - ST (a)	88,475	80,304	88,475	80,304
IPI assessment notice (b)	2,929	5,451	2,929	5,451
Administrative proceeding - ICMS - ST assessment, DF (c)	9,652	8,815	9,652	8,815
Administrative proceeding - ICMS - ST assessment, PA (c)	571	3,423	571	3,423
Administrative proceeding - tax debt - ICMS - ST, RS (d)	9,950	9,066	9,950	9,066
Tax assessment notice – Rio Grande do Sul State Department of Finance (e)	34,815	30,184	34,815	30,184
Tax assessment notice - São Paulo State Department of Finance - ICMS audit (f)	-	-	10,719	9,837
Tax assessment - transfer pricing on loan agreements with foreign related company (g)	1,915	1,856	1,915	1,856
Administrative proceeding - ICMS - ST assessment, PR (h)	145,351	-	145,351	-
Administrative proceeding – Offset - COFINS / Freight (i)	34,576	-	34,576	-
Administrative proceeding - tax debt - ICMS - ST -DF (j)	101,383	-	101,383	-
Others	131,027	47,104	147,116	54,095
	560,644	186,203	587,452	203,031
Civil	38,961	2,953	39,334	3,076
Labor	80,031	42,792	135,952	73,856
	679,636	231,948	762,738	279,963

(a) As of December 31, 2012, the balance recorded is broken down as follows:

1. ICMS - ST - PR - R$46,670 (R$49.962 as of December 31, 2011) - 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 November 2011, is fully deposited in escrow, as mentioned in notes 11 and 17 (b), and its collection is suspended.

2. ICMS - ST - DF - R$23,904 (R$15.401 as of December 31, 2011) - 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 2012, is fully deposited in escrow, as referred to in notes 11 and 17 (b), and its collection is suspended.

3. ICMS - ST - MS R$9,734 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 February 2010 to December 2011, was fully deposited in escrow, as referred to in notes 11 and 17 (b). In October of 2012 was signed an agreement between the parties and this paid off with the capabilities of the escrow.

4. ICMS - ST - MT – R$3,674 (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 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 11 and 17 (b), and its collection is suspended.

5. ICMS - ST - SC – R$14,227 (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 and February 2012 to December 2012, is fully deposited in escrow, as referred to in notes 11 and 17 (b), and its collection is suspended.

(b) Refers to a tax collection lawsuit intended to collect IPI relating to equal treatment of wholesale commercial establishments and industrial establishments. The appeal filed by the Company awaiting the final judgment.

(c) Tax assessment notice collecting ICMS - ST, issued by the Federal District and State of Pará, 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.

(d) 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.

(e) 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.

(f) Tax assessment notice issued by São Paulo State Department of Finance to subsidiary Indústria e Comércio de Cosméticos Natura 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 having obtained a favorable ruling, against which a special appeal was lodged by the tax authorities. This appeal is waiting judgment.

(g) 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 (CARF), which is awaiting judgment.

(h) Tax assessment notices issued by the Parana state authorities due to alleged incorrect calculation of VAT ICMS ST payable to the state in the period from February to December 2007, January to April 2008, October 2008 to January 2009, March 2009 to September 2010, November 2010, and April to August 2011.. ICMS ST charged mentioned above is being paid by as a judicial deposit in connection with a lawsuit filed by the Company questioning lawfulness of the changes in the tax calculation base introduced by Paraná State Decree No. 7018/06, as mentioned in Notes 11 and 17 (b). The tax assessment notices are pending of judgment by the administrative authorities.

(i) Refers to the denial of the request for restitution related to the credit right (COFINS), established (extemporaneously) with respect to freight charges incurred in sales of products subject to concentrated taxation (taxation concentrated on a single stage of the production chain) during the period from May 2004 to October 2007, and, consequently, the declared tax offset was not approved. The Company presented its defense in the administrative proceeding, which is pending final judgment.

(j) Tax assessment notice issued by the Federal District, relating to the allegedly incorrect calculation of ICMS – ST due to the state during the period from January 2007 to December 2011. The ICMS ST claimed by the state has been paid as a judicial deposit in the lawsuit brought by the Company in which it denies responsibility for the collection of ICMS ST, due to the absence of a legal provision and of criteria for the measurement of the basis for calculating the tax, or, consequently, the necessity of entering into an agreement setting the basis for the calculation of ICMS-ST, as discussed in notes 11 and 17(b). The tax assessment notice is pending judgment by administrative authorities.

(k) As of April 9, 2012, Natura Cosméticos S.A. submitted to arbitration matters of Particular Instrument of Atypical and other lease Covenants, signed in December 21, 2010 with RB Capital Anhanguera property investment fund-IFI and Marcacel Holdings, arising from delay in delivery of the enterprise, as well as construction spending overruns in much higher values and that Natura recognizes as "scope's additional requests" and riding $ 11.78 million (as mentioned in Notes 14 and 15). The amount in dispute is in nominal values, approximately $ 46 million in addition to fines and indemnities in minimum nominal values of r $ 16 million that Natura snake in his favor. The term of Arbitration was signed by the parties on September 19, 2012 and in November 5, 2012 the Natura Cosméticos S.A. ("applicant") has submitted its Initial Claims. In December 18, 2012, RB Capital presented his replica and your request opposed and in January 21, 2013, Natura presented his final manifestation. The legal advisors assess the possibility of loss as possible, considering the still very early stage of the dispute arbitration.

