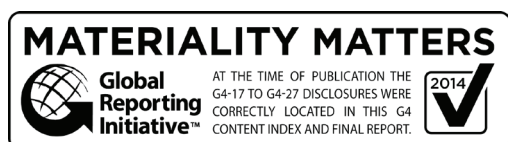


# natura annual report 2013

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full version

GRI



# Summary

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## REASON FOR BEING

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

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

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

## VISION GRI G4-56

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.

## BELIEFS GRI G4-56

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.

## COMMITMENT TO THAT WHICH IS ESSENTIAL GRI G4-1/2

“The growth of equality demands something more than economic growth, even though it presupposes it. It demands first of all ‘a transcendent vision of the person’... I am convinced that from such an openness to the transcendent a new political and business mentality can take shape, one capable of guiding all economic and financial activity within the horizon of an ethical approach which is truly humane. I ask you to ensure that humanity is served by wealth and not ruled by it”.

Excerpt from Pope Francis’ message to the World Economic Forum, January 17, 2014.

In Brazil and worldwide, we are experiencing a growing desire for change. Amidst the absence of global leaders capable of offering viable alternatives to address the uncertainties our society faces, the words and presence of Pope Francis are emblematic. Irrespective of creed, the stance adopted by the first Latin American pope rapidly attracted global attention with its simplicity, its advocacy of essential issues and a quest for common good. It is significant that his historical reminder to the leaders of the world’s major economies that our civilization is locked in a production model insensitive to fundamental societal questions demanding responsible solutions should have come from a spiritual leader.

Pope Francis’ unexpected and transformational strength brings to mind the famous phrase of the French thinker André Malraux: “The 21st century will be spiritual or will not be”. Irrespective of the interpretations religiousness or spirituality may inspire, it seems clear that a transcendent vision of mankind is linked fundamentally with the renewal of ethical principles. A much needed mindset that guides individual, social, business and government actions in the light of altruism. And that revives hope, driving an effective quest for new, more humane and supportive forms of managing public and private activities.

As an organization that has always been committed to life, Natura identifies with this yearning for transformation, enabling forms of development capable of addressing our current economic, social and environmental challenges. Our governance model has evolved, enabling us to face the future with greater confidence. Our contribution is reflected not only in our business conduct, but also in the concepts behind our products. In this context, innovation has been, is and will continue to be key to our strategy. The expression of Natura’s identity, it drives evolution in every aspect of

the company’s activities. This is evident in the company’s new research center in New York, complementing the existing centers in Cajamar (São Paulo) and in the Amazon region. Natura is also commemorating the first year of the integration of the Australian brand Aesop, which has blended perfectly into our culture, introducing new creative approaches to the Natura universe and boosting our potential to impact new audiences and geographies.

It has become increasingly evident that we have an enormous opportunity to take our value proposition to new geographies. The significant results and the recognition our operations have gained in Latin America are encouraging, but we are aware that our continued success will depend on the development of new capabilities throughout the decade.

In Brazil, we undertook major investments to prepare Natura for a further cycle of business evolution, with the inauguration of new facilities in São Paulo and the Ecoparque, an industrial park located in Pará, aimed at attracting companies interested in developing sustainable businesses, as well as fomenting local enterprise.

Based on our results and our promising initiatives in 2013, we reaffirm our conviction that Natura will continue to seek responses to the concerns which drive our commitment to well being well. We wish to join forces with all those who share these same ideals so we may build a world in which quality of life is simply essential.

**Antonio Luiz da Cunha Seabra**  
**Pedro Luiz Barreiros Passos**  
**Guilherme Peirão Leal**  
Founding partners

# EVER MORE NATURA GRI G4-1/2

Our results in 2013 strengthened our conviction that Natura should extend its frontiers far beyond its current operations. Our value proposition, based on promoting well being well, on relationship selling and on business conduct aligned with sustainable development, has more than shown its potential for conquering new markets and consumers, be it in the countries in which we already have a presence, be it in others. The robust results in our Latin American operations reinforce this perception. By the end of 2013, these accounted for 14% of our business, growing at over 30% annually in recent years, and now showing a significant increase in profitability. In Mexico, we reached the landmark of 100 thousand consultants in January, confirming the power of our brands in these markets.

In Brazil, 2013 was a year of recovery, with a slow start and a resumption in growth from the second half. Increased productivity in our network will be driven by growth in purchase frequency and in the number of categories consumers acquire. This will be supported by a series of initiatives implanted in recent years: the redesign of the company's production and distribution capacity and investments in marketing and innovation capacity, among other factors. Faced with ever growing competition, we are confident we have laid the foundations upon which our consultants will increase their business volume with Natura. Here a fundamental element is the quality of the service Natura provides, with new records in order fulfillment and delivery times in 2013.

We ended 2013 with net revenues of R\$ 7.01 billion, R\$ 1.61 billion in Ebitda, and a net profit of R\$ 842.6 million – results which were obtained amidst a vigorous cycle of investment in our operations, in our logistics model and, increasingly, in information technology. In this respect, 2013 will also be remembered for the birth of the Natura Network, employing digital technologies and connectivity as levers for direct selling. Tested successfully in São Paulo state, the Network will be expanded to other regions in Brazil throughout 2014. This is one of the first results of a strategy in which we envision a Natura

that serves consumers through different media and categories. A Natura that extends beyond cosmetics, fragrances and hygiene products, beyond the borders of Latin America, with brands occupying spaces in distinct markets – as is the case with Aesop, an Australian company acquired at the beginning of 2013 which proposes a new dimension in urban beauty, operating in market spaces which are new for us.

Similarly, Natura reaffirms the importance of sustainability as a driver of innovation and new business. The company retains its focus on a sustainable development model with key targets, initiated in 2007 with the decision to reduce greenhouse gas emissions by 33%, a landmark that was reached in December 2013.

To capture new opportunities in the market and in its relationship network, Natura implanted a new organizational design and expanded the executive group, advances that coincided with the best result ever in the organizational climate survey since its inception in 1994.

Natura also recognizes that the transformations occurring in society affect the world of work, accelerating the quest for new forms of relationship between people and companies and promoting an indispensable alignment between societal zeitgeist and well being well. Even against this backdrop of constant change, which by its very nature generates a high degree of uncertainty, we believe that every day the company is growing in the knowledge and in the competencies that that will help it achieve its ambitions. We look forward to being part of the germination of a new cycle of development in which, paradoxically, the company will be substantially different in the coming years in order that, above all, it may be ever more Natura.

**Alessandro Carlucci**  
President

# WHO WE ARE

GRI G4-3/4/5/6/8/9/13

Since its foundation in 1969, Natura has been driven by its passion for cosmetics, relationships and the ongoing promotion of well being, quality in relationships and sustainable development. The business is based on a direct selling model, which currently involves more than 1.6 million Natura consultants (NCs) in Brazil and in its International Operations.

We also have approximately 7 thousand employees in Brazil and in the International Operations (IOs), and partner with more than 5 thousand suppliers and outsourced suppliers (companies that manufacture finished products in Natura's name), as well as 32 supplier communities and 3,100 families, who extract the social biodiversity ingredients used in our portfolio.

Our head office is located in Cajamar (São Paulo), where we also have three factories and our Global Innovation Center, recognized as the largest cosmetics development laboratory in Latin America. In Benevides (Pará), we have a soap factory, which at the beginning of 2014 moved to the Ecoparque, a Natura-led industrial complex which will enable us to expand production and attract other companies interested in sustainable business development. Benevides also hosts a Natura science and technology center. In Manaus (Amazonas), the company maintains Nina (the Natura Amazônia Innovation Center).

The company has four commercial offices, in Salvador (Bahia), Alphaville (São Paulo), Rio de Janeiro (Rio de Janeiro) and Porto Alegre (Rio Grande do Sul), and eight distribution centers in the country. In 2013, Natura São Paulo (Nasp) was inaugurated,

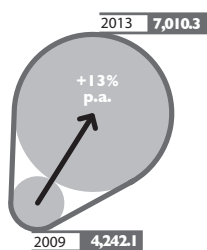
housing a new administrative unit and a modern distribution center, responsible for deliveries to São Paulo state. With the opening of the new DC, the Cajamar distribution center was deactivated. At the beginning of 2014, we concluded expansion work on the Cajamar manufacturing unit, where production of five new Sou and Tododia brand product lines will be concentrated.

Company activities in Latin America are concentrated in Argentina (where the regional office is based), Chile, Colombia, Mexico and Peru. Each country has a distribution center supporting the respective operation. The brand is also commercialized in Bolivia through local distributors. The model used in France is different, combining product sales with research in partnership with institutions of reference.

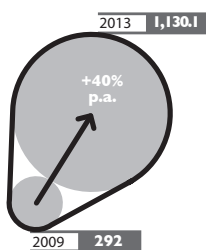
In 2013, Natura inaugurated a new innovation center in New York (United States), designed to drive an increasingly global innovation process. The year also saw the first anniversary of the acquisition of Aesop, an Australian brand focused on the premium cosmetics segment, with products commercialized in Oceania, Asia, Europe and North America. The company expects to open its first Aesop store in Brazil in 2014. Management of Natura and Aesop remain independent, but the economic-financial results of both companies are consolidated in this report.

## RESULTS

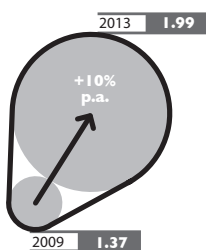
**Total annual revenues**  
(in R\$ MM)



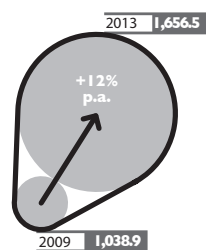
**Net Revenues IOs<sup>1</sup>**  
(in R\$ MM)



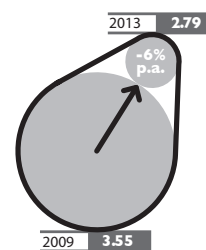
**Dividends**  
(in R\$ per share)



**Number of NCs**  
(in 000s)



**Relative CO<sub>2</sub> emissions**  
(kg CO<sub>2</sub>e/kg product)



1. International Operations. The 2013 figure includes Aesop.

PERFORMANCE

The year saw the maintenance of the pace of expansion in our International Operations and a resumption of growth in the Brazilian market from the second half of 2013.

The robust results in Brazil from July on were driven by investments in boosting production and distribution capacity, in marketing, in the launch of the Sou product line, as well as the success of our strategy for special dates, among other factors. These initiatives contributed to the recovery in sales and the 1.4% increase in the productivity rate of our consultants in the country – in the fourth quarter alone, productivity grew by 6.2%. In Brazil, net revenue totaled R\$ 5,880.2 million, an increase of 4.8% over 2012.

Worthy of note in the year was the maintenance of the strong growth rate in our International Operations. At the end of 2013, these accounted for 14.4% of sales, a record share since expansion in Latin America was stepped up from 2010. Net revenue for the group under consolidation, comprising Argentina, Chile and Peru, grew 34.3% (in local currency), while the operations being implanted – Mexico and Colombia – posted a 24.5% increase in net revenue.

Aesop also returned robust results aligned with its 2013 strategic plan. The number of new stores opened was 28. Currently, Aesop has 80 stores in 10 countries.

In the consolidated figures for Brazil and the IOs, net revenues increased by 10.5%, totaling R\$ 7.01 billion. Ebitda (earnings before interest, taxes, depreciation and amortization) was R\$ 1.61 billion, with net profit at R\$ 842.6 million, a retraction of 3.6% compared with 2012.

We continue to increase value generation for Natura's main stakeholders, as shown in our business model on page 10 (see ahead).

Specifically regarding sustainability-related investments and measures, total spending in 2013 was R\$ 127.7 million. The significant growth over the previous year was due to new projects, such as the Sou line, classified under research into new technologies, and other initiatives that were reassessed and included in the company's sustainability investment matrix. **GRI G4-EN31**

GRI G4-EN31

Sustainability Investment Matrix <sup>1</sup>	Unit	2011	2012	2013
Socio-environmental projects and programs <sup>2</sup>		8.2	9.2	17.3
Promoting dialog channels <sup>3</sup>		2.0	1.5	2.4
Education and training <sup>4</sup>		21.3	19.1	14.4
Research into sustainable technologies <sup>5</sup>		0.4	0.6	1.2
Management expenditures <sup>6</sup>	R\$MM	32.6	37.6	60.0
Certifications <sup>7</sup>		0.1	0.2	0.1
Clean technologies <sup>8</sup>		0.6	0.1	23.9
Wastewater treatment and solid waste disposal <sup>9</sup>		5.7	5.0	8.5
<b>Total</b>		<b>70.9</b>	<b>73.2</b>	<b>127.7</b>

**1** In 2013, projects developed in the year and others aligned with the Natura Sustainability Investment Matrix but initiated in previous years were included. **2** This refers to spending and investment in projects and programs related to priority topics: social biodiversity, climate change, water and solid waste. The most significant increase is due mainly to the inclusion of investment in sponsorship and associations for sustainability. Another increase was the development of new projects for the Amazon region, focused on the company's innovation strategy. **3** The increase in the amount was due to the inclusion of the Co-creating Project in the category in 2013. **4** The reduction was due to cost optimization in training, principally in teaching materials, program modernization, and the organization of virtual meetings etc. **5** The increase in investment was due to new research projects into sustainable technologies, developed in accordance with company innovation strategy. **6** The increase was due to the 2013 inclusion of private social investment, recognition of NCs and NCAs, integrated management, the NINA and the Radical Transparency projects, among others. **7** The reduction in investment in the ISO 9000 and ISO 14000 certification processes was due to the fact that, given their level of maturity, Natura processes were audited internally, whereas in 2012 the audits were external. **8** The increase was due mainly to the inclusion of investment in technologies for the development of the Sou line. **9** The increase in effluent treatment was due to the growth in spending on transporting and treating wastewater externally, due to increased demand, the replacement of the filter membranes in the treatment system and the purchase of drinking water for the Cajamar plant. The increased investment in waste disposal was caused by the startup of Nasp operations, transportation costs for finished product waste (due to risk control requirements) and the increased volume of finished product waste from production losses.

# SUSTAINABILITY PERFORMANCE

See the company's sustainability targets for 2013 and respective results:

2013 Target	2013 Performance
<b>WATER</b>	
Consume 0.39 liter of water/unit produced in Brazil.	NOT ACHIEVED Natura consumed 0.40 liter of water/unit produced in Brazil.
<b>EDUCATION</b>	
<b>Colaboradores</b>	
Average of 83.2 hours training per employee, throughout Natura.	ACHIEVED Natura achieved an average of 90.3 hours training per employee, beating the target by 9%.
<b>Consultants and NCAs</b>	
Train 1,152 thousand consultants per topic in Brazil.	ACHIEVED Natura trained 1,348,000 NCs per topic in Brazil.
Raise R\$ 14 million from sale of Believing is Seeing products in Brazil and R\$ 5.06 million in the International Operations.	PARTIALLY ACHIEVED Natura raised R\$ 17.1 million in Brazil and R\$ 4.8 million in the IOs.
Reach 14% NC penetration in the Natura Brazil Movement.	ACHIEVED We beat the target for the year by 18%, achieving 16.5% penetration.
Reach 14% consultant penetration in the Believing is Seeing program in Brazil and 18.9% in the International Operations.	PARTIALLY ACHIEVED We achieved 15.1% penetration in Brazil and 17.6% in the IOs.
<b>CLIMATE CHANGE</b>	
Reduce GHG emissions by 33% by 2013, based on the 2006 inventory.	ACHIEVED By the end of 2013 relative GHG emissions had been reduced by 33.2%.
Reach 5,511 tCO <sub>2</sub> e, reducing absolute scope 1 and 2 emissions by 12.4%.	NOT ACHIEVED Scope 1 and 2 emissions were 6,491 tCO <sub>2</sub> e, an increase of 5.7%.
Reach an eco-efficient packaging rate of 16.5%, including refills.	ACHIEVED The rate achieved was 21.5%, beating the target by 30%.
<b>QUALITY OF RELATIONSHIPS</b>	
<b>Employees</b>	
Reach 31% loyalty for employees in Brazil.	NOT ACHIEVED Employee loyalty in Brazil was 30%.
Reach a 73% favorability rate in the Natura climate survey.	ACHIEVED We reached a 78% favorability rate throughout the company.



2013 Target	2013 Performance
<b>Consultants and NCAs</b>	
Record 25% loyalty among consultants in Brazil and 39.2% in the International Operations.	NOT ACHIEVED We reached 22.7% loyalty in Brazil and 38.1% in the IOs.
Reach 39% loyalty among NCAs in Brazil and 49.1% in the IOs.	NOT ACHIEVED We recorded 38.3% loyalty in Brazil and 47.4% in the IOs.
<b>Consumer</b>	
Reach 54% consumer loyalty in Brazil.	NOT ACHIEVED We recorded 51.6% consumer loyalty in Brazil.
<b>Suppliers</b>	
Reach 28% loyalty among Natura suppliers.	ACHIEVED We achieved 29.7% loyalty among suppliers.
<b>Supplier communities</b>	
Reach 28% loyalty among supplier communities.	ACHIEVED We reached 28% loyalty among supplier communities.
Reach average score of 3.89 in BioQlicar.	NOT ACHIEVED The average score in BioQlicar was 3.76.
<b>WASTE</b>	
Generate 24.7 grams of waste/unit produced in Brazil.	ACHIEVED We generated 21.7 grams of waste/unit produced in Brazil.
<b>SOCIAL BIODIVERSITY</b>	
<b>Amazon</b>	
Generate R\$ 190 million in business volume in the Amazon region, including Natura and partners.	ACHIEVED The target was exceeded, with R\$ 201.5 million in business generated in the region.
Reach a rate of 13.2% consumption of inputs from the Amazon, with 1.85% <sup>2</sup> consisting exclusively of biodiversity assets.	PARTIALLY ACHIEVED The rate was 13.4%, of which 1.82% were exclusively biodiversity assets.
<b>Supplier communities</b>	
Distribute R\$ 13.6 million in funds for supplier communities.	NOT ACHIEVED Funding of R\$ 11.2 million provided for supplier communities.

**1** From 2014, Natura will no longer disclose annual commitments. These will be replaced with its 2020 ambitions, linked with the company's 2020 Sustainability Vision (read more on page 16, Natura Sustainability Vision). **2** Target reformulated based on reevaluation of stocks of ingredients at our suppliers.

# BUSINESS MODEL

Our purpose of promoting well being well guides the way in which the company operates, its commercial model, product and concept development, and the way it relates to its stakeholders. There follows a description of the main resources used, operating differentials and value created.

## Value and impacts generated

ENVIRONMENTAL		2011	2012	2013
Relative GHG gas emissions (kg CO <sub>2</sub> e/kg product invoiced) <sup>1, 2</sup>		3.12	2.99	2.79
Absolute GHG gas emissions (000's of metric t) <sup>2</sup>		265	280	313
Water consumption (l/unit produced)		0.40	0.40	0.40
Waste generation (g/unit produced)		20	26	22

## how natura adds value

### BUSINESS CONDUCT

- Actions related to priority sustainability topics: quality of relationships; climate change; social biodiversity; solid waste; water; sustainable enterprise; and education.
- Natura Management System, which incorporates Natura's main differentials into company processes and routines.

### PRODUCT CONCEPTS AND INNOVATION

- A view of innovation that encompasses all aspects of the business: product and concept development, commercial model and quest for new businesses.
- Open innovation platform with a network of around 180 partners.
- Research and development centers in Calamar (São Paulo) and Beneditos (Pará), knowledge center in Manaus (Amazonas) and an innovation center in New York (USA).

## Value Proposition

### essence



**BUSINESS CONDUCT**  
oriented to sustainable development



**PRODUCTS AND CONCEPTS**  
innovators who promote well being well



**RELATIONSHIP NETWORK**  
through which we commercialize our products

## Natura's main resources:

- **ECONOMIC:**
  - a publicly-traded company listed on B3/Bovespa, with 59.83% of company shares held by the controlling group.
  - 39.10% outstanding and 1.07% held by managers and the treasury.
  - strong cash generation and low net indebtedness, corresponding to 0.73 times Ebitda.
  - net revenue of 7.01 billion (+10.5% compared with 2012).
  - Capex of R\$ 553.9 million.
- **INFRASTRUCTURE:**
  - Eight distribution centers in Brazil.
  - Factories in Calamar (São Paulo) and Beneditos (Pará), as well as third-party production in Brazil, Argentina, Mexico and Colombia.
  - The company also owns the Australian brand Aesop, commercialized in Oceania, Asia, Europe and North America.
- **ENVIRONMENTAL RESOURCES:**
  - biodiversity inputs, an innovation platform for Natura products and a major brand differential.
  - water, used in the production process and in product use and disposal by the consumer.

### ECONOMIC (R\$ MM)

	2011	2012	2013
Consolidated net revenue	5,591.4	6,345.7	7,010.3
Consolidated Ebitda	1,425.0	1,511.9	1,609.0
Consolidated net profit	830.9	874.4	842.6
Internal cash generation <sup>3</sup>	964.0	1,018.9	1,102.3
Free cash generation	410.4	878.8	378.1
Daily share trading volume <sup>4</sup>	43.7	54.3	61.1
Resources for supplier communities	10.0	12.1	11.2
Business volume in Amazon region <sup>5</sup>	n/a	121.8	201.5

<sup>1</sup> IO revenue as a percentage of total revenue (%)<sup>5</sup>

<sup>2</sup> WEALTH DISTRIBUTION (R\$ MILLION)<sup>10</sup>

Shareholders <sup>7</sup>	763	855	856
Consultants	2,906	3,211	3,390
Employees	634	803	917
Suppliers	4,363	4,837	5,425
Government	1,472	1,743	1,804
TOTAL	10,138	11,449	12,392

### SOCIAL

	2011	2012	2013
Climate survey – Employee Favorability <sup>8</sup>	70	72	78
NC Loyalty Brazil <sup>9</sup>	19	24	23
NCA Loyalty Brazil <sup>9</sup>	24	40	38
Supplier Loyalty Brazil <sup>9</sup>	27	23	30
Consumer Loyalty Brazil <sup>9</sup>	66	51	52
Believing is Seeing revenue Brazil (R\$ MM)	8.4	12.8	17.1

### OTHERS

	2011	2012	2013
Number of NCs	1,421	1,573	1,657
Innovation Rate	64.8	67.2	63.4
Employee Training (hrs/empl)	85	88	90
Overall evaluation of brand image in Brazil survey <sup>10</sup>	73	79	78

GRI 4-EC1

## NOTES (BUSINESS MODEL)

\*Does not include Aesop.

\*\*Estimated for Brazil based on indicator for penetration of Brazilian households.

**1** CO<sub>2</sub>e (or CO<sub>2</sub> equivalent): measure used to express greenhouse gas emissions, based on each one's global warming potential. The 2012 result was restated due to changes in the Brazilian electrical energy emission factor.

**2** Includes GHG Protocol scopes 1, 2 and 3.

**3** It represents operating cash generation before the effects of changes in working capital and Capex.

**4** Source: Bloomberg

**5** Considers Natura and partners.

**6** Including Aesop, the share of the IOs in 2013 was 16.1%

**7** The amounts represent the dividends and interest on own equity effectively paid out to shareholders.

**8** Climate survey: Hay Group

**9** Loyalty survey: Instituto Ipsos.

**10** Brand Essence Survey: Ipsos Institute

## MARKET CONTEXT

Our sector remains competitive in Brazil, having grown 8.1% between January and October 2013, according to Sipatesp/ Abihpec. Less sensitive to economic fluctuations, the sector is more associated with consumers' disposable income, which continues to grow, but at a slower pace than in previous years.

During the year, Natura's market share in Brazil saw a retraction of 1.2 p.p. up to October; with a trend towards recovery in the second half of the year. The loss in market share was concentrated in cosmetics, with maintenance of share in the personal hygiene categories, driven mainly by the launch of the Sou sub-brand. Results for the last two months of the year have not yet been released.

In Latin America, the market continues to grow at rates above the global average. Natura, with growth exceeding 30% per year, continues to gain share and brand preference in all the countries in which it operates.

The company is also the leader in the direct sales segment in Brazil, the fourth largest market worldwide, accounting for 9% of global door-to-door sales volume. According to ABEVD, the Brazilian direct sales association, the model grew 5.9% in the country during the first half of 2013. In the other countries in Latin America, the direct sales model is at different levels of maturity, with average growth in our network of 24% per year since 2009, a demonstration of adherence to our value proposition.

## AWARDS AND RECOGNITIONS IN 2013

Yet again, our commitment to sustainable development and the way we run our business were recognized in numerous awards and rankings in Brazil and abroad during the period.

In 2013, we were elected one of the most ethical companies in the world in the Ethisphere World's Most Ethical Company award, a recognition that was repeated in the 2014 ranking, released in March.

Regarding innovation capacity, *Forbes* magazine once again considered Natura one of the ten most innovative companies in the world. We also came in first place in the large company category in the Finep Innovation Award.

In Brazil, Natura was recognized as the most sustainable company in the consumer goods sector by *Exame* magazine's Exame Sustainability Guide. Company president Alessandro Carlucci was elected the 6<sup>th</sup> most admired leader in the country in the Most Admired Companies in Brazil ranking published by the magazine *Carta Capital*.

The main recognitions in 2013 are listed in the table below.

<b>Communication</b>			
<b>Recognition</b>	<b>Organization</b>	<b>Award category</b>	<b>2013</b>
Aberje Award	Brazilian business communication association (Aberje)	Press Communication and Relations category with 5 Senses Dinner – North and Northeast Region	1 <sup>st</sup>
<b>Finance</b>			
<b>Recognition</b>	<b>Organization</b>	<b>Award category</b>	<b>2013</b>
The Best - Dinheiro	<i>Isto É Dinheiro</i> magazine	Best company in the Pharmaceutical, Hygiene and Cleaning sector	1 <sup>st</sup>
Agência Estado Companies Ranking	Agência Estado (Estado group) and Economática	Overall ranking of the ten best companies listed on Bovespa	2 <sup>nd</sup>
Valor 1000	<i>Valor Econômico</i> Newspaper	Best Pharmaceutical and Cosmetics Company Overall ranking	2 <sup>nd</sup> 54 <sup>th</sup>
<b>Global</b>			
<b>Recognition</b>	<b>Organization</b>	<b>Award category</b>	<b>2013</b>
Responsible Business Awards	Ethical Corporation	Alessandro Carlucci was recognized as the best CEO of the year in the Best Supplier Engagement category, with the case "TBL strategic sourcing"	1 <sup>st</sup>
The WorldStar Packaging Awards	WorldStar Packaging	Health and Beauty category with the product Natura Humor	–
Top 50 Cosmetics Brands 2013	Brand Finance	Overall ranking	20 <sup>th</sup>
World's Most Ethical Companies	EthiSphere	One of the most ethical companies in the world in the Health and Beauty category, and the only Brazilian company in the ranking.	-
The 500 Biggest Companies in Latin America	<i>AméricaEconomia</i> Magazine	Overall ranking	185 <sup>th</sup>
DSN Global 100: The Top Direct Selling Companies in the World	<i>Direct Selling News</i>	Global ranking of Biggest Direct Selling companies	5 <sup>th</sup>

BCG Global Challenger	The Boston Consulting Group	Natura is one of the 13 Brazilian companies in the ranking	-
<b>Global</b>			
<b>Recognition</b>	<b>Organization</b>	<b>Award category</b>	<b>2013</b>
Image Ranking – The 100 Best – Argentina	Apertura Magazine	Overall ranking	24 <sup>th</sup>
Image Ranking – The 100 Best – Argentina	Forbes magazine	The most innovative companies in the world (Natura is the only Brazilian company in the ranking)	10 <sup>th</sup>
IF Design Award	IF Design	Hair and body care category / Vóvó and Sou	1 <sup>st</sup>
Global 100 Most Sustainable Corporations in the World	Corporate Knights Inc	Overall ranking	2 <sup>nd</sup>
<b>Institucional</b>			
<b>Recognition</b>	<b>Organization</b>	<b>Award category</b>	<b>2013</b>
Beleza Brasil	Abihpec	Company of the Year: The Amazônia Program	1 <sup>st</sup>
		Company: Natura Internationalization	
		Skin/body care: Sou moisturizer	
		Skin/facial care: Natura Chronos 70+	
		Soaps category: Natura Ekos line of special refreshing soaps (Ekos Communities)	
The Most Admired Companies in Brazil	Carta Capital magazine	Most admired leader in the country – Alessandro Carlucci	6 <sup>th</sup>
		Most admired company in the Hygiene, Cosmetics and Perfumery sector	1 <sup>st</sup>
		Most admired company in Brazil 2013	1 <sup>st</sup>
DCI – Companies of the Year	DCI – Diário do Comércio newspaper	Most admired company in the Cosmetics, Hygiene and Cleaning category	1 <sup>st</sup>
Business Reputation Ranking	Exame magazine	Best business reputation; Alessandro Carlucci was recognized as one of the leaders with the best reputation	1 <sup>st</sup>
Biggest and Best	Exame magazine	Best Consumer Goods sector company	8 <sup>th</sup>
National Innovation Award	CNI	Business Model Category with the Triple Bottom Line Strategic Sourcing project	1 <sup>st</sup>
Finep Innovation Award	Finep	Large Company	1 <sup>st</sup>
<b>Brand</b>			
<b>Recognition</b>	<b>Organization</b>	<b>Award category</b>	<b>2013</b>
Ranking of the 100 Most Valuable Brands in Brazil	Brand Finance Brasil	Overall ranking	15 <sup>th</sup>
The Most Valuable Brands in Brazil	BrandAnalytics, Millward Brown and IstoÉ Dinheiro magazine	Most Valuable Brands	6 <sup>th</sup>
Trustworthy Brands	Seleções magazine	Skin creams	1 <sup>st</sup>
		Socially responsible brand	1 <sup>st</sup>
Ranking of the 50 Most Valuable Latin Brands	Brandz, WPP and Millward Brown	Overall ranking	12 <sup>th</sup>
The most aware brands in Brazil	Padrão Group and Consumidor Moderno magazine	The most aware brand in Brazil	1 <sup>st</sup>

Top of Mind	Datafolha and <i>Folha de S.Paulo</i>	Environmental preservation	1 <sup>st</sup>
<b>Marketing, product and packaging</b>			
<b>Recognition</b>	<b>Organization</b>	<b>Award category</b>	<b>2013</b>
ABRE Brazilian Packaging Award	Brazilian Packaging Association (Abre)	Sustainability and Packaging Cosmetics and Personal Care – Sou	1 <sup>st</sup>
		Perfume packaging/Natura Una DeoParfum and product family/Natura Aquarela	2 <sup>nd</sup>
		Structural design/form – Sou	2 <sup>nd</sup>
		Sustainability /Natura Plant and Graphic Design /Natura Plant	3 <sup>rd</sup>
<b>Human Resources</b>			
<b>Recognition</b>	<b>Organization</b>	<b>Award category</b>	<b>2013</b>
Best Companies for Leadership – Brazil	Hay Group	Overall ranking	5 <sup>th</sup>
Executives' Dream Company	DMRH e Nextview People	Overall ranking	2 <sup>nd</sup>
<b>Investor Relations</b>			
<b>Recognition</b>	<b>Organization</b>	<b>Award category</b>	<b>2013</b>
IR Magazine BrazilAwards	IR Magazine, PR Newswire, RI magazine and Brazilian Investor Relations Institute (Ibri)	Best in socio-environmental sustainability	1 <sup>st</sup>
		Distinction in Non-cyclical Consumption sector prize	-
Best companies for shareholders	Capital Aberto	Companies with assets between R\$ 5 billion and R\$ 15 billion	2 <sup>nd</sup>
<b>Sustainability</b>			
<b>Recognition</b>	<b>Organization</b>	<b>Award category</b>	<b>2013</b>
Época Green Companies	Época Negócios magazine	Natura is recognized as one of the 20 companies with the best environmental practices	-
Época 360° Business Annual	Época Negócios magazine, Fundação Dom Cabral, Aberje and Economática	Innovation in the Hygiene and Beauty	1 <sup>st</sup>
Exame Sustainability Guide	Exame magazine	The Most Sustainable Company in the consumer goods sector	1 <sup>st</sup>
Ranking of the Most Sustainable Companies according to the Media	Mídia B and Portal Imprensa	Overall ranking	1 <sup>st</sup>

# STRATEGY AND OUTLOOK

Natura has undergone major transformation in recent years. We finalized an important cycle of capacity building and investment in logistics infrastructure which resulted in a significant increase in service quality for NCs and the reduction of order delivery times from 5.1 to 4.5 days, with 35% of orders delivered in up to 48 hours.

This concerted effort also involved the new administrative and distribution center in São Paulo (São Paulo), the Ecoparque industrial complex in Benevides (Pará), inaugurated in March 2014, and expanded production capacity in Cajamar (São Paulo).

This transformation prepares us to strengthen the business and meet the demands of the Brazilian market, both in the short term, in function of growing competition, as well as in the future.

For Brazil, the company expects to expand the operation and maintain its market share based on increased consultant productivity, which will require further improvements in service levels, product and concept innovation, segmentation of relations with NCs and consumers and the evolution of the commercial model.

The strategy to accelerate growth includes the introduction of new product categories from 2014, expanding the *well being well* proposition and opening new channels to reach consumers, offering them ever greater satisfaction through the ongoing differentiation of our brand.

One example is the Natura Network, which permits NCs to sell products via their internet pages. With greater information and productivity, the objective is to leverage sales via relationships – the company's major asset. The project was tested in two regions last year and expansion will begin in 2014.

In the quest for new geographies, we have obtained strong growth in our International Operations over recent years. Centered on Latin America, these units grew on average over 30%. To maintain these levels, we continue to focus on the NC network, which already totals 366,500 consultants. This will enable us to continue to build the brand with ongoing enhancement of service levels and profitability. From 2013, Natura also included the Australian-based Aesop operation.

However, to ensure the business continues to grow in an ever more sustainable manner, allied with the belief that the value and longevity of a company are linked with its capacity to contribute

to the evolution and sustainable development of society, Natura understands that it needs to do even more.

For this reason, we have developed a new vision of sustainability for our businesses, defining where we want to get to and what kind of impact we seek to generate in the coming decades.

This new vision expresses Natura's wish to go beyond simply reducing or offsetting the effects of its activities on the environment. The intention is to ensure the company generates a positive impact on society and on the planet.

The vision is based on internal analysis, the review of global trends in sustainability and numerous dialogs with Natura stakeholders over recent years.

Organized in three pillars (Our Brands and Products, Our Network and Our Management and Organization), the vision sets forth guidelines for the construction of positive impacts in 2050. It also includes public ambitions for 2020, which will challenge the company and provide a roadmap for the journey (*see below*).

From the launch of this strategy in 2014, we will engage our relationship network in a process of ongoing transparent dialog, essential for managing and constantly driving improvement throughout the company, as well as for the evolution of the materiality matrix based on the strategic choices made.

# NATURA SUSTAINABILITY VISION

**We will generate positive social, environmental and economic impacts, delivering value for our entire relationship network, through all our businesses and brands and in all the geographies in which we operate, by means of our products, services and sales channels.**

The expression of our brands will drive the emergence of new values and the behaviors necessary to build a more sustainable world; the brands will be a reference in cutting edge innovation based on sustainable technologies.

We will work through an eco-effective<sup>1</sup> production and distribution model focused on local development and the generation of positive socio-environmental value throughout our value chain.

We will make a positive contribution to the human development of our relationship network and will foment entrepreneurship through collaborative platforms.

We will integrate Triple Bottom Line (TBL)<sup>2</sup> management into all company processes, with innovative, leading edge business practices that inspire others, making Natura a role model in business conduct.

## AMBITIONS FOR 2020

### OUR BRANDS AND PRODUCTS

#### Formulation

- > 30% of Natura's inputs in value will come from the Pan Amazonian region

#### Packaging

- > product packaging will be at least 74% recyclable
- > there will be at least 10% post-consumption recycled material in the total mass of our packaging
- > 40% of the Natura units invoiced will have eco-efficient packs<sup>3</sup>

#### Carbon

- > the company will reduce relative carbon emissions by 33% (2020 x 2012)

#### Waste

- > the company will implant a reverse logistics system that enables the collection of 50% of the waste generated by its packaging (in metric tons equivalent)

#### Social biodiversity

- > reach 10 thousand families in the Pan-Amazonian production chains
- > reach a business volume<sup>4</sup> of R\$ 1 billion in the Amazon (from 2010 to 2020)

#### Water

- > implement a strategy to reduce and neutralize the impact on water consumption based on measuring the company's water footprint throughout the value chain

#### Energy

- > implement a strategy to increase consumption of renewable energy



## OUR NETWORK

### Consultants

- > increase Natura Consultant (NC) and Natura Consultant Advisor (NCA) real average income by 32% (2020 x 2012)
- > stimulate interest in ongoing learning and provide a broad educational offering that meets the needs of this stakeholder group
- > create an indicator to measure the human development of Natura consultants and build a strategy to improve this significantly

### Employees

- > have women occupying 50% of leadership positions (director level and above)
- > have a work force in which 8% have some kind of disability
- > leverage employee potential for achievement and enterprise through engagement in company culture

### Community

- > evolve community human development indices and build a plan to bring about significant improvements in this reality
- > develop a strategy for the social biodiversity territories in the Pan-Amazonian region and the communities surrounding our main operations by means of dialog and collaborative construction with local populations and actors

### Suppliers

- > ensure the traceability of 100% of the inputs produced by direct manufacturers (last link in the manufacturing chain) by 2015, and implement a traceability<sup>5</sup> program for the remaining links in the chain by 2020

## OUR MANAGEMENT AND ORGANIZATION

- > implement the valuation of socio-environmental externalities, considering the positive and negative impacts of our entire production chain to drive improvement in TBL management
- > institutionalize a governance model with external engagement, ensuring our stakeholders have a permanent voice in the evolution of management and strategy
- > support public discussion and debate of questions that are important for the common good of society and its sustainable development, driving solutions and alternatives in the markets in which we operate
- > implement radical transparency in the supply of product information and in the implantation and evolution of the Sustainability Vision

**1** Eco-effectiveness is an approach aimed not only at minimizing environmental impact but also seeking to reuse all the materials consumed in manufacturing a product in its own production process. This methodology addresses not only environmental impacts, but also social and economic impacts linked with the value chain.

**2** The Triple Bottom Line (TBL) concept was created by John Elkington in 1994. It represents the expansion of the traditional business model to a new one which takes a company's environmental and social performance into account as well as its financial indicators.

**3** Eco-efficient packs: for Natura, eco-efficient packs are those that represent a reduction of at least 50% in weight compared with a similar regular pack; or which consist of 50% post-consumption recycled material and/or renewable material, as long as there is no increase in mass.

**4** Business volume in the Amazon region: these are resources employed by Natura in the Amazon region in local community development (benefit sharing, image rights, training), institutional articulation (support and sponsorship, media, institutional reinforcement), purchase of raw materials produced in the region, investments in scientific, technological, innovation projects, local infrastructure for production chains and environmental projects (carbon compensation).

**5** Traceability plan with scope to be defined.

## CORPORATE GOVERNANCE

It is our ambition to consolidate an increasingly representative, transparent corporate governance system aligned with best market practice. A publicly traded company since 2004, Natura has a historic commitment to best governance practice, initiated 16 years ago when the company voluntarily instituted its Board of Directors, six years before going public. **GRI G4-7**

We are in BM&FBovespa's Novo Mercado, a special listing of publicly traded companies with the highest levels of corporate governance, as well as being part of the Company Circle of Latin American Corporate Governance, a group of Latin American companies selected by the World Bank's International Finance Corporation for their governance practices.

In 2013, we took another step towards the professionalization and institutionalization of the Board of Directors, substituting the co-chairmen model, exercised historically by the controlling shareholders, for one chaired by a professional external board member with intense dedication to the function. Elected in the Annual General Meeting, Plínio Villares Musetti has been a Natura Board member since 2012. Prior to this, he was the president of Elevadores Atlas Schindler and of Satipel Industrial, a partner at JP Morgan Partners, and served on the boards of several publicly traded companies in Brazil and abroad. **GRI G4-39**

Antônio Luiz Seabra, Guilherme Peirão Leal and Pedro Passos, our founders and controlling shareholders, remain on the board. Their focus now, however, is on overseeing the evolution of the organization, with support for the development of new executive leaders, aimed at consolidating a vibrant corporate culture that will perpetuate the company's values and inspire its strategic vision.

The Natura Board of Directors has nine members. In addition to the three representatives of the controlling group, there are six external members, three of whom are independent, ensuring balance and transparency in strategic decision making. None of them hold executive positions at Natura. **GRI G4-34/38/40**

The nomination of these members is based on their

qualifications, their executive experience, and identification with Natura's principles of business conduct, as well as an absence of conflicts of interest. The mandate is for one year, renewable upon approval by the General Meeting. **GRI G4-34/38/40**

In addition to the governance practices in place, members of the Board of Directors do not vote on an issue when a conflict of interest is identified. **GRI G4-41**

During 2013, the board met seven times, with two of the meetings taking place outside of São Paulo, as part of the strategy to forge closer links between board members and company managers. One meeting was held in Porto Alegre (RS) and the other in Bogotá (Colombia). These moments are important for driving team integration, furthering knowledge of each operation and fostering the motivation and participation of leaders. **GRI G4-43**

We also maintained our commitment to developing closer relations with shareholders, in particular minority ones. In the Ordinary General Meeting and Extraordinary General Meeting held in April 2013, some 450 people were present at Cajamar (São Paulo). These investors were able to watch a broadcast of the meetings held in the Natura office in Itapeverica da Serra (São Paulo) and talk to the founders and senior managers of the company. In parallel, a public meeting was organized through Apimec-SP (Association of capital market analysts and investment professionals), with the participation of guests and market analysts. **GRI G4-49**

A permanent channel through which shareholders may dialog and address questions to the company is the Investor Relations team, which deals with both institutional and individual investors. During the ordinary and extraordinary general meetings a spot is reserved for a question and answer session with the Natura controllers, during which shareholders may make comments and criticisms and ask questions (*read more on page 122, Shareholders*). **GRI G4-49/50**

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More information on the Natura board members and senior executives at <http://natura.infoinvest.com.br/>.

## MEMBERS OF THE BOARD OF DIRECTORS

PLÍNIO VILLARES MUSETTI  
chairman of the Board of Directors

### Members:

ANTONIO LUIZ DA CUNHA SEABRA

GUILHERME PEIRÃO LEAL

PEDRO LUIZ BARREIROS PASSOS

MARCOS DE BARROS LISBOA

JULIO MOURA NETO

LUIZ ERNESTO GEMIGNANI

RAUL GABRIEL BEER ROTH

ROBERTO OLIVEIRA DE LIMA

## SUPPORT COMMITTEES GRI G4-34/37/38/49

To support its decisions, the board is assisted by four committees, which meet at pre-defined intervals to discuss and study proposals and make recommendations to the board. Good practices include participation of only external members on the Audit Committee, rotation of the members on the People and Strategic committees and participation of the founders on the Corporate Governance committee.

## THE COMMITTEES AND THEIR FUNCTIONS GRI G4-34/38/45

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

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

> Frequency of meetings: monthly (eight meetings in 2013)

**People and Organization Committee:** this is responsible for supporting the board in decisions related to Human Resources strategies, policies and rules for organizational and people development, planning, executive compensation and benefits, as well as monitoring and overseeing the Natura Management System.

> Participants: Luiz Ernesto Gemignani (president), Julio Moura Neto, Fátima Raimondi, Roberto Oliveira de Lima and Raul Gabriel Beer Roth

> Frequency of meetings: monthly (ten meetings in 2013)

**Strategic Committee:** the committee monitors and oversees corporate strategy in line with directives approved by the board of directors; it is also responsible for building an international expansion plan. Other attributions are the dissemination of company concepts, values and beliefs and ensuring the longevity of the company.

> Participants: Plínio Villares Musetti (presidente), Luiz Ernesto Gemignani, Marcos de Barros Lisboa and Roberto Oliveira da Lima

> Frequency of meetings: monthly (ten meetings in 2013)

**Corporate Governance Committee:** this is responsible for monitoring the operation of the company's entire corporate governance system in the light of international best practice and for suggesting adjustments and improvements to this system whenever this is deemed necessary.

