

Natura 2016 Annual Report

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INTRODUCTION

Communication focused on sharing

The volume of information and data disclosed every year by Natura embodies our commitment to transparency. In this report alone, there are more than 150 indicators providing insight into the influence exerted by the different areas of our business. The 2016 Annual Report is part of Natura's reporting process, which also includes a printed magazine, presenting the main highlights of the period covered, and the Management Report, published on February 23rd in the business newspaper Valor Econômico. Our Quarterly Performance Reports also serve to update the performance of the company's main social and environmental indicators.

The Natura 2016 Annual Report follows the GRI (Global Reporting Initiative) Standards for reporting sustainability performance, issued in 2016. Natura is a pioneer in the issuing of GRI-aligned reports – it was the first company in Latin America to adopt this practice, back in the year 2000. We also seek to be in line with the integrated reporting principles set out by the IIRC (International Integrated Reporting Council).

With each new issue, we strive to disclose our results in the clearest and most integrated way possible. For this reason, we have consolidated all indicators in this report. You should also pick up a copy of the 2016 Natura Report magazine. Written in true journalistic style, it highlights the main events of the year, illustrating them with reports featuring some of the consultants that comprise our relationship network.

Read more about this year's developments in the next pages!

Marcelo Bicalho Behar
Corporate Affairs Director

Learn more about the making of this report [here](#).

MESSAGE FROM THE FOUNDERS

Possibilities in liquid times

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

102-14

Uncertainty, and the insecurities it generates, are predominant features of the world in our times. Liquid times – as the recently deceased Polish sociologist Zygmunt Bauman called them – are characterized by a process of fragmentation of civilization and human life, which distances people and countries. Universal fraternal feelings are weakened as distrust, individualism and egocentrism gain weight.

The overriding sensation is one of profound doubt about our individual and collective destinations, which provokes anxiety and anguish, a sense of frustration with politics and grave tensions between nations. Bleak scenarios evoke the reawakening of nationalism, protectionist impulses, intolerance towards diversity and anything different, in addition to the risk of serious setbacks in terms of the environment and healthy, inclusive development. One of the issues that generates uncertainty on a global level is extreme social inequality, within countries and between them, an alarming situation for us all. Given this panorama, it is necessary for us to seek the lights of our fundamental principles and our origins in humanism and in respect for others. Basic truths, such as awareness that we are all part of the chain of life on the planet should fuel our thoughts and our resolve, and guide our actions in the struggle for further advances for mankind.

We remain convinced that is only by feeling and thinking systemically that we will be able to commit to all the dimensions of life because of our love and respect for it. And it is this com-

mitment that enables us to see the beauty in uncertainty. It offers us opportunities for all kinds of innovation, encompassing especially the social realm.

Uncertainty also exercises a particular power: it demands that each and every one of us – individuals and political, social, business, academic and cultural leaders – do their part. That we participate in public life and in the discussion about the future we want to build. Or that we be the change we want to see happen, as Mahatma Gandhi or, more recently, Barack Obama put it.

Companies, in turn, in defense of their own interests, are able to and are responsible for assuming the role of agents of social and environmental transformation. They should understand these two commitments as opportunities for disruptive innovation. As discussed in the latest World Economic Forum in Davos, it is necessary to concretize the contribution capitalism can make to reducing the pains caused by social inequality. We are part of this movement which, based on new paradigms, seeks to generate development and prosperity for all, especially those who have been left behind.

A NATURA

Nourished by our experiences, beliefs and knowledge, we are aware of the scale of the challenges we are facing. But we also know our vocation, competencies and qualities, which have enabled us to build a company that has played a key social role in transforming the lives of hundreds of thousands of people over time. Mainly

BOARD OF DIRECTORS



Antonio Luiz da Cunha Seabra



Guilherme Peirão Leal



Pedro Luiz Barreiros Passos

BOARD OF DIRECTORS

by means of our Relationship Selling network.

We experienced many transformations during the course of 2016. Regarding our main operation in Brazil, the planning which will enable us to improve our results from now on is clearly defined. In parallel, we intend to maintain the accelerated pace of growth in our International Operations, identifying the best means of taking our value proposition to other geographies. Here, particularly worthy of note is the performance of Aesop, the brand of Australian origin which is now an integral part of Natura and is expanding globally.

It is important to remember that 2016 was a year of transition also for Natura's senior management: Roberto Oliveira de Lima, whom we thank and wish all the best, concluded his term as CEO. The executive leadership of the company has now passed to João Paulo Ferreira, who initiates a new phase of his highly successful seven years with Natura. We are excited to have an experienced, cohesive group of high-performing leaders aligned with a future vision that has been established jointly. For our part, we continue to engage in driving ever stronger governance for the company. Permanently aligned with our origins, at Natura we prioritize reverence for relations and systemic thinking, the foundations of our commitment to sustainability. It is this fundamental belief in the power of relations and empathy, and the wealth of diversity, that guides us, strengthens us and illuminates our journey into the future.

And what is the future, if not the fruit of our actions today, in the present?



Giovanni Giovannelli



Silvia Freire Dente da Silva Dias Lagnado



Carla Schmitzberger



Roberto de Oliveira Marques



Marcos de Barros Lisboa



Plínio Villares Musetti

MESSAGE FROM THE EXECUTIVE COMMITTEE



From left to right: Agenor, Flavio, Josie, João Paulo, Robert, Lettiere, Andrea and Erasmo; in the back, Natura Relationship Managers gather during the 2017 Annual Meeting

Prosperity, belonging and purpose

João Paulo Ferreira, Chief Executive Officer, Agenor Leão, Andrea Alvares, Erasmo Toledo, Flavio Pesiguelo, José Roberto Lettiere, Josie Romero and Robert Chatwin

102-14

We are confident about the construction of the strategic foundations of our new cycle of prosperity. A series of advances in 2016 sustain our confidence that we will be successful in turning our operation in Brazil around. This will be done primarily through the strategy of revitalizing direct selling, our focus for 2017. We are launching a new value proposition for our consultants which will enable their professional development, modernize their way of working and boost their earnings. If, on the one hand, our consumers receive more

personalized service that reinforces their experience with our products, on the other, consultants will perceive in Natura a growing environment based on new forms of relationship with the company.

We want to provide our 1.8 million consultants with more and more opportunities for prosperity, sustained by the feeling of belonging to a community united around the purpose of individual and collective enhancement and the ideal of generating positive impacts in our society.

In 2016, the performance of our oper-

ation in Brazil and the exchange fluctuations throughout Latin America ended up affecting Natura's results. Our consolidated net revenues totaled R\$ 7.9 billion, with Ebitda of R\$ 1.3 billion and net income of R\$ 297 million. The political and economic crisis in the country led to a reduction in spending on various categories of cosmetics, fragrances and personal care products and the impoverishment of the Brazilian consumers' shopping basket.

Our International Operations also faced a more complex business envi-



João Paulo was one of the hosts of Natura's 2017 Annual Meeting, which took place in the city of Atibaia, in São Paulo

ronment. Changes in government and transitions in economic policy posed new challenges for Natura's vigorous expansion in Latin America. Even so, we maintained our pace of growth in local currency, we are the preferred brand in three of the five countries in which we operate and we passed the mark of 500,000 consultants in the region. In parallel, we have increasingly strengthened our capabilities for operating in mature markets. Since joining Natura, the Australian brand Aesop has expanded in size by four-fold. Our experience in the international retail trade is complemented by the Natura stores in New York and Paris, spaces that are helping us garner the knowledge which will enable us to adjust our portfolio and design a scalable model for future expansion. Financially speaking, we were more efficient in allocating resources. Similarly, we drove productivity gains in our production and logistics operations, without compromising service quality for our consultants and consumers – we deliver more than 50% of all orders in Brazil and Latin America in up to 48 hours. Our structure is prepared to support Natura's growth and this enables us to keep our investments focused on digital technology and marketing, generating impact and faster returns. And our

teams are more engaged than ever, as shown by the increased ratings in the survey conducted in all areas of the company and the geographies in which it operates, a factor which bolsters our confidence.

It is our understanding that technology is a powerful enabler, driving the businesses of our consultants by providing the means and information that permit even closer relations with our consumers. Rede Natura, our digital platform, doubled in size during the year, became established in Chile and has now arrived in Argentina. The transfer of these advances to the other operations is happening at a faster and faster rate. We have already passed the stage of using technology merely to facilitate transactions and are on course to becoming a data-oriented company, which positively affects decision-making, productivity and the quality of relations between Natura, consultants and consumers.

We also progressed in our entry into the retail trade with the inauguration of five company-owned stores in São Paulo. The return from consumers exceeded our expectations, as did the way our consultants interacted with these product trial outlets. This gain in competencies encourages us to extend this channel to other states in

Brazil in 2017. Moreover, we expanded the reach of our operations in drug-store chains. Our learning from the use of these different channels enables us to visualize an immense opportunity for driving synergies. Most importantly, we identified that, rather than sowing conflict, we will be developing a space for cooperation and complementary activities, in which the consumer will benefit from the multiple manifestations of Natura with a higher quality buying experience.

In 2016, we also successfully relaunched two of our icons, the Chronos and Ekos lines, which have always translated our spirit of innovation, capable of generating a technological response to the demands of our times in a way that only Natura can. Thus, we are pursuing further disruptive innovations that ally the best of global cosmetics science with the wealth of our biodiversity assets.

We are engaged in driving a new cycle of prosperity for our entire relationship network. Our products and our brand are the vehicles through which we intend to generate the positive impact we are aiming for in society. We continue to be guided by our Reason for Being, a genuine quest for each individual: well-being well, manifest in a harmonious relationship with oneself, with others and with the whole.

We are Natura

We are a Brazilian multinational which was founded in 1969, and operates in the cosmetics, hygiene and beauty sector. Bolstered by our beliefs, we are committed to developing products that transmit more sustainable values and behaviors throughout our entire relationship network. **102-1, 102-2**

Under the Natura brand, we do business not only in Brazil, but also in Argentina, Chile, Colombia, France, Mexico, Peru and the USA (while in Bolivia, we operate through a local distributor). In the Brazilian market, we are the top performers in direct selling and are expanding our retail operations through our own stores and partnerships with drugstore chains. We have also invested in a fast growing digital platform. **102-4**

We have around 6,500 employees and 1.8 million consultants sell our products. Our headquarters is located in the city of São Paulo (São Paulo state) and we have factories in Cajamar (São Paulo state) and Benevides (Pará state), as well as outsourced production in Argen-

ina, Colombia and Mexico. Our logistics structure includes a hub in Itupeva (São Paulo state) and nine distribution centers – the newest of which was opened in Argentina in 2016. Our international presence also includes the Australian brand Aesop, which was acquired by Natura at the end of 2016. We are a public company, whose shares are listed with the BM&Fbovespa stock exchange, in the Novo Mercado segment, thus requiring the implementation of the highest standards of corporate governance. **102-3, 102-5, 102-8**

Our performance is guided by the philosophy of positive well-being, which reflects the harmonious relationship of individuals with themselves, with others and with the whole. Over the course of our history, we have deepened our commitment to sustainable development. As a company, we have set ourselves the challenge of having a positive financial, social, cultural and environmental impact. These goals were consolidated in our 2050 Sustainability Vision, published in 2014. That same year, we were

the first publicly traded company to become a B Corporation (or B Corp) and join the global movement that is giving equal attention to both economic and socio-environmental results. At the beginning of 2017, we completed the process of renewing this certification for a further two years.

Our product development efforts combine sustainable design with traditional and scientific knowledge, making use of an open innovation model that involves a network of national and global partners. We work together with our suppliers to reduce the impact of our products, expanding the use of recycled materials, such as PET and glass. Over 80% of our formulas are plant-based – and therefore renewable – and we maintain a close relationship with around 2,000 families from the Amazon region in order to obtain the active ingredients we require and are found only in Brazilian ecosystems, while encouraging production techniques that help preserve 256,000 hectares of standing forest.

Developments	Challenges
We continued our steady growth in International Operations, which represented 32.4% of the company's consolidated net revenue in 2016.	To recover the strength of direct selling, by introducing new value models to our consultants.
We launched EP&L, or "environmental accounting". Natura is the world's first company to conduct a study of this kind for its entire portfolio, including the product use phase.	To strengthen Brazilian operations amid an unfavorable economic environment.
The Rede Natura platform has doubled in size in two years and is already one of Brazil's leading digital channels for beauty products.	To sustain the company's International Operations' growth rate.
In 2016, we celebrated the milestone of ten years of no animal testing.	To enhance the multichannel shopping experience through synergy between Relationship Sales and expansion of digital and retail channels.
Natura is in the Top 20 of the world's most sustainable companies, according to the Corporate Knights Global 100 ranking.	To make the organization increasingly agile and innovative in order to respond in a timely manner to the changes faced by the world today.
Crer para Ver (Believing is Seeing) set a new record, bringing in more than R\$ 38 million from Brazil and International Operations.	To make progress in achieving the 2020 goals that are part of our 2050 Sustainability Vision.

The Natura World

Geographic distribution of our operations

102-6 y 102-7



natura

MANUFACTURING
PLANTS

Benevides (PA)
Cajamar (SP)

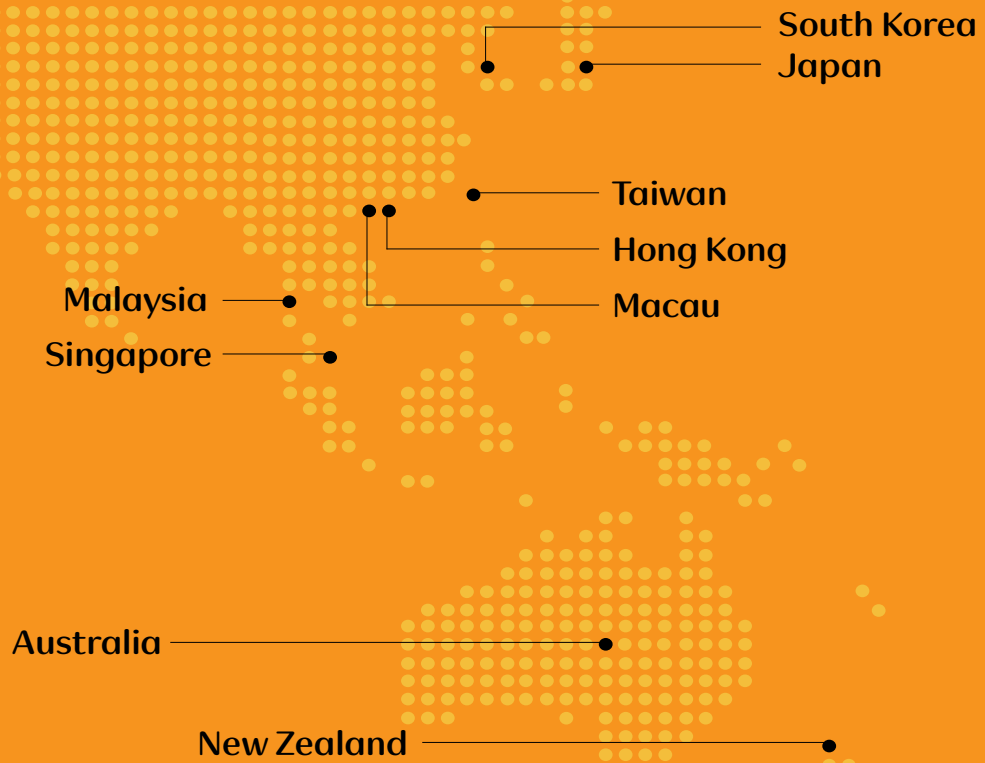
9 DISTRIBUTION
CENTERS
IN BRAZIL AND
5 IN LATIN
AMERICA

INTERNATIONAL
OPERATIONS

Argentina*,
Mexico*, Colombia*
Peru and Chile

*Manufacturing done through authorized third party suppliers.

- Countries in which Natura operates
- Countries with Aesop stores
- Cities with Natura stores



Aēsop® 176 STORES*
with a unique
DESIGN

64 CITIES IN
20 COUNTRIES

41 NEWS
STORES
IN 2016

* December 2016

Strategy

Strategy

After two years strengthening the foundations for a new cycle of prosperity, in 2017, Natura's focus will be on accelerating the implementation of its strategy. We are guided by six drivers, with four of them dedicated to recapturing our market share in Brazil.

1 Revitalizing direct selling Relationship Sales, which always have been a Natura hallmark and the main strength of our company, also will be maximized to enhance consumers' experience with our brand. Over the course of 2016, we built a new value proposition for consultants. This included valuing their development (generating returns in income, benefits, recognition and personal development) and segmenting them into various profiles.

2 Repositioning the Natura brand The launch of the campaign Viva Sua Beleza Viva, in 2016, was the first major step in raising awareness of the Natura as an expert in beauty and working to rebuild relations with consumers. We will continue to move in this direction to build the perception of a vibrant brand that is open to dialogue.

3 Strategic review of the brand architecture We want Natura to continue launching important innovations in the market, such as the relaunch of the Ekos and Chronos lines in 2016. To achieve this, we integrated the marketing, sustainability and innovation areas under the same executive department. We want to create

products that combine high technology, the sustainable use of biodiversity and disruptive concepts.

4 Multi-channel shopping experience In 2016, we began to understand the synergies and complementarity between Relationship Sales and our digital channels and retail. This process is helping us to revise our portfolio and commercial strategies. As a result, we will be present in consumers' shopping experience, offering the adequate level of assistance, convenience and experimentation.

Two drivers guide our international operations:

5 Strengthening our position in Latin America By sustaining strong annual growth, we hope to figure, by 2021, among the top four producers of cosmetics, fragrances and toiletries in all markets in which we operate. To achieve this, we are accelerating the adaptation of the evolutions developed in Brazil to our other operations, such as digitalization and segmenting Relationship Sales.

6 Expanding in developed and developing markets We aspire

to take our brand and value proposition to mature markets in Europe, Asia and North America. We transformed our operations in France and the United States, and have successfully identified which lines are more attractive for countries with this profile, such as Ekos, Chronos and Mamãe e Bebê. We also learned many important lessons from our experience with the expansion of Aesop.

Our strategies are also supported by facilitating processes that ensure the foundations for the evolution of business. In 2016, we captured efficiency gains in the allocation of our financial resources as well as in operations and logistics. We continued the digital transformation by modernizing our Relationship Sales and launching e-commerce operations.

We also seek to intensify our innovation efforts within a more agile and flexible work environment. Our actions converge to achieve the 2050 Sustainability Vision, which translates Natura's long-term commitment to exerting a positive impact on four levels: economic, social, environmental and cultural.

Integrated performance assessment

103-2, 103-3

Declining revenues in Brazil influenced Natura's economic performance in 2016, especially in the third quarter. Exchange rate fluctuations in Latin America also had a significant impact, and ended up reducing the positive impact brought about by the growth experienced in our International Operations. Despite the challenging economic environment, which caused a drop in income, and led consumers to seek cheaper products, the fourth quarter saw an improvement, driven by our strategy for the Christmas season. Consequently, the consolidated Net Revenue for 2016, at R\$ 7.9 billion, remained stable in comparison to the previous year. The consolidated EBITDA fell by 10%, to R\$ 1.3 billion, even though it grew by 46% in Latin America and by 28% at Aesop.

Natura was faced with a scenario that required considerable discipline in the management of investments, working capital and expenses, but continued to generate value for its entire relationship network. The generation of wealth (allocated payments) for employees (R\$ 1.3 billion), suppliers (R\$ 6.5 billion) and consultants (R\$ 4.4 billion) was greater than in 2015. The only reductions were in the amounts allocated to government (R\$ 2 billion), mostly related to tax payments, and to shareholders (R\$ 119 million), through profit distribution.

The social impacts of our operations also benefit from sales of the Crer para Ver product line, whose profits are used for the improvement of public education, through the Natura Institute. The funding increased from R\$ 30 million in 2015 to R\$ 38.2 million in 2016, in Latin America (outside Brazil, the resources are managed by local offices acting in partnership with the Natura Institute). These resources enable activities such as the development of a study assessing integral education in Brazil and the expansion of the number of schools participating in the Comunidades de Aprendizagem (Learning Communities) project in Argentina, Chile, Colombia, Peru and Mexico.

Our strategic decision to support the development of the Pan-Amazon region, through the Amazon Program, is yielding integrated economic, social and environmental impacts. We allocated more than R\$ 220 million to this program in 2016, mainly to purchase all-natural Brazilian inputs (64%), and we are close to meeting, ahead of schedule, the target of doing R\$ 1 billion in business in the region between 2010 and 2020 – we had already reached R\$ 973 million by the end of 2016. The volume of inputs purchased from the region already accounts for nearly 20% of all the raw materials used by Natura and benefits 2,358 families from the supplier communi-

ties. The development of local economies through production activities that respect nature helps internalize the concept that a standing forest generates wealth. In return, these partners provide us with some of the main assets employed in production. Still on the topic of environmental performance, the reduction in production volumes did not affect our relative CO2 emissions performance, which remained practically stable, at 3.17 kgCO2e per kilogram of billable product. This result was mainly due to logistical improvements, such as increased use of coastal shipping to transport products in the north and northeast of Brazil. The choice of products in the portfolio also contributed to this figure, through the increased use of materials that have a smaller environmental impact, such as fragrances bottled in recycled glass and the Ekos line, which uses 100% recycled PET. The percentage of recycled material used in packaging rose from 2.90% in 2015 to 4.27% last year.

However, the reduction in volume of products sold did affect our relative water consumption per unit produced, which increased by 8%. Nevertheless, regarding our total water consumption, there was a 5% reduction in the volume of water withdrawn across all our operations, compared to 2015.

All our financial statements are available [here](#).

Business Model

The power of relationships is the basis of our business model. We seek to generate value and develop technologies so that, by 2050 and considering all the stages of the production cycle, our impact will be a positive one. We start by sourcing our raw materials according to ethical and fair trade principles, while at the same time transforming social and environmental challenges into more inclusive and sustainable business opportunities. We engage with local communities of the Amazon region, encouraging the development of production chains that preserve the standing forest, while generating resources for traditional communities. In our open innovation model, national and global partners share traditional and scientific knowledge and design expertise

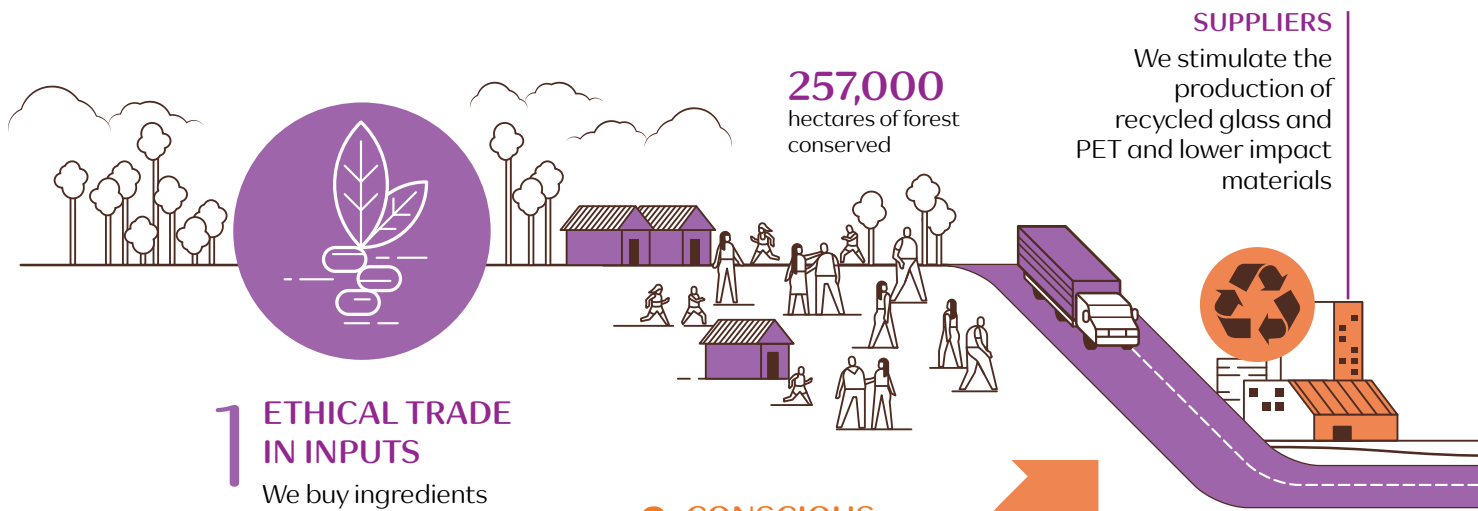
for the development of new product lines. We also work together with suppliers to reduce the impact of our production, implementing a chain for the reuse of recycled materials such as PET and glass. More than 80% of our formulas are of vegetable origin (and therefore renewable) and all the alcohol we use is organic, produced using methods that conserve ecosystems and animal and plant life. Our consultants provide power and reach to our products and concepts. Indeed, it is their belief in our value proposition that propels this entire ecosystem – their engagement helps transform both individual and collective realities. Relationship Selling is our means of conducting direct sales, which is now gaining synergy with new points of contact with consum-

ers, through the Rede Natura (our digital platform) and Natura stores. All of this aims at providing a unique shopping experience and enabling the expansion and prosperity of our network. This virtuous cycle also ends up fostering values and behaviors that are more sustainable and promoting positive being well throughout the entire chain.

We are attuned to the global agenda, and have incorporated the Sustainable Development Goals (SDG) approach to the evaluation tools we use to assess the transformative potential of our activities. Furthermore, in order to provide the scale required by our transformational activities, our brands and sub-brands must become platforms that encourage new models of production and consumption.

Business model

We endeavor to generate value throughout our network



1 ETHICAL TRADE IN INPUTS

We buy ingredients from communities in the Amazon, fomenting chains that keep the forest standing and generate development for 2,119 families. Our products combine traditional knowledge, science and design.

4 CONSCIOUS CONSUMER

We encourage new consumption standards, including the use of refills and the proper disposal of packaging.

20% of our packs are eco-efficient¹;

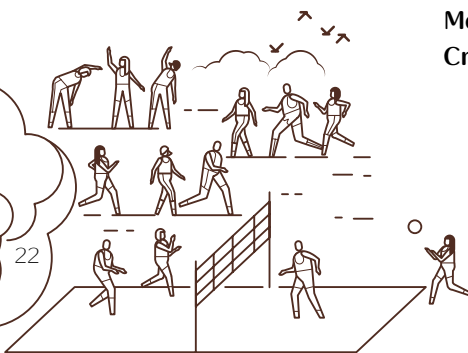
597,000 1-liter bottles correspond to the amount of recycled glass used in our perfumery

BRANDS AND CAUSES

- Ekos Standing forest
- SOU Intelligent consumption
- Chronos Women's empowerment
- Mamãe e Bebê The bond between mother and child
- Crer para Ver Quality education

NATURA MOVEMENT
Platform that links volunteers with social and environmental projects.

More than 50,000
people benefited in the health, education, culture, sports and other areas



¹EPackaging at least 50% lighter than regular/similar packaging; or comprising 50% post-consumer and/or renewable non-cellulosic materials that do not increase mass.

ORGANIC ALCOHOL

Our perfumery uses alcohol supplied by the company Native. The cane comes from plantations that regenerate the Atlantic Rainforest.

340

animal species, 49 of them under threat, have returned to their habitats

30%

increase in the volume of water in the rivers and streams in the region

20,000

hectares of sustainable cultivation

83%

of our ingredients are of renewable vegetable origin

2 SUSTAINABLE MANUFACTURING

We have switched to vegetables in our formulas, and we use recycled raw materials. We have our own factories in Brazil and third-party plants in Argentina, Colombia and Mexico.

For 10 years

we have been Carbon Neutral. We have reduced and offset emissions throughout the chain.

2.8 million

metric tons of CO² offset up until 2016, equivalent to the emissions caused by 480,000 car trips around the world

3 RELATIONSHIP SELLING

As well as generating income, we invest in our consultants' development. We offer discounts in education

1.8 million

consultants take our products and our values to the consumers

More than 8,000

consultants resumed their studies, some at university level

CRER PARA VER (BELIEVING IS SEEING)

A non-cosmetic product line the profit from which is invested in education.

R\$ 38 million

raised in Brazil and the operations in Latin America during 2016.



Value added

Economic (R\$ million)	2014	2015	2016
Consolidated net revenue	7,408.4	7,899.0	7,912.7
Consolidated EBITDA	1,554.5	1,495.9	1,343.6
Consolidated net income	732.8	513.5	296.7
Free cash flow	208.6	818.1	469.9
Average daily trading volume in the stock ¹	47.9	30.2	39.1
% revenue contribution from Intl, Ops, ²	19.2	29.0	32.3

201-1 Distribution of wealth (R\$ million)	2014	2015	2016
Shareholders ³	709	360	119
Retained earnings	24	154	178
Consultants	4,122	4,421	4,430
Employees	1,075	1,245	1,327
Suppliers	5,925	6,374	6,512
Government	1,724	2,149	2,009

Environmental	2014	2015	2016
Relative GHG emissions (kg of CO ₂ e/kg of product manufactured) ^{4,5}	3.00	3.17	3.17
GHG emissions in the value chain ('000 tons) ⁵	332,326	321,267	303,424
Water consumption in Brazil (liters/unit manufactured)	0.45	0.49	0.53
% of post-consumer recycled materials in Brazil	1.2	2.9	4.3
% eco-efficient packaging in Brazil ⁶	29	26	20

CAPTION:

NCs: Natura Consultants; NCAs: Natura Consultant Advisors

NOTES: 1. Source: Bloomberg. 2. Excludes local distribution in Bolivia. 3. Amounts refer to interest on capital and dividends for the fiscal years. 4. CO₂e (or CO₂ equivalent): measure used to express greenhouse gas emissions based on the global warming potential of each gas. 5. Includes scopes 1, 2 and 3 of the GHG Protocol. 2016 inventory audited by KPMG. 6. Packaging at least 50% lighter than regular/similar packaging; or composed of 50% potentially post-consumer and/or renewable non-cellulosic materials that do not increase mass.

Quality of relationships	2014	2015	2016
Employee engagement survey (Brazil and Intl. Ops.) ⁷	3.80	n.d.	3.95
Loyalty of suppliers in Brazil ⁸	24%	18%	21%
Loyalty of NCs in Brazil ⁸	28%	30%	31%
Loyalty of NCAs in Brazil ⁸	30%	29.5%	32%
Loyalty of Consumers in Brazil ⁸	64%	60%	56%
Loyalty of NCs International Operations	39%	37%	37%
Loyalty of NCAs International Operations	45%	52%	53%

Social	2014	2015	2016
Overall rating in brand image survey in Brazil (%) ⁹	74	73	72,5
Earnings Crer para Ver (R\$ million) ¹⁰	25.5	30.0	38.2
Cumulative business volume in the Amazon region since 2011 (R\$ million)	582	752	973
Families benefited in Supplier Communities	3,121	2,251	2,841

7. As part of the realignment of the people management strategy, we began disclosing the Natura Engagement Survey, which more clearly portrays the organization's health (was not conducted in 2015). In 2016, we ceased to conduct the workplace climate survey. Source: Gallup. 8. Loyalty survey – Ipsos Institute. Loyalty: percentage of people surveyed who gave the maximum score ("TopBox") on a 1 to 5 point scale of in three categories – satisfaction, intention to continue the relationship with Natura and whether they would recommend Natura to others.

Steady growth in Latin America

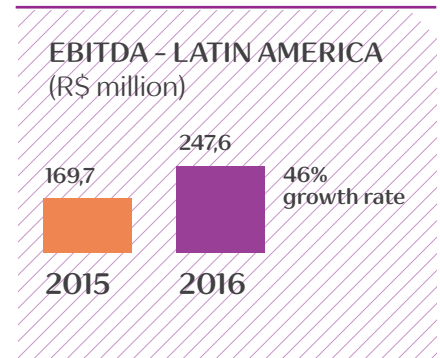
In 2016, our operations in Latin America (Argentina, Chile, Colombia, Mexico and Peru) maintained their 30% growth rate, in local currency, and yielded an extra 2 p.p. of EBITDA growth, advancing from 10% to 12.5%. With such consistent results, International Operations now account for 32% of our net revenue, encouraging us to pursue the objective of being among the four leading manufacturers of cosmetics, fragrances and hygiene products in all the Latin American countries in which we operate by 2021.

We have continued to expand our network of Natura consultants, which grew by 7.5% in 2016, approaching the mark of 550,000. Using local marketing, communication strategies and portfolio adjustments, we have achieved above average growth in the

perfume, make-up and body product categories. We are the preferred brand in three of the region's five countries where Natura operates: Argentina, Chile and Peru.

Latin America still offers many opportunities for the expansion of Relationship Selling. The digital platform Rede Natura has been available in Chile since 2015, yielding good results, and in the first quarter of 2017, it went live in Argentina. We are also carefully designing a strategy for implementing multichannel options in the region, based on the experience gained in Brazil.

In four of the five countries, Natura is among the top 20 companies with the best reputation, according to Merco (Corporate Reputation Business Monitor). In Argentina, we are in 10th place, and we are in the Top 20 in



Chile, Mexico and Peru. We are also a benchmark in Latin America for personnel management, having often been awarded industry recognition. In Colombia, we were presented with the Work & Life Balance certification, which attests to the quality of the practices adopted by Natura to promote a more balanced lifestyle for employees.



Aēsop stores in Oscar Freire, in São Paulo, and Kyoto (below) in Japan

Aēsop becomes 100% Natura

In late 2016, we completed the acquisition of 100% of the equity of Aēsop, the Australian brand bought by Natura in 2013, which celebrates its 30th anniversary in 2017.

Since it was taken over by Natura, Aēsop's rate of expansion has increased, with its business quadrupling in size. In 2016, 41 exclusive new stores were opened around the world, bringing the total to 176 in 20 countries across the Americas, Asia, Europe and Oceania. The products are also available in 85 different department stores. Last year, net revenue grew by 34% and the EBITDA by 27.5% (in Reais). With a portfolio of 110 products with 80 different formulas, Aēsop launches an average of 10 new items per year. Among the brand's main distinctions are the ongoing research into new bioactive ingredients that can be used on skin and hair, the eye-catching design of its stores and packaging and no animal testing of

any kind, in line with Natura's own philosophy.

Aēsop is run independently, through its own governance structure – with two Natura representatives on its Board of Directors. Nevertheless, the synergy between Natura and Aēsop has grown year after year, with the Australian brand's team collaborating with us to formulate a strategy to enter the retail segment through the opening of new Natura stores in Brazil and New York (in addition to the existing Paris outlet). On the other hand, we have also sought to foster change in Aēsop's operations, including raising their awareness over sustainability and the social and environmental impacts of company activities even further, as well as supporting the setting up of a foundation similar to the Natura Institute. Aēsop also plans to expand its own digitalization process during 2017, transforming the online shopping experience into an extension of its exclusive stores.





Michael O'Keeffe,
Aesop's CEO

INTERVIEW: MICHAEL O'KEEFFE, AESOP'S CEO

"We have our own way of looking at the world"

Learn more about Aesop in this interview with CEO Michael O'Keeffe

What are the main opportunities you envisage for 2017, the year that Aesop turns 30?

We are working hard on a new digital platform. Currently, our sales through this channel represent about 7% of the total, but the consumer who buys on our website does not yet enjoy the same experience that we offer in our Aesop stores. Our goal is for there to be an increasing connectivity between different channels, so that the shopping experience is always satisfactory and of the highest quality in both.

Like Natura, we seek to go beyond merely selling quality products, as we have our own way of seeing the world and interacting with it. Our stores express our vision and concepts and the digital environment is a great opportunity to enhance this. The new website is under development and is due to go live in the USA in 2017 and in additional countries in 2018.

Is the number of stores going to keep growing at the same rate as in the last few years?

We plan on keeping up our recent expansion rate. We have mapped out 40 new countries we could enter, including some in Latin America, a region where we are able to count on Natura's support and expertise.