Tax assessment with the possibility of loss as remote

The subsidiary Natura cosmetics industry and Commerce Ltda. was assessed in December 20, 2012 by the internal revenue service of Brazil – RFB in the total amount of R$627,876, being two violation notices the first referring to the IPC representing R$297,130 and the second to PIS and COFINS representing R$330,746 the value plus fines and interest totals R$1,367,072. Violation notices in both the main challenge of the tax authorities is that the subsidiary would have practiced incorrect prices on sales operations for Natura Cosméticos S.A. and, therefore, the basis for calculation of taxes (IPI, PIS and Cofins) would be less than due. To reach this conclusion, the tax authorities criticize Natura's organizational structure, separation of the operational activities of industrialization and distribution in different legal entities, as well as the profit margin adopted by the subsidiary for the purpose of selling price in transactions intended for Natura, its interdependent pursuant to current legislation for IPI. The internal and external lawyers ' opinion is that the arguments brought by the tax authorities are not considering the legislation in force at the time of the facts, the legal system in which it is inserted this legislation, as well as the current administrative jurisprudence with several favorable precedent, and therefore the chances of both violation notices are considered remote.

Contingent assets

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, 2012, are R$22,718 (R$21.935 as of December 31, 2011). 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$21,915 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. Considering that there was a decision issued by the Federal Regional Court – TRF of 3rd region in favor of the Company, this credit is no longer classified as contingent asset, as mentioned in Note 9.

b) 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 March 2004 to March 2007. The amounts of the refund requests as of December 31, 2012 are R$108,618(R$135.305 as of December 31, 2011). The legal counsel believes that the likelihood of a favorable outcome is probable.

The Company and its subsidiaries do not recognize the above mentioned contingent assets in the financial statements, in accordance with CPC 25 - Provisions, Contingent liabilities and Contingent Assets.

19. OTHER PROVISIONS

	Company		Consolidated	
	2012	2011	2012	2011
Retirees' healthcare plan	41,709	19,332	54,886	28,132
Carbon credit	13,686	16,486	13,686	16,486
Other provisions	13,365	-	20,389	191
	68,760	35,818	88,961	44,809

The Group has a postemployment healthcare plan for a group of former employees and their spouses that is governed by specific rules. The recognition of actuarial gains and losses is immediate by result as mentioned in notes 2.23. As of December 31, 2011, the plan had 1,073 (Company) and 2,144 (Consolidated) participants.

As of December 31, 2012, the Group had a provision for the actuarial liability arising from this plan, totaling R$41,709 (Company) and R$54,886 (Consolidated) (R$19,332, Company and R$28,132, Consolidated as of December 31, 2011).

During this period the effects from this plan are recorded in the income statement as a cost of service representing an amount of R$1,985 – Company and R$2,737 – Consolidated, and interest cost, as a result of decreased returns during the year due to reductions in the Selic tax by the Committee of Monetary Policy (Copom), amounting to R$20,392 – Company and R$24,017 – Consolidated.

The carried liability was calculated by an independent actuary taking into consideration the following main assumptions:

	Annual percentage (in nominal terms)	
	2012	2011
Financial discount rate	9.50	10.5
Increase in medical expenses	11.2 a 6.2	10.5 a 5.5
Long-term inflation rate	5.2	4.5
Final rate of medical inflation – after 10 years	6.20	5.50
Rate of growth of medical costs for ageing costss	3.50	3.50
Rate of growth of medical costs for aging contributions	1.50	1.50
Invalidity table	Wyatt 85 Class 1	Wyatt 85 Class 1
General mortality table	RP2000	RP2000
Turnover table	T-9 service table	T-9 service table

The changes in the actuarial liability for the year ended December 31, 2012 are as follows:

	2012	2011
Company current service cost	1,588	1,423
Cost of interest	2,915	2,497
Recognition of actuarial Losses/(Gains)	22,251	4,499
	26,754	8,419

20. SHAREHOLDERS' EQUITY

a) Issued capital

As of December 31, 2012, the Company's capital was R$427.073.

In the year of 2012 there was no change in capital, which is made up of 431,239,264 subscribed and paid-up common registered shares. The Company is authorized to increase its capital, irrespective of an amendment to the articles of incorporation, up to the limit of 441,310,125 (for hundred and forty-one million, three hundred and ten thousand, one hundred and twenty-five) common shares with no par value by resolution by the Board of Directors, which will lay down the issuance conditions, including price and deadline for payment.

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, in the period, of previously recognized reserves for contingencies.