> Participants: Plínio Villares Musetti (president), Pedro Luiz Barreiros Passos

> Frequency of meetings: every two weeks from April 2013 (19 meetings in 2013)

## SENIOR MANAGEMENT ASSESSMENT AND SELF-ASSESSMENT GRI G4-44

The Board of Directors has the function of determining and monitoring the implementation of company strategy and assessing the performance of the CEO and the Executive Committee on a periodic basis. The members analyze Natura's quarterly performance releases and annual management report, which include the main socio-environmental indicators considered important for the company (*read more on page 126, About the report*). Other questions examined by the board are the definition and review of strategic planning, expansion projects and investment programs, risk management and definition of the amount employees receive under the profit share program. **GRI G4-34/35/36/37/38/42/45**

To monitor the quality of governance, a self-assessment process is conducted periodically. This did not take place in 2013, due to the changes made in the board structure. A new self-assessment process should occur in 2014, appraising questions such as meeting dynamics, information flow and the size of the Board of Directors. In the future the intention is to extend this analysis to include the viewpoints of executives. **GRI G4-43/44**

## EXECUTIVE GOVERNANCE GRI G4-34/38/45

The Executive Committee (Comex), comprising the president and vice presidents, is responsible for managing business performance, the development of what we call the well being well Ecosystem (which includes our consultants, consumers, suppliers and other stakeholders), brand management and the preparation and execution of the strategic plan, monitoring any strategic projects associated with the plan, as well as overseeing leadership development.

The Executive Committee also tracks the evolution of priority sustainability-related topics by means of the Socio-Environmental Budget (OSA in the Portuguese acronym), a tool aligned with the economic budget, used to define and monitor commitments and targets for each of the priority topics. These targets are determined jointly between the areas and senior management, which monitors performance on a quarterly basis.

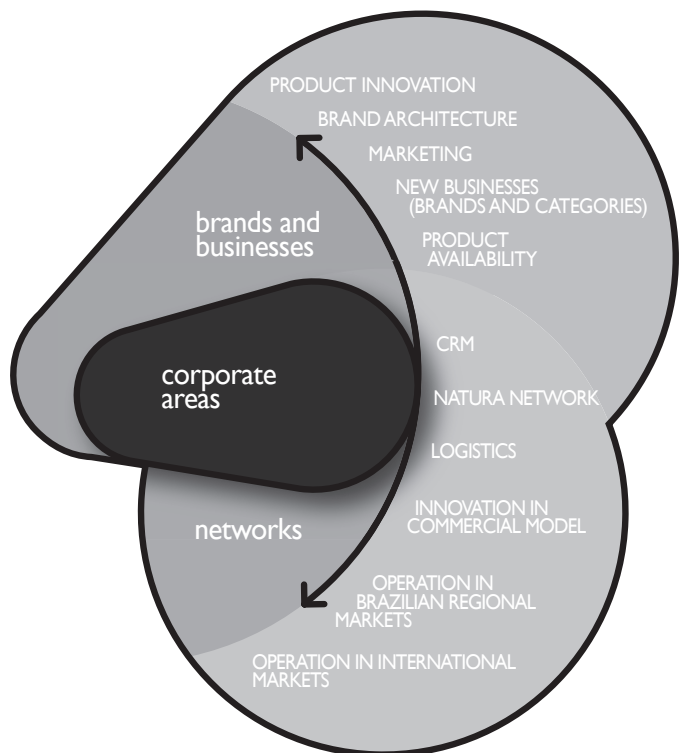
In summary, Comex is responsible for managing the business, analyzing performance and results and taking decisions based on pertinent economic, social and environmental aspects.

In 2013, organizational design evolved with even greater focus on business strategy to drive results. The structure was reviewed, based on three major nuclei. The first, which is focused on

Brand and Business management, including product and concept innovation. The second, a Networks nucleus, responsible for our consultants' relations with their customers in the diverse geographies in which we operate. The third consists of the company's corporate areas, such as Finance, People, Operations and Digital Technology.

As a consequence, Comex was expanded, incorporating new functions and areas. Currently, Natura's fundamental functions are represented in Comex (Finance and Institutional Relations, Innovation, People and Culture, Digital Technology, Operations and Logistics), as well as business leadership (Natura Brazil, International Operations and New Businesses).

We believe that this gives Comex the stature needed for the dimension of Natura's business, ensuring support for company growth strategy over the coming years.



## EXECUTIVE COMMITTEE (COMEX)

Expanded in 2013, Comex incorporated new functions and competencies and now has ten members.

**Alessandro Giuseppe Carlucci**  
CEO

**Agenor Leão de Almeida Junior**  
Vice President, Digital Technology

**Erasmus Toledo**  
Vice President, International Businesses

**Gerson Valença Pinto**  
Vice President, Innovation

**João Paulo Ferreira**  
Vice President, Commercial

**José Vicente Marino**  
Vice President, Brands and Businesses

**Josie Peressinoto Romero**  
Vice President, Operations and Logistics

**Lilian Ferezim Guimarães**  
Vice President, People and Culture

**Robert Claus Chatwin**  
Vice President, New Businesses

**Roberto Pedote**  
Vice President, Finance, Legal Affairs and Institutional Relations

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## COMEX COMMITTEES GRI G4-34/38

In 2013, the committees supporting Comex were also reformulated, and the number was increased from three to eight:

**New Businesses** — Led by Alessandro Carlucci, the committee is responsible for governance of new business projects, constantly analyzing opportunities for partnerships and alliances, as well as monitoring the progress of newly incorporated businesses, such as Aesop. The committee members are: João Paulo Ferreira, José Vicente Marino, Robert Chatwin and Roberto Pedote.

**Networks** — The committee is headed by João Paulo Ferreira and is responsible for operating and innovating in the Natura sales channels, managing and monitoring the consultant network and the end consumer. It also manages business results and questions related to Natura's leadership and succession. Members are the vice presidents Agenor Leão and Erasmo Toledo.

**Brands and Businesses** — Under the leadership of José Vicente Marino, the committee is responsible for brand and business management. It also oversees innovation and product development, as well as managing the Natura product pipeline and portfolio. This includes managing the business units and their results. Committee members are the VPs Gerson Pinto and Robert Chatwin.

**Business Integration** — This forum is the point of intersection between the Brands and Businesses and Networks nuclei in relation to questions such as product line up in sales cycles. It manages performance and provides inputs for strategic planning. The committee is led jointly by José Vicente Marino and João Paulo Ferreira, supported by Josie Romero, Erasmo Toledo, Robert Chatwin and Gerson Pinto.

**Brand** — The Brand Committee assesses the expressions and languages of our brand and sub-brands, as well as marketing and communication. It is headed by José Vicente Marino with the participation of Robert Chatwin.

**Commercial Innovation** — This committee promotes innovation in the company's commercial model and in sales channel operations, monitoring the implantation and the results of strategic projects to drive growth. The committee is led by João Paulo Ferreira, with support from Alessandro Carlucci (CEO) and the vice presidents Erasmo Toledo and Agenor Leão.

**Products** — Led by the vice president of Brands and Businesses, José Vicente Marino, the role of this committee is to approve the stages in the Natura product innovation process. In fortnightly meetings it evaluates the conception and introduction of new products and sustainability initiatives. It also oversees pipeline and portfolio management. Part of its work is to assist in the creation of new concepts, at which times the CEO, Alessandro Carlucci, and one of the company founders, Luiz Seabra, are invited to participate to ensure a diversity of viewpoints and to reinforce innovation. The vice presidents Gerson Pinto and Josie Romero are also on the committee.

**Ethics** — This body is charged with overseeing compliance with the Natura Principles of Relationship and Code of Conduct and determining any changes necessary. It also assesses and addresses questions not aligned with company guidelines. It is headed by Roberto Pedote, vice president of Finance and Institutional Relations, with the participation of the vice president of People and Culture, Lilian Guimarães.

## EXECUTIVE BOARD

ALESSANDRO MENDES  
Product Development Director

ALEXANDRE ALVES LEMOS  
Managing Director Chile

ALEXANDRE CRESCENZI  
Commercial Director

ALEXANDRE NAKAMARU  
Corporate Finance Director

ANA LUIZA MACHADO ALVES  
New Brand Director

ANDRÉA MIRANDA CORREA EBOLI  
Marketing Director

ANGEL MEDEIROS  
Logistics Innovation Director

ANGELA CRISTINA PINHATTI  
Operations and Logistics Director IOs

AXEL MORICZ DE TECSO  
Managing Director Colombia

DANIEL GEIGER ROCHA CAMPOS  
Business Unit A Director

DANIEL MADUREIRA GONZAGA  
Science and Technology Director

DANIEL LEVY  
Southern Region Director

DANIEL DE ALMEIDA GUSMÃO ALVES SILVEIRA  
North-Northeastern Region Director

DENISE LAFRAIA COUTINHO  
Business Unit C Director

DENISE LYRA DE FIGUEIREDO  
Brands and Consumer Director

DENISE REGINA DE OLIVEIRA ALVES  
Sustainability Director

DIEGO FERNANDO DE LEONE  
Marketing and Activation Director

ELIZABETE FERNANDES VICENTINI  
Consumer Safety Director

FABIANA TOMAS PELLICCIARI  
Sou Business Unit Director

FÁBIO AUGUSTO KOREEDA  
Infrastructure Director

FÁBIO BOUCINHAS<sup>1</sup>  
Digital Media Director

FATIMA MEDEIROS PEREIRA BARATA ROSSETTO  
People Management and Development Director

FLAVIO PESIGUELO  
Commercial Operation and Relationship Director

HANS LUIS WERNER GUTIERREZ  
Managing Director Peru

JOÃO CARLOS MOCELIN  
Industrial Director

JORGE LUIS ROSOLINO  
Central Region Director

JOSÉ THOMAZ DEVECZ PENTEADO DE LUCA  
Commercial Innovation and Management Director

LUCILENE SILVA PRADO  
Legal Affairs Director

LUIS CARLOS DE LIMA  
Finance Director Brazil<sup>2</sup>

MARCEL GOYA  
Finance, Legal, Strategic Planning and Management Systems  
Director - International Operations<sup>2</sup>

MARCELO BICALHO BEHAR  
Corporate Affairs Director

MÁRCIA ANDREA DE MATOS LEAL  
Strategic Planning and Management Systems Director

MARCUS OLIVER RISSEL  
São Paulo Region Director

## EXECUTIVE BOARD (continuação)

MARIA APARECIDA ROSA FRANCO  
Relationship Director

MARIA PAULA DA ASSUNÇÃO FONSECA  
Natura Brand Internationalization Director

MARIO ESQUERDO  
Digital Technologies IOs Director

MOACIR SALZSTEIN  
Corporate Governance Director

MURILLO FEITOSA BOCCIA  
CRM Director

NESTOR MARIANO FELPI  
Product Availability Planning and Control Director

PEDRO ROBERTO GONZALES  
Managing Director Argentina

PEDRO CRUZ VILLARES  
President of Instituto Natura

RENATO ABRAMOVICH  
Managing Director Mexico

RICARDO LOBATO FAUCON  
Customer Services Director

RODRIGO OLIVEIRA BREA  
Supply Director

TATIANA DE CARVALHO PICCOLI PIGNATARI  
Business Unit B Director

THIERRY AUBRY LECOMTE  
Managing Director France

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**1** He left Natura in March 2014. Mário Santiago assumes the position of Digital Technology Applications Director.  
**2** He assumes his new position in April 2014.

## Risk management

Risk management at Natura is an instrument incorporated into the strategic planning cycle and encompasses economic, social and environmental aspects of the business. Risks are divided into two groups: strategic risks, that is, risks that could affect company ambitions and continuity, and operational risks, related to internal processes. **GRI G4-2**

Risk mapping encompasses a great number of information sources and includes the company's value chain (Natura Management System), self-assessment of risks, loss and fraud indicators, internal audit reports, SOX controls (*read more below*) and reports received by the Ombudsman service, as well as analysis of external factors and risks.

In 2013, we reviewed our risk dictionary and our matrix of more critical questions, including strategic, regulatory, financial and operational risks. Among other things, the risk

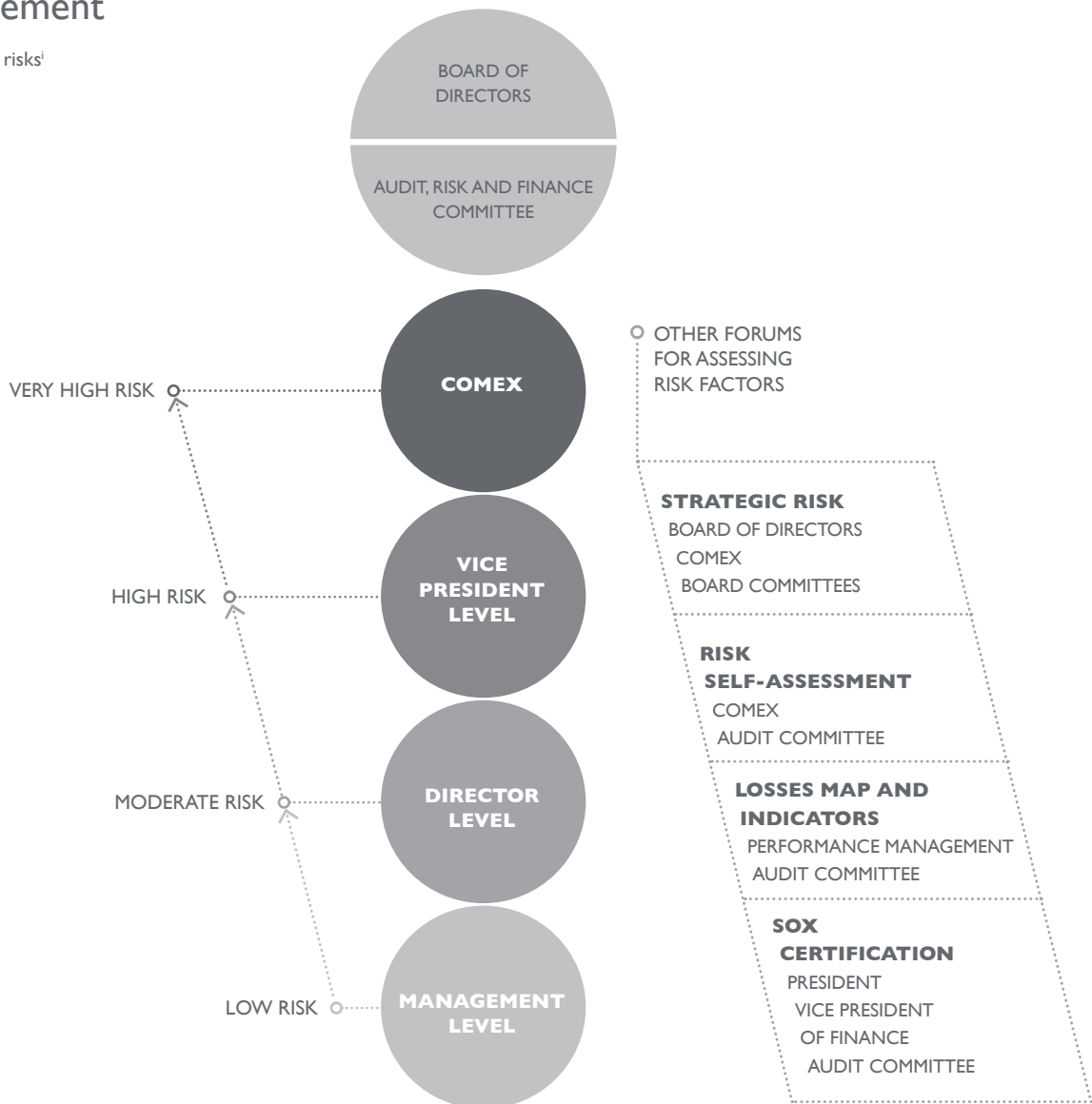
matrix covers our innovation capacity, commercial model, tax questions, product quality, as well as socio-environmental topics such as biodiversity. Therefore, even though we do not have a specific analysis of the effects of climate change on the risk management process, important socio-environmental mitigation projects are aimed at the impacts the business could generate and have become formal sub-processes in the company, such as the Carbon Neutral Program (*read more on page 48*) and the company's sustainable use of social biodiversity ingredients and associated traditional knowledge (*read more on page 54*). **GRI G4-2/EC2**

This entire process is tied to risk mitigation action plans and is monitored by the Executive Committee. Through its supporting committees, the Board of Directors also accompanies the evolution of all the company's strategic risks (*see table below*). **GRI G4-46/47**



## Governance for risk management

Forums for validating risks<sup>1</sup>



<sup>1</sup> The potential consequences of risks are mapped based on the Natura Strategic Plan.

Even though the company is not listed on the New York Stock Exchange, for the last four years it has complied voluntarily with SOX certification standards, based on the North American Sarbanes-Oxley law. This system entails the creation of reliable audit and safety mechanisms in companies, including rules for the formation of committees to supervise activities and operations in order to mitigate business risks and prevent fraud or to ensure that there are means in place to identify these should they occur. The objective is to ensure transparency in company management.

## 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 other company areas.

The internal audit process includes tests and procedures that assess the control environment, including measures to prevent fraud and corruption. In 2013, there were nine reported violations, compared with 15 the previous year. Of this total, four proved to be grounded and resulted in the dismissal of 20 employees. The cases were primarily related to the unwarranted use of company resources and misappropriation of assets; in one case a supplier received favored treatment. **GRI G4-SO5**

During the year, 31 audits were conducted at Natura, one more than in 2012. There was a focus on third-party manufacturing processes (inside Brazil and overseas), company distribution centers and relevant processes in Brazil, such as commercialization and relationship.

There was also progress in fraud prevention processes, with the intensification of a transparent and ethical working environment, particularly due to the implementation of the Natura Code of Conduct (*read more on page 72, Ombudsman service*).

## SENIOR MANAGEMENT COMPENSATION GRI G4-51/52

Our compensation plan for senior management seeks to balance short, medium and long-term earnings and to foster an entrepreneurial spirit and engagement, driving growth and value for the company.

In 2013, company remuneration policy was modified to make it more attractive compared with market standards. Instead of alignment with the market average, Natura salaries were aligned with the third quartile of the market. In effect, Natura was positioned among the 25% of companies paying the highest remuneration to their employees, according to our comparison panel.

For a group of executives that includes the CEO, vice presidents, directors and senior managers, earnings are consistently linked with commitment to our long-term project through the Stock Subscription or Purchase Option Plan program. Since 2009, this program has tied the option to the executive's decision to invest at least 50% of the net proceeds from the profit share plan in the acquisition of Natura shares. The shares can only be exercised after a vesting period of three years for 50% of the shares, subject to forfeit of the remaining 50%, and a vesting period of four years for 100% of the shares.

The plan is valid for eight years and the shares are blocked until the options are exercised in accordance with program rules. The model establishes an annual grant limit of 0.75%, and a maximum of 4%.

In December 2013, the volume of options held by executives corresponded to around 1.41% of Natura shares, compared with 1.39% in 2012. The number of Natura shares on December 31 2013 was 431,239,264. Since 2002, the company has granted 22,947,007 options, of which 24% were cancelled due to executives leaving the company.

It should be noted that in the Annual General Meeting, shareholders approve Natura management compensation and may comment favorably or not on this subject. **GRI G4-53**

NUMBER OF OPTIONS<sup>1</sup>

Plan	Granted	Exercised	Mature balance	Non-mature balance	Cancelled	
balance	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	689,384	0	0	580,571	46%
2008	1,800,010	715,024	100,702	0	984,284	55%
2009	2,419,791	802,691	1,243,646	0	373,454	15%
2010	2,112,376	131,730	732,843	720,831	526,972	25%
2011	1,621,780	0	0	1,209,741	412,039	25%
2012 <sup>2</sup>	-	-	-	-	-	-
2013	2,216,385	0	0	2,076,996	139,389	6.3%
<b>Total</b>	<b>22,947,007</b>	<b>11,318,140</b>	<b>2,077,191</b>	<b>4,007,568</b>	<b>5,544,108</b>	<b>24%</b>

<sup>1</sup> All employees in Brazil and in the International Operations.

<sup>2</sup> No grant.

MATURITY AND VALIDITY OF PLANS<sup>1</sup>

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	19 March 2013	19 March 2014	19 March 2018
2011	23 March 2014	23 March 2015	23 March 2019
2012 <sup>2</sup>	-	-	-
2013	18 March 2016	18 March 2017	18 March 2021

<sup>1</sup> All employees in Brazil and in the International Operations.

<sup>2</sup> No grant.

## VARIABLE COMPENSATION GRI G4-34/38

Variable compensation is intended to recognize and reward Natura 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 is linked with the effective achievement of targets and minimum growth levels established by management for the year. Therefore, payment is contingent on Natura's performance reaching a stipulated minimum. The criteria for determining achievement of targets involve performance indicators set forth in the Strategic Plan encompassing the company's triple bottom line:

- **Economic** – consolidated ebitda for Brazil and international operations;

- **Sociais** – Organization 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 out of stock when orders are placed by consultants in Brazil and in the international operations.

The total annual amount paid out in the profit share plan, based on the long-term incentive program, may not exceed 10% of net profit. This limit provides Natura with a consistent and well controlled system that prevents distortions between compensation and company performance. The variable component, both short and long-term, is proportionally larger for senior executives than for other employees.

The table below shows the compensation for the main groups of Natura employees:

<b>2013</b>	<b>Average number (of employees)</b>	<b>Total salary (in millions)<sup>1</sup></b>	<b>Total variable component (in millions)<sup>2</sup></b>	<b>2013 Stock Option Plan (number of options)<sup>3</sup></b>
Board	9	4.51	1.83	-
Executive committee	8	8.78	10.03	588,431
Senior management and directors	107	39.81	25.66	1,281,153
Middle management	482	78.15	31.45	-
Sales force	1,601	109.69	12.56	-
Sales force	832	55.66	49.15	-
Operational	2,370	64.07	12.64	-
<b>Total 2013</b>	<b>5,409</b>	<b>360.67</b>	<b>143.32</b>	<b>-</b>

**1** Total salary: takes into account average annual base salary, in 12 months (without charges), and overtime. **2** Total variable: Profit share and sales bonus (with paid weekly rest) paid in year. **3** 2013 Stock Options: number of options granted in 2013.

## business conduct

<b>2012</b>	<b>Average number of employees</b>	<b>Total salary (in millions)<sup>1</sup></b>	<b>Total variable component (in millions)<sup>2</sup></b>	<b>2012 Stock Option Plan (number of options)<sup>3</sup></b>
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	-
<b>Total 2012</b>	<b>5,317</b>	<b>289.46</b>	<b>66.89</b>	<b>-</b>

**1** Total salary: takes into account average annual base salary, in 12 months (without charges), and overtime. **2** Total variable: Profit share and sales bonus (with paid weekly rest) paid in year. **3** 2012 Stock Options: no grant.

<b>2011</b>	<b>Average number of employees</b>	<b>Total salary (in millions)<sup>1</sup></b>	<b>Total variable component (in millions)<sup>2</sup></b>	<b>Stock Options Plano de 2011 (number of options)<sup>3</sup></b>
Board	7	3.13	1.30	-
Executive committee	5	5.86	5.49	314,260
Senior management and directors	102	36.40	19.90	990,258
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	-
<b>Total 2011</b>	<b>5,317</b>	<b>300.17</b>	<b>119.11</b>	<b>-</b>

**1** Total salary: takes into account average annual base salary, in 12 months (without charges), and overtime. **2** Total variable: Profit share and sales bonus (with paid weekly rest) paid in year. **3** 2011 Stock Options: number of options granted in 2011.

# NATURA MANAGEMENT SYSTEM

Our Essence and our organizational culture are differentials for the business and permeate everything we do. The Natura Management System (SGN) is the way we ensure these differentials are incorporated into company routines.

By establishing clear requirements to be applied in our internal processes, projects and business behavior, the Natura Management System enables us to be dynamic in the way we do business and, more importantly, ensures that our models are an expression of our Essence, bringing it alive and reinforcing it.

As a dynamic model, the Natura Management System provides the flexibility to meet the specific demands of each operation, enabling them to evolve to stay abreast of Natura strategy.

In 2013, we worked on reviewing priority processes, rituals, governance and indicators to sustain the new organizational model and the company's growth plan for the coming years, ensuring fluidity in operations both in Brazil and overseas (*read more about the organizational model on page 20, Executive Governance*).

In this way, we tightened our focus on productivity, driving consistency and generating gains in efficiency on fronts and in processes which will enable reinvestment in the business.

## TRIPLE BOTTOM LINE MANAGEMENT

Fully aware that our activities depend directly on nature and on ecosystems, and based on our commitment to a sustainable development model, we are engaged in a series of studies to measure the impact of our activities. Our medium term goal is the valuation of the negative and positive social and environmental impacts or externalities that all the Natura operations and their value chains generate, factoring this analysis into business management.

This is so that in the future we may reach the stage where the company is able to evaluate the true monetary value of the services provided by ecosystems and by biodiversity and of the impacts generated for society. This will permit that the socio-environmental gains and losses associated with a production activity be considered in risk analyses and in the generation of new, more sustainable products and businesses.

As part of this movement, we have developed socio-environmental criteria that enable the effective analysis of triple bottom line dimensions in the selection and development of our suppliers in the Sustainable Supply Chains project. With support from specialists, including global sources such as TEEB (The Economics of Ecosystems and Biodiversity), we selected the eight main social and environmental externalities. The environmental externalities identified are CO<sub>2</sub> emissions, water consumption and solid waste generation, while the social externalities are formal education programs, employee training, workplace safety, social inclusion (hiring employees with disabilities) and direct investment in society. Based on the monitoring of these indicators, we propose to stimulate each company to improve its respective social and environmental practices.

With clear targets in terms of economic and socio-environmental gains, the Sustainable Supply Chain project is aimed at maximizing positive impacts and minimizing negative impacts in the company's supply chain.

### VALUATION PROJECTS

To further learning, in 2011 Natura sponsored the adaptation for Brazil of the first and most complete study on the economic costs of the loss of biodiversity and the degradation of ecosystems associated with businesses, TEEB Brasil, a movement coordinated by the NGO Conservation International.

The project chosen for testing TEEB methodology was an

initiative developed by Natura to research an alternative model for palm oil production by means of agroforestry systems which combine various vegetable species in the same production unit. For purposes of comparison, palm oil monoculture was also assessed.

Conducted by TEEB, the feasibility study for the alternative for palm oil production will be concluded shortly. To date, the study has shown that the total environmental value supplied by the agroforestry system is three times greater than that achieved under monoculture, considering a working life of 25 years for the planted area. The study also indicated that the ecosystem services generated by the agroforestry system are much more positive than those associated with monoculture (provision of foods and wood, regulation of global climate, water and soil fertility) and that the environmental impacts are also lower, an example being a reduction in greenhouse gas (GHG) emissions.

During 2013, we took part in the *Pese* (business program for ecosystem services) program, focused on the application of ESR (Ecosystems Services Review) methodology, which is aimed at measuring organizations' impact and dependence on ecosystems. This initiative coordinated by the sustainable development business council CEBDS (Conselho Empresarial Brasileiro para o Desenvolvimento Sustentável), the Fundação Getúlio Vargas Center of Studies in Sustainability (FGV-Gvces) and the World Resources Institute (WRI) was concluded in 2013.

We also participated in the *Tese* (Trends in ecosystem services) program led by FGV-Gvces, the NGO Conservation International Brazil and The Nature Conservancy (TNC), another initiative to develop an assessment and valuation tool for ecosystem services.

Based on all these experiences, in 2014 we will initiate a new cycle to expand our knowledge in this area. We intend to evaluate our externalities and those of our value chain, both in environmental and social terms. In our pursuit of evolution in TBL management, we want to implement the valuation of social and environmental externalities in our decision making and risk and opportunity assessment processes, from a systematic perspective that will help us to define new strategic and business paths so that the company may generate positive impacts.

Moreover, we joined a group which will coordinate international discussions for the creation of a global protocol for the calculation of externalities, coordinated by the World Business Council for Sustainable Development (WBCSD). The group will work with other organizations such as the B-Team to develop a model for the valuation of social and environmental impacts.

## ENGAGEMENT WITH GOVERNMENT AND SOCIETY

Of the three social topics in Natura's materiality matrix, investment in education is the one that permeates the most areas of the company (*read more about the other two, sustainable entrepreneurship and quality in relationships on pages 101 and 71*). It is our understanding that education is the driving force for building a better, fairer and more sustainable world. For this reason it is incorporated into the strategies for our main stakeholder groups, including employees, consultants and NCAs and suppliers. These range from private social investment through the Instituto Natura, corporate education measures for employees and education for sustainability, aimed at everyone.

Created in 2010, the Institute has reinforced expression of the company's belief in the importance of education. A non-profit institution, the organization consolidates and furthers the public education improvement measures Natura has supported in Brazil since the 1990s. Funding for the institute comes from the Natura Believing is Seeing line of non-cosmetic products, from which neither Natura nor consultants make a profit, with the proceeds reverting fully to the institute. The company also dedicates 0.5% of its net annual profit to maintaining the Institute's operations.

In 2013, the amount raised from the sale of Believing is Seeing products in Brazil was a record – R\$ 17 million – exceeding our target of R\$ 14 million for the period. In the International Operations, the funds raised by the line were also a record, reaching R\$ 4.8 million. In these countries, Natura invests these funds directly in educational actions (*read more in box below*).

The Instituto Natura works on three complementary fronts: public administration of education, aimed at supporting the redesign and transformation of educational management systems; innovation in educational technologies to foment the creation and diffusion of innovative teaching technologies; and educational and social transformation, focused on educational projects capable of transforming society.

Based on its accumulated learning and experience and partnerships in the implementation of actions to support municipal public policies, a highlight for the Instituto Natura in 2013 was the development of the Rede de Apoio à Educação (RAE - Education Support Network). This network comprises federal agencies, other institutes, governments, school principals, coordinators and teachers who support the implementation of the initiatives and help to leverage the results.

Through the RAE network, in 2014 the Instituto Natura will develop its projects in a number of strategic regions, as is the case with several municipal districts in the Amazon

region. Two of the main Instituto Natura projects are being implemented in this region: Conviva Educação, a tool providing support for municipal education departments, and Trilhas de Leitura (Learning Trails), a literacy program for early learners. The RAE network will organize the formation of teams in the respective municipal departments, ensuring the most efficient use of resources and monitoring their performance, focused on the elaboration, review and implementation of the Municipal Education Plans (PMEs). In the course of 2014, the Education Support Network should also be implanted in other regions of the country.

The Instituto Natura also supports the Pact for Education in Pará, an initiative by the state education department aimed at enhancing education in the state with a target of improving performance in the Ideb (the Ministry of Education's basic education development index) by 30% in five years, strengthening the competencies of education professionals, improving school infrastructure and management practices in the Education Department.

Another project the institute supports is the formalization of what are known as alternating schools, where the curriculum is adapted to the local reality of students in rural areas of the Amazon, enabling the student to spend part of the month in school and the rest in his/her community, putting the learning acquired into practice (*read more on page 57*).

In 2013, more than 3 million students benefited from Instituto Natura programs. It should be noted that all investments are approved by the organization's board of directors. Read more about the Instituto Natura in the institution's 2013 annual report: [www.institutonatura.org.br](http://www.institutonatura.org.br). (*Read more about education in the chapters on our priority stakeholders, from page 74*).

### INVESTMENT IN THE INTERNATIONAL OPERATIONS GRI G4-EC7/EC8

Due to the growth in funds raised by the sale of Believing is Seeing products in our International Operations – the total in 2013 was R\$ 4.8 million –, the Instituto Natura is helping the company to define an educational strategy for these countries.

Seeking to align the actions in each country with the strategies defined for Brazil and the IOs, a diagnosis was performed to identify the main educational challenges in the region. Based on the result, Natura established three priority areas



## business conduct

in education for its operations in other countries in Latin America: guarantee of quality and equality in teaching, educational transformation and social mobilization.

In 2013, we started to implant the first project derived from the educational transformation pillar. This is the Learning Communities initiative in Peru and Mexico, the first stage of which is centered on disseminating the concept and training the persons who will execute it. At the same time, the company maintained its support for local projects aligned with the guidelines established for our new strategy.

During the year, the number of people benefiting directly from the projects soared from 36 thousand to more than 92 thousand, due to the increase in funding from the Believing is Seeing product line and the higher number of initiatives supported.

## CONSULTANT PARTICIPATION

As key Natura allies, our consultants actively disseminate and sell the Natura Believing is Seeing product line. In 2013, Believing is Seeing penetration – the percentage of all active Natura NCs who sold items from the line – reached 15% in Brazil, 25% up on 2012. The results were impelled by the incentives developed by the company sales force.

In the IOs, penetration among NCs was slightly down, from 18.1%, in 2012 to 17.6% in 2013. This reduction was due to changes in the Believing is Seeing portfolio in these countries during the year.

G4 EC7/EC8

### BELIEVING IS SEEING PROGRAM IN BRAZIL

	Unit	2011	2012	2013
Net proceeds from Believing is Seeing program <sup>1</sup>	R\$ 000's	8,397	12,835	17,066
Believing is Seeing penetration <sup>2</sup>	(% cycle)	9.5	12	15
Total value of projects developed and supported <sup>3</sup>	R\$ 000s	5,838	15,361	16,566
Municipalities served		345	3,300	4,653
Schools served		4,943	72,000	73,707
Participating teachers, coordinators and principals		18,471	140,000	143,062
Students benefiting		922,028	3,000,000	3,095,982
Total municipal education departments <sup>4</sup>		n.a.	n.a.	3,860
Total state education departments <sup>4</sup>		n.a.	n.a.	27

**1** Refers to profit channeled to Believing is Seeing program fund before income tax. **2** Percentage of NCs involved in Believing is Seeing (through purchase of product line) among active NCs. **3** The amount of the investment consists of: projects (R\$ 11,475,260); mobilization (R\$ 2,055,080); operating expenses (R\$ 160,650); payroll – considering partial allocation of managing director and communication manager; previously allocated to institute maintenance expenditures, and full allocation of education manager – (R\$ 2,874,970). The total amount does not include investments in the RAE project – Amazônia Program (R\$ 214,850), since this amount was provided by Natura for investment and management of the institute and does not come from Believing is Seeing sales. **4** The inclusion of the numbers of the state and municipal education departments is due to the implementation of the State Education Department Governance Research and Conviva Educação projects, respectively.

G4 EC7/EC8

## BELIEVING IS SEEING PROGRAM IN THE INTERNATIONAL OPERATIONS

	Unit	2011	2012	2013
Net proceeds from Believing is Seeing program <sup>1</sup>	R\$ 000s	2,146	4,497	4,762
Believing is Seeing penetration <sup>2</sup>	(% cycle)	18	18	17.6
Total value of projects developed and supported	R\$ 000s	n.a.	3,243	4,696
Schools attended		n.a.	606	475
Participating teachers, coordinators and principals		n.a.	405	2,366
Students benefiting		n.a.	35,933	92,243

<sup>1</sup> Refers to profit channeled to Believing is Seeing program fund before income tax. Data from the previous years were restated to correct inconsistencies. <sup>2</sup> Percentage of NCs involved in Believing is Seeing (through purchase of product line) among active NCs.

## SUPPORT AND SPONSORSHIP

As part of our Essence and with a view to promoting well being well for more people, the company supports projects that value Brazilian culture, entrepreneurship and help drive sustainable development. Since 2012, efforts have been concentrated on valuing Brazilian culture with a focus on music; sustainable development; reinforcing civil society organizations; behavior

and attitude; and sports. In 2013, we provided support and sponsorship totaling more than R\$ 14 million, including funds from incentives. This figure was 38% lower than the previous year due to a 2013 budget directive.

Natura funding	Unit	2011	2012	2013
Sustainable development		1,900	12,282	50
Valuing Brazilian culture: music		13,365	11,982	7,545
Behavior and attitude		750	900	0
Reinforcing civil society organizations	R\$ 000s	2,790	2,311	1,382
Sports		n.a.	603	53
<b>Total Natura funding</b>		<b>18,806</b>	<b>28,078</b>	<b>9,030</b>
Funding from incentives	Unit	2011	2012	2013
Sustainable development		80	n.a.	0
Valuing Brazilian culture: music		4,853	4,617	5,272
Reinforcing civil society organizations		610	400	0
Sports	R\$ 000s	n.a.	455	100
<b>Total funding from incentives</b>		<b>5,543</b>	<b>5,472</b>	<b>5,372</b>
<b>Total Natura and incentives</b>		<b>24,349</b>	<b>33,550</b>	<b>14,402</b>

In the area of sustainable development, in 2013 Natura sponsored the film *Amazon: The Green Planet*, a co-production between Brazil and France. The film was released in Paris in 2013 and is scheduled for release in Brazil in the first half of 2014.

In the area of reinforcing civil society organizations, we sponsored the first Brazilian Sustainable Brands conference, which discussed concrete initiatives for transforming business culture through clean technologies, innovation, organizational culture, communication and consumer engagement, among others.

In 2013, to further our strategy to promote sport, we supported two projects backed by incentives from the federal sport incentive law, in addition to renewing our sponsorship of the *Caminho da Paz* project. During the year we did not sponsor any projects related to behavior and attitude.

### NATURA MUSICAL

In 2013, sponsorship activities prioritized Brazilian culture with a focus on music through the Natura Musical program, which has supported the diffusion of Brazilian music since 2005. In this time, the platform has provided support for more than 200 projects in 18 states, directly impacting more than a million people.

Natura Musical selected the projects to be sponsored through four calls for proposals, one on a national scale and the other three at regional level, using funds from the federal incentive law and from cultural incentive laws in Minas Gerais, Bahia and Pará. In 2013, from the 3,493 projects submitted, a total of 23 were selected (seven on a national level, four in Minas Gerais, five in Bahia and seven in Pará) and will be executed in 2014. Selection of the proposals is based on their fit with the underlying concept of the Natura Musical program, their potential for generating visibility and mobilizing audiences, open access, excellence, innovation, and cost/benefit. The company also sponsored a further 19 projects without calls for proposals.

Another novelty in 2013 was the Natura Musical web radio station produced by Rádio Eldorado, which offers 24-hour programming of Brazilian music, with exclusive new releases, new and established artists, incursions into Brazilian musical history and news about Natura Musical projects.

The company also promoted the third edition of the Natura Musical Festival in Belo Horizonte (Minas Gerais). The attractions included Caetano Veloso, Paralamas do Sucesso, Paulinho da Viola and Marcelo Jeneci. The programming included a section exclusively for children with presentations by the groups Barbatuques and Curupaco. With stages set up in two city squares, the free event was attended by 50,000 people.

Worthy of note among the projects sponsored in 2013 was Ney Matogrosso's album *Atentos aos Sinais*, and the DVD *Uma Travessia – 50 Anos de Carreira* by Milton Nascimento. The works of the artists receiving support are available for download on the portal [www.naturamusical.com.br](http://www.naturamusical.com.br)

## Influence in public policy

Natura's activities in different social, government and sector organizations are guided by the belief that working with others reinforces the company's commitment and furthers social development.

An example of this commitment is the work Natura has done on approving the new biodiversity legal framework, which governs access to Brazilian biological resources and the traditional knowledge associated with them. We are part of a business movement which proposes to improve this regulatory framework and which delivered textual proposals to the Ministry of the Environment in 2012 and 2013. The movement is called the *Coalizão Empresarial pela Biodiversidade* (Business Coalition for Biodiversity). It members include Abihpec (Brazilian association of cosmetics, fragrances and toiletries industry), Farma Brasil (the national pharmaceutical sector association), CEBDS (Brazilian business council for sustainable development), the Instituto Ethos and MEBB (business movement for biodiversity).

Today, this area is still regulated by the provisory measure MP no 2.186-16 passed in 2001, which has not fully achieved its original objective of increasing the resources dedicated to conserving Brazilian biodiversity and promoting development and the distribution of wealth through the sustainable use of such resources. The MP has proved to be restrictive. It has not attracted university researchers, research centers or companies and has limited innovation processes and the country's development. Impacting a number of sectors, such as cosmetics, foods and pharmaceuticals, the provisory measure requires that companies doing applied research or scientists doing pure research get authorization from the Ministry of the Environment's CGen (Biological Resource Council) prior to accessing biological resources before they know whether the work will result in any practical application. Requirements such as these impact research times and the launch of new products, making the process slow, bureaucratic and expensive.

After a number of meetings involving different spheres of government, industry associations, traditional communities, universities and civil society representatives, a consensus was reached and a proposal sent to the Chief of Staff of the Presidency at the beginning of 2014. After analysis by the Chief of Staff, the proposal should be discussed and approved by the National Congress. A major victory was the request to eliminate the mandatory prior authorization for access to biodiversity, which will help to cut red tape and to foment scientific and technological development.

In parallel, the company continued to work in accordance with the legal framework in force. As a result, in December 2013, Natura had 60% of all the authorizations for access issued by CGen to private companies in Brazil.

Another major company accomplishment in 2013 was obtaining all the environmental and operational licenses necessary for the operation of the Ecoparque in Benevides (Pará), which was inaugurated in the first quarter of 2014 (*read more about the Ecoparque on page 56, Social Biodiversity*).

### NEW ANTICORRUPTION LAW

In August 2013, the new Brazilian anticorruption law was sanctioned. This imposes more rigorous punishments for private companies convicted of crimes involving corruption and bribery. More than just increasing mechanisms for punishment, the new law prioritizes the adoption of control procedures by companies, such as incentives to report irregularities, the creation of channels to clarify doubts and training. We see approval of the law as a significant evolution in ethics and integrity for the country's business community. The new legislation reflects Natura values, which uphold doing business in an ethical, transparent fashion.

Responsible for relations with public authorities, Natura's Government Relations area acts on the basis of clear, transparent dialog, devoid of party bias, building positive relations and positioning the company as an agent interested in transforming Brazilian society within the word of the law. In 2013, the company implemented its Code of Conduct and, at the beginning of 2014, revised its Anticorruption and Bribery Policy. The new Natura Integrity Policy established the company's standards of conduct for relationships with public authorities, in alignment with the new anticorruption law.

To ensure adherence to the anticorruption law, the company implemented a Compliance program in all Natura units in Brazil and in its International Operations. This entailed mapping the company's critical areas based on their level of

interaction with public authorities, identifying all significant corruption-related risks. The company has a number of instruments to mitigate such risks, such as the new Code of Conduct, an e-learning program for employees, the new Integrity policy, the Ethics Committee, the Ombudsman service, as well as the audits conducted on payments and specific suppliers. **GRI G4-SO3**

In 2014, we reaffirmed our decision not to make financial contributions to political parties or candidates in our operations in Brazil and overseas. We believe that plurality in political participation is a key driver of transformation for society. As such, it is our understanding that it is not possible to select which of these forces should be supported in detriment of others. **GRI G4-SO6**

Worthy of note is the fact that in 2013, we were not involved in any legal actions related to unfair competition or monopoly, neither did we record any significant fines or non-monetary sanctions resulting from non-compliance with laws and regulations. Similarly, Natura received no fines or sanctions resulting from non-compliance with environmental laws and regulations during the year. **GRI G4-SO7/SO8/EN29**

### INSTITUTIONAL RELATIONS

To contribute effectively to the demands of our industry and promote its convergence with societal aspirations, we participate actively in various industry associations. Our CEO, Alessandro Carlucci, will be president of the World Federation of Direct Selling Associations (WFDSA) until the end of 2014. This organization represents 60 direct selling associations worldwide. In addition to showing Brazil's importance in the direct selling market, his election for the period 2011-2014 is evidence of Natura's prominence in the organization. For the company, this represents an opportunity to contribute to promoting the direct selling sector worldwide.

In Brazil, Natura presides the ABEVD (Brazilian direct selling association) and participates actively in Abihpec with six representatives, some at board level. The company also presides ledi (institute for industrial development studies) is on the board of Anpei (national association of research, development and engineering for innovative companies) and on the steering council of the Instituto Ethos.

Through our activities in Abihpec, ABEVD and other organizations such as ledi, Getap (applied tributary studies group) and the Fundação Getúlio Vargas NEF (fiscal studies center), we strive to dialog continually with public authorities regarding the establishment of an adequate tax load for our area of activity. Through Abihpec, we also participate in a business coalition that is proposing an

industry agreement to address the question of reverse logistics for packaging in alignment with the national solid waste policy introduced in 2010.

## INTERNATIONAL OPERATIONS

With the expansion of our International Operations in Latin America we have sought to learn about the particularities of each country, supported by corporate directives in Brazil and in conjunction with local authorities and industry associations.

In 2013, Natura continued to participate in discussions around access to biological resources in Colombia, in an effort to contribute to the formulation of local regulations that promote the development and conservation of biodiversity in alignment with the principles of the Convention on Biological Diversity (CBD), an international treaty signed during Eco-92. In Argentina, we maintained an intense agenda of political contact with representatives of the Ministry of Internal Trade due to changes to importation rules in that country.