Aesop chooses very carefully the cities and regions where it will set up its exclusive stores. Which best represent the brand's concept?

The retail trade has a very strong connection with the surrounding communities. In many places, downtown has been abandoned and high street stores have virtually disappeared. Retail has the potential to restore life to an area, with people once again circulating within those places. Aesop has two stores that are very significant in

that respect: Shoreditch in London, England, and Fitzroy in Melbourne, Australia. We opened our doors in those two neighborhoods, creating employment for the local community, and the areas started coming alive. Now, they are both important cultural hubs, with art galleries, stores and other local businesses.

Which is your favorite Aesop store?

We have two very distinctive stores, especially from a design point of view. The Kyoto store, in Japan, is one and the other is located on Oscar Freire Street, in São Paulo – which was our first store in Brazil, designed by the renowned architect Paulo Mendes da Rocha. They are both incredible stores that could not exist anywhere else in the world, because they are very representative of local cultures and the countries where they are located.

Personnel Management

PERSONNEL MANAGEMENT

Changing people to change the world

Over the course of 2016, we expanded our analysis of personnel management and organizational development and laid the foundations for a cultural transformation that will take place over the coming years. We are looking to link ourselves to the trends and best practices in order to design new programs and tools for all employee groups. The goal is to become

a simpler, more agile and innovative company, while building upon Natura's main passions: relationships and products.

We closed out the year with 6,397 employees at Natura, including both Brazil and International Operations. The prevailing scenario caused us to reassess our company structure, seeking simplification and productivi-

ty, and led to a reduction of around 5% in the number of employees in Brazil. On the other hand, our teams expanded in Argentina, Mexico and Colombia. In France, the reduction in employee numbers was influenced by changes made to the local commercial strategy. At Aesop, there are 1,468 employees across all the countries where the brand operates.

102-8 Natura employees ¹	2014			2015			2016		
	Fem.	Male	Total	Fem.	Male	Total	Fem.	Male	Total
Brazil	3.091	2.141	5.232	2.988	2.163	5.151	2.842	2.065	4.907
Argentina	431	77	508	465	85	550	508	89	597
Chile	145	37	182	141	44	185	139	46	185
Mexico	75	46	121	70	47	117	75	49	124
Peru	213	22	235	202	28	230	199	28	227
Colombia	227	40	267	272	50	322	287	52	339
France	34	12	46	28	8	36	11	7	18
Total	4.216	2.375	6.591	4.166	2.425	6.591	4.061	2.336	6.397

1. Does not include Aesop.

102-8 Natura employees, by gender (%) ¹	2014	2015	2016
Male	36	37	37
Female	64	63	63

1. Does not include Aesop.

PERSONNEL MANAGEMENT

Trained professionals

103-2, 103-3

Our leadership participated, for the second year in a row, in the Mosaic development program, which seeks to introduce the company to the best concepts and market practices, adapted in light of Natura's current stage, as well as its strategic challenges and principles. The program was set up in 2015 to bring about more agile decision-making and provide structures and tools that promote learning about the company and for the company.

The first Mosaic panel, which is mandatory for all members of the management team, enables managers to experience the main stages of operations and sales and identify areas for

development, such as factory dynamics, the routine separation of orders at one of our distribution centers or the delivery of boxes of products to consultants at their homes. The program's elective modules deal with topics such as empathetic communication, working practices and resilience.

PASSPORT TO THE FUTURE

We have a specific program for accelerating the development of analysts and coordinators. Its aim is to broaden their business perception, furnish the tools necessary to perform satisfactorily in their roles and enhance personal development. The program focuses on facilitating ex-

periences that enable a deeper understanding of the topics discussed.

SOPHIA

The Sophia program seeks to train Marketing and Business professionals to make decisions that are in the best interest of the business, while building the brand in line with both its short- and long-term visions. We cover content ranging from communications, customer relationship management (CRM) and digital. Nine projects were conducted, three of which will be presented to the Executive Committee, who will assess the possibility of implementation and exposure of participants.

404-2 Investment in skills management and continuing education programs (R\$ thousand) ¹	2014	2015	2016
Brazil	15,894	12,578	7,400
Argentina	979	1,842	2,925
Chile	294	292	404
Mexico	472	443	534
Peru	96	86	417
Colombia	353	194	1,326
France	119	87	175
Total	18,208	15,522	13,182

1. In 2016, investments made to train the Sales Force were included here. The HR and Relationship departments conduct these training sessions together.

Web portal facilitates training access

We have consolidated all of our training and development activities in the Development Portal, which was launched in August 2016. Now, employees have access in one single place to all the training courses available and their respective schedules. Through this portal, employees can plan ahead in order to ensure participation in one of the many activities being offered. We have also increased the frequency with which the activities are advertised to management and disclose the calendar of events during all area meetings. Investment in training and development in Brazil was reduced to a total of R\$ 7.4 million, 59% less than in 2015. However, in International Operations, the investment in

training increased in all countries to meet the demand of the business – which is growing fast – reaching a total of R\$ 5.8 million.

In 2016, priority was given to training conducted by Natura's own facilitators, thereby taking advantage of our employees' great expertise in the topics being addressed. This initiative reduced the amount spent in outsourcing training facilitation and enabled the various training courses to be adapted more closely to the needs of our employees. This change had a positive impact on overall participation numbers, which reached 81%, the highest rate in the last three years.

Changes in the assessment of personnel development

103-2, 103-3

We spent 2016 studying and conducting market research in order to improve our employee performance assessment process, with the goal of giving individuals a more central role. The model that is currently in use includes employee self-assessment, as well as an evaluation by their superi-

ors, subordinates and colleagues (including from other areas). Under this so-called Performance and Recognition Program (PRP), the administrative and business staff receive feedback on their performance and have a structured Individual Development Plan (IDP). The assessment results

are discussed in the Personnel Forum, which includes the management staff who work directly with the individual under assessment, as well as representatives of other areas who have dealings with that employee.

404-3 Proportion of employees that receive regular career development and performance feedback ¹²	Functional Category	2014		2015		2016	
		Male	Fem.	Male	Fem.	Male	Fem.
	Operational	92%	85%	80%	75%	94%	80%
	Administrative	88%	90%	89%	79%	98%	75%
	Management	98%	95%	88%	90%	99%	99%
	Senior management	93%	88%	83%	93%	97%	100%

1. Percentages were calculated in relation to the total number of employees, including Brazil and International Operations. 2. In most cases, the employees who were not evaluated were not eligible for assessment, due to their admission date or leave of absence.

New survey to measure engagement

In order to gain a better understanding of the company's health, we introduced the employee Engagement Survey, which now serves as the main yardstick for corporate environment analysis, and replaces the traditional Organizational Climate Survey.

The Engagement Survey was carried out for the second time in 2016 – the first occasion having been in 2014. The survey was conducted together

with the Gallup consulting firm and registered an average score of 3.95, on a scale of 1 to 5. In 2014, the result was 3.8.

All vice-presidential areas, in all regions, showed improved results. Approximately 93% of employees completed the survey. The final total represents the general average obtained from 12 questions with a scale between 1 and 5 points. The results

can be compared to those of the more than 500 companies that conduct the same survey. According to Gallup, an improvement of 0.15 in the second edition of the survey is very good and above average.

Having adopted the new methodology, we did not calculate the Loyalty Index of our employees in 2016, since the survey already included elements from the climate survey.

102-43/102-44 Engagement Survey	2014	2016
Brazil	-	3,88
Argentina ¹	-	4,15
Peru	-	4,33
Chile	-	4,08
Mexico	-	4,16
France ²	-	n.a.
Colombia	-	4,21
Average – Natura	3,8	3,95

1. The data does not include the International Business Department, which is headquartered in Buenos Aires and coordinates the activities of International Operations. 2. As a result of the strategic decision to terminate the direct selling model in France, we decided not to conduct the Engagement Survey in the country in 2016.

Celebrating the beauty of diversity

We have a broad and inclusive understanding of diversity and support equal rights and responsibilities for all those who work with us. The theme has evolved at Natura, with 2020 inclusion targets incorporated into the 2050 Sustainability Vision and the launching of the Natura Policy for the Appreciation of Diversity in 2016.

Arising from a comprehensive study, endorsed by the company's Executive Committee, the policy is based on two major pillars. The first relates to our corporate culture and how we can best promote diversity among employees. The second refers to a policy aims at promoting equality and multiculturalism, with the inclusion of certain groups that, due to social or historical issues, have suffered from prejudice because of disabilities, gender or ethnicity. Following the implementation of the Policy for the Appreciation of Diversity, we are giving first priority to two areas: gender equality and people with disabilities.

GENDER EQUALITY: HARMONIOUS BLENDING OF FAMILY AND CAREER

Promoting gender equality has always been a priority for Natura. That is perfectly understandable, considering that our network of consultants has always been mainly comprised of women. Internally, we strive to create a favorable environment for our employees, so that they can make life choices that allow for a good balance between career and family.

At Natura, women benefit from an extended maternity leave amounting to six months. There is also a nursery available on site, where children aged between 4 months and three years old can be left under professional supervision, thus enabling breastfeeding during working hours. Employees at company units that do not have this infrastructure are entitled to a childcare allowance, a monthly pay-

ment to cover the expenses of an outside nursery or a nanny.

We also encourage fathers to play their part in family life. In 2016, we increased paternity leave to 40 days. That is double the period proposed in the new Early Childhood Legal Framework, approved in March 2016. The initiative extends to same-sex couples and to adoption cases. The prenatal course provided to our female employees and employees' wives is also open to fathers.

We have also engaged in public discussions on the subject of women's empowerment. In February 2016, the company signed up to the Women's Empowerment Principles, an initiative of UN Women and the United Nations Global Compact. Then, in April, we joined the Program for Gender and Racial Equality, launched by the Brazilian Ministry for Women, Racial Equality and Human Rights. Under this initiative, companies disclose their plan of action to increase inclusion in the work place. Performance is monitored and, if deemed suitable throughout the program, the company is awarded the Pro-Equality seal.

In a pioneering move, we have made public commitments to promote gender equality. Our goal is to have women in 50% of our senior management positions in Brazil and in International Operations by 2020, as well as 100% equal pay throughout the company. We currently have 14 women in this position, nine of whom were already career professionals at the company. Two of them are vice-presidents (out of a total of six) and 12 are directors (out of a total of 31). In order to boost these numbers, we have decided that, in all internal selection processes for leadership positions, we must seek a balance between male and female finalists, all of whom must have equal potential and condi-

tions to take up the position for which they have applied.

A FULLY ADAPTED DISTRIBUTION CENTER

Our positioning expressly translates our belief that the real shortcomings are in the environment we are living in and not in people themselves. That is why we seek to ensure our own spaces are suitable to all. For example, at our São Paulo Distribution Center (SPDC), we made a point of designing a highly accessible work place. The SPDC's separation lines, which reached full operational capacity in 2016, use pick to light technology, which allows people with disabilities to easily separate products, with lights turning on to indicate the tasks that are to be performed intuitively. The inclusion extends to people with intellectual disabilities – who tend to be a challenge for many companies.

Employees who are hearing impaired are allocated sponsors, colleagues who have been trained in Libras (Brazilian Sign Language) to help them communicate. The importance Natura places on hiring disabled professionals is a training topic for managers under the Mosaic Program, but also extends to all employees company-wide. We have developed a hiring strategy specifically to attract such candidates and in 2016 we created another initiative, in partnership with APAE (Association of Parents and Friends of People with Disabilities), to hire young apprentices with disabilities.

Presently, around 16% of all SPDC employees are people with disabilities – and the goal is to reach 30%. Among the entire Natura staff in Brazil, 5.8% have disabilities – above the 5% demanded by Brazilian legislation. Our goal is to reach 8% by 2020, as set out in our Sustainability Vision.

405-1 Diversity	2014	2015	2016
Total number of employees - Brazil	5.232	5.151	4.907
Proportion of women in relation to total employees (%)	59	58	58
Proportion of women in management positions (%)	56	56	53
Proportion of women in senior management positions – director and above (%)	36	33	35
Proportion of employees over the age of 45 (%) ¹	14	17	18
Proportion of employees over the age of 45 in management positions (%) ¹	12	14	14
Proportion of employees over the age of 45 in senior management positions – director and above (%) ¹	39	50	58
Cultural diversity – Total management positions occupied by foreigners or those with international experience ²	20	25	22
Cultural diversity – Proportion of management positions occupied by foreigners or those with international experience (%)	17	23	20

1. Over 45: 13% of our current staff turned 45 in 2016, thus contributing to the increase observed in this indicator. Furthermore, 3% of employees hired in 2016 were people over the age of 45, 13% of whom were hired for senior management positions. 2. Cultural diversity: In order to expand the company's diversity even further, the expatriation process has been revised, with new policies governing short-term international transfers to be implemented in 2017.

405-1 Hiring and training of People with Disabilities – Brazil	2014	2015	2016
Number of employees with disabilities ¹	263	286	284
Proportion in relation to total employees (%)	5	5,6	5,8
Number of employees with disabilities who participated in Natura's training programs ²	263	277	266

1. In 2016, this indicator included employees with any kind of "borderline" disability, as determined by the law regulating inclusion quotas. This is part of Natura's inclusion strategy, since such individuals are often doubly excluded from society, because they are limited by their disability and, at the same time, are unable to enjoy the benefits provided by law to people with disabilities. In total, there was one person in that situation in 2015 and two in 2016. 2. Total number of people with disabilities who participated in at least one Natura training course.

405-2 – Gender pay gap (by functional category) (%) ^{2 3 4 5 6}	2014	2015	2016 ¹
Production	-24	-23	-22
Administrative	13	20	10
Management	-7	-4	-1
Senior management	-16	-15	-10

1. In 2016, collective agreements brought a 9% increase for employees in the operational and administrative areas. Managers received a fixed amount, which was incorporated into their basic pay. There were also spontaneous increases in promotion and merit programs, as well as new hirings, terminations and transfers, which affected the reported figures. 2. The calculation did not include payment of short-term incentives (Profit Sharing). 3. This includes bonuses paid to sales managers and relationship managers, plus Weekly Paid Leave (WPL). 4. Sales Force employees, which hold posts along the hierarchy, reinforce the women's pay average, due to their sales bonuses, which are not extended to operational posts. 5. For this indicator, the most representative operational units, those in Brazil, were considered. 6. The differences in pay between men and women at Natura are entirely due to the remuneration distribution within the company structure. When compared individually within each salary group (SG) or even between SG and area, the differences are insignificant.

Volunteering

In 2016, we resumed our Volunteer Program, to encourage our employees to play a leading role in society and develop their sense of citizenship. A total of 3% of the employees in Brazil engaged in campaigns for donations, school and NGO activities and community efforts. Furthermore, the

Acolher Colaborador (Employee Nurturing) category was added to the Acolher Awards, showing recognition to consultants who promote transformative activities. The award was presented to three employees who volunteered in social work outside Natura.

Corporate Governance

CORPORATE GOVERNANCE

Renewing our executive leadership

102-19, 102-20, 102-23, 102-29

After two years of stellar work as Natura's CEO, Roberto Lima left the post in October 2016. During his term in office, he was responsible for consolidating the company's present strategy and making a few important changes, such as putting together a strong Executive Committee (Comex), implementing the digital, multi-channel and brand repositioning agendas. João Paulo Ferreira was chosen by the Board of Directors to take his place as the new CEO. Ferreira is aligned to our beliefs and has seven years' worth of experience heading key company processes (such as logistics, sustainability and the commercial area). He has the skills required to speed up the implementation of our strategy over the coming years. He joins a young and talented Executive Committee that

mixes seasoned Natura employees with deep knowledge of the company with newer hires, who are introducing new visions and ideas to the fold. In order to strengthen the relationship between the Board of Directors and the Executive Committee, the Director of Governance now participates in both bodies. In addition to drawing the two of them closer, the move aims to improve the monitoring of strategies and simplify procedures. Regarding the structure of the Comex, the Marketing, Innovation and Sustainability areas have been brought together under a single vice-president. This reorganization seeks to strengthen brand and consumer preferences, while reinforcing the relationship between sub-brands and innovation and social and envi-

ronmental causes, to further extend the strategic advantage already achieved in this area.

In early 2017, we completed the adjustments to our executive framework. Five new business units were created, organized according to geography and sales channels, and reporting directly to the CEO like all other departments. The new units are Direct Selling - Brazil, Online Business, Retail and Latin America, while the vice-president of International Operations reports directly to the Board of Directors. Once again, the goal is to expedite the implementation of strategy.

Find out about the Executive Committee structure and the background of each member [here](#).

Board of Directors

102-18, 102-20, 102-21, 102-26, 102-27

The Board of Directors currently has nine members, but the maximum number allowed is 11, according to its bylaws. In 2016, two new members joined the board: Carla Schmitzberger and Roberto Marques. They bring with them a wealth of knowledge of internationalization, marketing, consumer goods, sales and retailing strategies, among other areas. During the same year, Luiz Ernesto Gemignani left the board, after nine years of valuable contributions to Natura. Under this new configuration, we continue to have a 55% majority of independent board members, which is higher than the requirements established by the Novo Mercado listing regulations.

The members of the Board of Directors serve a one-year term, with the possibility of renewal through a vote at the Annual General Meeting (AGM). In 2016, the implementation of strategic projects dominated the board's agenda, following the strategy review carried out in 2015. Structural issues relating to our business, such as breathing new life into direct selling, the opportunities presented by multi-channel and internationalization and consolidation of International Operations were the main topics discussed at the six meetings that took place during the year. A working group of board members and company exe-

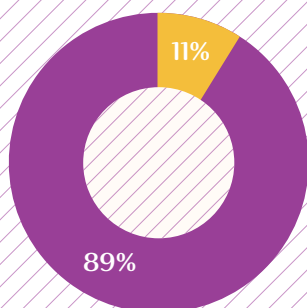
cutives was set up to further explore the subject of expanding into new regions. Other topics on the Board's agenda for 2016 were executive leadership, organizational structure and personnel management.

Four theme-specific committees support the board - all of which are formally comprised of board members only since 2013- as follows: Strategy; Personnel and Corporate Development; Corporate Governance; and Auditing, Risk Management and Finance. The Auditing Committee also includes consultants who are not board members. Learn more about the structure of each committee [here](#). 102-19.

BOARD OF DIRECTORS IN DETAIL

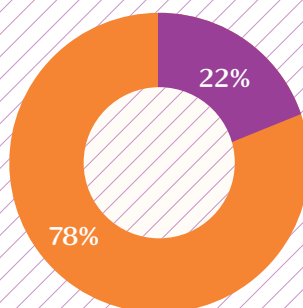
Age groups (%)

● Up to 45 years old ● Older than 45 years old



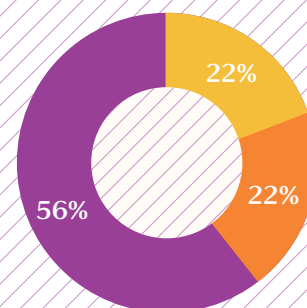
Gender (%)

● male ● female



Term

● Up to one year ● Two to three years ● More than three years

**BOARD OF DIRECTORS***
102-22

Antonio Luiz da Cunha Seabra
Guilherme Peirão Leal
Pedro Luiz Barreiros Passos
Co-Chairmen

Carla Schmitzberger
Giovanni Giovannelli
Marcos de Barros Lisboa
Plínio Villares Musetti
Roberto de Oliveira Marques
Sílvia Freire Dente da Silva Dias
Lagnado
Board members

[See the profiles of Board of Directors members here](#)

*Valid as of December 2016.

SELF-ASSESSMENT
102-28

In 2016, the Board of Directors carried out its biannual self-assessment analysis. The previous one had been carried out in 2013. The overlong period between analyses was due to the recent shake-ups in the board.

The main takeaways obtained from this assessment were the need for more integration between the board and the Executive Committee, pursuit of a structure that optimizes support for the organization and determination to achieve constant evolution in board procedures.

Risk management

102-30, 102-31

A review of our corporate risk management model was initiated in the fourth quarter of 2016. We have drawn up a broad classification of the different types of risk, dividing them into four groups:

- "Strategic", related to the business model, governance and the environment within which the company operates.
- "Operational", linked to internal processes and business continuity.

• "Financial", market, credit and liquidity risks.

• "Regulatory", related to the applicable sectoral regulations. Social, environmental and economic factors are included in this classification, with the exception of operational risks.

Using this classification, we conducted a thorough analysis of the Natura Strategic Plan, and its guidelines for Brazil and for International Opera-

tions, as well as their enablers. As a result, we were able to define the main risks affecting the implementation of short, medium and long-term business strategies (see the table below). It should be emphasized that Executive Committee and the Board of Directors, through its Auditing, Risk Management and Finance Committee oversee all risk management work conducted at Natura.

Main risks currently being monitored

102-15

Challenge	Actions
Management of the brand and commercial model, including their appeal to consultants	We are constantly monitoring the rest of the industry, including consumer preferences and spending patterns. We focus on projects that help develop our commercial model, and are aligned to our value proposition and Strategic Plan, which are reviewed annually. That is the case with the new sales formats, such as the digital relationship platform (Rede Natura) and retail experiences, such as the marketing of the Sou (I Am) line in pharmacies and Natura's own stores. Furthermore, the company is investing heavily in the revitalization of direct selling, in order to preserve its high quality, close relationship with all its Natura consultants.
Strategy implementation	We conduct an annual review of our Strategic Plan and short, medium and long-term goals, including investment decisions regarding acquisitions and equity stakes, as well as entry into new markets. This activity involves all business units. The strategies and revisions thereof are presented and discussed during Executive Committee meetings and are subject to the approval of the Board of Directors.
Innovation capacity	We continuously invest in innovation, through a variety of different fronts: commercial strategy, digital platforms, product development, logistics, distribution networks etc. We maintain strict control over registration of all intellectual property, especially patents, industrial designs and trademarks. These steps also help mitigate strong competition from Brazilian and multinational manufacturers that offer product lines that are similar to ours and sometimes compete within our direct selling channel.
Product research, development, manufacturing and quality	Natura is permanently committed to the health and safety of its customers. Therefore, we have established strict internal procedures, starting from a product's concept development all the way through to making it available in the market. We also maintain a high-standard positioning, revolving around our commitment to truth and transparency. The occupational risks inherent to our operations are addressed by following the company's Occupational Health and Safety Policy and taking preventive measures. Furthermore, Natura maintains an open line of communication with all trade union bodies, recognizing them as legitimate representatives of employee interests, regardless of rank or hierarchy, and always strives to reach a solution that is beneficial to all parties involved.
Disruption of our Information Technology (IT) systems	Our major IT systems are managed by taking all steps necessary to maintain operational stability. We have data and server redundancy, and information backup routines. We also maintain total control over access to our systems and are constantly monitoring them to detect security vulnerabilities in databases and infrastructure components. Natura has put in place a robust management strategy for Information Security, following the guidelines set out in our Code of Conduct, and is always working to raise employee awareness, and ensure adherence to ISO 27002:2013 standards, as well as map and deal with information security risks.

Challenge	Actions
Attracting and retaining executives and developing leadership	In order to maintain a high level of engagement among our leadership and encourage their development, we offer Mosaic, an Education and Development program consisting of a mix of coaching/formal training and self-development. We offer a remuneration package that is above market level, as a way to provide recognition and retain staff, but also to share the wealth we have generated with all employees. Moreover, we review the succession chart every year, seeking to identify professionals with the potential for executive positions.
Climate change 201-2	Our efforts aim at combining economic and socio-environmental gains. Strategic projects concerning impact mitigation are now transversally structured and have become formal procedures within the company. An example is the Carbon Neutral Program, which gives priority to reducing direct and indirect emissions throughout the chain, as well as offsetting 100% of all unavoidable emissions.
Socio-biodiversity	The use of socio-biodiversity inputs follows Natura's policy for the Sustainable Use of Socio-Biodiversity Products and Services, which ensures the fair distribution of benefits to supplier communities and the sustainable management of assets, in addition to complying with new legislation governing access to the country's genetic heritage. Under the Amazon Program, Natura also seeks to boost the development of sustainable businesses based on biodiversity and traditional and/or cultural knowledge.
Legal, sectoral regulation and taxes	We closely follow all changes made to different aspects of the law, such as civil, tax or labor laws, because of the considerable impact that any legal changes can have on our financial situation, business model and operating results. We constantly monitor federal and state taxes applicable, as well as the activities from industry representative bodies such as ABIHPEC (for Beauty Products) and ABEVD (for Direct Selling).
Other external risks (interest rates, exchange rate fluctuations, inflation, etc.)	Our senior management constantly monitors external risks deriving from the economic scenario, and makes any necessary adjustments to our strategic planning, should the need arise.
Business scenario (Brazil and International Operations)	Constant monitoring of the political and economic situation in the countries where Natura operates, with adjustments made to the operating strategy, if necessary.

Ethics and transparency

102-16, 102-17

In 2016, we were awarded the Pro-Ethics seal, an initiative from the Office of the Brazilian Comptroller General and the Ethos Institute that recognizes organizations that are committed to establishing an ethical and transparent business environment.

This public acknowledgement reinforces our efforts to promote transparency and integrity. Over ten years ago, we established the Ombudsman's Office, the company Code of Ethics and the principles that guide our interactions with the main groups with which we interact. In 2015, we created the Legal and Compliance Department and the corruption whistleblowing

channel was reinforced. All complaints received are evaluated and discussed by the Ethics Committee, which assists the Executive Committee. Suppliers, partners, customers and consumers can submit complaints by e-mail to ouvidoria@natura.net.

The Natura Code of Conduct dates back to 2006 and is reviewed periodically. Its most recent revision took place last year.

Its latest version can be accessed on our Investor Relations webpage. Our main policies – regarding securities trading, related party transactions, dividends and disclosure – are also available on our website.

Furthermore, all our suppliers undergo training related to the Natura Code of Ethics. When they are hired, they must complete the training program through an online tool.

Over the years, Natura has implemented all best internal control practices, with a view to obtaining reasonable assurance that material (significant) errors in its financial statements will be avoided and/or detected early. In 2015, the scope of these procedures was extended to Argentina for the first time, and in 2016, it was extended to all other Latin American countries where the company operates.

Commitment to integrity

Based on its beliefs and its long-standing commitment to upholding ethical values and building a fairer, more egalitarian, participatory and democratic society, Natura values characteristics such as honesty, integrity and transparency in all its activities and businesses.

We consider it essential for those same values to permeate our company's relationships with the government and public bodies, whether they be a part of the executive, legislative or judicial sphere, and always show respect for the prevailing legislation.

Our conduct shall be fair, correct and open, and we will act in an ethical and transparent manner in all our businesses and commercial and institutional relationships.

We are committed to complying with national and international anti-corruption and bribery laws that are applicable wherever we operate, as well as to introducing and applying monitoring and awareness building programs aimed at addressing the risk of bribery and corruption.

We were one of the first companies to join the Business Pact For Integrity and Against Corruption (in July 2000), developed by the Ethos Institute, in partnership with Patri Government Relations and Public Policy, the United Nations Development Program (UNDP), the United Nations Office on Drugs and Crime (UNODC) and the Brazilian Committee of the Global Compact.

A Pro-Ethics company

Natura was awarded the Pro-Ethics seal, presented by the Office of the Brazilian Comptroller General and the Ethos Institute.

This initiative provides recognition to organizations that are committed to establishing an ethical and transparent business environment.

Find out more

See our Code of Conduct and policies [here](#).
Read more about indicators related to the subject on [page 122](#).

Our products
and concepts

OUR PRODUCTS AND CONCEPTS

A new organization focused on innovation

102-2

We see innovation as the path that has brought us to where we are now and as an essential factor in our continuing to be a company that is important to society, with a product portfolio that meets the constantly changing demands of our consumers. Natura is concentrating its efforts on increasing the speed with which it is known ability to innovate in a sustainable manner generates value for the brand and gives rise to products and services. To make this possible, the Marketing, Innovation and Sustainability areas have been brought together under the leadership of a single vice-president.

The restructuring aims to reinforce the Natura way of promoting innovation: identifying consumer demand and

emerging issues in society, developing a solution that meets those needs and then delivering it, in the form of a product or service, while emphasizing the relationship of its sub-brands with social and environmental causes.

The year 2016 saw the overhauling of important brands in our portfolio. The Ekos line was relaunched, with new formulas that further validate the benefits of each ingredient stemming from the Brazilian socio-biodiversity. The use of recycled PET in the line's plastic packaging rose from 50% to 100%, thereby contributing to the increased use of material that is recycled after consumption. Moreover, the Ekos refills are 100% made of green polyethylene.

A pioneer in questioning standards

of beauty and behavior, the Chronos line has completed 30 years and gained new formulas and packaging, in a blend of natural ingredients and science.

INVESTMENTS

Investment in innovation declined in relation to the previous years and was equivalent to 2.4% of our net revenue. The innovation index, that shows the sales of products launched within the last two years as a proportion of total sales, came to 54.3%, thus proving yet again the importance of innovation to our revenues. Despite it being a lower percentage than that achieved in 2015, the index remains at a high level in comparison to the standards of the cosmetics industry.

Indicators of innovation	2014	2015	2016
Investment in innovation (R\$ million)	216	221	187
Proportion of net revenue invested in innovation (%)	3	3	2,4
Number of products launched ¹	239	220	255
Innovation index (%) ²	67,9	58,9	54,3

1. The number of products launched includes only those products that represent a new value proposition for the consumer, with new formulas and packaging.

2. The innovation index represents the sales of products launched within the last 24 months as a proportion of the total gross revenue for that year (only in Brazil).

Natura is the 3rd most innovative company in Brazil

Natura is considered the most innovative consumer goods company in Brazil, according to the second edition of the yearly publication *Valor Inovação Brasil*, edited by the Strategy& consulting team at PwC, for the Valor Econômico business newspaper. In the 2016 edition, we moved up

from second to first place in our industry, while maintaining our overall position as the third most innovative company in the country. Three pillars of the innovation chain were analyzed: intention, efforts and results, using both qualitative and quantitative indicators.

Shared innovation

The commitment to innovation runs across the board at Natura, going far beyond the development of products in short, medium and long-term projects. We have research centers at our facilities in Cajamar (São Paulo state) and Benevides (Pará state), as well as an innovation hub in New York, which aims to detect international trends.

A significant share of Natura's projects are developed under an open and collaborative innovation model, together with renowned research institutes, other private sector organizations, universities, and laboratories, among others. The company set up the [Natura Campus Program](#), in 2006, which brings these different entities together to innovate.

The main initiatives created in the past year by them are: the development of the Center for Applied Research of Well-being and Human Behavior, in partnership with Fapesp (Foundation for Research Support of the State of São Paulo) and three universities; the launch of the Natura Startups program, to get the company working closer with innovative entrepreneurs;

and holding the second hackathon, promoted by the Natura Campus.

THE SCIENCE OF WELL-BEING

Inaugurated in June, the Center for Applied Research of Well-being and Human Behavior is the result of a partnership with Fapesp. The Center is located within the USP (University of São Paulo) Psychology Institute. Its activities are boosted by the participation of researchers from Unifesp (Federal University of São Paulo) and Mackenzie Presbyterian University, who hail from different fields. Their goal is to conduct research on well-being across different fields. The 10-year investment totals to R\$ 20 million, and this amount is split between Natura and Fapesp.

NATURA STARTUPS

In 2016, we decided to formalize our existing relationship with Brazilian startup companies. Our aim is to create business opportunities in partnership with innovative companies, thus promoting an entrepreneurial environment and connecting these startups to opportunities within our company. Over 2,500

startups registered to participate and 22 are currently developing projects together with Natura, while another initiative that brings together Natura and Brazilian startups is being developed under the Amazon Program. Find out more (*in portuguese*) at <http://www.natura.com.br/a-natura/inovacao/startups> (see more on [page 54](#)).

CAPES-NATURA CAMPUS AWARD

This award is the outcome of the open innovation program partnership between Natura Campus and Capes (Coordination for the Development of People in Higher Education), which is linked to the Brazilian Ministry of Education. Its goal is to stimulate high-level and high impact research in areas that are of strategic importance to Brazil, such as sustainability and biodiversity. The best papers are published in international scientific journals. In 2016, there were 268 entries, six finalists and two winners. The topics of the winning papers were 'sustainability: new materials and technologies' and 'Socio-biodiversity and biological conservation'. Competitions will be held every two years.

Other activities promoting innovation

COCRIANDO

In this program, we invite people from our relationship network, mainly comprised of consultants and consumers, to discuss different topics and co-create with Natura. In 2016, there were four sessions, under the titles: Viva sua Beleza Viva (Live your true beauty); Cocriação Ciranda (The wheel of cocriation); Avalie meu Look (Rate my look); and, towards the end of the year, Jornada Homem (A man's journey), the first one to focus solely on men. To find out more, go to our website at: www.cocriando.natura.net.

EKOS HACKATHON

The innovation marathon Mão na mata: traga a natureza para seu dia a dia (Dip into the jungle: bring nature into your daily routine) was organized to drive projects that would bring the

Ekos line closer to its consumers. Its main purpose was to enable consumers' engagement with Natura and the Amazon region, as well as connect people to projects in order to create a significant impact. We reached more than 4.5 million users through social networks and 18 workshops for developing prototypes were set up.

NATURA INNOVATION DAY

In May, Natura Innovation Day brought together representatives of companies, universities, startups, investment funds and other stakeholders to share the knowledge amassed through the Ekos hackathon. The event also served to launch the Natura Startups program.

INOVA TALENTOS

In 2016, we completed the first cycle of Inova Talentos, an IEL/CNI (Euvaldo

Lodi Institute, linked to the National Confederation of Industry) program whose objective is to raise the number of skilled professionals involved with innovative activities within the Brazilian business sector. Under this initiative, scholarship holders work at the company, and are guided by Natura tutors. This enables the exchange of experience and knowledge between all those involved, while generating gains for Natura itself. The work conducted by the 33 scholarship holders helped reduce the expected delivery time on 16 priority projects and led to the creation of seven new initiatives. This collaboration also yielded four of the seven state awards presented to the program as a whole, including first place in the Teams category. In 2017, we will develop 13 new projects, as part of phase 2 of Inova Talentos.

CONSUMER SAFETY

10 years of no animal testing

In 2016, we celebrated one decade without animal testing of any kind, a decision rooted in our beliefs and values that has placed us at the forefront of the cosmetics industry. Having made that commitment, we faced up to the challenge of finding innovative technological solutions to provide testing that would guarantee the same level of safety for Natura products.

In 1998, we committed ourselves to phasing out animal testing. In 2003, we achieved the first milestone, by halting the testing of finished products on animals. Three years later, we took the definitive step of not carrying out animal testing at any stage of our product development process.

To make this possible, Natura positioned itself along the most innovative ideas being put into practice in Europe, the region that was spearheading the search for alternatives to animal testing. In 2006, we opened the Advanced Technology Center in Paris, France, a laboratory that brought our researchers closer to major European innovation hubs for the analysis of alternative technologies that would ensure testing quality for the safety of our consumers. That is how we were able to bring existing technologies to Brazil and develop our own methodologies, in-house or in partnership with Brazilian universities, as well as stimulate a discussion regarding this subject in Brazil.

We now boast 67 alternative testing methodologies, which, together, ensure the effectiveness and safety of our products.

In Brazil, there are no regulations that require companies to ban animal

testing altogether when developing cosmetics. A partial ban – for specific clinical trials – is expected to be put in place in 2019 and will help the industry to find solutions to the challenges that Natura has been faced with for years. One of the biggest challenges is training Brazilian suppliers to carry out certain safety tests – many of which are currently only available abroad, thus making compliance with such procedures a lot more expensive.