• Decrease in the amounts intended for the recognition, in the period, of the legal reserve and reserve for contingencies.

• Whenever the amount of the minimum mandatory dividend exceeds the portion of the net income realized for the year, management may propose, and the General Assembly approve, to allocate the excess to the earnings reserve.

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 18, 2012 dividends were paid in the amount of R$467,324 (R$1.09117684 per share) and interest on capital in the amount of R$23,627, before taxes (R$0.05516776 per share, before taxes), in accordance with the distribution of net income for the year ended December 31, 2011, approved by the Board of Directors on February 15, 2012 and confirmed by the Annual Shareholders' Meeting held on April 13, 2012. Such amount plus the dividends in the amount of R$295,302 and interest on capital in the amount of R$37,506 which were paid in August 2011 totals a distribution of approximately 99% of the net income for the year ended December 31, 2011.

On July 25, 2012, the Board of Directors approved the payment of interim dividends and interest on equity, referring to the results earned in this quarter 2012, in the amount of R$327,018 (R$0.76223929 per share) and R$36,515, before taxes (R$0.08511173 gross per share), respectively. The total amount of interim dividends and interest on equity corresponds to 99% of consolidated net income recorded the first semester of 2012.

On August 15, 2012 interim dividends and interest on equity were paid.

In addition, on February 6, 2013, the Board of Directors approved a proposal to be submitted to the Annual Shareholders' Meeting to be held on April 12, 2013, for the payment of dividends and gross interest on capital totaling R$469,512 and R$21,831 (R$18,557, net of IRRF), respectively, related to income for 2012, which added to the R$327,018 in dividends and the R$36,515 in interest on capital paid in August 2012 correspond to a distribution of approximately 100% of net income for 2012

Dividends were calculated as follows:

	Company	
	2012	2011
Net income for the year	861.222	830.901
Tax incentive reserve - investment grant	(6.346)	(3.677)
Calculation basis for minimum dividends	854.876	827.224
Mandatory minimum dividends	30%	30%
Annual minimum dividend	256.463	248.167
Proposed dividends	796.531	762.563
Interest on capital	58.347	61.130
IRRF on interest on capital	(8.752)	(9.170)
Total dividends and interest on capital, net of IRRF	846.126	814.523
Amount exceeding mandatory minimum dividend	589.663	566.356
Dividends per share - R$	1,8559	1,7760
Interest on capital per share, net - R$	0,1156	0,1208
Total dividends and interest on capital per share, net - R$	1,9715	1,8968

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, 2012 and 2011, the following portions of dividends exceeding mandatory minimum dividends were recorded in shareholders' equity as 'Proposed additional dividends':

	Company	
	2012	2011
Dividends	469,512	467,261
Interest on capital	21,831	23,624
	491,343	490,885

c) Treasury shares

The Company repurchased during the period of 2011 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.

As of December 31, 2012 and 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

	2012		
	Number of shares	R$'000	Average price per share - R$
Balance at beginning of year	3.021.757	102.849	34,04
Used	(1.080.412)	(36.744)	34,01
Balance at yearend	1.941.345	66.105	34,05

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. During the period ended on December 31, 2012, the use of 1,080,412 treasury shares in connection with the stock option plan involved premium of R$5,910.

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 the years from 2006.

f) Retained earnings reserve

As of December 31, 2012, the company did not record retained earnings reserves pursuant to article 196 of the law No. 6,404/76 (R$3,530 as of December 31, 2011). The retention of the reservation for the 2011 financial year is based on capital budget, prepared by the administration which took place at the annual general meeting held on April 12, 2013.

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.

21. 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: (a) Argentina, Chile and Peru ("Consolidating Operations"); and (b) Mexico and Colombia ("Operations in Implementation"). 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 2012:

- Brazil: 88,5%
- Operations under Implementation: 3.6%
- Consolidating Operations: 7,7%
- Other: 0.2%

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 segments of The Company has been evaluated on the basis of the information described in the table 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.

	2012							
	Net revenue	Net income	Depreciation and amortization	Financial expenses, net	Income tax	Noncurrent assets	Total assets	Current liabilities
Brazil	5,614,178	907,359	(132,712)	(90,920)	(402,117)	1,938,162	4,968,316	2,202,910
Argentina, Chile and Peru	487,171	13,985	(5,074)	(2,239)	(11,771)	25,586	277,465	151,104
Mexico and Colombia	226,713	(45,436)	(2,913)	(291)	(990)	14,271	97,875	54,177
Other (*)	17,607	(14,686)	(479)	-	-	19,043	31,723	6,521
Consolidated	6,345,669	861,222	(141,178)	(93,450)	(414878)	1,997,062	5,375,379	2,414,712

	2012							
	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	335,058	(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

(*) 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.