## INVESTMENTS GRI G4-EC4

In 2013, financing involving tax incentives and government foment agencies totaled R\$ 32 million. Part of these funds came from Brazil's Lei do Bem, which provides incentives for companies developing technological innovations. In 2013, the number of research and technological innovation projects coming under the law was reduced, which impacted the total amount of funds received compared with the previous year. Natura also stopped receiving relief on ICMS (tax on the interstate and inter-municipal circulation of merchandise and transportation and communication services) taxes for our Itapecerica da Serra (São Paulo) site, whose activities were transferred to the new unit in the city of São Paulo in May 2013.

Financing for company innovation projects provided by the foment institution BNDES (Banco Nacional de Desenvolvimento Econômico e Social) totaled R\$ 103.3 million. In 2013, we signed a record 2-year contract worth R\$ 205.7 million with the study and project finance organization Finep (Financiadora de Estudos e Projetos). However, the first disbursement (R\$ 100 million) only occurred in January 2014, and was not part of the total funds received in 2013 (*read more on page 42, Innovation*).

In our investment-related negotiations with public authorities we seek to obtain tax benefits. During the course of 2013, we undertook significant investments in expanding the plant in Cajamar (São Paulo), in initiating operations at the new distribution center and administration unit in São Paulo (São Paulo), and in the construction of the Ecoparque (Pará).

## G4-EC4. GOVERNMENT FUNDS<sup>1</sup>

	Unit	2011	2012	2013
Tax incentives for support and sponsorship <sup>2</sup>		10	9	9
Lei do Bem (Income tax and social contribution deductions of up to twice the amount spent on research and technological innovation) <sup>3</sup>	R\$	24	22	20
ICMS tax relief Itapecerica da Serra	millions	4	5	-
Others <sup>4</sup>		1.1	2.0	2
<b>Total</b>		<b>39</b>	<b>38</b>	<b>32</b>

**1** The government does not hold shares in the company. **2** Corporate income tax incentives related to the Federal Incentive law, Sports law, Children's and Adolescents' Rights Funds, worker meal program and ICMS tax incentives related to the Natura Musical projects.

**3** The tax benefit related to the 2011 Lei do Bem was altered due to project review/audit. **4** Incentive related to the 2-month extension in maternity leave, instituted by Decree 7052/2009. The expense is not deductible from actual profit and calculation of CSLL, but is fully deductible from corporate income tax (IRPJ).

## REPRESENTATION IN TRADE/INDUSTRY ORGANIZATIONS AND ASSOCIATIONS

GRI G4-I6

Body/association	Natura representative	Type of representation
ABA – Associação Brasileira de Anunciantes (Brazilian Advertisers Association)	José Vicente Marino	Member of the National Board
	Lucilene Prado	President
ABEVD - Associação Brasileira de Empresas de Vendas Diretas (Brazilian Association of Direct Selling Companies)	Luciano Pedregal	Member of Ethics Council
	Kassia Reis	Representative on the Legal Affairs and Government Relations Committee
	Lucilene Prado	Board Member
Abihpec – Associação Brasileira da Indústria de Higiene Pessoal, Perfumaria e Cosméticos (Brazilian Association of Cosmetics, Fragrances and Toiletries Industry)	Silene Moneta	Representative in Environment Group
	Vanessa Sapiencia	Representative in Labor Group
	Elizabeth Vicentini	Representative on the Technical and Regulatory Committee
	Kassia Reis	Representative in the Tax and Overseas Trade Working Group
	Ricardo Bittencourt	Representative in the Overseas Trade Working Group
Abipla – Associação Brasileira das Indústrias de Produtos de Limpeza e Afins (Brazilian Association of Cleaning Products and Similar Industries)	Isabel Fujimori	Representative on the Regulatory Committee
ABNT – Associação Brasileira de Normas Técnicas (Brazilian Technical Standards Association)	Isabel Fujimori	Member
ABPI – Associação Brasileira da Propriedade Intelectual (Brazilian Intellectual Property Association)	Lucilene Prado	Representative
Abrasca – Associação Brasileira das Companhias Abertas (Brazilian Association of Listed Companies)	Fabio Cefaly	Representative
Acción ser	Soledad García	Member
AMVD – Asociación Mexicana de Ventas Directas (Mexican Direct Selling Association)	Arno Araujo	Secretary of the Steering Council
Anpei – Associação Nacional de Pesquisa, Desenvolvimento e Engenharia das Empresas Inovadoras (National Association of Research, Development and Engineering of Innovative Companies)	Luciana Hashiba	Director
Asociación Civil Argentina de Empresas Brasileñas (Argentine Civil Association of Brazilian Companies)	Pedro Gonzalez	Representative
Aspi – Associação Paulista de Propriedade Intelectual (São Paulo Intellectual Property Association)	Lucilene Prado	Representative
Cámara de Comercio de Lima (Lima Chamber of Commerce)	Daniel Gonzaga	Representative
Cámara Industria Cosmética del Chile (Chilean Cosmetics Industry Chamber)	Alexandre Lemos	Member of Overseas Trade Commission
Cámara Peruana de Venta Directa (Peruvian Direct Selling Chamber)	Hans Werner	President

## business conduct

Body/association	Natura representative	Type of representation
Cambras – Cámara de Comercio Argentino Brasileña (Argentina-Brazil Chamber of Commerce)	Sabina Zaffora	Vocal titular
Caniepec – Cámara Nacional de la Industria de Productos Cosméticos (Mexican National Chamber of the Perfumery, Cosmetics and Toiletry and Hygiene Products Industry)	Gabriela Ocampo	Representative
	Pedro Gonzalez	Alternate Member of Accounts Review Committee
	Jelena Nadinic	Member of Technical Commission
	Marisa Gueventer	Member of Environment Commission
	Sofía Rey Petit	Member of Corporate Social Responsibility Commission
	Jimena Coppa	Representative of SER Commission
Capa – Cámara Argentina de la Industria de Cosmética y Perfumería (Argentine Chamber of the Cosmetics and Perfumery Industry)	Patricio Duimich	Legal Representative
	Dejan Joksimovic	Director
Copecoh – Comité Peruano de Cosmética e Higiene (Peruvian Cosmetics and Hygiene Committee)	Daniel Gonzaga	Representative
	Guilherme Peirão Leal	Member of Decision-Making Council
	Lucilene Prado	Alternate Member of Advisory Board
	Almir Xavier	Representative of Integrity Working Group
Ethos – Instituto Ethos de Empresas e Responsabilidade Social (Ethos Institute of Companies and Social Responsibility)	Silene Moneta	Representative of Solid Waste Working Group
	Silene Moneta	Member of MEBB – Corporate Biodiversity Initiative
FNQ – Fundação Nacional da Qualidade (National Quality Foundation)	Pedro Luiz Barreiros Passos	Vice Chairman of Board of Trustees
Fundação Dom Cabral	Pedro Luiz Barreiros Passos	Board Member
Fundación Prohumana	Daniela Bertoglia	Member
Getap (Grupo de Estudos Tributários Aplicados) (Applied Tax Studies Group)	Lucilene Prado	Member
Fundação SOS Mata Atlântica (SOS Atlantic Rainforest Foundation)	Pedro Luiz Barreiros Passos	President
Global Compact – Caring for Climate	Denise Alves	Member of Steering Committee
GRI – Global Reporting Initiative	Roberto Pedote	Member of Stakeholder Council
IBGC – Instituto Brasileiro de Governança Corporativa (Brazilian Institute of Corporate Governance)	Moacir Salztein	Representative
Ibri – Instituto Brasileiro de Relações com Investidores (Brazilian Institute of Investor Relations)	Fabio Cefaly	Representative



## business conduct

Body/association	Natura representative	Type of representation
Iedi - Instituto de Estudos para o Desenvolvimento Industria (Institute of Studies for Industrial Development)	Pedro Luiz Barreiros Passos	President of Board
IIRC – International Integrated Reporting Committee	Roberto Pedote	Member of Steering Committee
	Jose Wanderley	Member of Technical Council
Instituto Akatu pelo Consumo Consciente (Akatu Institute for Conscious Consumption)	José Vicente Marino	Member of Advisory Board
Instituto Empreender Endeavor Brasil (Endeavor Brazil Entrepreneur Institute)	Pedro Luiz Barreiros Passos	Board Member
Inta – International Trademark Association	Kassia Reis	Representative
IPT – Instituto de Pesquisas Tecnológicas (Institute of Technological Research)	Pedro Luiz Barreiros Passos	Board Member
ISO – International Organization for Standardization	Isabel Fujimori	Member
MBC – Movimento Brasil Competitivo (Competitive Brazil Initiative)	Pedro Luiz Barreiros Passos	Representative
MEI – Mobilização Empresarial pela Inovação (CNI) (Corporate Mobilization for Innovation)	Pedro Luiz Barreiros Passos	Representative
Movimento Nossa São Paulo (Our São Paulo Movement)	Guilherme Peirão Leal	Chairman of Board Sustainable São Paulo Institute
NEF – Núcleo de Estudos Fiscais da Escola de Direito da FGV (FGV Law School Center of Tax Studies)	Lucilene Prado	Partnership
PCPC Council – Personal Care Products Council	Elizabeth Vicentini	Associated member
Rede América (America Network)	Isabel Ferreira	Representative
	Luara Maranhão	Representative
Sipatesp – Sindicato da Indústria de Perfumaria e Artigos de Toucador do Estado de São Paulo (Perfumery and Beauty Products Industry Union of the State of São Paulo)	Lucilene Prado	Director and member of Fiscal Council
UEBT – Union For Ethical Biotech	Ricardo Faucon	Chairman of the Board
Water Footprint Network	Ines Francke	Representative
WBCSD – World Business Council for Sustainable Development	Alessandro Carlucci	Board Member
	Keyvan Macedo	Liaison Delegate
WFDSA – World Federation of Direct Selling Associations	Alessandro Carlucci	President
	Daniel Serra	Representative
	Moacir Salztein	Alternate Treasurer



# INNOVATION

Structured to ensure the achievement of our principal objective – promoting well being well –, our innovation model is not restricted to developing new products and concepts, but permeates the entire organization transversally: it is present in our commercial strategy, in the pursuit of new business opportunities, in biodiversity input stewardship and extraction techniques and in our industrial and logistics operations.

In 2013, we reviewed our understanding of how innovation may contribute to the company's sustainable growth, seeking to meet the challenges and opportunities in our vision of the future. To ensure focus, differentiation and agility in innovation, we want to reduce the lead time between the birth of an idea and the launch of the product – the time to market. We also intend

to increasingly engage cross-functional teams and prioritize investments in key categories.

In the review, we established five drivers of innovation: strong connection with Natura growth strategy; simplification of the innovation structure and process; construction of a differentiated innovation pipeline, integrating the short, medium and long terms; increased synergies between the areas; and strengthened global connection and activities.

To develop a differentiated innovation pipeline, we grouped our programs in three major research and development fronts: Well-being and Relationships, Sustainable Technologies and Cosmetics Technologies (see *chart below*).

## TECHNOLOGY PROGRAMS

> **Well-being and Relationships:** this integrates different scientific fields to comprehend and create value based on well-being and its correlations in all dimensions (physical, emotional, social, cultural and spiritual).

- > Proof of well-being
- > Applied social research

> **Sustainable Technologies:** concepts and technologies to promote the sustainable use of social biodiversity products and services, including ecological production systems, packaging materials and social technologies.

- > Bioagriculture
- > Biotechnology
- > Ingredients

> **Cosmetics Technologies:** research into biological and physical-chemical mechanisms and proof of effectiveness and safety to develop new products and services with unprecedented benefits. It also strives to understand how physiological mechanisms work in producing sensations, perceptions and emotions to provide the best possible consumer experience.

- > Design of experiences
- > Sensorial identity
- > Formulation Technology
- > Effectiveness and safety

## products and concepts

To stay abreast of and capture worldwide trends, we seek to consolidate an increasingly global innovation process. In 2013, Natura inaugurated the Innovation Hub in New York (USA) which, together with our Innovation Center, seeks to ensure the swift identification of relevant opportunities in different areas (cosmetics, health, technology, design, fashion, behavior etc.).

Since 2012, we have been part of the Media Lab consortium, a center of reference in innovation, design, science and technology at MIT (Massachusetts Institute of Technology) in Boston. We also maintain strategic partnerships in Europe, including one with the University of Lyon in France, and in Australia, as a result of the Aesop acquisition at the end of 2012.

In Brazil, our Global Innovation Center, recognized as the largest cosmetics development laboratory in Latin America, is located in Cajamar. We also have a science and technology center in Benevides, as well as Nina (Natura Amazônia Innovation Center) in Manaus.

Annually, we invest from 2.5% to 3% of revenues in innovation. The total in 2013 was R\$ 181 million, an 18% increase over the previous year. Natura also obtained record financing of R\$ 205.8 million from the study and finance

institution Finep (Financiadora de Estudos e Projetos), which will drive our innovation strategy over the next two years, including research into bioagriculture techniques and the use of Brazilian biodiversity ingredients, among other areas, as well as open innovation initiatives, such as the Natura Campus and Co-creating Natura (*read more ahead*).

The R\$ 103.3 million in financing received from the Banco Nacional de Desenvolvimento Econômico e Social (BNDES) in 2013 was directed primarily at the new Sou product line (*read more on page 44*), at the Natura Network project (*read more about the Natura Network on page 96*) and our new distribution center inaugurated in the city of São Paulo in 2013. **GRI G4-EC4**

Our innovation rate, which is the percentage of revenues from products launched in the last two years, corresponded to 63.4% in 2013.

In recognition, we were elected one of the ten most innovative companies in the world by *Forbes* magazine. In Brazil, we won the Finep Innovation Award, in the Large Company category, and the Época 360 award from the magazine *Época Negócios*, as the most innovative company in the country.

Innovation indicators	Unit	2011	2012	2013
Investment in innovation <sup>1</sup>	R\$ million	147	154	181
Percentage of net revenues invested in innovation <sup>1</sup>	%	2.7	2.6	2.9
Number of products launched <sup>2</sup>	Un.	168	104	179
Innovation rate <sup>1 2</sup> (%)	%	64.8	67.2	63.4

<sup>1</sup> The information does not include development activities in the International Operations, only development spending in Brazil. <sup>2</sup> The number of products launched in 2011 was revised and corrected.

## NETWORKED INNOVATION

We believe that in a network we can extend the reach of our actions, focused on growth, differentiation and sustainable development. Through the Natura Campus open innovation program ([www.naturacampus.com.br](http://www.naturacampus.com.br)) we connect with partnership, research and knowledge diffusion proposals in conjunction with our innovation network, comprising foment organizations, research institutions, companies and Brazilian and international entrepreneurs and laboratories.

In 2012, two calls for bids for the program were launched, one specifically for institutions based in the Amazon region (*read more about the Natura Amazônia Campus on page 55, Social Biodiversity*), aimed at driving project development in the region. Concluded in 2013, the call received a total of 327 proposals, from which 13 projects were selected.

In 2013, we also launched the Natura Campus challenges, in which we presented some of our innovation requirements to the scientific community with a view to finding partners and solutions. Those interested were able to submit their projects via the Natura Campus portal. These were then analyzed based on a series of criteria, such as lead times, vegetalization rates and environmental impact.

One of the three editions involved the development of flexible packaging for the Sou line, seeking a viable technical solution for recycling the packs of the new products (*read more on page 62, Solid Waste*).

The authors of the winning proposals were able to accompany the complete project development process, visit Natura plants and laboratories and those of our partners, as well as participate in conferences in Brazil and overseas to expand their competencies in the area.

## CENTER OF APPLIED RESEARCH IN WELL-BEING

In 2013, we signed an unprecedented cooperation agreement with Fapesp (Fundação de Amparo à Pesquisa do Estado de São Paulo) for the creation of the Center of Applied Research in Well-Being and Human Behavior, aimed at generating knowledge and technologies for promoting well-being through comprehension of its biological bases, as well as cultural and human behavioral standards, involving the areas of neuroscience, positive psychology, social psychology, neuroimaging, neuropsychophysiology and psychometrics, among others.

With a scheduled investment of R\$ 20 million over ten years (R\$ 2 million annually), divided equally between Natura and Fapesp, in addition to contributing to innovative products for the company, the results will be transferred to society, including the business, non-governmental and public sectors.

The project will be managed by Natura, Fapesp and another institution, which should host the new research center and assume responsibility for the operational costs and payroll. The tender for the selection of the partnering institution was published at the end of 2013, and the process should be concluded in the second half of 2014.

## OTHER PARTNERSHIPS

Aligned with the concept of networked innovation, in 2013 Natura took part in a pilot initiative organized by Embrapii (Brazilian industrial research and innovation company), a body created by the Ministry of Science and Technology and the CNI (National Confederation of Industry) to meet the demand for innovation in the country's industrial sector; debureaucratizing processes and forging closer links between private initiative and public research institutions. Based on this partnership and using development funding from the federal government, we signed research and development contracts with the IPT (Technological Research Institute) in São Paulo on strategic terms for Natura. The work underway in partnership with LNBio (National Biosciences Laboratory) in the Bioessay Laboratory in Campinas (São Paulo) was continued.

The company also took part in the Science without Frontiers program, a federal government initiative to internationalize Brazilian science, technology and innovation through the concession of study grants in strategic areas in institutions of excellence overseas. In 2013, we invested 40% of the funds provided for in the partnership with the CNPq (National Scientific and Technological Development Council). Among the grants benefiting Natura staff, two employees are currently doing post doctoral work in leading North American universities. In addition to reinforcing company relations with international research networks, the grantees will share their experience and knowledge with Natura upon completion of their studies.

## CO-CREATING NATURA

To expand our networked innovation, in 2013 we established Co-creating Natura, an open network for everyone who identifies with our brand – in particular consumers, employees and Natura consultants – and who wishes to contribute with ideas and perceptions to our concept and product development process. Interaction is virtual, using the initiative's own platform ([www.natura.com.br/cocriando](http://www.natura.com.br/cocriando)) and via face-to-face meetings. The contents generated in this interaction are considered and factored into the Natura innovation process.

At the end, in addition to receiving a report on the findings, the more active participants are invited to take part in a unique learning experience based on the theme of the initiative.

The Co-creating Natura network already has more than 1,800 participants.

## HOW THE COMPANY INNOVATED WITH SOU

The Sou sub-brand launched in 2013 is a practical example of how we develop our products based on concepts that go far beyond sensorial and technical quality. Development involved a fully dedicated team of innovation professionals, as well as a number of Natura suppliers, external researchers and employees from diverse company areas in a totally integrated process.

Comprising shower, body and hair products, the new sub-brand reaches our consumers as the result of an optimized production process that generates minimal environmental impact and marks the evolution of Natura's commitment to sustainable development by drawing attention to more intelligent forms of consumption.

The line, which has a single olfactory signature developed by our perfumists in partnership with international specialists, contains fewer ingredients in its formulation, which is 80% vegetalized and does not use coloring agents. Its unique pouch format packaging uses 70% less plastic and generates 60% fewer CO<sub>2</sub> emissions than conventional products, and may be used literally to the last drop.

To achieve this result, we reinvented the product development cycle, acquired exclusive production equipment and managed to reduce energy consumption, greenhouse gas (GHG) emissions and waste generation at all stages of production. We also obtained gains at the distribution stage since the single pack permits storage of a larger number of units in the same space –each one thousand empty Sou packs occupy the same space as 28 conventional packs.

Positioned in a new price range, the sub-brand is the materialization of our strategy to occupy the so called blank spaces, business opportunities in market segments in which our brand was not yet present. Sou made a significant contribution to company sales in the second half of 2013.

## OTHER LAUNCHES DURING THE YEAR

- > Natura Plant: with the learnings obtained from Sou, the line refills were launched in pouch format, significantly reducing consumption of plastic, waste generation and GHG emissions. The Natura Plant packs also gained a product description in Braille and incorporated green plastic, reducing CO<sub>2</sub> emissions by 27%.
- > Aquarela: the make up line was relaunched with a lighter formulation, more agreeable textures and packaging with a new optimized design that generates lower environmental impact.
- > Natura UNA: a launch from Natura UNA BB multi-benefit cream with SPF 30, which offers a uniform skin tone, controls oiliness, moisturizes and protects the skin from the sun.
- > Natura Ekos: the line launched four new products based on açai palm oil, two of which use buriti and one which uses yerba mate leaves (a new ingredient in the Ekos portfolio), as well as two new bath essences.
- > Natura Homem, Naturé and Tododia: the three brands also launched exclusive products for the summer.

## GENERATING ENVIRONMENTAL VALUE

We seek to expand management of business impacts throughout our value chain, from the supply of raw materials to the disposal of our products, aimed at maximizing the value generated and shared with our entire relationship network. In accordance with the company's materiality matrix, the priority material topics for Natura are climate change and energy, social biodiversity, solid waste and water:

Our strategy for managing greenhouse gas (GHG) emissions incorporates the complete product lifecycle. For solid waste generation, we have developed an inventory that takes into account a large part of the chain (except raw material supplies). Regarding water consumption, in 2013 we completed analysis of a methodology for calculating our impact in terms of the full product life cycle.

All these aspects are monitored on a periodic basis in diverse company areas, including the commitments assumed and evolution in each topic (see *table on page 08*). Natura is also seeking to gradually incorporate the International Operations into these indicators (see *more on page 127, About the report*).

# CLIMATE CHANGE

Fully aware of our co-responsibility in the challenge of combating and preventing climate change, Natura focused on developing a management process for the entire company, in addition to assuming public commitments to reduce impacts..

From 2007 to 2013 we reduced our relative greenhouse gas (GHG) emissions by 33.2%, honoring the commitment made that year to find alternatives to reduce our impact on climate change by 33%. This achievement is even more impressive given that it involves our entire production chain, from the extraction of raw materials to product disposal by the end consumer. This means that the company reduced GHG emissions from 4.18 kg to 2.79 kg for each kilogram of product invoiced.

The challenge of reducing these emissions drove numerous innovations, a great deal of learning in the company and shows how a socio-environmental challenge – incorporated into the strategic planning and decision making process – can generate innovation and positive results for the company, as well as minimizing impacts on society.

Today, we have a management system that covers every stage of the production process, encompassing product development, manufacture, the order cycle and transportation. The tools Natura has developed to help managers in this process include the carbon calculator –now used also to calculate waste generation –, which quantifies a product's GHG emissions and waste generation levels while it is still at the planning stage. For products having a higher impact than the average for similar products, the decision to maintain the project is only taken after analysis by the Natura Products Committee, whose members include the company CEO and a number of vice presidents (*read more on page 21*).

Our leading suppliers, who are fundamental partners in emissions reduction, also monitor and report on their GHG emissions periodically. To conduct this mapping in the supply chain, we work jointly with the Sustainable Supply Chains program, which tracks a number of supplier indicators, including GHG emissions (*read more about the program on page 108*).

Every year the company conducts its inventory to monitor direct and indirect GHG emissions – from the extraction of raw materials to final disposal of the product –, in accordance with Greenhouse Gas Protocol Initiative (GHG Protocol) scopes 1, 2 and 3 and ABNT NBR ISO 14064-1 standards. In 2013, the GHG inventory was audited by Ernst & Young Auditores Independentes S.S.

## Timeline

### MAIN CO<sub>2</sub>E EMISSIONS REDUCTION INNOVATIONS:

<b>2007</b>	<b>-3.9%</b>	<ul style="list-style-type: none"> <li>• Carbon Neutral program, based on a complete plan, with three action fronts: inventory, reduction and compensation, involving the complete production chain</li> <li>• establishment of commitment to reduce relative emissions by 33% by 2011</li> <li>• introduction of organic alcohol in perfumery</li> </ul>
<b>2008</b>	<b>-8.6%</b>	<ul style="list-style-type: none"> <li>• Natura becomes carbon neutral by compensating all emissions that cannot be avoided in the production process through the purchase of carbon credits</li> <li>• increase in use of organic alcohol in formulations</li> <li>• incentives for maritime product transportation</li> <li>• stimulus to use ethanol in company sales force vehicle fleet</li> <li>• optimization of packaging and increased use of recycled materials</li> </ul>
<b>2009</b>	<b>-15.1%</b>	<ul style="list-style-type: none"> <li>• new target set: 10% reduction in absolute emissions (scopes 1 and 2) from 2008 to 2012</li> <li>• construction of methodology to identify each product's carbon footprint</li> <li>• reduction in energy use with generators at Cajamar (São Paulo)</li> </ul>
<b>2010</b>	<b>-21.2%</b>	<ul style="list-style-type: none"> <li>• revision of relative emissions reduction target from 2011 to 2013</li> <li>• launch of Less Carbon, More Productivity program</li> <li>• carbon calculator helps managers to estimate emissions before producing new product</li> <li>• ruling that Product Committee launch decisions should prioritize lower or similar impact to equivalent products</li> </ul>
<b>2011</b>	<b>-25.4%</b>	<ul style="list-style-type: none"> <li>• relaunch of Ekos line with reformulation of cartons and packs to reduce environmental impact. GHG emissions from the line were reduced by 45% compared with previous years</li> <li>• creation of method for valuation of environmental impacts in the company's supply chain</li> <li>• reduction of number of pages and change in format of <i>Natura</i> magazine</li> <li>• use of smaller boxes to optimize deliveries to NCs</li> <li>• substitution of LPG with ethanol in Cajamar boiler</li> <li>• consolidation of revision of logistics network, with expansion of distribution centers in Brazil and increase in overseas production, reducing international product transportation</li> </ul>
<b>2012</b>	<b>-28.4%</b>	<ul style="list-style-type: none"> <li>• replacement of diesel powered boiler with biomass model at Benevides (Pará)</li> <li>• fuel card for executives' vehicles prioritizing use of ethanol</li> </ul>
<b>2013</b>	<b>-33.2%</b>	<ul style="list-style-type: none"> <li>• launch of Sou line of skin and hair products with reduction of up to 60% in GHG emissions</li> <li>• relaunch of Aquarela make up line, with smaller packs</li> <li>• relaunch of Plant hair line with green plastic packs</li> <li>• use of ethanol-powered buses for employee transportation at Cajamar (São Paulo)</li> <li>• operation of first two ethanol-powered truck trailers in Latin America</li> <li>• beginning of tests with electric vehicles, including cars, tricycles and bicycles, for logistics</li> </ul>

## NATURA CARBON NEUTRAL PROGRAM

Since the creation of the Natura Carbon Neutral Program in 2007, we have been promoting the ongoing reduction of greenhouse gas emissions throughout every stage of the production process. The program is divided into three fronts: greenhouse gas inventory to measure and record company emissions; reduction, covering our activities and processes for decreasing them; and offsetting, through the purchase of carbon credits from certified projects in the voluntary market.

Based on a large number of data, the emissions inventory is regularly updated in our monitoring system. We also disclose our relative emissions performance every quarter in our communications with the market.

GRI G4-EN15/EN16/EN18

## RELATIVE EMISSIONS (KG CO<sub>2</sub>E/KG PRODUCT INVOICED) AND EMISSIONS INTENSITY<sup>1</sup>

	2011	2012	2013
	3.12	2.99 <sup>2</sup>	2.79

<sup>1</sup> The denominator used by the company is the mass of products (content) invoiced in Brazil and in the International Operations. It is calculated by multiplying the number of SKUs invoiced by the content mass of each unit. <sup>2</sup> The relative emission for 2012 published in the last annual report was 3.00 kg CO<sub>2</sub>e/kg of product invoiced. Due to the alteration of the SIN (Sistema Interligado Nacional) emission factor in November 2012 (from 0.1636 to 0.1247 tCO<sub>2</sub>e/MWh), this indicator was revised and changed to 2.99 kg CO<sub>2</sub>e/kg of product invoiced.

## EMISSIONS (BY GHG PROTOCOL SCOPE)

GRI G4 EN15/EN16/EN17

	Un.	2011	2012	2013
Direct GHG emissions (scope 1) <sup>1</sup>		6,062	3,435	2,164
Direct biogenic emissions (from burning or biodegradation of biomass)		3,512	6,762	9,318
Indirect GHG and energy emissions (scope 2) <sup>2</sup>	t	1,865	3,426	5,374
Other indirect GHG emissions (scope 3) <sup>3</sup>		257,089	273,170	305,580
Indirect biogenic CO <sub>2</sub> emissions in metric tons of CO <sub>2</sub>		5,344	8,387	10,389
<b>Total</b>		<b>265,015</b>	<b>280,031<sup>4</sup></b>	<b>313,119</b>

<sup>1</sup> Source : Intergovernmental Panel on Climate Change (IPCC). <sup>2</sup> Source : Brazilian energy grid factor: Ministry of Science and Technology – and IO countries' electrical power grid factor: US Energy. <sup>3</sup> Source : Intergovernmental Panel on Climate Change (IPCC). <sup>4</sup> The absolute emission for 2012 published in the last annual report was 280,209 tCO<sub>2</sub>e. Due to the alteration of the SIN (Sistema Interligado Nacional) emission factor in November 2012 (from 0.1636 to 0.1247 tCO<sub>2</sub>e/MWh), this indicator was altered to 280,031 tCO<sub>2</sub>e.

## EMISSIONS IN THE VALUE CHAIN

GRI G4 EN15/EN16

	Un.	2011	2012	2013
Extraction and transportation of raw materials and packaging (process and transportation to direct suppliers)		117,276	123,768	128,735
Direct suppliers (process and transportation to Natura)		21,299	22,478	34,346
Industrial process and internal <sup>1</sup>	t	24,731	20,395	24,522
Sale of products (transportation and distribution)		38,279	46,041	51,741
Product use and packaging disposal		63,431	67,349	73,774
<b>Overall total (t)</b>		<b>265,015</b>	<b>280,031<sup>2</sup></b>	<b>313,119</b>

<sup>1</sup> Internal processes refer to fixed sources, exportation, business travel, wastewater treatment and International Operations. <sup>2</sup> The absolute emission for 2012 published in the last annual report was 280,209 tCO<sub>2</sub>e. Due to the alteration of the SIN (Sistema Interligado Nacional) emission factor in November 2012 (from 0.1636 to 0.1247 tCO<sub>2</sub>e/MWh), this indicator was altered to 280,031 tCO<sub>2</sub>e.



# products and concepts

## CO<sub>2</sub> EMISSIONS FROM TRANSPORT IN 2013 (T DE CO<sub>2</sub>E)

GRI G4 EN30

		2011	2012	2013
Logistics	Product transport	41,685	46,041	51,741
	Product exports	8,867	6,957	9,163
	Waste transport	204	162	184
Employee transportation	Company buses	1,985	2,330	2,142
	Sales force vehicles	2,071	733	686
	Executive vehicles	734	612	575

### MAIN REDUCTION INITIATIVES GRI G4-EN19

Our relative emissions in 2013 dropped by 6.7% compared with the previous year. The Sou line, which was launched in July, had a positive effect on our emissions performance. This was because the sub-brand was responsible for almost half of our reductions in products during the year (*read more about Sou differentials on page 44*).

The Natura Plant line was responsible for a 1,652.7 tCO<sub>2</sub>e reduction in scope 3 emissions (*read more on page 44*). We also had gains from the Aquarela make up line (759.9 tCO<sub>2</sub>e reduction in scope 3 emissions) due to the reformulation of packaging which prioritized environmental impact reduction, and from the bar soaps, for which the soap mass is manufactured in Benevides, where the bunker oil-powered boiler was replaced with a biomass unit, contributing to a 2,205 tCO<sub>2</sub>e reduction in scope 1 emissions. Moreover, as part of company commercial strategy, the Tododia soap line was repositioned in a more attractive price range, leading to a significant increase in sales and, consequently, a rise in production.

There was also a significant reduction in emissions from the International Operations, particularly worthy of note being Argentina.

### HOW WE OFFSET GRI G4-EN13/EN27

As a carbon neutral company, we offset all the emissions we cannot avoid through the acquisition of carbon credits from reforestation, energy efficiency, fuel substitution, waste treatment and REDD+ (Reducing Emissions from Deforestation and Degradation) projects. Coherent with our business conduct, we prioritize projects which in addition to offsetting carbon, generate other environmental (improvements in water quality, erosion control and promotion of biodiversity) and social benefits where they are in place.

Chosen by means of specific tenders, between 2007 and 2013 Natura contracted 1,875,087 tCO<sub>2</sub>e of carbon credits, of which 64% have already been generated and delivered to the company.

### ELECTRIC VEHICLES TESTS

In 2013, we initiated a pilot project in conjunction with other companies to test the feasibility of using electric vehicles for product distribution in large urban centers. The first Brazilian company to adopt electric vehicles for cargo transportation, in the second half of 2013 we incorporated 15 electric vehicles, including vans, tricycles and bicycles, into our fleet in the cities of São Paulo, Campinas, Curitiba and Rio de Janeiro. For purposes of comparison, three electric bicycles or one electric tricycle emit 98% less CO<sub>2</sub> than an ethanol-powered car consuming 200 liters of fuel per month.

Although still small, the number is significant because of the potential these means of transportation represent. The results achieved will serve as a basis for the company to evaluate the economic and logistics feasibility of adopting these vehicles. In addition to minimizing environmental impacts, we believe that if this initiative is adopted on a large scale it may contribute to improved mobility in large urban centers. We expect to increase the size of the sustainable vehicle fleet in the course of 2014.

In 2013, we selected three new projects identified in the previous tender (2011/2012), for which the technical and legal assessments had not been completed.

It is our expectation to launch a new tender in the second half of 2014. At the moment we are adjusting the terms of the tender to include more innovative projects and proposals from small companies and non-governmental organizations, in particular in the pan-Amazonian region. We also intend to conclude negotiations for the purchase of credits from another project in Latin America.

## Offsetting programs 2011–2013

GRI G4-EN27

### 1 – SURUÍ FORESTRY CARBON PROJECT

In 2013, Natura became the first Brazilian company to purchase indigenous carbon credits from the Suruí Forestry Carbon Project developed by the Paiter Suruí people in the Sete de Setembro indigenous region, located in the states of Rondônia and Mato Grosso. Unparalleled worldwide, the project is an indigenous initiative based on forestry conservation and the reclamation of deforested areas.

The project promotes the maintenance of the carbon stocks standing in the forest. It is the first in the world to be classified as REDD+ (Reducing Emissions from Deforestation and Degradation) in indigenous territory and is validated by the international Verified Carbon Standard (VCS) and Climate Community and Biodiversity Standard (CCB) certifications.

In addition to protecting the forest, the work done by the indigenous community, involving six associations that make up the Paiter Suruí people, generates income for the communities from the sale of the credits, as is the case with the current deal with Natura.

The company negotiated a total of 170,000 credits, of which 120,000 have already been delivered. The proceeds from the sale are being invested in the territory's 50 year management plan, which covers 248 thousand hectares of forest land. The plan is designed to improve quality of life for the indigenous peoples and enhance forestry stewardship and protection practices in the region.

To ensure understanding among the associations and guarantee broad participation in the design and implementation of project activities, a Free Prior and Informed Consent (FPIC) process was conducted in the region. The proceeds from the sale of the carbon credits are managed by the Suruí Fund, which seeks to ensure they are distributed fairly. The project was monitored by Funai, Brazil's National Indian Foundation.

Proponent: Associação Metareilá  
 Type of project: forestry  
 Credits contracted (tCO<sub>2</sub>e): 170,000  
 Credits delivered (tCO<sub>2</sub>e): 120,000

### 2 – RECLAMATION OF DEGRADED AREAS USING NATIVE SPECIES IN CAMPO VERDE, UCAYALI – PERU

A project that reclaimed 740 hectares of degraded pasture land with native species, in addition to the development of a sustainable stewardship plan for the timber industry which involved local communities.

Proponent: BAM/South Pole  
 Type of project: forestry  
 Credits contracted (tCO<sub>2</sub>e): 34,425  
 Credits delivered (tCO<sub>2</sub>e): 34,425

### 3 – FUEL REPLACEMENT IN CERAMICS MANUFACTURE – (RJ, SE, PA, CE AND PE)

Proponent: Sustainable Carbon  
 Type of project: energy  
 Credits contracted (tCO<sub>2</sub>e): 601,578  
 Credits delivered (tCO<sub>2</sub>e): 601,578

### 4 – IMPROVEMENTS IN TREATMENT OF PIG BREEDING WASTE – (SC)

Waste treatment involving 12 small pig breeders which avoids methane emissions through composting and produces quality compost for agriculture.

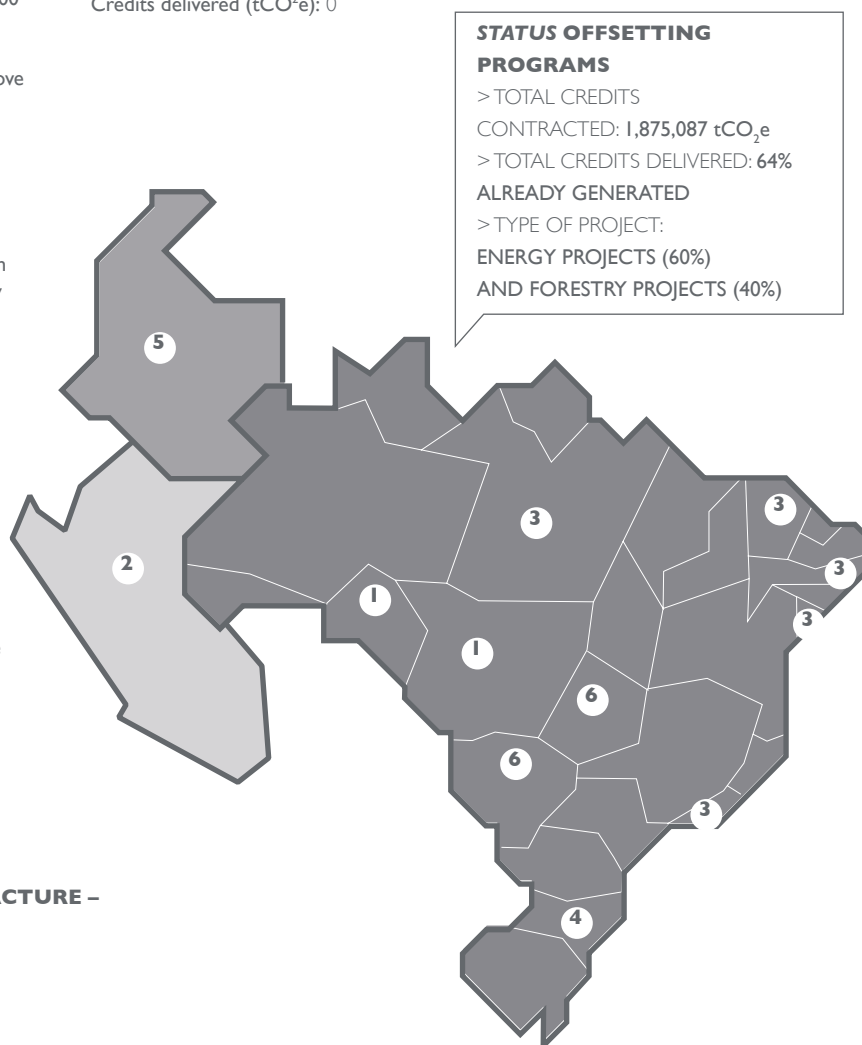
Proponent: Sustainable Carbon  
 Type of project: methane avoidance  
 Credits contracted (tCO<sub>2</sub>e): 35,000  
 Credits delivered (tCO<sub>2</sub>e): 0

### 5 – RECLAMATION OF DEGRADED AREAS WITH USE OF NATIVE SPECIES IN CÁCERES – COLÔMBIA

Proponent: Asorpar/South Pole  
 Type of project: forestry  
 Credits contracted (tCO<sub>2</sub>e): 29,000  
 Credits delivered (tCO<sub>2</sub>e): 29,000

### 6 – CARBON PROJECT IN THE EMAS-TAQUARI BIODIVERSITY CORRIDOR – (GO AND MS)

Proponent: NGO Oréades Geoprocessing Center  
 Type of project: forestry  
 Credits contracted (tCO<sub>2</sub>e): 58,000  
 Credits delivered (tCO<sub>2</sub>e): 0



# Energy

With the increase in production (17% growth in the volume of units produced) in 2013 absolute energy consumption grew by 5%, from 270.1 terajoules (TJ) to 284.2 TJ. However, Natura obtained a reduction in relative energy consumption, which considers energy expenditure per unit produced. During the year, this indicator dropped 10%, from 436.4 kJ per unit produced to 392.2 kJ /unit produced, demonstrating improved eco-efficiency. **GRI G4-EN3/EN5**

Initiatives that drove this result included measures such as replacing the lighting in the Cajamar plant with more efficient LED bulbs. Factory operation was also reduced on Sundays, with production concentrated on the other days of the week, resulting in a decrease in energy costs, mainly with refrigeration and steam generation. The company also benefited from measures implanted in previous years. This was the case of the biomass-powered boiler inaugurated at Benevides in 2012, substituting bunker oil with wood briquettes. **GRI G4-EN6**

The success of the project in our unit in Pará led to the introduction of a second boiler in Cajamar, which is powered by ethanol. Whereas in Benevides we stopped using oil derived from petroleum, at Cajamar LPG was replaced by ethanol, currently meeting all our steam generation needs.

The savings generated with all the company's improvement projects in 2013 totaled 0.07 TJ, a smaller reduction than in the previous two years. The slower rate of reduction compared with the previous years is due to greater accumulated eco-efficiency and to the fact that each project is only counted once. **GRI G4-EN6**

The company also tracks the energy consumption of its outsourced suppliers (those manufacturing products in Natura's name). In addition to monitoring the indicator, we conduct periodic technical visits and encourage them to implement efficiency projects. However, in 2013 these suppliers' consumption increased by 23%, due to the higher production volumes.

**GRI G4-EN3**

It should be noted also that Natura does not use ozone layer depleting substances in its operations. Since the company uses clean fuels (ethanol, LPG and briquettes) in its boilers, it does not produce significant, measurable quantities of NOx and SOx.

**GRI G4-EN20/EN21**

## ENERGY EFFICIENCY AT BENEVIDES

When planning its new soap factory in Benevides, part of the Ecoparque (*read more on page 56*), Natura incorporated the most modern energy efficient technologies compatible with the venture and with the surrounding region. The differentials in the architectural project include a geothermal system which captures part of the air used in the air conditioning system via underground piping. The air in these pipes is colder than the air in the external environment, making the air conditioning more efficient. The factory building also has double walls which extract the hot air from the building, reducing internal temperatures and decreasing the need for air conditioning. Furthermore, the plant uses natural lighting to decrease electricity consumption during the daytime.

**GRI G4-EN3**

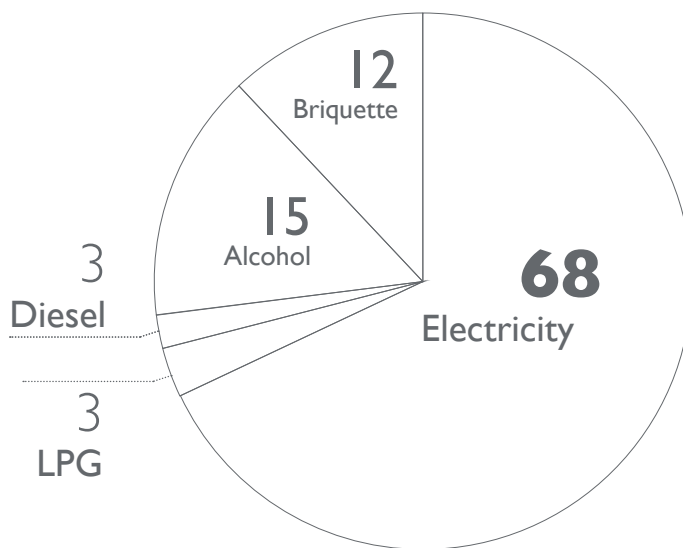
### DIRECT AND INDIRECT ENERGY CONSUMPTION, BY PRIMARY SOURCE<sup>1</sup>

Type of Source		Un	2011	2012	2013
Solar energy	Renewable		0.02	0.02	0.02
Diesel oil for generators	Non-renewable		6	5	7
LPG	Non-renewable		21	7	7
Electricity	Renewable	TJ	136	153	167
Alcohol <sup>2</sup>	Renewable		15	34	36
Bunker oil	Non-renewable		19	18	-
Briquettes <sup>3</sup>	Renewable		-	9	29

**1** Consumption referring to Natura energy matrix: Cajamar, Benevides, distribution centers and Nasp administrative areas, Shared Service Center and regional offices. **2** Renewable fuel used for steam production at Cajamar. **3** Complete substitution of bunker fuel boiler with biomass-powered one at Benevides, as a fossil fuel consumption reduction measure.