SAFETY WHEN USING NEW ACTIVE INGREDIENTS

The pioneering adoption of multiple socio-biodiversity inputs has increased the challenge Natura faces to ensure product safety. Whenever a new plant is identified as a possible raw material for a new product, the extracts, oils or butters obtained from it are studied in labs to identify its components. The active ingredients then undergo rigorous safety tests, which assess the cytotoxicity (showing whether the substance is toxic to cells), phototoxicity (showing whether it can become dangerous or damage the skin when subjected to sunlight) and mutagenicity (which evaluates the probability of causing cancer after prolonged use).

CONTROVERSIAL INGREDIENTS 103-2, 103-3

Natura's product portfolio includes only ingredients that are well known and proven to be safe, according to international scientific community standards. Our team of researchers monitors the international discussions surrounding the growing use of each one by different industries, keeping

a particularly watchful eye over the so-called controversial ingredients. When there is evidence that a substance poses a risk to the environment or human health, Natura chooses to replace it in its formulas. **102-11, 416-1**

That is the case, for example, of Triclosan, which is widely used in a variety of segments, such as cosmetics, therapeutic and veterinary products, and many more. Its function is to prevent or inhibit contamination by microorganisms (bacteria, fungi and yeasts). Its widespread use by many industries can lead, over the long term, to potential environmental damage, due to its poor degradability. Studies also indicate that it has the potential to cause hormonal changes in humans.

Acting proactively to ensure the safety of our formulas, we have banned the use of Triclosan in the development of new products since July 2008, and are continually striving to replace it with new, less aggressive antibacterial ingredients that are more environmentally friendly, while preserving the safety and efficacy of our products. We have made progress in this endeavor and in March 2016 we removed Triclosan altogether from our product portfolio. Nevertheless, it may still be possible to find products on the market containing this ingredient, since their expiration date ranges from two to four years from the manufacturing date.

Phthalate and paraben are other controversial substances that have already been banned by Natura.

Read more about our consumer safety procedures on [page 134](#).

Natura
multi-channel

NATURA MULTI-CHANNEL

Relationship selling

103-2, 103-3

Injecting new life into the business of selling our products through Natura Consultants is one of our strategic objectives and, in 2016, we worked hard to build the bases for our project focused on overhauling Relationship Selling. The project focuses on elevating the activity of being a Natura Consultant to a profession – starting with improving the earning potential of our consultants and the development opportunities that are available to them, all while providing an increasingly better shopping experience to our consumers. In order to expand the development opportunities available to our network, we will implement offer segmentation strategies and make extensive use of technology to enhance the power of our network. The intensive use of business intelligence and CRM tools and methods developed by us in the last few years, will

enable us to provide highly customized options for each type of consultant and guide our offers in terms of incentives, remuneration, training, relationships and management.

Using this information, we designed the new version of our network, which is being subdivided into groups: professionals working in the beauty universe (Beauty Specialist), microentrepreneurs with a physical point of sale (Beauty Businesswoman) and all other consultants, whether they have small, medium or large sales volumes (Beauty Consultant). The strategy provides distinctive options for each of the sub-groups, regarding personal development and opportunities for growing a consultant's business. By treating each relationship as unique, we can provide consultants with the best tools to increase their earnings and give consumers options tailored to

their needs, whether it be experimentation, convenience or assistance.

NUMBER OF CONSULTANTS

The troubles faced by the Brazilian economy last year also led to a reduction in the number of active consultants in the country, due to low sales volumes and rising default rates. We are confident that the new value proposition being introduced to our consultants will prove effective in turning this situation around. However, there has not been enough time for this plan to influence our indicators, since it is being rolled out in stages, the first of which occurred in late 2016. The implementation of different project elements is expected to continue throughout 2017 and includes new sales force management practices that are capable of identifying the need for improvement in an ongoing basis.

Consultants – Brazil	2012	2013	2014	2015	2016
Natura Consultants in Brazil (thousands)	1,268,5	1,290	1,319	1,377	1,256
Natura Consultant Advisors	12,125	11,957	11,328	9,500	8,310

102-43/102-44 NC loyalty index (%) – Brazil	2014	2015	2016
Satisfaction ¹	91.8	93.3	93.1
Loyalty ²	27.5	29.8	31.2

102-43/102-44 NCA loyalty index (%) – Brazil	2014	2015	2016
Satisfaction ¹	91.1	92.8	94.6
Loyalty ²	29.6	29.5	31.7

1. Satisfaction shows the proportion of NCs and NCAs who are "totally satisfied" or "very satisfied" (Top2Box). 2. Loyalty: the proportion of individuals surveyed who conferred the maximum grade ("Top1Box"), on a scale of 1 to 5, to three factors: satisfaction, intention to continue their relationship with Natura and recommendation.

203-2 Average annual income generated (R\$)	2014	2015	2016
Natura Consultants – both female and male (NCs) ¹	4,2902	4,161	4,028
Natura Consultant Advisors (NCAs) ²	14,306	17,614	18,428

1. Average annual income earned by our NCs through product sale. 2. The NCAs earn a performance-based commission (number of NCs who place orders and business volume).

INTERNATIONAL OPERATIONS

We continue to encourage a closer relationship with Natura Consultants in other Latin American countries. The consolidated number of consultants increased by 7.5% in 2016, to 543,000, with notable increases of 15% in Argentina and 22% in Colombia. In the countries where Natura's operations are more consolidated (Argentina, Chile and Peru), our focus is on in-

creasing productivity, with moderate channel growth. However, in our developing operations (Colombia and Mexico), we seek to rapidly increase the number of consultants and maintain productivity levels.

We decided to close our direct selling operations in France, where we had around one thousand consultants. We are now concentrating our re-

sources on channels with more local relevance, such as our Natura store and e-commerce.

The results of the loyalty survey once again reflect our efforts directed at maintaining a high level of quality in our relationship with our consultants. The level of loyalty of local consultants has remained stable at 37.4%

Consultants – International Operations, by country	2016
Argentina	161.2
Chile	74.3
Mexico	125.8
Peru	94.0
Colombia	87.8
France	0

Consultants – International Operations, by country	2015	2016
Total	505.1	543.0

Natura Consultant Advisors – International Operations, by country ¹	2016
Chile	681
Peru	901
Colombia	691

1. We do not employ the NCA relationship type in Argentina or Mexico.

Natura Consultant Advisors – International Operations	2015	2016
Total	2,270	2,273

In 2016, the Rede Natura closed out its first year of activity in Chile to great success. In the first quarter of 2017, we started implementing the digital

plataform in Argentina. Having identified a growing demand for the Rede Natura, we can speed up the roll out to our remaining international markets.

The expertise that Natura has gained in retail is also starting to be considered for implementation in our other operations in Latin America.

102-43 / 102-44 Natura Consultant loyalty index (%) – International Operations (%)¹²³	2014	2015	2016
Loyalty – NCs in IOs	39	37	37
Loyalty – NCAs in IOs ⁴	45	52	53

1. The indicator was revised in 2016. We decided to disclose only the consolidated figures for the countries that comprise our International Operations (Argentina, Chile, Colombia, Mexico and Peru), as the breakdown was considered to be information of strategic value to Natura. 2. Source: Ipsos Institute. 3. Loyalty: the proportion of individuals surveyed who conferred the maximum grade ("TopBox"), on a scale of 1 to 5, to three factors: satisfaction, intention to continue their relationship with Natura and recommendation. 4. Includes only those countries where this type of relationship is present (Colombia, Peru and Chile). In Mexico, where we employ a unique multilevel strategy, the head consultants, equivalent to NCAs, are included in survey results.

Do more for our consultants

103-2, 103-3

We want to make a difference in the lives of consumers, by providing them with innovative high quality products that promote beauty and well-being. Making a difference is also our main goal when we think about our network of consultants, which now comprises more than 1.8 million Natura Consultants (NCs). To that end, we have devised the IDH-CN methodology, which is used in Brazil, and monitors consultants' living conditions and measures their annual development (*read more about this methodology below*).

The first results obtained from using this new index revealed the consultants' desire to further their education. Because we are committed to having a positive impact on the lives of our consultants, and are also firm believers that education can be a great driver of personal and professional evolution, we launched an education program focused on NCs (and extended to their family members) in August 2016. Designed in partnership with the Natura Institute, the program offers a range of learning experiences, such as both face-to-face and distance learning graduate and postgraduate programs, language courses, and vocational training courses, at a discount or with full scholarships.

This program is unique among the companies that operate using direct selling in Brazil. In a short period – from August to December 2016 – approximately 11,000 people went back to school through one of the courses being offered by the program. Approximately 20% of all those who enrolled were family members of consultants.

THESE ARE OUR PROGRAM PARTNERS:

Estácio University – Consultants have a minimum 30% discount in 80 graduate or postgraduate courses (face-to-face or online). In 2016, 20 full scholarships sponsored by Crer Para

Ver were awarded to students of online technology courses.

Geekie Games – An online learning platform that helps high-school students prepare for the Enem exam, with discounts starting at 30%. In 2016, 200 full scholarships were awarded by Crer Para Ver.

Prepara Courses – Chain offering professional training courses, held at more than 400 centers around the country. Three courses are offered completely free of charge (personal finance, time management and negotiation techniques), while discounts and full scholarships are available for other programs.

Wizard by Pearson – Chain of language schools that offers courses at a discount to consultants and their family members throughout Brazil. Presently, more than 600 schools are included in the partnership.

Khan Academy – Free online courses to boost mathematical skills. The content available has been specially tailored to help with consultants' daily activities.

In addition to partnerships, the program also provides consultants with access to the Crer Para Ver (Believing is Seeing) Education Platform, a website that offers varied content and possibilities for engaging in the education of their children, students and the local community, through numerous activities. There is also an online Book Club, developed exclusively for the consultants, which in the last year alone distributed nearly 1,000 books. In 2016, 11,000 consultants also received text messages containing educational tips appropriate to the age group of their children.

In 2017, the program will start offering new options relating to culture, financial education and civil rights (with a particular focus on women's rights). We

will also expand the number of partnerships with educational institutions and step up the delivery of educational tips by text message.

IDH-CN 103-2, 103-3

Natura introduced the world's first corporate human development indicator, the HDI-NC, in 2014. Its design was inspired by a methodology of the same name currently employed by the United Nations Development Program (UNDP). It is used to monitor the situation of Natura Consultants (NCs) in relation to three aspects of their everyday lives: health, knowledge and work. Results are measured over a range from 0 to 1 (the latter being the maximum human development standard attainable, so the closer to 1 the numbers are, the better the group's human development). As in 2014 and 2015, more than 4,000 consultants were interviewed last year and the overall HDI-NC continues to improve, reaching 0.593 in 2016. Over the three years the study has been conducted, the indicator has increased by 781%, with a 0.5% rise in 2016. However, we did notice some challenges regarding the assessed aspects. Financially, the consultants also felt the impact of overall reduced purchasing power caused by the economic crisis in Brazil. Nevertheless, the indicator shows that consultants who have been working with Natura for over a year have higher HDI levels than those who are still getting started, thus revealing the positive impact the company has on the lives and self-esteem of the interviewees who have been with us the longest.

The HDI-NC will continue to be monitored annually and will help us create management tools and corporate social investments that are intrinsically related to the business and can help further improve the quality of life of our consultants. Furthermore, the index contributes to Natura's desire to exert positive economic, social and environmental impacts.



Cleinilany Dornela, from Rondônia, was the winner of Prêmio Acolher in 2016 in the popular vote

The Natura Movement

Since 2005, the Natura Movement has been used as a platform to facilitate the creation of a collaborative network to support initiatives that promote the social development of Natura Consultants and society as a whole. In 2014, the platform went digital (www.movimentonatura.com.br) and started allowing the participation of any social entrepreneur – not just

Natura consultants. Since then, the number of visits has steadily grown. In 2016, there were almost 2.2 million visits, a number a lot higher than expected.

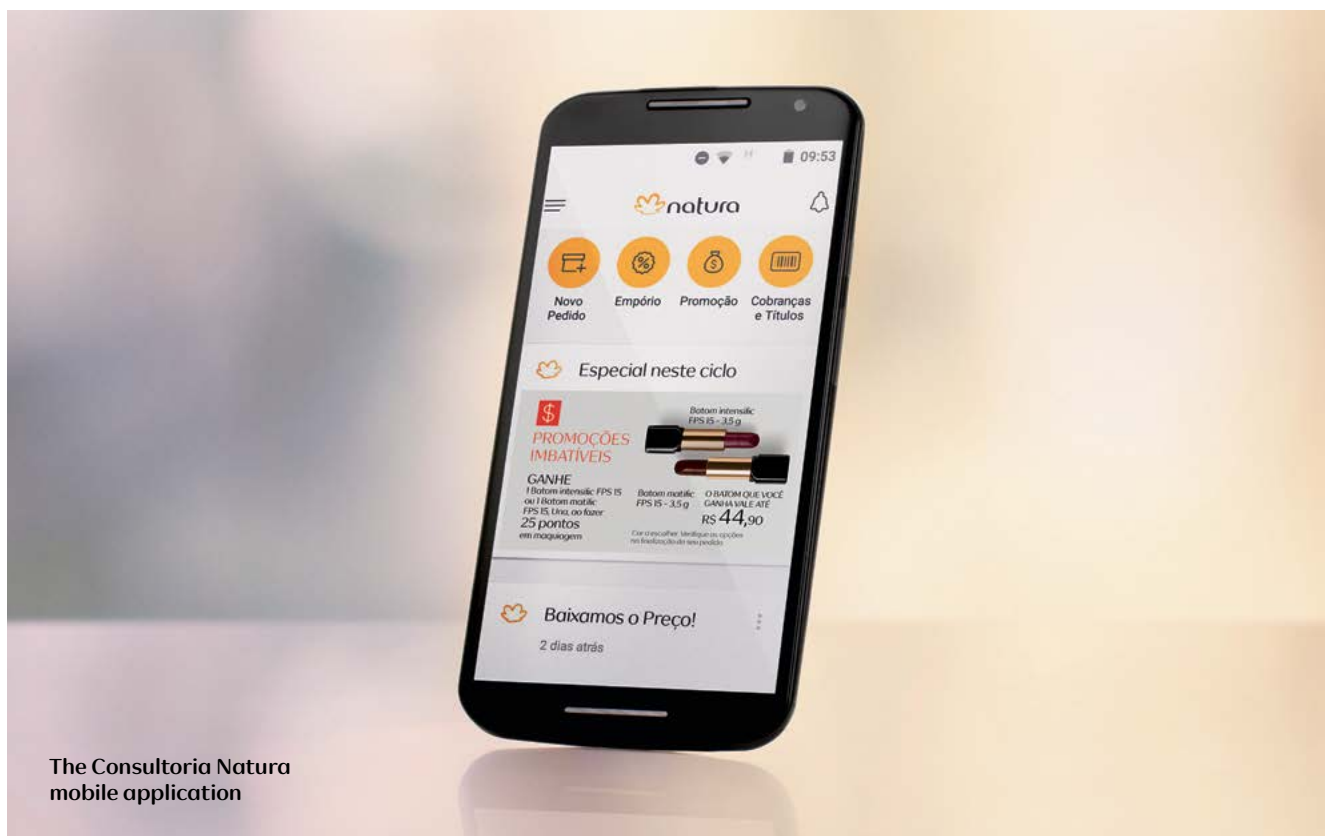
For NCs who are also social entrepreneurs, we created the Acolher Awards, which provide technical and financial support to winning projects, thereby increasing their reach. The year 2016

marked the awards' fifth edition, and for the first time, Natura's employees were able to submit transformative initiatives where they work as volunteers or leaders for consideration.

Learn more about all the initiatives supported by the 2016 Acolher Awards at (*in portuguese*): www.movimentonatura.com.br/cs/movimentonatura/premioacolher.

The Natura Movement	2014	2015	2016
Website audience ¹²	138,187	1,308,917	2,193,662
Participation ³	n.a.	32,724	55,355

1. Calculation of this indicator takes into consideration the number of visitors to the website. 2. In addition to consultants, there are also other groups, such as consumers, who also access the platform, but it is not possible to single out site activities pertaining to each of the different groups. 3. This calculation considers only qualified participation: registration of people or initiatives, sharing of content on social networks, interaction through the platform with initiative owners and voting for the Acolher Awards.



The Consultoria Natura mobile application

Digital channels

In 2016, Rede Natura doubled in size and is now one of the biggest digital sales channels for beauty products in Brazil. The number of Digital Natura Consultants (DNCs) working on this platform has surpassed 100,000. They assist more than 1.7 million registered consumers.

Consultants who work online through this platform achieved productivity increases of 8% in direct selling and 14% in combined sales (traditional sales model plus Rede Natura). The frequency of purchases was also higher. In order to encourage new consultants to work with a hybrid proposition, that is, using both formats, we have adjusted our financial structure, offering reduced franchise fees for those who want to try out the new hybrid model, on top of the single format amount. Consultants' profits vary according to the format chosen. We have also adjusted the incentives offered to Relationship Managers and Natura Consultant Advisors (NCAs), so that their sales through the Rede

Natura have the same value as the sales made face-to-face.

Since April last year, the Rede Natura has also been selling directly to final consumers. This hybrid online system has boosted sales results, helping the Rede Natura achieve its operational break-even point. Visits to the website grew by 78% in 2016 and the conversion (a visit that becomes a purchase) rate increased by 58%. Fine tuning promotional activities and an improved return on marketing investment also contributed to strong outcomes.

The Rede Natura generates knowledge that adds value to all our channels. Digital tools are important allies in identifying consumer trends and categories that are most suitable for each medium, generating data that is used to adjust marketing strategies and promotional activities applicable to all our different sales formats. The frequency of purchases through digital channels is also greater. Starting from 2016, all new consultants joining

Natura will have their own digital sales space, thus helping train NCs to work with our digital platform. In addition to the positive impact it has on their earnings, this will allow for a stronger connection with our consultants, enabling access to better services and more training opportunities. This in turn will improve their performance, generating benefits that will spill out into their everyday lives.

Our consultants have other digital tools at their disposal too, in addition to the Rede Natura. Launched in 2016, the Consultoria Natura (Natura Consulting) app for smartphones and tablets enables users to order products, check out sales, organize deliveries to each customer and obtain assistance. It incorporates other apps with different features, such as the Rede Natura Chat (which allows consultants to answer consumers' questions while they are online on our sales platform). There are currently more than 300,000 Natura Consultants using these apps.

Natura in retail

In order to cater to different consumer profiles and meet their varied demands, Natura started successfully selling its Sou line in drugstores in 2015, and, by 2016, it had entered the

Brazilian retail market with its own stores. Our essence is still firmly based on Relationship Selling, through the work of our wonderful consultants, but we also wanted to provide our

customers with a complementary experience, through points of sale that enable experimentation, and drugstore chains, which serve consumers seeking convenience and practicality.



Natura store at the Morumbi Shopping Center

Our first stores in Brazil

The first Natura store opened its doors in April, at the Morumbi Shopping Center, in the city of São Paulo. Four other stores were subsequently opened in the São Paulo state capital, all of them in large shopping malls. This strategic decision was made based on detailed research, through which a repressed demand was detected among A and B consumer profiles, who stated that they were familiar with and liked Natura products, but were not used to buying it from consultants.

The first results surpassed our expectations, validating our decision, and encouraging us to accelerate the pace of expansion in 2017, including to other cities throughout Brazil. Our stores sell around 40% of the entire Natura product portfolio, including fragrance lines and the brands Todo Dia, Ekos, Mamãe e Bebê, Una and Chronos. In 2017, we will also start developing products, gifts and packaging exclusively for this sales channel. All stores allow for experimentation, meaning that all prod-

ucts can be tried out by consumers in an environment that simulates their day-to-day use – our stores are all equipped with taps and basins for soaps and bath products. Our consultants are also using these new stores: they bring in clients to experiment with products before placing an order with them. The store staff is comprised of professionals hired by Natura and trained to provide beauty advice and accurate information about each of our items.

Our stores in New York and Paris

In December 2016, we held the pre-opening ceremony of our first store in New York. We started our operation by selling the Ekos line, introducing this new market to the best in terms of cosmetics made from natural Brazilian inputs. Our portfolio will be expanded in the future, with the introduction of the Chronos and Mamãe e Bebê (Mother & Baby) lines. Product packaging has been adapted to this market. As way of emphasizing our origins, all products bear the term "Natura Brasil" before the line name.

In Paris, we are located in the commercial district of Marais, a bustling area of the French capital. Our sales portfolio there is focused on the Ekos, Chronos and Mamãe e Bebê lines. We are also experimenting with selling our products

in multi-brand stores specializing in cosmetics. Our e-commerce operation based in France is already selling to other countries in Europe. In order to direct our resources to these new sales channels, we decided to terminate direct selling activities in France, where there were about one thousand consultants.

Our goal with this presence in two important global beauty care hubs is to attain a scalable model for developed markets. To that end, we spent 2016 working hard to tailor our portfolio and packaging to these markets. We also explored different commercial models, to try to identify the attributes that would help set Natura products apart, so as to attract an increasing number of consumers.



Convenience at drugstores

Following the successful roll out of the Sou line to drugstores, in 2015, we doubled the number of points of sale within the Raia/Drogasil chain – from 700 to more than 1,400 drug-

stores throughout Brazil. In December 2016, we also started offering the Sou brand at branches of the Drogaria São Paulo chain, and in January 2017, we expanded our sales to the

Pacheco chain, in Rio de Janeiro, and the Panvel chain, in Rio Grande do Sul, totaling 2,955 pharmacies across the country that are now selling Natura products.

Our processes

OUR PROCESSES

Commitments to the future

102-12

In 2014, we launched the 2050 Sustainability Vision and committed ourselves to making Natura a company with an active, positive impact over the environment and our society, thus altering current expectations of merely reducing and mitigating our impact. With that in mind, we have established goals that are to be achieved by 2020, and which will help us achieve the transformations we seek by 2050.

As a member of the United Nations Global Compact, we are fully committed to the 2030 Agenda for Sustainable Development, because we believe this is a call to action for companies to rethink their businesses in light of a burgeoning form of capitalism. To this end, we carried out an impact analysis in 2016 to evaluate the transformative

potential of Natura's activities in relation to the 17 global goals that are to be achieved by 2030.

This study pointed out that, through initiatives relating to issues such as carbon, waste, women's empowerment, education, water, biodiversity and the Amazon, we are contributing, directly or indirectly, to 16 of the 17 SDGs, the exception being SDG 14 – Life Below Water – which has to do with oceans.

We believe that, in order to help our transformative activities achieve the necessary scale to make a significant impact, our main sub-brands must become platforms that promote new production and consumption models. In 2016, we became the first Latin American company to disclose the results of its EP&L (Environmental Profit and Loss) survey. The study tal-

lies the “environmental accounting” of the company, calculating the positive and negative impacts of all stages of production, marketing and final disposal of any waste generated (see below).

We also made important progress in the Amazon Program, reaching the sum of R\$ 972.6 million in business turnover in the region during 2016, bringing us closer to the goal of reaching R\$ 1 billion by 2020 (see more on [page 54](#)). The work of developing sustainable production chains in the region, stimulated under the Amazon Program, has led to the conservation of 257,000 hectares of standing forest, as well as enabling development, generating income for 2,119 families in the Amazon and affecting the quality of life of more than 8,000 people in the region.

Sustainable Development Goals

In September 2015, during the Sustainable Development Summit, all 193 member states of the United Nations adopted the 17 Sustainable Development Goals (SDG). This new global agenda was created to provide continuity to the achievements obtained through the eight Millennium Development Goals, which had been in force for 15 years. In addition to shared prosperity, health and well-being, the SDGs include the conscientious use of natural resources in the face of climate change and the threat it poses to all life forms. They are a call to action for companies to rethink their businesses towards a new capitalism. With our initiatives, we have already contributed towards 16 of the 17 SDGs.

2050 Sustainability Vision

Main goals

Brands and Products

Area	2020 Goal	2016 Performance	Percent of goal achieved
Packaging	At least 10% of all Natura Brazil packaging should be made of post-consumer recycled material.	A total of 4.3% of all packaging made used post-consumer recycled materials.	2013: 1.4% 2020: 10% Achieved in 2016: 34%
Climate change	The Natura brand must reduce its relative emissions of greenhouse gases by 33% (Scope 1, 2 and 3).	A 0.5% reduction in relative GHG emissions. This indicator is directly related to business performance, but the reduction was -1.3% in comparison to 2012.	2012: 0% 2020: -33% Achieved in 2016: 4%
Socio-biodiversity	Reach a turnover of R\$ 1 billion in business volume in the Amazon region.	The accumulated volume of business generated in the region amounted to R\$ 972 million.	2010: R\$ 89 million 2020: R\$ 1 billion Achieved in 2016: 97%
Waste	Collect and send for recycling 50% of the waste generated by Natura product packaging in Brazil (ton equivalent).	In 2016, we concluded the experimental pilot program introduced the year before to promote reverse logistics in the São Paulo metropolitan area. This included different sources for collecting post-consumption waste, such as collector cooperatives and the involvement of Natura Consultants. The experiment was useful for gaining knowledge and planning our strategy, procedures and action. Additionally, we participated in the sectorial reverse logistics project organized by Abihpec.	In progress
Water	For the Natura brand in Brazil: implement a strategy for the reduction and neutralization of impact, based on the water footprint measurement and considering the entire value chain.	Using the created methodology, we began conducting studies to map projects that have the potential to reduce our water footprint.	Planning stage
Supply chains	Ensure by 2015 that 100% of materials produced by direct manufacturers are traceable (last link) and by 2020 implement a traceability program for the other links of the Natura brand's value chain.	Having identified 100% of the manufacturers in the first link of the chain, we are working to extend the overall traceability of critical chains.	Planning stage

Our Network

Area	2020 Goal	2016 Performance	Percent of goal achieved
Customers	Define priority topics and implement a strategy to mobilize Natura brand consumers.	Definition of priority claims for boosting consumer's perception of Natura as a sustainable brand: _Living Forest _100% Organic Alcohol _Commitment to Climate change _Sustainable Packaging _Smart Refills _Quality Education _No Animal Testing _Beauty free of stereotyping	In progress
Natura Consultants	Generate interest in continued education and offer a broad range of educational options that meet their needs.	We have developed an educational program for NCs and their families, offering partial and full scholarships for learning experiences such as: ENEM exam preparatory courses, vocational training, higher education programs, and languages courses, among others. Within three months, over 11,000 people had gone back to school.	In progress
Employees	For the Natura brand, have women occupying 50% of senior management positions (Director and upwards).	Throughout the year, we achieved a rate of 29% of senior management positions being occupied by women. Natura signed up to the UN Women's Empowerment Principles and the Brazilian government's Gender and Racial Equality Program. We also launched our own diversity policy in 2016, which gives priority to four areas, including women's empowerment. Moreover, we reviewed our procedures for selecting, attracting and developing women with leadership potential.	2013: 29% 2020: 50% Achieved in 2016: 0%
Local communities	Develop strategies for the areas of socio-biodiversity in the Amazon region and for the communities living near our main operation hubs in Brazil together with the local population and its stakeholders through open dialogue and collaborative construction.	In order to create change on a sizeable scale, we are working with local governments, communities and companies under agreements and partnerships to come up with development solutions in the Mid-Juruá (Amazonas), Lower Tocantins (Pará) and Transamazon (Pará) areas. Together with local leaders and partners, we have identified the development priorities of each territory and agreed upon collaborative plans setting out initiatives and goals. Local leadership and institutions are strengthened and empowered throughout the process.	In progress

Management and Organization

Area	2020 Goal	2016 Performance	Percent of goal achieved
Management model	For the Natura brand, conduct an appraisal of external social and environmental factors, taking into consideration the positive and negative impacts of the extended value chain (from extraction of raw materials to disposal of products).	An appraisal of external environmental factors was carried out for the first time in 2015, converting the effects of the business on aspects such as GHG emissions, water, waste and land use and occupation into financial resources. The calculation involved the entire Natura product portfolio, throughout its entire value chain. In 2016, we will conduct the first ever appraisal study of social impacts.	Under implementation
Ethics and transparency	For the Natura brand, implement total transparency for providing information on products and the progress of the Sustainability Vision.	We have collaboratively developed the architecture of our sustainability communications, which organize product information according to the interests of our consumers when they are looking for more detailed information.	Under implementation

The full list of 2020 goals and commitments can be seen [here](#).

THE AMAZON PROGRAM

The value of the standing forest

103-2, 103-3

Since 2000, with the launch of its Ekos line, Natura has sought to transform social and environmental challenges into business opportunities, having the Brazilian biodiversity as one of the main drivers of innovation. In 2011, this commitment was renewed through the launch of the Amazon Program, whose goal is to promote a new, more inclusive and sustainable development model for the region, based on the notion that the forest could be more valuable if it is standing than if it were cut down.

This initiative encourages the establishment of sustainable businesses as an economic alternative for the region and is currently enabling development and generating income for 2,119 families in the Amazon, while helping conserve 256,798 hectares of standing forest.

The Amazon is experiencing a great paradox. Despite being diversity-rich, teeming with species, cultures and knowledge, containing 55% of the world's tropical forests and 20% of the world's fresh river water, and playing a fundamental role in the regulation of

the planet's climate, the region's political and economic agenda is driven by activities that cause devastation and environmental and social pressure – such as growing soybeans, raising livestock, lumbering, mining and construction of hydroelectric power plants. That is why it is paramount to devise new, sustainable development models for the region. In light of this, the Amazon Program covers three major pillars of activity: science, technology and innovation; development of sustainable chains; and institutional empowerment.

Closing in on R\$ 1 billion

In 2016, we allocated more than R\$ 220 million to the Amazon region, mainly for purchasing natural inputs (64%), in addition to investing in industrial facilities, research and innovation, local development, education and projects for

offsetting carbon emissions. All this has brought the total sum invested in the region since 2011 to R\$ 972 million and we are now very close to reaching our goal of R\$ 1 billion in turnover by 2020.

1. Science, Technology and Innovation (STI):

This pillar is an instrument of scientific production, innovation and the generating of new business whose aim is to activate and coordinate local, national and international research and knowledge networks to focus on biodiversity, sustainable management and agriculture and eco-design.

NATURA AMAZON INNOVATION CENTER

In 2016, the Natura Amazon Innovation Center (Nina - Núcleo de Inovação Natura na Amazônia, in Portuguese) was transferred from Manaus (Amazonas) to Benevides (Pará), where the Ecoparque is located. The purpose of the move was to increase the synergy between research and development needs in terms of technology and innovation, applicable to our factory and socio-biodiversity production chains.

Since its inauguration, Nina has been an important hub for the development of open innovation, both for Natura and for the Amazon region (*read more about innovation on [page 37](#)*). In 2012, we launched the Natura Amazon Campus, which is comprised of 360 researchers, 10 local research centers and institutes and partners for that offer courses on entrepreneurship. Over 80 research projects have been registered.

Furthermore, important local partnerships were established with organizations such as the Federal University of Amazonas (Ufam), the National Institute for Amazonian Research (Inpa), the Brazilian Agricultural Research Corporation (Embrapa) and the Amazonas State Research Support Foundation (Fapeam). The results also include the funding of four scholarships for professional who will work at the company, as

well as the mobilization of resources for 32 grants allocated to innovation projects in the region.

INNOVATION AND SUSTAINABLE CULTIVATION PRACTICES

Natura, just like other cosmetics companies and those in the food, pharmaceutical and cleaning and hygiene industries, uses dendê oil, also known as palm oil, in its products. Around the world, palm cultivation generates controversy, because it is historically associated with deforestation and monoculture. In 2016, through an international alliance, Natura entered into an agreement with the USAID (United States Agency for International Development) to continue developing projects that adopt the agroforestry system for cultivation of the oil palm – something it has already been doing

for the past 10 years.

Natura was chosen as a partner of the US agency because it has been investing in research to study alternative methods of palm cultivation since 2007. That year, in cooperation with Camta (Tomé-Açu Mixed Farming Cooperative), in the state of Pará, Embrapa and Finep (Funding Agency for Studies and Projects - a Brazilian public agency promoting science, technology and innovation), we began a pilot project that used 18 hectares to test the replacement of palm monoculture with an

agroforestry system, whereby oil palm cultivation is carried out alongside that of other plant species. The pilot project produced a significantly higher yield of palm oil than under the traditional monoculture system, and demonstrated its environmental benefits – such as the natural barrier against pests created by the diversity of plant species.

The alliance will support the development and expansion of agroforestry systems and business models that combine good production performance with the methods of subsis-

tence farmers and the generation of ecosystem services. In addition to the partnerships established in the pilot project developed by Natura, we will also be supported by the ICRAF (International Centre for Research in Agroforestry, also known as the World Agroforestry Center) and the USAID itself. The investments made by alliance members are expected to reach US\$ 4.8 million. In addition to the more efficient production of palm oil, the system allows for carbon sequestration and prevents deforestation.

2. Socio-biodiversity Production Chains

The second pillar is aimed at structuring, refining and extending sustainable production chains in the Amazon, investing in the training, production efficiency and technology that is essential for cooperatives to thrive, generate wealth locally and achieve social development.

SUPPLIER COMMUNITIES

304-2, 103-2, 103-3, 413-2

Every year, we broaden and strengthen our relationship with the communities that supply our natural inputs. We maintain links with 33 local communities, three of which were included in 2016. Together, they represent 2,841 families. Around 75% of these business partners are located in the Amazon region, totaling 27 communities and 2,119 families. The other communities we maintain relationships with are located in different parts of Brazil (see map showing the location of all supplier communities [here](#))

Two of the three new supplier communities are situated on Marajó island (Pará state), a new area of operations for Natura. These new partnerships were required to expand the sourcing of certain bioactive ingredients, such as ucuuba, murumuru and andiroba (all types of plant), enabling us to increase the proportion of these inputs in our soaps.

The income received by the communities during the year exceeded R\$ 10 million. That is 55% higher than the amount received in 2015 and, in addition to payment for supplies (R\$ 5.8 million), it included the sharing of ben-

efits derived from access to traditional knowledge (R\$ 3.07 million), support for community infrastructure, training and payment for use of their image. 203-1 We have measured the positive impacts created by our relationship with local families, such as income generation through the purchase of inputs, investment in developing higher value-added production chains and transfer of technical skills through the training we provide. Now that they are much better organized, the communities are entering into partnerships with other companies, as well as Natura, to supply inputs obtained from the Brazilian biodiversity. This development was achieved using a sustainable production and commercial model.

We have also invested in improving the productivity of these communities and adding value to their supplies, by upgrading the infrastructure of two extraction units (one in the Mid-Juruá region and the other in the northeast of Pará) and thereby improving the quality to the oil and butter produced. We have continued with our training programs in the fields of health, safety, good management practices and organization management, training 545 people in 2016.

Also in 2016, 100% of supplier communities were audited by our Socio-biodiversity Chain Verification System, developed jointly with the UEFT (Union for Ethical Bioproducts). This procedure looks into labor issues, organization management and good production practices, and ensures the tracking of production chains, which is one of our

greatest challenges. This verification is ongoing, since the families need to develop a system to provide documentation confirming the origin of all inputs. The audits are performed annually in each of the communities, generating action plans that are monitored until the next audit.

Once a year, the communities participate in the Qlicar Award - which distinguishes Natura suppliers - in the BioQlicar category. The award goes to the most noteworthy community, the one that has shown the greatest evolution in several categories revolving around quality and good practices. The BioQlicar ratings underwent some changes in 2016, and the calculation now takes into consideration the ratings provided by the Verification System, as well as an indicator that measures the planned volume of production and delivery deadline.

The communities achieved a 3.93 rating in 2016. This index, which used to be a part of BioQlicar but is now an element of the Verification System, advanced slightly in comparison to the previous year's figure, of 3.62. The rating is weighted, along with the OTIF (on time in full) assessment rating of the community. The improvement is due to the communities' improved audit ratings, as well as greater compliance with the action plans during 2016, which also increases the community's rating throughout the year. There was also an improvement in the OTIF rating, compared to 2015, due to better delivery planning, both by Natura and by the communities, and greater investment in chain infrastructure. **414-1**

Socio-biodiversity Conservation – Amazon

257,000 hectares of forest = 1.7 times the area of the city of São Paulo

We influence the preservation of standing forest in the Amazon by using inputs obtained from its biodiversity in a sustainable manner, in partnership with supplier communities, as well as boosting development and generating income for more than 2,000 families in the region.