22. NET REVENUE

	Company		Consolidated	
	2012	2011	2012	2011
Gross revenue:				
Domestic market	7,627,373	6,898,727	7,626,061	6,896,735
Foreign market	-	-	938,623	637,593
Other sales	-	-	1,409	1,437
	7,627,373	6,898,727	8,566,093	7,535,765
Returns and cancellations	(19,145)	(11,514)	(26,147)	(12,212)
Taxes on sales	(1,359,142)	(1,038,436)	(2,194,277)	(1,932,179)
Net revenue	6,249,086	5,848,777	6,345,669	5,591,374

23. OPERATING EXPENSES AND COST OF SALES

a) Breakdown of operating expenses and cost of sales by function:

	Company		Consolidated	
	2012	2011	2012	2011
Cost of sales	2,438,873	2,375,514	1,868,045	1,666,300
Marketing and selling expenses	1,642,380	1,503,069	2,212,205	1,952,740
General and administrative expenses	899,128	816,818	772,688	680,730
Employee profit sharing	29,555	3,765	90,799	30,168
Management compensation (note 28.2)	20,739	9,443	20,739	9,443
Total	5,030,675	4,708,609	4,964,476	4,339,381

b) Breakdown of operating expenses and cost of sales by nature:

	Company		Consolidated	
	2012	2011	2012	2011
Cost of sales	2,438,873	2,375,514	1,868,045	1,666,300
Raw material/ packaging Material	2,438,873	2,375,514	1,548,593	1,387,027
Workforce	-	-	170,334	156,658
Depreciation	-	-	48,849	38,600
Others	-	-	100,269	84,015
Marketing and selling expenses	1,642,380	1,503,069	2,212,205	1,952,740
Freight	259,176	242,744	263,301	248,954
Marketing, sales force	1,363,747	1,246,072	1,926,051	1,684,100
Depreciation	19,457	14,253	22,853	19,686
General and administrative expenses	949,422	830,026	884,226	720,341
Research and development	-	-	158,870	146,696
Other administrative expenditure	854,991	803,507	544,340	482,398
Depreciation	44,137	13,311	69,478	51,636
Employee profit sharing	29,555	3,765	90,799	30,168
Management compensation (note 28,2)	20,739	9,443	20,739	9,443
Total	5,030,675	4,708,609	4,964,476	4,339,381

24. EMPLOYEE BENEFITS

	Company		Consolidated	
	2012	2011	2012	2011
Payroll and bonuses	230,801	183,741	521,149	439,684
Employee profit sharing (note 24,1)	37,709	3,765	90,799	30,168
Pension plan (note 24,3)	3,368	2,553	4,849	4,300
Executives' compensation	2,711	6,359	10,844	13,369
Taxes payable	84,265	67,122	175,882	157,462
	358,854	263,540	803,523	644,983

24.1. 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, 2012 and 2011, the amounts below were recorded as profit sharing:

	Company		Consolidated	
	2012	2011	2012	2011
Employees	29,555	3,765	90,799	30,168
Officers (*)	8,154	-	8,154	-
	37,709	3,765	98,953	30,168

(*) Included in line item 'Management compensation'.

24.2. Executives' compensation

The Board of Directors, upon granting of options, meets annually in order to establish the option granting plan for the current year, on the basis approved by the General Meeting, indicating the directors and managers who will receive the options and the total number to be distributed.

Under the program format valid until 2008, the options granted had maturity term of four years. Under this format, 50% of the options matured at the end of the third year and the remaining 50% matured at the end of the fourth year. The maximum option exercise term is of 6 years as from March 30 of the year in which the related plan was approved.

In 2009, the program format was changed so that 100% of the options were considered to have matured at the end of the fourth year, with the possibility of early maturity at the end of the third year, under the condition of cancelation of 50% of the options granted in the plans. The maximum option exercise term started to be of 8 years as from the Board of Directors Meeting that approved the plan.

The changes in the number of outstanding stock options and their related weighted-average prices are as follows:

	2012		2011	
	Average exercise price per share - R$	Options (thousands)	Average exercise price per share - R$	Options (thousands)
Balance at beginning of year	32.84	7,363	28,10	6,839
Granted	-	-	42,39	1,492
Cancelled	34.34	(298)	29,35	(563)
Exercised	28.58	(1,080)	25,33	(405)
Balance at yearend	35.52	5,985	32,84	7,363

Out of the 5,985,000 outstanding options as of December 31, 2012 (7,363,000 outstanding options as of December 31, 2011), 1,670,000 outstanding options are vested (1,214,000 outstanding options as of December 31, 2011). The options exercised in 2012 did not result on the issuance of shares (405,000 shares in for the year ended December 31, 2011) and in the use of 1,080,000 of the shares held in treasury instead (45,000 shares held in treasury as of December 31, 2011).

The expense related to the fair value of the options granted during the year ended December 31, 2012, according to the elapsed vesting period, was R$2,711 and R$10,844, Company and on a consolidated basis, respectively (R$6,359 and R$13,369 Company and on a consolidated basis, respectively, as of December 31, 2011).