GRI G4-EN3

2013 ENERGY MATRIX (%)



Bunker oil – 0  
Solar energy – 0,01

! The figures in the energy matrix differ from those reported in the carbon inventory because the figures for December were updated. In the inventory projected data were used due to the base date for the report.

GRI G4-EN3

TOTAL ENERGY CONSUMPTION, BY SOURCE

	Unit	2011	2012	2013
Total consumption of non-renewable fuels		46.6	29.7	14.02
Total consumption of renewable fuels	TJ	151.2	196.5	232.6
<b>Total fuel consumption</b>		<b>197.7</b>	<b>226.3</b>	<b>246.6</b>

GRI G4-EN3

TOTAL ENERGY CONSUMPTION

	Unit	2011	2012	2013
Electricity		142.7	158.6	174.2
Heating		0.00	0.00	0.00
Refrigeration <sup>1</sup>	TJ	0.00	0.00	0.00
Steam		15.8	2.3	2.3
<b>Total energy</b>		<b>158.4</b>	<b>160.8</b>	<b>176.5</b>

! Electricity consumption for refrigeration is already included in total electricity consumption of the Cajamar site.

## products and concepts

GRI G4-EN3

### TOTAL ENERGY CONSUMPTION

	Unit	2011	2012	2013
Cajamar and Benevides sites <sup>1</sup>		158	173	179
Other Natura spaces in Brazil <sup>2</sup>		39	53	65
Natura outsourced suppliers' energy <sup>3</sup>	TJ	54	44	54
<b>Total</b>		<b>251</b>	<b>270</b>	<b>284</b>

**1** Energy consumption at Cajamar and Benevides corresponds to 73.5% of the total energy matrix for all Natura units. **2** Energy consumption in other Natura spaces in Brazil, covering the Alphaville and Itapeperica units, the distribution centers and Nasp, corresponds to 26.5%. **3** Outsourced suppliers are companies that manufacture finished products for Natura. They represent approximately 95% of the total units bought by Natura.

GRI G4-EN4

### ENERGY CONSUMED OUTSIDE THE ORGANIZATION<sup>1</sup>

	Unit	2013
1. Acquired goods and services	TJ	513.3
4. Upstream transportation and distribution	TJ	37.2
5. Waste generated in operation	TJ	2.7
6. Business travel	TJ	0.07
7. Employee transportation	TJ	30.2
9. Downstream transportation and distribution	TJ	490.7
<b>Total</b>	<b>TJ</b>	<b>1,074.2</b>

<sup>1</sup> Monitoring of indicator began in 2013.

GRI G4-EN5

### ENERGY INTENSITY<sup>1</sup>

	Unit	2011	2012	2013
Energy consumption per unit produced	Joules x 10 <sup>12</sup>	409.8	436.4	392.2

<sup>1</sup> Calculation formula: sum of all Natura energy sources (Cajamar, Benevides, other spaces and outsourced suppliers) divided by all the units produced.

GRI G4-EN6

### ENERGY SAVED<sup>1 2</sup>

	Unit	2011	2012	2013
Through efficiency projects		1.8	0.9	0.07
Through consumption of solar energy <sup>3</sup>	Joules x 10 <sup>12</sup>	0	0	0

**1** Amounts corresponding to projects implemented at Cajamar site (theoretical amounts). **2** The amounts of energy saved are projections based on the technical premises of each project supplied by the Project Engineering department. **3** The amounts for 2011 and 2012 were reported incorrectly in the last report and have been adjusted.

## SOCIAL BIODIVERSITY

The experience gained after 14 years researching and working with biodiversity inputs demonstrates the feasibility of a sustainable production model in harmony with mankind and nature. Since the launch of the Ekos line in 2000, we have worked on building and strengthening Brazilian social biodiversity production chains, including extractivist communities and family smallholder producers. Our aim has been to create a new economy based on an inclusive business model aligned with the ethical bio-commerce principles set forth in the Convention on Biological Diversity.

The Natura Policy for the Sustainable Use of Social Biodiversity Products and Services is in constant evolution. It sets forth how the company relates to these communities, including its model for sharing the benefits from access to biological resources and/or tradition knowledge and guidelines for the purchase of such inputs, among other items. More than just a commercial relationship, the policy expresses our desire to build a relationship based on fair pricing and creating opportunities for these communities to get organized, diversify their assets and businesses, add value locally and promote the sustainable development of their region.

The policy also covers technological development and research; community relations, traditional and indigenous peoples; product development and innovation; business, marketing and communication; and education and governance.

In 2013, we reviewed these guidelines, setting targets and formulating guidelines aligned with the Amazônia Program.

### ADVANCES IN THE AMAZÔNIA PROGRAM

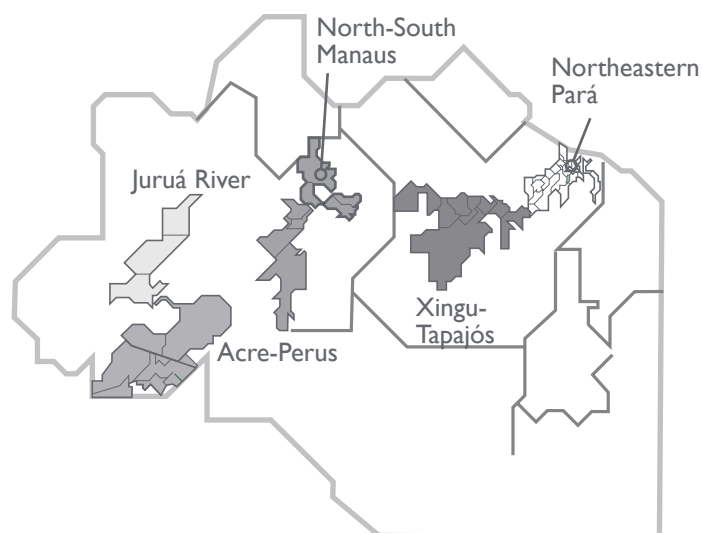
Launched by Natura in 2011, the Amazônia Program sets forth our commitment to helping the region to develop its enormous potential in social biodiversity and drive the generation of sustainable businesses as an economic alternative, involving local inhabitants and ensuring the forest is kept standing. Rather than simply acquiring biological inputs we want to help to develop the region as a center of reference in sustainable technologies and businesses capable of generating local value.

To drive further synergy and positive impacts from the program initiatives, we defined five priority areas of activity which together cover 57 municipalities in the Amazon region.

Program targets for 2020 include generating business worth R\$ 1 billion in the region; forming a network of one thousand researchers to generate innovation and technology based on biological resources; increasing the number of families involved in the ingredient supply system to 10 thousand (currently there are 2,100); and increasing consumption of inputs produced in the region by 30% in value. In 2013, consumption of raw materials from the Amazon, considering both Brazilian biological resources and those from the Amazon palm grew 13.4%, a 15% increase over 2012.

Business in the region reached R\$ 201.5 million, exceeding the R\$ 190 million target set for the year. This increase was due in great part to investments in the Ecoparque (45% of the total).

### PRIORITY TERRITORIES



# products and concepts

<b>Amazônia Program</b>	<b>Unit</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
Consumption of raw materials from the Amazon	% in relation to millions – R\$ MM	11	11.4	13.4
Business volume in the Amazon region	R\$ MM	64.8	121.8	201.5

The Amazônia program is divided into three work fronts: 1) Science, Technology and Innovation; 2) Sustainable Supply Chains; and 3) Institutional Reinforcement. In the course of 2013 we developed a series of activities on each of these fronts. As a result of this work Natura received the Professor Samuel Benchimol award, an initiative by the Ministry of Development, Industry and Foreign Trade and the Banco da Amazônia to recognize organizations collaborating with the development of the Amazon region. The advances on each of these fronts are described below:

## 1) Science, Technology and Innovation

The Science, Technology and Innovation front is responsible for generating and disseminating knowledge of global importance “in”, “about” and “for” the region, activating and coordinating local, national and international knowledge networks based on Nina (Natura Amazônia Innovation Center), inaugurated in Manaus (Amazonas) in 2012.

In August 2012, we launched the first Natura Amazônia Campus, aimed at stimulating the development of projects in the region and revealing co-development and cooperation opportunities in diverse research projects in the Amazon. Concluded in 2013, the call received 82 proposals for the region, of which six were selected to receive support from Natura. The tender led to partnerships with Ufam (Federal University of Amazonas), Inpa (National Institute of Research in the Amazon), Embrapa and CBA (Amazon Center of Biotechnology).

This experience led to the creation of the Conexão Natura Campus (Natura Campus Connection), an encounter involving business partners, representatives of foment agencies and researchers in the region, held in Manaus in July 2013. Conceived to develop new connections and collaborative projects, a number of partnerships were formed and the results should become evident in the medium to long term.

Another Natura Campus initiative was the Amazon Vegetable Ingredients Award, providing recognition for researchers in the region who have contributed to scientific advance through the development of vegetable ingredients from the Amazon biome. Thirty researchers took part in the first edition, the winner receiving a prize of R\$ 30 thousand (*read more about the Natura Campus on page 43*).

Nina also runs initiatives with the UFPA (Federal University of Pará), UEPA (State University of Pará) and the Emilio Goeldi Museum; it also has an agreement with Fapeam (State of Amazonas Research Support Foundation) for scholarship holders to participate in an internship program at Natura.

## 2) Sustainable Production Chains

On the Sustainable Production Chains front, our goal is to build, enhance and expand local chains, focused on social development, fair distribution of wealth and gains in competitiveness. In addition to the construction of the Ecoparque, the main initiative in this front of the Amazônia program (*read more in the box below*), throughout 2013 the company maintained relations with 25 communities (including communities supplying ingredients, having access to traditional knowledge, and/or receiving institutional support), totaling 3,117 families. This work is led by Natura’s Social Biodiversity Relationship and Supply Chain area, part of the company’s Supplies structure.

The activities undertaken in 2013 are related to the formation and development of leaders; foment for cooperative work and management training; best practices in fair pricing, contracts and harvest monitoring; traceability and the implantation of good production practices; investment in production efficiency and productivity gains; and training and adding local value for communities (*read more on page 112*).



## NEW FACTORY

Inaugurated in the first quarter of 2014, the Ecoparque in Benevides (Pará) is an industrial park aimed at attracting diverse partners who share Natura's values and a common objective: driving sustainable businesses in the Amazon based on social biodiversity, leveraging the demand for forest inputs and promoting local entrepreneurship.

The Ecoparque operations start with the Natura manufacturing plant, which will have 240 direct employees, with 100% of the operational team and 70% of the administrative team drawn from the local population. The first partner, Symrise, an international manufacturer of fragrances and raw materials, will initiate activities in 2014. The plan is for other companies to participate in the Ecoparque, enabling opportunities to exchange resources and articulate joint alternatives to foment the creation of sustainable businesses in the region.

With a total investment of R\$ 217 million, by the end of 2015 the new plant is scheduled to produce approximately 80% of Natura's soap portfolio, supplying company distribution centers in Brazil and in the International Operations. Hitherto, these items were finalized by outsourced companies in Minas Gerais and São Paulo. In 2016, the plant's production capacity is planned to reach 500 million bars of soap per year.

Using state-of-the-art production technology and eco-efficiency principles, the complex has a geothermal chilling system and a rainwater harvesting and reuse system. It employs natural ventilation and illumination in the buildings, electric cars and bicycles, a road system designed to guarantee the permeability of the soil and filtering gardens for the treatment of wastewater (a technology which dispenses the use of chemical products through decomposition of pollutants by the action of bacteria in the plant roots).

## 3) Institutional Reinforcement

Established as one of the areas of activity in this pillar, there were significant advances in promoting education in 2013. Aimed at enhancing the quality of basic education in the region, in 2013 we inaugurated the RAE PAM (Amazônia Educational Support Network) in partnership with the education departments of 30 municipalities in the northeast of Pará and in the Rio Juruá/ Amazonas area.

In addition to training in the Trilhas de Leitura (Reading Trails) and Conviva Educação programs for all the municipal education departments, Natura distributed 2,177 Trilhas kits to all of the schools in the municipalities in the network.

Trilhas, recognized as public policy by the Education Ministry in 2012, provides support for children in the first year of basic education through the distribution of materials to develop reading, writing and speaking skills. The Conviva Educação program is aimed at improving management efficiency in education departments through a virtual platform designed to promote preparation, training and experience sharing.

The company also concluded an analysis on education in each of the municipalities and elaborated an educational development plan specifically for Benevides, where the Ecoparque and the new Natura plant were built.

These activities occur in a partnership with the Pacto pela Educação do Pará (Pará Education Pact), a state government initiative to improve the quality of education in the state. This proximity between Natura and the state government helps ensure that the reality of forest dwellers is taken into account in the pact.

Also coming under the Institutional Reinforcement area, in 2013 we signed a cooperation protocol to strengthen non-timber related forestry production chains in the Tapajós region, which includes the municipalities of Juruti and Santarém in Pará. In partnership with Alcoa, the Fundo Juruti Sustentável (Funjus), the Fundo Brasileiro para a Biodiversidade (Funbio) and the NGO Projeto Saúde e Alegria, we initiated mapping of native species and an analysis of the development potential of local production chains. The next step will be technical studies and training for the communities involved. Natura expects to be able to include some of the communities qualified in the sustainable supply of ingredients from the region on its list of regular raw material suppliers.

There were also two meetings of the Amazônia Program External Consulting Council, which was created in 2012 with the mission of guiding Natura in the execution of the program plans and targets.



### ALTERNATING SCHOOLS

It is Natura's understanding that there are different ways of providing education while at the same time generating local development. For this reason, in 2013 the company developed the Alternating Model for Education project, a partnership between the Instituto Natura and the NGO Gestão de Interesses Públicos (GIP). This project is aimed at improving the quality of secondary education in rural regions, reinforcing alternating education and gaining recognition of the model developed by 24 alternating education institutions known as the Casas Familiares Rurais do Pará (CFRs) by the Ministry of Education and the State Education Council.

In this model, the student attends school for 15 days and on the other 15 days of the month applies the knowledge acquired in his/her local community. With the basic curriculum adapted to the local reality, including contents on agroforestry techniques, young people end their secondary education qualified to work in the field, enabling them to add value for their communities.

In 2013, the main advances in the project included the enrollment of 2,300 students in the Ministry of Education's census, Educacenso, the development of the CFRs' educational policy plan, the regularization of the fiscal status of each of the Casas Familiares Rurais and the establishment of Arcafar – the organization representing the CFRs –, in Altamira (Pará). There were also training activities in management, accounting, projects and tenders, as well as an encounter for the young participants. These results made a significant contribution to the establishment of agreements and the release of funding from the Pará Education department, essential to enable the CFRs to receive Fundeb educational funding from 2014 and thus ensure the sustainability of the model.

### ACTIVITIES IN PROTECTED AREAS G4-EN11/EN12/EN13

Our main operations in Brazil are located on land owned by Natura, which invests in the reclamation and conservation of these areas in accordance with the environmental licenses for each. The exception is Nasp, in São Paulo, an 111,700 m<sup>2</sup> area which is leased. Nasp was inaugurated in February 2013 and is used for administrative and logistics activities, such as warehousing and distribution.

In Cajamar (São Paulo), our head office is located in a 646,000 square meter plot in an Área de Proteção Ambiental (Environmental Protection Area) on the Anhanguera highway. The area houses the administrative office, the company's main industrial unit and, up until 2013, a warehousing and distribution center. In 2012, we concluded the stewardship plan for the site, which included the removal of exotic species, forestry reclamation and the addition of local biodiversity in a 13.3 hectare area. Since then the company has invested in maintaining the area. It should be noted that the environmental authority approved the stewardship plan implemented by Natura.

In Benevides (Pará), in addition to the area in which our soap mass factory was built, we concluded the construction of the Ecoparque on a 172.9 hectare plot which is part of the municipality's Industrial and Commercial Expansion Zone. There are two permanent protection areas in this location for which the conservation measures stipulated in the environmental licenses are under implementation. The construction is in compliance with applicable environmental criteria and has an environmental license.

In May 2013, the company discontinued operations in Itapecerica da Serra (São Paulo), bordering on the Régis Bittencourt highway, which was located in a Guarapiranga Water Basin Protection and Reclamation area. Reclamation of this area was concluded in 2008, when the company continued to maintain the vegetation until the deactivation of the unit.

Natura also works with social biodiversity input suppliers in a number of regions in the country. These include communities in two areas protected by the National Conservation Unit System: the Mid Juruá Extractivist Reserve in Amazonas, and the Iratapuru State Sustainable Development Reserve in Amapá.

In Mid Juruá, where the protected area contains 253 thousand hectares, andiroba and murumuru palm stewardship activities are conducted in less than 1% of the total reserve 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 Genetic Heritage Management Council (CGen).

Sustainable stewardship of the Brazil nut, copaiba and white pitch occurs in an area of approximately 4,000 hectares on the Iratapuru Reserve, less than 0.5% of the 842,000 hectares the reserve occupies. All the activities are approved by the management of these preservation units.

# products and concepts

GRI G4-EN11

## LOCATION AND SIZE OF AREAS OWNED, LEASED OR ADMINISTERED WITHIN OR ADJACENT TO PROTECTED AREAS, AND HIGH BIODIVERSITY AREAS OUTSIDE PROTECTED AREAS

	<b>Cajamar</b>	<b>Itapecerica da Serra</b>	<b>Benevides</b>	<b>Ecoparque (Benevides)</b>	<b>Nasp (São Paulo)</b>
Area	Own area	Own area	Leased area	Own area	Leased area
Position in relation to protected area	Occupied area is an APA (environmental protection area)	Occupied area is a water source protection area	Area occupied is an urban industrial zone	Area includes protected areas	Area occupied is an urban industrial zone
Type of operation	Administrative and industrial with cosmetics production	Administrative	Administrative and industrial with production of soap mass	Administrative and industrial with production of soap mass and soap	Administrative and logistics with cosmetics warehousing and distribution
Size of operating unit	646,000 m <sup>22</sup>	96,500 m <sup>22</sup>	51,800 m <sup>2</sup>	1,720,000 m <sup>2</sup>	111,7 mil m <sup>2</sup>
Biodiversity value <sup>1</sup>	Not available	Not available	Not available	Not available	Not available

<sup>1</sup> Takes into account attributes of protected area and area with high biodiversity rate outside protected area (terrestrial, freshwater or salt water ecosystem) and classification by state of conservation (e.g.: IUCN category, Ramsar Convention, Brazilian legislation etc.).

## ENVIRONMENTAL CERTIFICATION GRI G4-EN27

To ensure social biodiversity ingredient extraction processes do not exceed environmental capacity, the company provides an incentive plan for suppliers to obtain certification of vegetable raw materials. Conducted by independent certification bodies, the process requirements include production traceability whereby the producer documents and accounts for the origin of all volumes produced.

A total of 44% of the biodiversity raw materials the company uses have some kind of certification; this rate is a little under the 47% recorded in 2012. The reduction is due mainly to the discontinuation of three certified raw materials. Another three new raw materials already certified in research were not included in the total number of certifications because there was no supply in 2013.

During the year, the certification processes are monitored via certification audits in the communities or groups of producers. On occasion the company provides technical assistance to groups, helping them to comply with requirements, such as the documentation necessary to meet standards, validation of certificates for suppliers involved in the chain and monitoring of modifications and changes in certification processes. Although there is still no certification

for organic cosmetics under Brazilian legislation, Natura constantly seeks to be involved in technical discussion groups to evaluate and contribute to the construction of a normative framework for this area.

The certifications include family agricultural producers and traditional communities, based on two categories: organic (Instituto Biodinâmico, Ecocert, Organização Internacional Agropecuária and Instituto de Mercado Ecológico) and forestry (Forest Stewardship Council).

Among the inputs the company uses, three are developed from species listed as threatened with extinction, in accordance with the Ministry of the Environment and the International Union for the Conservation of Nature and Natural Resources. These are: Brazil nut (*Bertholletia excelsa*), listed as vulnerable, yerba mate (*Ilex paraguariensis*), low risk, and ucuúba (*Virola surinamensis*), which is threatened. The acquisition of these raw materials follows the principle of the sustainable use of biodiversity. **GRI G4-EN14**

GRI G4-EN27

## CERTIFIED INGREDIENTS <sup>1 2</sup>

	Unit	2011	2012	2013
Certified ingredients	Un.	37	27	20
Percentage of certified species	%	59	47	44

**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 productivity in certified areas, lack of stocks at certified suppliers.

GRI G4-PR3

## ORIGIN OF MATERIAL AND CERTIFICATION OF PRODUCTS

	Unit	2011	2012	2013
Renewable plant material	%	81	82	82
Natural plant material <sup>1</sup>	%	9	8	7
Material with certification of origin <sup>2</sup>	%	12	15	13

**1** The small reduction in the percentage of natural plant material is due to a change in the product category mix in function of new launches.

**2** The decrease in the percentage of material with certification of origin is due to the perfume category's lower share, in function of the growth in share of the hair, body and soap categories after the Sou launch.

GRI G4-EN27

## NUMBER OF INGREDIENTS CERTIFIED AND STATUS OF CERTIFICATION <sup>1 2</sup>

<b>Species –Ekos Line</b>	<b>Production system</b>	<b>Status (phase)</b>	<b>Certification</b>
Açaí berry (Roraima) <i>Euterpe precatória</i>	Agroforestry	III III (final)	IBD
Açaí berry (Pará) <i>Euterpe oleracea</i>	Agroforestry	III III (final)	IMO
Andiroba (Amazonas/Pará) <i>Carapa guianensis</i>	Traditional	I	
White pitch (Amazonas) <sup>3</sup> <i>Protium pallidum</i>	Traditional	II	
Cocoa (Bahia/Pará) <i>Theobroma cacao</i>	Agroforestry	III III (final)	IBD
Lemongrass (São Paulo)	Organic	III III (final)	Ecocert
Brazil Nut (Mato Grosso /Roraima) <sup>3</sup> <i>Bertholletia excelsa</i>	Traditional	III III (final)	
Cupuaçu (Roraima/Pará)	Agroforestry	III III (final)	IBD
Passion Fruit (Minas Gerais/Paraná/Pará)	Cultivation	I	
Yerba Mate (Rio Grande do Sul) <i>Ilex paraguaiensis</i>	Traditional	III III (final)	FSC
Murumuru (AM/PA) <i>Astrocaryum murumuru</i>	Traditional	I	
Surinam cherry (São Paulo) <i>Eugenia uniflora</i>	Cultivation and organic stewardship	III III (final)	Ecocert
Piri Piri (Pará) <i>Cyperus articulatus</i>	Organic cultivation	III III (final)	IBD
<b>Species – Other lines</b>	<b>Production system</b>	<b>Status (phase)</b>	<b>Certification</b>
Rosemary (Paraná) <i>Rosmarinus officinalis L.</i>	Organic cultivation	III (final)	Ecocert
Babassu (Maranhão) <i>Orbignya speciosa</i>	Stewardship	I	
Buriti palm (Minas Gerais) <i>Mauritia flexuosa</i>	Stewardship	I	
Arabian Coffee (Minas Gerais) <i>Coffea arábica</i>	Organic cultivation	III (final)	IBD
Candeia (MG) <i>Eremanthus erythropappus</i>	Stewardship and organic cultivation	III (final)	FSC
Brazilian wax palm (Ceará) <i>Copernicea cerifera</i>	Stewardship	III (final)	IBD
Copaíba (Amazonas) <i>Copaifera spp</i>	Stewardship	III (final)	Ecocert
Hoary Basil (Pará) <i>Ocimum americanum</i>	Organic cultivation	III (final)	IBD
<i>Spilanthes</i> (São Paulo) <i>Spilanthes oleracea</i>	Organic cultivation	III (final)	IBD
Palo santo (Ecuador) <i>Bursera graveolens</i>	Stewardship	III (final)	Ecocert
Paramela (Patagonia-Argentina) <i>Adesmia buronioides</i>	Stewardship	III (final)	OIA
Poejo (Rio Grande do Sul) <i>Cunilla gallioides</i>	Organic cultivation	III (final)	Ecocert

**1** 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. **2** In addition to the 19 ingredients described in the certification table, there is another that was not listed because even though it has been certified, it is still at the research stage and may not be disclosed.

**3** White pitch and the Brazil nut lost their FSC certification in the passage from phase III to phase II certification because some non-conformances identified were not corrected.

# SOLID WASTE

Natura has been working on a solid waste strategy from a life cycle perspective that integrates the company's complete value chain. With this strategy, which incorporates the requirements of Brazil's national solid waste policy, the company aims to increasingly reduce the generation of solid waste and dejects throughout the chain and expand the use of post-consumption recycled material in products. The company also intends to contribute to the construction of efficient and inclusive supply chains by stimulating the participation of recyclable material scavenger collectives and promoting fair pricing and traceability.

The formulation of this strategy is based on the waste generation inventory the company developed to quantify the volume of waste generated during the three main phases of our chain: manufacturing processes (internal and outsourced); product distribution; and use and disposal by consumers. The inventory has been conducted for three years running and since the beginning of 2013 has been updated on a quarterly basis. The methodology identifies which type of waste is generated in larger quantities at each stage and how it is disposed of.

We begin by measuring the total waste from our processes and units, that is all Natura's direct generation. Currently, the company manages to recycle around 93% of the volume generated, reinserting it into Natura production processes or those of other companies.

The inventory also includes the waste generated during transportation and distribution, where two major sources are the cardboard boxes used to ship product to consultants and the magazine Natura. In 2013, we adopted new models of boxes and reformulated the size of the publication to decrease paper losses.

The final link in this chain, which is product use and post-consumption disposal, is the biggest challenge for any industry, precisely because it is the stage where the most waste is generated. To address this, the company is developing a reverse logistics plan, the main goal of which is to develop a management model capable of transforming waste into new business opportunities. We literally want to close our product life cycle, ensuring that the waste generated returns to the company chain or to another one with the same or greater added value. The launch of this program is scheduled for 2014.

The only materials not covered in the waste management strategy are those generated by our direct and indirect raw

material and packaging suppliers – the first stage of the production chain. The reason for this is the complexity of the model and the premise of shared responsibility set forth in national solid waste policy. Waste management at suppliers is one of the items tracked in our supply chain development program – Qlicar which, in the Portuguese acronym stands for Quality, Logistics, Innovation, Competitiveness, Environment, Social and Relationship. Our suppliers are responsible for managing the quantity of the waste they generate and for its disposal.

In addition to internal initiatives, Natura also supports actions promoted by the industry association Abihpec to promote compliance with Brazil's national solid waste policy.

## POLICY FOR THE USE OF RECYCLED MATERIAL

To drive the theme of waste throughout the company, last year Natura launched its Sustainable Use of Post-Consumption Recycled Material Policy, with guidelines for the different company areas (Innovation, Marketing, Logistics etc.) to boost the use of post-consumption materials in our processes. The document also addresses the importance of promoting the inclusion of recyclable material scavenger cooperatives in our value chain as well as providing information on fair pricing.

Indicators were also created to track the progress of Natura initiatives towards achievement of long-term targets. One of these is the indicator measuring the quantity of post-consumption recycled material (PCRM) used in our products (gram of PCRM/gram of packaging), which currently stands at approximately 1.43%.

This question is now discussed in different company areas to improve monitoring and management. In 2014, the intention is to conduct training on the PCRM indicator for employees engaged in the product development process.

## INTEGRATED CALCULATOR

From a companywide perspective, in 2013 Natura developed an integrated calculator to automatically measure the potential greenhouse gas, waste and social biodiversity impacts of any product under development in the company. The idea is that the calculator will permit comparison of the environmental impact of different technologies and materials, helping the team involved to improve decision making during the development process. It is expected that this tool will be implemented at the beginning of 2014.

## GAINS FROM SOU

The launch of the Sou line in 2013 resulted in the evolution of the way in which we understand the product life cycle. In addition to gains in the production and distribution stages, with significant CO2 emission and waste generation reductions (read more about Sou on page 44), the new line led the company to seek solutions that would enable the pouch pack, made of a mixture of plastics not readily acceptable in conventional recycling chains, to be recycled.

During the year, we researched different technological applications and identified a series of processes in which the post-consumption pouch pack could be employed: automobile bumpers, plastic pallets and blocks used in civil construction, among others. The company is also studying the possibility of incorporating other post-consumption materials, such as glass and aluminum, into its products. The next step will be to structure a supply chain for these materials in line with company waste management strategy.

## EFFORTS TO DRIVE RECYCLING IN THE IOS GRI G4-EN28

Since 2010, we have been testing a recycling program among our Colombian NCs in the cities of Bogota, Cali, Bucaramanga, Barranquilla, Medellin and Siberia, with a total of 447 metric tons of empty packaging collected in 2013, an increase of almost 13% compared with 2012.

The program follows two formats: in the first, Natura forms partnerships with local scavenger cooperatives which collect the waste directly from the consultants' homes. In the other

model, which has been showing growing effectiveness, the NCs themselves create collection stations in the vicinity of their homes, thereby also encouraging their neighbors to recycle. There are currently 30 of these collection stations in the country.

In 2013, the company also implanted a selective collection system in the International Operations, including offices and the Casas Natura (product showrooms in place in all the countries in which we have operations except for Brazil). Studies are also underway for the first waste inventory for the International Operations.

## COMPANY PERFORMANCE GRI G4-EN23

We monitor waste generation at all our units and at outsourced suppliers, partnering companies who manufacture products in Natura's name. In 2013, waste generation was 21.7 grams per unit produced, a 15% reduction compared with the 25.56 grams per unit produced the previous year. This enabled the company to exceed the target set for 2013, which was 24.7 grams of waste for each unit. Throughout the year, internal and outsourced industrial processes and stocks were controlled more efficiently to prevent losses from the scrapping of products.

The environment area is responsible for waste control and disposal, which is in accordance with type. The sorting and transportation phases are executed by a service provider, which also disposes of the waste in accordance with legal requirements. Waste generated per unit produced is reported in our quarterly communications to the market.

GRI G4-EN23

### WASTE PER UNIT PRODUCED<sup>1</sup>

	Unit	2011	2012	2013
Total waste per unit produced	g/un.	20	26	21.7

<sup>1</sup> The indicator waste/unit produced is the sum in grams of all Natura's direct and indirect waste divided by the total of units produced directly and indirectly.

GRI G4-EN23

<b>Natura direct waste, by type and destination</b>		<b>Unidade</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
<b>Total hazardous waste (class I)<sup>1</sup></b>	Recycled <sup>2</sup>	%	97	98	98
	Incinerated	%	2.7	1.7	1.9
	Disposed of in landfills	%	0	0	0.2
<b>Total non-hazardous waste (class II – A and B)</b>	Recycled <sup>2</sup>	%	89	87	83
	Incinerated	%	0.6	0.3	1.3
	Disposed of in landfills	%	10	12	15.7
Overall total of Natura direct waste <sup>3</sup>		t	8,995	11,933	10,363
<b>Natura indirect waste (t)</b>			<b>2011</b>	<b>2012</b>	<b>2013</b>
Waste from other Natura spaces <sup>4</sup>		t	1,691	2,230	3,552
Waste from Natura outsourced suppliers <sup>5</sup>			1,589	1,498	2,299
<b>Total indirect waste</b>			<b>3,280</b>	<b>3,728</b>	<b>5,851</b>

**1** Natura does not import, export or transport waste internationally. **GRI G4-EN25 2** Waste sent for composting, co-processing and transformation is considered to be recycled. **3** This refers to Cajamar, Itapeperica da Serra, Alphaville, Benevides and Nasp. In this indicator, Natura does not report on waste generated in civil construction work (rubble) on its premises. **4** This refers to the distribution centers, advanced centers, hub and shared service center. Monitoring of waste at these units was begun in 2010. **5** This refers to the ten largest outsourced suppliers of Natura products, who represent approximately 95% of total outsourced production.



## WATER

Since 2010, Natura has intensified work on identifying the real dimension of the impact our business causes on water resources. As with the other priority topics, the company wishes to include the complete product life cycle in this analysis to build an efficient water management strategy. In 2010, the first step in this challenge was the calculation of the company's water footprint, using Water Footprint Network (WFN) methodology to map impacts, ranging from the supply of inputs (extraction and production of raw materials), through production and distribution to use and disposal by the consumer. The study showed that our most significant impact (45.9%) was precisely in the last stage, disposal by the consumer.

From this point, we concentrated on finding a methodology that would enable us to more accurately determine the impact our products have on water consumption by the consumer. It should be noted that existing methodologies, including the one used to calculate our water footprint, are based on international concepts that frequently do not apply to the Brazilian context, such as unequal geographical distribution of water (the most populous regions are far from the regions where water is concentrated) and the lack of basic sanitation in many regions.

We analyzed four methodologies which permitted a more complete evaluation of the potential of our products to pollute water resources, assessing the biodegradability levels and toxicity of the portfolio. The aim was to test the sensitivity of the methodologies and evaluate which could be replicated in the different Natura product categories.

In 2013, we selected the methodology presented in the study "A new water footprint calculation method integrating consumptive and degradative water use into a single stand-alone weighted indicator", published by Bradley G. Ridoutt and Stephan Pfister in the *The International Journal of Life Cycle Assessment*. We started to adapt it to the reality in the company and in the country, testing it on two products, one of which is a shower product. The methodology enabled us to measure the impact of our product through to the final stage, disposal in the effluent network. As such, we were able to measure the product's ecotoxicity, that is, the effects the products discharged into the environment may have on living organisms. In 2014, we started to extend this mapping to our entire portfolio, structuring our water footprint in accordance with this new methodology.

## OUR PERFORMANCE

Internally, we have tracked our performance in terms of water consumption per unit produced in all the offices, distribution centers, manufacturing units and outsourced suppliers (partnering companies which produce finished products in Natura's name) in Brazil. The indicator is monitored on a monthly basis by the technical area and is part of the company socio-environmental process; it is also presented to the Executive Board. Performance is reported in our quarterly results releases to the market.

Currently our major challenge is to maintain relative water consumption at the same levels as previous years, in spite of the growth in operations and in production volume. In 2013, although we discontinued activities in Itapeverica da Serra (São Paulo), we inaugurated a new distribution center and administrative unit in São Paulo (Nasp), expanded the Cajamar plant and constructed a new soap factory in the Ecoparque in Benevides.

This challenge is reflected in our performance. Three years ago eco-efficiency measures enabled us to maintain a relative water consumption of 0.40 liter of water per unit produced. However, the result was above the target volume of 0.39 liter per unit produced due to the product mix manufactured, which generated a greater demand for water in Cajamar and an increase in the use of potable water due to problems with the saturation of the wastewater treatment plant. Overall, there was a 16% increase due to the growth in the number of units produced and the concomitant demands in the logistics chain. **GRI G4-EN8**

Among the initiatives in place to boost eco-efficiency is a new wastewater reuse system which has increased the purity of water and has led to a reduction of around 5% in water consumption in the year it has been in operation. Although the recycled water cannot return to the production lines, it can be used in other industrial processes, such as in the boilers used to generate steam. Prior to 2011, the company only used wastewater in the irrigation system, in cleaning processes and in toilets.



## THE BENEVIDES FILTERING GARDENS

A highlight in eco-efficiency in the Ecoparque, inaugurated in the city of Benevides at the beginning of 2014, are the filtering gardens. In this process, wastewater is treated in large pools with plants whose roots have bacteria that promote the decomposition of pollutants. The water in these pools is literally filtered by the bacteria, improving its quality. The process, which does not employ chemical products, also generates sludge, which needs to be removed at five-year intervals and sent for composting.

The recycled water may be used in irrigation systems and in general cleaning services. In addition to the filtering gardens, the Ecoparque has a rainwater harvesting and reuse system.

Serra the source of ground water is the water table of the Guarani aquifer. Monitored on a daily basis, water withdrawal is within the limits permitted by the respective authorities. The new distribution center and administrative unit inaugurated in São Paulo in February 2013 are supplied by public utilities.

In 2013, there were no significant spillages or accidents with products causing any kind of environmental impact. We understand a significant spillage to be one that requires specialized treatment of the affected areas (removal of soil for treatment, neutralization etc.) and which would require activation of the Natura Emergency Plan, in accordance with internal procedure PR-0049, to contain and mitigate the impact caused. **GRI G4-EN24**

In Cajamar, effluents are discharged into the Juqueri river, whose characteristics depend greatly on the incidence of rainfall. Natura constantly monitors the water body to ensure that company discharges do not harm the river. In Itapecerica da Serra, wastewater is discharged into a sinkhole, as stipulated in the company's environmental licenses. At the Benevides unit, effluent is used for road cleaning and irrigation, with no discharge into water bodies. **GRI G4-EN26**

Due to the lack of public supplies, the water used in the operations in Cajamar, Itapecerica da Serra, which was discontinued in May 2013, and Benevides comes from semi-Artesian wells. In Cajamar and Itapecerica da

GRI G4-EN8

## WATER CONSUMPTION PER UNIT PRODUCED (LITERS/UNITS PRODUCED)

2011	2012	2013
0.40	0.40	0.40

GRI G4-EN8

## WATER CONSUMPTION BY SOURCE<sup>1</sup>

	Unit	2011	2012	2013
Natura sites <sup>1</sup>		127,870	132,572	148,267
Other spaces <sup>2</sup>		51,624	55,780	59,695
Natura outsourced suppliers <sup>3</sup>	m <sup>3</sup>	68,454	61,825	82,897
Total water consumption <sup>4</sup>		247,948	250,177	290,859

**1** Industrial sites: Cajamar and Benevides. **2** Administrative and logistics sites: Nasp, Itapecerica da Serra, administrative support units, distribution centers and hub. **3** Suppliers manufacturing finished products in Natura's name. Water consumption control is in place at the main outsourced suppliers, who account for 95% of outsourced production.

## products and concepts

GRI G4-EN8

### TOTAL WATER WITHDRAWN BY SOURCE<sup>1</sup>

	Unit	2011	2012	2013
Surface water (rivers, lakes, wetlands, oceans)		0	0	0
Ground water		139,616	140,156	149,601
Rainwater harvested directly and stored by the organization <sup>2</sup>	m <sup>3</sup>	0	0	1,062
Effluents from other organization		0	0	0
Public utility/supply company		0	0	18,999
<b>Total</b>		<b>139,616</b>	<b>140,156</b>	<b>169,661</b>

<sup>1</sup> Taking into account the Cajamar, Benevides, Nasp, Itapecerica da Serra and administrative support units. It is not possible to report the sources used in the distribution centers and outsourced manufacturers due to variations in withdrawal sources. <sup>2</sup> Rainwater is used in Benevides in processes not requiring potable water.

GRI G4-EN10

### VOLUME OF WATER RECYCLED AND REUSED

	Unit	2011	2012	2013
Water recycled <sup>1</sup> and reused <sup>2</sup>	m <sup>3</sup>	41,630	69,465	79,366
Water recycled as percentage of total water treated in wastewater treatment plant <sup>3,4</sup>	%	29	45	42
Water recovered as percentage of total water withdrawn <sup>5</sup>		36	57	54

<sup>1</sup> From sanitary and industrial effluents generated at the Cajamar site used for cleaning, gardening, toilets and utilities after physical-chemical and biological treatment in the wastewater treatment plant. <sup>2</sup> Water returning from the Cajamar production process and used in the potable water system. <sup>3</sup> The percentage refers to the water volume recycled from effluent treatment compared with the total volume of water treated in the Cajamar and Benevides treatment plants. <sup>4</sup> In 2013, there was a reduction in the percentage of water recycled compared with the total water treated due to a reduction in water consumption, impacted by the installation of a recycled water purification system in Cajamar and Benevides. With this system, the number of times the water in the reflecting pools is changed was reduced, as was the cleaning of water tanks. <sup>5</sup> The reuse and recycling data refer to the volume of water recycled and reused at Cajamar. Previously, this calculation included Itapecerica da Serra as well as Cajamar. The historical data were recalculated using the same basis.

GRI G4-EN22

### SIGNIFICANT DISCHARGES INTO WATER BODIES<sup>1</sup>

	Unit	2011	2012	2013
Total volume of treated effluent	m <sup>3</sup>	100,747	134,568	134,529

<sup>1</sup> Refers to Cajamar, Benevides, Itapecerica da Serra and Nasp sites.

## products and concepts

	Unit	Legal parameter	2011	2012	2013
<b>EFFLUENT TREATED AT CAJAMAR</b>					G4-EN22
BOD <sup>1</sup>	mg/l	60	46	53	48
COD <sup>2</sup>		150	145	137	110
Oils and grease		120	45	28	39
<b>EFFLUENT TREATED AT ITAPECERICA DA SERRA</b>					G4-EN22
BOD <sup>1</sup>	mg/l	60	31	34	35
COD <sup>2</sup>		150	59	86	75
Oils and grease		120	26	25	17
<b>EFFLUENT TREATED AT BENEVIDES<sup>3</sup></b>					G4-EN22
BOD <sup>1</sup>	mg/l	60	n.d	19	206
COD <sup>2</sup>		150	n.d	70	312
Oils and grease		120	n.d	2	9

**1** BOD – biological oxygen demand. **2** COD – chemical oxygen demand. **3** The significant increase in organic load at Benevides was due to the solution of a problem from 2012 related to rainwater in the wastewater treatment plant which increased the flow rate. In 2013, the problem was solved, segregating these two flows with only the residual water being sent to the treatment plant. This generated an increase in organic load, since this is measured in function of mass per flow.

GRI G4-EN22

### TOTAL WATER DISCHARGE BY QUALITY AND DESTINATION<sup>1</sup>

	Volume (m <sup>3</sup> )			Treatment	Water quality and treatment method	Destination	Will it be reused by other organization?
	2011	2012	2013	2013	2013	2013	2013
Cajamar	96,635	117,223	115,489	Yes	Activated sludge	Discharge in river	No
Itapecerica da Serra	4,112	6,446	2,356	Yes	Activated sludge	Sinkhole	No
Benevides <sup>2</sup>	367	10,899	1,388	Yes	Activated sludge	Internal use	No
Nasp <sup>3</sup>	-	-	15,296	Yes	n.a	Municipal network	No

**1** Indicator reported in this way for first time in 2013. **2** The decrease in total water discharge at Benevides was due to a problem related to the influence of rainwater in the wastewater treatment plant, which increased the flow in 2012. The problem was solved in 2013. **3** O Nasp came into operation in February 2013.

## PRODUCT LIFE CYCLE

Natura invests continually in new technologies and ecodesign solutions; we strive to boost the use of lower impact raw materials and recycled and recyclable material, as well as to decrease packaging mass. We use Life Cycle Assessment (LCA) methodology to estimate and monitor the impact of packaging, ranging from the extraction of raw materials and energy, processing, transportation up to the post-consumption disposal of the product. In 2013, we reduced our relative LCA indicator by 10%, from 109 mPt/kg to 98 mPt/kg, due to an improved packaging mass to product mass ratio.

In Brazil, in comparison with the previous year, the percentage of eco-efficient packaging (including refills and lower environmental impact packaging, such as the Sou pouch) grew by 37% in 2013. This growth was driven by the launch of the Sou line, which accounted for more than half this improvement. Worthy of note is the fact that the pouch format Sou pack uses 70% less plastic. The feasibility of the pouch pack was such that the company extended its use to refills for the Natura Plant line.

In the International Operations, there was an increase in refill sales in Argentina. To revert the downward trend in the other countries, we developed an action plan that includes investment in communication, promotions, training and incentives for the sales force to increase the use of refills. In France, there was also a decrease in sales of these items.

**GRI G4-EN27**

### **NATURA ECO-DESIGN PROGRAM**

Still incipient in the Brazilian academic and business universes, ecodesign integrates environmental principles into the product development process. Since the 1980's we have pioneered a number of innovations aimed at reducing impacts, and from the year 2000, we started to incorporate ecodesign principles, initially focused on packaging.

The company has an Ecodesign research and development program to reinforce life cycle considerations in company innovation processes. Program guidelines include the use of lower impact packaging materials, controlled recycling processes and chains and the implementation of new tools to drive more effective and systematic eco-design practices.

In line with the principle of open innovation, the company maintains a partnership with USP (University of São Paulo) and collaborates with the most advanced institutions in this area in Europe, such as the Technological Universities in Delft, Holland, and in Denmark.

We believe that by continually increasing our understanding of ecodesign and by driving environmental efficiency further into our product development processes we will be able to translate Natura's commitments to sustainability into efficient and competitive products.

