



NATURA 2018

Annual Report



Summary

Presentation	3	3 Our Network	52
Our essence	4	Positive social impact	53
Message from the Board of Directors	5	Work and income for Natura consultants	54
Message from the CEO	7	Developing surrounding areas	56
Natura	9	Sustainable supplier management	57
Performance highlights	11	Diversity and inclusion	59
		Instituto Natura: a drive for education	61
Strategy	13	Culture for sustainability	63
Business model	15	Organizational transformation	64
Multichannel Natura	16		
Focus on technological innovation	23	Overview of the 2050 Sustainability Vision	67
Innovation for sustainability	24	Company information	73
		Corporate governance	74
Sustainability Vision (2018 Progress report)	29	Risk management	77
1 Management and Organization	32	Ethics and integrity	79
2 Brands and Products	36	Natura commitments and partnerships	80
Reduction of environmental impact	38		
Carbon neutral company	38	Complementary indicators	82
Eco-efficient packaging	43	About the report	106
Water footprint	44	GRI content summary	110
Sustainable social biodiversity-oriented businesses	45	Assurance report	123



Presentation



Our Essence

REASON FOR BEING

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

well-being

is the individual's harmonious, agreeable relationship with him/herself, with his/her own body.

being well

is the individual's empathetic, successful and pleasurable relationship with others, with the nature he/she is part of, with the whole.

BELIEFS

Life is a chain of relationships. Nothing in the universe stands alone, everything is interdependent. Natura believes that valuing relationships is the foundation for the great human revolution in the pursuit of peace, solidarity, and life in all its manifestations.

Continuously striving for improvement develops individuals, organizations and society.

Commitment to the truth is the way to enhance quality in relationships.

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

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

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

VISION

Due to our corporate behaviour, the quality of the relations we establish and our products and services, we will be a group of global brands, identified with the community of people committed to building a better world through a better relationship with themselves, with others, with the nature of which they are part, with the whole.



Message from the Board of Directors



Our global future

GRI 102-14

Antonio Luiz da Cunha Seabra, Guilherme Peirão Leal, Pedro Luiz Barreiros Passos (co-chairmen) and Roberto de Oliveira Marques (executive chairman)

From left to right: Pedro Passos, Roberto Marques, Luiz Seabra and Guilherme Leal

We had a great year! Natura &Co has given shape to our dream of reaching out to the world and furthering our vision that business should drive positive transformation in society. In this first year of consolidating a global cosmetics group, we have made significant progress in building the foundations that will sustain our future development.

Throughout this journey we have maintained our belief in the power of transformation, of collaboration, of transparency, of integrity, of diversity and of the interdependence between everything and everyone. These certainties enable us to mobilize people and businesses in different geographies aligned with the same purpose: “To nourish beauty and relationships to promote a better way of living and of doing business”.

In the ambit of business results, 2018 also saw key developments. For the second year running, Natura consolidated the bases of its new growth cycle, supported by the revitalization of direct selling. The Body Shop advanced successfully in its transformation plan, which will drive efficiency, new growth platforms and rejuvenation of the brand. And Aesop maintained the expansion of its businesses, both in number of stores and in channels and new markets.