The stock options outstanding at the end of the year have the following vesting dates and exercise prices:

As of December 31, 2012

Grant date	Exercise price - R$	Existing options	Remaining contractual life (years)	Vested options
April 25, 2007	31.90	163,099	0.32	163,099
April 22, 2008	24.77	454,686	1.33	454,686
April 22, 2009	27.02	2,104,834	4.37	1,052,417
March 19, 2010	39.65	1,766,059	5.29	-
March 23, 2011	46.27	1,496,752	6.29	-
		5,985,430		1,670,202

As of December 31, 2011

Grant date	Exercise price - R$	Existing options	Remaining contractual life (years)	Vested options
March 16, 2005	31.97	319,317	0.21	319,317
March 29, 2006	30.24	470,274	1.33	470,274
April 24, 2007	23.48	848,250	2.34	424,125
April 22, 2008	25.61	2,249,793	5.39	-
April 22, 2009	37.58	2,004,244	6.31	-
March 19, 2010	43.85	1,470,940	7.31	-
		7,362,818		1,213,716

As of December 31, 2012, market price per share was R$58.64 (R$36.26 as of December 31, 2011).

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, 2012 was R$35.52.

Significant data included in the fair value pricing model of the options granted in 2011:

- Volatility of 36% (37% as of December 31, 2010).
- Dividend yield of 5.3% (5.3% as of December 31, 2010).
- Expected option life of three and four years.
- Risk-free annual interest rate of 10.9% (10.8% as of December 31, 2010).

In 2012 no stock options were granted.

24.3. 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, 2012, 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$3,368 (Company) and R$4,849 (Consolidated) in the period ended December 31, 2012 (R$2,553, Company and R$4,300, Consolidated in the in the period ended December 31, 2011) and were recorded as expenses in the period.

25. FINANCIAL INCOME (EXPENSES)

	Company		Consolidated	
	2012	2011	2012	2011
Financial income:				
Interest on short-term investments	41.895	21,707	60,462	55,463
Inflation adjustment and foreign exchange gains (a)	-	-	5,361	3,218
Gains on swap and forward transactions (b)	71,961	40,438	72,224	39,468
Other financial income	15,975	24,357	23,761	24,549
	129,831	86,502	161,808	122,698
Financial expenses:				
Interest on financing	(85,307)	(72,487)	(100,963)	(92,044)
Inflation adjustment and foreign exchange losses (a)	(51,150)	(36,496)	(52,664)	(38,266)
Losses on swap and forward transactions (b)	(56,458)	(26,359)	(56,759)	(27,688)
Gains (losses) on the mark-to-market of swap and forward derivatives	12,706	(1,171)	12,854	(1,040)
Other financial expenses	(36,756)	(26,734)	(57,726)	(41,000)
	(216,965)	(163,247)	(255,258)	(200,038)
Financial expenses, net	(87,134)	(76,745)	(93,450)	(77,340)

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	
	2012	2011
(a)		
Inflation and exchange gains	5,361	3,218
Inflation and exchange losses	(52,664)	(38,266)
	(47,303)	(35,048)
(a) Breakdown		
Exchange rate changes on loans and financing	(50,133)	(32,103)
Adjustment for inflation on financing	41	(55)
Exchange rate changes on imports	1,655	(2,256)
Exchange rate changes on accounts payable in foreign subsidiaries	(2,531)	(3,852)
Exchange rate changes on export receivables	3,665	3,218
	(47,303)	(35,048)
(b)		
Gains on swap and forward transactions	72,224	39,468
Losses on swap and forward transactions	(43,904)	(28,728)
	28,320	10,740
(b) Breakdown		
Exchange rate changes on swaps	49,959	32,943
Gains (losses) on the mark-to-market of swap and forward derivatives	12,854	(1,040)
Income from foreign exchange coupon swaps	22,265	6,525
Financial costs of swaps	(56,758)	(27,688)
	28,320	10,740

26. OTHER OPERATING INCOME (EXPENSES), NET

	Company		Consolidated	
	2012	2011	2012	2011
Gain (loss) on sale of property, plant and equipment	1,460	918	894	(1,125)
PIS and COFINS credits (*)	715	11,887	1,665	16,852
Untimely used PIS and COFINS credits	7,311	15,461	11,617	40,378
Other operating income (expenses)	5,986	15,313	(25,819)	6,972
Other operating income (expenses), net	15,472	43,579	(11,643)	63,077

(*) 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.

27. EARNINGS PER SHARE

27.1. 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.

	2012	2011
Net income attributable to owners of the Company	861.222	830.901
Weighted average of common shares issued - thousands	431.239.264	431.129.772
Weighted average of treasury shares	(2.362.295)	(1.059.330)
Weighted average of outstanding common shares	428.876.969	430.070.442
Basic earnings per share - R$	2,0081	1,9320

27.2. 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.