## products and concepts

GRI G4-EN27

### ENVIRONMENTAL IMPACT OF PACKAGING BY QUANTITY OF PRODUCT<sup>1</sup>

Unit	2011	2012 <sup>2</sup>	2013
mPt/kg	123	109	98

<sup>1</sup> Takes into account product packaging and support materials such as shipping cartons and the magazine *Natura*. <sup>2</sup> The 2012 result was recalculated, given that there was a divergence in the emission factors for the components of *Natura* magazine. The value was changed from 125 mPt/kg to 109 mPt/kg.

GRI G4-EN27

### PERCENTAGE OF ECO-EFFICIENT PACKS VS. ITEMS INVOICED<sup>1</sup>

	Unit	2011	2012	2013
Brazil		17	13.4	21.7
Argentina		18	13	14.2
Chile	%	15	13	11.3
Colombia		15	15	14.1
Franca		10	11	10
Mexico		10	10	9.1
Peru		16	15	12.9

<sup>1</sup> Corresponds to the sum of total refills invoiced and total items in Sou line (pouch) invoiced divided by total number of items invoiced.

With respect to the rate of recycled post-consumption material incorporated into packaging, there was a small reduction in the year, from 1.6% to 1.4%. This drop was due to variations in the product mix commercialized, either through lower sales of products with packs using this material or the through increased sales of products that do not use recycled material in their packaging. In 2013, the packs of Sève body oil started to incorporate a percentage of recycled material. This initiative, however, was implanted at the end of the year and did not affect the indicator.

GRI G4-EN2

GRI G4-EN2

### POST-CONSUMPTION RECYCLED MATERIAL<sup>1</sup>

	Unit	2011	2012	2013
Post-consumption recycled material incorporated into finished product packaging and supporting material <sup>1</sup>		9.4	10.8	11.2
Post-consumption recycled material incorporated into finished product packaging	%	1.1	1.6	1.4

<sup>1</sup> The indicator considers % of packaging materials and % of supporting materials, such as magazines, product shipping cartons and bags, derived from post-consumption recycling.

## products and concepts

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GRI G4-EN2

### RECYCLABLE MATERIAL<sup>1</sup>

Unit	2011	2012	2013
%	84.2	83.7	81.6

<sup>1</sup>This corresponds to the percentage of recyclable material in finished product packaging.

Natura has been publishing an environmental table on its products for eight years. This informs the origin of the raw materials in the product composition. For products with reduced packaging, there is an indication of the Natura website on which these data are available.

With the launch of the new European regulations on the inclusion of data about the composition of packaging ingredients, we updated this data for the Natura France portfolio. This update will be extended to Brazil, standardizing information and packaging.

Natura product labels also provide information about how to use the product, the existence of substances that may generate socio-environmental impacts, proper disposal method for the product, indication of the number of times a pack may be reused and information on outsourced production. **GRI G4-PR3**

GRI G4-EN1

### TOTAL USE OF MATERIALS, BY TYPE (EXCEPT WATER)

	Unit	2011	2012	2013
Direct materials	t	22,170	22,540	23,069
Direct materials	m <sup>3</sup>	11,279	10,832	10,949

# QUALITY OF RELATIONSHIPS

One of the company's priority topics, the quality of relationships is an important element of our Reason for Being, which is promoting well being well. We believe we are part of an ecosystem of relationships which, if maintained in balance, may contribute to the evolution of society and drive sustainable development. It is by means of this network that we develop activities to stimulate education and sustainable entrepreneurship – also priority topics for Natura – and enrich the quality of relationship with our main stakeholders.

Since 2012, when we reviewed our stakeholder matrix, we started to focus more strategically on five groups: Natura consultants (NCs), Natura consultant advisors (NCAs), consumers, employees and suppliers.

Every year, in partnership with different company areas, we create a relationship plan with a strategic governance structure for each. In 2013, by means of engagement activities, we carried out a mapping exercise that identified each group's vision of its relationship with Natura. **GRI G4-24/25**

Strengthening our culture of dialog and co-creation, we organized 16 face-to-face meetings with a total of 227 participants in the course of 2013. During these meetings, subjects such as ethics, technology and relationships, as well as the Code of Conduct, launched in 2013, were discussed (*read more ahead*).

The company also promoted 88 virtual interactions via webcasts, wikishops (virtual workshops) and our digital platforms, involving 7,850 participations, including NCs, NCAs, consumers and employees. In the virtual environment, we addressed questions such as self-knowledge, change management, strategic planning, ethics, commercial management and communication. **GRI G4-26/27**

## OMBUDSMAN SERVICE

The Ombudsman service is a channel for dialog in which employees and in-house outsourced workers in Brazil and in the International Operations, suppliers and supplier communities in Brazil can resolve doubts, make criticisms, praise or report breaches of conduct to Natura. The contacts we receive via the service are also important for the company to evolve in its processes, policies and relationships. All cases are handled confidentially and the individual may opt to be identified or to remain anonymous. **GRI G4-57/58**

All cases involving ethical deviations are reported to the Ethics Committee, made up of the vice presidents of Finance and Institutional Relations, People and Culture and the Ombudswoman. The CEO is a guest member and, when necessary, the Internal Audit, Legal, Human Resources and Risk areas are also involved. Although none were confirmed, the Ombudsman service received six reports of discrimination in 2013, compared with only one the previous year. This increase may be attributed to Natura's actions during the year to reinforce the question of ethics among stakeholders, such as the Ombudsman department's communication plan, which publicized the dialog channels, as well as the launch of the Code of Conduct (*read more ahead*). Worthy of note is the fact that no reports of discrimination have ever proved grounded. However, should this be the case, the company will take the applicable measures. **GRI G4-HR3**

The company also has exclusive channels for the other priority stakeholder groups: the Natura Call Center (CAN) for consultants; the Advisor Call Center (ATO) for the NCAs; and the Consumer Call Center (SNAC) for end consumers. Complaints from these groups are channeled to the Ombudsman Service only when they involve consultant conduct or are consumer contacts forwarded by the Press Relations and Consumer Safety areas or contacts that are not resolved by the abovementioned channels. In 2013, the Ombudsman Service dealt with 794 NC contacts and 39 contacts from consumers. **GRI G4-57/58.**

## CODE OF CONDUCT

GRI G4-56/HR9

With the growth of the company and the changes occurring in society, Natura identified the need to express what it expects from its relationships with stakeholders in a clearer, more straightforward manner. For this reason, in 2013 the company updated the Natura Principles of Relationship, constituting the new Code of Conduct, which is valid for all company operations in Brazil and overseas, with the exception of France, where the Principles of Relationship implemented in 2011 remain in force.

The new code provides more objective treatment for recurring sensitive issues, such as the offer and receipt of gifts and presents, contracting suppliers, questions involving relatives and romantic relationships in the workplace.

To prepare the code, we listened to different stakeholder groups and, based on the information collected, discussed the points raised with more than one hundred employees from different company areas. This ensured transparency in the revision and a good reception for the new document in the company.

After the launch, employees from areas considered critical were given face-to-face training, while other employees and in-house outsourced workers undertook an e-learning course about the code. All new employees also receive training in the Code of Conduct and are expected to comply with it.

The launch of the Code of Conduct, together with the institutional campaign on the role of the Ombudsman's Office and other initiatives, led to an increase in the number of reports to the office in 2013. The number of contacts dealt with grew from 656 to 1,253, an increase from 93% to 96%. Of these, almost 90% were from employees and only 28% were anonymous. The number of contacts related to behavior remained stable in relation to previous years, corresponding to 28% of the total for 2013. **GRI G4-HR12**

Contacts related specifically to environmental impacts (problems with water, sewage, vegetation and waste of natural resources) totaled five in 2013, similar to previous years (four in 2011 and five in 2012). The number of complaints about labor practices (benefits, overtime, working hours, medical and dental assistance, training, among others) refers only to the contacts dealt with, since cases in which information is missing at the moment the complaint is made are not counted. In 2013, there were 542 contacts – compared with 327 in 2012 and 209 in 2011. We also recorded 837 contacts related to social impacts from suppliers, supplier communities, NCs and consumers. This number was lower than in recent years – 2,640 in 2012 and 4,133 in 2011. This reduction was due to the fact that from 2013, the Ombudsman Service started to deal only with behavioral questions related to NCs. All the cases related to environmental, social and labor practices were addressed and resolved. **GRI G4-EN34/SO11/LA16**

A reflection of the degree of trust employees place in the Ombudsman Service, in 2013 the question about the area in the climate survey (I trust the Ombudsman Service as a channel for criticisms, reports, suggestions or praise) saw a 6 p.p. increase in favorability, from 65% to 71%.



## relationship network

GRI G4-HR12

<b>Total number of contacts received via the Ombudsman channel<sup>1</sup></b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
Employees and in-house outsourced workers in Brazil	1,025	687	1,293
Employees and in-house outsourced workers in International Operations <sup>1</sup>	7	11	8
Suppliers Brazil	4	10	7
Supplier communities <sup>2</sup>	0	0	0
<b>Total</b>	<b>1,036</b>	<b>708</b>	<b>1,308</b>

**1** Since 2011, data has included employees in France. **2** Group served since June 2012.

GRI G4-HR12

<b>Percentage of demands dealt with against total received (%)</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
% demands dealt with <sup>1</sup>	68	93	96
% demands forwarded <sup>2</sup>	32	7	4

**1** Contacts dealt with by the Ombudsman Service and the area responsible for the process mentioned. **2** Up until May 2011, the person making the contact was advised to contact the area responsible regarding technical questions..

GRI G4-PR5

<b>Satisfaction with the Ombudsman Service<sup>1</sup></b>	<b>Unidade</b>	<b>2011</b>	<b>2012</b>	<b>2013<sup>2</sup></b>
Internal Stakeholders Brazil	%	98	92	92

**1** The company considered the scores 4 and 5 for satisfaction with the service. **2** The base of respondents is equivalent to 29% of the total demands.

# EMPLOYEES

GRI G4-10

A major challenge for the company in function of its growth strategy is to maintain its employees aligned, engaged and integrated with processes and with the Natura Essence, to ensure day-to-day routines are governed by our culture, which values quality in relationships and well being well. This means we need to make sure we acquire the competencies needed to achieve our future vision and to prioritize the preparation of leaders qualified to oversee the execution of our strategic objectives. The target is to internalize these values in the day-to-day activities of the entire team.

In 2013, there was no significant variation in employee numbers compared with 2012 and 2011. There was, however, a significant increase in the number of temporary workers, due in great part to the opening of the new distribution center in São Paulo (São Paulo), a period in which we ran both the new operation and the old distribution center in Cajamar in parallel. After validating the new operation, we discontinued the Cajamar operations and reduced the number of temporary workers. We also contracted temporary staff for the launch of the Sou sub-brand.

However, since November 2013 the line has been made by outsourced suppliers, partners that manufacture products in Natura's name.

There was also an evolution in the organization aimed at narrowing focus on strategy in order to guarantee results. The Executive Committee (Comex) was expanded in 2013, incorporating new functions and areas.

The number of interns also grew between 2012 and 2013. This occurred due to a reorganization of the workforce in which we offered a number of vacancies for internships in December 2012, which were only filled in January and February 2013.

In the International Operations, there was only a 1% variation in the workforce. The most significant fluctuations occurred in Chile and Peru, with a reduction in the number of employees due to the outsourcing of distribution centers, and in Argentina, where we contracted new sales staff.

GRI G4-10

## NUMBER OF NATURA EMPLOYEES BY REGION/COUNTRY<sup>1</sup>

	Unit	2011	2012	2013		
		Total	Total	Total	Female	Male
Brazil		5,483	5,354	5,339	3,161	2,178
Argentina		449	394	465	387	78
Chile		293	268	197	165	32
Mexico		113	119	126	79	47
Peru	Un.	301	283	245	224	21
Colombia		191	213	232	192	40
France		55	52	51	41	10
<b>Total</b>		<b>6,885</b>	<b>6,683</b>	<b>6,655</b>	<b>4,249</b>	<b>2,406</b>
<b>Other work contracts</b>		<b>Total</b>	<b>Total</b>	<b>Total</b>	<b>Female</b>	<b>Male</b>
Apprentices <sup>2</sup>		157	164	138	69	69
Interns		141	80	202	147	55
Temporary staff <sup>3</sup>	Un.	255	337	980	412	568
In-house outsourced staff <sup>4</sup>		2,094	2,505	2,937	1,319	1,618
<b>Total</b>		<b>2,647</b>	<b>3,086</b>	<b>4,257</b>	<b>1,947</b>	<b>2,310</b>

<sup>1</sup> Since 2013, indicator information has been reported in accordance with the GRI G4 protocol. <sup>2</sup> Minor apprentices are contracted by a third-party (Espro), responsible for managing the activities of this group. <sup>3</sup> Temporary staff are those contracted for a fixed term under Brazil's CLT labor legislation, through employment agencies. The number includes temporary staff at Cajamar, Nasp, Alphaville, the Shared Service Center (CSC) and the Instituto Natura in Brazil, as well as temporary staff in the International Operations. <sup>4</sup> In-house outsourced staff are considered to be suppliers with work posts (fixed or not) in company units for a period of more than six months. The number included outsourced staff in Cajamar, Nasp, Alphaville, the Shared Service Center (CSC) and the Instituto Natura in Brazil, as well as temporary staff in the International Operations.

GRI G4-10

## EMPLOYEES BY FUNCTIONAL LEVEL<sup>1</sup>

	Unit	2011	2012	2013		
		Total	Total	Total	Female	Male
Operational		n.a.	2,476	2,371	1,001	1,370
Administrative		n.a.	3,474	3,503	2,822	681
Management	Un.	n.a.	679	721	409	312
Director level		n.a.	54	60	17	43
<b>Total</b>		<b>n.a.</b>	<b>6,683</b>	<b>6,655</b>	<b>4,249</b>	<b>2,406</b>

<sup>1</sup> Since 2013, indicator information has been reported in accordance with the GRI G4 protocol.

GRI G4-10

## NUMBER OF EMPLOYEES BY TYPE OF CONTRACT AND EMPLOYMENT<sup>1</sup>

	Unit	2013		
		Total	Female	Male
Fixed term		191	117	74
Permanent		6,464	4,132	2,332
<b>Total</b>		<b>6,655</b>	<b>4,249</b>	<b>2,406</b>
	%			
Full-time		6,649	4,244	2,405
Part-time		6	5	1
<b>Total</b>		<b>6,655</b>	<b>4,249</b>	<b>2,406</b>

<sup>1</sup> Since 2013, indicator information has been reported in accordance with the GRI G4 protocol.

## CLIMATE SURVEY GRI G4-PR5

In 2013, Natura had the best result ever in its climate survey since this process was initiated in 2006. The favorability rate was 78%, beating the target of 73% and the figure for the previous year (72%). The changes implemented in the people management area in 2013 had a positive impact on the survey, but as this is a continuous improvement process, other actions developed over recent years also contributed to the result.

In general, the results were good in important survey items and among the administrative and operational staff, as well as the sales force. In the items relationship and quality of the decision making process, the increases were 13 p.p. and 9 p.p., respectively. On the other hand, there was a slight drop in questions related to Natura's capacity to respond to external changes (economy, market, competition etc.) and identification between work and

the employees' purpose in life. Other more critical areas such as remuneration and performance management continue to be monitored with care, even though the rates achieved were above target.

In the sales force, growth in service levels had a positive effect on organizational climate, while the reorganization of structures and processes in the administrative area led to a better perception of climate among these employees. For employees in the operational area, closer management, a series of training programs for managers and the review of the language used in the questionnaire contributed to the good result.

In Brazil, the favorability rate reached 77%, compared with 72% for the previous year. Growth occurred across all areas, but was particularly noteworthy among operational staff.

## relationship network

Employee loyalty in Brazil, which takes into account top scores for the questions satisfaction, recommendation and intention to continue at Natura, reached 30%, in line with the growth in previous years.

In the International Operations, the favorability rate grew in all countries except for Colombia, where there was a two p.p. drop, even though the final score was 83%. The country with the highest growth was France (15 p.p.), where the rate was 88%. In Mexico, the downward trend noted in 2012 was reversed with a favorability rate of 80%. It should be noted that employee loyalty is not yet monitored in the OIs.

For the coming years, the intention is to further improve climate survey methodology to enable more in-depth, detailed analyses of our employees.

GRI G4-PR5

### CLIMATE SURVEY – FAVORABILITY<sup>1</sup>

	Unit	2011	2012	2013
Brazil		70	72	77
Argentina <sup>2</sup>		72	77	86
Peru		73	73	77
Chile	%	66	72	78
Mexico		85	73	80
France		64	73	88
Colombia		86	85	83
Natura		70	72	78

<sup>1</sup> Equivalent to the percentage of employees giving a score of 4 and 5 (Top2Box) for the items surveyed, on a scale from 1 to 5 points. <sup>2</sup> The data do not take into account management of the International Operations, the office in Buenos Aires which coordinates all the International Operations.

GRI G4-PR5

### EMPLOYEE LOYALTY<sup>1</sup> – BRAZIL OPERATION

Unit	2011	2012	2013
%	28	29	30

<sup>1</sup> Percentage of employees giving the top score (top 1 box), on a scale of 1 to 5 points, for three items: satisfaction, intention to continue the relationship with Natura and recommendation.

## EDUCATION AND TRAINING GRI G4-LA9/LA10

Natura recognizes that training is indispensable for the company to achieve its strategic objectives and for its employees' professional development. Based on this, the company elaborates its educational architecture encompassing all the topics to be covered with employees during the year.

In 2013, the average number of hours training per employee was 90.3, 9% higher than the target set for the year. This was the consequence of a series of initiatives such as functional training for employees in the administrative and operational areas facilitated by Natura staff – there were 142 of these programs, resulting in more than 8 thousand hours training beyond the total planned –, the extension of development activities (virtual dialogs with company leaders) for interns and the maintenance of subsidies for ongoing educational programs aimed at executives, and Natura Education, which provides study scholarships for technical, undergraduate and postgraduate courses for employees. During the year Natura Education provided 368 study scholarships, corresponding to an investment of more than R\$ 1 million.

In Brazil, the average number of hours training was 96 per employee. Worthy of note in the administrative area was the group of coordinators, who received a total of 46 thousand hours training, compared with 33 thousand in 2012. In addition to a program focused on management competencies, the company encourages interaction and debates in a digital forum, which is accompanied by a moderator.

Specifically for the sales force, the company offered a new module focused on motivation and feedback in the Indirect Management program. This has already been applied in the Southern region and will be extended to the rest of the country in 2014. For operational employees, we favored the multiplication of skills and competencies through training courses given by employees who have already completed the My Way program, consisting of technical and functional training in the workplace, in addition to development paths

outside working hours (operational matrix) and behavioral training (operational development).

After a broad evaluation of internal competencies, another evolution in 2013 was the development of a more assertive education and development program for employees in the Operations and Logistics areas, the initial focus of this assessment. In 2013, the evaluation was extended to the Brands and Businesses and Innovation areas, and, based on the results, we will update the respective training matrices. The plan is to gradually extend this process throughout the company.

Employees also have access to an additional tool, focused on human development, the purpose of which is also to improve relationship quality. This is the program *Você Tem Fome de Quê?* (What do you hunger for?), which consists of a series of face-to-face meetings addressing themes of interest in employees' daily routine. With the presence of specialists, the encounters in 2013 covered themes such as digital technology, truths and myths related to stem cells, the Natura Movement, carbon credit purchases in socio-environmental projects and quality of life, among others.

The Building the Future program, specifically for employees about to retire was not continued in 2013, due to a review of the strategy, goals and scope of the initiative.

In the International Operations, the success of the education actions planned also meant the target for the year was exceeded by 16%, with an average of 66 hours training per employee.

In 2013, the company increased its investments in training and education in the IOs by 46%. In Argentina, where growth in the training budget was significant, the priority was leadership training. In the more recent operations, for example Colombia, the emphasis in training is more on improving technical skills.

## relationship network

GRI G4-LA9

### AVERAGE NUMBER OF HOURS TRAINING PER EMPLOYEE, PER FUNCTIONAL CATEGORY, IN THE BRAZILIAN OPERATION<sup>1</sup>

	Unit	2011	2012	2013		
		Total	Total	Total	Female	Male
Production		97	128	128	111	141
Administrative		86	68	73	63	107
Management	h	88	71	65	65	66
Director level		60	34	31	36	28
Average hours <sup>2</sup>		90	95	96	78	123

<sup>1</sup> Includes sales force training (sales managers and relationship managers). <sup>2</sup> Includes total number of training hours, at all levels, divided by the total number of employees and interns in the corresponding year.

GRI G4-LA9

### AVERAGE NUMBER OF HOURS TRAINING PER EMPLOYEE

	2011	2012	2013
International Operations	66	58	66
Natura <sup>1</sup>	85	88	90

<sup>1</sup> Consolidated average for all Natura operations in Brazil and in the International Operations.

GRI G4-LA9

### NUMBER OF HOURS TRAINING BY GENDER – BRAZIL

	Unit	2011	2012	2013
Male	%	55	52	52
Female		45	48	48

GRI G4-LA10

### INVESTMENT IN EMPLOYEE EDUCATION AND TRAINING

Operation	Unit	2011	2012	2013
Brazil <sup>1</sup>	000's of R\$	26,415	19,634	16,074

<sup>1</sup> The amount of investment in Brazil incorporates the cost centers of the areas of Corporate Education, Commercial Development and Training (investments in relationship managers), the Educational Architecture Professional Education Programs and Integration and Relationship programs with the academic world.

GRI G4-LA10

### NATURA EDUCATION PROGRAM – BRAZIL<sup>1</sup>

	Unit	2011	2012	2013
Scholarships granted	Un.	510	376	368
Scholarship granted/enrollments	%	69	46	42
Amount invested in Natura Education program	R\$ 000s	1,014	1,218	1,094

<sup>1</sup> All employees enrolled and selected during the year are considered to have attended.

GRI G4-LA10

## COURSES FULLY OR PARTIALLY SUBSIDIZED BY NATURA TAKEN BY EMPLOYEES OR FAMILY MEMBERS (BRAZIL)<sup>1</sup>

	Unit	2011	2012	2013
Technical/professional		57	44	37
Languages <sup>2</sup>		43	6	3
Pre-university entrance		1	0	1
Undergraduate	Un.	277	247	234
MBA and postgraduate		132	79	93
<b>Total</b>		<b>510</b>	<b>376</b>	<b>368</b>

**1** All employees enrolled and selected during the year are considered to have attended. **2** We continued to reduce the total number of scholarships for language courses in function of the new educational strategy, which considers such courses to be functional training. During the year, we only maintained subsidies for scholarships granted for courses in 2010 and which continued in 2013.

## HUMAN RIGHTS AND CORRUPTION

All employees entering Natura undertake training in which subjects such as the company's Essence and culture, sustainability and commitment to human rights are addressed. It should be noted that the question of human rights is discussed in a pulverized fashion in diverse training courses held during the course of the year. Since there was an increase in the number of training sessions in 2013, training on human rights issues was proportionally greater, with 76% of employees receiving 13,346 hour of training. **GRI G4-HR2**

Although there is no specific training in corruption-related questions, with the 2013 launch of the Code of Conduct, which replaced the Natura Principles of Relationship, a major part of company employees received training in the new code (9% were managers and 80% non managers). Of the 16 topics addressed in this training, seven are related to corruption: contracting suppliers; travel and accommodation; gifts, presents and other offerings; fraud, bribery and corruption; preservation and proper use of company assets and resources; compliance with policies, corporate standards and procedures; and posture towards the media, press, government and public presentations. **GRI G4-SO4**

GRI G4-SO4

## COMMUNICATIONS AND/OR TRAINING RELATED TO ANTICORRUPTION PROCEDURES<sup>1 2 3</sup>

	2013			
	Total		Percentage	
	Communications	Training	Communications	Training
Director level <sup>4</sup>	45	45	100%	100%
Management <sup>5</sup>	548	519	100%	95%
Administrative <sup>6</sup>	2,571	2,398	100%	93%
Operational <sup>7</sup>	2,491	2,105	100%	85%

**1** Since 2013, indicator information has been reported in accordance with the GRI G4 protocol. **2** Natura conducted training on this subject with commercial partners, but it is not possible to determine the percentage of the total universe of partners this corresponds to. **3** Data on training is not monitored by region, because the company does not consider this material for the business. **4** This takes into account all staff in the sub-group directors and scientific directors. **5** This takes into account all staff in the sub-group administrative managers and scientific managers. **6** This takes into account all staff in the sub-group administrative and operational-industrial employees, as well as staff of the Instituto Natura, trainees, interns and sales force. **7** This takes into account all staff in the sub-group operational staff and minor apprentices.

## LEADERSHIP DEVELOPMENT

An ongoing challenge, Natura understands that strengthening leadership is essential to sustain its growth plans. In the course of 2013, the company worked on a number of fronts to develop leaders for its succession pipeline. The objective is to simultaneously work on competencies required by all leaders and on the particular skills individuals need to develop. To enhance this process, the company intends to reorganize the pipeline so that succession processes are conducted in a more strategic manner in alignment with business objectives. Currently, successors have been identified for 45% of the strategic positions within Natura, considering the short, medium and long term.

The Cosmos corporate education program is one of the main tools in Natura's leadership development strategy. Launched in 2011, 615 managers in Brazil and 168 in the International Operations, totaling 783 people, have been trained in the program; this corresponds to 57% of the company's leaders (67% in Brazil and 19% in the IOs). In 2013, 113 employees took part in the program.

The program comprises four dimensions: school, brotherhoods, communities of interest and workshops. A large part of the training is related to the school dimension, which breaks down into three categories: people and relationship management, process management and business management. Each participant enters one of the program categories and takes specific training courses. Upon concluding this stage, the leader continues to another category and starts to develop new competencies.

In 2013, three groups completed the people and relationship management component, while one completed the process management module.

During the year there were also three brotherhoods. These are meetings that are open to all managers, whether they are participating in the program or not, aimed at promoting the sharing of experience and information. The 2013 brotherhoods included a talk on the social networks with Gil Giardelli, a specialist in digital culture; two reading laboratories with the historian Dante Gallian; the talk *"What is the purpose of ethics?"*, by Lia Diskin, coordinator of the São Paulo Committee for a Decade of a Culture of Peace (a United Nations program); and the talk *"Business opportunities at the base of the pyramid"*, with Stuart Hart, organizer of the global network of laboratories dedicated to researching this question.

In the communities of interest dimension, we seek to disseminate ideas and foment an exchange of opinions among Cosmos participants via an online platform along the lines of the social networks. In 2013, in function of a budget review, the last dimension of the program, the workshops, was not held. This component is intended to be a space in which leaders put their learning in the Cosmos program into practice, developing projects aligned with the business.



## ATTRACTING AND RETAINING TALENT

Natura people management strategy is centered on attracting and retaining employees aligned with the company's Essence and vision for the future. We work on two fronts, attracting new professionals from the market and maximizing internal potential through analysis and development actions.

In 2013, the company reassessed its understanding of maximizing internal resources, seeking to align processes with company strategy, the current business context and new models of labor relations. As a result, the decision was taken to consider in-house outsourced workers for internal recruitment processes, applying the same criteria adopted for employees: a minimum of one year in the current position and good performance. With this change, the rate of internal recruitment increased from 67% to 74%.

When unable to identify the competencies necessary for a determined function internally, the company resorts to external recruitment. Although there are no restrictions as to the place of origin of an individual, whenever possible, we seek to recruit people from the surrounding community. In 2013, for example, with the expansion projects at Cajamar and Benevides and the inauguration of the distribution center and administrative space in São Paulo, 90% of the temporary staff hired came from the surrounding communities. This process was complemented by the hiring of local third-parties and service providers.

As part of company relationship strategy with the surrounding community, we also promote professional training, especially for young people. This is the case with the Cajamar School Network and the agreement made with Senai in Benevides (*read more on page 120*).

Specifically with regard to senior management positions, Natura prioritizes internal promotion regardless of where a person lives, thus increasing the chances of professional growth for existing employees. In the International Operations, currently many senior management positions are occupied by locals, ensuring our businesses operate in accordance with market practices. Even so, a number of vacancies are filled by Brazilian employees, who are more aligned with the company's Reason for Being. **GRI G4-EC6**

An important gateway to Natura is the company trainee program, which attracted more than 15 thousand applicants for 37 places in 2013. Similarly, a total of 134 young people were contracted under the Natura internship program in the year. A novelty in 2013 was the online dialog platform for candidates, with more than 68 thousand active participants. Natura also has its Semear (Seeding) project for hiring young apprentices. Currently there are 138 apprentices aged from 15 to 21 years in the project. Of these around 10% are later contracted by the company.

GRI G4-EC6

### SENIOR MANAGERS FROM THE LOCAL COMMUNITY<sup>1 2 3</sup>

	Unit	2011	2012	2013
Total members of senior management	Un.	168	179	159
Cajamar	%	3.6	6.1	8.2
Itapecerica da Serra		4.2	4.5	-
Benevides		0.6	0.6	100
Nasp		-	-	8.2

**1** Senior management is considered to be from the position of senior manager up. **2** Surrounding area of Cajamar: Cajamar, Campo Limpo, Santana de Parnaíba and Várzea Paulista; surrounding area of Benevides: Benevides, Barcarena, Belém, Ananindeua and Marituba; surrounding area of Itapecerica da Serra: Itapecerica, Embu and Cotia. **3** Important operating units are those with at least 50 people in the Commercial, Brands and Businesses and Operations and Logistics areas and which conduct the main processes in the company's value chain.

GRI G4-EC6

## SENIOR MANAGERS FROM THE LOCAL COMMUNITY<sup>1</sup>

	Unit	2011	2012	2013
Argentina		86	62	48
Chile		87	0	0
Colombia		71	33	40
France	%	91	100	100
Mexico		88	67	56
Peru		81	20	40

<sup>1</sup> Senior management is considered to be from the position of senior manager up. Senior managers from the country in question are considered to be local.

## COMPENSATION AND PERFORMANCE GRI G4-LA11/LA13

In 2013, Natura updated its compensation and recognition strategy, repositioning the company in the market and making it more competitive in compensation to promote talent retention. Moving from the median position, in which compensation was equivalent to that offered by other companies in the sector, the company was repositioned in the third quartile, meaning that Natura is now one of the 25% of companies offering the best employee remuneration in the market.

It should be noted that variations in salaries between women and men are exclusively in function of the distribution of remuneration within the Natura structure. When each salary group is compared individually, no significant differences may be noted between men's and women's salaries, as stipulated in Natura Remuneration policy, which is based on the premise of same job, same salary. Currently, there are more men than women in the highest salary groups.

The restructuring of the compensation strategy also included a change in the mix of fixed and variable remuneration for managers, with a reduction in the variable component. For higher positions, the company's profit share scheme (PLR in the Portuguese acronym) remained the same as in previous years, with targets tied to the triple bottom line.

The company also provides private pension plans in which employees may define which percentage of their salary they

wish to contribute, between 1% and 5% (complementary pension). Natura contributes 60% of this amount, up to the limit of 5% of the employee's salary. These plans are offered in the Brazilian operation and are limited to the ceiling of R\$ 19,140. In 2013, the company contribution totaled around R\$ 5 million – compared with R\$ 4.8 million the previous year. **GRI G4-EC3**

A fundamental component in the profit share plan is the Performance Management Program (PGD), which is extensive to all employee groups and all operations. This program ensures efficient performance management for all eligible employees, irrespective of gender, with structured individual development plans. Performance appraisal is based on specific tools, such as 360 degree assessment, which encompasses self-assessment by the employees and appraisal by others, such as managers, peers and subordinates. In addition to this behavioral assessment, performance is also measured by the achievement of individual targets established on an annual basis. These appraisals contain objective (numerical) and subjective (performance contract) variables. The process takes place over the months of December, January and February.

In 2014, the company intends to review the performance management program with a view to making it more strategic and clearer to employees. This review should also contribute to the leadership succession pipeline.

# relationship network

GRI G4-LA11

## NUMBER AND PERCENTAGE OF EMPLOYEES RECEIVING PERFORMANCE AND CAREER DEVELOPMENT ANALYSIS <sup>1 2 3</sup>

Functional category	2013			
	Total employees (un.)		Percentage of employees (%) <sup>4</sup>	
	Male	Female	Male	Female
Operational	1,323	953	97%	95%
Administrative	599	2,485	88%	88%
Management	271	376	87%	92%
Director level	41	9	95%	53%

**1** Since 2013, indicator information has been reported in accordance with the GRI G4 protocol.

**2** The data covers the Brazilian and international units. **3** Since the appraisal process occurs in May, there are cases where employees are appraised but leave the company during the course of the year but are counted in the indicator. There was an increase in the number of directors during the year which explains the percentage below 100%. Most of the employees who were not appraised were not eligible because of the date of admission or leaving the company. This is the reason the appraisal was not conducted for Management and Director level staff. **4** Percentage calculated based on total of employees indicated in G4-I0.

GRI G4-LA13

## RATIO OF WOMEN'S SALARY TO MEN'S SALARY (BY FUNCTIONAL CATEGORY) <sup>1 2 3 4</sup>

	Unit	2011	2012	2013
Operational		-21	-22	-23
Administrative		34	16	30
Management	%	-7	-7	-8
Director Level		-17	-14	-16

**1** The calculation does not take into account short-term incentive payments (profit share plan). **2** For this calculation, the bonuses paid to sales managers and relationship managers plus weekly paid rest were taken into consideration. **3** When distributed throughout the categories, sales force employees reinforce the average women's salaries due to sales bonuses, excluding production jobs. **4** Percentage calculated based on total of employees indicated in G4-I0.

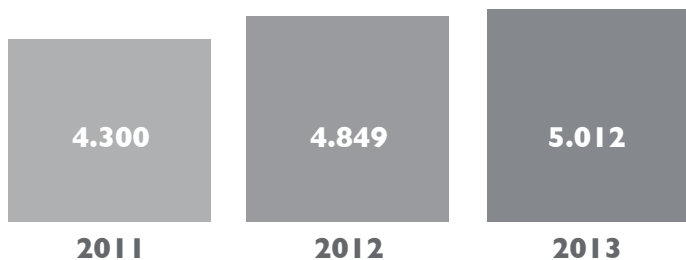
GRI G4-EC5

Ratio of lowest salary to minimum salary, by operation <sup>1 2 3 4 5 6</sup>	2011	2012	2013		
	Total	Total	Total	Men	Women
Brazil	1.6	1.4	1.5	1.5	1.5
Argentina	1.3	1.4	1.3	3.0	1.3
Chile	1.2	1.2	1.2	1.8	1.2
Peru	1.4	1.3	1.3	3.7	1.3
Mexico	4.5	4.4	5.4	6.0	5.4
Colombia	1	1	1.0	1.0	1.0
France	1.0	1.1	1.1	1.9	1.1

**1** Since 2013, indicator information has been reported in accordance with the GRI G4 protocol. **2** Important operational units: all the units in Brazil and the IOs. **3** The salary paid in the operational units is defined through salary surveys based on the local market. **4** Our levels comply with the minimum remuneration levels in the local markets. **5** The minimum salary used for comparison refers to the national minimum salary in force in each country on December 31, 2013. **6** The salary difference between men and women in some countries is due to the fact that we do not have employees of both sexes. Another factor is an employee's recent entry into the company in which he/she will receive the initial salary range for the respective position, which will be adjusted the longer the employee stays in the company.

GRI G4-EC3

## NATURA CONTRIBUTIONS TO EMPLOYEE PENSION FUND BRAZIL (IN MILLIONS OF R\$)



In 2013, collective agreements resulted in an 8% salary increase for employees in the operational and administrative areas. For managers, a fixed increase was incorporated into the base salary. **GRI G4-LA13**

Collective bargaining at Natura is coordinated by the Human Resources area. It covers all employees and is in compliance with the standards and limits set forth in local legislation. The company conducts formal meetings with the unions associated with its businesses to discuss previously

agreed upon subjects with union representatives. We always provide information about collective bargaining agreements, preferably with prior notice to enable open discussion of the issues involved. We do not establish a minimum notification period for operational changes in collective agreements and conventions but comply with the minimum periods established in law or in union agreements. Natura does not have processes for identifying operations in which the right to exercise free association or collective bargaining may be violated. **GRI G4-I1/LA4/HR4**

# relationship network

## BENEFITS GRI G4-LA2

Natura provides its employees with a wide-ranging benefits package. In addition to the traditional medical and dental plans, the company offers transportation vouchers and restaurant\*/meal vouchers, private pension plan and maternity leave. Other benefits are:

Who	Benefit	Description
All employees in Brazilian operations	Ergonomics program	Seeks to enhance employee comfort and productivity in the workplace and adaptation to working conditions.
	Social service	A space for employees to discuss, understand and resolve their social issues.
	Workplace exercise program*	Designed to promote health and quality of life in the workplace, reducing stress-related diseases.
	Chronic disease control program	For employees and dependents having chronic diseases.
	Product discounts	A 40% discount on the purchase of up to five Natura products per month.
	Women's program	Accompaniment for mothers-to-be, upgrade in medical plan and post-natal psychological accompaniment.
	Daycare allowance and special allowance	Educational allowance for disabled children.
	Life insurance	Available for all employees in Brazil.
	Transportation	Vehicles for senior management level employees and above, plus fuel allowance for senior management level employees and above.
	Parking	Available at Cajamar, Nasp and Alphaville.
	Medication subsidy	Discount on medication for all employees with payment via deduction from payroll.
	Free chartered transportation*	140 free chartered bus lines for employees

## relationship network

Who	Benefit	Description
	Runners project*	Jogging and running in parks with specialized supervision (Villa-Lobos, Ibirapuera, Alphaville and Cajamar).
	School material sales	At a discount, in installments deducted from payroll.
	Clube Natura*	Physical fitness, swimming pool (open on weekends and extensive to dependents), dance lessons, football tournaments and multipurpose sports court (Cajamar).
	Espaço Bem Estar* Wellness Space	Massage, hairdresser, depilation and manicure at special prices.
	Convenience services*	Sewing, laundry, shoe repair, optician, insurance, postal, book and video rental services (Cajamar).
	Partnerships	Discounts and/or special conditions for employees (gym, household appliances, travel agency, cakes, cinemas and theme parks).
	Presents*	Presents for employees' mothers and employees who are mothers on Mother's Day, for fathers on Fathers day and for employees' children at Christmas.
	Recognition for length of service	Celebration and present for employees from five years length of service. Recognition at five year intervals.
	Natura Educação (Natura Education)	Study scholarships for employees and dependents.
	Nursery	Full subsidy for children up to 2 years and 11 months.
	Adoption	Support in adoption processes.
	Health and dental plans	Free medical and dental assistance plan for employees. Check-ups for management level and above.
	Partial reimbursement of medication expenses	For cardiovascular conditions, diabetes, kidney failure, oncology, liver diseases, neurological disorders, work-related osteomuscular diseases and psychiatric disorders.

## relationship network

Who	Benefit	Description
	Telemedicine	Emergency electrocardiogram by telephone.
	Saúde em Movimento (Health in Movement)	Program to encourage physical activity, with medical, nutritional and physical assessment prior to start.
	Gym allowance	For relationship managers and sales managers.
	Free products	Five free products a month for management and director level employees.
	Christmas Hamper*	For all employees.
	Espaço Saúde* (Health Space)	Emergency medical care, physiotherapy, GPR, gynecology and obstetrics, acupuncture, orthopedics, nutrition and psychology services.

\* Benefit extensive to in-house outsourced workers.

## DIVERSITY

Natura's focus on relationship makes diversity a particularly relevant topic for the company. In 2011, we established our positioning on diversity focusing on three priorities: social inclusion, women and multiculturalism.

Our efforts in 2012 were concentrated on women. Some results were already evident in 2013, when we saw growth in the number of women in director level positions, from 26% to 35% compared with 2012. Overall, women corresponded to 64% of our employee body, the same proportion as 2013.

We offer female employees the Cuidando de quem Cuida program, providing special guidance for mothers-to-be and those who have recently given birth. In 2013, there were four courses for mothers-to-be, in addition to special attention for new mothers. The company also has a nursery for children up to 2 years and 11 months of age at the Cajamar and São Paulo units, with flexible work schedules to enable mothers to breast feed their children. Since 2010, we have offered the option of six months maternity leave. In 2013, the retention rate for employees returning to work after maternity leave was 94%. **GRI G4-LA3**

In 2013, the opening of the new distribution center in São Paulo helped boost our strategy to hire disabled people. Currently disabled employees, who work on the order picking line, represent 15% of the staff at the São Paulo distribution center. Our target is to reach 30%. The initiative had a positive impact on our disabled employee indicator. During the year, 50 people were hired, against 42 discharges.

To enhance our strategy to attract and develop disabled persons, we launched the Natura Soma (Natura Adds) program, whereby employees are invited to indicate disabled acquaintances to join our team, and we increased job training, reaching more than 64 thousand hours for this particular group. We also implemented a module to drive awareness about inclusion in our new employee induction program.

The multicultural aspect is part of our future strategy and reflects our intention of increasingly attracting people with diverse backgrounds and experience. In 2013, there was a decrease in this indicator due to the adoption of a new methodology which considers only employees with international experience from the time they join Natura.

# relationship network

GRI G4-10

## NUMBER OF NATURA EMPLOYEES BY GENDER %

	Unit	2011	2012	2013
Men		55	52	36
Women	%	45	48	64

GRI G4-LA12

## DIVERSITY<sup>1</sup>

	Unit	2011	2012	2013
<b>Total employees Brazil</b>	Un.	5,483	5,354	5,339
<b>Women</b>				
As a percentage of total employees		61	60	59
In management positions as a percentage of total management positions	%	57	59	56
In executive positions as a percentage of all executive positions		24	26	33
<b>Over 45 years of age</b>				
As a percentage of total employees		12	13	14
In management positions as a percentage of total management positions	%	11	11	12
In executive positions as a percentage of all executive positions		22	35	42
<b>Multiculturalism</b>				
Total leaders who are foreigners or have international experience <sup>2</sup>	Un.	42	38	24
% of leaders who are foreigners or have international experience as a percentage of total leaders <sup>3</sup>	%	33	30	21
<b>Disabled employees</b>				
Number of disabled employees	Un.	258	219	230
Percentage of total employees	%	4.7	4.1	4.3
Number of disabled trained in the Basic Professional Skills program <sup>4</sup>	Un.	258	244	251

**1** We do not classify by minority due to a different understanding of diversity involving a broader concept of social inclusion. **2** There was a significant increase in this indicator due to the promotion of some female employees who joined this category, which also explains the 8% reduction in the number of women in management positions. **3** In 2013, this indicator was calculated considering only employees having international experience with Natura. **4** Some of the 251 employees trained left the company during the year.



GRI G4-LA3

## NUMBER OF MATERNITY AND PATERNITY LEAVES AND RETURN RATE BRAZIL<sup>1</sup>

		Unit	2011	2012	2013
Employees entitled to maternity/paternity leave	Men		2,172	2,135	2,178
	Women		3,393	3,235	3,161
	<b>Total</b>		<b>5,565</b>	<b>5,370</b>	<b>5,339</b>
Employees taking maternity/paternity leave in period <sup>2</sup>	Men		72	71	62
	Women		156	157	182
	<b>Total</b>		<b>228</b>	<b>228</b>	<b>244</b>
Employees returning to work after end of maternity/paternity leave	Men		70	72	62
	Women	%	154	158	179
	<b>Total</b>		<b>224</b>	<b>230</b>	<b>241</b>
Employees returning from maternity/paternity leave still employed 12 months after return	Men		61	58	63
	Women		139	133	149
	<b>Total</b>		<b>200</b>	<b>191</b>	<b>212</b>
Retention rate of employees returning to work after end of leave <sup>3</sup>	Men		87	83	88
	Women		84	86	94
	<b>Total</b>		<b>85</b>	<b>85</b>	<b>92</b>

**1** The 2011 figures were restated due to the new indicator calculation methodology. **2** The total number of women taking maternity leave in the 2012 report was corrected because it included an employee of the Instituto Natura. **3** The retention rate of employees returning to work after the end of their leave is calculated based on the total that remained for more than a year divided by the total of persons that took leave the previous year.

## EMPLOYEE TURNOVER GRI G4-LA1

In 2013, Natura had its lowest employee turnover rate for the last three years – 7.8%, compared with 9% in 2012. However, this was not sufficient to reach the 7% target established for the year.