203-2 Communities and families benefitted (units)¹	2014	2015	2016
Communities that Natura has a relationship with	33	30	33
Families benefitted within the communities	3,121	2,251	2,841
Families benefitted within the Amazon region ²	2,106	1,529	2,119

1. We continued using the GPS method, which was introduced in 2015, for tracking our suppliers. The number of communities reported includes seven associations and 26 cooperatives. 2. The number of families benefitted in 2015 has been corrected.

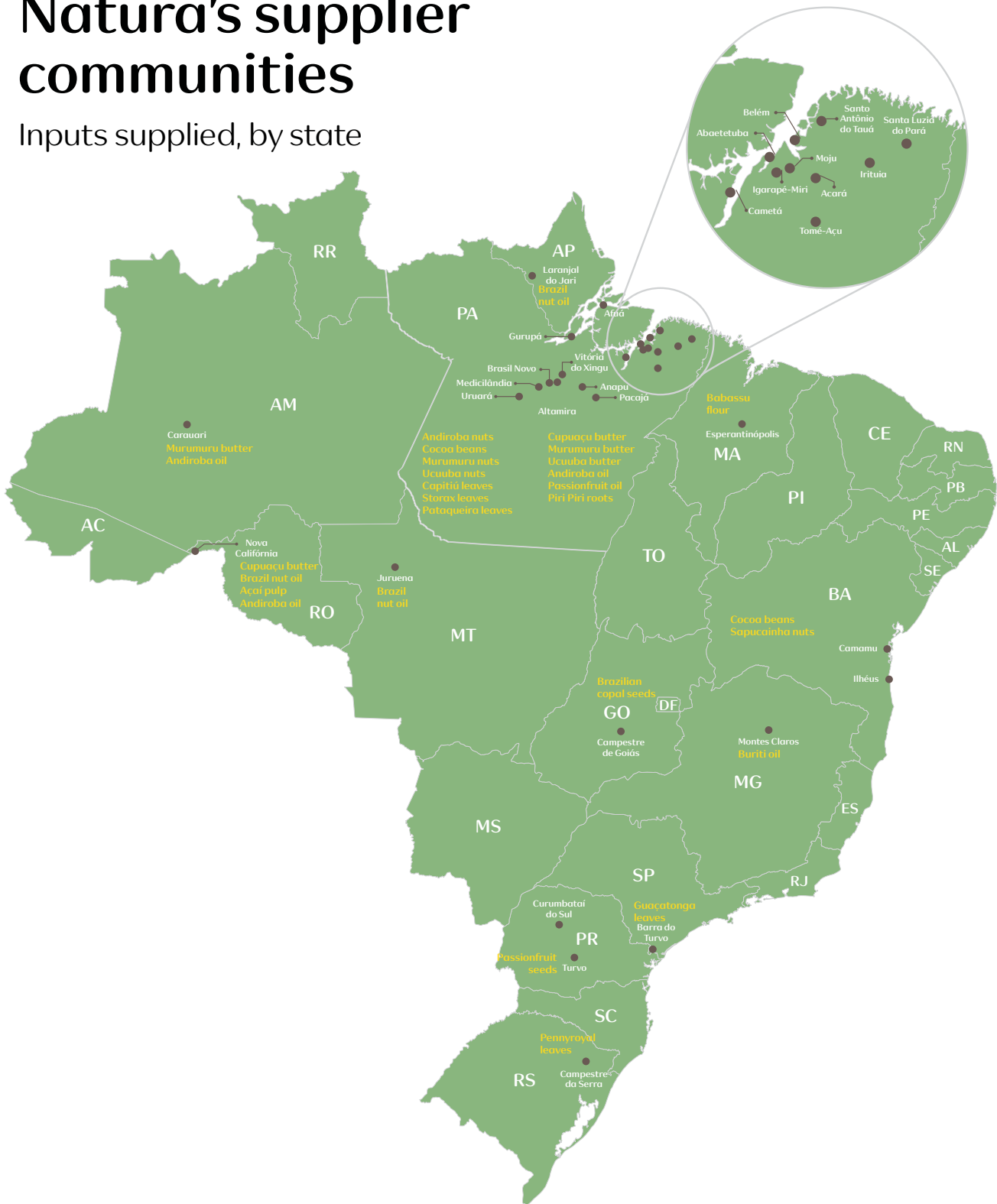
Resources allocated per family (R\$ thousand)	2014	2015	2016
Direct resources	2.3	2.3	3.1
Supplies	1.1	1.3	2.0

203-1 Investments made in the communities (R\$ thousand)¹	2014	2015	2016
Supplies	3,040	2,837	5,771
Sharing of the benefits derived from access to genetic heritage or related traditional knowledge	3,982	2,411	3,070
Support and infrastructure	300	443	669
Use of image	21	14	36,3
Training	946	245	77
Technical services	184	139	255
Studies	414	490	245
Total	8,887	6,579	10,123

1. Direct investments are amounts deposited directly to the communities in payment for the supply of raw materials, sharing of benefits and use of image. The categories of support and infrastructure, training, studies and technical services represent resources invested by Natura in the form of services, hiring of partners, research, equipment purchases, and infrastructure improvements, among other benefits. Such investments are made at Natura's discretion to add value to these production chains.

Natura's supplier communities

Inputs supplied, by state



Community	Location	Community	Location	Community	Location
Adincocma	Afuá (Pará)	Codaemj	Carauari (Amazonas)	Copotran	Vitória do Xingu (Pará)
Apobv	Acará (Pará)	Cofruta	Abaetetuba (Pará)	Copoxin	Brasil Novo (Pará)
Aprocamp	Santo Antônio do Tauá (Pará)	Comaru	Laranjal do Jari (Amapá)	GF Guacatonga	Barra do Turvo (San Pablo)
Ataic	Gurupá (Pará)	Coomar	Santa Luzia do Pará (Pará)	GF Jatoba	Campestre de Goiás (Goiás)
Caepim	Igarapé - Miri (Pará)	Coopaflora	Turvo (Paraná)	GF Poejo	Campestre da Serra (Rio Grande do Sul)
Cabruca	Ilhéus (Bahía)	Coopavam	Juruena (Mato Grosso)	GF Sapucainha	Camamu (Bahía)
Camta	Tomé Açú (Pará)	Coopção	Pacajá (Pará)	Grande Sertão	Montes Claros (Minas Gerais)
Camtaua	Santo Antônio do Tauá (Pará)	Copaesp	Esperantinópolis (Maranhão)	Irituia	Irituia (Pará)
Cart	Cametá (Pará)	Copoam	Medicilândia (Pará)	Jauari	Moju (Pará)
Cepotx	Altamira (Pará)	Copobom	Anapu (Pará)	MMIB	Belém (Pará)
Coaprocor	Corumbataí do Sul (Paraná)	Copops	Uruará (Pará)	Reca	Nova Califórnia (Rondônia)

ECOPARQUE

In order to bring together sustainable production chains and companies that want to do business related to socio-biodiversity, in 2014 we inaugurated the Ecoparque, in Benevides (Pará state). Developed based on the concept of industrial symbiosis, this structure aims at attracting other companies in-

terested in doing business locally. Currently, about 60% of Natura soaps sold in Brazil and through our International Operations is produced at the Ecoparque. In 2015, Symrise, a German oils and natural essences manufacturer, established its operations next to Natura, thus becoming the first partner to set up shop in this new industrial park.

In order to manage the impact caused by operations, the plant has adopted some innovative sustainable solutions, such as implementing filtration gardens for the treatment of wastewater, ensuring natural ventilation and lighting and installing a geothermal system that improves the efficiency of the air conditioning system.

3. Institutional empowerment

103-2, 103-3

The empowerment of local institutions and establishment of partnerships for the joint creation of proposals that benefit all parties involved is critical to the development of a standing forest economy. Starting from a priority matrix, put together with the input of the local population, we determined the most important areas for transforming the current situation of the Amazon, focusing on forestry education, fostering entrepreneurship, digital inclusion and carbon projects. Furthermore, we are working together with local governments, grassroots communities and companies through agreements and partnerships to create territorial development solutions in the Mid-Juruá (Amazonas state), Lower Tocantins and Transamazon (both Pará state) areas. (*See our main activities below*).

EDUCATION ADAPTED TO THE REALITY OF LIVING IN THE FOREST

Under the Alternating Schools project, children and teenagers alternate between residing at school and learning online at the family's rural property. Schools that offer this option play a vital role in tackling the exodus of young people from forest areas. Due to a lack of access to quality education, many young people migrate to large urban centers in search of better opportunities for personal development. Providing quality education that is adapted to the reality of living in a forest is essential to the creation of a prosperous ecosystem in the Amazon, as well as to

the development of more sustainable production techniques.

The Federal University of Western Pará (Ufopa), in Santarém, together with the Association of Rural Family Homes of Pará State (Arcafar), Natura and the Natura Institute, has set up the first specialization course in "Pedagogy of Alternation and Rural Development in the Amazon". It is aimed at teachers from these rural schools who, despite having a higher education degree, are not trained in this methodology. The course will run until August 2017 and all available places were filled.

Natura also supports Arcafar, which represents the 30 Rural Family Homes (CFRs, in Brazil), as the alternating schools are called, in Pará. Through direct investment and incentives, such as the allocation of funding to the Municipal Committee for the Rights of Children and Adolescents (CMDCA) in Cametá (PA), we empower these schools by helping them improve their infrastructure, classrooms, digital centers and training. For instance, the re-inauguration of the Cametá rural family home, in 2016, enabled around 60 young people from rural areas of four municipalities in Lower Tocantins to attend high school classes with in-built vocational training in crop and livestock farming. The number of places available is expected to grow by 50% in 2017.

This way, we are able to contribute with the training of professionals and improve the quality of education with a focus on forest living, affecting

around 1,800 young students from the Rural Family Homes in Pará.

FOSTERING ENTREPRENEURSHIP

In order to support young entrepreneurs who have sustainable business solutions that embrace the standing forest, we have developed a pre-acceleration project for regional startups, working in partnership with Artemisia, a non-profit organization that has pioneered the support of social impact businesses. Launched in the second half of 2016, the initiative already has 140 projects registered, 17 of which were chosen to be part of the Natura Amazon Challenge: Businesses that are good for the Standing Forest. In order to participate in the challenge startups must present solutions that are in line with the United Nations Sustainable Development Goals (SDGs). During a one-week immersion course, the entrepreneurs received in-person training in business and skills development and visited Natura supplier communities in Lower Tocantins, as well as the Ecoparque. The network of mentors was critical to ensure optimal business development. Mentors included the Pará State Secretaries for Innovation and Economic Development and professors from the Federal University of Pará and the Guamá Technological Park, as well as important partners with experience in fostering entrepreneurship, such as the Telefônica Foundation, Mov Investimentos and Impactix.

At the end of the immersion course, four startups were chosen to receive Artemisia mentoring for three months.

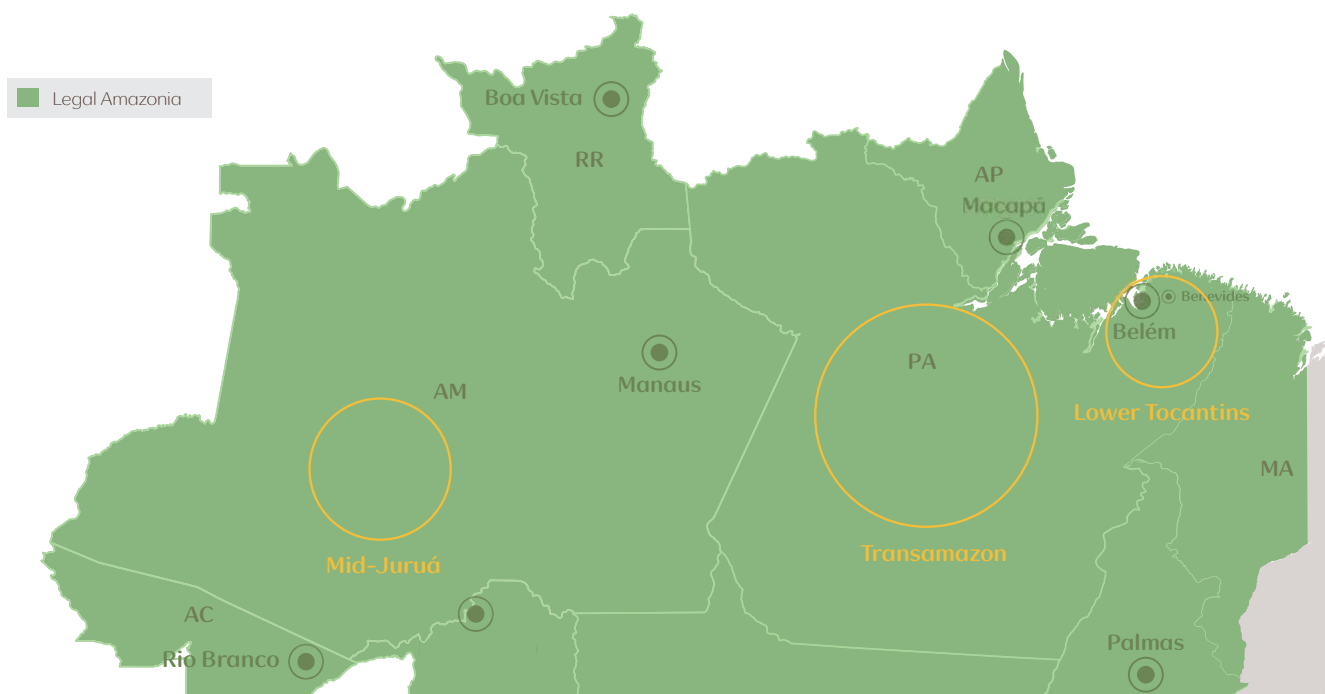
Here are the finalists:

- MEU Empreendedorismo Universitário (Manaus, Amazonas state) – A collaborative platform for entrepreneurial education, aimed at developing university students and urban and rural entrepreneurs.
- Arcafar (Altamira, Pará state) – A local agribusiness focused on teaching, but which also sells products to generate income and support alternating schools.
- Asproc – Pirarucu Production Chain (Carauari, Amazonas state) – A pirarucu processing business from the Mid-Juruá region.
- Da Tribu (Belém, Pará state) – Training and job creation for women through sustainable fashion and the production of latex-based accessories.

Territorial Development

Given the complexity and challenges faced in the Amazon, we work through agreements and partnerships to create large-scale transformations. We are active (working alongside local governments, grassroots communities and companies) in the territorial development of the Mid-Juruá (Amazonas state), Lower Tocantins and Transamazon (both Pará state) regions. Consequently, we understand the priorities of each region and have prepared joint plans containing initiatives and goals for them. Local leaders and institutions are empowered throughout this process.

Here are the main initiatives developed in each territory up to 2016:



Mid-Juruá

- First class of the vocational training course on Forestry and Sustainable Development, together with the Sustainable Amazon Foundation
- Access to basic sanitation and safe water for 500 riverside communities, through a partnership between the Chico Mendes Memorial Fund and the Ministry for Social Development
- Overhauling of the oil mill, yielding 25% more efficiency and production capacity
- Construction of more than 1 km of waterfront warehouses, for delivering products
- Opening of a UAB (Open University of Brazil) campus near riverside communities, through Capes (Coordination for the Development of People in Higher Education)
- Implementation of the Social Progress Index – Mid-Juruá, a tool for measuring the impact of our initiatives

Lower Tocantins

- Investments to improve the infrastructure of the Rural Family Homes (CFRs) in Abaetetuba and Cametá, increasing access to quality education
- Installation of five computer labs in the region, benefiting alternating schools and partner cooperatives, in a joint endeavor with TAM
- Training of 27 municipal secretaries to aid in the preparation of their Municipal Education Plans and distribution of 2,778 Trails kits, together with the Natura Institute, to improve literacy in 2,340 schools in the region.
- In 2016, we launched the first specialization course in sustainable agriculture for the Lower Tocantins, benefiting 35 technicians working in the region

Transamazon

- We supported the recognition and certification of seven Rural Family Homes in the region, enabling them to apply for public funding
- By means of an incentive, through the Municipal Council for the Rights of Children and Adolescents, we supported the refurbishment of a CFR in the municipality of Brasil Novo
- First specialization course in the Pedagogy of Alternation, in the Amazon region, for teachers from the 30 CFRs in the state of Pará, launched in partnership with Arcafar and Ufopa

The Amazon Program and the SDGs

The Amazon Program's emphasis is on SDG 15:

SDG 15: Life On Land. We seek to promote the sustainable use of terrestrial ecosystems, managing forests in a sustainable manner and reversing land degradation and loss of diversity. Through the Amazon Program, we have contributed to the conservation of 256,798 hectares of standing forest, which is equivalent to more than 277,000 football pitches.

However, since we make systemic interventions in the Amazon region, our activities have a direct impact on the following 12 SDGs as well:

ASDG 1: NO POVERTY. We have been working for 17 years in partnership with agroextractivist cooperatives from the Amazon region, boosting development and generating income for 2,000 families and having a direct impact on improving the quality of life of 8,000 people.

SDG 2: ZERO HUNGER. We give priority to production models that ensure the food security of the communities involved, such as agroforestry systems. Many refer to them as food forests. They generate income for local communities, while guaranteeing food security and forest preservation.

SDG 3: GOOD HEALTH AND WELL-BEING. Social inclusion and income generation improve the access of riverside communities to health services and boost their quality of life. That is the case in Mid-Juruá, in the state of Amazonas, where access to safe water is directly contributing to the reduction of infant mortality and improved health and well-being of more than 500 riverside families.

SDG 4: QUALITY EDUCATION. We support the empowerment of 30 rural community schools in the state of Pará, giving 2,000 young people access to quality education, including technical training tailored to their local situation. This raises their chances of leading a more dignified and prosperous life in the forest.

SDG 5: GENDER EQUALITY. Working with species from the local biodiversity enables important advances in the training of women as leaders and the creation of jobs and generation of income for women from the Amazon region. One such example is the Belém Islands Women's Movement, in Cotijuba, and the empowerment of women through the harvesting of andiroba in the Mid-Juruá and of tonka beans by the AVIVE women's association in the state of Amazonas.

SDG 6: CLEAN WATER AND SANITATION. Through a partnership with the Ministry of Social and Agrarian Develop-

ment, established in early 2015, the Amazon Sanitation Project has provided basic sanitation infrastructure and access to drinking water to 500 riverside families in the Mid-Juruá region of Amazonas state.

SDG 8: DECENT WORK AND ECONOMIC GROWTH. The Amazon Program is geared towards inclusive and sustainable economic development, contributing to the development of leadership, strengthening of cooperatives, and creation of jobs and generation of income in 25 communities comprising 2,000 families in the region.

SDG 9: INDUSTRY, INNOVATION AND INFRASTRUCTURE. We have invested in agricultural innovation, training and infrastructure, in order to boost the competitiveness of the 24 cooperatives from the Amazon region that are our partners, seven of which have local micro-plants. This allows them to improve the added value of their products. Furthermore, we bring together sustainable production chains and the demand from companies for natural inputs, through our Ecoparque, an industrial park in Benevides (Pará state) that focuses on a standing forest economy.

SDG 10: REDUCED INEQUALITIES. The Amazon is one of the regions with lowest per capita income in the country and social indicators that are below the Brazilian average. The Amazon Program stimulates the standing forest economy as a development alternative for the region, thus contributing to a new business perspective, wealth generation and shared value in the region.

SDG 12: RESPONSIBLE CONSUMPTION AND PRODUCTION. We invest in the empowerment of local leaders and cooperatives, traceability, fair trade practices, the sharing of benefits through access to genetic heritage and traditional knowledge, projects for social improvements, the creation of value added to local communities by setting up micro-plants, and in sustainable production and management systems, such as organic agriculture, agroforestry systems and forestry management.

SDG 13: CLIMATE ACTION. At present, 41% of Natura's project portfolio for offsetting carbon is composed of projects in the Amazon that avoid the emission of 1.16 million tons of CO₂ into the atmosphere. These projects support the use of clean energy, the restoration of deforested areas and forest conservation (Redd+).

SDG 17: PARTNERSHIPS FOR THE GOALS. We act in partnership with grassroots communities, governments, NGOs and local companies, under territorial development arrangements, empowering leadership and institutions and bringing together the efforts of the various stakeholders of several different locations in order to foster development and improve the region's quality of life (see the map showing the three territorial groups and the impact of our activities).

NEW BIODIVERSITY LAW

Last year we celebrated the completion of the revision process of the legal framework for access to Brazilian biodiversity resources, which is regulated by Law no 13,123/15 through a decree. Different industries and local communities had been awaiting for more than ten years for legislation that reduced the hurdles surrounding the access to Brazil's genetic heritage. During this time, regulation was guaranteed through a provisional measure. Although there is still room for improvement, we believe this new law promotes access for research purposes and the sustainable use of assets, increases the generation of value for companies and local communities and favors the

sustainable use of those resources, by ensuring their conservation.

As a result of the new legislation, the registration of research on biodiversity assets will be performed through SisGen (National System for the Management of Genetic Heritage and Associated Traditional Knowledge), which is expected to go live in 2017. Before the launch of this system, researchers and companies needed to obtain the approval of the Genetic Heritage Management Council (CGEN) in order to begin any type research, even when the asset would not be used commercially. This extremely taxing process took years and made many initiatives unfeasible. The new legislation also makes changes to the

way traditional communities are remunerated for their knowledge of bio-active ingredients.

While the provisional measure was still in effect, Natura prepared its Policy on the Use of Biodiversity, which establishes the procedures for conducting research and using natural inputs, as well as rules governing its relationship with traditional communities, holders of the knowledge regarding the use of these natural assets. Our standards are based on the provisions of the Convention on Biological Diversity (CBD), a body linked to the United Nations, which was also used as the basis for Brazil's new regulatory framework. In 2017, we will finish adjusting our policy so that it is in accordance with the new Brazilian law.

MANAGEMENT OF GHG EMISSIONS

Carbon Neutral for 10 years

103-2, 103-3

We are fully aware of our responsibility regarding issues such as climate change and greenhouse gas (GHG) emissions. For this reason, we established the Carbon Neutral Program in 2007. This program aims at reducing the impact of emissions from all stages of our operations – starting from the extraction of raw materials through our processes and those of our production chain all the way to post-consumer disposal of product packaging. The result is a combination of economic, social and environmental gains.

The Carbon Neutral Program is divided into three main areas: measurement, reduction and offsetting of emissions. Every year, we monitor the amount of greenhouse gases released into the atmosphere using an audited inventory. The relative analysis of the amount of CO₂ equivalent per kilogram of manufactured product, revealed an index of 3.17 kgCO₂e/kg, a small reduction of 0.5% in relation to 2015.

This indicator was affected by reduced production during this period. Nevertheless, we were able to maintain the level reached in the previous year, due to various efficiency initiatives, which have since been reinforced (see the table below). In line with our 2050 Sustainability Vision, we will continue pursuing significant new carbon re-

ductions throughout our value chain – by 2020, we are committed to reducing our relative GHG emissions by 33%, compared to 2012 levels. That is a challenge for Natura as a whole, since we have already reduced them by 33% between 2007 and 2012.

In terms of absolute emissions, the result for the year was 303,424 tCO₂e, for our value chain. This was down by 5.4% in comparison with 2015, also due to the lower production levels.

Emissions that cannot be avoided are 100% offset. Consequently, Natura has been a carbon neutral company since 2007. The offsetting is done by purchasing carbon credits from organizations that have reduced their emissions. In line with Our Essence, we have designed the carbon offset program so that it will generate further social and environmental benefits. We only purchase credits from projects associated with forest regeneration and maintenance, energy efficiency or the substitution of fossil fuels (*read more it in the box below*).

Since the beginning of the program, we have issued five calls for projects and signed contracts for 35 initiatives in Brazil and other Latin American countries where we operate (Argentina, Chile, Colombia, Mexico and Peru). This portfolio is currently composed of 63% energy projects and 37% for-

est initiatives. Over 41% of the projects come from regions in what is defined as Amazônia Legal and the Pan-Amazon Basin. According to a report from the Carbon Disclosure Program (CDP), Natura is the fourth largest global company taking part in the world's voluntary carbon credit market.

In 2016, we achieved our goal of locally compensating emissions in each of the countries that are part of our International Operations, through the purchase of credits in Mexico and Chile. One of our biggest highlights, Chile, benefited from the acquisition of 26,000 carbon credits from the Valdiviana Coastal Reserve, a protected area managed by The Nature Conservancy. In Peru, we bought 62,420 carbon credits from the country's largest forest initiative, the company Bosques Amazónicos, and now have two projects running in that country. It was the largest transaction ever of its kind by a private company in the country. Moreover, in Argentina, in 2015, 70,000 carbon credits were purchased for US\$ 4 million, from the Rawson wind farm. Again, it was the largest transaction ever of its kind in the country and the first one carried out voluntarily. In Mexico, we signed a contract for 4,367 credits pertaining to a project for eco-efficient stoves. This alone will generate 190,000 tCO₂e in credits.

305-2 / 305-4	Total CO ₂ e emissions (t) ¹²	Relative emissions (kg of CO ₂ e/kg of billed product)	Accumulated reduction in relative emissions since 2012 (%)
2014	332,208	3.00	6.9
2015	321,267	3.17	1.4
2016	303,424	3.17	1.3

1. CO₂e (or CO₂ equivalent): measurement used to represent emissions of greenhouse gases, based on the global warming potential of each one. 2. Includes Scopes 1, 2 and 3 of the GHG Protocol.

THE PURSUIT OF ECO-EFFICIENCY 103-2, 103-3

For the past 10 years, Natura has been transforming its processes in order to reduce its greenhouse gas emissions. Our initiatives permeate the selection of raw materials, manufacturing, transport and other company processes, but always overlooking the whole production chain:

- Use of refills, including in fragrances, in a pioneering initiative in the cosmetics industry
- Greater use of post-consumer recycled glass in fragrance bottles, another pioneering initiative
- Increased use of post-consumer recycled PET in product packaging (some items already use 100% recycled PET)
- Reduction of air shipment for exports to other Latin American operations
- Use of coastal shipping to supply

distribution centers in the north and northeast of Brazil, while reducing the use of road transportation

- Improved transport performance for consultants in Brazil, with the opening of new distribution centers
- First company in Latin America to use electric vehicles to deliver products to consultants and consumers. They emit nine times less CO₂ than conventional vehicles. We are currently using five electric vehicles, in four cities.
- Reduction of electricity consumption at Natura sites
- Optimized production of the catalogs used by our consultants
- Increased sales of low relative emission items, notably in the soap and body care categories
- In Vitória and Porto Alegre, we are already using bicycles with baggage compartment to deliver products to

consumers and Espaço Natura catalogs to consultants

- Use of plant-based inputs (currently 83% of the total) instead of fossil-based inputs
- Use of organic alcohol in 100% of the fragrances category. This type of alcohol is produced without using any pesticides, chemical fertilizers or burning, and has brought 20,000 hectares of forest back to life – including the return of 340 animal species (including endangered species such as jaguars) and a 30% increase in the volume of water in nearby streams
- Supplier development program, focused on improving performance and compliance with good social and environmental practices
- Use of a type of paper that results in fewer emissions when printing the Espaço Natura catalog

Projects that yield social and environmental benefits

Through the offset program, we promote the maintenance, and regeneration, of standing forests, as well as projects that promote reforestation, energy efficiency and the substitution of fossil fuels. The environmental benefits arising from the implementation of these projects are measured and converted into carbon credits. These are sold to Natura, which uses them to offset its own unavoidable emissions.

Many of these projects go beyond environmental benefits, with a positive effect on the communities involved. One of these initiatives, led by the Perene Institute in the Recôncavo Baiano region, promotes the exchange of old wood-burning stoves for more eco-efficient models. The new models use a combustion chamber, which means it requires less firewood, while the small volume of smoke generated is removed from the home through a chimney. This results in lower greenhouse gases emissions and eases the pressure that leads to deforestation.

These stoves are considered a social technology, because they are inexpensive and simple to use. To build its structure, homeowners buy sand, cement and ceramic blocks, while

the Perene Institute provides all technical components and labor.

Our relationship with the Perene Institute began in 2008, through the second Natura Carbon Neutral call to tender. Since then, through partnerships in two other tenders, we have committed ourselves to building 7,880 eco-efficient stoves, benefiting an equal number of families, in municipalities such as Maragogipe and São Felipe. So far, 6,400 stoves have been built and the carbon credits resulting from their installation represents 6% of the total volume acquired by Natura between 2008 and 2016. The sale of carbon credits to Natura help the institute finance the construction of more eco-efficient stoves.

We also support a similar program in Mexico, in partnership with the Utsil Naj project, which is run by six organizations. Over 4,367 stoves have already been installed, which will generate a reduction of 190,000 tCO₂e in emissions. In addition to the environmental benefits, each family saves 193 Mexican pesos per month (about R\$ 30) because they are using this technology.

Additional benefits of carbon offsetting

Forest restoration

13 projects supported

Restored area: 2,155 hectares
(equivalent to more than 2,000 football pitches).

BIOMES

Amazônia Legal and Pan-Amazon: 1,212 hectares

Atlantic Forest: 427 hectares

Other Biomes: 516 hectares

Total GHG removed from the atmosphere: 639,933 tCO₂e

Forest conservation

5 projects

Area of the projects seeking conservation: 12,135 hectares
(equivalent to more than 12,000 football pitches)

Amazônia Legal and Pan Amazon: 12,077 hectares

Other Biomes: 57 hectares

(We have no project in the Atlantic Forest)

Total GHG removed from the atmosphere: 382,602 tCO₂e

305-1/305-2 Emissions of our value chain (t) ^{1,2}	2014	2015	2016
Extraction and transportation of raw materials and packaging (processing and transporting it all the way through to direct suppliers)	141,574	127,788	122,337
Direct suppliers (processing and transporting it to Natura)	35,154	31,731	30,378
Industrial and internal processes	29,325	18,557	15,633
Product sale (transportation and distribution)	49,593	66,749	63,465
Product use and packaging disposal	76,680	76,442	71,611
Overall total	332,326	321,267	303,424

1. All GHGs were included in the calculations. 2. To calculate our inventory, we included the total volume of our Scope 1, 2 and 3 emissions. Our inventory adheres to the standards of the GHG Protocol and the principles of the ABNT NBR ISO 14064-1, which determine the rules for their design, development, management, preparation and reporting. In 2016, the report was audited by KPMG.

305-1/305-2/305-3 Direct and indirect emissions of greenhouse gases (t) ¹²	2014	2015	2016
Direct GHG emissions (Scope 1)	1,635	4,156	4,975
Direct biogenic emissions (from the burning or biodegradation of biomass)	8,826	9,347	8,870
Indirect emissions of GHG and Energy (Scope 2)	8,371	7,909	5,094
Other indirect GHG emissions (Scope 3)	322,319	309,202	293,355
Indirect biogenic emissions of CO ₂ (in metric tons of CO ₂)	8,921	10,746	9,366
Total	332,325	321,267	303,424

1. All GHGs were included in the calculations. 2. To calculate our inventory, we included the total volume of our Scope 1, 2 and 3 emissions. Our inventory adheres to the standards of the GHG Protocol and the principles of the ABNT NBR ISO 14064-1, which determine the rules for their design, development, management, preparation and reporting. In 2016, the report was audited by KPMG.

Environmental accounting

We were the first company in Latin America (and the only one of the global cosmetics industry) to publish the full findings of its EP&L (Environmental Profit & Loss). It was released in July

2016, during the launch of the Natural Capital Protocol, in London. In the calculation, which translates environmental impact into financial values, we included solid waste generation, land

use, and water consumption and pollution, as well as emissions of greenhouse gases and other air pollutants. In this first study, using data from 2013, the estimated result came to R\$ 132 million.

WATER MANAGEMENT

The challenge of the water footprint

103-2/103-3

Having chosen a methodology that covers all impacts throughout our value chain, in 2016 we looked for initiatives to reduce our water footprint. We assessed the potential of a few projects and investigated the opportunities to offset their impact, similarly to what we do with greenhouse gas (GHG) emissions under the Carbon Neutral Program. Indeed, we see opportunities for synergy with this program, especially when it comes to the forest projects we are currently supporting.

However, our greatest challenge still lies with product consumption, which is heavily influenced by consumer be-

havior. Actually, the greatest impact is not the volume of water consumed while taking a shower, but rather the effects of generating energy to heat the water, since the Brazilian electricity matrix is largely based on hydroelectric power. This responsibility is shared between both company and society.

Based on the detailed information obtained from the analysis of our water footprint, we will include the water assessment indicator in our environmental impact calculation, which helps us development new products. This calculation evaluates inputs and raw materials and estimates the effects

of a product before it has even been manufactured. Waste generation and GHG emissions are already included in the calculation, and now will broaden its scope to include water issues as well. This will be the innovation teams in their decision-making.

The relative indicator that measures water consumption in our industrial processes rose by 9% in 2016, to 0.53 liters per unit produced. This result was especially influenced by reduced production volumes throughout the year, which put pressure on our efficiency indicators. For the same reason, our total water consumption for the year was down by 5%.

303-1 Water consumption (l/unit produced)	2014	2015	2016
		0.45	0.49

Water consumption by location (m ³)	2014	2015	2016
Natura sites ¹	174,045	177,866	191,277
Other locations ²	60,356	52,826	50,224
Natura's third-party suppliers ³	60,299	63,027	37,453
Total water consumption	294,700	293,719	278,955

1. This includes the following industrial units: Cajamar and Ecoparque (Benevides). 2. Includes Nasp, Lapa, distribution centers and the Itupeva hub. 3. Main suppliers who manufacture finished products for Natura. The leading third-party suppliers account for around 90% of this volume.

WASTE MANAGEMENT

At the end of the cycle

103-2, 103-3

When we develop our products, we think about their entire life cycle (from the choice of raw materials to disposal of the packaging) and we are committed to progressively reducing the environmental impact of our processes. This is made possible by the use of raw materials that are of plant-based in our formulas, as well as the growing use of recyclable and post-consumer recycled materials and the development of eco-efficient* packaging.

For the past ten years, we have been researching and investing in the reuse of glass in the production of our fragrance lines, while taking care to maintain the sophistication that is expected of packaging of this kind. That is a challenge we face every time we develop a new product, because numerous tests are required to get the glass mixture just right, so that the quality and color of

the recycled material are not compromised in any way.

In 2015, the packaging of our perfumes from the Ekos Frescor, Humor, Kaiak for men and Essencial for men lines contained 20% post-consumer recycled glass. Consequently, we avoided emitting 539 tons of greenhouse gases into the atmosphere. Production using recycled glass has been ongoing since the beginning of 2015, consuming the equivalent of 600,000 1 liter soft drink bottles. In 2015, we used glass recycled from waste disposed of by the beverage industry. By 2016, we had produced the first batch of recycled glass that used glass obtained from recycling cooperatives (which increases the technical challenge of maintaining packaging quality and standards that correspond to our expectations). From the start, we have worked with service providers in

the recycling chain, who are submitted to a strict accreditation process that assesses traceability, business legality and compliance with industry regulations.

In 2016, 4.3% of the materials used to make our packaging were of post-consumer recycled origin, a percentage that has been steadily growing. The goal is to have 10% of all packaging made from post-consumer recycled materials by 2020.

The Ekos line has contributed immensely towards this goal. Its 2016 relaunch saw a huge bump in the use of recycled materials, with all its packaging now using 100% post-consumer recycled materials or 100% green polyethylene. We are also continuously expanding our offer of product refills and have pioneered the introduction of refills in the category of fragrances, with the Ekos Frescores line.