	2012	2011
Net income attributable to owners of the Company	861.222	830.901
Weighted average of outstanding common shares	428.876.969	430.070.442
Adjustment for stock options	2.159.288	930.348
Weighted average number of common shares for diluted earnings per share calculation purposes	431.036.257	431.000.790
Diluted earnings per share - R$	1,9980	1,9278

28. RELATED-PARTY TRANSACTIONS

28.1. Intergroup balances and transactions

Receivables from and payables to related parties are as follows:

	Company	
	2012	2011
Current assets:		
Natura Inovação e Tecnologia de Produtos Ltda. (a)	10.419	12.531
Natura Logística e Serviços Ltda. (b)	8.597	20.809
Indústria e Comércio de Cosméticos Natura Ltda. (c)	6.892	4.568
	25.908	37.908
Current liabilities:		
Trade payables:		
Indústria e Comércio de Cosméticos Natura Ltda. (c)	159.460	163.146
Natura Logística e Serviços Ltda. (d)	38.024	114.737
Natura Inovação e Tecnologia de Produtos Ltda. (e)	57.051	15.141
	254.535	293.024
Dividends and interest on capital payable	515	217

Related-party transactions are as follows:

	Product sales		Product purchases	
	2012	2011	2012	2011
Indústria e Comércio de Cosméticos Natura Ltda.	3.042.587	3.155.905	-	-
Natura Cosméticos S.A. - Brazil	-	-	2.815.267	2.972.918
Natura Cosméticos S.A. - Peru	-	-	37.841	35.382
Natura Cosméticos S.A. - Argentina	-	-	73.032	49.852
Natura Cosméticos S.A. - Chile	-	-	50.211	33.211
Natura Cosméticos S.A. - Mexico	-	-	41.440	38.715
Natura Cosméticos Ltda. - Colombia	-	-	20.100	19.989
Natura Europa SAS - France	-	-	3.463	5.365
Natura Inovação e Tecnologia de Produtos Ltda.	-	-	1.217	431
Natura Logística e Serviços Ltda.	-	-	16	42
	3.042.587	3.155.905	3.042.587	3.155.905

	Product sales		Product purchases	
	2012	2011	2012	2011
Administrative structure: (f)				
Natura Logística e Serviços Ltda.	267,095	433,192	-	-
Natura Cosméticos S.A. - Brazil	-	-	209,876	323,715
Indústria e Comércio de Cosméticos Natura Ltda,	-	-	36,804	67,694
Natura Inovação e Tecnologia de Produtos Ltda,	-	-	20,415	41,783
	267,095	433,192	267,095	433,192
Product and technology research and development: (g)				
Natura Inovação e Tecnologia de Produtos Ltda,	256,910	235,877	-	-
Natura Cosméticos S.A. - Brazil	-	-	256,910	235,877
	256,910	235,877	256,910	235,877
Research and "in vitro" testing: (h)				
Natura Innovation et Technologie de Produits SAS - France	2,923	2,790	-	-
Natura Inovação e Tecnologia de Produtos Ltda,	-	-	2,923	2,790
	2,923	2,790	2,923	2,790
Lease of properties and shared charges: (i)				
Indústria e Comércio de Cosméticos Natura Ltda,	7,618	7,296	-	-
Natura Logística e Serviços Ltda,	-	-	4,414	4,227
Natura Inovação e Tecnologia de Produtos Ltda,	-	-	1,774	1,699
Natura Cosméticos S.A. - Brazil	-	-	1,430	1,370
	7,618	7,296	7,618	7,296
Total of sales or purchases and services	3,577,133	3,835,060	3,577,133	3,835,060

(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 intercompany balances as of December 31, 2012 and December 31, 2011, as well as the intercompany 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$7,851 for the period ended December 31, 2012 (R$5,341 for the period ended December 31, 2011).

There is no allowance for doubtful accounts recognized for intercompany receivables on December 31, 2012 and December 31, 2011 since there are no past-due receivables with risk of default.

According to note 15, the Group companies usually grant each other pledges and collaterals to guarantee bank loans and financing.

On March 26, 2012, Radar Cinema e Televisão Ltda. signed a contract with advertising agency that provides services to Natura Cosméticos S.A. for the production and use of intellectual property rights related to the programme "Natura TV", which resulted in costs incurred by Natura Cosméticos S.A., in the quarter and half in the amount of R $ 1,579. Messrs. Antonio Luiz da Cunha Seabra, Guilherme Peirão Leal and Pedro Luiz Barreiros Passos, who are part of the controlling block of Natura Cosméticos S.A., are the indirect holders of the controlling interest in Radar Cinema e Televisão Ltda..

On June 5, 2012, an agreement was signed between Indústria e Comércio de Cosméticos Natura Ltda. and Bres Itupeva Empreendimentos Imobiliários Ltda., ("Bres Itupeva"), for the construction and lease of a distribution center (HUB), in the city of Itupeva/SP. Messrs. Antonio Luiz da Cunha Seabra, Guilherme Peirão Leal and Pedro Luiz Barreiros Passos, members of the group of controlling shareholders of Natura Cosméticos S.A., indirectly hold controlling interest in Bres Itupeva.