In Brazil, the drop in turnover occurred in management and the administrative and operational areas. This was due to the improvement in our professional development plans, worthy of note being the operational area in which we implemented an absenteeism control program and sought to develop closer ties between leaders and their immediate subordinates. In administration, the number of coordinators resigning grew due to the expansion of the labor market. Most of the discharges (72%) occurred in function of poor performance.

With respect to gender, levels were similar to previous years, with greater turnover among men. In terms of age group, the highest turnover rate was among employees up to 30 years of age.

In the International Operations, turnover increased by 28% in 2013, a rate of 10.46% compared with 8.16% the previous year. The figure was highest in Colombia, where there were a number of discharges due to poor performance, particularly in the sales force.

GRI G4-LA1

## NUMBER AND RATE OF NEW HIRES BY AGE GROUP<sup>12</sup>

Age group	2013	
	Total (un.)	Rate (%) <sup>1</sup>
Under 30 years of age	471	7.1%
Between 30 and 50 years of age	615	9.2%
Over 50 years of age	15	0.2%
<b>Total</b>	<b>1,101</b>	<b>16.5%</b>

**1** Since 2013, this indicator has been reported in accordance with the GRI G4 protocol. **2** Calculation of rate: total employees hired /total employees indicated in G4-I0.

GRI G4-LA1

## NUMBER AND RATE OF NEW HIRES BY GENDER<sup>12</sup>

Gender	2013	
	Total (un.)	Rate (%) <sup>2</sup>
Women	633	9.5%
Men	468	7%
<b>Total</b>	<b>1,101</b>	<b>16.5%</b>

**1** Since 2013, this indicator has been reported in accordance with the GRI G4 protocol. **2** Calculation of rate: total employees hired /total employees indicated in G4-I0.

GRI G4-LA1

## NUMBER OF EMPLOYEES HIRED AND RATE BY REGION<sup>123</sup>

Units	2011	2012	2013	
	Total (un.)	Total (un.)	Total (un.)	Rate (%) <sup>3</sup>
Brazil	758	708	747	11.2%
Argentina	n.a.	21	132	2%
Chile	n.a.	16	36	0.5%
Mexico	n.a.	20	34	0.5%
Peru	n.a.	16	53	0.8%
France	n.a.	3	17	0.3%
Colombia	n.a.	20	82	1.2%
<b>Total</b>	<b>758</b>	<b>804</b>	<b>1,101</b>	<b>16.5%</b>

**1** Monitoring of indicator in International Operations initiated in 2012 **2** Since 2013, this indicator has been reported in accordance with the GRI G4 protocol. **3** Calculation of rate: total employees hired /total employees indicated in G4-I0.

GRI G4-LA1

## EMPLOYEE TURNOVER IN BRAZIL BY GENDER<sup>1 2</sup>

	Unit	2011	2012	2013
Men	%	10	12	8
Women		7	8	7

<sup>1</sup> Turnover definition: number of discharges at the company's initiative (with or without just cause) or resignation of employees with subsequent replacement. Calculation method: discharge of employees with request for replacement /effective company headcount. <sup>2</sup> Data corresponding to Brazilian operations..

GRI G4-LA1

## TURNOVER IN BRAZIL BY AGE GROUP<sup>1 2</sup>

	Unit	2011	2012	2013
Below 18 years	%	0	4	0.0
Between 18 and 25 years		10	12	8.7
Between 26 and 30 years		9	11	8.5
Between 31 and 40 years		9	9,5	6.9
Between 41 and 50 years		6	6	5.8
Over 50 years		5	7	5.8

<sup>1</sup> Turnover definition: number of discharges at the company's initiative (with or without just cause) or resignation of employees with subsequent replacement. Calculation method: discharge of employees with request for replacement/effective company headcount. <sup>2</sup> Data corresponding to Brazilian operations.

GRI G4-LA1

## TURNOVER RATE BY COUNTRY<sup>1 2</sup>

	Unit	2013
Brazil	%	7.1
Argentina		9.0
Chile		7.0
Mexico		10.9
Peru		7.6
France		15.5
Colombia		18.4
<b>Total</b>		<b>7.8</b>

<sup>1</sup> Turnover definition: number of discharges at the company's initiative (with or without just cause) or resignation of employees with subsequent replacement. Calculation method: discharge of employees with request for replacement /effective company headcount. <sup>2</sup> Since 2013, this indicator has been reported in accordance with the GRI G4 protocol.

## HEALTH AND SAFETY GRI G4-LA6/LA7

With its focus on relationships and commitment to well being well, the company pays close attention to employee welfare. The occupational health guidelines and policies and the constant actions implemented are aimed at promoting balance in the physical and emotional, spiritual and social well being of the team. In 2013, Natura invested R\$ 1,009 per employee in accident prevention and R\$ 1,407 per employee in disease prevention, a substantial increase compared with 2012

In 2013, we initiated the restructuring of the occupational safety management system, a process that will continue through 2014 and 2015. This is aimed at driving the question of safety throughout the company and creating a safety culture. The new system will include behavioral change measures for employees and service providers with a view to gaining full commitment regardless of the employee's position in the company.

During the year, there was a challenge in maintaining company health and safety standards in function of the expansion projects underway, which led to an increase in the number of temporary workers. As a result, the number of incidents (accidents) involving employees remained stable, but those involving contract workers increased.

With the start up of operations at the new distribution center and administrative office in São Paulo, we implanted the Espaço Saúde (Health Space) in the unit. This has a specialized multidisciplinary team providing emergency medical care and services which include physiotherapy, acupuncture and psychological accompaniment, among others. The inauguration of this area also contributed to the growth of the total volume of investments by the company in 2013.

The company also maintained its Quero Estar Bem (I want to be Well) program, focused on health, preventive measures, incentives for physical exercise and promoting quality of life for employees. Additionally, the company provides preventive examinations, the application of vaccinations not covered by the public health service and support for mothers-to-be and the mothers of newborn babies, within the Cuidando de quem Cuida program (*read more on page 87*).

Other measures in this area include workplace exercises – three times a week for administrative staff and daily for operational workers –, an ergonomics program and a rotation scheme in the operational area. These measures, together with investments in ergonomics and the multidisciplinary team in the Health Space, have helped promote health and prevent the emergence of new occupational diseases among employees. It should be noted that no employees are engaged in occupational activities involving a high risk of contracting diseases.

All questions concerning serious diseases are treated on a case by case basis by the Social, Medical and Occupational Health Service. Regarding absenteeism, employees are monitored systematically with the objective of identifying the main causes of absences through consultations with workplace medicine doctors and assessment by multifunctional teams as necessary. In 2013, absenteeism was reduced by 21%, reaching an absenteeism rate of 3.12%; this was accompanied by a 49% increase in health investments. In 2013, there were no new cases of occupational diseases.

The employees at the Cajamar and Benevides units are represented on formal health and safety committees through the Internal Accident Prevention Commission (Cipa in the Portuguese acronym), open to all employees at all levels. These meet on a monthly basis; 50% of the representatives are indicated by Natura and the other 50% are elected by the employees. **GRI G4-LA5**

All union agreements cover employee health and safety items: use of personal protective equipment (PPE); the Cipa commissions; periodic inspections and the participation of employee representatives in inspections, audits and accident investigations; training and education; complaint and grievance systems; the right to refuse to do unsafe work; compliance with International Labor Organization (ILO) standards; problem solving mechanisms; and commitments related to desired levels of performance and practices. **GRI G4-LA8**

GRI G4-LA6

## OCCUPATIONAL DISEASES IN THE BRAZILIAN OPERATION<sup>1</sup>

	2011	2012	2013
Absenteeism rate	5.83	3.95	3.12

<sup>1</sup>The data refer only to Natura employees.

GRI G4-LA6

## HEALTH AND SAFETY NUMBERS AND RATES IN THE BRAZILIAN OPERATION<sup>1 2 3</sup>

	2013	
	Employees	In-house outsourced workers <sup>4</sup>
Occupational disease frequency rate %	0	0
Days lost – accidents <sup>5 6</sup>	298	113
Injury rates (accidents with and without leave) <sup>7</sup>	1.32	3.09
Total number of fatalities	0	0

**1** Since 2013, this indicator has been reported in accordance with the GRI G4 protocol **2** In 2013, these take into account accidents recorded among employees at the Cajamar, Itapecerica da Serra, Alphaville, Shared Service Center, distribution centers, Nasp and Benevides units. Minor injuries requiring only first aid were not included. **3** There were no fatalities in 2013.

**4** This includes in-house service providers at the Cajamar, Itapecerica da Serra, Alphaville, Shared Service Center, Benevides and Nasp units. **5** Days lost are counted as the number of consecutive days the employee does not return to work from the day after the accident. **6** Total hours programmed: takes into account 8 hours/day x working days in period. **7** Equivalent to number of accidents with and without leave divided by million man/hours worked.

GRI G4-LA6

## INVESTMENT IN HEALTH AND SAFETY

	Unit	2011	2012	2013
Investment in accident prevention per employee (R\$) <sup>1</sup>	R\$	795	582	1,009
Investment in disease prevention per employee (R\$)	R\$	940	942	1,407

**1** Investment in accident prevention includes the entire budget of the Occupational Safety Department and expenses and investments incurred by the Engineering and Manufacturing areas to ensure and/or improve safety conditions and comfort in the workplace. Obs.: Spending on training (the responsibility of the HR/Education and Development area) is not included.

## CONSULTANTS AND NCAS

For Natura, direct selling is much more than a business model: it is a live relationship network. In this network the Natura consultants play the fundamental role of connecting the company with its consumers.

In addition to the NCs, the sales forces comprises three other key links (see following table): Natura Consultant Advisors (NCAs), Relationship Managers and Sales Managers. This structure has been consolidated in Brazil and is replicated in the International Operations, with some adaptations to local specificities, as is the case in Mexico (*read more on page 102*).

At the end of 2013, our network in Brazil comprised almost 1.3 million NCs, 2% up on 2012 and in line with company strategy of prioritizing increased productivity and income generation for existing consultants rather than growing the network. In 2013, average productivity for the Brazilian NCs (the average amount commercialized in products per consultant in each sales cycle) increased by 1.4%, with a 6.4% increase in the fourth quarter alone, the result of a series of actions to increase consultant sales volumes. Average annual income for the consultants was R\$ 4,138, 5.79% higher than in 2012.

In the IOs, there was a significant increase in the number of NCs (20%), with the total reaching 366,500. Worthy of note were Argentina, with a 26% increase, and Mexico, which has a differentiated multilevel model, and grew 32% in the year. Both in Brazil and the IOs was a slight reduction in the number of Natura Consultant Advisors (NCAs). At the beginning of 2013, we had recorded a 7.5% decrease in our NCA network in Brazil, as a consequence of specific rules governing the model. This was reverted during the course of the year, with the

reduction standing at only 1% in December 2013. During this period, we made adjustments to the NCA remuneration model to prioritize the attraction and retention of advisors in the network. Average annual income for NCAs in Brazil grew 25% in 2013, reaching R\$ 14,412. In the other countries using this model – Chile, Peru and Colombia –, there was a 3% retraction in NCA numbers. Even so, we expect to see a resumption in growth in the course of 2014.

To drive the constant development of the network, we have dedicated significant resources to infrastructure in recent years, aimed at raising service quality (*read more on page 100*). With growing investments in digital technology, as well as in the Natura Network pilot project (*read more on page 96*), the company developed a series of resources to streamline work processes for the sales force and increase its efficiency.

Another important advance in November 2013 was the adoption of credit cards as a means of payment for consultants. Furthermore, NCs may pay their invoices by bank order, an option previously available only for specific cases.

The company continues to invest in ongoing education and promoting an entrepreneurial spirit among NCs as important tools for creating value for this stakeholder group.

### OUR SALES FORCE

Natura Consultants (NCs): freelance professionals, mainly women, who commercialize Natura products, receiving a commission on sales – 30% of the recommended price of each product in the Natura magazine. They are not Natura employees.

Natura Consultant Advisors (NCAs): more experienced Natura consultants who are also engaged in promoting the growth of the consultant network, the productivity of NCs and disseminating best practices. In addition to sales commissions, the NCAs are remunerated for the activities they carry out. They are not Natura employees.

Relationship Managers: These are Natura employees. They are all women and are responsible for training NCs in the Natura Encounters held during every sales cycle and in other courses and activities. Their role includes promoting productivity and entrepreneurship among NCs and providing support for NCAs.

Sales Managers: Also Natura employees, the sales managers provide support for the Relationship Managers and work from the Natura regional business units.

## relationship network

### NUMBER OF CONSULTANTS IN ACTIVITY<sup>1</sup>

	Unit	2011	2012	2013
Brazil		1,175.5	1,268.5	1,290.0
Argentina		63.7	74.9	94.6
Chile		37.9	52.1	59.6
Mexico		58.5	74.3	97.8
Peru	000s	54.9	63.6	70.6
Colombia		27.1	37.0	42.3
France		3.1	2.6	1.7
<b>Total</b>		<b>1,420.7</b>	<b>1,572.9</b>	<b>1,656.5</b>

<sup>1</sup> In Brazil and the IOs the figures refer to the number of consultants in activity at the end of the year.

NUMBER OF NATURA CONSULTANT ADVISORS IN BRAZIL <sup>1</sup>	Unit	2011	2012	2013
	Un.	13.230	12.125	11.957

<sup>1</sup> Number of NCAs at the end of the year.

### NUMBER OF NCAS IN ACTIVITY IN THE INTERNATIONAL OPERATIONS<sup>1</sup>

	Unit	2012	2013
Chile		728	692
Mexico		n.a	n.a
Peru		760	827
Colombia	000s	388	292
France		n.a	n.a
<b>Total OIs</b>		<b>1,876</b>	<b>1,811</b>

<sup>1</sup> The figures refer to the number of CNAs at the end of the year. This is the second year in which the indicator is monitored.

GRI G4-EC8

### AVERAGE ANNUAL INCOME GENERATED

	Unit	2011	2012	2013
Consultants (NCs) <sup>1</sup>		3,904	3,912	4,138
Natura Consultant Advisors (NCAs) <sup>2</sup>	R\$	9,521	11,515	14,412

<sup>1</sup> Calculated based on NCs' 30% profit on product prices in magazine. <sup>2</sup> The NCAs receive a commission based on their performance in terms of number of consultants placing orders and order volume.

## NATURA NETWORK

To further develop the business model and enhance the purchase and sales experience with company products, in 2013 we launched the pilot phase of the Natura Network, which extends relationship selling to digital media.

In the Natura Network, consultants may have their own internet page to commercialize our products. Unprecedented worldwide, this model further strengthens the relationship between the NCs and their customers, reinforcing their role as a consultant. This is because in the Natura Network the company is directly responsible for charging for the orders and delivering the products, freeing the consultants to focus on the quality of the relationships they build and maintain with their customers. Natura is developing a series of resources to reinforce these relationships (*read more on following page*).

This also represents an opportunity to attract new customers to the consultants' relationship networks by leveraging their business volume, since to make a purchase the consumer must connect with an NC. In the current Natura Network space, consumers have the choice of choosing a consultant from their own list of contacts, from the lists of their virtual friends or from Facebook. It is also possible to find an NC through a search system with filters by name, district, city or postal code.

For the consumer, the system is more streamlined and convenient. They have the option of paying by credit card, bank order or bank transfer. Product delivery is also faster. Undertaken by Natura, the order is delivered in up to two days after confirmation or may be scheduled for a day and time chosen by the consumer.

The Natura Network test phase was begun in November 2012 in Campinas (São Paulo); in 2013 it was extended to all the six thousand consultants in the city. The system was implemented in São José dos Campos (São Paulo) in October 2013, where new formats are being tested. Based on learning and experience in the pilot phase, the Natura Network will be launched in other regions in the country throughout 2014.

## TECHNOLOGY

With the advance in digital technologies, the company discovered an opportunity to use the information in its consultant database to identify opportunities to strengthen relations with NCs and with consumers. In 2013, we consolidated the Natura Customer Relationship Management (CRM) system which, based on the electronic cross referencing of different types of data, enables us to have a more complete picture of the profile and behaviors of NCs, NCAs and end consumers and build a segmented relationship strategy that has a positive effect on NA performance and company results.

In the second half of the year, we implemented an action aimed at re-establishing relations with ex-Natura consultants based on information collected by the CRM system. Via direct mail, SMS and email, we invited these professionals to resume their relationship with the company. This strategy was backed by our NCAs and a series of incentives for ex-consultants. The tactic produced immediate results, contributing to Natura's performance in the second half of the year.

Part of our sales force excellence program, the geographical micro-management project was another initiative that used CRM data. In this project, on a city by city basis we look for opportunities to increase our NC base and productivity. This enables the company to prioritize efforts to grow the network in municipalities in the interior of a number of states in Brazil where there is still significant growth potential, instead of state capitals, where there is already a consolidated consultant base.

The potential of CRM has already been tested in the Natura Network pilot project. On the internet page of some participating NCs, we provide data on their customers, for example, the date the customer last bought a determined product, suggesting they make a proactive contact with that consumer.

In 2014, we want to further explore the system's resources, with new focused actions based on different profiles: area of activity, average purchase value, most interesting products, new NCs, among others. We also intend to develop actions aimed at the end consumers.



## APPLICATIONS

In an increasingly connected world, computers, smartphones and tablets have become important work tools for the direct selling model, driving gains in efficiency and productivity. In 2013, we developed a number of applications to make life easier for the sales force, including solutions for Relationship Managers, NCAs and NCs.

Exclusively for new consultants, in 2013 we tested a tool which was launched in the beginning of 2014. This enables the consultant to record orders, see the full portfolio of Natura products and access a list of customer contact details, as well as receive tips and news. In the future, the company intends to extend this tool to other consultant groups, such as university students.

The company also developed a communication channel for NCAs via SMS messaging. At no cost, the advisor may simply send an SMS with a key word to obtain information about sales cycle status, the NCs in their base etc. This solution is expected to be deployed briefly.

## LOYALTY AND SATISFACTION

We monitor the quality of relations with the network of NCs and NCAs by means of periodic surveys which measure satisfaction and loyalty, the latter determined by the top score in the items satisfaction, recommendation and intention to maintain the relationship with Natura.

In 2013, NC loyalty dropped from 24% to 23%, while NCA loyalty decreased from 40% to 38%; in parallel, there was a growth in the level of satisfaction from 90% to 92% among NCs and from 96% to 97% among NCAs.

The slight decrease in loyalty is attributed to increased competition both in the direct selling market and the personal hygiene, perfumery and cosmetics market in Brazil.

It should be noted that this survey measuring NC satisfaction in Brazil is conducted for every sales cycle. In 2013, this practice was extended to the NCAs, when the company started to monitor the indicator every two cycles. We believe that this periodic monitoring enables us to identify necessary improvements and enhance our relations with these stakeholders.

In the International Operations, a similar slight downward trend in NC and NCA loyalty and satisfaction rates was detected. The exceptions were Mexico and Peru, in particular the latter, where our performance improved considerably over the previous year.

GRI G4-PR5

## QUALITY OF RELATIONSHIPS WITH NCS IN THE BRAZILIAN OPERATION

	Unit	2011	2012	2013
Satisfaction <sup>1</sup>	%	87	90	92
Loyalty <sup>2</sup>		19	24	23

<sup>1</sup> Satisfied and completely satisfied NCs – Top2Box. <sup>2</sup> Percentage of NCs giving the top score (Top1Box), on a scale from 1 to 5 points, for three aspects: satisfaction, intention to continue the relationship with Natura and recommendation.

GRI G4-PR5

## QUALITY OF RELATIONSHIPS WITH NCAS IN THE BRAZILIAN OPERATION

	Unit	2011	2012	2013
Satisfaction <sup>1</sup>	%	87	96	97
Loyalty <sup>2</sup>		24	40	38

<sup>1</sup> Satisfied and completely satisfied NCAs – Top2Box. <sup>2</sup> Percentage of NCAs giving the top score (Top1Box), on a scale from 1 to 5 points, for three aspects: satisfaction, intention to continue the relationship with Natura and recommendation.

## relationship network

GRI G4-PR5

### QUALITY OF RELATIONSHIPS WITH NCS IN THE INTERNATIONAL OPERATIONS – LOYALTY RATE (%)<sup>1</sup>

	Unit	2011	2012	2013
Argentina		38	45.4	43.3
Chile		36	39.0	37.9
Colombia	%	37	42.8	38.5
Mexico		40	38.4	39.0
Peru		23	25.9	31.8
<b>Total International Operations</b>		<b>n.a</b>	<b>38</b>	<b>38.1</b>

### QUALITY OF RELATIONSHIPS WITH NCS IN THE INTERNATIONAL OPERATIONS – SATISFACTION RATE (%)<sup>2,3</sup>

	Unidade	2011	2012	2013
Argentina		94.0	96.5	94.8
Chile		95.5	94.0	92.5
Colômbia	%	95.5	95.3	97.3
Mexico		91.5	90.0	93.8
Peru		92.5	91.0	96.0

**1** Percentage of NCs giving the top score (Top1Box), on a scale from 1 to 5 points, for three aspects: satisfaction, intention to continue the relationship with Natura and recommendation. **2** Monitoring of this indicator was initiated in 2012. The data is presented by country in function of the alteration they may suffer due to the size of the network in each place. **3** Very satisfied and completely satisfied NCs – Top2Box.

GRI G4-PR5

### QUALITY OF RELATIONSHIPS WITH NCAS IN THE INTERNATIONAL OPERATIONS – LOYALTY<sup>1</sup>

	Unit	2012	2013
Argentina		n.a	n.a
Chile		46	42
Colombia	%	58	51
Mexico		52	51
Peru		50	45

GRI G4-PR5

### QUALITY OF RELATIONSHIPS WITH NCAS IN THE INTERNATIONAL OPERATIONS – SATISFACTION<sup>2</sup>

	Unit	2012	2013
Argentina		n.a	n.a
Chile		95.8	93.0
Colombia	%	99.0	98.0
Mexico		93.1	95.0
Peru		97.0	98.0

**1** Percentage of NCAs giving the top score (Top1Box), on a scale from 1 to 5 points, for three aspects: satisfaction, intention to continue the relationship with Natura and recommendation. **2** Very satisfied and completely satisfied NCAs – Top2Box.

## TRAINING

With 17% growth in Natura consultant participation, during 2013 the internet was consolidated as an important vehicle for the dissemination of content and learning. In the Knowledge Portal – a website linked with our order placement platform –, NC participation in courses and e-learning continued to grow. In total, there were more than 1.3 million consultant participations in training in Brazil, helping exceed our target for the year of 1.1 million participations.

We also carried out a diagnosis aimed at optimizing training and from 2014 will be providing contents focused on competencies that have not yet been fully developed. We are also working on the implementation of indicators to assess effective learning and value generation for each course on offer.

The company also maintained the face-to-face training given by the Natura Relationship Managers, the regional make up and perfumery workshops and the provision of self-study courses for NCs living far from the locations where these courses are offered.

In spite of the overall growth in the index, participation in the First Steps training for new consultants decreased by 18% in the year. In 2014, Relationship Managers will focus on this target once again. We expect to revert this drop through face-to-face and virtual training.

TRAINING – OPERATION IN BRAZIL <sup>1 2</sup>	Unit	2011	2012	2013
Total NCs trained	000s	-	1,152	1,348

**1** This takes into account the participation of the same NC in a training action, whether by Relationship Manager, virtual training and/or other corporate initiatives. **2** Monitoring of this indicator was initiated in 2012.

TRAINING NCS – OPERATION IN BRAZIL	Unit	2011	2012	2013
Initial training	000s	358	343	283

In the International Operations, more than 23,600 NCs received training. The reduction compared with the total number of consultants trained in 2012 was due to the attention dedicated to training quality, with a smaller number of consultants participating in each session. In 2013, 46% of the NCs in Argentina, Chile, Colombia and Peru received training. Among beginning consultants, 36% took other courses besides the First Steps program.

TRAINING NCS – INTERNATIONAL OPERATIONS <sup>1 2</sup>	Unit	2011	2012	2013
Argentina	Un.	7,243	10,973	7,352
Chile		3,802	7,450	5,427
Colombia		3,656	5,161	4,382
Peru		5,847	10,383	6,530
<b>Total</b>		<b>20,548</b>	<b>33,967</b>	<b>23,691</b>

**1** Number of NCs trained, with no repetition (if an CN does the same course more than once in the year, participation is counted only once).

**2** In 2012, monitoring of this indicator was discontinued in Mexico. It was discontinued in France in 2013, due to peculiarities in the models in each of the two countries.

## RELATIONSHIP WITH NCS AND NCAS

Our sales force service centers were structured in a segmented fashion to ensure greater efficiency and focus in the service provided. We have the Natura Call Center (CAN) for NCs, via chat, email and telephone. There is the Advisor Call Center (ATO) for the NCAs and the Sales Force Service (AFV) for Relationship Managers.

The company also publishes the Revista Natura and the Revista Consultoria every cycle, providing information on consulting activities, special promotions and relationship actions. On the web, we have the Natura Digital ([www.revistanatura.com.br](http://www.revistanatura.com.br)) magazine, in a more interactive format, enabling access according to consumer and consultant profile. We are also reformulating the Consulting Blog ([blogconsultoria.natura.net](http://blogconsultoria.natura.net)), in which we concentrate information about product concepts and functionalities and contents on sustainability and entrepreneurship, among other subjects.

Currently, almost all our orders are processed online – 96% in Brazil and 80% in the International Operations. In 2013, we introduced new services to facilitate NCs' work routines. One of these is the provision of notifications – by email, SMS message or telephone – about consultants' order status.

In the social networks, the company monitors its Facebook and Twitter pages, responding to all contacts from consultants and consumers (*read more about Natura in the social media on page 103*).

## SERVICE LEVEL EXCELLENCE

The company's most recent investment cycle, which prioritized expansion of logistics infrastructure, has already improved the quality of services provided to the NCs. In the new Natura administrative and distribution center, inaugurated in the city of São Paulo in February 2013, the high technology employed in the order picking lines enabled the company to reach a historical record of 4.5 million items picked in a single day. The delivery time to NCs was reduced from 5.1 to 4.5 days and the company exceeded its target of delivering 35% of orders in up to 48 hours. Other gains included a reduction in the non-conformance rate.

The company also reaped the fruit from initiatives implanted in previous years. This is the case of the Customer Committee, a forum with representatives from different Natura areas directly involved in product availability and delivery. In 2013, a plan offering alternatives for servicing consultants in the case of non-availability of products was one of the improvement actions implanted by the committee. A differentiated process was also established for product replacement, reducing the time necessary to exchange a product from 13 to seven working days. The reduction of around 70% in the non-service rate between 2011 to 2013, bringing it to its lowest level ever, was also due to the work of the committee.

The group tracks more than 70 indicators in what we call the Perfect Service process, aimed at providing quality service and delivering product in the shortest time possible.

In company operations in Latin America, which are supported by distribution centers and picking lines in each of the countries in which Natura operates, we have already achieved the rate of more than 50% of orders delivered within 48 hours. The target for 2014 is 55% of orders delivered within 48 hours.

## RECOGNITION

We currently recognize consultants based on two criteria: time engaged in activity and sales performance – the latter includes sales of refills and the Believing is Seeing product line. Every year an average of 50 to 55 thousand NCs receive recognition for length of activity. Regarding performance, in 2013 the company recognized 8,969 NCs and 3,808 NCAs in Brazil and 1,069 NCs in the IOs.

From 2014, we intend to take this a step further, recognizing not only performance and how long consultants have partnered with Natura, but also their efforts to develop professionally and their contributions to transforming their community and society.

# Sustainable Entrepreneurship

The Natura materiality matrix, revised in 2010 and 2011, indicated that one of the company's priority topics was sustainable entrepreneurship, which may be promoted particularly among our consultant network. Believing in the high entrepreneurial potential of consulting, the company intends to boost this value, linking economic results with greater generation and distribution of wealth, care with relationship quality and the sustainable use of natural resources.

To enhance our understanding of entrepreneurship, we supported the development of a global research network on new businesses at the base of the pyramid (comprising the less privileged social classes), led by Professor Stuart Hart of Cornell University (USA). The network already has 18 laboratories in diverse countries, such as Denmark, Venezuela, South Africa and the Philippines.

In 2013, the World Forum of the Global Base of the Pyramid (BoP) Laboratory Network was held at Cajamar (São Paulo), attended by BoP theoreticians, representatives of other companies and leaders from BoP laboratories worldwide.

It is the company's intention to focus more on sustainable entrepreneurship initiatives in our NC network. This intention is being put into practice through the Movimento Natura (Natura Movement) in Brazil and the differentiated commercial model under construction in Mexico (*read more ahead*).

## MOVIMENTO NATURA (NATURA MOVEMENT)

Created in 2006, the Natura Movement is key in our commitment to generate greater value for our network and drive mobilization and engagement. One of the movement fronts, the Acolher (Welcome) program provides financial and consulting support for projects developed by NCs to transform their local reality, as well as to connect these consultants and their respective relationship networks.

The program is enhanced by the Welcome Award, presented to the most transformational initiatives presented by participating consultants, in areas such as eating habits, education, art and culture, social assistance, income generation and the environment. In the third edition in 2013 there was a total of 586 entries, with eight selected as winners. The novelty in the 2013 award was the participation of 63 Natura employee volunteers – or “welcomers” –, who provided support for the finalists and the award winners.

In addition to the Welcome program, in 2013 the Natura Movement was involved in other initiatives, such as the Greenpeace Zero Deforestation campaign aimed at getting public support for passing a law prohibiting deforestation through the Brazilian Congress. By activating the Natura Movement, we managed to get more than 84 thousand NC signatures in support of the initiative.

In 2013, there were more than 209 thousand participations in the Natura Movement, higher than the target set for the period and 19% up on the previous year. This indicator also takes into account consultant engagement in Believing is Seeing (*read more the about the results of Believing is Seeing in 2013 on page 32 to 34*). In 2013, an average of 125 thousand NCs sold Believing is Seeing products in each sales cycle.

## NCS ENGAGED IN NATURA MOVEMENT<sup>1 2</sup>

Unit	2011	2012	2013
Un.	122,953	176,331	209,562

<sup>1</sup> Equivalent to the sum of the average number of NCs active in Believing is Seeing product sales plus NCs participating in other Natura Movement initiatives, such as the Welcome Program, per cycle. <sup>2</sup> Considering cycle 01/2013 to cycle 19/2013. There was an increase of one sales cycle compared with 2012.

## NATURA MOVEMENT 2.0

With these learnings, the company is preparing to expand the Natura Movement and reinforce commitment to what we are calling well doing well – a reference to our well being well value proposition. It is our wish not only to involve our consultants, but also to get closer to other people and build a network that connects agents of change (owners/advocates of socio-environmental initiatives) and people interested in collaborating with them, either with their skills and talents or with funding, among other possibilities. To reach this higher level, in 2014 we will launch a digital collaborative platform that will connect and bring the promoters of initiatives together with volunteers, in accordance with their affinities, needs, special interests and geographical location.

In this context, the tools and methodologies necessary to make this new network work will be concentrated in the Welcome Program. We also plan to improve Natura Movement indicators and to do this are working on an index that will enable measurement of the impact of our initiatives. With this, we will be able to prioritize investments that help drive human development, especially those focused on our NCs.

## SUSTAINABLE RELATIONSHIP NETWORK

Three years after implantation, the differentiated commercial model applied in our operations in Mexico is showing its potential to foment entrepreneurship and innovation. Known as the Sustainable Relationship Network, this is a multilevel direct selling model – a format already explored in the Mexican market –, that foments the construction of consulting networks. In 2013, this system grew 22%. At the beginning of 2014, it passed the symbolic mark of 100 thousand NCs. Since 2009, the consultant network in Mexico has grown on average 33.5% per year.








More than building networks, Natura wants to contribute to the creation of inclusive business capable of generating social capital. The core idea behind the Sustainable Relationship Network is that the consultants' career and relationship with Natura evolves as they attract new NCs to the networks, work on preparing new leaders and engage in socio-environmental activities in their communities. The strategy is based on four pillars: self-knowledge, business management, relationship network and society.

Based on quantitative and qualitative criteria, the company established different levels for each moment of the consulting career (see following table). To support this growth, we provide educational modules on sustainable entrepreneurship. Consultants also gain recognition each time they move up a level.

In 2013, participations in face-to-face and virtual training totaled 1,915; 712 consultants participated in the Sustainable Development Experience, which addresses the promotion of socio-environmental initiatives.

During the year, we presented our experience with the Sustainable Relationship Network in a number of forums dedicated to promoting inclusion, worthy of note being the

2<sup>nd</sup> Base International Forum for the Development of Markets at the Base of the Pyramid, promoted by the Inter-American Development Bank (IADB) in June 2013 in Colombia.

- 
**NATURA ASSOCIATE**  
 Specialist in business management  
 Reference in Triple Bottom Line
- 
**NATURA INSPIRER**  
 Developing in business Management
- 
**NATURA TRANSFORMER 2**  
 Specialist in network management  
 Reference in network management
- 
**NATURA TRANSFORMER 1**  
 Developing in network management
- 
**NATURA INSTRUCTOR 2**  
 Specialist in managing direct groups  
 Reference in managing direct groups
- 
**NATURA INSTRUCTOR 1**  
 Developing in direct group management
- 
**NC NATURA ENTREPRENEUR**  
 Specialist in indication and follow up
- 
**NC NATURA CONSULTANT**  
 Specialist in Natura consulting (sales)

# CONSUMERS

Guided by our belief in promoting well being well, every year we strive to forge closer ties with our consumers in a constant, ongoing exchange. To enhance these relations we rely increasingly on digital technologies which present a series of opportunities and challenges revolving around more interactive and collaborative forms of relationship.

In 2013, we took an important step in this direction with the launch of the pilot stage of the Natura Network project, which connects the Natura consultants, end consumers and the company, introducing an additional form of relationship and of commercializing our products and strengthening the direct selling model (*read more about the Natura Network on page 96*).

In the largest social network in existence, Facebook, the Natura official page, which now includes our International Operations, has more than 7 million fans. The company also has specific pages, such as the make up channel, with more than 1.7 million fans. Launched in 2012, the *Aqui Tem Natura* (Natura is Here) application, which enables Facebook users to locate Natura consultants among their friends and their friends' contacts, has more than 134 thousand NCs registered on it, from more than 5 thousand municipalities all over Brazil. On Twitter, more than 52 thousand users follow Natura.

In an innovative initiative, in 2013 Natura launched an application with tips for exercises and reflections that stimulate self-knowledge and a feeling of *well being well*. Based on the results of a survey about the meaning of gestures conducted by the Natura Innovation area, the company put together a repertoire of touches that promote well-being and may be used with products from the Natura Plant, Natura Tododia and Natura Ekos lines. There is also the *Natura Mamãe e Bebê* (Mother and

Baby) application exclusively for iPhones and iPads. This teaches mothers how to perform a massage based on the ancient Indian Shantala technique designed to reinforce bonds with their children and promote well-being from an early age.

Outside the online environment we also promote a series of measures to develop closer relations with consumers and boost awareness and recognition of our brand. A success throughout 2012, at the beginning of 2013 the company discontinued the *Espaço Conceito* (Concept Space) designed to promote access to Natura products through a multi-level conceptual and sensorial experience. The Space should be reopened in the second half of 2014 in the same region of São Paulo. The company also has plans to extend this experience to other cities in the country.

During 2013, Natura maintained its short *Aqui Tem Natura* (Natura is here) program broadcast on the open TV Record channel, as well as on the GNT, Viva and Discovery Home & Health cable channels. Available also on the online portal [tv.natura.net](http://tv.natura.net), the program content addresses questions of interest to Natura and consumers, such as well-being, health, beauty, sustainability and social entrepreneurship.

During the year, the company also invested in the Customer Relationship Management (CRM) system, which employs digital technologies to learn more about consumers and improve services for them. Based on the same premise, in the first quarter the *Natura Eu Gosto* (I like Natura) project was launched offering product categories based on specific profiles and habits. A total of 20 profiles were created, such as "Man and Style", presenting skincare, deodorants, hair gel and perfume for men.

## INSPIRING MARKETING

The company's various communication, advertising and marketing actions seek to transmit the Natura values and Essence to the public, as well as relevant messages, such as relationship quality, well-being and sustainability. In 2013, Natura increased its investments in marketing, a strategy which produced record sales during the Christmas sales cycle.

To publicize the Sou product line, in the second half of 2013 we opened the Espaço Sou para Nós (Sou Space for Us) in Salvador (Bahia) and Recife (Pernambuco), promoting reflection on conscious consumption. Residents of Rio de Janeiro also enjoyed an interactive experience with the new brand. Natura invited the public to give up their excesses and share their stories. Natura employees kicked the campaign off by collecting books which were then offered to the public in vending machines installed in different underground stations. Another initiative involved videoconferences on Youtube to encourage reflection about society's current consumption habits.

The Kaiak product line promoted the "O que move você?" (What moves you?) action in Salvador (Bahia), Fortaleza (Ceará) and Recife (Pernambuco). In conjunction with a sports consultancy, treadmill simulators were set up in shopping malls in the cities. Participants chose the kind of sport, the soundtrack and the length of the challenge and were awarded Kaiak products depending on their performance.

All company communications are aligned with the Natura Ethical Communication Guidelines. The document is for employees and providers involved in communication processes and sets forth the main principles governing communication campaigns and actions, such as the environmental impact of products, conscious consumption, respect for children and diversity. The company areas responsible for each communication action are charged with ensuring the guidelines

are followed. The company also has its Brand Committee which reports directly to the Executive Committee.

Natura complies with the guidelines set forth by the advertising self-regulatory body Conar and the codes of conduct of the Brazilian advertising, consumer defense and direct selling associations. In 2013, the company received no notifications related to violations of laws or voluntary codes related to marketing communications, including advertising, promotion and sponsorship. **GRI G4-PR7**

## LOYALTY AND PREFERENCE

On an annual basis, Natura assesses consumer satisfaction using three indicators: penetration, preference and loyalty, the latter encompassing three dimensions (satisfaction, intention to continue the relationship with Natura and recommendation).

In 2013, there was a slight decrease in the evaluation of the Natura brand by consumers, according to a Brand Essence image survey conducted by the consultancy Ipsos. The percentage of consumers attributing the top score to Natura decreased from 79% to 77.8%. During the year, however, the number of locations consulted was increased, which reduced comparability with 2012 data.

In the cosmetics, perfumery and personal hygiene market, our loyalty and preference rates were 51.6% and 43.8%, respectively. In 2012, the loyalty rate was 51%, while preference scored 46.5%. The results shows stability from one year to the other.

Natura was also elected the most valuable brand in the Brazilian retail trade in the ranking produced by the consultancy Interbrand. At the beginning of 2014, Natura was recognized as the second best company in terms of image among Brazilian consumers, according to the ranking of the British consultancy BrandIndex.



## BRAND IMAGE SURVEY OVERALL ASSESSMENT IN BRAZIL<sup>1 2 3</sup>

Unit	2011	2012 <sup>3</sup>	2013
%	73	79	77.8

**1** Source : Brand Essence/Instituto Ipsos. **2** The global assessment Top Box considers respondents who gave the Natura brand the top score on a scale from 1 to 5. **3** Survey based on a quantitative sample of 3 thousand personal and household interviews in 50 markets. With the addition of small cities, the 2013 indicator lost comparability with the 2012 indicators. The 2012 score on a same market basis is 78.8%.

Given the growing importance of the Latin American market for the business, Natura also tracks loyalty, brand preference and recommendation indicators in the countries in which it has operations. In 2013, consumer loyalty increased from 49.3% to 54.2%. The percentage of consumers who would recommend Natura reached 77.5%, compared with 70% in 2012.

During the year, Natura came in 12th place in a Brandz, WPP and Millward Brown survey which ranked the 50 most valuable Latin brands. The company was also listed in the image and most admired brands rankings in Argentina, organized by the magazine *Apertura*.

GRI G4-PR5

## QUALITY OF RELATIONSHIPS WITH CONSUMERS IN BRAZIL<sup>1 2</sup>

	Unit	2011	2012	2013
Loyalty <sup>3</sup>	%	66	51	51.6
Preference	%	47	46.5	43.8

**1** Source : Brand Essence/Instituto Ipsos. **2** Survey based on a quantitative sample of 3 thousand personal and household interviews in 50 markets. With the addition of small cities, the 2013 indicator lost comparability with the 2012 indicators. **3** Percentage of consumers giving the top score (Top I Box), on a scale from 1 to 5 points, to three aspects: satisfaction, intention to continue relationship with Natura and recommendation.

GRI G4-PR5

## RELATIONSHIP QUALITY WITH CONSUMERS IN THE INTERNATIONAL OPERATIONS

	Unit	2011	2012	2013
Loyalty <sup>1</sup>	%	n.a	49.3	54.2
Preference <sup>2</sup>	%	11	14.3	16.6
Recomendation	%	n.a	70	77.5

**1** The loyalty index comprises top box in recommendation, top box in repurchase and top box in satisfaction. It takes into account consumers who bought and used Natura products in the last 12 months. **2** The preference index is measured in the main markets of the countries in which the IOs operate and surveys consumers aged between 25 and 55 years.

## PENETRATION IN BRAZILIAN HOUSEHOLDS<sup>1 2 3</sup>

Unit	2011	2012	2013
%	62	60	58.5

**1** Source : Kantar World Panel. **2** A Penetration is the percentage of households in the population represented in the survey who bought the brand in the specified period. **3** The panel represents 81% of the household population and 90% of the consumption potential in the country, according to the Target index. In function of updates to the population profile, the data on Natura were adjusted and the numbers were revised.

## CUSTOMER SERVICE

Consumer contacts are centralized in the Natura Customer Service operation (SNAC). The company also responds to all complaints, doubts and criticisms on its profiles in the social networks (Facebook and Twitter) and its blogs.

With the continuation of initiatives to improve processes, the company decreased the time necessary to replace products from 13 to seven days. One measure that contributed to the reduction was the introduction of simultaneous product exchange, with the replacement being delivered at the same time that the original product is collected. Previously, the consumer had to deliver the product for analysis before a replacement was sent.

Natura also consolidated its service for Chronos, in which attendants receive specific training related to adverse reactions. With the success of this initiative, the company is planning to extend segmented attendance to other brands with a similar profile to Chronos.

With respect to consumer privacy and information confidentiality, all consumers contacting customer service via telephone or the internet are protected by information security policies and systems. In 2013, the company adopted one of the most advanced data security technologies available, enabling the authentication and identification of all users of company digital systems, in particular NCs. This system also facilitates access and permits faster navigation speeds. During the year, there were no legal or administrative cases involving the violation of consumer privacy or loss of consumer data. **GRI G4-PR8**

## RADICAL TRANSPARENCY

Having identified an opportunity to increase the transparency applied to consumer relations, in January 2013 Natura launched the Radical Transparency project, aimed at providing consumers with the maximum information possible, enabling them to make conscious, informed decisions.

The first year of this project was dedicated to data collection. On the company's co-creation platform – Co-creating Natura –, a specific exercise related to transparency and product safety was implemented, involving the participation of consumers, NCs and employees (*read more on page 43*).

After this stage and consultations with company leaders and specific areas, we realized that consumers still know little about Natura's essential topics, ranging from information about products to data concerning the company's value chain and sustainability management. A desire on the part

of consumers to have access to more information about all these areas was identified.

Accordingly, four priority topics were defined for the Radical Transparency initiative: traceability in the value chain, environmental impact, social impact and health and safety. The intention now is to develop an action plan to ensure that consumers may access this information in the clearest, most straightforward way possible, in line with Natura's commitment to transparency.

## CONSUMER SAFETY GRI G4-PR1

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 manufacture. These processes include product and raw material safety and efficiency tests and assessments, stability, microbiology and analytical development tests to ensure approval and compliance with sanitary authority requirements and demonstrate the company's commitment to truth, ethics and transparency.

Based on the premise of continuous improvement, Natura's cosmetovigilance process monitors products on the market and defines actions in the event of risks to consumer health by assessing any complaints concerning possible adverse reactions. In 2013 this process evolved based on new European regulations. The company increased the scope of individual assessments and implanted a strategy of notifying any serious cases to the sanitary authorities, among other actions. To ensure incidents are dealt with effectively, in partnership with the customer service center (SNAC), we developed specialized procedures for dealing with cases in which the customer still feels undesirable effects potentially caused by the use of a Natura product – including the provision of medical care. The company also invested in training for customer service staff.

The company has a collaborative network involving Brazilian and international researchers, academics and independent consultants. This enables us learn more and more about consumer behavior and provide innovative products and services that meet their expectations. To ensure alignment with the rigorous standards adopted in Brazil, we have a technical-scientific area for the IOs responsible for overseeing regulatory, cosmetovigilance and quality processes, which reports to the Consumer Safety in Innovation area in Brazil.