* Packaging with at least 50% of weight reduction in comparison to normal/similar packaging or that is composed of at least 50% of post-consumer recycled materials and/or non-cellulose renewable materials, provided they do not increase its mass.

301-2 Post-consumer recycled material used in the packaging of finished products¹ – Brazil (%)	2014	2015	2016
% of post-consumer recycled material used in the packaging of finished products	1.2	2.9	4.3
Direct biogenic emissions (from biomass burning or biodegradation)	8.826	9.347	8.870

1. The indicator takes into consideration the percentage of post-consumer recycled material mass in relation to total mass of packaging materials, weighted according to the manufactured quantity.

301-2 Recyclable material in the packaging of finished products¹ (%)	2014	2015	2016
% of recyclable material in the packaging of finished products ²	57.5	50	51

1. Recyclability: this indicator looks into the percentage of recyclable material mass in relation to total mass of packaging materials, weighted according to the manufactured quantity.

Acquiring expertise in reverse logistics

103-2, 103-3

The National Policy on Solid Waste posed a challenge to companies, since it requires the establishment of logistics chains for the return of post-consumer packaging. Consequently, companies have had to develop ways of connecting with their consumers, in order to ensure proper disposal of all packaging after use. In 2016, Natura completed a one-year experimental pilot program devised to promote reverse logistics in the São Paulo metropolitan area. Un-

der that program, different means of collecting post-consumer waste were organized, including a commercial partnership with five collection cooperatives. Natura Consultants were also recruited to collect materials. After collection, the waste was sent to recycling centers. The experiment was useful to learn more about this chain, as well as reverse logistics operations, and helped us define a strategy, procedures and actions to help achieve our goal of applying re-

verse logistics to 50% of our products by 2020.

We also support the *Dê a Mão para o Futuro* (Give the Future a Hand) program, which is an industry initiative coordinated by the Brazilian Association for the Personal Hygiene, Fragrances and Cosmetics Industry, along with the Brazilian Association of Cleaning Product Companies and the Brazilian Association of Processed Biscuit, Pasta, Bread and Cake Manufacturing Companies.

Eco-efficient packaging - Brazil (% of manufactured items) ¹	2014	2015	2016
Brazil	29	26	20
Argentina	12.9	23.1	20.1
Chile	14.1	21.6	16.9
Colombia	16.7	29.8	27.9
Mexico	10.8	20.1	17.8
Peru	17.1	25.1	22.0

1. The 2014 International Operations figures refer only to the proportion of refills in relation to all manufactured items. The 2015 data from these countries were recalculated to meet the definition of eco-efficient packaging adopted in Brazil. Figures for France are not available.

RELATIONSHIP WITH SUPPLIERS

Developing commercial partnerships

103-2, 103-3, 102-9

Suppliers are among Natura's most important stakeholders. In Brazil, we have approximately 5,000 commercial partners, 650 of which are categorized as recurrent suppliers and represent 70% of our purchase volumes. These are, therefore, most often long-term relationships. Accordingly, we are continually implementing new initiatives to fine-tune our relationship with these stakeholders.

An example is the QLICAR program, whose objective is to boost chain performance through supplier performance management and activities focused on the joint development of processes. The program's acronym in Portuguese stands for each of the aspects that this initiative assesses –

(Q)uality, (L)ogistics, (I)nnovation, (C)ompetitiveness; (A) for environmental and social; and (R)elationship. In 2016, 155 companies participated in the QLICAR program (see the categories in the list below).

In 2016, we resumed our Annual Strategic Meeting with suppliers. It was attended by 149 executives from 54 different companies, with whom we shared our strategy and future requirements. We also renegotiated our partnerships to ensure production quality and the competitiveness of our product portfolio.

Another measure introduced during 2016 was the adoption of an electronic bidding system, which is widely used by companies of all industry.

This new system brings agility and even more transparency to the hiring process. To participate in tenders, suppliers are screened, particularly regarding technical capacity and past performance. We now plan to include credibility (relationship history) to the screening of companies that are submitting new bids to Natura and are participants of the QLICAR program. We believe this is a fair and objective way of highlighting their partnership track record and their efforts to improve procedures and performance.

In 2016, total payments to our suppliers came to R\$ 4.2 billion, a stable figure in comparison to the previous year.

QLICAR CATEGORIES

- **Production** suppliers of raw materials, packaging and/or who manufacture the final product)
- **Bio** (supplier communities)

- **Brand** (branding, design, copywriters, communication agencies)
- **Cycle** (logistics and transport operators)
- **Innovation** (contribute new ideas for product development)

- **TD** (suppliers of software, hardware, IT services)
- **Facilities** (resident services, such as cleaning, security, catering and employee transportation)

414-1 Investment practices and purchasing processes - Brazil

	2014	2015	2016
Percentage of new suppliers that were screened using human rights criteria ¹ (%)	2.2	2.3	1.9

1. We continually evaluate suppliers from critical categories. The number of new suppliers in categories that are subject to assessment and monitoring for environmental, labor, impact-on-society and human rights criteria is low in comparison to the total number of new suppliers, representing approximately 2% of the total. However, suppliers from critical categories account for approximately 70% of the total volume of Natura's purchases. The human rights aspects considered are child labor and forced or compulsory labor practices, where Natura has a zero-tolerance policy that prohibits the hiring of any supplier found to have engaged in such practices.

SATISFACTION SURVEY

We carry out an annual evaluation that measures supplier satisfaction, which also allows us to identify where there is room for improvement. Despite 2016 being a challenging year, requiring some adjustments be made to ensure Natura remained competitive, the satisfaction indicator showed

an increase from the previous year, going from 77% to 79%. This result demonstrates the assertiveness of our relationship with these stakeholders, which prioritizes open dialogue and transparency. We also track an indicator that measures supplier loyalty, which looks at supplier satisfaction in working with the company, willing-

ness to continue doing business with us, and whether they would recommend Natura as a customer. In this regard, we grew 3 percentage points in Brazil, to 21%, following the decrease registered in 2015. In our International Operations, loyalty remained stable at 41% after a considerable rise from 2014 to 2015.

103-43/102-44 Loyalty Index (%)^{1,2}	2014	2015	2016
Suppliers (Brazil)	24	18	21
Suppliers (IOs)	33	41	41
Suppliers (Brazil & IOs)	26	25	27
Supplier communities ³	-	28	-

103-43/102-44 Satisfaction Index (%)⁴	2014	2015	2016
Suppliers	86	77	79

1. Loyalty: percentage of individuals consulted who gave the maximum score on a 1 to 5 point scale in three categories – satisfaction, intention to continue the relationship with Natura and recommendation of Natura as a customer. 2. In 2016, we noted a 2.0 pp rise in the Natura Supplier Loyalty index, with a 3.0 pp increase in Brazil. Dissatisfaction was seen as having been positively addressed in all aspects (except the meeting of deadlines), with emphasis on the work carried out in negotiations, leading to improvements in operational processes and communication with suppliers. Ongoing relations and negotiations are the main areas where there is room for improvement. 3. The loyalty survey conducted with supplier communities takes place on a biannual basis. The last assessment was in 2015 and the next will be in 2017. 4. Satisfaction: percentage of satisfied and totally satisfied suppliers (or “top 2 box” – ratings of “4” or “5”).

DEVELOPMENTS IN LOGISTICS

Faster deliveries to consultants and consumers

We continue to reap the benefits of the investments made over the last five years to improve our logistics infrastructure and refine the process of order separation and delivery. The São Paulo Distribution Center (SP DC), which first opened its doors in 2013, ramped up to its full capacity in 2016, making it the company's largest DC in activity. It handles the entire demand from the state of São Paulo, which represents 20% of the total number of orders received by Natura.

This has resulted in enormous efficiency gains. At present, a Natura Consultant residing in any city in the state of São Paulo takes, on average, 2.8 days to receive any order at home. The SP

DC also supplies all Natura stores and the network of drugstore partners that sell the Sou and Tez lines, while also delivering orders from consumers who purchase online through Rede Natura.

In order to help consultants receive ever more precise information, we launched a new feature in 2016 that allows them to verify, whenever they place an order, whether products are available in stock at the distribution center nearest their residence – thus enabling them to receive items more quickly – or whether the desired items are still in transit.

In 2016, 45% of all Natura orders were delivered within 48 hours in all regions of Brazil. In 2015, the figure was 42%.

WELL RECEIVED

The company has been awarded the Ebit Diamond seal, the highest certification given to companies that sell online. This certification relates to deliveries made on time and the probability of a user making further purchases through the online platform.

Natura also received recognition one more time for being one of the companies with the best customer service in Brazil, according to an annual study conducted by Exame magazine, in partnership with the IBRC (Ibero-Brazilian Institute for Customer Relations). In 2016, we placed second in the ranking, while in 2015 we were awarded the top position.

Recognition in 2016

Época Reclame Aqui Award – Natura ranked first in the Beauty, Aesthetics and Cosmetics category.

Ebit Award – Natura was the second “Loja mais Querida (Best Liked Store)” for online retailing in the cosmetics and fragrances category. The criteria evaluated

by consumers who participated in the selection process included efficiency of the shopping experience, price and meeting delivery deadlines.

Exame/IBRC ranking of customer services
In 2016, Natura ranked second, surpassed only by Google.

24/7 monitoring of logistics

In order to guarantee efficiency and service quality, Natura has established a Traffic Center that monitors all company logistics operations in Brazil, including production units and distribution centers. Real-time monitoring makes logistics processes more agile and helps with decision-making when unexpected planning adjustments or other external changes occur.

ADVANCES IN LATIN AMERICA

We also continued to invest heavily in our International Operations, especially on logistics efficiency and in-

frastructure preparation for regional growth. Currently, about 65% of all orders are delivered within 48 hours, and in some countries, it has reached 70%. These investments also reflect the geographical extension of our deliveries – for example, our products are delivered to consultants on Easter Island, which is about 3,700 km off the west coast of Chile.

In November, the company opened a distribution center in Argentina, the largest one Natura has outside Brazil. The facility has automated separation lines equipped with ‘pick to light’ technology.

We also saw gains in our Latin American local production index, through improvements in Argentina, Colombia and Mexico. These countries already account for about 35% of all products sold by International Operations, and is especially strong in the fragrances and body care categories. This strategy strengthens our international presence, ensuring an increasingly effective level of service to consultants and consumers. It also reduces our logistics costs and our carbon footprint, while allowing us to stimulate the development of local supply chains, much as we do in Brazil.

LOCAL COMMUNITIES

Developing the areas surrounding Natura's operations

413-1, 413-2, 103-2, 103-3

Our commitment to having a positive impact on the communities surrounding our operations is set out in our 2050 Sustainability Vision and we have created a series of activities that benefit local populations. The municipalities of Cajamar (São Paulo state) and Benevides (Pará state) have hosted Natura production units since 2000 and 2014, respectively. Our main distribution center, the São Paulo Distribution Center (SP DC), has been in the Jaguará district of the state capital since 2012. That is also where our headquarters are lo-

cated, which are currently undergoing renovations.

Together with other companies, grassroots communities, NGOs and local populations, we have formed territorial arrangements and prepared a Local Development Plan for each of these areas. Important results have already been achieved by social mobilization movements such as "Comunidade Viva" (Living Community), in Jaguará, "Inova Cajamar" (Innovate Cajamar), in Cajamar, and UD-BEN in Benevides. All these stakeholders combined efforts to prepare a participative analysis, determine development

priorities and draw up a plan setting out its main initiatives and their goals. Local leaders and institutions are empowered through this process. We also use the Community Social Progress Index in Cajamar and Jaguará. This diagnostic and measurement tool helps us understand both positive and negative social and environmental impacts the initiatives have on the area.

In 2016, there were no recorded negative impacts. Quite the opposite actually, as current initiatives have had a demonstrable positive influence over local communities (*see more below*).

203-1 Local communities – Brazil (R\$ thousand)	2014	2015	2016
Investment in communities surrounding Natura's units - Natura resources ¹	375	478	530
Investment in communities surrounding Natura's units - Crer para Ver resources	590	455	556

1. All investments are allocated to non-governmental organizations and partners that contribute towards the implementation and operation of projects in each location.

CAJAMAR (SÃO PAULO STATE)

The Inova Cajamar (Innovate Cajamar) Movement has formed new partnerships and seen growth in the number of participants, including representatives of public and private institutions, civil society, municipal employees and Natura's employees and consultants. Ten monthly meetings were held in 2016, along with three community drives for the transformation of public

spaces and municipal culture, involving more than a thousand participants.

During municipal elections, the movement got 25 candidates (who were running for mayor and council member) to commit to the adoption of the principles of the Sustainable Cities Program.

Natura's partnership with the SOS Mata Atlântica Foundation also enabled the visit of 1,200 students and teachers from 13 Cajamar schools to

the SOS Mata Atlântica Forestry Experiments Center, in Itu (SP). In addition to a guided visit, the visitors received around 3,000 seedlings of Brazilian native species to plant in their school grounds and neighborhoods. By the end of the project, the schools participated in a draw for a graffiti workshop, with the winning institution having its walls decorated with graffiti depicting the fauna and flora of the Atlantic Forest.

Learn more:

Follow the initiatives at www.inovacajamar.org.br (in portuguese) and [facebook.com/inovacajamar](https://www.facebook.com/inovacajamar)

First municipal transformation community drive (in portuguese):

<https://www.youtube.com/watch?v=GXZVJ7rxz4&t=23s>

JAGUARA (SÃO PAULO STATE)

In 2016, the Movimento Comunidade Viva (Living Community Movement) from Jaguara focused on expanding local engagement, as well as publicizing important neighborhood councils and encouraging its members to join them.

There were also 12 monthly meetings and two community drives aimed at transforming public spaces and cultivating local talent through culture, sports, food, leisure and income generation. The response to the initiative was significant, having attracted more

than 1,500 participants.

Moreover, a local CV database was set up with the profiles of around 400 participants, so that companies in the area can recruit locally, thus creating jobs and generating income within the community.

Learn more:

[facebook.com/comvivajaguara](https://www.facebook.com/comvivajaguara)

Video of one of the community drives (*in portuguese*): <https://www.youtube.com/watch?v=h1QtJZCzYnA&t=13s>

BENEVIDES (PA)

The Natura Local Development Program - Benevides, in partnership with UDBEN (Association for the Development of Benevides), conducted two community drives in the region: Giro Cultural (Cultural Round) and Giro de Negócios e Oportunidades (Business and Opportunities Round), bringing together around 610 participants, 33 partners, 23 attractions and 28 volun-

teers, in four different locations.

In order to stimulate professional training, we signed a cooperation agreement with Senai (National Industrial Training Service), enabling the creation of training courses in industrial production processes. Between 2015 and 2016, there were four classes with 83 young people undergoing training, 11 of whom have been hired locally.

Another area of activity in Benevides is the development of micro and small local businesses. Together with Sebrae (Brazilian Service to Support Micro and Small Enterprises), 108 companies were identified as having potential for development and 18 of them received training. Of those, five small companies have already become Ecoparque suppliers, thus helping invigorate the local economy.

413-1**Proportion of Natura operations that set up programs focused on the development, engagement and impact assessment of local communities, and include:**

Ongoing assessment of social and environmental, including gender ¹ , impact due to engagement of the local population	66.6%
Public disclosure of assessment results ¹	66.6%
Community development programs based on local needs	100%
Stakeholder engagement plan following the identification of the main stakeholders	100%
Community public advisory committees or groups based on local communities and procedures that include groups at risk	100%
Occupational health and safety councils or committees and other labor representative bodies for dealing with impacts	No
Formal structure for lodging complaints or ombudsman ²	100%

1. The Social Progress Indicator (IPS, in Portuguese) is measured every two years. The most recent survey was conducted in Cajamar and the district of Jaguara, in 2015. 2. In addition to an Ombudsman channel that is open to all stakeholders, Natura organizes engagement programs, conducts impact assessment and is involved with local communities in and around Cajamar, Benevides and the district of Jaguara. We are also in constant contact with these communities.

THE NATURA INSTITUTE IN CAJAMAR AND BENEVIDES

Focused on the training of literacy teachers, the Trilhas (Tracks) project reached:

- **31 schools, 117 teachers and 3,038 students in Benevides.**
- **22 schools, 132 teachers and 3,151 students in Cajamar.**

With an emphasis on educational transformation from an integrated perspective, connecting teachers, students, families and community, the Comunidade de Aprendizagem (Learning Community) project has affected:

- **7 schools, 112 teachers and 2,145 students in Benevides.**
- **10 schools, 314 teachers and 1,850 students in Cajamar.**

Activities supporting education management, including, for example, assistance from the Natura Institute in the preparation of municipal education plans (PMEs), were also conducted, having an impact on:

- **49 schools, 450 teachers and 18,335 students in Benevides.**
- **49 schools, 779 teachers and 19,118 students in Cajamar.**

We initiated our efforts in Benevides in 2014. In the beginning, the municipality's Basic Education Development Index (IDEB) for the early years of elementary education was 4.4. In 2016, Benevides reached 5.4, surpassing the national target of 4.6. In Cajamar, we helped the municipality raise the IDEB for the early years of elementary education to 5.8, well above the 5.1 mark recorded in the previous assessment (2013).

THE NATURA INSTITUTE

Supporting quality education

203-1, 203-2, 103-2, 103-3

We founded the Natura Institute in 2010 to manage and apply the funds generated by the sales of the Crer para Ver (Believing is Seeing) line of non-cosmetic products that was launched in 1995 and whose profits are used in full to support projects aimed at improving the quality of public education. Since then, profits have been steadily rising, hitting a new record in 2016 with a total of R\$ 38.2 million. In Brazil, the figure reached R\$ 23.7 million, while the volume amounted to R\$ 14.5 million in International Operations.

Our consultants are the real stars of this movement in favor of education, since they are the ones engaged in selling products from this line while waiving their own profits (as does Natura). In 2016, there were more than 1.5 million registered consultants in Brazil and in International Operations who sold at least one Crer para Ver product. It is important to stress that Brazilians also started to benefit from a structured project in support of education (*read more about this initiative on page [page 44](#)*).

As it entered its fifth year of activity in 2015, the institute updated its strategic plan in an effort to make its initiatives even more transformative, and with long-term effects. In 2016, the positive effects of this new positioning were already being felt.

Since 2011, the institute has support-

ed the efforts of state Departments of Education to set up full-time school programs. In 2015, in partnership with other institutes, the Natura Institute conducted a major study based on the results obtained from schools in Pernambuco state that pioneered the full-time education model. This represented a positive contribution to the debate on the subject and influenced the development of public policies in the field. The states of Maranhão, Paraíba, Sergipe and Espírito Santo received the support of the Institute and its partners in 2016 to implement their full-time school programs. Including all Departments of Education that are being supported, the program involves approximately 770 full-time schools in eight states.

In 2016, the Comunidade de Aprendizagem na Escola (School Learning Community) project, which aims to drive a social transformation process that involves not only the school and the students, but also their families and the wider community, was jointly developed with 24 state Departments of Education across Brazil, involving 594 schools. In International Operations, where programs are led by local operations with support from the institute, the project has already been implemented in approximately 378 schools in Argentina, Chile, Colombia, Mexico and Peru. During 2016, we certified 102 trainers to work in the Comunidade de Aprendizagem program in Brazil and

abroad. The model has been improved upon and gained recognition from government education agencies. In Argentina, for instance, two provinces made Comunidade de Aprendizagem part of their official education programs. In addition, in Peru, it was included in the most important government teacher-training program.

In Brazil, the Natura Institute has done extensive work in partnership with the municipal Departments of Education of Cajamar (São Paulo state) and Benevides (Pará state), where we have production units. In both places, the RAE (Educational Support Network) project was implemented in 2013, in an effort to improve education management and boost students' learning outcomes. The Institute's efforts are based on a deep analysis of local needs that led to the subsequent development of a four-year action plan designed to strengthen the pedagogical management at those departments.

RAE's activities, coupled with programs aimed at stimulating educational improvements that are promoted by public school networks in Benevides and Cajamar, are already yielding positive results, confirmed by the improvement of scores in the Prova Brasil, the national school performance assessment, and the IDEB (Basic Education Development Index) rating achieved by these municipalities. In the latter, Benevides went from 4.4 in 2013 to 5.4 in 2016, while in Cajamar it rose from 5.4 to 5.8.

203-1/203-2 Investment in education for public benefit – Brazil	2014	2015	2016
Crer para Ver program funding ¹ (R\$ million)	18.8	19.5	23.7
Crer para Ver penetration ² (% cycle)	20.2	22.9	22.6
Projects developed and supported ³ (R\$ thousand)	15,976	23,898	23,313
Participating municipalities	4,994	4,884	828
Participating schools	73,380	-	910
Participating teachers	148,084	-	9,183
Students involved	3,196,017	-	476,507
Participating municipal Departments of Education	4,594	4,884	828
State Departments of Education in partnership with the Natura Institute	27	27	22

1. Refers to profit, before deducting income tax, from the Crer para Ver line's sales. 2. Average of 18 indicator cycles showing the proportion of Natura Consultants who bought an item from the Crer para Ver line, in relation to the total number of active Natura Consultants. 3. The amount the Natura Institute invested in 2016 (in thousands of reais) is divided between projects (R\$ 16,362), mobilization (R\$1,566) and payroll costs and operating expenses directly related to the projects (R\$ 5,384). Read more at (*in portuguese*): www.institutonatura.org.br

203-1/203-2 Investment in education for public benefit – International Operations	2014	2015	2016
Crer para Ver program funding ¹ (R\$ thousand)	6,692	10,523	14,537
Crer para Ver penetration ² (% cycle) ²	18.7%	17%	19.4%
Projects developed and supported ³ (R\$ thousand)	4,350	8,112	10,237
Schools/organizations assisted	306	337	475
Participating teachers, coordinators and directors	2,025	10,598	13,057
Students benefited	66,860	60,091	89,021

1. Refers to profit, before deducting income tax, from the Crer para Ver line's sales. 2. Average of 18 indicator cycles showing the proportion of Natura Consultants who bought an item from the Crer para Ver line, in relation to the total number of active Natura Consultants.

INSTITUTIONAL MARKETING

Activities focused on support and sponsorship

In 2016, we continued to invest in the support and sponsorship of programs, allocating funds for initiatives working towards sustainable development and the empowerment of civil society organizations, as well as for historical platforms linked to Natura's corporate behavior. We also funded cultural projects, through Natura Musical, and fashion-oriented projects that enhance the development of our brand positioning.

In line with company-wide efforts to reduce costs, investment in support and sponsorship was smaller in 2016 than in previous years. Changes made to the tax incentives available also affected the financial amounts directed to these initiatives. Two regional calls for tenders were not carried out in 2016 in the states of Minas Gerais and São Paulo. In the former, this was as a direct consequence of the changes made to the terms and processes of its incentive law, and in the latter, this was the result of changes made to the ICMS tax calculation procedure. As for the funding of events with resources from Natura itself, we did not hold the Natura Musical Festival in 2016.

We have been supporting Brazilian music for 11 years, continuing Natura Musical's activities in the areas of renovation and

preservation. Throughout the years, we have contributed to the annual release of around 20 albums, some of which made it to a few best albums of the year lists, while others won national and international awards. We also support projects for the registration and dissemination of Brazilian music genres and folk figures.

In 2016, more than 1,500 projects applied through our selection processes. Of those, 25 initiatives were chosen to take part in the 2017 edition of the Natura Musical project, through one national and three regional calls to tender (Bahia, Pará and Rio Grande do Sul). Among the projects selected are established artists like Hermeto Pascoal, Anelis Assumpção and Nina Becker and new talents like Rubel from Rio de Janeiro and Sofia Freire from Pernambuco, both selected by popular vote on the Natura Musical website.

A total of around R\$ 4.6 million were invested in the four calls, combining Natura's own funds with resources obtained through incentive laws. At the national level, the support is provided under the Rouanet and Audiovisual laws, and at the state level, through the ICMS tax legislation. In 2016, there were approximately 50 projects already underway, having been selected in previous years. As a

result of these, 37 cultural products were launched, including CDs, DVDs, LPs and books and over 100 concerts were held all over the country. Projects also benefitted from the distribution of musical content through digital channels, namely on the Natura Musical website and its social networks, which together have more than 1.5 million followers.

Another important initiative was the resumption of Natura's involvement in fashion events, by sponsoring São Paulo Fashion Week, the biggest and most important fashion event in Latin America, with two editions taking place in April and October 2016. Inspired by the proposal of the Viva Sua Beleza Viva (Live Your Living Beauty) campaign, we organized a series of talks on topics related to the world of beauty care and behavior, discussing issues such as "men in transition," "she's too old for this" and "makeup for everyone". We also organized daily concerts featuring artists such as Elza Soares, Filipe Catto, O Terno and Emicida. Lastly, we were present at other important Brazilian fashion events, such as Casa de Criadores and Rio Moda Rio, where we were able to make an impression on the more than 330,000 people who attended these live events.

Support and sponsorships – Natura Funding (R\$ thousand)	2014	2015	2016²
Sustainable Development	5,295	154	337
Brazilian Music	8,440	9,010	1,879
Fashion ¹	0	0	2,610
Empowerment of Civil Society Organizations	1,150	1,020	603
Municipalities	n.a.	314	0
Total Natura funding	14,885	10,498	5,429

1. In 2016, we resumed our investment in Fashion, previously reported under "Behavior and Attitude". 2. In 2016, changes were made to the methodology used for reporting Natura's funding, meaning it is now different from the one used previously. Only investments using our own funds, which are directly allocated to projects, were reported. Investments in program marketing and communication are not included.

Support and sponsorships – Funds obtained through tax incentives (R\$ thousand)	2014	2015	2016
Brazilian Music	6,690	5,541	3,175
Total funds obtained through tax incentives	6,989	5,541	3,175
Combined Total (Natura + tax incentives)	21,874	16,039	8,604

About this Report

ABOUT THIS REPORT

Learn about the Standards used in the preparation of the 17th Natura GRI report

The Natura 2016 Annual Report presents the highlights of the year, our business performance and the commitments undertaken by the company. Since the year 2000 edition, we have published the annual information in accordance with the Global Reporting Initiative (GRI) sustainability reporting frameworks – the first company in Latin America to produce this type of report. Furthermore, this information has been disclosed along with the Annual Report since 2002, bringing together financial and non-financial data in one single report. **102-51, 102-52**

This report has been prepared in accordance with the GRI Standards: Comprehensive Option. Replacing the G4 version of the sustainability indicators, the Standards version proposes a reorganization of information. This is the first time we have adapted our information to the new format. We believe that there is more to be done in terms of adapting it to the new requirements and intend to be fully in alignment with it as of next year. **102-54, 102-55**

Other references guiding the development of this report were our Materiality Matrix, which lists the six topics awarded the highest priority, in the opinion of our stakeholders (*see the relation below*) and the goals of our 2050 Sustainability Vision. **102-46**

As a result, we have a set of indicators of the profile, governance and economic, financial and social factors that guided the production of this 2016 report. In the GRI Content Index, we list only the most material indicators. Because of our commitment to transparency, we have chosen to continue

reporting on other indicators, both GRI and those pertaining specifically to our own business (*see the Appendices for more information*).

The report also serves to communicate our progress regarding the principles of the Global Compact, of which Natura is a member. The Global Compact is a UN initiative that calls brings together companies, workers and civil society to promote sustainable growth and civil rights.

The information contained in the financial statements covers all of our operations, including Aesop, the Australian company acquired in 2013. For non-financial information, however, the scope of the indicators covers only Natura's activities in Brazil and our International Operations, where most of our operations are concentrated and, consequently, the greater part of our social and environmental impacts lies. **102-45**

Significant changes in relation to data reported in previous years, as well as alterations made to the calculation base or measurement techniques are pointed out in the text and tables contained in this report. **102-10, 102-48, 102-49**

The data presented in this publication refer to the period from January 1st to December 31st of 2016 and the entire disclosure process has been supervised by the Vice-President of Finance and Institutional Relations. The annual report has also received the outside assurance of EY Auditores Independentes S.S. **102-32, 102-50, 102-56**

For more information about this report, please contact the team responsible for its preparation by email at

relatorioanual@natura.net. Stakeholders can also express their opinions on Natura's performance, and its management and relationship practices through social networks and in meetings. **102-53**

MATERIAL TOPICS 102-40, 102-42

As part of our communication process with our relationships network, we have consulted our main stakeholders in order to determine the company's critical issues.

During the most recent procedure, carried out in 2014, six material topics were defined, namely water, education for the development of employees and NCs, climate change, waste, transparency, product origin and enhancing the role of socio-biodiversity.

The process of determining the materiality took into consideration our Sustainability Vision, outlining the company's strategy for 2050 and the goals to be achieved by 2020. The process began with the identification of more than 20 sustainability topics, pre-selected from the Sustainability Vision and industry documents, which were then presented in a series of consultations in Brazil and where we have International Operations.

The survey took into consideration the perceptions of Natura's most valued stakeholders, such as Employees – including management –, Natura Consultants, customers and suppliers – including supplier communities, as well as the opinions of a few shareholders and representatives of local communities. In all, more than 4,200 online surveys were completed and 40 face-to-face and telephone interviews were conducted. Additionally, we also held a panel discussion with 18 participants representing different stakeholder groups.

Materiality - 102-43, 102-44, 102-46, 102-47, 103-1

Topic	Description	Where 103-1	Related factors and GRI indicators	SDG Correlation
Water	Relative reduction in water consumption and pollution throughout the value chain and neutralization of water impact	<ul style="list-style-type: none"> • Water sources and the environment • Supplier communities • Operational units • Society in general • Consumers (use and post-consumer disposal) 	<ul style="list-style-type: none"> • Water • Effluent and waste 303-1, 303-1, 306-1, 306-5	SDG 6. Clean Water and Sanitation
Education for Employee and NC development	Development of consultant network and of employees, including actions to promote the improvement of public education.	<ul style="list-style-type: none"> • Natura Consultants • Employees • Natura Institute • Society in general 	<ul style="list-style-type: none"> • Indirect economic impacts • Education and training 203-1, 203-2, 404-1, 404-3	SDG 4. Quality Education
Climate change	Reduction of greenhouse gas emissions throughout the value chain and neutralization through projects that include social benefits.	<ul style="list-style-type: none"> • Suppliers • Transportation companies • Operational units • Environment 	<ul style="list-style-type: none"> • Economic Performance • Emissions 201-2, 305-1, 305-2, 305-3, 305-4, 305-5, 305-6	SDG 13. Climate Action
Waste	Development of packaging that has a smaller environmental impact and promotes conscientious consumption.	<ul style="list-style-type: none"> • Product creation • Operational units (zero waste) • Transportation cooperatives _ • Recyclable materials • Consumers (post-consumer disposal) • Environment 	<ul style="list-style-type: none"> • Materials • Effluent and waste • Products and services 301-2, 306-2, 301-3	SDG 12. Responsible Consumption and Production
Transparency and product origin	Increased visibility of business practices and the origin of products.	<ul style="list-style-type: none"> • Supply chain • Supplier communities • Operational units • Corporate management • Consumers 	<ul style="list-style-type: none"> • Environmental assessment of suppliers • Assessment of supplier labor practices • Assessment of supplier human rights track record • Assessment of supplier impacts on society • Product and service labeling • Products and services 102-9, 308-1, 414-1, 417-1	SDG 12. Responsible Consumption and Production

Materiality - 102-43, 102-44, 102-46, 102-47, 103-1				
Topic	Description	Where 103-1	Related factors and GRI indicators	SDG Correlation
Enhancing the role of socio-biodiversity	Promotion of sustainable businesses by using products and services mainly from the Amazon region.	<ul style="list-style-type: none"> • Product creation • Supplier communities • Purchasing policies • Consumers • Amazon region 	<ul style="list-style-type: none"> • Economic performance • Indirect economic impacts • Biodiversity • Local communities • Child labor • Forced or compulsory labor practices • Assessment of supplier human rights track record • Channels for grievances and complaints regarding human rights • Products and services 201-1, 201-2, 203-1, 203-2, 304-1, 304-2, 413-1, 408-1, 409-1, 414-1 y 103-2	SDG 15. Life On Land

GRI Content Index



102-55

GRI Standard	Disclosure	Page/ response	Omission	SDG correlation with the disclosures
GRI 102: General disclosures 2016	102-1 Name of the organization	8		
	102-2 Activities, brands, products and services	8, 37		
	102-3 Location of organization's headquarters	8		
	102-4 Location of operations	8		
	102-5 Ownership and legal form	8		

GRI Standard	Disclosure	Page/ response	Omission	SDG correlation with the disclosures
GRI 102: General disclosures 2016	102-6 Markets served	9,10		
	102-7 Scale of the organization	9,10		
	102-8 Information on employees and other workers	8, 23, 108		8. Decent employment and economic growth
	102-9 Supply chain	68		
	102-10 Significant changes to the organization and its supply chain	78		
	102-11 Precautionary Principle or approach	39		
	102-12 External initiatives	50		
	102-13 Membership of associations	126		
	102-14 Statement from senior decision-maker	4, 6		
	102-15 Key impacts, risks, and opportunities	33		
	102-16 Values, principles, standards, and norms of behavior	35		16. Peace, justice and strong institutions
	102-17 Mechanisms for advice and concerns about ethics	35		16. Peace, justice and strong institutions
	102-18 Governance structure	31		
	102-19 Delegating authority	31		
	102-20 Executive-level responsibility for economic, environmental, and social topics	31		
	102-21 Consulting stakeholders on economic, environmental, and social topics	31		16. Peace, justice and strong institutions

GRI Standard	Disclosure	Page/ response	Omission	SDG correlation with the disclosures
GRI 102: General disclosures 2016	102-22 Composition of the highest governance body and its committees	32		5. Gender equality 16. Peace, justice and strong institutions
	102-23 Chair of the highest governance body	31		16. Peace, justice and strong institutions
	102-24 Nominating and selecting the highest governance body	The definition of board members considers the qualifications, complementarity of executive experiences, identification with the operating principles of Natura's business and the absence of conflicts of interest. The term of office is one year and can be renewed at the end of this period, if approved during the General Shareholders Meeting. Read more on page 31		5. Gender equality 16. Peace, justice and strong institutions
	102-25 Conflicts of interest	We seek to uphold the best corporate governance practices. All decisions about operations are submitted to our management team, in accordance with the roles defined in our Bylaws. In the event of a possible conflict of interest between the subjects under review and any member of our deliberative bodies, we follow the conditions laid down in the Brazilian Corporations Law, and the respective member must abstain from voting; the final decision is up to the other members that do not have any relationship with the matter under review.		16. Peace, justice and strong institutions

GRI Standard	Disclosure	Page/ response	Omission	SDG correlation with the disclosures
GRI 102: General disclosures 2016	102-26 Role of highest governance body in setting purpose, values, and strategy	It is a job of the Board of Directors to decide upon and monitor the implementation of the company's strategy and regularly assess the performance of the CEO and the Executive Committee. Board members analyze the quarterly performance and Natura's annual report, which include the main environmental indicators that are important to the company. Also examined by the board are the definition and review of the strategic plan, expansion projects and investment programs, risk management and the definition of the amount of profit to be shared with Natura's employees. Read more on page 31		
	102-27 Collective knowledge of highest governance body	31		4. Quality education
	102-28 Evaluating the highest governance body's performance	32		
	102-29 Identifying and managing economic, environmental, and social impacts	31		16. Peace, justice and strong institutions
	102-30 Effectiveness of risk management processes	32		
	102-31 Review of economic, environmental, and social topics	32		
	102-32 Highest governance body's role in sustainability reporting	78		

GRI Standard	Disclosure	Page/ response	Omission	SDG correlation with the disclosures
GRI 102: General disclosures 2016	102-33 Communicating critical concerns	Board members analyze the quarterly performance and Natura's annual report, which include the main environmental indicators that are important to the company. Also examined by the board are the definition and review of the strategic plan, expansion projects and investment programs, risk management and the definition of the amount of profit to be shared with Natura's employees.		
	102-34 Nature and total number of critical concerns	Board members analyze the quarterly performance and Natura's annual report, which include the main environmental indicators that are important to the company. Also examined by the board are the definition and review of the strategic plan, expansion projects and investment programs, risk management and the definition of the amount of profit to be shared with Natura's employees.		
	102-35 Remuneration policies	All details of our policy and practice of remuneration of senior management is explained in our Reference Form, which can be accessed here .		
	102-36 Process for determining remuneration	All the details of our policy and practice of remuneration of senior management are explained in our Reference Form, which can be accessed here .		