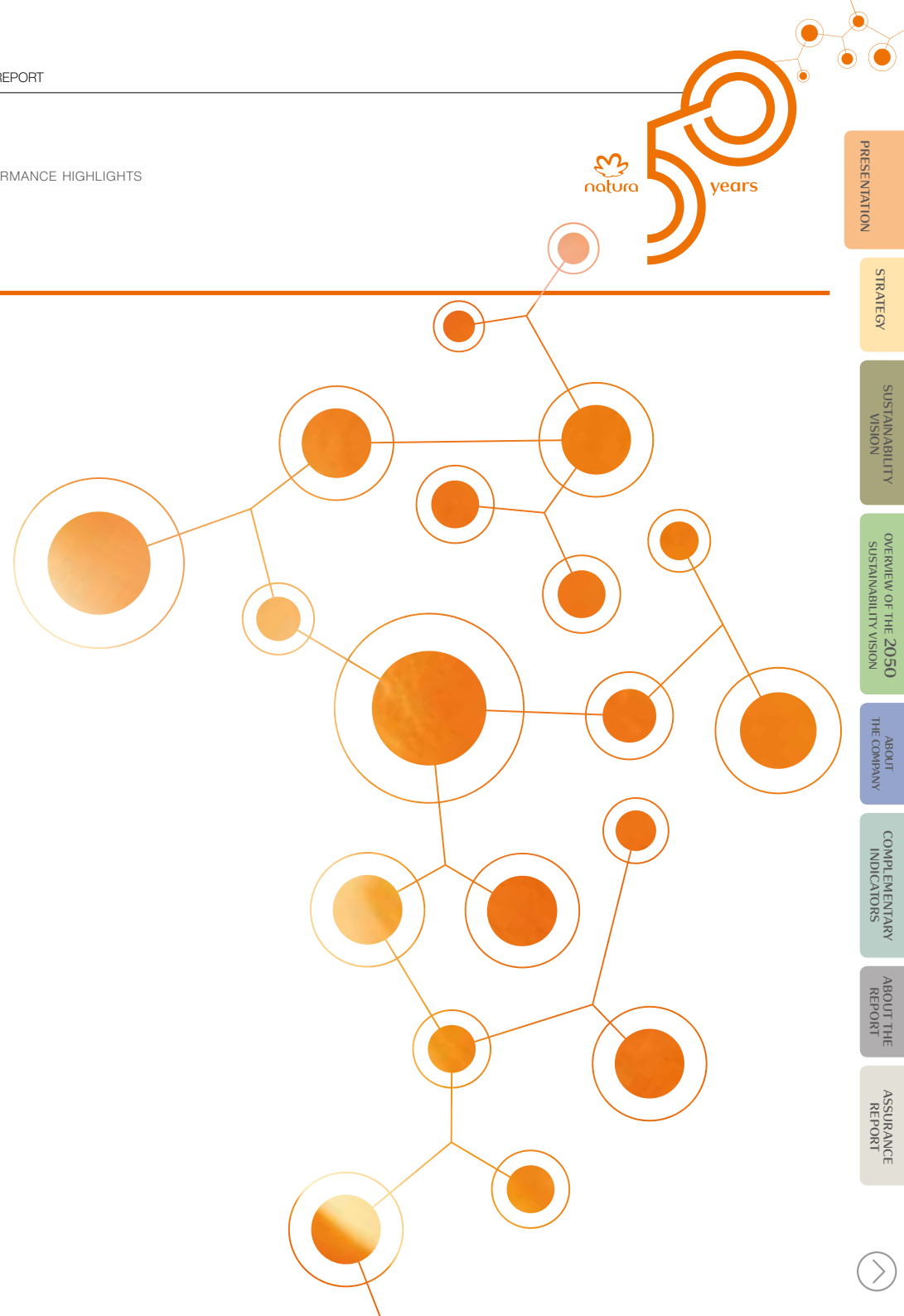
- PRESENTATION
- STRATEGY
- SUSTAINABILITY VISION
- OVERVIEW OF THE 2050 SUSTAINABILITY VISION
- ABOUT THE COMPANY
- COMPLEMENTARY INDICATORS
- ABOUT THE REPORT
- ASSURANCE REPORT

However, this edifying awakening of Natura &Co should not permit us to lose sight of the times in which we live. The world is beset by great uncertainty. And not infrequently we see the propagation of world views radically different from ours. Faced with systemic challenges that impact the entire planet, we witness with concern the emergence of isolationist reactions among nations that make efforts aimed at achieving a global understanding even more complex. Trusting in the constructive power of open debate, it is our understanding that this conjuncture requires that we reaffirm our belief in universal values that should shape a globalized civilization. We believe in the power of free trade, in social justice that combats inequalities, and in the urgent need to address global warming. We understand that businesses have an indispensable role to play in the transformation of the world we live in. Beyond generating wealth, they generate values that shape human relationships and enable people to live their lives more fully. Natura &Co is founded on these premises.

This is a fundamental commitment that emanates from the trajectory of our companies. In August 2019 we will celebrate the 50th anniversary of Natura, the oldest company in our group. This is an

emotional event for us, above all because we recognize in our past the drivers of our future: a passion for cosmetics and for relationships. The experience of self-knowledge bestowed by cosmetics allied with the expanded possibilities of relationship enabled by complementary physical and digital means signals an excellent opportunity for us to relate with an ever larger number of people, in more places, through different brands.