During the year the company reviewed its positioning to ensure further clarity. One of the updated guidelines, which has now become Natura policy, is related to animal testing (*read more ahead*). For the review process, a working group was created with representatives from different company areas, such as Communication, Legal Affairs and Quality. Data collected on the internet based on user behavior was also used in the process.

One fundament of the company's work is the precautionary principle. Natura keeps abreast of scientific developments worldwide and closely monitors trends related to controversial issues and ingredients, working on replacements whenever necessary. The company has already eliminated substances from its products, such as paraben in 2011 and phthalate, in 2008. The company continually seeks new internationally approved methods which ensure consumer safety and attest the benefits of its products. **GRI G4-I4**

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

All company products are approved by Anvisa in Brazil or by the local regulatory authorities for our International Operations before they are launched. The company does not commercialize products that are prohibited in Brazil or in the other countries in which it operates. Natura conducts analyses on raw materials prior to presentation to regulatory authorities to ensure compliance for all its finished products. In 2013, there were no sanctions or fines for violations of laws or regulations related to the supply and use of products and services, product labeling or risks to consumer health and safety. **GRI G4-PR2/PR4/PR6/PR9**

At the end of 2013, an analysis by the NGO Proteste (Brazilian Consumer Defense Association) indicated that the protection factor of the product Natura Fotoequilíbrio Spray FPS 30 was less than it was claimed to be. This analysis was published in the media and sent to the Public Prosecution departments in the states of Espírito Santo and São Paulo, to the Procon consumer protection services in both states and to Anvisa. Natura responded to the press and to Anvisa proving that the product had been subjected to rigorous testing beyond legal requirements to assess its efficiency in skin protection, and demonstrating that the company had technical assessment reports from three independent laboratories attesting to the protection factor. **GRI G4-PR6**

## ALTERNATIVES TO ANIMAL TESTING

Since 2006, Natura has had a policy that repudiates animal testing in all company processes, including assessments of new raw materials. This is also the positioning adopted at Aesop. The company works continually to consolidate new and alternative methodologies such as in vitro tests to guarantee the safety and efficiency of its products. The company stays abreast of this movement worldwide and has a specialized technical team dedicated to this question on an international level.

A major challenge in recent years has been finding laboratories equipped to conduct alternative tests in line with Natura quality and safety standards. In 2013, an important step was taken to ameliorate this problem by approving laboratories in the United States and in Brazil and prospecting others in Europe.

In commercial contracts the company is explicit about its opposition to animal testing and suppliers must commit to this restriction. The company does not have mechanisms to prevent suppliers from carrying out animal tests for other organizations or industrial sectors.

## SUPPLIERS

In order to consolidate a high added value supply chain, Natura needs to lead by example and share its experience and know-how with suppliers.

In 2013, the company further reinforced relations throughout its chain comprising more than 5 thousand business partners in Brazil. This base falls into three categories: outsourced suppliers (finished products), production inputs (biodiversity ingredients, raw materials and packaging materials) and indirect materials and services. In 2013, the company had 1,762 active suppliers in the production input and indirect materials and service provider categories. Of these, 283 partners accounted for approximately 70% of purchase volume during the year. **GRI G4-12**

Different tools are used to monitor purchasing processes, ranging from procedures to determine which activities are the responsibility of suppliers and authorization levels for each process to technology systems that store all company data on tenders and bids and which may be subject to audit.

During 2013, the company consolidated its Sustainable Supply Chain strategy which, based on a methodology developed by Natura in partnership with international experts, includes socio-environmental criteria as well as traditional supplier selection parameters. In 2013, the proportion of production input suppliers participating in the program was increased from 87% to 96%. During the year, transportation and service providers were also included in the initiative.

In addition to tracking supplier impacts related to Natura's chain and quarterly monitoring of eight performance indicators (CO2 emissions, water consumption, waste generation, formal education programs, employee training, workplace accident

rate, social inclusion/hiring disabled workers and private social investment), the initiative provides inputs for development plans for these suppliers.

Improvements were introduced in the program in 2013, with the simplification of processes, such as the filling out of indicator spreadsheets and a change in the frequency of meetings with suppliers, which are now held every six months – instead of quarterly – to give them more time to review practices and improve performance. In the meetings, the supplier's progress is reviewed and performance is compared with that of other partners in the same category. To stimulate the exchange of experience, the company created forums in which different suppliers get together to discuss questions of mutual interest.

During the year, 231 suppliers took part in the face-to-face sessions organized by Natura, totaling 10,248 hours of training. There were 77 participations in virtual training. The subjects addressed included TBL (triple bottom line) methodology, internal supply area processes and the company's supplier development program Qlicar (Quality, Logistics, Innovation, Competitiveness, Environment, Social and Relationship).

In the third year of its existence, the positive socio-environmental externalities generated by the program corresponded to R\$ 447,000. This takes into account the benefits generated by these suppliers in education programs for their employees, the hiring of disabled workers, among others factors. The total benefits generated were R\$ 2.78 million or 17.3% of the company's target of R\$ 16 million in socio-environmental gains by 2015.

## SUPPLIER DEVELOPMENT

In line with company Sustainable Supply Chain strategy, Natura's supplier development program Qlicar (Quality, Logistics, Innovation, Competitiveness, Environment, Social and Relationship) assesses critical service level indicators as well as social and environmental questions. In 2013 a total of 87 suppliers of inputs and finished products and brand-related, logistics and NC service providers took part in the program.

One advance in the program was the establishment of the Suppliers Committee, comprising employees from diverse Natura areas (Finance, Innovation and Supplies, among others), who meet on a monthly basis. Inspired by the Customer Committee, whose work is focused on the services provided for consultants (*read more on page 100, Consultants and NCAs*), the Suppliers Committee aims to identify critical points and opportunities for improvement in relations with suppliers in areas such as delivery logistics and means of payment. On a pilot basis, the company also promoted e-learning sessions with Qlicar participants. Another advance in 2013 was the institution of periodic financial analysis of commercial partners, a practice which hitherto was only conducted when a supplier was contracted.

Natura also organized the third edition of the Qlicar Award, with prizes for 16 suppliers in the packaging, fragrance, raw material, outsourced suppliers Brazil and Latam, service, logistics, transportation, socio-environmental progress, supplier communities and innovation categories. The intention in 2014 is to introduce a technology category in the award. In coming years, Natura also plans to include other categories for suppliers of the International Operations.

## RISK MANAGEMENT IN THE SUPPLY CHAIN

Risk management concerning suppliers takes into account the market, finance, socio-environmental factors, occupational health and safety, and quality, in addition to legal requirements. In 2013, 436 suppliers were identified as being eligible for risk assessment and control. Of these, 186 were audited during the course of the year. The audits generated a series of continuous improvement plans with 111 suppliers committing to environmental improvements, 100 to reducing negative societal impacts, and 118 to improving working conditions. It should be noted that among these suppliers the impact levels differed (high, medium and low). No agreements were reached to correct human rights related issues, because Natura's positioning in this respect is zero tolerance for any kind of violation.

**GRI G4-EN33/HR11/LA15/SO10**

In the audits focused on environmental questions, in addition to compliance with legal requirements and the existence of emergency environmental plans, the company examines how the partner identifies the significant impacts produced by its operations and how it manages waste, water, energy, wastewater and emissions. Audits focused on labor practices encompass risk prevention (fire brigade, first aid.), the use of protective equipment, emergency plans etc. Social impact audits concentrate on assessing whether suppliers have codes and guidelines governing ethical conduct, commitments to labor practices and human rights, compliance with Ministry of Labor quotas (young apprentices and/or the disabled), CLT labor regime contracts for the employees working on Natura premises and the promotion of community development initiatives, among others. **GRI G4-EN33/LA15/SO9**

Of the suppliers joining the Natura supply chain during the year, 2.3% were assessed in terms of environmental, social, labor and human rights risks upon signature of the contract. It should be noted, however, that these new suppliers are in the category representing 70% of Natura purchase volume.

**GRI G4-HR10/EN32/LA14/SO9**

Also worthy of note is the fact that 100% of Natura supply contracts contain human rights clauses, covering questions such as child and forced labor. Significant investment contracts including human rights-related clauses are those worth in excess of R\$ 5 million. In 2013, 16 contracts in this range were signed. For purposes of comparison, in 2011 the company signed 44 contracts of this type. The reduction in number was due to the lower number of projects in 2013. **GRI G4-HR1**

During the year no contracts were terminated as a result of corrupt practices. With respect to the right to exercise freedom of association and collective bargaining, Natura does not have mechanisms for assessing compliance with this guarantee among its business partners. It should be noted that our security practices encompass training in human rights, including both the legal training provided by the Federal Police and internal training. All security staff undergo the Federal Police training, as well as additional training; however percentages are not measured. **GRI G4-SO5/HR4/HR7**

# relationship network

GRI G4-EN33/HRI I/LA15/SO10

## TOTAL OF CRITICAL SUPPLIERS ASSESSED IN SOCIO-ENVIRONMENTAL, HUMAN RIGHTS AND LABOR PRACTICES

Type of impact	Total	Improvement agreements stemming from assessment	
		Total	%
Negative environmental impacts	186	111	25%
Violation of labor rights	186	118	27%
Negative societal impacts	186	100	23%

## LOYALTY AND SATISFACTION GRI G4-PR5

Natura monitors the quality of relationships with suppliers by means of satisfaction and loyalty indicators, similar to those used with other priority stakeholders. In 2013, the loyalty rate resumed growth among suppliers in Brazil, increasing from 23% to 30%, higher than the 28% target established. This is the first year that the company has presented indicators for loyalty in the IOs. Comparing 2013 with 2012, the most significant growth rates occurred in Mexico, Colombia and Chile. Participation in the survey also increased during the year, with a 30% rise in the number of respondents.

GRI G4-PR5

## QUALITY OF RELATIONSHIPS WITH SUPPLIERS

	Unidade	2011	2012	2013
Satisfaction <sup>1</sup>		81	79	85.5
Loyalty – suppliers Brazil <sup>2</sup>	%	27	23	30
Loyalty – suppliers IOs <sup>2</sup>		n.a	29	38
Loyalty – Natura suppliers (consolidated)		n.a	24	31

<sup>1</sup> Percentage of satisfied and completely satisfied suppliers (Top2Box). <sup>2</sup> Percentage of suppliers attributing top score (Top1Box), on a scale from 1 to 5 points, for three aspects: satisfaction, intention to continue relationship with Natura and recommendation.

### ENVIRONMENTAL IMPACT OF MAIN SUPPLIERS

Natura also monitors the environmental impact of its main suppliers. In 2013, the number of suppliers (accessories, packaging, printing, fragrances and raw materials, among others) monitored increased from 66 to 91. This year, the indicators were collected on a six-monthly basis.

In energy consumption, taking into account the inclusion of new suppliers, there was a 15% reduction in relative consumption. Similarly, total waste generated decreased from 622 metric tons in 2012 to 466 metric tons in 2013. During the year, the company also started to monitor the amount of waste recycled, which totaled 5,377 metric tons. However, water consumption increased by 17%, due to the inclusion of new suppliers and greater accuracy in the data reported.

## MAIN NATURA PACKAGING AND RAW MATERIAL SUPPLIERS

	Unit	2011	2012	2013
Total suppliers assessed	Un.	62	66	91
Energy consumption				
Primary electricity source – electricity consumption (J)		9.7 x 10 <sup>13</sup>	9.3 x 10 <sup>13</sup>	1.4 x 10 <sup>14</sup>
Self-generated electricity – diesel generator (J)		2.0 x 10 <sup>13</sup>	2.7 x 10 <sup>13</sup>	7.7 x 10 <sup>12</sup>
LPG consumption (J)	Joules	6.2 x 10 <sup>12</sup>	5.7 x 10 <sup>12</sup>	1.3 x 10 <sup>13</sup>
Others –natural gas (J)		1.2 x 10 <sup>14</sup>	9.7 x 10 <sup>13</sup>	9.5 x 10 <sup>13</sup>
<b>Total energy consumed (J)</b>		<b>2.4 x 10<sup>14</sup></b>	<b>2.2 x 10<sup>14</sup></b>	<b>2.5 x 10<sup>14</sup></b>
Water consumption				
Total water consumption	m <sup>3</sup>	179,740	184,049	295,954
Waste generation by main Natura suppliers				
Total waste generated	t	577	622	466
Total waste recycled <sup>1</sup>	t	n.d	n.d	5,377

<sup>1</sup> Monitoring of the indicator was initiated in 2013.

## INTERNATIONAL OPERATIONS

Natura's expansion plans for Latin America rely heavily on relations with local suppliers. We ended 2013 with 10.3 million units produced by outsourced suppliers outside Brazil, compared with around 3 million units in 2012. Currently local production is centered on Argentina (perfumes, moisturizers, shampoos and make up), Mexico (perfumes, shampoos, conditioners and make up) and Colombia (perfumes, soaps, moisturizers and conditioners). In 2013, the company reached a local production corresponding to 16.5% of net revenues for the region – Colombia accounted for 51.6% of production, followed by Argentina with 46.5%, and Mexico, with 2%.

To meet the increased demand generated by the accelerated growth of Natura's International Operations, the company plans to intensify production in Argentina, in Colombia and principally in

Mexico. There are also plans to increase the capacity of our order picking lines in Chile, Peru, Mexico and Argentina. In Argentina, Chile and Peru, the company has contracted specialized partners to manage its order picking lines.

In parallel with the growth of International Operations, the company is seeking to build a supplier chain that is aligned with Natura values. In 2013, supplier audit and approval processes included assessment of socio-environmental questions aligned with the standards used by the company in Brazil. This was an important step towards the introduction of the company's Sustainable Supply Chain strategy in the IOs from 2014. In this pilot stage, 20 suppliers will be engaged in the program, three in Colombia, ten in Argentina, four in Mexico, one in Peru and two in Chile.



## SUPPLIER COMMUNITIES

GRI G4-EC7/EC8

Support for the development of the communities that supply the Brazilian social biodiversity ingredients used in Natura products is part of company strategy to strengthen the overall supply chain. This relationship entails support for sustainable stewardship techniques, leadership development and the formation of cooperatives and is based on fair pricing and benefit sharing. Essentially, Natura seeks to supply tools that will enable the supplier communities to retain their independence, generate added value and drive sustainable development.

In addition to the income generated by the purchase of ingredients and benefit sharing, Natura believes that its relations have a positive impact on the supplier communities by increasing their technical capacity and encouraging them to exchange experience and knowledge with other producers and to form partnerships with other companies.

In 2013, the company maintained relations with 32 such communities around the country. Of these, 27 are raw material suppliers, whereas relations with the other five are institutional in nature. This represented a reduction compared with the previous year, because relations with four communities were discontinued and no new partnerships were established during the year. The communities with which relations were discontinued were Palmeira do Piauí (Piauí), Escolas de Parintins (Amazonas), CTM (São Paulo) and the Chico Mendes Extractivist Reserve (AC). In the Piauí community, the supply and payment of shared benefits was concluded, with ingredient supplies now coming from another community. The company also finalized its support for the art schools. With respect to CTM, the category of the company's relationship was altered from community to

individual producer because only three of the producers supply Natura. Lastly, the Natura Government Relations area is still in negotiation with the Chico Mendes Extractivist Reserve with respect to access to biological resources.

As a result, the number of families involved in this process decreased to 3,117. Whenever the company terminates a relationship, this is done gradually after assessment of potential impacts and the implantation of a support program aimed at ensuring the community's long-term sustainability.

In 2013, the funds allocated in this area decreased by 7% compared with the previous year, totaling R\$ 11.2 million. This drop was the result of the decision to utilize stocks of social biodiversity ingredients built up over recent years. These stocks met production requirements without the need for new purchases. Investments in studies and technical assistance were also lower. As a result, the company did not reach its target of distributing R\$ 13.6 million to supplier communities in 2013. However, Natura is already implementing initiatives and projects to ensure it achieves its target of involving ten thousand families and obtaining 30% of ingredients from the Amazon region by 2020 (the current rate is 13.4%).

Relationships are governed by the Natura Policy for the Sustainable Use of Social Biodiversity Products and Services, reviewed in 2013 (*read more on page 54*), and the Principles of Relationship with Supplier Communities, which establish guidelines for the company dealings with these communities, encompassing respect for their culture and understanding of their way of life and social organization.



# relationship network

GRI G4-EC8

## SUPPLIER COMMUNITIES

	Unit	2011	2012	2013
Communities with which Natura relates <sup>1</sup>	Un.	35	36	32
Families benefiting in the supplier communities		3,235	3,571	3,117

<sup>1</sup> The number of communities was revised in 2011 and the data were restated..

GRI G4-EC7

## FUNDING<sup>1</sup>

	Unit	2011	2012	2013
Supply <sup>2</sup>	R\$ 000s	6,749	6,303	3,435
Access and benefit sharing and associated traditional knowledge <sup>3</sup>		1,597	3,099	4,350
Funds and support <sup>4</sup>		1,002	1,524	1,459
Image rights <sup>5</sup>		22	69	-
Training <sup>6</sup>		133	301	350
Certification and stewardship <sup>7</sup>		21	29	-
Studies and advisory services <sup>8</sup>		512	749	1,590
<b>TOTAL</b>			<b>10,037</b>	<b>12,074</b>

<sup>1</sup> Direct amounts in courses, infrastructure, studies, local advisory and technical services. The funds are paid in kind for the purchase of raw materials, benefit sharing (if included in contract) and use of image rights. <sup>2</sup> Amount paid by processors or by the Benevides plant for raw materials used in Natura's products. <sup>3</sup> Amounts paid to communities as benefit sharing from the access to genetic heritage and/or traditional knowledge associated with Brazilian biodiversity species. <sup>4</sup> Natura voluntary sustainable development funds and agreements, with disbursement linked to the execution of projects or sponsorship of infrastructure improvements. <sup>5</sup> Amounts paid for the use of images of community members in institutional or marketing materials. <sup>6</sup> Workshops and courses paid by the company to improve sustainable production techniques. <sup>7</sup> Amounts invested in certification and stewardship plans for areas under cultivation. <sup>8</sup> 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.

GRI G4-EC8

## FUNDS ALLOCATED PER FAMILY, PER YEAR

	Unit	2011	2012	2013
Direct funds <sup>1</sup>	R\$ 000s	2.9	3.1	3.0
Supply <sup>2</sup>		2.2	1.8	1.1

<sup>1</sup> These include funds effectively received by the communities: ingredients supply, sharing of benefits, image rights, funds and support.

<sup>2</sup> Sub-item of direct funds, detailing the funds received by raw materials supplied.

## RELATIONSHIP AND LOYALTY

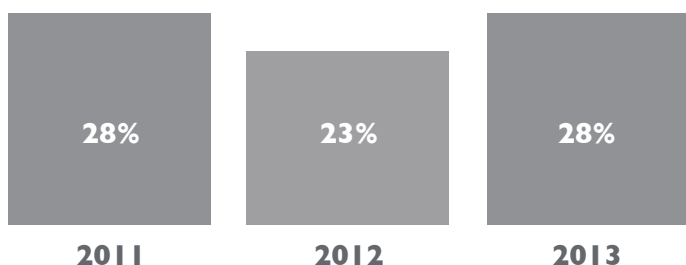
Measured on an annual basis, in 2013 the loyalty rate for the supplier communities increased from 23% to 28%. This improved performance was due to the expansion of partnerships and the increase in investment in training and infrastructure and a more effective field presence on Natura's part. In five communities in the northeast of Pará, however, the loyalty rate reached zero, although the response to the item overall satisfaction – one of the questions in the loyalty index – was positive (good and excellent). **GRI G4-PR5**

At the beginning of 2014, Natura unified the two areas working directly with the communities in the Relationship and Social Biodiversity Nucleus (GRAS), linked with the company's Supplies area, which now centralizes ingredient purchase

processes and family and producer development measures; the development measures were previously overseen by the Sustainability area.

The change was designed to reinforce company relations with these stakeholders. It was also in response to a demand from the communities themselves, who had indicated difficulty in communication with Natura as an area for improvement. Although there is no record of significant negative impacts resulting from company activities involving the supplier communities, this and other isolated issues – financial difficulties caused by delays in the payment of crop advances and planning problems involving producer, cooperatives and Natura – were mentioned in the loyalty survey. **GRI G4-SO2**

## LOYALTY OF SUPPLIER COMMUNITIES<sup>1 2</sup>



**1** Loyalty is obtained based on the percentage of interviewees attributing the top scores to three questions: overall satisfaction, intention to continue relationship and recommendation. **2** In 2013, field interviews were conducted by local agents trained by the Community Relations area – 15 communities and 278 people interviewed.

## DIAGNOSIS IN COMMUNITIES

With a view to improving company activities in the supplier communities, an internal audit was conducted in 2013. This identified four improvement areas to be worked on by Natura: information management system; traceability of communities' production; monitoring of environmental stewardship good practices; and traceability of labor practices.

Short and medium term action plans were developed for all of these issues. With respect to information management, from mid-2014 a unified data management system covering productivity, traceability, benefit sharing and social demands will be implanted.

The company also conducted a diagnosis with 25 supplier communities to map data related to the points raised in the internal audit: good cultivation and environmental stewardship practices, traceability, benefit sharing and labor practices.

Specifically in relationship to cultivation and stewardship questions, the company identified the need to create a means of recognizing and engaging the communities that maintain good practices. In 2014, a new certification methodology called the Natura Production Chain Verification system will be developed in partnership with the UEBT (Union for Ethical Bioproducts) for monitoring and developing production chains. In addition to mapping good stewardship practices for each species, the standard will drive improved production traceability, administrative management and labor relations.

To meet the demand for traceability in labor practices, the company contracted a specialized consultancy to undertake an analysis among the 25 supplier communities in the Amazon and Southeast regions. The objective was to map the reality

of these communities and to discuss issues with community members. No cases of child or slave labor were detected during this process, but the involvement of children and adolescents from the families in the production chains was identified. This is a question of cultural tradition for some communities, and does not characterize non-compliance with Natura principles. In 2013, no incidents involving indigenous populations were recorded.

It should be noted that all Natura benefit sharing and supply contracts contain human rights clauses related to child and slave labor and degrading working conditions. The company promotes dignified labor practices among the suppliers with whom it maintains direct commercial relations and includes contract clauses to ensure its partners do the same in their supply chains.

The company makes every effort to ensure that any involvement of children and adolescents in these supply chains does not hinder the children's formal education and their right to leisure, nor put their health or safety at risk, permitting the child to develop under the influence of family activities having an educational/cultural orientation rather than an economic finality, so that these traditional forms of family organization may be recognized by society as a whole.

In August 2013, the company presented the results of the diagnosis in a workshop organized in the city of Mosqueiro (Pará), attended by representatives of the communities studied. Action plans were also agreed on to further understanding of the supplier communities with respect to the involvement of children and adolescents in the supply chains. The next step will be the execution of the respective plans.

**GRI G4-HR1/HR5/HR6/HR8**

## COMMUNITY REINFORCEMENT

Natura works continually to promote the development of the supplier communities through social reinforcement and training projects that take their cultural identity and local opportunities into account.

The Natura Leaders & Managers in Social Biodiversity Communities program works on administrative management and the development of leaders and community agents. The initiative is aimed at enhancing interpersonal relations, developing competencies and improving management practices in the supplier communities with a view to promoting development and long-term business prospects. A total of 30 workshops were organized in 2013. Members of 11 communities took part in the leadership module; seven participated in the community agent module, as was the case with the administrative management programs.

The company also organized technical training focused on areas such as organic agriculture, seed collection, forest seedling production, permaculture and forestry inventory methods. In 2013, occupational health and safety was introduced in the programs.

Natura also invests in social reinforcement measures aimed at environmental conservation, cultural appreciation, the creation of alternative sources of income, food security, articulation between sectors and leadership development. One example is the Mid Juruá Fund of the Conselho Nacional de Populações Extrativistas (National Council of Extractivist Populations) supported by ICMBio (Instituto Chico Mendes de Conservação

da Biodiversidade) and the Centro Estadual de Unidades de Conservação do Estado do Amazonas (Amazonas State Conservation Units Center). The fund supports projects in four areas of activity: civic awareness, education and health; food security and income generation; environmental conservation and preservation; cooperation and association and market diversification. In 2013, the Mid Juruá Fund contributed R\$ 200,000 to six local organizations.

One of the projects supported by Natura is developed by the Fundação Amazonas Sustentável or FAS (Sustainable Amazonas Foundation), which in 2013 inaugurated a school in the Mid Juruá region to promote training oriented to local production chains, with courses on fishing, extraction and other related activities. There are 50 children enrolled in the school, whose premises are used for training members of the cooperative when the children are not in class.

Another community that Natura supports is the Reca (Syndicated and Compacted Economic Reforestation) project of the Roraima Association of Agroforestry Smallholders Farmers. The company works with the Reca Agricultural Family Schools, which adopt an alternating education system whereby the children attending the schools live for part of the time at the school and part of the time at home. The curriculum combines regular content with knowledge and aptitudes based on the local reality. In 2013, the Natura budget was dedicated to the winning project from a selection organized at the school which involved the organization of a student cooperative specialized in managing local production chains.

## BIOQLICAR PROGRAM

Natura adapted its Qlicar (Quality, Logistics, Innovation, Competitiveness, Environment, Social and Relationship) supplier program to the reality of the supplier communities, creating the BioQlicar program. In addition to the Qlicar indicators, BioQlicar tracks the human, social, physical, environmental and economic resources the local community has access to in order to promote its development. The program is yet another tool used by Natura to drive the development of supplier communities and to prepare them for efficient and independent insertion in the broader market.

On an annual basis Natura asks the processing companies and supplier communities to assess the program. There was a slight drop in the index to 3.76 (on a scale from 0 to 5), compared with 3.80 the previous year. The negative points indicated in the assessment included deficiencies in the production models and in labor practices, principally due to the informal nature of work relations in the field. **GRI G4-HR10**

This is the second year in which the supplier communities were included in the Qlicar Award, another manner found to increase the communities' engagement and motivation. In 2013, the supplier communities gaining recognition were Reça, from Rondônia, which had the highest score in the program, and Coaprocor, in Paraná, which showed the greatest improvement compared with the previous year.

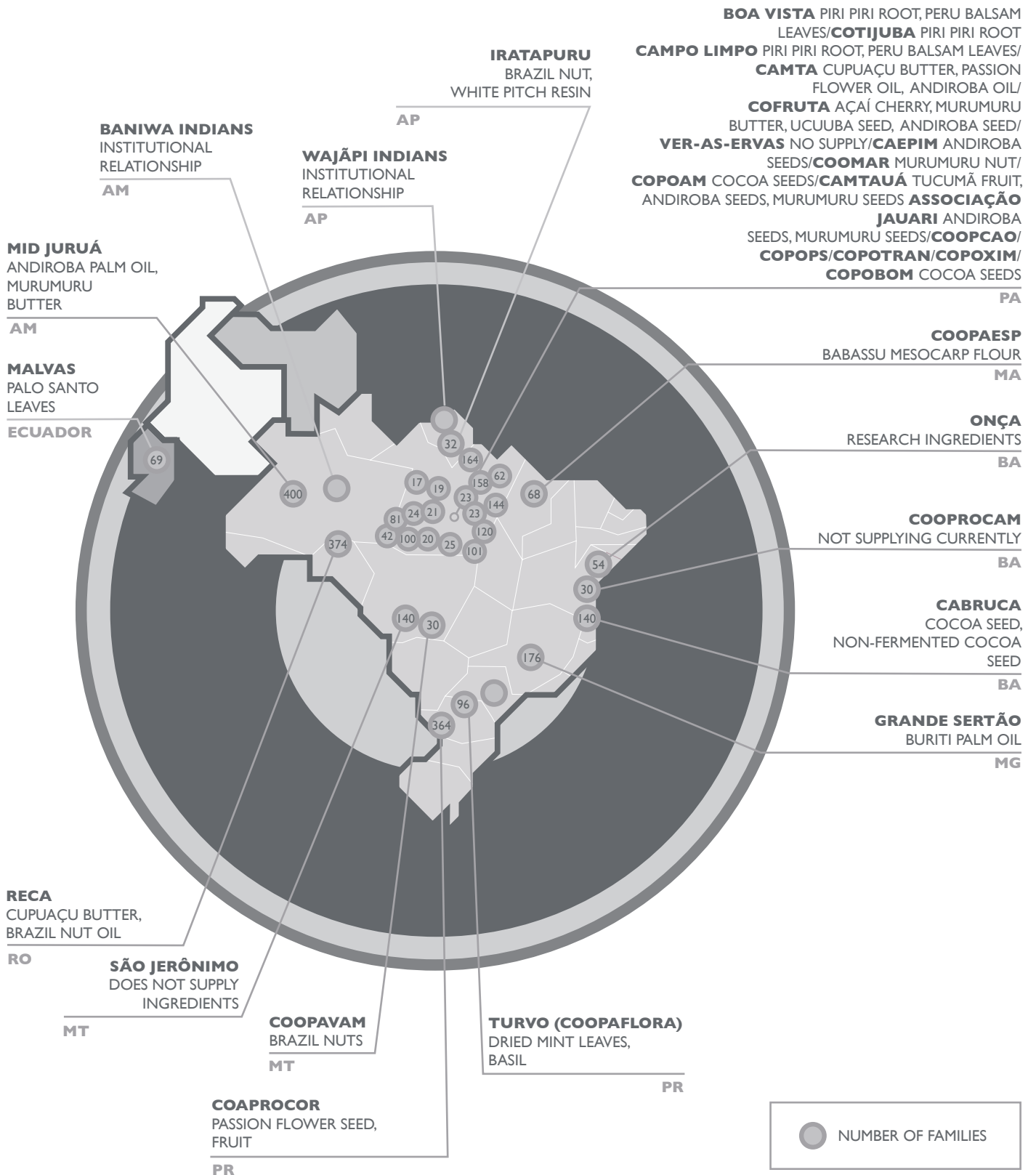
## BENEFIT SHARING GRI G4-EC7/EC8

Part of Natura's earnings from the sustainable use of biological resources from native species in Brazilian biomes and associated traditional knowledge are passed on to the supplier communities in a clear and transparent fashion as set forth in Natura Policy for the Sustainable Use of Social Biodiversity Products and Services. Benefit sharing occurs in accordance with contracts and applicable legislation. The company works with the cooperatives to help them to invest the funds in the most suitable fashion, aligned with the principles set forth in company policy.

With the funds from benefit sharing the Onça community in Bahia invested in the purchase of land and machinery. In the Mid Juruá, the funds were used for the purchase of rubber tapping kits (consisting of bowls, knives and buckets), for the refurbishment of seed dryers and for infrastructure improvements. The Cabruca community in Bahia bought land upon which to build the cooperative's new headquarters, which are now under construction. In the Campo Limpo community (Pará), the funds were invested in the purchase of machinery, such as a small tractor, as well as mowing and crushing equipment.

In May 2013, the Women's Movement of the Belém Islands cooperative inaugurated the headquarters for its Life and Company project for the elderly in the region. In Boa Vista (Pará), the APOBV (Boa Vista do Acará Producers' Association) also inaugurated its new headquarters, a key milestone in the development of the tourist industry in the region.

Natura supplier communities and relationships



# SURROUNDING COMMUNITIES

GRI G4-EC7/ SO1/SO2

Natura recognizes the significant impacts its presence may cause on the socio-economic and environmental dynamics of the municipalities in which it operates. The company does not currently have mechanisms to assess the negative impacts caused by its operations, but as the company mission embraces relationship with different stakeholders, Natura develops special measures to contribute to local development in innovative and collaborative ways.

Company strategy for local communities, revised in 2012, is centered on building trust among residents, in particular local leaders; on creating a positive agenda with public authorities; in strengthening democratic participation; and in supporting the construction of each individual's identity. The aim is active participation in different sectors of society and the development of partnerships to respond to the needs of each region.

Currently, the company is most active in three municipalities which host 66% of its operations in Brazil. These are Cajamar (São Paulo), the company headquarters; São Paulo (São Paulo), where the administrative and distribution center was opened in 2013; and Benevides (Pará), also home to the newly-opened Ecoparque. It should be noted that Natura discontinued its operation in Itapecerica da Serra (São Paulo) in May 2013.

In the other cities in which the Natura operates, strategy involves the Municipal Children's and Adolescents' Rights Councils (CMDCA in the Portuguese acronym), which receive 1% of the company's income tax due. The intention is to reinforce these councils, which may be considered legitimate spaces for community representation given that they comprise public administrators from diverse areas and civil society representatives. In 2013, the income tax contribution was channeled to Cajamar and São Paulo and two cities in which Natura has distribution centers: Castanhal (Pará) and Jaboatão dos Guararapes (Pernambuco). The company has not yet implemented development plans for the communities surrounding its International Operations.

In 2013, company spending on local suppliers increased from R\$ 139 million to R\$ 196 million. This growth was due particularly to the increase in production volumes at the company plants in Benevides and Cajamar and to investment in the construction of the Ecoparque, as well as expansion works on the Cajamar plant.

## GRI G4-EC9

GRI G4-EC7

## INVESTMENT IN INFRASTRUCTURE AND SERVICES FOR PUBLIC BENEFIT

	Unit	2011	2012	2013
Investments in the communities surrounding Natura units – Natura funds <sup>1 2</sup>	R\$ 000s	822	729	326
Investments – Believing is Seeing funds <sup>3</sup>		96	130	0

**1** All investments are in non-governmental organizations which contribute to the implementation and execution of projects in each location. **2** In 2013, the amount invested in the Cajamar School Network project was taken into account. **3** In 2013, the Instituto Natura worked on the development of projects in partnership with state and municipal education departments, as well as other institutes and foundations. These projects impacted a large number of municipalities in all regions of Brazil. For this reason, it was not possible to specify the amounts channeled to the communities surrounding company operations (São Paulo, Cajamar and Benevides). For these municipalities, the Instituto Natura is initiating its Rede de Apoio à Educação -RAE (Education Support Network) - , which will start to receive funds as of 2014.

# relationship network

## EMPLOYEES FROM SURROUNDING COMMUNITIES<sup>1 2</sup>

	Unit	2011	2012	2013
Cajamar	%	21	22	22
Benevides		60	91	85
Itapecerica da Serra <sup>3</sup>		n.a	4	n.a
São Paulo – Nasp		n.a	4	3

**1** Cajamar surroundings: Cajamar, Campo Limpo, Santana de Parnaíba and Várzea Paulista. Benevides surroundings: Benevides, Barcarena, Belém, Ananindeua and Marituba. Itapecerica da Serra surroundings: Itapecerica da Serra, Embu and Cotia. São Paulo – Nasp surroundings: the districts of Barra Funda, Jaguará, Jaguaré, Lapa, Perdizes and Vila Leopoldina. **2** In previous years, young apprentices were also counted. Administration of this group was outsourced as of 2012. **3** In 2011 and 2013, Itapecerica da Serra did not count employees from the surrounding community.

GRI G4-EC9

## PURCHASES FROM SUPPLIERS IN THE COMMUNITIES SURROUNDING COMPANY FACTORIES<sup>1 2</sup>

	Unit	2011	2012	2013
Cajamar		62	57	83
Itapecerica da Serra	R\$ million	3.0	1.4	1.2
Benevides		64	81	112
Percentage of spending on suppliers from the surrounding community in relation to total spending on suppliers	%	3.8	4.0	4.9

**1** The geographical definition of location takes into account the 2012 base, which encompasses all the purchases from suppliers located in the municipalities of Cajamar and Itapecerica da Serra and suppliers from the state of Pará supplying any Natura unit. **2** The São Paulo unit is not considered to be a manufacturing unit.

## CAJAMAR

In 2013, Natura maintained its support for the implementation of the participative management system for the Parque Natural Municipal de Cajamar and the creation of a preservation unit inside the city's environmental protection area (APA). During the year the park Management Committee was instituted, comprising representatives of the public authorities and civil society. A stewardship plan was prepared for the area considering the species existing in the region, their relevance for the biome, as well as topography.

The stewardship plan was designed collaboratively after eight workshops with the local community. This involved a proposal to build a native seedling nursery, an environmental education and research center and nature trails in the woods. The document will be formalized in April 2014. Natura invested R\$ 109,000 in this project in 2013.

The company was also engaged in the preparation of the municipal selective waste collection plan in partnership with the NGOs Ipesa (Instituto de Projetos e Pesquisas Socioambientais) and Mata Nativa. Due to delays in the schedule, the plan should be prepared in 2014. **GRI G4-EC7**

The company was also engaged in improving job opportunities for young people aged from 14 to 28 years in the region. This was through the Rede Escola Cajamar (Cajamar School Network), run by Rede Cidadã and Conexão in partnership with the municipal government and other institutions and companies in the region. Launched in 2012, the program trained 316 young people to become administrative assistants or production assistants in 2013. At total of 135 participants (43%) found a job upon concluding the course – one of the them being hired by Natura.

In 2013, Natura reinforced its partnerships with the main companies in the region, finding new locations to give classes, as well as adapting the course to meet the needs of different age groups (14 to 17 years and 18 to 28 years); complementary contents were included in the course such as human formation and responsible sexuality. Natura also encouraged the Cajamar School Network to obtain accreditation from the ministries of Labor and Education to train participants in the Young Apprentice program, leading to a significant increase in vacancies and employability prospects.



## SÃO PAULO GRI G4-EC7

In February 2013, Natura inaugurated its new administrative office and distribution center in the Vila Jaguara district in west São Paulo. Work on building links with the local community began in 2012, when the company organized dialog panels with community members and local authorities. This led to the identification of three critical questions: urban mobility, violence and selective garbage collection. In this initial phase the company is preparing a local development plan for the region. This also explains the considerable drop in Natura investments in its surrounding communities during the year.

During 2013, the company invested R\$ 42,000 in developing the Sustainable Consumption and Action in Solid Waste program, developed by the Instituto 5 Elementos in the Lapa district, which includes Vila Jaguara. The project, which involves other organizations, companies and scavenger cooperatives, entails a diagnosis of solid urban waste management, followed by the preparation of a shared work proposal to promote recycling and sustainable consumption in the region.

## BENEVIDES GRI G4-EC7

Although Natura has been active in the Amazon region for a number of years as a result of its relations with the communities supplying biodiversity ingredients, with the inauguration of the new soap factory and the construction of the Ecoparque the company felt the need to contribute to the city of Benevides. In 2013, identification of local suppliers capable of meeting demands from the Ecoparque was initiated. The company has initiated talks with a cooperative in the Barcarena region to study the possibility of provision of transportation, cleaning and gardening services for the industrial complex (*read more about the Ecoparque on page 56*).

### SUPPORT FOR KNOWLEDGE PRODUCTION

In addition to the project in Vila Jaguara, Natura supports the publication *Do Lixo à Cidadania* (From garbage to civic awareness), organized by the NGO Ipesa, the Movimento Nacional de Catadores de Materiais Recicláveis or National Recyclable Waste Scavenger Movement (MNCR) and a group of specialists in the area. The document presents a methodology for training cooperatives and guidelines for organizing selective garbage collection systems in line with national solid waste policy.

Distributed to all local governments in Brazil, the publication is the result of a number of selective collection projects organized recently, including the experiment sponsored by Natura in Itapeçerica da Serra. The document is available for download at the address [www.dolixoacidania.org.br](http://www.dolixoacidania.org.br).

## SHAREHOLDERS

In 2014, we complete ten years on the capital market. What we have learned during this period reinforces our commitment to enhance relations with investors and analysts, driving increasingly transparent conduct and clear, objective communication. We will continue to improve dialog with the market and to strengthen our differentiated values, our Essence and our brand with these stakeholders.

We maintain an open channel with the market to share our strategy, contextualize our performance and to reaffirm our commitments and prospects, in a process led by the company's vice president of Finance, IR and Legal Affairs Roberto Pedote. A major occasion for dialog is the annual Natura Day, when our executives present the company's plans for the future and respond to analysts' and investors' questions and doubts. In 2013, Natura Day was once again held at our headquarters in Cajamar (São Paulo), the intention being to forge even closer relations with these stakeholders. During the meeting, special emphasis was laid on the main launch of the year, the Sou line.

The company seeks the same level of dialog in its Annual General Shareholder Meeting, which in recent years has attracted an impressive number of investors, in particular private individuals. The 2013 meeting was held in April in Cajamar and was attended by 346 people. Once again it was accompanied by a meeting at Apimec-SP, (Associação dos Analistas Profissionais de Investimento do Mercado de Capitais), the capital market investment professionals association.

During the year the company promoted 622 face-to-face meetings and teleconferences both in Brazil and abroad. Another important communication tool for the area is the investor internet page ([www.natura.net/investidor](http://www.natura.net/investidor)).

As a fundamental company value, every effort is made to transmit to the market the importance attributed to sustainability and the care the company takes in incorporating economic, social and environmental factors into its businesses. This is also a way of encouraging the market to follow suit, generating a transformation agenda for the future.

In 2013, Natura organized its first non deal road show in Asia, visiting Singapore, Hong Kong, Peking (China) and Tokyo (Japan). On this occasion, we visited a number of Natura shareholders and potential investors, receiving highly positive feedback about company's performance and its value proposition.

During the year, Natura was recognized as the best in the Investor Relations area in the consumer goods category, as well as the best in socio-environmental sustainability in the IR Magazine Brazil Awards, organized by *IR Magazine*, a specialized publication for investors. Natura was placed second in the Best Companies for Shareholders ranking in the category companies with assets between R\$ 5 billion and R\$ 15 billion, published by the magazine *Capital Aberto*.

### SHAREHOLDER PROFILE

Shareholder profile	2011	2012	2013
Private individuals	8,722	7,821	10,111
Brazilian legal entities	659	714	594
Foreign legal entities	867	926	781
<b>Total</b>	<b>10,248</b>	<b>9,461</b>	<b>11,486</b>

### SHAREHOLDING STRUCTURE

Shareholders	Share	Number of shares
Majority shareholders	59.83%	258,017,219
Treasury shares	0.49%	2,120,459
Management shares	0.57%	2,474,963
Outstanding shares	39.10%	168,626,623
<b>Total shares</b>	<b>100.00%</b>	<b>431,239,264</b>

## MAJORITY SHAREHOLDERS

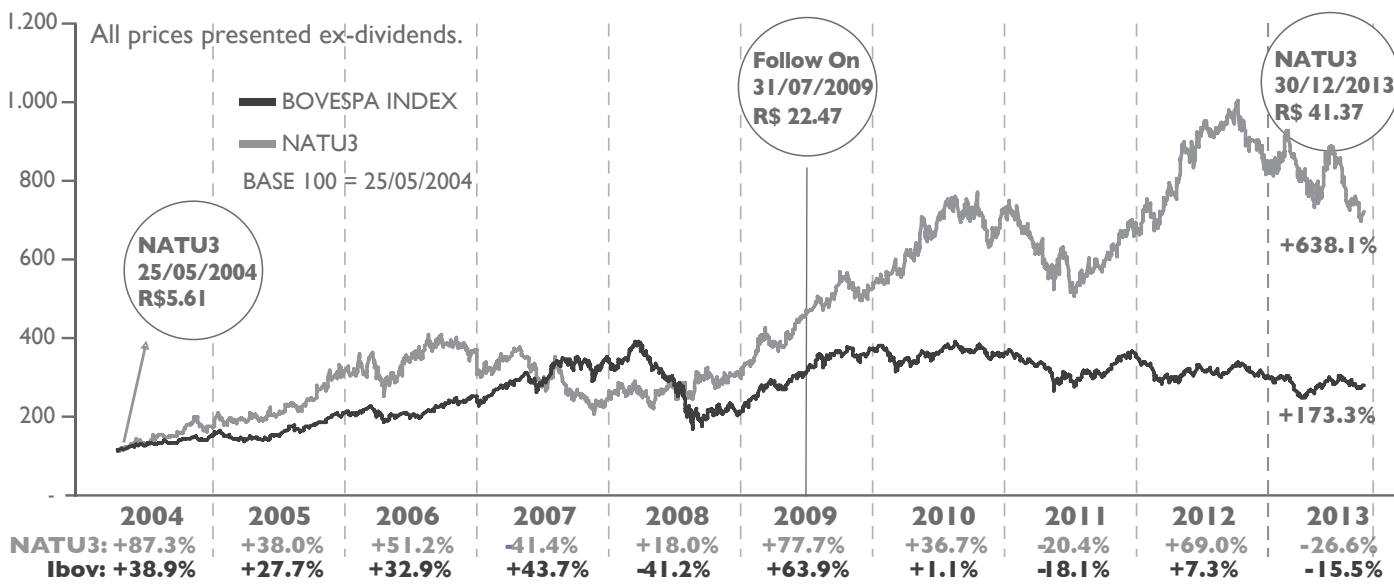
Natura's capital stock comprises only ordinary shares in accordance with the BM&FBovespa Novo Mercado. The table below shows the number of shares held by shareholders owning 5% or more of the company's stock and by board members in 2013.