GRI Standard	Disclosure	Page/ response	Omission	SDG correlation with the disclosures
GRI 102: General disclosures 2016	102-37 Stakeholders' involvement in remuneration	Shareholders approve the executive officers' remuneration at the General Shareholders Meeting (GSM). During the meeting, they can comment favorably or negatively on the subject. Learn about our remuneration policy regarding senior management on page 184 of this document .		16. Peace, justice and strong institutions
	102-38 Annual total compensation ratio	110	The reassessment of the information for 2016 prohibited the reporting of this item due to the confidential nature of the information.	
	102-39 Percentage increase in annual total compensation ratio	111		
	102-40 List of stakeholder groups	78		
	102-41 Collective bargaining agreements	Covering 100% of employees, the collective bargaining negotiations are coordinated by the human resources department and obey the standards and limitations determined by local legislation.		8. Decent employment and economic growth
	102-42 Identifying and selecting stakeholders	78		

GRI Standard	Disclosure	Page/ response	Omission	SDG correlation with the disclosures
GRI 102: General disclosures 2016	102-43 Approach to stakeholder engagement	Natura maintains open communication at all times with its stakeholders. One of its initiatives brings together consumers, consultants and researchers, among others, for a program focused on the co-creation and generation of ideas in the field of innovation. We also annually evaluate the quality of these relationships through satisfaction and loyalty surveys conducted with our priority stakeholders: employees, Natura Consultants, suppliers, supplier communities and consumers. Read more on pages 23, 41, 43, 69, 79, 123, 133		
	102-44 Key topics and concerns raised	23, 41, 43, 69, 79, 123, 133		
	102-45 Entities included in the consolidated financial statements	78		
	102-46 Defining report content and topic Boundaries	79		
	102-47 List of material topics	79		
	102-48 Restatements of information	78		
	102-49 Changes in reporting	78		
	102-50 Reporting period	78		
	102-51 Date of most recent report	78		
	102-52 Reporting Cycle	78		
	102-53 Contact point for questions regarding the report	78		

GRI Standard	Disclosure	Page/ response	Omission	SDG correlation with the disclosures
GRI 102: General disclosures 2016	102-54 Claims of reporting in accordance with the GRI Standards	78		
	102-55 GRI Content Index	80		
	102-56 External assurance	78, 150, 151		
GRI 103: 2016 Management approach	103-1 Explanation of the material topic and its boundary	79		
	103-2 The management approach and its components	13, 39, 107, III		1. Eradicate poverty 5. Gender equality 8. Decent employment and economic growth 16. Peace, justice and strong institutions
	103-3 Evaluation of the management approach	13, 39, 107, III		
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	17		2. Zero hunger 5. Gender equality 7. Accessible and clean energy 8. Decent employment and economic growth 9. Industry, innovation and infrastructure
	201-2 Financial implications and other risks and opportunities due to climate change	34, 107		13. Combating climate change
	201-3 Defined benefit plan obligations and other retirement plans	III		
	201-4 Financial assistance received from government	107		

GRI Standard	Disclosure	Page/ response	Omission	SDG correlation with the disclosures
GRI 203: 2016 Indirect economic impact	203-1 Investments in infrastructure and services	55, 56, 71, 73, 74, 132		2. Zero hunger 5. Gender equality 7. Accessible and clean energy 9. Industry, innovation and infrastructure 11. Sustainable Cities and Communities
	203-2 Indirect economic impact	56, 73, 74		
GRI 103: 2016 Man- agement approach	103-1 Explanation of the ma- terial topic and its boundary	79		
	103-2 The management approach and its components	66, 67, 141		1. Eradicate poverty 5. Gender equality 8. Decent employment and economic growth 16. Peace, justice and strong institutions
	103-3 Evaluation of the management approach	66, 67, 141		
GRI 301: Materials 2016	301-1 Materials used by weight or volume	141		8. Decent employment and economic growth 12. Responsible consump- tion and production
	301-2 Recycled input materials used	66		8. Decent employment and economic growth 12. Responsible consump- tion and production
	301-3 Reclaimed products and their packaging materials	142		8. Decent employment and economic growth 12. Responsible consump- tion and production
GRI 103: 2016 Man- agement approach	103-1 Explanation of the ma- terial topic and its boundary	79		
	103-2 The management approach and its components	64, 143		1. Eradicate poverty 5. Gender equality 8. Decent employment and economic growth 16. Peace, justice and strong institutions
	103-3 Evaluation of the management approach	64, 143		

GRI Standard	Disclosure	Page/ response	Omission	SDG correlation with the disclosures
GRI 303: Water 2016	303-1 Water withdrawal by source	65, 143, 144		6. Clean water and sanitation
	303-2 Water sources significantly affected by withdrawal of water	144		6. Clean water and sanitation
	303-3 Water recycled and reused	144		6. Clean water and sanitation 8. Decent employment and economic growth 12. Responsible consumption and production
GRI 103: 2016 Management approach	103-1 Explanation of the material topic and its boundary	79		
	103-2 The management approach and its components	54, 58		1. Elimination of poverty 5. Gender equality 8. Decent employment and economic growth 16. Peace, justice and strong institutions
	103-3 Evaluation of the management approach	54, 58, 59		

GRI Standard	Disclosure	Page/ response	Omission	SDG correlation with the disclosures
GRI 304: Biodiversity 2016	304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	146		6. Clean water and sanitation 14. Underwater life 15. Life on land
	304-2 Significant impacts of activities, products, and services on biodiversity	55		6. Clean water and sanitation 14. Underwater life 15. Life on land
	304-3 Habitats protected or restored	147		6. Clean water and sanitation 14. Underwater life 15. Life on land
	304-4 IUCN Red List species and national conservation list species with habitats in areas affected by the organization's operations	147		6. Clean water and sanitation 14. Underwater life 15. Life on land
GRI 103: 2016 Management approach	103-1 Explanation of the material topic and its boundary	79		
	103-2 The management approach and its components	61, 62		1. Elimination of poverty 5. Gender equality 8. Decent employment and economic growth 16. Peace, justice and strong institutions
	103-3 Evaluation of the management approach	61, 62		

GRI Standard	Disclosure	Page/ response	Omission	SDG correlation with the disclosures
GRI 305: Emissions 2016	305-1 Direct greenhouse gas (GHG) emissions (Scope 1)	63, 64, 137		3. Good health and welfare 12. Responsible consumption and production 13. Combating climate change 14. Underwater life 15. Life on land
	305-2 Indirect greenhouse gas (GHG) emissions (Scope 2)	62, 63, 64, 137		3. Good health and welfare 12. Responsible consumption and production 13. Combating climate change 14. Underwater life 15. Life on land
	305-3 Indirect greenhouse gas (GHG) emissions (Scope 3)	64, 137		3. Good health and welfare 12. Responsible consumption and production 13. Combating climate change 14. Underwater life 15. Life on land

GRI Standard	Disclosure	Page/ response	Omission	SDG correlation with the disclosures
GRI 305: Emissions 2016	305-4 Greenhouse gas (GHG) emissions intensity	62		13. Combating climate change 14. Underwater life 15. Life on land
	305-5 Reduction of greenhouse gas (GHG) emissions	138		13. Combating climate change 14. Underwater life 15. Life on land
	305-6 Emissions of ozone-depleting substances (SDG)	138		3. Good health and welfare 12. Responsible consumption and production 13. Combating climate change
	305-7 Nitrogen oxides (NO _x), sulfur oxides (SO _x), and other significant air emissions	138		3. Good health and welfare 12. Responsible consumption and production 13. Combating climate change 14. Underwater life 15. Life on land

GRI Standard	Disclosure	Page/ response	Omission	SDG correlation with the disclosures
GRI 103: 2016 Management approach	103-1 Explanation of the material topic and its boundary	79		
	103-2 The management approach and its components	64, 66, 145		1. Eradicate poverty 5. Gender equality 8. Decent employment and economic growth 16. Peace, justice and strong institutions
	103-3 Evaluation of the management approach	64, 66, 145		
GRI 306: Effluents and waste 2016	306-1 Total water discharge by quality and destination	145, 146		3. Good health and welfare 6. Clean water and sanitation 12. Responsible consumption and production
	306-2 Waste by type and disposal method	142, 143		3. Good health and welfare 6. Clean water and sanitation 12. Responsible consumption and production
	306-3 Significant spills	146		3. Good health and welfare 6. Clean water and sanitation 12. Responsible consumption and production 14. Underwater life 15. Life on land
	306-4 Transport of hazardous waste	143		3. Good health and welfare 12. Responsible consumption and production
	306-5 Water bodies affected by water discharges and/or runoff	145, 146		6. Clean water and sanitation 15. Life on land

GRI Standard	Disclosure	Page/ response	Omission	SDG correlation with the disclosures
GRI 103: 2016 Management approach	103-1 Explanation of the material topic and its boundary	79		
	103-2 The management approach and its components	68, 130		1. Eradicate poverty 5. Gender equality 8. Decent employment and economic growth 16. Peace, justice and strong institutions
	103-3 Evaluation of the management approach	68		
GRI 308: Supplier environmental assessment 2016	308-1 New suppliers that were screened using environmental criteria	129		
	308-2 Significant negative impacts, actual and potential, in the supply chain and measures taken	130		
GRI 103: 2016 Management approach	103-1 Explanation of the material topic and its boundary	79		
	103-2 The management approach and its components	24, 25		1. Eradicate poverty 5. Gender equality 8. Decent employment and economic growth 16. Peace, justice and strong institutions
	103-3 Evaluation of the management approach	23, 24, 25		
GRI 404: Training and education 2016	404-1 Average hours of training per year per employee	109		4. Quality education 5. Gender equality 8. Decent employment and economic growth
	404-2 Continuous programs for upgrading employee learning and retirement transition assistance programs	24, 109, 110		8. Decent employment and economic growth
	404-3 Percentage of employees receiving regular performance and career development reviews	25		5. Gender equality 8. Decent employment and economic growth

GRI Standard	Disclosure	Page/ response	Omission	SDG correlation with the disclosures
GRI 103: 2016 Management approach	103-1 Explanation of the material topic and its boundary	79		
	103-2 The management approach and its components	125		1. Eradicate poverty 5. Gender equality 8. Decent employment and economic growth 16. Peace, justice and strong institutions
	103-3 Evaluation of the management approach	125		
GRI 408: Child labor 2016	408-1 Operations and suppliers at significant risk for incidents of child labor	125		8. Decent employment and economic growth 16. Peace, justice and strong institutions
GRI 103: 2016 Management approach	103-1 Explanation of the material topic and its boundary	79		
	103-2 The management approach and its components	125		1. Eradicate poverty 5. Gender equality 8. Decent employment and economic growth 16. Peace, justice and strong institutions
	103-3 Evaluation of the management approach	125		
GRI 409: Forced or Compulsory Labor 2016	409-1 Operations and suppliers identified as at significant risk for incidents of forced or compulsory labor	125		8. Decent employment and economic growth
GRI 103: 2016 Management approach	103-1 Explanation of the material topic and its boundary	79		
	103-2 The management approach and its components	71		1. Eradicate poverty 5. Gender equality 8. Decent employment and economic growth 16. Peace, justice and strong institutions
	103-3 Evaluation of the management approach	71		

GRI Standard	Disclosure	Page/ response	Omission	SDG correlation with the disclosures
GRI 413: Local communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	71, 72		
	413-2 Operations with significant actual and potential negative impacts on local communities	55, 71		1. Eradicate poverty 2. Zero hunger
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundary	79		
	103-2 The management approach and its components	68, 130, 131		1. Eradicate poverty 5. Gender equality 8. Decent employment and economic growth 16. Peace, justice and strong institutions
	103-3 Evaluation of the management approach	68, 130, 131		
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria	55, 68, 130, 131		5. Gender equality 8. Decent employment and economic growth 16. Peace, justice and strong institutions
	414-2 Negative social impacts in the supply chain and actions taken	125, 130, 131		5. Gender equality 8. Decent employment and economic growth 16. Peace, justice and strong institutions
GRI 103: 2016 Management approach	103-1 Explanation of the material topic and its boundary	79		
	103-2 The management approach and its components	39, 134		1. Eradicate poverty 5. Gender equality 8. Decent employment and economic growth 16. Peace, justice and strong institutions
	103-3 Evaluation of the management approach	39, 134		

GRI Standard	Disclosure	Page/ response	Omission	SDG correlation with the disclosures
GRI 417: Labeling of products and services 2016	417-1 Requirements for product information and labeling	134		12. Responsible consumption and production 16. Peace, justice and strong institutions
	417-2 Incidents of non- compliance concerning product and service information and labeling	134		16. Peace, justice and strong institutions
	417-3 Incidents of non- compliance concerning marketing communication regulations and codes	134		

The Global Compact Principles	Page
1. Respect and protect human rights	28, 29, 68, 71, 72, 85, 124, 125, 128, 130, 131
2. Prevent violations of human rights	68, 124, 128, 130, 131
3. Support freedom of association at work	85, 121, 124
4. Abolish forced labor	68, 130, 131
5. Abolish child labor	68, 125, 130, 131
6. Eliminate discrimination in employment	28, 68, 110, 111, 124, 110730, 131, 135, 136,
7. Support a precautionary approach to environmental challenges	107
8. Promote environmental responsibility	55, 61, 62, 63, 64, 65, 66, 107, 129, 130, 131, 134, 137, 138, 139, 140, 142, 141, 143, 144, 145, 146, 147, 148
9. Encourage environmentally friendly technologies	66, 138, 41, 142, 144
10. Combat corruption in all its forms, including extortion and bribery	122, 123, 125

2050 Sustainability Vision

2050 Sustainability Vision

Brands and Products				
Area	2020 Goal	2016 Performance	Percent of goal achieved	SDG
Brands	The environmental and social footprints of all Natura brand products will be disclosed, along with their respective improvement commitments.	Implementation of a new proposal for communication and engagement with consumers and Natura consultants, highlighting the social and environmental impacts that their purchase/sale has on society and the planet.	Under implementation	12. Responsible Consumption and Production
Formulas	Ensure that 30% of all inputs used by Natura Brazil, in terms of value, come from the Amazon region.	19.1% of the inputs used by Natura Brazil were sourced from the Amazon region.	2010: 10% 2020: 30% Achieved in 2016: 46%	12. Responsible Consumption and Production 3. Good Health and Well-Being
Packaging	At least 10% of all Natura Brazil packaging should be made from post-consumer recycled material.	A total of 4.3% of all packaging made used post-consumer recycled materials.	2013: 1.4% 2020: 10% Achieved in 2016: 34%	12. Responsible Consumption and Production
	At least 74% of all Natura Brazil packaging should be made from recyclable material	In 2016, 51% of all Natura Brazil packaging used recyclable material.	2013: 56% 2020: 74% Achieved in 2016: -28%	12. Responsible Consumption and Production 11. Sustainable Cities and Communities
	Ensure that 40% of Natura Brazil's billed units are eco-efficient packaging ¹	20% of the units billed in Brazil were eco-efficient packaging ¹	2013: 21.4% 2020: 40% Achieved in 2016: -8%	12. Responsible Consumption and Production 11. Sustainable Cities and Communities

2050 Sustainability Vision

Brands and Products				
Climate change	The Natura brand must reduce its relative emissions of greenhouse gases by 33% (Scope 1, 2 and 3).	The indicator is directly related to business performance and the forecast was for an increase in relative GHG emissions. However, they remained stable, due to efficiency gains in key processes. The reduction in relation to 2012 is 1.3%.	2012: base year 2020: -33% Achieved in 2016: 4%	13. Climate Action 17. Partnerships for the Goals
	Continue offsetting all emissions that cannot be avoided, by means of initiatives that, in addition to the reduction and/or sequestration of greenhouse gases, also aim at providing social and environmental benefits, especially in the Amazon region.	Since the program was started 10 years ago, we have made five calls for tenders for the purchase of credits and engaged 35 initiatives. Over 40% of projects supported come from the Legal Amazon and Pan-Amazon Basin regions. In 2016, we included projects in Mexico and Chile, thereby achieving the goal of offsetting emissions locally in all countries where we operate.	In progress	13. Climate Action
Energy	Implement a strategy for the diversification of renewable energy sources used by Natura Brazil's operations.	We have mapped out 11 opportunities to diversify our renewable energy sources and have already begun implementing some of those options.	Under implementation	13. Climate Action
Socio-biodiversity	Reach out to 10,000 families that are part of the Amazon production chains.	We have boosted development and generated income for 2,119 families in the Amazon region, affecting the quality of life of around 8,000 people and contributing to the conservation of 257,000 hectares of standing forest.	2010: 1,734 2020: 10,000 Achieved in 2016: 5%	15. Life On Land 1. No Poverty 10. Reduced Inequalities
	Turnover of R\$ 1 billion in volume of business in the Amazon region.	The accumulated volume of business generated in the region amounts to R\$ 972 million.	2010: R\$ 89 million 2020: R\$ 1 billion Achieved in 2016: 97%	12. Responsible Consumption and Production 17. Partnerships for the Goals

2050 Sustainability Vision

Brands and Products				
Waste	Collect and send for recycling 50% of the waste generated by Natura product packaging in Brazil (ton equivalent).	In 2016, we concluded the experimental pilot program introduced the year before to promote reverse logistics in the São Paulo metropolitan area. This included different sources for collecting post-consumption waste, such as collector cooperatives and the involvement of Natura Consultants. The experiment was useful for gaining knowledge and planning our strategy, procedures and action. Additionally, we participated in the sectorial reverse logistics project organized by Abihpec.	In progress	12. Responsible Consumption and Production 11. Sustainable Cities and Communities
Water	For the Natura brand in Brazil: implement a strategy for the reduction and neutralization of impact, based on the water footprint measurement and considering the entire value chain.	Using the created methodology, we began conducting studies to map projects that have the potential to reduce our water footprint.	Planning phase	6. Clean Water and Sanitation
Supply chains	Ensure by 2015 that 100% of materials produced by direct manufacturers are traceable (last link) and by 2020 implement a traceability program for the other links of the Natura brand's value chain.	Having identified 100% of the manufacturers in the first link of the chain, we are working to extend the overall traceability of critical chains.	Planning phase	8. Decent Work and Economic Growth 12. Responsible Consumption and Production 13. Climate Action

2050 Sustainability Vision

Our Network				
Customers	Define priority topics and implement a strategy to mobilize Natura brand consumers.	Definition of priority claims for boosting consumer's perception of Natura as a sustainable brand: <ul style="list-style-type: none"> • Living Forest • 100% Organic Alcohol • Commitment to Climate change • Sustainable Packaging • Smart Refills • Quality Education • No Animal Testing • Beauty free of stereotyping 	In progress	12. Responsible Consumption and Production
Natura Consultants	Significantly increase the real average income of Natura Consultants in Brazil.	A program to boost direct selling, including steps aimed at increasing productivity and income according to type of consultant.	In progress	5. Gender Equality 8. Decent Work and Economic Growth
	Generate interest in continued education and offer a broad range of educational options that meet their needs.	We have developed an educational program for NCs and their families, offering partial and full scholarships for learning experiences such as: ENEM exam preparatory courses, vocational training, higher education programs, and languages courses, among others. Within three months, over 11,000 people had gone back to school.	In progress	4. Quality Education
	Create an indicator to evaluate the human development of this group and define a strategy to obtain significant improvements.	In three years of tracking the HDI-NC in Brazil, we have recorded an improvement of 7.81%, with 0.5% in 2016 alone. This indicator monitors Natura's impact on the quality of life of its consultants.	In progress	5. Gender Equality 8. Decent Work and Economic Growth 4. Quality Education
	Expand the collaboration network, supporting social and environmental entrepreneurship activities.	The Natura Movement is a digital platform that connects those who have social and environmental projects with those who want to help. During 2016, the site had close to 2.2 million visits, nearly double that of the previous year. It is estimated that more than 50,000 people were benefited by supported projects in the fields of health, education, culture and sport, among others.	In progress	8. Decent Work and Economic Growth

2050 Sustainability Vision

Our Network				
Employees	For the Natura brand, have women occupying 50% of senior management positions (senior management and above).	Throughout the year, we achieved a rate of 29% of senior management positions being occupied by women. Natura signed up to the UN Women's Empowerment Principles and the Brazilian government's Gender and Racial Equality Program. We also launched our own diversity policy in 2016, which gives priority to four areas, including women's empowerment. Moreover, we reviewed our procedures for selecting, attracting and developing women with leadership potential.	2013: 29% 2020: 50% Achieved in 2016: 0%	5. Gender Equality
	For the Natura brand in Brazil, to have people with disabilities representing 8% of total employees.	People with disabilities represent 5.8% of the total number of employees at Natura. In our diversity policy, launched in 2016, this group was defined as one of our four priorities. In a pioneering move, our São Paulo distribution center has been highly automated and 16% of its employees are people with some kind of disability, mainly cognitive.	2013: 4.3% 2020: 8% Achieved in 2016: 5.8%	8. Decent Work and Economic Growth
	Implement a strategy to boost employees' potential through engagement with Natura's culture.	Based on Natura's Mission, which was revised in 2015, we have begun a process of cultural transformation that includes the alignment of all Natura practices and procedures. This work will be intensified in 2017. The implementation of the Volunteer program, in 2016, is one of the actions that reinforce our commitment to create a positive impact by encouraging citizenship among our employees and motivating them to play a leading role in society.	Under implementation	12. Responsible Consumption and Production 16. Peace, Justice and Strong Institutions

2050 Sustainability Vision

Our Network				
Local communities	<p>Improve the indicators for measuring the human and social development of local communities and develop a plan for making significant improvements.</p>	<p>We have put together Local Development Plans for Cajamar, Jaguará and Benevides. The groups involved conducted participatory analyses, identified development priorities and agreed upon initiatives and targets. We also applied the Community Social Progress Index in Cajamar and Jaguará, as an instrument for the diagnosis and measurement of the positive and negative social and environmental impacts of implemented activities.</p>	In progress	<p>8. Decent Work and Economic Growth</p> <p>10. Reduced Inequalities</p>
	<p>Develop a strategy for territories important to socio-biodiversity in the Amazon region and to the communities surrounding our main operations in Brazil, through open dialogue and collaborative engagement with local populations and stakeholders.</p>	<p>In order to spur large-scale transformation, we work through arrangements and partnerships with local government, grassroots communities and companies to create territorial development solutions in the Mid-Juruá (Amazonas state), Lower Tocantins and Transamazon (both Pará state) regions. Together with local leaders and partners, we seek to understand the development priorities of each territory and agree upon shared initiatives and targets. Local leadership and institutions are empowered throughout the entire process.</p>	In progress	<p>8. Decent Work and Economic Growth</p> <p>10. Reduced Inequalities</p>
Suppliers	<p>Improve the process of supplier selection and management, while furthering the integration between social and environmental parameters with financial ones.</p>	<p>The evaluation criteria for social and environmental performance, applicable to all Qlicar Program supplier categories, have been defined.</p>	In progress	<p>12. Responsible Consumption and Production</p> <p>8. Decent Work and Economic Growth</p>

2050 Sustainability Vision

Management and Organization				
Management model	For the Natura brand, conduct an appraisal of external social and environmental factors, taking into consideration the positive and negative impacts of the extended value chain (from extraction of raw materials to disposal of products).	An appraisal of external environmental factors was carried out for the first time in 2015, converting the effects of the business on aspects such as GHG emissions, water, waste and land use and occupation into financial resources. The calculation involved the entire Natura product portfolio, throughout its entire value chain. In 2016, we will conduct the first ever appraisal study of social impacts.	Under implementation	12. Responsible Consumption and Production
Government and society	Stimulate a discussion and public debate on material topics, based on the review of the materiality matrix conducted in 2014.	We have actively participated in several forums and coalitions, where we offered our experience to enrich the discussion of the topics in our materiality matrix. One of the important forums addressed the relationship between our business initiatives and the Sustainable Development Goals set under the United Nations Development Program, in September 2015.	Under implementation	17. Partnerships for the Goals
Engagement with stakeholders	Institutionalize a governance model featuring external engagement to improve sustainability management and strategy.	We are in the process of identifying innovative collaborative arrangements with partners that are capable of positively changing the environment for the implementation and development of our Sustainability Vision.	Planning phase	12. Responsible Consumption and Production
Ethics and transparency	For the Natura brand, implement total transparency for providing information on products and the progress of the Sustainability Vision.	We have collaboratively developed the architecture of our sustainability communications, which organize product information according to the interests of our consumers when they are looking for more detailed information.	Under implementation	12. Responsible Consumption and Production
Sustainability governance	Set up an Advisory Committee, composed of outside specialists, who will assess the company's progress and help improve our strategy.	Strategic alignment with the Natura Board of Directors to set up an advisory network to support the generation of creative and innovative solutions and introduce guidelines for developing the company's strategy.	Planning phase	12. Responsible Consumption and Production

Appendices

SUPPLEMENTARY INDICATORS

Economic and financial management

Economic Performance

103-2/103-3

201-2- Financial implications and other risks and opportunities arising from climate change

At Natura, we do not conduct specific analyses regarding the effects related to climate change in our risk management process. However, important mitigation projects focusing on the impacts that the business may generate are now organized transversely and have become formal sub-processes at the company. Examples of this are the Carbon Neutral Program and the practices for the sustainable use of socio-biodiversity and related traditional knowledge. Actions to offset CO₂ emissions (Carbon Neutral Program) is voluntary at Natura, not mandatory, and do not portray the financial implications of climate change risks. Currently, biodiversity is one of the main topics in the social

and environmental group that draws up the compendium of company risks. In the second half of 2016, we began a project to map out the risks presented by three other topics: social responsibility, waste and climate change. Once the mapping has been concluded, we will create a matrix that considers all four risks related to sustainability. As far as the climate change risk goes, our focus is to understand, monitor and mitigate anything that can affect our value chain.

Read more about our risk management procedures on [page 34](#).

201-4 – Government funding ¹ (R\$ million)	2014	2015	2016
Tax incentives for support and sponsorship ²	8	3	4
Innovation Law n° 11,196/2005 (deduction from income tax and social contribution bases of up to double the spending on Research and Technological Innovation)	30	14	18
Others ³	2	1	3
Total	40	18	25

1. The government does not have a stake in the company's shareholding structure. 2. Corporate income tax (IRPJ) incentives related to the Rouanet and Sports laws, the Fund for the Rights of Children and Adolescents, the worker's nutrition program and ICMS tax incentives in relation to Natura Musical projects. 3. Incentives relating to the two-month extension of maternity leave, introduced under Decree n° 7,052/2009. The expense is not deductible from the taxable income and social contribution (CSLL) calculation bases, but is fully deductible from the IRPJ.

Personnel Management

Employee Profile

102-8 Number of Natura Employees	2014			2015			2016		
	Fem.	Male	Total	Fem.	Male	Total	Fem.	Male	Total
Brazil	3,091	2,141	5,232	2,988	2,163	5,151	2,842	2,065	4,907
Argentina	431	77	508	465	85	550	508	89	597
Chile	145	37	182	141	44	185	139	46	185
Mexico	75	46	121	70	47	117	75	49	124
Peru	213	22	235	202	28	230	199	28	227
Colombia	227	40	267	272	50	322	287	52	339
France	34	12	46	28	8	36	11	7	18
Total	4,216	2,375	6,591	4,166	2,425	6,591	4,061	2,336	6,397

102-8 Other types of contract	2014			2015			2016		
	Fem.	Male	Total	Fem.	Male	Total	Fem.	Male	Total
Apprentices ¹	70	47	117	108	49	157	106	47	153
Interns ²	124	48	172	84	31	115	61	29	90
Temporary staff ³	325	548	873	118	1,025	1,143	26	473	499
In-house service providers ⁴	771	1,065	1,836	721	1,444	2,165	642	1,582	2,224
Total	1,290	1,708	2,998	1,031	2,549	3,580	835	2,131	2,966

1. Young Apprentices are hired by a third-party company that manages them. 2. The difference between the number of interns reported (90) and the program headcount (168) is due to contracts terminating in the month of December 2016. 3. Fixed-term contracts through an employment agency and involving subordination are regarded as temporary under the Labor Law (CLT). This number covers Natura Brazil temporary staff. The number of temporary staff has fallen, as a result of the company's own decision to reduce the number of people on such contracts. A policy was drawn up specifying the conditions for such contracts. Moreover, in previous years, there was a greater need for this type of employee, due to the move of the Cajamar Distribution Center to São Paulo. 4. In-house service providers are those suppliers that provide services to Natura and who work at or access the company's installations for a period of more than 6 months, and may or may not have a fixed workstation at the company. This number covers the service providers allocated to Natura Brazil operations.

Training and Education

404-1 Average -hours of training (hrs/employee)\ p.a.- Brazil ¹²³	2014			2015			2016		
	Total	Fem.	Male	Total	Fem.	Male	Total	Fem.	Male
Operational	109	101	115	73	68	76	32	24	37
Administrative	61	54	82	33	26	55	28	25	39
Management	31	34	27	24	26	21	41	42	41
Senior management	15	21	12	12	19	9	30	29	31
Average hours	78	66	95	49	38	64	31	26	38
Young apprentice ⁴	-	-	-	34	34	34	41.5	40.8	43
Interns ⁴	-	-	-	74	74	74	53.8	52.8	58.8

1. Does not include employees on unpaid leave without payroll expenses or those of the Natura Institute. 2. Natura does not divulge its education budget and strategy to third parties. 3. Training hours refer to training given in 2016 but may also include training provided in previous years and only entered into the log in 2016. 4. Natura invests in Development Programs for Interns and Young Apprentices, including behavioral and technical training, aimed at developing and preparing youths to perform their activities, but due to a concept revision, these hours will not be included in the overall average.

Average - hours of training, per employee (hrs)	2014	2015	2016
International Operations	76	61	59
Natura ¹	77	51	38

1. Consolidated average of all Natura Brazil operations and International Operations.

404-1 - Hours of training, by gender – Brazil (%) ¹	2014	2015	2016
Male	49	55	52
Female	50	45	48

1. There is no gender-specific training strategy. But we did approve an executive coaching initiative, in 2016, that takes women's issues into consideration throughout the process, if that is of interest to the employee.

404-2 - Programs for skills management and ongoing education: Natura Education program - Brazil ¹²	2014	2015	2016
Scholarships granted	322	214	132
Scholarships granted as a proportion of total applications (%) ³	58	65	0
Amount invested in the Natura Education program (R\$ thousand)	1,178	955	535

1. All employees with active scholarships during the year are considered as having participated in the program 2. In the event of termination resulting from internal restructuring, Natura supports these employees in their career transition by offering a set of special conditions. 3. The Natura Education program is being reviewed and will be relaunched in the first half of 2017, with new scholarships. Employees who are already participating in the program have had their scholarships renewed.

404-2 Courses taken by employees or their family members that were fully or partially paid for by Natura (Brazil)	2014	2015	2016
Technical/vocational	33	21	8
Languages	1	0	0
University	175	105	70
MBA or post-graduate	113	88	54
Total number of courses	322	214	132

Remuneration

202-1 – Ratio between the organization's lowest pay grade and the local minimum wage, by gender (%)¹

Country	2014			2015			2016		
	Total	Male	Fem.	Total	Male	Fem.	Total	Male	Fem.
Brazil	1.5	1.5	1.5	1.4	1.4	1.4	1.6	1.6	1.6
Argentina	1.5	3.1	1.5	1.6	3.1	1.6	1.5	3.0	1.5
Chile	1.9	2.4	1.9	1.9	2.4	1.9	1.9	4.0	1.9
Peru	3.1	3.9	3.1	3.3	4.8	3.3	2.7	4.7	2.7
Mexico	5.7	6.5	5.7	5.9	7.4	5.9	6.5	7.8	6.5
Colombia	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
France	1.2	1.8	1.2	1.1	1.8	1.1	1.1	1.3	1.0

1. Our pay levels take into account competitive remuneration packages offered in each local market. Small differences are due to the absence of both genders in the same position in that country or to an employee having recently joined the company at the lowest level of the pay range for that position. There are no gender-based pay differences.

102-38 – Ratio between the organization's highest pay grade and the overall average, by country

Reassessment of the information for 2016 prevented the reporting of this item, due to information confidentiality.

102-39 - Ratio between pay rise for the highest pay grade and the organization's average pay rise, by country¹

Country	Unit	Overall average	Highest pay grade	Overall average	Highest pay grade	Overall average	Highest pay grade
		2014		2015		2016	
Brazil	%	11.00	0.66	13.56	1.21	10.85	11.00
Argentina		35.00	36.00	36.00	30.00	42.00	32.00
Chile		18.00	5.00	11.00	2.00	8.00	7.00
Colombia		3.00	2.00	6.00	10.00	11.00	4.00
Mexico		13.00	4.00	6.00	2.00	5.00	12.00
Peru		6.00	9.00	6.00	0.00	9.00	0.00

1. Considering the basis salary.

103-2/103-3

201-3 - Pension plan (R\$ million) ^{1,2}	2014	2015	2016 ³
		4,087	4,642

1. Natura Savings Incentive is a defined contribution plan managed by an Open Plan Supplementary Pension entity. The guarantee of coverage or annuity with actuarial risk is not mandatory for the company. Employees' participation is voluntary and, currently, 42% of employees participate in the program. 2. An employee can contribute anywhere from 1% to 5% of their salary, while the employer's contribution is 60% on top of the employee's contribution, up to a salary level of R\$ 19,140.00. 3. The decrease in the amount invested is due to the reduction in the number of employees, who withdrew their savings upon termination, as well as lower number of employees joining the plan (participation is on a strictly voluntary basis).

Staff Turnover

401-1 - Total number and rate of new hirings and employee turnover

Total and rate of new hirings. by age group ^{1,2}			2014			
Age group	Number - by gender		Rate - by gender (%)		Overall number	Overall rate (%)
	Male	Fem.	Male	Fem.		
Under 30	214	267	3.2%	4.1%	481	7.3%
30 to 50	182	362	2.8%	5.5%	544	8.3%
Over 50	2	7	0.0%	0.1%	9	0.1%
Total. by gender	398	636	6.0%	9.6%	1,034	15.7%

Total and rate of new hirings. by age group ^{1,2}			2015			
Age group	Number – by gender		Rate – by gender (%)		Overall number	Overall rate (%)
	Male	Fem.	Male	Fem.		
Under 30	201	229	3.0%	3.5%	430	6.5%
30 to 50	189	289	2.9%	4.4%	478	7.3%
Over 50	3	6	0.0%	0.1%	9	0.1%
Total. by gender	393	524	6.0%	8.0%	917	13.9%

Total and rate of new hirings. by age group ^{1,2}			2016			
Age group	Number – by gender		Rate – by gender (%)		Overall number	Overall rate (%)
	Male	Fem.	Male	Fem.		
Under 30	137	224	2.1%	3.5%	361	5.6%
30 to 50	167	267	2.6%	4.2%	434	6.8%
Over 50	3	7	0.0%	0.1%	10	0.2%
Total. by gender	307	498	4.8%	7.8%	805	12.6%

Total and rate of new hirings. by gender ²	2014		2015		2016	
	Total	Rate (%)	Total	Rate (%)	Total	Rate (%)
Female	636	9.6	524	8.0	498	7.8%
Male	398	6.0	393	6.0	307	4.8%
Total	1,034	15.7	917	13.9	805	12.6%

1. Meaning of turnover: number of terminations, whether this decision is made by the company (with or without just cause) or the employee, and includes the hiring of a replacement. Calculation method: terminations with a request for replacement / effective company headcount. 2. For the number and rate of terminations at IOs, interns are included. In Brazil, interns and Natura Institute employees are not included.