This gives us every reason to celebrate the excellent results of Natura &Co's first year. They are the result of the quality and talent of a team of co-workers who make the most of the power and beauty of their own diversity, in all dimensions, from origins to cultures, from experiences to business contexts. This is complemented by the focused application of a strategy that respects the particularities of the businesses, seeking to ensure that each evolves and contributes in the best way possible to the whole. Thus we advance in the construction of the future of a global group that values the strength of relationships at every point in its network.





- PRESENTATION
- STRATEGY
- SUSTAINABILITY VISION
- OVERVIEW OF THE 2050 SUSTAINABILITY VISION
- ABOUT THE COMPANY
- COMPLEMENTARY INDICATORS
- ABOUT THE REPORT
- ASSURANCE REPORT

Message from the CEO



Prepared for a new cycle

GRI 102-14

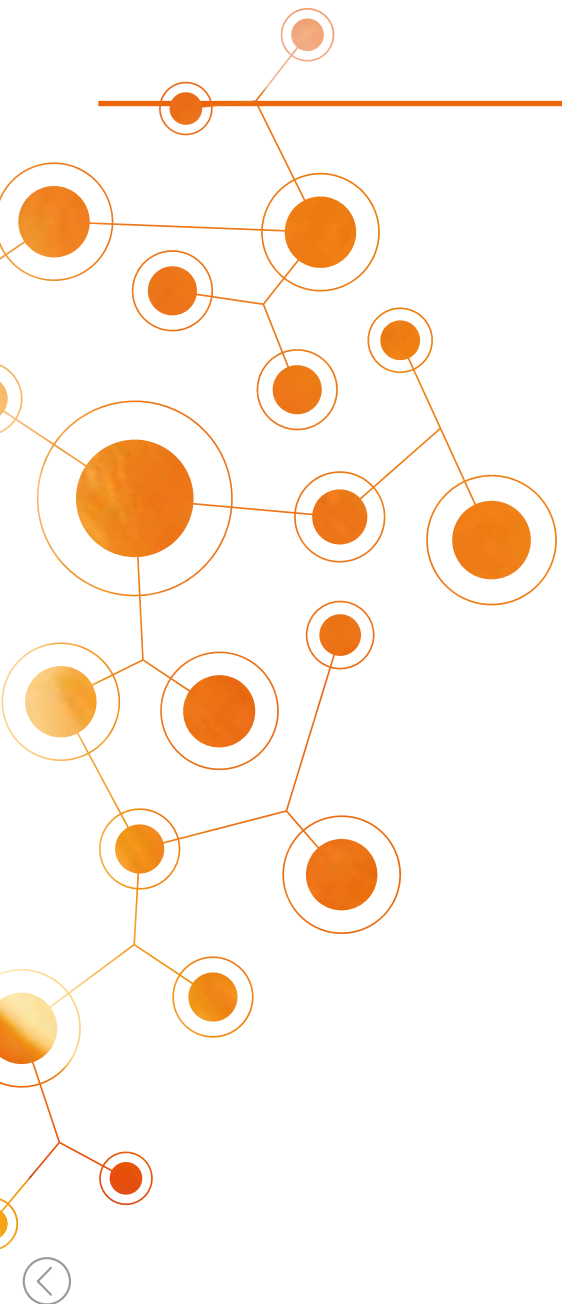
João Paulo Ferreira, CEO

There are many stories involving people or organizations that highlight how they managed to shine in moments of adversity. And this is the sensation we have about Natura's achievements in 2018. Our results last year were outstanding, in the midst of an unfavourable conjuncture in the markets in which we operate: low growth, exchange devaluations, the truck drivers' strike in Brazil, unemployment and social

turbulence. Even so, our performance was one of the best in our almost 50 years of existence, enabling us to reap the fruits of the important business transformations implemented over the last two years and positioning us to embark on a new growth cycle from 2019.

Our many accomplishments during the year include the best Christmas sales ever,





making October to December the best quarter ever in the company's history. We increased our market leadership in Brazil. We maintained the pace of our growth and achieved consumer preference in the operations in Latin America. Productivity among the consultants continues to grow, driving greater loyalty and demonstrating the value of the Relationship Selling model. This evolution is strongly supported by the use of digital tools.