Shareholder	Number of ordinary shares	%
<b>Lisis Participações S.A.</b> Controlled by Antonio Luiz da Cunha Seabra	95,946,968	22.25
<b>Utopia Participações S.A.</b> Controlled by Guilherme Peirão Leal	91,557,964	21.23
<b>Passos Participações S.A.</b> Controlled by Pedro Luiz Barreiros Passos	22,606,809	5.24
<b>ANP Participações S.A.</b> Controlled by Anizio Pinotti	22,583,608	5.24
<b>RM Futura Participações S.A.</b> 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

\*Estate of Ronuel Macedo de Mattos.

## SHARE PERFORMANCE

In 2013, Natura stock depreciated 26.6% against a 15.5% depreciation in the Ibovespa Index, the main BM&FBovespa indicator. However, since the company went public the company's stock has significantly outperformed the index, as shown in the following chart:



Source: Bloomberg.

## AVERAGE DAILY STOCK TRADING VOLUME (R\$ 000S)<sup>1</sup>

2011	2012	2013
43,696	54,337	61,117

<sup>1</sup> Source: Bloomberg.

Listed on the BM&FBovespa Novo Mercado, Natura is featured on the main indices 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 ICO2 (BM&FBovespa Carbon Efficient Index).

TOTAL VOLUME TRADED (R\$ MILLIONS) <sup>1</sup>		
2011	2012	2013
10,953	13,451	15,157

<sup>1</sup> Source: Bloomberg.

### DIVIDEND PAYMENTS

On February 12, 2014, the Natura Board of Directors approved a proposal for submission to the Annual General Meeting to be held on April 16, 2014, for the payment of the balance of dividends relative to 2013 results and interest on own equity during the period of R\$ 474.0 million and R\$ 22.4 million (R\$ 19.0 million net of income tax), respectively.

On August 15, 2013, interim dividends totaling R\$ 337.3 million and interest on own equity totaling R\$ 23.4 million (net of income tax) were paid.

The sum of these dividends and interest on own equity relative to the results for 2013 represent net earnings of R\$ 1.99 per share, corresponding to 100% of the net profit<sup>1</sup> for 2013.

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<sup>1</sup> End result of the sum of all revenues and expenditures in the year.

## about the report

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Committed to providing our relationship network with comprehensive information about company management and performance and striving to continually improve the way in which this is communicated, we present our 14th consecutive annual sustainability report in accordance with Global Reporting Initiative (GRI) guidelines. For 12 years, we have also published the company's sustainability and annual (financial) reports in a single document. Company strategy for disclosing results includes a web version and a summarized print version, which use a single language and a comprehensive approach to company performance, encompassing economic-financial, social and environmental aspects (see table below). **GRI G4-29/30**

In the 2013 report, the company website is the main vehicle for communicating performance, presenting the content in a more interactive manner and introducing new features to make reading easier. The print version summarizes the highlights of the year. In the two formats, the structure is based on the three pillars underpinning Natura's value

proposition: business behavior; products and concepts and relationship networks.

With a view to maintaining the consistency of the report, we continue to publish the complete report, detailing more than one hundred indicators that we track periodically, available in PDF version on the website [www.natura.net/relatorio](http://www.natura.net/relatorio) (read more in *Technical information*, below). Here the structure is also underpinned by our value proposition, which adopts a transversal approach to company performance in the priority sustainability topics set forth in the materiality matrix (water; education, sustainable entrepreneurship, climate change, quality in relationships, waste and social biodiversity), in addition to the most relevant data about relations with our stakeholders, encompassing employees, consultants and NCAs, consumers, suppliers, supplier communities, surrounding communities and shareholders. **GRI G4-18**

In 2014, we are publishing an abridged version of our new Sustainability Vision, which will be announced and presented to stakeholders in the first half of the year, containing our commitments and ambitions for 2020.

### WIDE-RANGING COMMUNICATION

**Management Report** – the main performance data for the year published in the newspaper *Valor Econômico* and in the *Diário Oficial* on February 12, 2013.

**Natura Report (print version)** – in a summarized format, with objective information and concise, dynamic language, the version also includes some accounts and opinions of stakeholders.

**Website** – reformulated to offer expanded content, greater interaction and more features than the print version, with videos and links to other company documents and publications, using the principle of information connectivity. The address is [www.natura.net/relatorio](http://www.natura.net/relatorio). The website is also adapted for tablets and smartphones.

**Natura Report (complete version)** – available for download in PDF format on the website [www.natura.net/relatorio](http://www.natura.net/relatorio), the complete report content provides comprehensive, detailed information in accordance with GRI guidelines.

All versions are available in Portuguese, English and Spanish.

**Quarterly releases** – our quarterly releases, mandatory for publicly traded companies, replicate the same integrated format, providing information on Natura's performance in the main socio-environmental indicators.

## INTEGRATED REPORTING

The evolution in our reporting process seeks to bring the company closer to integrated reporting, a global trend aimed not only at unifying financial and non-financial data in the same publication, but reflecting a business strategy that effectively incorporates all dimensions of the business into management practice.

In this reporting process, we have adopted some of the guidelines of the Integrated Reporting framework, launched in December 2013 by the IIRC (International Integrated Reporting Council) – a multistakeholder council comprising global business leaders, investors, representatives of academia, industry, regulators and standard setters engaged in creating a global standard for reporting results and analyzing performance. Among other advances, Natura has enhanced representation of its business model, which incorporates all aspects of value creation over a period of three years, and which was included for the first time ever in the *Natura Management Report*, published in February 2014.

To learn more and to continue to evolve in this area, the company has participated in the main global forums discussing this question. In the GRI, of which we are an organizational stakeholder, we sponsored the fourth generation of indicators (G4), which also promotes greater integration of financial and non-financial information. Natura is one of the group of companies engaged in the IIRC pilot project and is also a member of the GRI Stakeholder Council and of the IIRC Council.

## TECHNICAL INFORMATION

The *2013 Natura Report* (complete version) is in accordance with the comprehensive option of the GRI G4 guidelines, which means the company has reported on all the general contents regarding company profile, governance, stakeholder engagement and data about the elaboration of the report, as well as all the indicators for each GRI aspect considered relevant for Natura (**read more ahead**). The data refer to the period from January 1<sup>st</sup> to December 31<sup>st</sup>, 2013, and the entire process of disclosing results is monitored by our vice president of Finance and Institutional Relations. Once again, the 2013 annual report was assured by EY Auditores Independentes S.S. **GRI G4-28/32/48**

The information in our Financial Statements encompasses all operations, including Aesop, an Australian company acquired at the beginning of 2013. In the annual report, the scope of the information concerning GRI indicators relates principally to Natura activities in Brazil, where the major part of company production is concentrated and, consequently, the most part of its social and environmental impacts. The company intends to increase the number of indicators for its International Operations year on year through expanded monitoring. **GRI G4-17**

In the main environmental impacts – water and energy consumption and waste generation –, the calculations take into account data reported by our outsourced suppliers (companies manufacturing finished products in Natura's name). This has enabled the company to provide a more detailed picture of the impacts caused by its operations.

Any significant changes in the data reported in the previous years and alterations in the calculation base or indicator measurement techniques are indicated throughout the text and the tables in the report. **GRI G4-22/23**

For further information about this report, contact the team responsible for producing it at [relatorioanual@natura.net](mailto:relatorioanual@natura.net). To promote ongoing dialog, stakeholders are invited to give their opinion about our performance and our relationship and management practices at this email address and in our social networks, as well as at face-to-face meetings. **GRI G4-31**

## REVIEW OF THE MATERIALITY MATRIX

What we call the materiality matrix is the graphical representation of the priority topics which represent Natura's significant economic, environmental and/or social impacts which may significantly influence management assessments and decisions and our stakeholders.

Our current materiality matrix is the result of a process conducted between 2010 and 2011, involving dialogs with our main stakeholder groups in Brazil and in our International Operations – employees, suppliers, NCs, specialists in a number of areas, the press, government and non-government organizations, as well as the company's senior management. The combination of external and internal views lead to the identification of the following areas as relevant topics: water, education, sustainable entrepreneurship, climate change, quality in relationships, waste and social biodiversity (see following chart).

### GRI G4-26/27

In 2013, we initiated the review of the materiality matrix, with the conclusion scheduled to occur in 2014. As the first stage in this process and in order to adapt it to GRI-G4 guidelines, we organized an engagement dynamic with strategic Natura areas, the objective being to identify and assess the impacts of each of

the relevant topics for our priority stakeholder groups and for each of our operations.

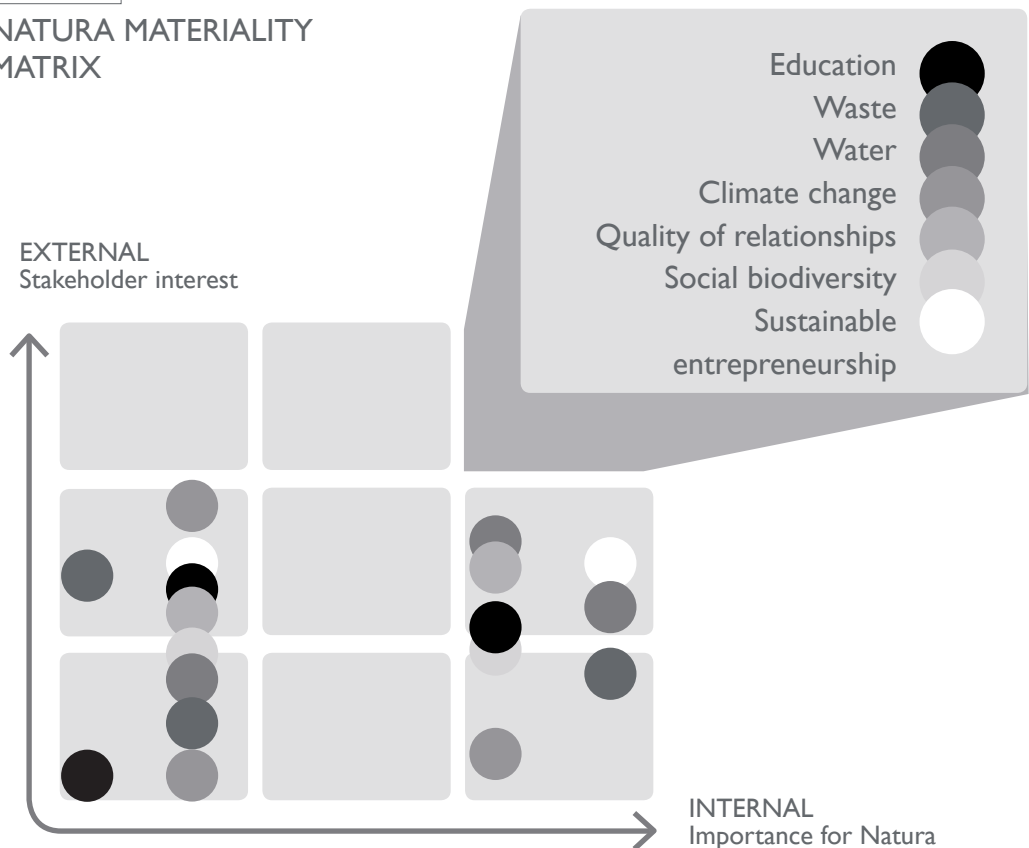
Based on this analysis, we consolidated a list of relevant topics and GRI aspects and the respective impacts on each of our stakeholder groups and operations (see ahead).

It is our expectation to continue to evolve in the data reported, based on the consolidation of our 2020 Sustainability Vision. Underpinned by Natura's strategic choices described in the vision, we will engage our stakeholder groups to conclude the review of our materiality process.

Due to the revision of the materiality process to promote alignment with GRI G4 and Integrated Reporting guidelines – which are still under development –, we do not report on all management approaches in a complete fashion. It is, however, our understanding that the most critical aspects for the organization, such as supply chain and environmental criteria, have been addressed.

GRI G4-19

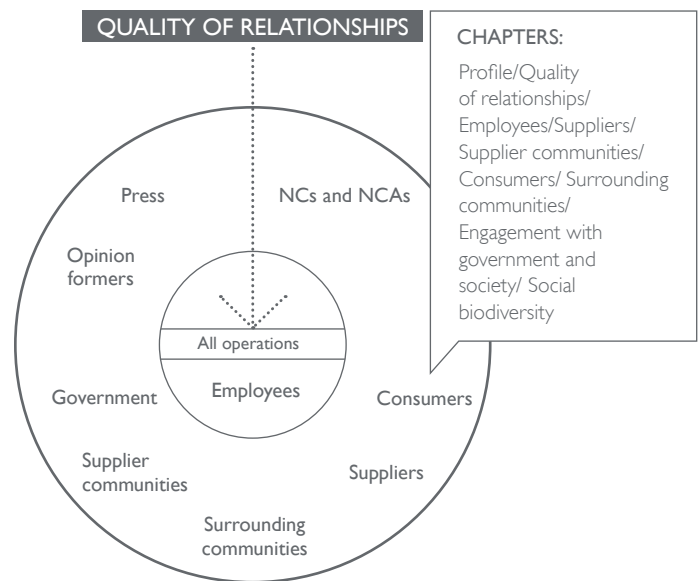
## NATURA MATERIALITY MATRIX





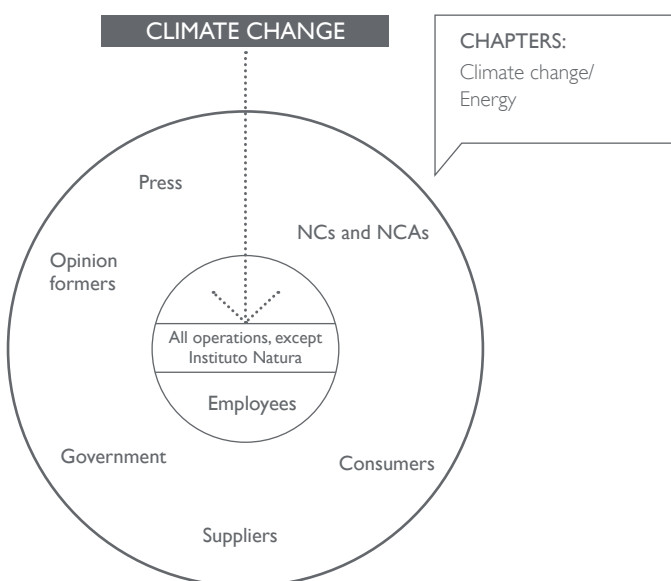
## Topics X stakeholder groups and Natura operations GRI G4-20/21

Correlation between company priority sustainability topics and impacts on our stakeholder groups and our operations:



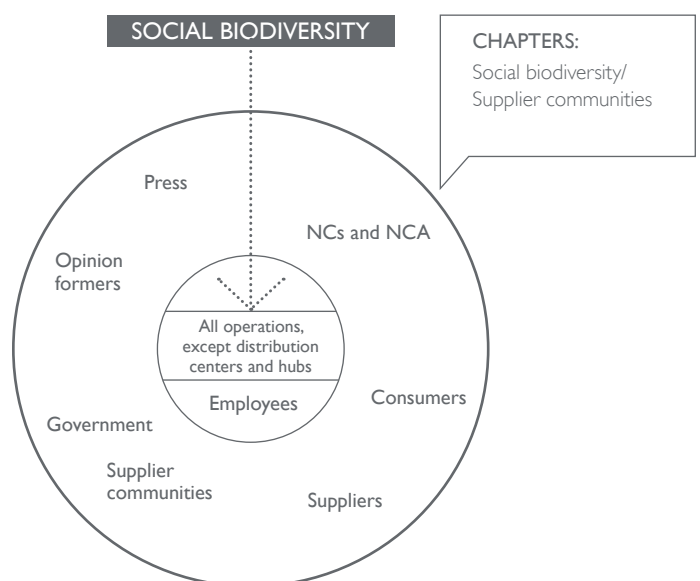
### CORRELATION WITH GRI ASPECT

**Economic dimension** (Market presence/Economic performance/Indirect economic impacts/Procurement practices) **Environmental dimension** (Environmental assessment of suppliers/Biodiversity/Complaint and grievance mechanisms related to environmental impacts) **Social dimension – Labor** (Employment/Labor relations/Occupational health and safety/Training and education/Diversity and equality of opportunity/Equal remuneration for women and men/Assessment of suppliers' labor practices/Complaint and grievance mechanisms related to labor practices) **Social dimension – Human rights** (Investments/Non-discrimination/Freedom of association and collective bargaining/Child labor/Forced or slave labor/Safety practices/Indigenous rights/Assessment/Assessment of human rights at suppliers/Complaint and grievance mechanisms related to human rights) **Social dimension – Society** (Local communities/Public policies/Anticompetitive practices/Assessment of suppliers' impacts on society/Complaint and grievance mechanisms related to societal impacts) **Social dimension – Products** (Customer health and safety/Product and service labeling/Marketing communications/Customer privacy/Compliance)



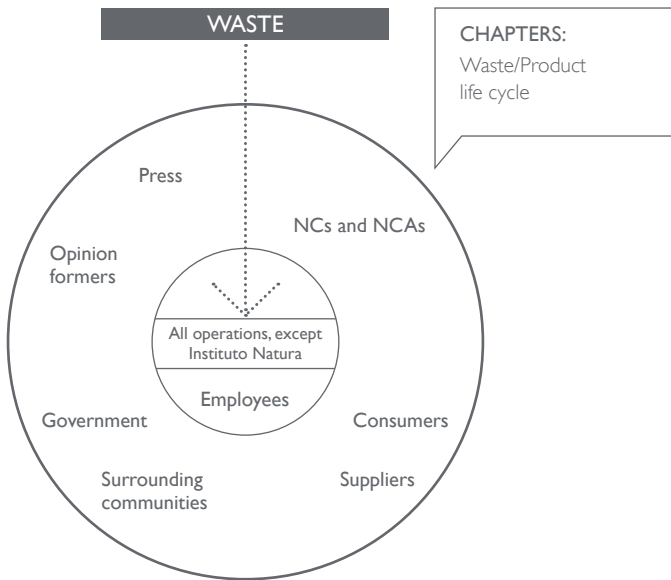
### CORRELATION WITH GRI ASPECT

**Economic dimension** (Economic performance) **Environmental dimension** (Energy/Emissions/Compliance/Transport/General)



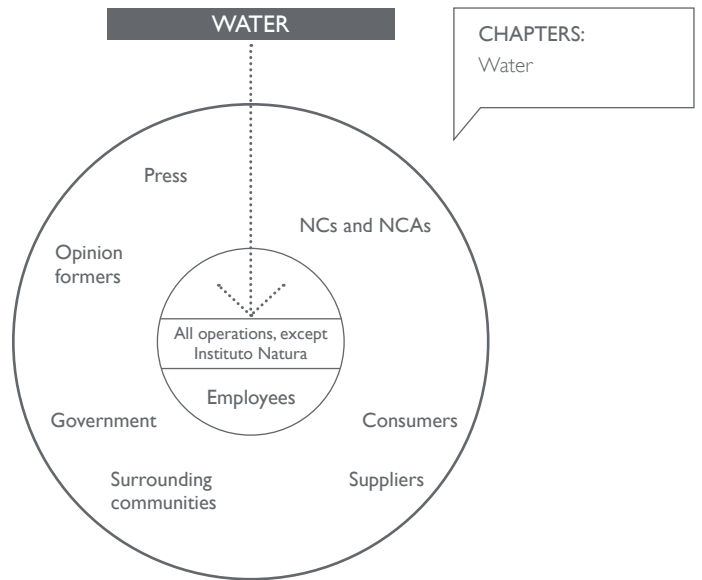
### CORRELATION WITH GRI ASPECT

**Environmental dimension** (Materials/Biodiversity/General)



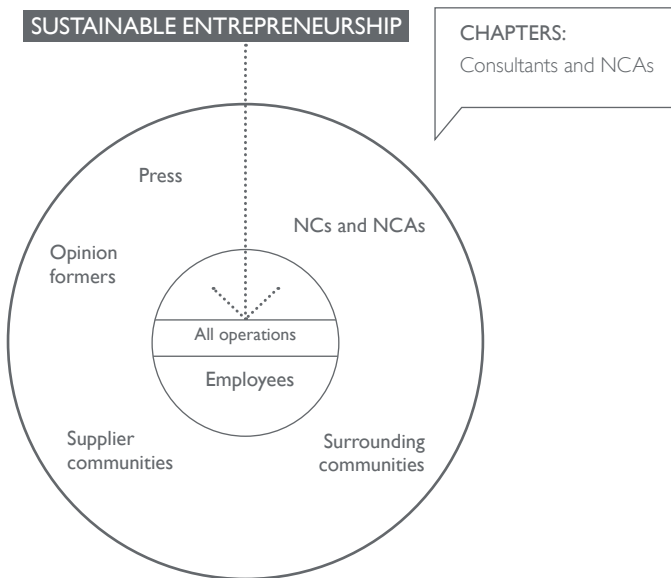
**CORRELATION WITH GRI ASPECT**

Environmental dimension (Effluents and waste/Materials/Products and services/General)



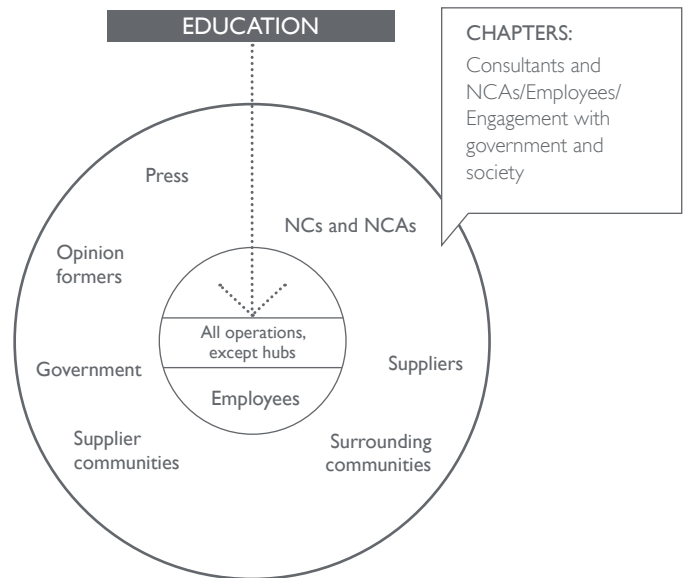
**CORRELATION WITH GRI ASPECT**

Environmental dimension (Water/Effluents and waste/General)



**CORRELATION WITH GRI ASPECT**

Social dimension – Society (Local communities)



**CORRELATION WITH GRI ASPECT**

Social dimension – Labor (Training and education)  
Social dimension – Society (Combating corruption)

# GLOBAL COMPACT GRI G4-I5

We are signatories to the Global Compact, a United Nations Organization (UNO) initiative that unites companies, workers and civil society in pursuit of sustainable growth and civic awareness. We are also members of the Global Compact Steering Committee and signatories to its Caring for Climate program.

We are also on the Brazilian Global Compact Committee (CBPG in the Portuguese acronym), whose foundation resulted from a partnership between the Instituto Ethos and the United Nations Development Program (UNDP) in 2003.

The CBPG is a voluntary group comprising companies, United Nations agencies in Brazil, trade bodies, academics and civil organizations. It is dedicated to incorporating these principles into business. For further information on the initiative, please access [www.pactoglobal.org.br](http://www.pactoglobal.org.br).

## THE GLOBAL COMPACT PRINCIPLES

See the GRI aspects related to the Global Pact principles from the next page (Remissive index):

1. Respect and protect human rights
2. Prevent violations of human rights
3. Support freedom of association at work
4. Abolish 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. Combat corruption in all its forms, including extortion and bribery

OVERALL CONTENT

Description	Omission	External assurance	Page/ response
<b>Strategy and analysis</b>			
<b>G4-1</b> Message from president		172	4, 5
<b>G4-2</b> Description of key impacts, risks and opportunities		172	4, 5, 24
<b>Ambiental</b>			
<b>G4-3</b> Name of organization		172	6
<b>G4-4</b> Primary brands, products, and services		172	6
<b>G4-5</b> Location of organization's headquarters		172	6
<b>G4-6</b> Countries where the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report		172	6
<b>G4-7</b> Nature of ownership and legal form		172	18
<b>G4-8</b> Markets served		172	6
<b>G4-9</b> Scale of organization		172	6
<b>G4-10</b> Employee profile		172	74, 75, 88
<b>G4-11</b> Percentage of employees covered by collective bargaining agreements UNGC <sup>1</sup>		172	84
<b>G4-12</b> Description of organization's supply chain		172	108
<b>G4-13</b> Significant changes in organization's size, structure, ownership and supply chain		172	6
<b>G4-14</b> Description of how the precautionary approach or principle is addressed by the organization		172	107
<b>G4-15</b> Charters, principles or other externally developed initiatives		172	131
<b>G4-16</b> Membership of associations and national or international advocacy organizations		172	38
<b>Material aspects identified and boundaries</b>			
<b>G4-17</b> Entities included in the consolidated financial statements and entities not covered by the report		172	127
<b>G4-18</b> Process for defining the report content		172	126
<b>G4-19</b> List of material aspects		172	128
<b>G4-20</b> Boundary, within organization, for each material aspect		172	129, 130
<b>G4-21</b> Boundary, outside organization, for each material aspect		172	129, 130
<b>G4-22</b> Restatement of information provided in previous reports		172	127
<b>G4-23</b> Significant changes in scope and boundaries of material aspects compared with previous reports		172	127

# GRI-G4 Remissive index

Description	Omission	External assurance	Page/ response
<b>Stakeholder engagement</b>			
<b>G4-24</b>	List of stakeholder groups engaged by the organization	172	71
<b>G4-25</b>	Basis for identification and selection of stakeholders with whom to engage	172	71
<b>G4-26</b>	Approach to stakeholder engagement	172	71, 128
<b>G4-27</b>	Key topics and concerns raised through stakeholder engagement, by stakeholder group	172	71, 128
<b>Report profile</b>			
<b>G4-28</b>	Reporting period	172	127
<b>G4-29</b>	Date of most recent previous report	172	126
<b>G4-30</b>	Reporting cycle	172	126
<b>G4-31</b>	Point of contact for questions regarding the report or its content	172	127
<b>G4-32</b>	Option of application of guidelines and location of GRI table	172	127, 132
<b>G4-33</b>	Policy and current practice with regard to seeking external assurance for the report	172	172
<b>Governance</b>			
<b>G4-34</b>	Governance structure in the organization	172	18, 19, 20, 21, 28
<b>G4-35</b>	Process for delegating authority for economic, environmental and social topics from the highest governance body to senior executives and other employees	172	20
<b>G4-36</b>	Executive level positions with responsibility for economic, environmental and social topics	172	20
<b>G4-37</b>	Processes for consultation between stakeholders and the highest governance body on economic, environmental and social topics	172	19, 20
<b>G4-38</b>	Composition of the highest governance body and its committees	172	18, 19, 20, 21, 28
<b>G4-39</b>	Chair of the highest governance body	172	18
<b>G4-40</b>	Nomination and selection processes and criteria for the highest governance body and its committees	172	18
<b>G4-41</b>	Processes for avoiding and managing conflicts of interest	172	18
<b>G4-42</b>	Role of highest governance body and executives in development of impact management policies and targets	172	20
<b>G4-43</b>	Measures taken to enhance highest governance body's knowledge of economic, environmental and social topics	172	18, 20
<b>G4-44</b>	Performance self-assessment processes for highest governance body	172	20

## GRI-G4 Remissive index

Description	Omission	External assurance	Page/ response
<b>G4-45</b> Responsibility for implementation of economic, environmental and social policies		172	19, 20
<b>G4-46</b> Role of governance in analysis of effectiveness of organization's risk management processes for economic, environmental and social topics		172	24
<b>G4-47</b> Frequency with which highest governance body reviews impacts, risks and opportunities		172	24
<b>G4-48</b> The highest position responsible for formally approving the sustainability report and ensuring all material aspects are covered		172	127
<b>G4-49</b> Process adopted for communicating critical concerns to the highest governance body		172	18, 19
<b>G4-50</b> Nature and total number of critical concerns communicated to the highest governance body and the mechanisms used to address them		172	18
<b>G4-51</b> Relationship between remuneration and organizational performance, including social and environmental aspects		172	26
<b>G4-52</b> Involvement of internal or independent consultants in determining remuneration		172	26
<b>G4-53</b> Consultation of stakeholders about remuneration and its application to organizational policies		172	26
<b>G4-54</b> Ratio of highest salary to general median in the organization, by country	The way remuneration data were monitored did not permit us to report on this item in accordance with GRI guidelines. With the introduction of the 2020 Sustainability Vision and the revision of the materiality matrix in 2014, we will review the status of this item.	172	
<b>G4-55</b> Ratio of proportional increase in highest salary to median increase in the organization, by country	The way remuneration data were monitored did not permit us to report on this item in accordance with GRI guidelines. With the introduction of the 2020 Sustainability Vision and the revision of the materiality matrix in 2014, we will review the status of this item.	172	
<b>Ethics and integrity</b>			
<b>G4-56</b> Values, principles, standards and norms of behavior in the organization		172	3, 72
<b>G4-57</b> Internal and external mechanisms for guidance on ethical behavior and compliance		172	71
<b>G4-58</b> Internal and external mechanisms for communicating concerns about unethical conduct		172	71

# GRI-G4 Remissive index

## SPECIFIC CONTENT

Description	Omission	External assurance	Page/ response
<b>Economic category</b>			
<b>Economic performance</b>			
<b>G4-DMA</b>	<b>Management approach</b>	172	7, 24
<b>G4-ECI</b>	Direct economic value generated and distributed	172	10
<b>G4-EC2</b>	Financial implications and other risks and opportunities for organization's activities due to climate change	Natura does not conduct a specific analysis of the effects of climate change in the risk management process. Important mitigation projects for the impacts generated by the business are implemented throughout company processes. Natura voluntarily offsets its CO <sup>2</sup> emissions (Carbon Neutral program), but this does not take into account the financial implications of risks arising from climate change, such as adaptation.	172 24
<b>G4-EC3</b>	Coverage of organization's pension plan obligations	172	82, 84
<b>G4-EC4</b>	Significant financial help received from government	Natura does not operate with export credit agencies	172 37, 42
<b>Market presence</b>			
<b>G4-DMA</b>	<b>Management approach</b>	172	81
<b>G4-EC5</b>	Ratio of lowest salary in organization to local minimum wage, by gender	172	84
<b>G4-EC6</b>	Local hiring	172	81, 82
<b>Indirect economic impacts</b>			
<b>G4-DMA</b>	<b>Management approach</b>	172	54, 112, 117, 119
<b>G4-EC7</b>	Impact of infrastructure investments offered for public benefit	172	32, 33, 34, 112, 113, 117, 119, 120, 121

## GRI-G4 Remissive index

Description	Omission	External assurance	Page/ response
<b>G4-EC8</b> Description of significant indirect economic impacts		172	32, 33, 34, 95, 112, 113, 117
<b>Procurement practices</b>			
<b>G4-DMA</b> <i>Management approach</i>		172	54, 108, 112, 119
<b>G4-EC9</b> Policies, practices and proportion of spending on local suppliers		172	119, 120
<b>Environmental category UNGC<sup>1</sup></b>			
<b>Materials</b>			
<b>G4-DMA</b> <i>Management approach</i>		172	68
<b>G4-EN1</b> Materials used, by weight or volume	The company reports the total direct materials used by weight and volume, but information on stratification by non-renewable materials is not available. This will be reported in 2015.	172	70
<b>G4-EN2</b> Percentage of materials used that are recycled input materials		172	70
<b>Energy</b>			
<b>G4-DMA</b> <i>Management approach</i>		172	46, 48, 49
<b>G4-EN3</b> Energy consumption within the organization		172	51, 52, 53
<b>G4-EN4</b> Energy consumption outside the organization		172	53
<b>G4-EN5</b> Energy intensity		172	51, 53
<b>G4-EN6</b> Reduction of energy consumption		172	51, 53



# GRI-G4 Remissive index

Description	Omission	External assurance	Page/ response
<b>G4-EN7</b> Reductions in energy requirements of products and services	This indicator is considered non-applicable because the Natura portfolio does not contain products that consume energy directly. However, on a more systemic level some company products may be considered to require the consumption of indirect energy (e.g.: shower/bath products), but clear, recognized methodologies to quantify energy consumption for these products do not yet exist.	172	
<b>Water</b>			
<b>G4-DMA</b> <i>Management approach</i>		172	64
<b>G4-EN8</b> Total water withdrawal by source		172	64, 65, 66
<b>G4-EN9</b> Water sources significantly affected by water withdrawal		172	65
<b>G4-EN10</b> Percentage and total volume of water recycled and reused		172	66
<b>Biodiversity</b>			
<b>G4-DMA</b> <i>Management approach</i>		172	54
<b>G4-EN11</b> Location and size of areas owned		172	57, 58
<b>G4-EN12</b> Significant impacts of activities, products and services on biodiversity		172	54, 57
<b>G4-EN13</b> Habitats protected or restored		172	49, 57
<b>G4-EN14</b> Total number of species on IUCN red list and other conservation lists		172	58
<b>Emissions</b>			
<b>G4-DMA</b> <i>Management approach</i>		172	46, 48, 49
<b>G4-EN15</b> Direct greenhouse gas emissions		172	48
<b>G4-EN16</b> Indirect greenhouse gas emissions from the acquisition of energy		172	48
<b>G4-EN17</b> Other indirect greenhouse gas emissions		172	48
<b>G4-EN18</b> Greenhouse gas emission intensity		172	48
<b>G4-EN19</b> Reduction of greenhouse gas emissions		172	49
<b>G4-EN20</b> Emissions of ozone-depleting substances		172	51

# GRI-G4 Remissive index

Description	Omission	External assurance	Page/ response
<b>G4-EN21</b> NOx, SOx and other significant emissions		172	51
<b>Effluents and waste</b>			
<b>G4-DMA</b> <i>Management approach</i>		172	61
<b>G4-EN22</b> Total water discharge by quality and destination		172	66, 67
<b>G4-EN23</b> Total weight of waste by type and disposal method	The company does not consider the concept of waste reuse, only recycling. In this case, there may be waste that could be reused (e.g. drums), but this involves processes controlled by the companies receiving the waste. Additionally, the company does not use underground injection to dispose of waste, neither does it stock waste temporarily awaiting proper destination.	172	62, 63
<b>G4-EN24</b> Total number and volume of significant spills		172	65
<b>G4-EN25</b> Weight of waste transported deemed hazardous		172	63
<b>G4-EN26</b> Protection and biodiversity rate of water bodies and habitats	Natura reports on the water bodies impacted by its discharges, but information about the dimensions and biodiversity value of these water bodies is not available. This will be reported in 2015.	172	65
<b>Products and services</b>			
<b>G4-DMA</b> <i>Management approach</i>		172	46, 61, 68
<b>G4-EN27</b> Initiatives to mitigate environmental impacts	The company reports on diverse initiatives to mitigate the environmental impacts caused by its products and services. The mitigation measures for noise impacts were not reported because this is not a material topic in the company materiality matrix.	172	49, 50, 58, 59, 60, 68, 69
<b>G4-EN28</b> Percentage of products sold and packaging materials reclaimed, by category	Natura will initiate a new project to promote reverse logistics for post-consumption packaging. This project is not only aimed at compliance with national solid waste policy but is also socially, economically and environmentally more adequate. Information is not yet available and will be reported in 2015.	172	62

# GRI-G4 Remissive index

Description	Omission	External assurance	Page/ response
<b>Compliance</b>			
<b>G4-DMA</b> <i>Management approach</i>		172	36
<b>G4-EN29</b> Monetary value of fines and total number of sanctions for non-compliance with laws		172	36
<b>Transport</b>			
<b>G4-DMA</b> <i>Management approach</i>		172	48, 49
<b>G4-EN30</b> Significant environmental impacts from transporting goods and workers		172	49
<b>General</b>			
<b>G4-DMA</b> <i>Management approach</i>		172	7
<b>G4-EN31</b> Total environmental protection expenditures and investments		172	7
<b>Supplier environmental assessment</b>			
<b>G4-DMA</b> <i>Management approach</i>		172	108, 109, 117
<b>G4-EN32</b> Percentage of new suppliers screened using environmental criteria		172	109
<b>G4-EN33</b> Significant actual and potential negative environmental impacts in supplier chain		172	109, 110
<b>Environmental grievance mechanisms</b>			
<b>G4-DMA</b> <i>Management approach</i>		172	71
<b>G4-EN34</b> Number of grievances and complaints about environmental impacts		172	72
<b>Social category – labor practices and decent work UNGC<sup>1</sup></b>			
<b>Employment</b>			
<b>G4-DMA</b> <i>Management approach</i>		172	74, 109
<b>G4-LA1</b> Total number and rates of new employee hires and employee turnover		172	89, 90, 91
<b>G4-LA2</b> Comparison of benefits for full-time and part-time and temporary workers		172	85
<b>G4-LA3</b> Return to work and retention rates after paternal leave		172	87, 89
<b>Labor relations UNGC<sup>1</sup></b>			
<b>G4-DMA</b> <i>Management approach</i>		172	74, 84
<b>G4-LA4</b> Minimum notice periods regarding operational changes		172	84
<b>Occupational health and safety</b>			
<b>G4-DMA</b> <i>Management approach</i>		172	92
<b>G4-LA5</b> Percentage of employees represented on formal safety and health committees		172	92

# GRI-G4 Remissive index

Description	Omission	External assurance	Page/ response
<b>G4-LA6</b> Injury, disease and lost days rates	The company reports a series of data on occupational health and safety, but these are not discriminated by gender and region. The company does not consider this discrimination relevant. However, if this indicator is considered relevant for the business after the review of the materiality matrix in 2014, this position will be reviewed and the data will be discriminated according to GRI criteria.	172	92, 93
<b>G4-LA7</b> Workers with high incidence or high risk of diseases related to their occupation		172	92
<b>G4-LA8</b> Health and safety topics covered in formal agreements with trade unions		172	92
<b>Training and education</b>			
<b>G4-DMA</b> <i>Management approach</i>		172	77
<b>G4-LA9</b> Average hours training per year		172	77, 78
<b>G4-LA10</b> Programs for skills management and lifelong learning		172	77, 78, 79
<b>G4-LA11</b> Percentage of employees receiving performance reviews		172	82, 83
<b>Diversity and equal opportunity</b>			
<b>G4-DMA</b> <i>Management approach</i>		172	87
<b>G4-LA12</b> Composition of governance bodies and breakdown of employees by functional category	The breakdown of employees is reported in accordance with Natura's view of diversity, but the data is not segmented by gender and age group. The company does not consider this discrimination relevant. However, if this indicator is considered relevant for the business after the review of the materiality matrix in 2014, this position will be reviewed and the data will be discriminated according to GRI criteria.	172	88
<b>Equal remuneration between women and men</b>			
<b>G4-DMA</b> <i>Management approach</i>		172	82, 87
<b>G4-LA13</b> Ratio of women's basic salary to men's by functional category and relevant units		172	82, 83, 84

## GRI-G4 Remissive index

Description	Omission	External assurance	Page/ response
<b>Screening of supplier labor practices</b>			
<b>G4-DMA</b> <i>Management approach</i>		172	108, 109, 117
<b>G4-LAI4</b>	Percentage of new suppliers screened using labor practice criteria	172	109
<b>G4-LAI5</b>	Significant actual and potential negative impacts for labor practices in the supply chain	172	109, 110
<b>Labor practices grievance mechanisms</b>			
<b>G4-DMA</b> <i>Management approach</i>		172	71
<b>G4-LAI6</b>	Number of grievances about labor practices filed through formal mechanism	172	72
<b>Social category – human rights UNGC<sup>1</sup></b>			
<b>Investments</b>			
<b>G4-DMA</b>	Management approach	172	109
<b>G4-HR1</b>	Significant investment agreements and contracts that include human rights clauses	172	109, 115
<b>G4-HR2</b>	Total hours of employee training in human rights policies and percentage of employees trained	172	79
<b>Non-discrimination UNGC<sup>1</sup></b>			
<b>G4-DMA</b> <i>Management approach</i>		172	71
<b>G4-HR3</b>	Total number of incidents of discrimination and corrective measures taken	172	71
<b>Freedom of association and collective bargaining UNGC<sup>1</sup></b>			
<b>G4-DMA</b> <i>Management approach</i>		172	84
<b>G4-HR4</b>	Degree of application of right to free association and operations and suppliers identified as at risk	172	84, 109
<b>Child labor UNGC<sup>1</sup></b>			
<b>G4-DMA</b> <i>Management approach</i>		172	115
<b>G4-HR5</b>	Operations and suppliers identified as presenting significant risk of incidents of child labor and measures taken	172	115
<b>Forced or slave labor UNGC<sup>1</sup></b>			
<b>G4-DMA</b> <i>Management approach</i>		172	115
<b>G4-HR6</b>	Operations and suppliers identified as presenting significant risk of incidents of forced or slave labor and measures taken	172	115

# GRI-G4 Remissive index

Description	Omission	External assurance	Page/ response
<b>Security practices</b>			
<b>G4-DMA</b>	<b>Management approach</b>	172	109
<b>G4-HR7</b>	Percentage of security personnel trained in human rights policies and procedures	172	109
<b>Indigenous rights</b>			
<b>G4-DMA</b>	<b>Management approach</b>	172	54
<b>G4-HR8</b>	Total number of cases of violations of rights of indigenous peoples and measures taken	172	115
<b>Assessment</b>			
<b>G4-DMA</b>	<b>Management approach</b>	172	72
<b>G4-HR9</b>	Total number and percentage of operations that have been subject to human rights reviews	172	72
<b>Supplier human rights assessment</b>			
<b>G4-DMA</b>	<b>Management approach</b>	172	108, 109
<b>G4-HR10</b>	Percentage of new suppliers screened using human rights criteria	172	109, 117
<b>G4-HR11</b>	Significant actual and potential negative human rights impacts in the supply chain and measures taken	172	109, 110
<b>Human rights grievance mechanisms</b>			
<b>G4-DMA</b>	<b>Management approach</b>	172	71
<b>G4-HR12</b>	Number of grievances about human rights impacts filed, addressed and resolved	172	72, 73
<b>Social category – society</b>			
<b>Local communities UNGC<sup>1</sup></b>			
<b>G4-DMA</b>	<b>Management approach</b>	172	54, 112, 114, 115, 119
<b>G4-SO1</b>	Percentage of operations with implemented local community engagement, impact assessment and development programs	172	119
<b>G4-SO2</b>	Operations with significant actual and potential negative impacts on local communities	172	114, 119

# GRI-G4 Remissive index

Description	Omission	External assurance	Page/ response
<b>Anti-corruption UNGC<sup>1</sup></b>			
<b>G4-DMA</b>	<b>Management approach</b>	172	36, 72, 79
<b>G4-SO3</b>	Units assessed for risks related to corruption	172	36
<b>G4-SO4</b>	Percentage of employees trained in anti-corruption policies and procedures	172	79
<b>G4-SO5</b>	Confirmed incidents of corruption and measures taken	172	26, 109
<b>Public policies UNGC<sup>1</sup></b>			
<b>G4-DMA</b>	<b>Management approach</b>	172	35, 36
<b>G4-SO6</b>	Policies related to financial contributions to political parties, politicians or institutions	172	36
<b>Anticompetitive behavior</b>			
<b>G4-DMA</b>	<b>Management approach</b>	172	36
<b>G4-SO7</b>	Total number of legal actions for anti-competitive behavior	172	36
<b>Compliance</b>			
<b>G4-DMA</b>	<b>Management approach</b>	172	36
<b>G4-SO8</b>	Monetary value of significant fines and total number of non-monetary sanctions	172	36
<b>Supplier assessment for impacts on society</b>			
<b>G4-DMA</b>	<b>Management approach</b>	172	108, 109, 117
<b>G4-SO9</b>	Percentage of new suppliers screened using criteria for impacts on society	172	109
<b>G4-SO10</b>	Significant actual or potential negative impacts of supply chain on society and measures taken	172	109, 110
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I UNGC – Aspects/dimensions linked with the Ten United Nations Global Compact Principles.