Total and rate of new hirings. by region	2014		2015		2016	
	Total	Rate (%)	Total	Rate (%)	Total	Rate (%)
Brazil	719	10.9%	602	9.1%	511	8.0%
Argentina	121	1.8%	109	1.7%	122	1.9%
Chile	23	0.3%	28	0.4%	34	0.5%
Mexico	19	0.3%	32	0.5%	34	0.5%
Peru	41	0.6%	34	0.5%	34	0.5%
France	5	0.1%	6	0.1%	4	0.1%
Colombia	106	1.6%	106	1.6%	66	1.0%
Total	1,034	15.7%	917	13.9%	805	12.6%

Number of terminations. by country	2014		2015		2016	
	Total	Rate (%)	Total	Rate (%)	Total	Rate (%)
Brazil	755	11.5%	719	10.9%	765	12.0%
Argentina	88	1.3%	74	1.1%	84	1.3%
Chile	39	0.6%	27	0.4%	34	0.5%
Mexico	26	0.4%	36	0.5%	29	0.5%
Peru	64	1.0%	39	0.6%	38	0.6%
France	11	0.2%	16	0.2%	22	0.3%
Colombia	65	1.0%	53	0.8%	50	0.8%
Total	1,048	16%	964	14.6%	1,022	16.0%

Number of terminations, by age group	2014		2015		2016	
	Male	Fem.	Male	Fem.	Male	Fem.
Under 25	30	40	28	18	27	15
25 to 35	100	146	71	143	187	247
35 to 50	235	421	245	401	176	276
Over 50	13	63	15	43	19	75
Total, by gender	378	670	359	605	409	613
Total	1,048		964		1,022	

Turnover Brazil, by gender ¹ (%)	2014		2015		2016	
	Male	Fem.	Male	Fem.	Male	Fem.
	11	9	9	8	13	9

Turnover. by age group - Brazil (%) ¹	2014	2015	2016
Under 18	0.0	0.0	0.0
18 to 25	12.0	12.1	13.1
26 to 30	9.0	8.8	11.9
31 to 40	10.1	8.5	10.2
41 to 50	9.3	9.0	10.3
Over 50	9.1	7.4	10.5

1. Meaning of turnover: number of terminations, whether this decision is made by the company (with or without just cause) or the employee, and includes the hiring of a replacement. Calculation method: terminations with a request for replacement / effective company headcount. 2. For the number and rate of terminations at IOs, interns are included. In Brazil, interns and Natura Institute employees are not included.

Turnover rate. by country (%)¹²	2014	2015	2016
Brazil	9.79	8.83	10.75
Argentina	8.30	11.69	11.64
Chile	8.80	10.78	14.54
Mexico	18.67	20.94	20.75
Peru	7.27	10.31	15.58
France	6.47	5.16	15.50
Colombia	16.28	13.12	13.94
Total	10.25	9.57	11.46

1. Meaning of turnover: number of terminations, whether this decision is made by the company (with or without just cause) or the employee, and includes the hiring of a replacement. Calculation method: terminations with a request for replacement / effective company headcount. 2. For the number and rate of terminations at IOs, interns are included. In Brazil, interns and Natura Institute employees are not included.

Vacancies filled with company employees (%)	2014	2015	2016
Brazil	62	57	61
International Operations	55	42	47
Total	60	54	57

Senior management vacancies filled by company employees¹² (%)	2014	2015	2016
Brazil	70	72	73
International Operations	66	51	49
Total	61	67	65

1. According to the strategy for the recognition and development of company employees, the number of vacancies filled internally was considered one of the goals of the Personnel Management department. Moreover, some of the departments that had previously demanded intensive external hiring for the acquisition of skills did not do so in 2016. 2. Considers Pay Grade 16 and above.

Diversity

405-2 Pay profile – Average monthly pay in Brazil Operations (R\$)¹²³⁴⁵⁶	2014	2015	2016
Women - Total	6,756	7,462	7,613
Production	1,687	1,823	2,026
Administrative	7,448	8,256	8,217
Management	15,926	16,998	18,244
Senior Management	45,643	46,655	48,758
Men - Total	5,687	5,899	6,210
Production	2,211	2,381	2,600
Administrative	6,563	6,880	7,451
Management	17,136	17,631	18,512
Senior Management	54,569	54,843	53,911
Over 45 years old	9,156	9,590	9,395
Production	2,355	2,555	2,777
Administrative	9,843	11,061	10,690
Management	20,411	21,356	22,558
Senior Management	62,791	61,112	55,214
Up to 45 years old	5,836	6,340	6,594
Production	1,942	2,096	2,309
Administrative	6,743	7,371	7,581
Management	15,876	16,721	17,785
Senior Management	43,953	46,055	49,146

1. In 2016, collective bargaining agreements yielded a 9% increase for employees in the operational and administrative areas. The management area received a fixed-amount increment that was incorporated within their basis pay. There were also spontaneous increases and promotion and merit programs, as well as hirings, terminations and transfers, which affected the amounts reported. 2. The calculation does not include the payment of short-term incentives (Profit Sharing). 3. Included the premiums paid to sales managers and relationship managers, plus the WRB (Weekly Remunerated Break). 4. Sales Force employees, when distributed across their categories, with the exception of production posts, reinforce women's average pay, because of the sales premium. 5. For this indicator, we used the most representative operating units of Brazil. 6. Variations between Female and Male pay levels are exclusively due to remuneration distribution according to Natura's structure. An individual comparison of pay grade shows that there are no significant differences between the pay of men and women.

401-3 – Rates of return to work following maternity/ paternity leave and retention, by gender¹		2014	2015	2016
Employees who were entitled to take maternity / paternity leave	Men	2,141	2,163	2,065
	Women	3,091	2,988	2,842
	Total	5,232	5,151	4,907
Employees who took maternity / paternity leave during this period	Men	56	77	87
	Women	157	158	139
	Total	213	235	226
Employees who returned to work after their maternity / paternity leave ended	Men ²	55	76	88
	Women	160	145	151
	Total	215	221	239
Employees who returned from maternity / paternity leave and were still employed by the company 12 months after their return	Men	53	49	71
	Women	137	126	107
	Total	190	175	178
Rate of retention of employees who returned to work after their leave ended	Men	85%	89%	93%
	Women	77%	79%	74%
	Total	79%	81%	81%

1. Calculation of the retention rate of employees who returned to work after their leave ended is based on the total number that stayed on for more than one year, divided by the total number of individuals who were on leave in the previous year. 2. The 2015 result was corrected from 77 to 76, because one paternity leave began in 2015 and ended in 2016.

Health and Safety

403-2 – Rates of injuries, occupational illnesses and days lost¹	2014	2015	2016		
Absenteeism rate	3.33	2.64	Male	Fem.	Total
			1.81	3.02	2.34

1. Refers only to Natura's own employees.

403-2 – Injuries and days lost as a result of work – Brazil ¹	2014		2015		2016	
	Employees	In-house service providers ²	Employees	In-house service providers ²	Employees	In-house service providers ²
Occupational illness frequency rate (%)	0	0	0.2	0	0.1	0
Days lost – accidents ³⁴	186	134	212	329	161	150
Rate of days lost – accidents	17.04	23.74	19.81	38.23	15.36	14.9
Injury rates (accidents with or without time off) ⁵	1.83	5.67	1.212	4.42	1.43	2.68
Fatalities	0	0	0	0	0	0

1. Considers the accidents involving employees registered at the units of Cajamar and Lapa, distribution centers, Itupeva hub, Nasp and Ecoparque. Minor injuries that only required first aid were not included. 2. Includes our service providers allocated at the units of Cajamar and Lapa, distribution centers, Itupeva hub, Ecoparque and Nasp. 3. A day lost is when the employee does not return to his or her job until the next work day after the incident, and includes all subsequent days starting from that date. 4. Total hours scheduled: 8 hours/day x number of business days in the period. 5. Equivalent to the number of accidents with or without time off work, per million person-hours worked.

Investments in health and safety	2014	2015	2016
Prevention of accidents, per employee (R\$) ¹	1,200	1,068	1,407
Prevention of illness (R\$) ²	2,905	2,661	2,848

1. Training expenses are not included. 2. With regard to investments in disease prevention, at the end of 2016, Natura launched the Viva sua Saúde (Live your Health) program, which takes an integrated approach to life and physical, emotional, financial and social health. The existing programs were distributed among these pillars, in order to make them relevant and unify the language and communication channels used. Existing programs for chronic illnesses, counseling, pre-natal care, vaccination campaigns, ergonomics and the program that organized the presence of medical professionals on site (physical therapy, psychology, orthopedics and gynecology) were kept on.

403-3- Employees with high incidence or high risk of diseases related to their occupation

There are no workers involved in jobs with a high risk of catching any sort disease, since there is no manipulation of any type of raw material that could explain the incidence of diseases contracted due to a particular job.

Employees diagnosed with an occupational illness receive support, such as transportation and medication assistance, so they can receive treatment. There are a variety of specialists in our internal infirmaries, located at the com-

pany's main units, to ensure treatment and close monitoring of employees. We also provide a Professional Support Program, through which it is possible to obtain psychological, legal and social guidance.

In 2016, the health area focused on the analysis and monitoring of employees with occupational illnesses and was able to considerably reduce the percentage of employees who need to go on leave due to this type of affliction.

Benefitis

401-2 – Comparison between benefits of full-time and temporary employees

Stakeholder group	Benefit	Description
All employees in Brazil Operations	Ergonomics program	Seeks to make every worker comfortable and productive in his or her workstation and well-adjusted to their working conditions, making changes if needed.
	Social service	Espacio de discusión, comprensión y resolución de las cuestiones de orden social de los colaboradores.
	Calisthenics program	Promotes quality of life and health in the work environment and helps reduce stress-related illnesses.
	Chronic illness management program	For employees and family members of those with chronic illnesses.
	Discounts on product purchases	A 40% discount in up to five Natura products per month.
	Viva Saúde program	Aimed at all employees, with the goal of stimulating a reflection on quality of life and the importance of prevention and promoting good health.
	Program for Women	Regular pre-natal check-ups by a dedicated medical team, medical insurance upgrade and postpartum psychological monitoring.
	Child care and special help subsidies	Hosting of meet-ups for pregnant women and their partners and/or other family members or friends.
	Life insurance	To cover education costs of children with disabilities.
	Transport	Vehicles and a fuel allowance for employees at senior management level and above.
	Parking	Available at Cajamar, Nasp and Alphaville.
	Drugstore discount program	Medicine discounts for all employees with payment deducted directly from their salary.
	Free chartered transport	140 bus lines chartered at no cost to employees.
	Runners project	Training for running races and walks in local parks (Villa-Lobos, Ibirapuera, Alphaville e Cajamar), run by professionals.
	Sale of school materials	With discounts and installments deductible from employee's salary.
	Natura Club	Fitness training, swimming pool (extended to family members, including on weekends), dancing classes, football tournaments and multi-sports court (Cajamar).
	Well-being center	Massages, hairdressing, waxing and manicures, at special prices.
	Services and conveniences	Seamstress services, laundry, shoe repair, optician, insurance company, post office and book rental store and video store (Cajamar).
Partnerships	Discounts and/or perks for employees (gym, home appliances, travel agency, panetones - traditional Milanese fruit cake usually consumed during Christmas time, - movie theaters and theme parks).	

Stakeholder group	Benefit	Description
All employees in Brazil Operations	Presents	Presents for employees' mothers and fathers and toys at Christmas for their children.
	Recognition of length of employment	Employees get a party and a present when they have been working for Natura for five years, and then again every five years after that.
	Natura Education	Scholarships for employees and family members (the program is being revised in 2017).
	Nursery	Fully subsidized for children up to the age of 2 years and 11 months.
	Adoption	Support offered during adoption processes.
	Medical and dental plans	Medical plan, with no fixed cost for the employee, and a dental plan. We also offer check-ups for employees from management level up.
	Partial reimbursement of the cost of medicines	For treating cardiovascular diseases, diabetes, kidney failure, cancer, liver diseases, neurological disorders, work-related musculoskeletal disorders and psychiatric disorders.
	Telemedicine	Eletrocardiogram by phone, in emergency cases.
	Health on the move	Program that encourages physical activity, including nutritional, and medical check-up and orientation, as well as advice from a personal trainer.
	Gym subsidy	For relationship managers and sales managers.
	Free products	Five free products per month for management level employees and directors.
	Christmas food vouchers	To all employees.
	Health center	Emergency medical assistance, physical therapy, RPG, OB/GYN, acupuncture, orthopedics, nutrition and psychology.
	Personal support program	Offers personal assistance in the areas of finance, psychology and law, among others.
	Restaurants on site at Cajamar, Ecoparque, Nasp and the Itupeva hub	Each restaurant caters to the employees of that site and from other locations that are there on business, as well as service providers whose contract states that food services are Natura's responsibility.
	Tempo de Casa and Momento Família events	Tempo de Casa (Length of Employment) and Momento Família (Family Time) events are held in Cajamar.
End of the year company party	Combined end of the year celebration for employees of the operational and administrative categories.	

Labor Relations

402-1 – Minimum notification period for operational changes

There is no minimum period for the notification of operational changes in the collective agreements, but Natura meets the minimum deadlines specified in the current legislation and/or agreed with trade union.

103-2 Channels for airing grievances and lodging complaints related to labor practices

Brazil Operations ¹	Registered	Forwarded	Resolved ³
	348	348	348
2015	297	297	297
2016 ²	271	271	271

1. Includes complaints by employees and in-house service providers about benefits, overtime, working hours, medical and dental care, and education and training activities, among other personnel management issues. 2. There was a 9% decline in the volume of complaints regarding labor practices, a figure that is still smaller than the general decline seen in the number of complaints lodged by internal stakeholders (14%). 3. The indicator makes no mention of the nature of the complaints received and dealt with. Therefore, complaints that were not forwarded, for whatever reason, are considered to have been resolved.

Ethics and human rights

Fighting Corruption

205-1 Units submitted to assessment of risks related to corruption

Natura is assisted by the Compliance, Internal Controls, Risk Management, Ombudsman and Internal Audit areas in the prevention of and fight against corruption. All company processes and areas are indirectly subjected to risk assessment and mitigation. Natura currently has several tools it uses for this purpose, such as the Code of Conduct, which includes e-learning for all the employees in Brazil and in International Operations; the Ombudsman channel, which guarantees safe, anonymous and confidential reporting of any violation of the Natura Code of Conduct, the activities of the Ethics Committee, the Policy of Integrity

against Bribery and Corruption, and specific codes of conduct for suppliers and the Natura sales force. Additionally, we conduct regular audits regarding payments and a few choice suppliers.

In 2016, the Internal Controls, Risks and Compliance areas continued with the program designed to comply with the Brazilian anticorruption law (Law no 12,846 / 2013) by means of: (i) reviewing the mapping of all critical areas, resulting in 27 areas mapped out; (ii) testing of internal controls mapped for the compliance program; and (iii) internal communications reinforcing the guidelines related to this subject.

205-2 - Employees trained in anti- corruption policies and procedures	2014		2015		2016 ¹	
	Informed	Trained	Informed	Trained	Informed	Trained
Senior management	57	44	59	48	54	51
Management	765	630	679	619	631	614
Administrative	3,721	3621	3,819	3,594	3,584	3,393
Operational	2,372	2015	2,246	1,998	2,101	1,928
Total	6,915	6,310	6,803	6,259	6,687	6,683

1. Total number of training sessions held in 2016 on the Code of Conduct with employees from Brazil operations and International Operations and the proportion of the headcount base at the end of December 2016. Indirect operational staff were added to the administrative staff. Of the 6% of the headcount who did not attend Code of Conduct training, 55% were on leave and 36% work in International Operations, where there was considerable reinforcement of the training and improvement opportunities were identified.

205-2 – Commercial partners informed about anti-corruption procedures – Brazil¹	Total number of partners	% of partners
South	33	10%
Southeast	480	13%
Midwest	5	5%
Northeast	21	7%
North	16	5%
Total	555	12%

1. In 2016, we revised the Code of Conduct for suppliers in Brazil and in International Operations. This update was communicated to 555 suppliers in Brazil. Natura made payments to 4,720 Brazilian suppliers in 2016, so the communication rate represents 12% in terms of supplier numbers, but in terms of purchase volume it is equivalent to 83%.

Confirmed cases of corruption and actions taken

In 2016, six cases of fraud were confirmed, none of which involved a public body. This number represents half the figure for the previous year. The six cases resulted in disciplinary actions for five employees (termination).

As for commercial partners, there were no cases in which contracts were rescinded or not renewed due to an incident of this nature. **205-3**

102-43 / 102-44 Satisfaction with the Ombudsman – Brazil¹	2014	2015	2016
Employees (%)	83	83	82

1. Ratings from 7 to 10 are considered as being satisfied with this channel. The survey response rate was 50%. We are still evolving in terms of conducting the survey in such a way that we have a more substantial rate of response in relation to the total volume of complaints.

Disciplinary actions

In 2016, our complaint and analysis channels confirmed six cases of fraud that resulted in disciplinary actions being taken against five employees, who were dismissed by Natura. There were no cases involving a public body. **205-3**
The dissemination of clear and specific codes of conduct for

each stakeholder group (employees, suppliers and the sales forces in Brazil and in International Operations) provides clarity on instances of non-compliance and, combined with the reinforcement of the whistleblowing channel, strengthens the company's conduct in ethical issues.

419-1– Percentage of employees trained in anti-corruption procedures	2014	2015	2016
Management	82%	90%	97%
Non-management	92%	92%	94%

Human Rights

410-1 – Percentage of security staff trained in policies or procedures related to human rights

Our security practices cover human rights training, including legal training, as required by the Federal Police, and internal training. All employees of the surveillance

area undergo the training required by the Federal Police. Additionally, they are trained in special activities, for which we do not have figures for the year of 2016.

406-1 – Total number of incidents of discrimination and corrective actions taken

All lodged complaints are handled by the Ombudsman. Natura has never received a complaint about proven discrimination, but if one arises, appropriate action will be taken. It should be noted that all complaints re-

garding possible ethical deviations, as is the case with discrimination, are reported to the Ethics Committee, which is composed of Natura's senior managers, among others.

103-2 – Number of grievances and complaints that have been registered, processed and resolved¹	2014	2015	2016
Employees and in-house service providers - Brazil	1,256	910	771
Employees and in-house service providers - International Operations	5	17	15
Suppliers - Brazil	13	29	48
Supplier communities	0	0	0
Total	1,274	956	834

1. Complaints received by the Ombudsman.

Complaints dealt with by the Ombudsman	2014	2015	2016⁴
Total of complaints forwarded	1,170	888	794
Total of complaints dealt with ¹	1,170	888	794
% complaints dealt with ²³	92	93	95

1. Complaints dealt with by the Ombudsman's Office, together with the managers responsible for the process/ manager mentioned. 2. The survey considered the ratio between complaints lodged and dealt with regarding Internal Stakeholders (731), International Operations (15) and Suppliers (48). 3. Of the 40 complaints that were not forwarded, 9 were filed at the request of the complainant themselves and 31 were filed because of insufficient information. 4. In 2016, 32% of all complaints were anonymous. Regarding their subjects, 74% were related to technical criticism and 26% dealt with behavioral issues. The main subjects of complaints were related to issues regarding chartered transportation, VIP stores, health center and medical plan, food and electronic punch card. During 2016, of all comments received, 64% were criticism, 10% complaints, 7% suggestions and 4% praise.

407-1 – Degree of application of the right of free association and operations and suppliers identified as risky

Natura did not identify any operations or suppliers where the right to exercise freedom of association and collective bargaining may be violated. The Ombudsman is available to suppliers in Brazil and in International Op-

erations. The Suppliers Code of Conduct was launched in Brazil in 2014 and in 2015 for International Operations. Both address the issue of freedom of association and collective bargaining.

408-1/409-1 – Operations and suppliers at risk for occurrences of child labor and actions taken. Operations and suppliers identified at risk for situations of forced or slave labor and actions taken.
103-2/103-3

We performed an analysis of supplier communities in 2013, and implemented specific action plans that addressed the involvement of children and adolescents in biodiversity production chains. The plans, which have all been concluded, involved dissemination of our positioning (Natura does not tolerate forced or slave or child labor in its production chains), discussion of the points raised in the analysis and investment in the traceability of the inputs supplied.

Incident monitoring is now carried out by the Socio-Biodiversity Chain Verification System, which was implemented in all supplier communities in 2016, together with the UEBT (Union for Ethical BioTrade). This system has an indicator that monitors the risk of occurrence of child labor, slave labor or forced labor.

There was no verified occurrence of child labor, forced la-

bor or slave labor in the communities that supply Natura's biodiversity inputs. However, in some Amazon communities that sell biodiversity inputs, there are signs that there are children and adolescents working in its production chains, albeit in a family environment – a cultural tradition in some communities. This does not necessarily mean they are not complying with Natura's principles (i.e.: children who help their parents, but attend school, are not not complying with the principles of ethical biotrade).

The Socio-Biodiversity Chain Verification System is accredited annually by external auditors.

Read more about our relationship with supplier communities, on [page 55](#).

408-1/414-2 - Significant real and potential negative impacts on human rights in the supply chain and actions taken. Operations and suppliers at risk for occurrences of child labor and actions taken

In 2016, 338 suppliers were submitted to an assessment regarding their impact on environmental, social, labor and human rights (child labor and forced or slave labor) issues. Since Natura has a zero tolerance policy for child and forced labor, there are no suppliers that present this risk and, there-

fore, no improvement agreements have been signed.

We also reviewed the Code of Conduct for suppliers in Brazil and in International Operations in 2016, reinforcing our position of full compliance with human rights requirements and zero tolerance for child and forced labor.

411-1 - Total number of incidents of violations involving rights of indigenous peoples and actions taken

In 2016, there was no record of any incident involving indigenous peoples in any of the locations where the company operates.

Unfair Competition / Compliance

206-1/419-1 - Total number of lawsuits for unfair competition. Monetary value of significant fines and total number of non-monetary sanctions

There was no record, in 2016, of any lawsuit related to unfair competition, trust or monopoly practices or significant

fines or non-monetary sanctions resulting from non-compliance with laws and regulations.

Public Policy

415-1 – Policies on financial contributions made to political parties, politicians or institutions

The company has not made any kind of contribution to political parties and/or candidates running for public office,

in any of its operations, during or outwith elections since 2006

102-13 - Institutional Relations

In 2016, Natura became involved in public affairs through trade associations dealing with issues related to sustainability, such as the preparation of the regulation framework for access to biodiversity, the industry agreement on packaging and the national policy on solid waste. We were also present during discussions on taxation.

The company's institutional representation in 2016 was as follows: Roberto Lima, then Natura's CEO, was on the CEO Council of the WFDSA (World Federation of Direct Selling Associations), an organization that brings together 60 direct selling associations from all over the world. In Brazil, Moacir Salzstein, Natura's Director of Corporate Governance, took over the vice-presidency of the ABEVD (Brazilian Association of Direct Selling Companies). Moreover, Natura has active representation on this association's committees, such as the Committee for Legal and Tax Affairs; the Institutional Relations Committee; and the Research Committee, among others. These actions reinforce our belief that relationships and the direct selling model are the core of our business.

Also in 2016, Marcelo Behar, the Director of Corporate Affairs, served as vice-president of Abihpec (Brazilian Associ-

ation for the Personal Hygiene, Fragrances and Cosmetics Industry), an association where we are also very active in its working groups, especially in: Environment, Taxation and Regulatory, in addition to the respective subgroups.

As part of our industry activities, we also participated in Getap (Applied Taxation Studies Group) and the Fiscal Studies Center (NEF) at the Getúlio Vargas Foundation. At the CNI (National Confederation of Industry), we participate in environmental, tax and foreign trade forums.

Daniel Gonzaga, Director of Product Development, is on the executive board of Anpei (National Association for Research, Development and Engineering of Innovative Companies).

Our co-founders also serve on the board of various associations. Pedro Passos is a member of the board of Iedi (Institute for Industrial Development Studies). Guilherme Leal is a member of the B Team, a global group of leaders for social, environmental and economic transformation, and of the Advisory Committee of the Ethos Institute (Ethos Institute for Business and Social Responsibility), where Marcelo Behar sits on the Steering Committee, and we also participate in some working groups.

Natura Consultants

Productivity

203-2 – Average annual income generated (R\$)	2014	2015	2016
Consultants (NCs) ¹	4,290	4,161	4,028
Natura Consultant Advisors (NCAs) ²	14,306	17,614	18,428

1. Average annual income earned by our NCs through Natura product sales. 2. The NCAs receive commissions according to their performance (number of NCs placing orders and volume of business).

Training and Recognition

Participation of Natura Consultants in training – Brazil (thousand)	2014	2015	2016
Beginner Natura Consultants	496	543	554
Initial training	378	315	230
Total NCs trained on the topics ¹	372	393	397
Training activities	2014	2015	2016
NCs trained (%)	45	41	39
Training courses carried out ² (thousand)	1,546	1,909	1,789

1. Participation of the same consultant in different training courses. Only training in the Face, Fragrances and Makeup categories, applied by Relationship Managers, is included. 2. Total number of training courses held, whether delivered by Relationship Managers, through online training and/or other initiatives.

Training of Natura Consultants– International Operations ^{1,2}	2014	2015	2016
Argentina	7,512	8,590	10,389
Chile	4,490	4,091	5,233
Colombia	5,666	6,717	7,035
Peru	6,512	7,088	12,582
Total	24,180	26,486	35,239

1. Average number of consultants trained per cycle, without repetition, in the three main categories: Face, Fragrances and Makeup. 2. In 2016, we launched virtual courses in all categories, which are also included in this indicator.

Recognition of NCs - Brazil	2014	2015	2016
NCs recognized as Natura standouts ¹	7,433	13,894	12,177
NCAAs recognized as Natura standouts ²	2,287	1,631	1,389

1. Natura Standouts: program that values and gives recognition to individuals in our network who excel each year in different ways. 2. The NCA Recognition Program was developed to value and give recognition to those who show outstanding behavior in orientation activities. In Natura Standouts, the Advisors gain recognition because of activity and volume. In Evolução do Momento (Evolution of the Moment), we celebrate the development of NCAAs in orientation activities.

Customer Services

103-2 - Complaints related to impacts on society registered, processed and resolved through a formal mechanism

Brazil Operations¹²	Registered	Forwarded²	Resolved
2014	1,826	1,826	1,826
2015	2,369	2,296	2,296
2016	3,556	2,953	2,953

1. The scope considers the complaints of consumers and Natura Consultants lodged through the channels that serve these stakeholders. We do not include suppliers here, because this group is contemplated in another indicator. 2. There was a significant increase in complaints made by consultants regarding unsolicited orders and negative experiences reported by consumers. The increase in unresolved complaints is due to cases being closed for lack of response from the complainant.

Suppliers

Environmental Impact

Natura's main suppliers of packaging and raw materials ¹	2014	2015	2016
Total number of suppliers evaluated	94	118	83
Energy consumption			
Primary source of electricity – electricity consumption (J)	1,1 x 1,014	9,9 x 1,013	8,3 x 1,013
Self-generated electricity – diesel generator (J)	1,6 x 1,013	1,9 x 1,013	4,9 x 1,013
LPG consumption (J)	1,3 x 1,013	3,9 x 1,012	3,1 x 1,012
Others – natural gas (J)	6,7 x 1,013	6,0 x 1,013	3,8 x 1,013
Total energy consumption (J)	2,1 x 1,014	1,8 x 1,014	1,7 x 1,014
Water consumption			
Total water consumption (m ³)	342,813	281,000	157,978
Waste generation			
Total waste sent to landfills or incinerated (t)	845	1,460	1,285
Total waste sent to recycling (t) ²	8,280	6,065	4,618

1. In 2016, the survey response rate was down 30% in comparison with the previous year. Despite the increase in diesel consumption, total energy consumption decreased by 5% in relation to the previous year. Considering the relative consumption, there was a 16% drop in total energy consumption and by 44% in water consumption. In the case of waste, we are starting to see more robust results following a change in the calculation method, in 2015 - we now separate the different types of disposal and waste class (hazardous or non-hazardous). 2. The indicator started to be monitored in 2013. Social and environmental evaluation of suppliers is based on respondents'. The monitoring of environmental data is part of the supplier development program (Qlicar) and, through that program, we seek to increase the number of respondents and stimulate continuous improvement. Suppliers that do not participate in the Qlicar program are also monitored. As expected, there were reductions in the consumption of water and electricity, as a reflection of the water shortage crisis and the Brazilian energy scenario.

308-1 – New suppliers selected based on environmental criteria ¹	2014	2015	2016
Total number of suppliers screened	1,876	1,719	999
Total number of suppliers hired based on environmental criteria	42	39	19
% of suppliers hired based on environmental criteria	2.2	2.3	1.9

1. The number of new suppliers in the categories that are subject to evaluation and monitoring of environmental, labor, social impact and human rights criteria is low when compared to the total number of new Natura suppliers, at around 1.9%. However, these categories account for 70% of Natura's entire purchase volume.

308-2 - Total number of critical suppliers evaluated based on environmental factors¹	Suppliers submitted to environmental impact assessment	Suppliers identified as the cause of significant environmental impacts	Improvement agreements signed	Improvement agreements signed (%)
2014	414	142	134	94%
2015	409	128	73	57%
2016 ²	338	120	53	44%

1. Environmental assessment is carried out through audits. Identified deviations are monitored monthly by the auditing department. We have already seen improvements in 44% of cases. 2. In 2016, we changed the calculation criteria, considering all suppliers audited during the year and only suppliers that completed the agreed upon improvement actions.

Impact Related to Labor Practices

103-2/103-3

414-1 – Percentage of new suppliers selected based on labor practices-related criteria¹²	2014	2015	2016
Total number of suppliers screened	1,876	1,719	999
Total number of suppliers hired based on labor criteria	42	39	19
% of suppliers hired based on labor criteria	2.2	2.3	1.9

1. The volume of new suppliers in the categories that are subject to evaluation and monitoring of environmental, labor, social impact and human rights criteria is low when compared to the total number of new Natura suppliers, at around 1.9%. However, these categories account for 70% of Natura's entire purchase volume. 2. The percentage variation is not relevant, but there is a significant reduction in the total number of suppliers, due to a change in the methodology for calculating this indicator. Now, only companies that were registered and that handled purchase orders during the year in question are considered new suppliers.

414-2 - Significant real and potential negative impacts on labor practices in the supply chain

	Suppliers submitted to labor impact assessment	Suppliers identified as the cause of significant negative impacts	Improvement agreements signed	Improvement agreements signed (%)
2014	414	123	117	95.12%
2015	409	120	65	54.17%
2016 ¹	338	113	50	44.25%

1. In 2016, we changed the calculation criteria, and now include all suppliers audited in that year and, for improvements, only the suppliers that completed the agreed upon actions.

Impact on Society

103-2/103-3

414-1 – Percentage of new suppliers selected based on impact on society	2014	2015	2016
Total number of suppliers screened	1,876	1,719	999
Total number of suppliers based on criteria relating to their impact on society ¹	42	39	19
% of suppliers hired based on criteria relating to their impact on society ²	2.2	2.3	1.9%

1. The percentage variation is not relevant, but there is a significant reduction in the total number of suppliers, due to a change in the methodology for calculating this indicator. Now, only companies that were registered and that handled purchase orders during the year in question are considered new suppliers. 2. The number of new suppliers in categories that are subject to evaluation and monitoring of environmental, labor, social impact and human rights criteria is low when compared to the total number of new Natura suppliers, at around 1.9%. However, these categories account for 70% of Natura's total volume of purchases and refer to production inputs, third-party manufacturers, gifts, laboratories, research, transport, logistics operators, customer services, marketing, services, local communities and cooperatives.

414-2 – Significant real and potential negative impacts of the supply chain on society and actions taken^{1,2}

	Suppliers submitted to assessment of their impact on society	Suppliers identified as the cause of significant negative impacts on society	Improvement agreements signed	Improvement agreements signed (%)
2014		115	104	90%
2015	409	126	78	62%
2016	338	130	51	39%

1. In 2016, we changed the calculation criteria, and now include all suppliers audited in that year. In the percentage of agreements reached, we have included only those suppliers that have completed the improvement actions agreed upon. 2. The most significant impacts relate to meeting the quotas of apprentices or people with disabilities, lack of or adequate training in the Code of Ethics, unidentified local community development activities, disclosure or not of the complaints channel. We stress that the identified deviations are monitored monthly by the auditing department and we have seen improvements in 39% of cases.

414-1 – Percentage of new suppliers selected based on human rights-related criteria (%)^{1,2}	2014	2015	2016
	2.2%	2.3%	1.9%

1. The volume of new suppliers in the categories that are subject to evaluation and monitoring of is low when compared to the total number of new Natura suppliers, at around 1.9%. However, these categories account for 70% of Natura's entire purchase volume. 2. The percentage variation is not relevant, but there is a significant reduction in the total number of suppliers, due to a change in the methodology for calculating this indicator. Now, only companies that were registered and that handled purchase orders during the year in question are considered new suppliers.

Supplier Communities

203-1 - Significant impact on supplier communities 103-2/103-3

The positive impacts arising from the relationship between Natura and its supplier communities are income generated from the purchase of inputs, investment in the development of higher value-added production chains, and encouragement to develop the technical capacities and skills of these partners, through training, as well as knowledge exchange with other producers and the development of partnerships with other companies. All these actions aim at contributing to the establishment of a sustainable commercial model focused on the conservation of socio-biodiversity. No negative impacts have been identified so far in the supplier communities with which Natura works.

Direct investments are made in the form of payments for supplies, sharing of benefits and use of image, and are paid directly to each local community. When it comes to providing support and infrastructure for the development of production chains, training, studies and technical services, financial resources allocated through projects that support cooperatives, materials, equipment and courses directed at improv-

ing the production chain or providing technical support.

Among the indirect impacts of their relationship with Natura are the development of production chains and improvement of skills of the populations involved, through training in health and safety programs, good management practices and administrative and organizational management. Additionally, there is potential to create new opportunities and commercial partnerships, form a network of communities and knowledge exchange, focus on biodiversity conservation and establish a commercial model focused on biodiversity that can influence stakeholders.

In 2016, there was an increase in investments, mainly due to the abundant volume of inputs provided for soap production, leading to a greater need for investments in infrastructure and materials in the production chains; studies and technical services.

Read more about our relationship with supplier communities on [page 55](#).

Consumers

Brand Image

102-43 / 102-44 Loyalty (%) ¹²	2014	2015	2016
Consumers - Brazil	64	58	56.2
Consumers - IOs ³	65	67.3	68.7

1. Brand Essence research conducted by the Ipsos Institute in all countries, between November and December 2016. 2. Indicators generated through a quantitative survey of 3,000 interviews in Brazil (30 municipalities across the country), and 2,000 interviews in the five Latin American countries (Argentina, Chile, Peru, Colombia and Mexico). Loyalty is based on the percentage of people surveyed who gave the maximum score (Top1Box), on a scale of 1 to 5 points, to three factors: satisfaction, intention to continue the relationship with Natura and recommending the brand. 3. The scores from Chile and Colombia were not considered in 2016, due to an invalidation of study results caused by a field quality problem involving the Ipsos Institute. The study will be redone in these countries, with results expected in May 2017. The 2015 indicator has been recalculated on the same basis, to ensure comparability.