28.2. Key management personnel compensation

	2012			2011		
	Compensation			Compensation		
	Fixed	Variable (*)	Total	Fixed	(*)	Total
Board of Directors	5,654	2,344	7,998	3,786	-	3,786
Officers (statutory)	6,931	5,810	12,741	5,657	-	5,657
Total	12,585	8,154	20,739	9,443	-	9,443
Executives (not statutory)	28,964	20,345	49,309	30,587	2,390	32,977

(*) 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.

28.3. Share-based payments

Breakdown of Company officers and executives' compensation:

	2012		2011	
	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	1.564.890	35,52	1.700.155	32,84
Executives	2.666.136	35,52	3.173.327	32,84

(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.

29. COMMITMENTS

29.1. 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, 2012, 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:

	2012	2011
Less than a year	3.983	3.983
More than one year and less than five years	6.929	9.842
	10.912	13.825

29.2. 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, 2012, the commitment made for future payments of these operating leases had the following maturities:

	Company	Consolidated
Less than a year	11,122	15,555
More than one year and less than five years	19,606	25,592
More than five years	507	973
	31,235	42,120

30. INSURANCE

The 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, 2012, insurance coverage is as follows:

Item	Type of coverage	Insured amount
Industrial complex/ inventories	Any damages to buildings, facilities, and machinery and equipment	965.529
Vehicles	Fire, theft and collision for 1,286 vehicles	55.159
Loss of profits	Loss of profits due to material damages to facilities, buildings and production machinery and equipment	1.765.099

31. 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 6, 2013.

INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS

Independent Auditors' Limited Assurance Report on the Sustainability Report as of 2012

Introduction

We were engaged by Natura Cosméticos S/A to present our limited assurance report on the information contained in the Sustainability Report in accordance with the GRI Level A version 3.1. guidelines for the twelve-month period ended December 31, 2012.

Company management's responsibilities

Natura Cosméticos S/A management is responsible for a more appropriate preparation and presentation of the Sustainability Report information for the twelve-month period ended December 31, 2012, in accordance with its own criteria, assumptions and methodologies and internal control it determines is necessary to enable the preparation of information that is free of material misstatement, whether caused by fraud or error.

Independent auditors' responsibility

Our responsibility is to express a conclusion on the Natura Cosméticos S/A's Sustainability Report information for the twelve-month period ended December 31, 2012, based on the limited assurance work conducted in accordance with Technical Release nº 07/2012, approved by the Brazil's National Association of State Boards of Accountancy (CFC) in light of NBC TO 3000 (Assurance Work Other Than Audit or Review), issued by the CFC, which is equivalent to international standard ISAE 3000, issued by the International Federation of Accountants, applicable to non-historical information. These standards call for compliance with ethic requirements, including independence and work carried out to obtain limited assurance that the Natura Cosméticos S/A's Sustainability Report for the twelve-month period ended December 31, 2012 is free of material misstatement.

A limited assurance work conducted in accordance with NBC TO 3000 (ISAE 3000) consists mainly of inquires of management and other Company professionals involved in the preparation of the Sustainability Report, as well as of the application of additional procedures deemed necessary to obtain evidence which enables us to conclude on the limited assurance on the Sustainability Report. A limited assurance work also requires additional procedures, as the independent auditor becomes aware of matters which lead him to believe that the Sustainability Report information may contain material misstatement.

The selected procedures relied on our understanding of the aspects concerning the compilation and presentation of the Sustainability Report information and other circumstances of the work and our consideration on the areas where material misstatements might occur. The procedures comprised:

(a) the planning of the work, considering the materiality, the volume of quantitative and qualitative information and the operating and internal control systems which supported the preparation of Natura Cosméticos S/A's Sustainability Report information;

(b) the understanding of the calculation methodology and the procedures for preparation and compilation of indicators through interviews with management in charge of preparing the information;

(c) the application of analytical procedures on quantitative information and inquires about qualitative information and its relation with the indicators disclosed in the Sustainability Report;

(d) comparison of the financial indicators with the financial statements and/or accounting records.

The limited assurance work also comprised the adherence to GRI 3.1 level A reporting framework guidelines and criteria applicable to the preparation of the Sustainability Report information.

We believe that the evidence obtained in our work was sufficient and appropriate to provide a basis for our limited conclusion.

Scope and limitations

The procedures applied in a limited assurance work are substantially less in scope than those applied in an assurance work aimed at issuing an opinion on the Sustainability Report information. As a consequence, we are not in a position to obtain assurance that we are aware of all matters which would be identified in an assurance work aimed at issuing an opinion. Had we carried out a work to issue an opinion, we could have identified other matters or misstatements in the Sustainability Report information. Accordingly, we did not express an opinion on this information.

The non-financial data is subject to further inherent limitations than financial data, given the nature and diversity of methods used to determine, calculate or estimate such data. Qualitative interpretations of materiality, significance and accuracy of data are subject the individual assumptions and judgments. Also, we did not carry out any work on data reported for prior periods nor in relation to future projections and goals.