We grew our multichannel presence, which includes the leading online platform in the Brazilian cosmetics market and our retail initiatives: company-owned stores, products commercialized in pharmacies and the Aqui Tem Natura points of sale - franchises run by the Beauty Entrepreneurs in our network. In 2018, we engaged in a number of important causes, including banning animal testing (leading to the award of Peta and Cruelty Free International certification), business expansion in the Amazon region, the development of our consultants and incentives for education - funded by the

Crer Para Ver (Believing is Seeing) product line, which raised a record R\$ 44 million.

All of these advances have one point in common: the painstaking and integrated execution of Natura's strategic priorities throughout 2018. Without the talent and engagement of our team, we would not have been able to overcome the obstacles in our path. In all our operations, we focus on promoting greater interdependence, resolving conflicts collaboratively and always putting the consultant at the centre of our decision making, with the overarching objective of ensuring the results of the whole. This is why we had more than enough reasons to celebrate. We are, however, aware that there is still much to be done. There is still room to reinforce desire for our brand, to seek greater product differentiation by means of innovation and to enhance the consumer shopping experience, expanding our multichannel presence and accelerating the digital transformation of the business. We want to integrate our practices, positioning them on the same level in all

the countries in which we operate, while exploring the opportunities arising in new international markets, leveraged by the relationship networks and experience of The Body Shop and Aesop, our partners in Natura &Co.

We have a huge opportunity ahead of us. We have already identified the direction we need to take and have been making preparations to blaze this trail. It is truly exciting to realize that while Natura is commemorating a half a century of existence, the company has the vitality and the capacity to embark on this journey, planning what will happen over the next fifty years. This is how we will take our value proposition to more and more people around the world and contribute to the positive transformation of the planet and society.

- PRESENTATION
- STRATEGY
- SUSTAINABILITY VISION
- OVERVIEW OF THE 2050 SUSTAINABILITY VISION
- ABOUT THE COMPANY
- COMPLEMENTARY INDICATORS
- ABOUT THE REPORT
- ASSURANCE REPORT



Natura

In 2019, Natura commemorates 50 years of existence. During this half century, we have opened up new frontiers, becoming the largest Brazilian multinational in the cosmetics industry. We are part of a global, multibrand and multichannel group, in conjunction with Aesop and The Body Shop (acquired respectively in 2012 and 2017). At the beginning of 2018, the group was baptised Natura &Co, with the purpose of nourishing beauty and relationships to drive a better way of living and of doing business. Together, we total more than 18,000 co-workers, operating in 73 countries on five continents.

Natura has 6,600 employees. Currently, in addition to Brazil, Natura has operations in seven countries – Argentina, Chile, Colombia, France, Mexico, Peru and the United States. Our products are also commercialized in Bolivia through a partnership with a local distributor.

GRI 102-1, 102-2, 102-8

The Natura product portfolio is at the disposal of millions of consumers, principally by means of the Relationship Selling model, which is supported by a network of 1.7 million Natura Beauty Consultants in Brazil and in the Latin

American operations. Our online sales platform in Brazil has more than 5 million registered consumers and was elected the best e-commerce in the country in 2018. Internet sales have been extended to Argentina, Chile, France and the United States.

We also have 45 company-owned stores in Brazil, Argentina, Chile, France and the United States. In Brazil, Natura Sou line products are commercialized in some 4,000 pharmacies, and we have almost 200 Aqui Tem Natura franchised stores, run by enterprising consultants who we call Beauty Entrepreneurs.

GRI 102-2, 102-4, 102-6

Providing support for our operations is a structure comprising our administrative headquarters in São Paulo (São Paulo), the factories in Cajamar (São Paulo) and Benevides (Pará) and the logistics hub in Itupeva (São Paulo), as well as 13 distribution centres (eight in Brazil and five in Latin America). In Argentina, Colombia and Mexico, Natura has local third-party production. This structure is rounded off by two research and technology centres installed in Cajamar and Benevides. **GRI 102-3**



GRI 102-8 Number of employees	2016	2017	2018
Brazil	4,907	4,765	4,958
Argentina	597	641	690
Chile	185	189	224
Mexico	124	116	122
Peru	227	219	228
Colombia	339	362	378
France	18	19	21
United States	Not available	Not available	14
Total	6,397	6,311	6,635

- PRESENTATION
- STRATEGY
- SUSTAINABILITY VISION
- OVERVIEW OF THE 2050 SUSTAINABILITY VISION
- ABOUT THE COMPANY
- COMPLEMENTARY INDICATORS
- ABOUT THE REPORT
- ASSURANCE REPORT

Sustainability and ethics

Natura is a publicly traded company with shares negotiated on São Paulo's B3 stock exchange. Our pioneering stance in balancing the financial and socioenvironmental dimensions of running the business made us the first publicly traded company in the world to be awarded B Corp certification in 2014. We were recertified three years later.