102-43 / 102-44 Consumer Preference Index ¹² – Customers (%)	2014	2015	2016
Consumers - Brazil	41.8	35.1	30.9
Consumers - IOs ³	21.4	24.3	27.3
Recommendation - IOs ⁴	81.9	81.9	91.1

1. Brand Essence research conducted by the Ipsos Institute in all countries, between November and December 2016. 2. Indicators generated through a quantitative survey of 3,000 interviews in Brazil (30 municipalities across the country), and 2,000 interviews in the five Latin American countries (Argentina, Chile, Peru, Colombia and Mexico). Brand preference is based on the following question: Out of all the cosmetics, hygiene and beauty brands you know, which is your favorite? 3. For IO preference, the weighted scores of Argentina and Peru were considered. The results from Chile were not considered in 2016, due to an invalidation of study results caused by a field quality problem involving the Ipsos Institute. The study will be redone, with results expected in May 2017. In Mexico and Colombia, countries that are in consolidation, we did not evaluate brand preference. 4. The recommendation results for Chile and Colombia were not included, since the research was invalidated in those countries, for the reasons cited in note 3.

Global assessment of brand image survey - Brazil ¹ (%)	2014	2015	2016
	74.2	73.0	72.5

1. Source: Brand Essence / Ipsos Institute. The indicators are the result of a quantitative sample of 3,000 interviews conducted in person at people's homes in 27 different cities. It is the same sample used in the 2015 research, which makes the data obtained comparable.

Consumer Health and Safety

416-1 – Assessment of the impacts on health and safety during product and service life cycle

The categories of marketed hygiene products, cosmetics and perfumes are regulated by Anvisa in Brazil, as well as by similar local regulatory bodies where we have International Operations. In 2015, a new indicator was created – “delivery of technical dossier to Anvisa for approval of new product” – in which all Anvisa legal requirements regarding health and safety are checked off. With this new indicator, 100% of marketed products

follow established procedures and are monitored for post-market availability.

Also in 2016, we opened our first Natura store in New York. All products sold in the U.S. market have been evaluated and comply with local regulatory requirements, such as those of the Food and Drug Administration (FDA), and of the California Proposition 65 (a list of more than 800 chemical products that are subject to restricted use).

417-1 – Labeling of products and services 103-2/103-3

Natura products contain information on how to use them, which of the substances used in its formula are capable of generating social and environmental impacts, how to dispose of the product, indication of the recommended number of times the packaging can be reused and data on pro-

duction outsourcing. All Natura cosmetics are evaluated according to the requirements of the Environmental Table.

Read more about our consumer safety practices on [page 39](#)

Origin of materials and product certification (%)	2014	2015	2016
Materials of renewable plant origin	82.6	83	83
Materials of natural plant origin	7.2	6.6	5.6
Materials with certificate of origin	12.2	13	13

Marketing Communications

417-3 – Cases of non-compliance regarding product and services communications

In 2016, Natura received no notifications regarding non-compliance with regulations and laws, nor any voluntary codes related to marketing communications, including advertising, promotional actions and sponsorships.

416-2/417-2/419-1 – Fines or non-compliance related to impacts caused by products and services, labeling or the supply and use of products and services

In 2016, Natura received no notices, penalties or fines for violation of the laws and regulations that govern the supply and use of products, labeling or allegedly endangering the health and safety of consumers. Only one payment was made in 2016, totalling R\$ 6,000, due to non-compliance with import standards and formalities.

Local Communities

Hiring from the local communities

202-2 - Senior managers who are from local communities - Brazil ¹	2014	2015	2016 ⁶
Total number of senior managers	185	169	164
Cajamar (%) ²	3.1	1.5	0
Benevides (%) ³	0.0	0	0
Nasp (%) ⁴	9.2	0	0
Lapa (%) ⁵	n.a.	22.1	4.3

1. Senior managers are the positions starting from Senior Manager (Business Manager, Process Manager and Global Manager) at Brazilian operating units. 2. Surroundings of Cajamar: the whole town of Cajamar (São Paulo state). 3. Surroundings of the Ecoparque: municipalities of Benevides, Marituba, Santa Bárbara and Santa Izabel, and Mosqueiro district (part of the city of Belém), all in the state of Pará. 4. Surroundings of Nasp: Jaguará district (part of the city of São Paulo, comprising the following neighborhoods: Vila Jaguará, Vila Piauí, Remédios and Jardim Marisa); 5. A few employees have been temporarily allocated to the Lapa site. This allocation is provisional, for the duration of construction at the new Nasp site. After it is completed, these employees will be allocated there permanently. Its surroundings include the districts of Lapa, Vila Leopoldina and Barra Funda, all in the city of São Paulo (São Paulo state). 6. At present, none of the senior managers resides in a local community that surrounds one of Natura's operational units. The only exception is the Lapa site, which is temporary, as explained in the note above. Actions designed to boost local development currently place more emphasis on hiring employees from local communities for entry-level positions at Natura.

Senior managers who are from local communities – IOs (%) ^{1,2}	2014	2015	2016
Argentina	59	59	67
Chile	0	0	20
Colombia	50	20	25
France	100	100	25
Mexico	44	50	70
Peru	40	66	67
Total	50	40	57

1. Senior managers are those holding positions from Senior Manager upwards. 2. Most of the senior management roles are occupied by professionals who are native to the country where Natura is operating, so that the business works according to local market benchmarks. In 2016, some of the senior manager vacancies were filled by employees from Brazil who possessed the skills required to take on these roles.

Employees from local communities¹ (%)	2014	2015	2016
% of employees from local communities in Benevides ²	26	43	48
% of employees from local communities in Cajamar ³⁴	15	17	17
% of employees from local communities at Nasp ⁴⁵	1	2	2
% of employees from local communities in Lapa ⁶	n.a.	7	5

1. In 2016, we changed the criteria for defining the regions considered as local communities surrounding Natura, in order to align them with the regions covered in our territorial development strategy. As a result, this indicator directly reflects the results of our efforts in activities that contribute to local social and environmental development. The data for the years 2014, 2015 and 2016 were updated according to these new criteria. 2. Surroundings of Ecoparque, in Benevides: municipalities of Benevides, Marituba, Santa Bárbara and Santa Izabel, and the district of Mosqueiro, which is part of the city of Belém, all in the state of Pará. 3. Surroundings of Cajamar: the entire town of Cajamar (São Paulo state). 4. Despite the efforts and activities directed at the territorial development of Cajamar and Nasp, 2016 was a year of restrictions on new employee hiring, which meant that the number remained stable between 2015 and 2016. 5. Surroundings of Nasp: district of Jaguará, which is part of the city of São Paulo (São Paulo state) and comprises the neighborhoods of Vila Jaguará, Vila Piauí, Remédios and Jardim Marisa. 6. Region not considered in the territorial development strategy, since the allocation of employees to this site is provisional, for the duration of construction at the new Nasp site. After it is completed, these employees will be allocated there permanently. The surroundings of Lapa include the districts of Lapa, Vila Leopoldina and Barra Funda, all in the city of São Paulo (São Paulo).

204-1 - Policies, practices and proportion of spending on local suppliers (R\$ million)¹	2014	2015	2016
Cajamar	148	144	155
Benevides ²	132	178	111
Total	281	322	266
Spending on local suppliers as a proportion of total spending on suppliers (%)	7.0	6.9	5.1

1. They are considered suppliers of the municipalities of Cajamar and Benevides, but supply any Natura unit. 2 In Cajamar, the financial increment is mainly due to an increase in business dealings with partners who migrated to the local environs. In Benevides, the reduction was a reflection of changing the definition of "local", which previously included the entire state of Pará.

Environmental Management

GHG Emissions

305-1/305-2 – Emissions from the value chain ^{1,2}	2014	2015	2016
Extraction and transportation of raw materials and packaging (processing and transportation to direct suppliers)	141,574	127,788	122,337
Direct suppliers (processing and transportation to Natura)	35,154	31,731	30,378
Industrial and internal processes	29,325	18,557	15,663
Product sale (transportation and distribution)	49,593	66,749	63,465
Product use and packaging disposal	76,680	76,442	71,611
Overall total (t)	332,326	321,267	303,424

1. All the GHG gases were included in the calculations. 2 To calculate our inventory, we considered the total volume of our emissions under Scopes 1, 2 and 3. Our inventory follows GHG Protocol standards and the principles of the ISO 14064-1 standard, which establish rules for its design, development, management, preparation and reporting. In 2016, the report was audited by KPMG.

305-1/305-2/305-3 – Direct and indirect greenhouse gas emissions^{1,2}	2014	2015	2016
Direct GHG emissions (Scope 1)	1,635	4,156	4,975
Direct biogenic emissions (from biomass burning or biodegradation)	8,826	9,347	8,870
Indirect GHG and energy emissions (Scope 2)	8,371	7,909	5,094
Other indirect GHG emissions (Scope 3)	322,319	309,202	293,355
Indirect biogenic emissions of CO ₂ , in metric tons	8,921	10,746	9,366
Total (t)	332,325	321,267	303,424

1. All the GHG gases were included in the calculations. 2. To calculate our inventory, we considered the total volume of our emissions under Scopes 1, 2 and 3. Our inventory follows GHG Protocol standards and the principles of the ISO 14064-1 standard, which establish rules for its design, development, management, preparation and reporting. In 2016, the report was audited by KPMG.

305-5 – Reduction in greenhouse gases emissions

2016	Weight (t eq of CO ₂)	Type of gas	Scope (1, 2 or 3)
Use of coastal shipping to supply distribution centers in the north/northeast	1,118	CO ₂ e	Objetivo 3
Export gains due to local production	890	CO ₂ e	Objetivo 3
Launch of Ekos perfume refill	186	CO ₂ e	Objetivo 3
Recycled glass for fragrances	86	CO ₂ e	Objetivo 3
Recycled PET packaging	535	CO ₂ e	Objetivo 3

305-6/305-7 – Emission of substances that deplete the ozone layer / Emissions of NO_x, SO_x and other significant atmospheric emissions

Natura does not use substances that affect the ozone layer in its operations. Furthermore, since clean fuels (ethanol, LPG and briquette) are used in all boilers, there are no significant measurable quantities of NO_x and SO_x emissions.

Transport CO ₂ emissions		2014	2015	2016
Logistics	Product transportation	49,593	50,395	49,856
	Product export	10,951	16,353	13,609
	Waste transportation	219	204	206
Employee transportation	Chartered	2,229	2,079	1,955
	Sales force vehicles	577	457	357
	Vehicles used by senior management	449	331	201

Energy

302-1 – Direct and indirect Energy Consumption, divided by primary source (TJ) ¹	Type of Source	2014	2015	2016
Solar energy	Renewable	0.02	0.02	0.02
Diesel used in generators	Non-renewable	6	3.27	4.31
LPG consumption	Non-renewable	6	7.10	6.17
Electricity	Mixed source, predominantly renewable ²	197	205.71	189.90
Alcohol consumption ³	Renewable	32	38.65	40.45
BPF oil consumption:	Non-renewable	-	-	1.00X10 ⁻¹²
Briquette consumption ⁴	Renewable	33	33.12	29.27

1. Consumption in relation to Natura's energy matrix: Cajamar, Benevides, Lapa, Distribution Centers and Nasp administrative support, Itupeva hub, Shared Services Center (CSC) and regional offices. 2. Electricity is classified as a renewable source because 75.5% of the Brazilian energy matrix was composed of renewable sources in 2016, according to the National Energy Balance report. 3. Renewable fuel used in Cajamar for steam production. 4. The BPF boiler has been fully replaced by biomass in Benevides as one of the steps to reduce fossil fuel consumption.

302-1 – Energy matrix (%)¹	Type of Source	2014	2015	2016
Electricity ²	Mixed source, predominantly renewable	72	71	70
LPG consumption	Non-renewable source	2	2	2
Diesel used in generators	Non-renewable source	2	1	2
Alcohol consumption ³	Renewable source	12	13	15
BPF oil consumption	Non-renewable source	0	0	0
Solar energy	Renewable source	0.01	0.004	0.007
Briquette ⁴	Renewable source	12	12	11

1. Consumption in relation to Natura's energy matrix: Cajamar, Benevides, Lapa, Distribution Centers and Nasp administrative support, Itupeva hub, Shared Services Center (CSC) and regional offices. 2. Natura stores are not included. 3. Renewable fuel used in Cajamar for steam production. 4. The BPF boiler has been fully replaced by biomass in Benevides as one of the steps to reduce fossil fuel consumption.

302-1 - Total energy consumption, by source (TJ)	2014	2015	2016
Non-renewable fuels	11.8	10.38	10.49
Renewable fuels	262.2	277.49	259.64
Total fuels	274.0	287.87	270.13

302-1 - Total energy consumption (TJ)	2014	2015	2016
Electricity ¹	203.1	208.98	194.21
Heating	0.00	0.00	0.00
Refrigeration ²	0.00	0.00	0.00
Steam ³	66.1	74.80	72.00
Total energy	269.2	283.78	266.20

1. Natura stores are not included. 2. At the Cajamar site, electricity used for refrigeration is already included in the total electricity consumption figure. 3. Total consumption of alcohol and briquettes, plus LPG consumption for Cajamar's boiler.

302-1 - Total energy consumption¹ (TJ)	2014	2015	2016
Cajamar and Benevides ²	198.8	215.7	212.7
Other Natura locations in Brazil ³	75.2	72.1	57.5
Natura's third-party manufacturers ⁴	45.0	35.8	25.9
Total energy matrix	319.0	323.7	296,0

1. There was a slight reduction (1%) in absolute energy consumption at Cajamar and Benevides, due to a decline in production volumes. Reduction (17%) in absolute consumption of other Natura locations; reduction (28%) in absolute consumption of third-party manufacturers, due to reduced production volumes and internalization of the production of certain products at Cajamar and Benevides. These factors resulted in an 8% decrease in energy consumption compared to 2015. 2. Cajamar and Benevides represent 64% of Natura's total energy matrix. 3. Other Natura Brazil locations: Itupeva hub, Lapa and Nasp - both in São Paulo (all in São Paulo state). 4. Companies that manufacture finished products for Natura, representing approximately 90% of the total units purchased by Natura.

302-2 – Energy consumption outside Natura spaces (TJ)¹	2014	2015	2016
Goods and services acquired	245.94	189.44	148.23
Upstream transportation and distribution	479.71	497.59	495.83
Operational waste generated	-	-	-
Business trips	79.58	55.65	45.38
Transportation of employees	30.99	29.48	27.75
Downstream transportation and distribution	194.13	207.94	214.79
Total	1,030.35	980.10	931.99

1. Conversion of fuel consumption to energy using IPCC factors.

302-3 – Energy Intensity	2014	2015	2016
Energy consumption per unit produced ¹ (Joules x 10 ¹² – kJ)	484.3	539.9	564.9

1. Consumption in relation to Natura's energy matrix (Cajamar, Benevides, third-party Suppliers, DCs, Itupeva hub, Lapa and Nasp). Calculation formula: sum of all Natura Energy Sources divided by total of units produced.

302-4 – Energy saved (Joules x 10¹²)	2014	2015	2016
En virtud de proyectos de eficiencia ¹	6.84	0.04	0.00
En virtud de consumo de energía solar	0.02	0.02	0.02

1. Solar energy consumption has been continuous since the implementation of parking lot lighting and water heating for the nursery, in 2005.

Waste Management

103-2/103-3

301-1 – Materials used, by weight or volume (except water)¹	2014	2015	2016
Direct materials (t)	53,259	70,283	70,635
Direct materials (m ³)	11,663	9,583	8,162

1. The calculation method was revised and now includes all inputs or raw materials received at Cajamar and Benevides. Prior to 2014, the amount reported included only the materials consumed by Cajamar's factories. Therefore, the values for 2014 and 2015 were also updated, in line with the new methodology.

Environmental impact of packaging, by product quantity¹ (mpt/kg)	2014	2015	2016
Brazil	64	69	53

1. The Life Cycle Assessment methodology goes from the extraction of raw materials to final disposal. The software used to calculate packaging LCA has an international database; therefore, it is necessary to adapt/group the materials used by Natura and the disposal scenarios to Brazilian standards. The environmental impact of packaging as measured by the LCA tool showed a reduction in comparison with the previous year, due to efforts to expand the use of eco-efficient packaging and reduce greenhouse gas emissions, as well as fluctuations in the sales mix.

301-3 - Recovered packaging in relation to total billed products¹	2014	2015		2016	
	Colombia	Colombia	Argentina ²	Colombia	Argentina
% of recovered packaging in relation to total billed products/items	37%	73%	1%	37%	0,5%
Kg of materials recovered	286,608	624,419	22,245	282,150	9,350

1. We have worked on the EcoPontos project in Colombia since 2015, through an alliance with the Family Foundation and recyclers' associations in Bogotá, Bucaramanga, Medellín, Rionegro and Valledupar. In 2016, we stopped accounting for the waste recovered from our distribution center, since it is not in line with the post-consumer reusable materials methodology. Considering only EcoPontos materials, the volume grew last year, whereas in 2015 this volume amounted to 216 tons. 2. We reviewed our strategy in 2016 and ended the joint project with the Buenos Aires government; consequently, the booked amount refers only to the period from January to April. We partnered with Cempre (Business Commitment to Recycling) and joined the Business Fund for Recycling (Feri) program, which coordinates business resources and public policies to improve waste management and boost recycling rates. Their goal is to help the collective effort of companies in the recovery of post-consumer materials, boosting the impact of the investments.

306-2 – Total weight of waste, by type and disposal method¹²	2014	2015	2016
Total waste per unit produced (g/un.)	25	25.5	22.8

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

306-2- Direct and indirect waste⁵

Natura's direct waste, by type and final disposal (%)		2014	2015	2016
Total hazardous waste (Class I)	Recycling ¹	92	82.4	71.0
	Incinerated	7.6	17.6	28.9
	Discarded in landfill	0	0	0
Total non-hazardous waste (Class II-A and B)	Recycling ¹	87	90	91
	Incinerated	4	6	1,9
	Discarded in landfill	9	4	7,2
Natura's total direct waste (t) ²		12,168	11,585	9,600
Natura's total indirect waste (t)		2014	2015	2016
	Waste from other Natura locations ³	2,266	2,127	1,162
	Waste from third-party suppliers ⁴	2,053	1,543	1,131
Total indirect waste (t) ⁵		4,319	3,670	2,293

1. Includes recycled waste sent for composting, co-processing and transformation. 2. Refers to the Cajamar, Benevides, Nasp and SP-DC sites. Natura does not include in this indicator waste generated by construction (rubble) at its sites. 3. Refers to distribution centers, except the SP-DC, Itupeva hub and Lapa. The waste from these units started to be monitored as of 2015. 4. Refers to the main third-party suppliers, representing approximately 90% of the total produced by third parties. 5. In 2016, there was a reduction of 17% in the amount of waste generated, deriving mainly from lower production volumes and projects designed to reduce waste generation that were implemented during the period. The 38% reduction in total indirect waste was due to a planned reduction of production by third-party suppliers, whose volumes were taken over by Natura.

306-4- Total weight of hazardous waste transported

Natura does not import, export or transport this type of waste internationally.

Water**103-2/103-3**

	2014	2015	2016
303-1- Water consumption (l/unit produced)	0.45	0.49	0.53

Water consumption, by location (m3)	2014	2015	2016
Natura sites ¹	174,045	177,866	191,277
Other locations ²	60,356	52,826	50,224
Natura's third-party suppliers ³	60,299	63,027	37,453
Total Water consumption	294,700	293,719	278,955

1. Covers our industrial units: Cajamar and Ecoparque (Benevides). 2. Includes Nasp, Lapa, distribution centers and the Itupeva hub. 3. Manufacture finished products for Natura. The leading third-party suppliers account for about 90% of the volume produced.

303-1- Total water withdrawal, by source¹ (m³)	2014	2015	2016
Surface water (rivers, lakes, wetlands, oceans)	0	0	0
Groundwater	174,045	177,866	191,277
Water distribution company	30,960	20,872	23,858
Total	205,006	198,738	215,135

1. Relates to the Cajamar, Benevides, Nasp and Lapa units. It is not possible to list the sources used by distribution centers, Itupeva hub and third party suppliers, due to the variety of water withdrawal sources used.

303-2- Water sources significantly affected by water withdrawal

Due to the lack of a public water supply system, the water resources used at the Cajamar and Benevides facilities are withdrawn from semi-artesian wells. These systems are monitored daily and comply with all regulations estab-

lished on the permits granted by the supervising bodies. At Nasp, in the city of São Paulo (SP), the water is supplied by the public utility system.

303-3 - Volume of water recycled and reused	2014	2015	2016
Water recycled ¹ and reused ² (m ³)	99,586	82,972	63,523
Reclaimed water as a proportion of the total amount of water treated at the effluent treatment plant ^{3,4} (%)	61	45	42
Reclaimed water as a proportion of total water withdrawn (%)	67	59	41

1. Recycled water: water reused for toilet flushing, irrigation and other industrial processes. 2. Reused water: water that is returned from the Cajamar production process and is used in the drinking water system. 3. Reclaimed water: the sum of recycled and reused water. 4. For this indicator, only Cajamar data were considered.

Effluent

103-2/103-3

306-1/306-5 – Total water discharge, broken down by quality and disposal. Protection and biodiversity index of bodies of water and habitats

Effluent treated at Cajamar (mg/l)	Legal parameter	2014	2015	2016 ³
BOD ¹	60	20	13.3	29.1
QOD ²	150	65.68	55.1	76.4
Oils and greases	120	17	18.4	16.6

1. BOD – biochemical oxygen demand. 2. QOD – chemical oxygen demand. 3. Refers to the Ecoparque, in operation since April 2014. 4. The increase in Ecoparque effluent volume is due to the inauguration of the on-site cafeteria, which adds to the volume of sanitary effluent, and to the establishment of Symrise's (a partner company) headquarters at the Ecoparque, which adds to the volume of industrial effluent. Furthermore, effluent originating from cleaning procedures carried out in 2015 had been stored in tanks, with final treatment scheduled for 2016.

Effluent treated at Benevides (Ecoparque) (mg/l) ³	Legal parameter	2014	2015	2016 ⁴
BOD ¹	-	7	10.9	5.5
QOD ²	-	64	55.9	33.4
Oils and greases	-	1	7.0	5.0

1. BOD – biochemical oxygen demand. 2. QOD – chemical oxygen demand. 3. Refers to the Ecoparque, in operation since April 2014. 4. The increase in Ecoparque effluent volume is due to the inauguration of the on-site cafeteria, which adds to the volume of sanitary effluent, and to the establishment of Symrise's (a partner company) headquarters at the Ecoparque, which adds to the volume of industrial effluent. Furthermore, effluent originating from cleaning procedures carried out in 2015 had been stored in tanks, with final treatment scheduled for 2016.

306-1/306-5 Total water discharge, by quality and disposal	Volume (m ³)			Treated	Water quality and treatment method	Disposal	To be reused by another organization?
	2014	2015	2016	2016	2016	2016	2016
Cajamar ¹	110,829	129,041	157,101	Yes	Activated sludge	Reuse then discharged into the river	No
Benevides -Ecoparque ²	-	4,261	18,369	Yes	Filtration garden	Discharge into the river	No
Benevides	11,838	The old Benevides industrial unit was closed in October 2014 and the property was returned to its owner					
Nasp ³	28,163	17,849	15,311	No	N.A.	Municipal network	No

1. At Cajamar, the discharge goes into the Juqueri River (class 3). This body of water presents the following results (BOD upstream: 17.7mg/l, downstream: 12.5mg/l), from July 13, 2016. 2. At Benevides/Ecoparque, the discharge goes into a tributary of the Benfica River (class 2). This body of water presents the following results (BOD upstream: <3mg/l, downstream: <3mg/l), from March 23, 2016 and September 28, 2016. This shows that these discharges do not damage the rivers and are in full compliance with current legislation. 3. Nasp has only domestic effluent, which is collected by the Sabesp sewage system. Since there are no meters, the volume of effluent is equal to the volume of water consumed.

306-3 – Total number and volume of significant spills

There were no significant substance spills or accidents involving products that have had an environmental impact recorded in 2016.

Biodiversity

304-1 – Location and size of areas	Cajamar	Benevides (Ecoparque)	Nasp (São Paulo)
Area type	Owned	Owned	Rented
Position in relation to the protected area	This is an APA (Environmental Protection Area)	Includes protected areas	Located in an urban industrial area
Type of operation	Administrative and industrial, for the production of cosmetics	Administrative and industrial, for the production of soap paste and soaps	Administrative and logistics, for storage and distribution of cosmetics
Size of operational unit	646,000 m ²	1,729,000 m ²	111,700 m ²
Biodiversity value ¹	Not available	Not available	Not available

1. Considers the attributes of the protected area and of areas with a high level of biodiversity outside the protected area (terrestrial, freshwater or marine ecosystem) and classification by conservation status (e.g.: IUCN Category, Ramsar Convention, national legislation, etc.).

304-3 – Protected or restored habitats	2016			
Area/Project	Size (hectares)	Location	Area status	Partnerships (for protection or restoration)?
		Cajamar	Maintenance of roads and firebreaks	No
		Nasp	No defined projects	No
Program for the Restoration of Degraded Areas (Prad)	4	Ecoparque	Program focused on Permanent Protection Areas (APP), and includes areas of riparian forest. The goal is to boost the local forest.	No

304-4 – Total number of species included on the IUCN red list and on other conservation lists¹

	2014	2015	2016
Critically endangered	-	-	-
Endangered	<i>Virola surinamensis</i> * (IUCN) – ucuuba	<i>Virola surinamensis</i> (IUCN) – ucuuba	<i>Virola surinamensis</i> (IUCN and Env. Min) – ucuuba
		<i>Pinus elliottii</i> (IUCN) – slash pine	<i>Euphorbia cerifera</i> (CITES) – candelilla
		<i>Euphorbia cerifera</i> (CITES) – Candelilla	
Vulnerable	<i>Bertholletia excelsa</i> (IUCN and Env. Min) – Brazil nut <i>Vitellaria paradoxa</i> (IUCN) – shea tree	<i>Bertholletia excelsa</i> (IUCN and Env. Min) – Brazil nut	<i>Bertholletia excelsa</i> (IUCN and Env. Min) – Brazil nut
		<i>Vitellaria paradoxa</i> (IUCN) – shea tree	<i>Vitellaria paradoxa</i> (IUCN) – shea tree
			<i>Santalum album</i> (IUCN)* – white sandalwood
Near threatened	<i>Ilex paraguariensis</i> (IUCN) – Paraguay tea	<i>Ilex paraguariensis</i> (IUCN) – Paraguay tea	<i>Ilex paraguariensis</i> (IUCN) – Paraguay tea
Least concern	-	-	<i>Cyperus articulatus</i> (IUCN) – piri piri
			<i>Pinus elliottii</i> (IUCN) – slash pine
			<i>Bulnesia sarmientoi</i> (CITES and IUCN) – holy wood

1. Plant species that are at risk of extinction, be they native to Brazil or exotic (imported and grown in Brazil) which are used in Natura product lines. Conservation projects are in place, in partnership with research institutions and direct suppliers, to protect the species from Brazilian biodiversity. For the Brazil nut and Paraguay tea, two conservation projects have been carried out, in partnership with Embrapa. Likewise, we have just concluded a conservation project, in partnership with UFSCar (Federal University of São Carlos) to protect ucuuba trees, by collecting its fruit without cutting them down. We also support the adoption of agroforestry systems for the production of Brazil nuts, ucuuba and piri piri in communities in the Amazon. Paraguay tea is off the list of Brazilian flora that are at risk of extinction. On the other hand, piri piri has been placed, for the first time, on the list of the IUCN (International Union for Conservation of Nature) and is a species whose organic chain was developed by Natura. The slash pine species of *Pinus*, used in fragrance formulas, is obtained from a planted forest whose origin is traceable, as guaranteed by the supplier. In the case of the shea tree, the supplier participates in the Global Shea Alliance, a movement aimed at promoting the sustainability of this production chain. As for candelilla and holy wood, both feature on the CITES (Convention on International Trade in Endangered Species of Wild Fauna and Flora) list, but the supplier complies with international legislation, and possesses the necessary CITES certification. The sandalwood comes from Sri Lanka, a country that follows strict species protection and conservation policies, and has its sourcing guaranteed by the supplier. Furthermore, we have received UEBT (Union for Ethical BioTrade) Certifications for 14 Amazon supplier communities, thereby reinforcing our commitment to ethical sourcing.

Number of certified socio-biodiversity suppliers¹	2016
Certified socio-biodiversity suppliers ²	14
Total number of audited socio-biodiversity suppliers	33
% of socio-biodiversity suppliers that have been audited (%)	100%
Total number of certified supply chains (input v supplier) ³	40
Total number of audited supply chains (input v supplier)	113
% of total certified supply chains (input v supplier) (%)	35%

1. The Socio-Biodiversity Chain Verification System aims at monitoring the principles of ethical biotrade within the supply chains for socio-biodiversity inputs. The system has been applied to 100% of socio-biodiversity suppliers. In the 2016 audit, 14 communities were deemed suitable for certification. Suppliers that have not yet been certified follow monitored action plans. Their status will be assessed with the next audit, and they may then qualify to become certified suppliers. In 2016, the verification system received its first accreditation by external auditors. However, the system has been operating since 2015. 2. Socio-biodiversity suppliers include supplier communities, which are organized into cooperatives and associations, and rural producers. 3. Supply chain: the input provided versus the supplier.

Grievance Mechanism

103-2- Number of grievances and complaints regarding environmental impacts	Registered	Forwarded	Complaints
2014	20	20	20
2015	20	20	20
2016	9	9	9

Compliance

307-1 – Significant fines and total number of sanctions for non-compliance with legislation

No fines or monetary sanctions related to environmental issues were registered in 2016.

Investments

Investments and spending on environmental protection (R\$ thousand) ¹	Details	2014	2015	2016
Socio-biodiversity	Amazon Program ¹	385,000	169,765	220,700
Climate change	Carbon Neutral Program	1,731	764	3,293
Waste	Reverse Logistics Program and disposal of industrial waste from Natura units	6,327	9,935	11,375
Water and effluent	Water Footprint Program and treatment of industrial effluent from Natura units	2,685	3,410	3,583
Innovation and Social and Environmental Technology	Sustainable technology for products and clean technology implemented in operations	6,645	6,661	3,874
Social	Programs such as Natura Movement, HDI-NC and Local Development at Natura units ²	2,081	2,784	2,225
Others	Support, sponsorship and associations related to sustainability ² , as well as environmental insurance	1,880	1,263	1,194
TOTAL³		406,349	194,582	246,244

1. The figures disclosed here for the Amazon Program are annual, unlike the amount disclosed in the Volume of Business in the Amazon indicator (a commitment of the Sustainability Vision), which represents the accumulated amount. 2. Natura Units: Cajamar, Nasp and Benevides. 3. The support and sponsorship listed here is different from Natura's General Support and Sponsorship indicator, since it only includes the support, sponsorship and participation in associations that are related to the subject of sustainability. The 2014 data do not include associations, because the indicator was revised and recalculated in 2015.

Relatório de Asseguração Limitada dos Auditores Independentes do Relatório Anual de Sustentabilidade da Natura Cosméticos S/A, com base nas diretrizes GRI Standards, opção de reporte “Abrangente”.

Ao Conselho de Administração e Acionistas da
Natura Cosméticos S/A
São Paulo - SP

Introdução

Fomos contratados pela administração da Natura Cosméticos S/A (“Natura”) para apresentar nosso relatório de asseguração limitada sobre os indicadores contidos no Relatório Anual de Sustentabilidade, com base nas diretrizes do *Global Reporting Initiative Standards* (“GRI”), relativos ao exercício findo em 31 de dezembro de 2016 (“Relatório”).

Responsabilidades da administração da Natura

A administração da Natura é responsável pela elaboração e apresentação de forma adequada das informações constantes no Relatório de acordo com critérios, premissas e metodologias GRI (opção de reporte “Abrangente”) e pelos controles internos que ela determinou como necessários para permitir a elaboração dessas informações livres de distorção relevante, independentemente se causada por fraude ou erro.

Responsabilidade dos auditores independentes

Nossa responsabilidade é expressar conclusão sobre as informações constantes no Relatório, com base no trabalho de asseguração limitada conduzido de acordo com o Comunicado Técnico do Ibracon (CT) Nº 07/2012, aprovado pelo Conselho Federal de Contabilidade e elaborado tomando por base a NBC TO 3000 (Trabalhos de Asseguração Diferente de Auditoria e Revisão), emitida pelo Conselho Federal de Contabilidade – CFC, que é equivalente à norma internacional ISAE 3000, emitida pela Federação Internacional de Contadores, aplicáveis às informações não históricas. Essas normas requerem o cumprimento de exigências éticas, incluindo requisitos de independência e que o trabalho seja executado com o objetivo de obter segurança limitada de que os indicadores constantes no Relatório, estão livres de distorções relevantes.

Um trabalho de asseguração limitada conduzido de acordo com a NBC TO 3000 (ISAE 3000) consiste principalmente de indagações à administração e outros profissionais da Natura que foram envolvidos na elaboração das informações constantes do Relatório através da aplicação de procedimentos analíticos para obter evidências que nos possibilite concluir na forma de asseguração limitada sobre os indicadores do Relatório. Um trabalho de asseguração limitada requer, também, a execução de procedimentos adicionais, quando o auditor independente toma conhecimento de assuntos que o leve a acreditar que as informações constantes do Relatório podem apresentar distorções relevantes.

Os procedimentos selecionados basearam-se na nossa compreensão dos aspectos relativos à compilação e apresentação das informações constantes no Relatório de acordo com critérios, premissas e metodologias próprias da Natura. Os procedimentos compreenderam:

- (a) o planejamento dos trabalhos, considerando a relevância, o volume de informações quantitativas e qualitativas e os controles internos que serviram de base para a elaboração das informações constantes do Relatório;
- (b) o entendimento da metodologia de cálculos e dos procedimentos para a preparação e compilação do Relatório através de entrevistas com os gestores responsáveis pela elaboração das informações;

- (c) aplicação de procedimentos analíticos e verificação amostral de determinadas evidências que suportam os dados utilizados para a elaboração do Relatório;
- (d) confronto dos dados de natureza financeira com as demonstrações financeiras e/ou registros contábeis.

Os trabalhos de asseguração limitada compreenderam, também, a aderência às diretrizes da estrutura de elaboração dos indicadores da GRI, aplicável na elaboração das informações constantes no Relatório.

Entendemos que as evidências obtidas em nosso trabalho foram suficientes e apropriadas para fundamentar nossa conclusão na forma limitada.

Alcance e limitações

Os procedimentos aplicados em um trabalho de asseguração limitada são substancialmente menos extensos do que aqueles aplicados em um trabalho de asseguração que tem por objetivo emitir uma opinião sobre as informações constantes no Relatório. Conseqüentemente, não nos possibilitam obter segurança de que tomamos conhecimento de todos os assuntos que seriam identificados em um trabalho de asseguração que tem por objetivo emitir uma opinião. Caso tivéssemos executado um trabalho com objetivo de emitir uma opinião, poderíamos ter identificados outros assuntos ou eventuais distorções nas informações constantes do Relatório. Dessa forma, não expressamos uma opinião sobre essas informações. Adicionalmente, os controles internos da Natura não fizeram parte de nosso escopo de asseguração limitada.

Os dados não financeiros estão sujeitos a mais limitações inerentes do que os dados financeiros, dada à natureza e a diversidade dos métodos utilizados para determinar, calcular ou estimar esses dados. Interpretações qualitativas de materialidade, relevância e precisão dos dados estão sujeitos a pressupostos individuais e a julgamentos. Adicionalmente, não realizamos qualquer trabalho em dados informados para os períodos anteriores, nem em relação a projeções futuras e metas.

Conclusão

Com base nos procedimentos realizados, descritos neste relatório, nada chegou ao nosso conhecimento que nos leve a acreditar que os indicadores GRI constantes no Relatório Anual de Sustentabilidade da Natura, relativo ao exercício findo em 31 de dezembro de 2016, não tenham sido elaboradas, em todos os aspectos relevantes, de acordo com critérios, premissas e metodologias para elaboração dos indicadores da *Global Reporting Initiative Standards* (opção de reporte "Abrangente").

São Paulo, 10 de abril de 2017.

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