Conclusion

Based on the procedures performed and herein described, nothing came to our attention that makes us believe that Natura Cosméticos S/A's Sustainability Report information was not compiled, in all material respects, in accordance with the GRI 3.1 level A guidelines and with Natura Cosméticos S/A's own criteria, assumptions and methodologies.

São Paulo, april 1, 2013

ERNST & YOUNG TERCO

Auditores Independentes S.S.
CRC 2SP015199/O-6

Fernando A. S. Magalhães
Contador CRC – 1SP 133169/O-0

assurance declaration

INDEPENDENT AUDITORS' LIMITED ASSURANCE REPORT ON THE SUSTAINABILITY REPORT AS OF 2012

Introduction

We were engaged by Natura Cosméticos S/A to present our limited assurance report on the information contained in the Sustainability Report in accordance with the GRI Level A version 3.1. guidelines for the twelve-month period ended December 31, 2012.

Company management's responsibilities

Natura Cosméticos S/A management is responsible for a more appropriate preparation and presentation of the Sustainability Report information for the twelve-month period ended December 31, 2012, in accordance with its own criteria, assumptions and methodologies and internal control it determines is necessary to enable the preparation of information that is free of material misstatement, whether caused by fraud or error.

Independent auditors' responsibility

Our responsibility is to express a conclusion on the Natura Cosméticos S/A's Sustainability Report information for the twelve-month period ended December 31, 2012, based on the limited assurance work conducted in accordance with Technical Release nº 07/2012, approved by the Brazil's National Association of State Boards of Accountancy (CFC) in light of NBC TO 3000 (Assurance Work Other Than Audit or Review), issued by the CFC, which is equivalent to international standard ISAE 3000, issued by the International Federation of Accountants, applicable to non-historical information. These standards call for compliance with ethic requirements, including independence and work carried out to obtain limited assurance that the Natura Cosméticos S/A's Sustainability Report for the twelve-month period ended December 31, 2012 is free of material misstatement.

A limited assurance work conducted in accordance with NBC TO 3000 (ISAE 3000) consists mainly of inquires of management and other Company professionals involved in the preparation of the Sustainability Report, as well as of the application of additional procedures deemed necessary to obtain evidence which enables us to conclude on the limited assurance on the Sustainability Report. A limited assurance work also requires additional procedures, as the independent auditor becomes aware of matters which lead him to believe that the Sustainability Report information may contain material misstatement.

The selected procedures relied on our understanding of the aspects concerning the compilation and presentation of the Sustainability Report information and other circumstances of the work and our consideration on the areas where material misstatements might occur. The procedures comprised:

(a) the planning of the work, considering the materiality, the volume of quantitative and qualitative information and the operating and internal control systems which supported the preparation of Natura Cosméticos S/A's Sustainability Report information;

(b) the understanding of the calculation methodology and the procedures for preparation and compilation of indicators through interviews with management in charge of preparing the information;

(c) the application of analytical procedures on quantitative information and inquires about qualitative information and its relation with the indicators disclosed in the Sustainability Report;

(d) comparison of the financial indicators with the financial statements and/or accounting records.

The limited assurance work also comprised the adherence to GRI 3.1 level A reporting framework guidelines and criteria applicable to the preparation of the Sustainability Report information.

We believe that the evidence obtained in our work was sufficient and appropriate to provide a basis for our limited conclusion.

Scope and limitations

The procedures applied in a limited assurance work are substantially less in scope than those applied in an assurance work aimed at issuing an opinion on the Sustainability Report information. As a consequence, we are not in a position to obtain assurance that we are aware of all matters which would be identified in an assurance work aimed at issuing an opinion. Had we carried out a work to issue an opinion, we could have identified other matters or misstatements in the Sustainability Report information. Accordingly, we did not express an opinion on this information.

The non-financial data is subject to further inherent limitations than financial data, given the nature and diversity of methods used to determine, calculate or estimate such data. Qualitative interpretations of materiality, significance and accuracy of data are subject the individual assumptions and judgments. Also, we did not carry out any work on data reported for prior periods nor in relation to future projections and goals.

Conclusion

Based on the procedures performed and herein described, nothing came to our attention that makes us believe that Natura Cosméticos S/A's Sustainability Report information was not compiled, in all material respects, in accordance with the GRI 3.1 level A guidelines and with Natura Cosméticos S/A's own criteria, assumptions and methodologies.

São Paulo, april 1, 2013

ERNST & YOUNG TERCO

Auditores Independentes S.S.

CRC 2SP015199/O-6

Fernando A. S. Magalhães
Contador CRC – 1SP 133169/O-0

Global Reporting Initiative™

Statement
GRI Application Level Check

GRI hereby states that **NATURA COSMETICS** has presented its report "NATURA REPORT" (2013) 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. For methodology, see www.globalreporting.org/SiteCollectionDocuments/ALC-Methodology.pdf

Application Levels do not provide an opinion on the sustainability performance of the reporter nor the quality of the information in the report.

Amsterdam, 5 April 2013

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 26 March 2013. GRI explicitly excludes the statement being applied to any later changes to such material.*

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