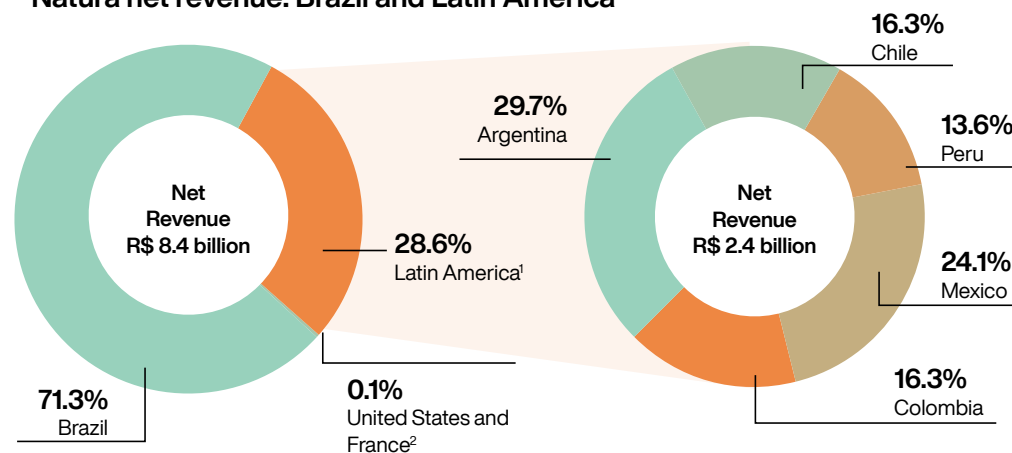
GRI 102-5

In 2018, we were elected the 14th most sustainable company in the world in the ranking elaborated by the Canadian media and research company Corporate Knights. Other highlights during the year were two international certifications: UEBT (Union for Ethical BioTrade) certification for the Natura Ekos product line, which attests to the sustainability of the Ekos supply chain, and Cruelty Free International certification – which recognizes Natura as a company that does not conduct animal testing for any of its portfolio. For the sixth year running, the Ethisphere Institute, a global organisation that promotes corporate best practices, elected Natura as one of the most ethical companies in the world.

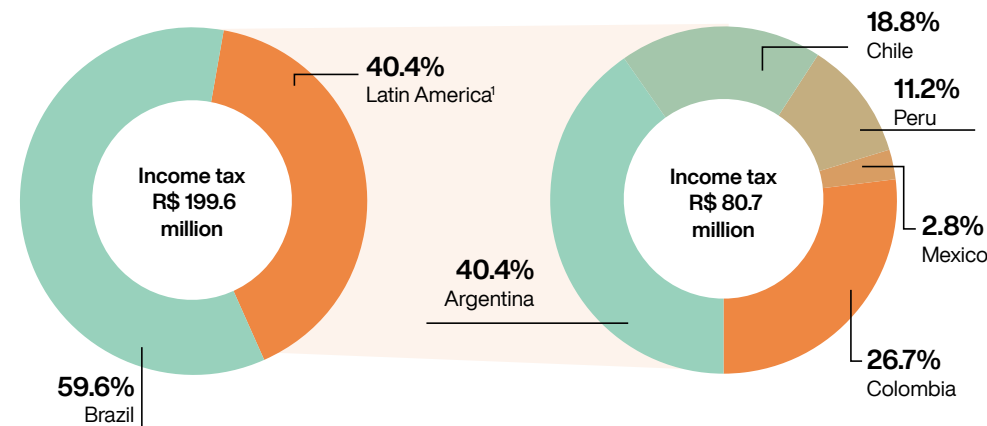
As we take our first steps towards our next 50 years, we maintain our commitment to being an organisation

that generates a positive impact for people and for the environment. On this journey, we will be guided by our 2050 Sustainability Vision, the first stage of which established ambitions and commitments to be achieved by 2020. In addition to the efforts expended on achieving the 2020 targets set forth in the vision, we are dedicated to expanding our networking, aimed at leveraging the impact of our actions. In 2018, together with other organisations in the Amazon region we supported the PPA (Parceiros pela Amazônia) and the AmazôniaUp platforms, which promote sustainable entrepreneurship in the agroforestry area. Based on the learning accumulated from the Natura Carbon Neutral Program over the last decade, we have also consolidated a collaborative platform intended to attract other companies that want to offset the greenhouse gas (GHG) emissions generated by their activities. We have also intensified dialogues with other organisations around female empowerment. At the beginning of 2019, the Natura brand adopted a new positioning (“The world is more beautiful with you”), linked with the company’s commitment to generating a positive impact and inviting ever more people to join us in this quest.

Natura net revenue: Brazil and Latin America



Income tax due in 2018 – Brazil and Latin America³



1. Business in Bolivia is conducted through a local distributor.
 2. The businesses in the United States and France do not yet have a basis for levying income tax.
 3. The disclosure of tax payments per country is part of Natura's commitment to the B Team Responsible Tax Principles.
 Read more on page 79.

Performance highlights

GRI 103-2, 103-3

During 2018, Natura sustained the course of financial recovery in place over recent years. Net revenue grew by 9.9% compared with 2017, from R\$ 7.689 billion to R\$ 8.447 billion in 2018. The expansion from October to December 2018 represented the company's highest quarterly growth since 2010, particularly worthy of note being Natura's best ever Christmas sales campaign and the ninth consecutive double-digit increase in the indicator that measures consultant productivity, demonstrating the effectiveness of the new Relationship Selling model (the indicator was 18.4% up in the fourth quarter of 2018 against the year ago period).

In the Brazilian market, Natura maintained leadership in its three key categories, perfumery, body and gifts, and gained ground in others. In Latin America, we grew in all of the countries, especially in Argentina,

where the macroeconomic conjuncture was particularly challenging, in Colombia and in Mexico. We also gained in brand preference in the Latin American countries.

There was a slight 2.9% decrease in Ebitda (earnings before interest, taxes, depreciation and amortisation) in 2018, with Ebitda margin at 17.5%. However, on an adjusted basis (excluding non-recurring or non-comparable effects between the two periods under comparison), there was growth of 9.9%, with a 5.5% increase in Brazil and a 27.3% increase in the other Latin American operations.

In terms of socioenvironmental performance, a component of our integrated management vision, our relative carbon emissions were reduced by 2%, both in relation to 2017 and in relation to our 2020 commitment, which uses 2012 as base year. The result reflects certain

strategic measures which enhanced process efficiency and our product portfolio.

Crer Para Ver product line revenues, the profit from which is invested in education, saw record results in Brazil and overseas. Consolidated revenue for 2018 exceeded R\$ 44 million, beating the R\$ 41 million target established for 2020. In the Pan-Amazon region, we exceeded the Sustainability Vision 2020 target of R\$ 1 billion in business volume in the region, by over 50%. At the end of 2018, business volume already stood at more than R\$ 1.5 billion.

For the 14th year running, in 2018 Natura was listed on the São Paulo B3 stock exchange's Corporate Sustainability Index (CSI). The company is also listed on the Dow Jones Emerging Markets Sustainability Index.

Natura &Co: global results

With positive contributions from Natura, The Body Shop and Aesop, the group's consolidated net revenue increased by 36%, reaching R\$ 13.397 billion in 2018. Consolidated Ebitda, at R\$ 1.847 billion, grew 6%. Net income, however, decreased by 18%, totalling R\$ 548.4 million, impacted by factors such as servicing the debt incurred with the acquisition of The Body Shop. Our financial statements may be accessed at: natu.infoinvest.com.br/en

Main indicators

Direct economic value generated (R\$ million)¹ GRI 201-1

Direct economic value generated (R\$ million) ²	2016	2017	2018
Gross total revenues	Not available	13,824	19,131
Economic value distributed (R\$ million)²	2016	2017	2018
Operating costs	Not available	4,873	5,619
Employee salaries and benefits	Not available	1,836	2,813
Profits distributed ³	Not available	670	548
Payments to suppliers	Not available	3,116	4,712
Payments to government	Not available	1,994	2,414
Payments to creditors	Not available	1,040	2,693
Community investments ⁴	Not available	295	330
Total	Not available	13,824	19,131
Economic value retained (R\$ million)²	2016	2017	2018
"Direct economic value generated" less "Economic value distributed"	Not available	0	0
Other economic indicators	2016	2017	2018
Consolidated net revenue	7,912.7	9,857.42	13,397.42
Consolidated Ebitda	1,256.5	1,786.74	1,846.19
Consolidated net income	308	724.18	548.38
Internal cash generation	407	617	469.24
Average daily traded volume of shares ⁵	39	46	59

1. Reported consolidated Natura &Co indicators for 2017 and 2018 and Natura and Aesop for 2016.

2. The methodology was revised to better reflect Natura's financial statements, involving revision of the allocation of some items. It was not possible to make this allocation retroactive to 2016.

3. Takes into account net profit attributable to controlling shareholders and the participation of non-controlling shareholders.

4. Amounts recalculated under GRI guidelines, taking into account Crer Para Ver revenues; business volume in the Amazon and investments in supplier communities (except for supplies); investments in surrounding communities; Movimento Natura, support and sponsorship.

5. Source: Bloomberg.

Environmental indicators

	2016	2017	2018
Relative GHG emissions (kg CO ₂ e/kg product billed) ^{1,2}	3.17	3.20	3.14
GHG emissions in the value chain (tCO ₂ e) ²	303,424	308,048	333,183
Water consumption in Brazil (l/unit produced)	0.53	0.53	0.52
% post-consumer recycled material in finished product packaging — Brazil	4.3	4.6	5.4
% eco-efficient packaging in Brazil ³	20	21	22
Vegetalization rate in formulas (% of total mass)	83%	81%	81%
Raw materials originating in Pan-Amazon region (% in relation to R\$ million)	19.1%	18.1%	17.8%

1. CO₂e (or CO₂ equivalent): measure used to express greenhouse gas emissions, based on each one's global warming potential.

2. Includes GHG Protocol scopes 1, 2 and 3. 2018 inventory audited by KPMG.

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

Social indicators

	2016	2017	2018
Crer Para Ver revenue (R\$ million) ¹	38.2	35.7	44.2
Families benefiting in Pan-Amazon supplier communities	2,119	4,294	4,636

1. Includes proceeds from Brazil and operations in Latin America.

Economic value distributed (%)¹

	2016	2017	2018
Operating costs	Not available	34.51	29.37
Employee salaries and benefits	Not available	13.02	14.71
Payments to providers of capital	Not available	4.75	2.87
Payments to government	Not available	24.6	24.63
Payments to creditors	Not available	14.18	12.62
Community investments	Not available	7.38	14.08
Total	Not available	97.91	98.28

1. The methodology was revised to better reflect Natura's financial statements, involving revision of the allocation of some items. It was not possible to make this allocation retroactive to 2016.



Strategy



Strategy

Natura's strategic planning has evolved into an ongoing programme that adds new elements to existing guidelines whenever necessary, reinforcing the course we have drafted for the company's future. With this new framework, we have gained agility to remain abreast of the rapid changes taking place in the world and the transformations Natura itself is undergoing. Another key advance in 2018 was the greater integration of the strategies of our operations in Brazil and the other countries in Latin America, ensuring a more wide-reaching management vision. We seek to respond to current challenges, but without taking our eyes off the long term.

Our business' transformation cycle completed two years in 2018. Our efforts were focused on two major drivers: redefining the meaning of direct selling and in the process transforming it into the company's Relationship Selling model, as well as prioritising three key categories (perfumery, body and gifts) to boost our market penetration. Our results in 2018 demonstrate the astuteness of these decisions. The number of consultants

occupying the higher segments of the new model grew, as did their productivity rate and average income. We strengthened our leadership in the key categories.

These major drivers are complemented by our multichannel and sub-brand strategy. Together, they are essential for promoting the other motors of the future which will be prioritized from 2019. These are related to the construction of a new organisational culture, the digitalization and the internationalisation of the business.

Natura, The Body Shop and Aesop, the three companies in the Natura &Co group, maintain their specific strategic agendas, but with room for sharing solutions and seeking synergies. We have created Excellence Networks in the Digital, Sustainability and Retail areas, in which executives from the three companies share best practices and develop joint actions. For example, Natura's international growth will be supported by the existing relationship network of The Body Shop, which has over 2,900 stores in 69 countries.

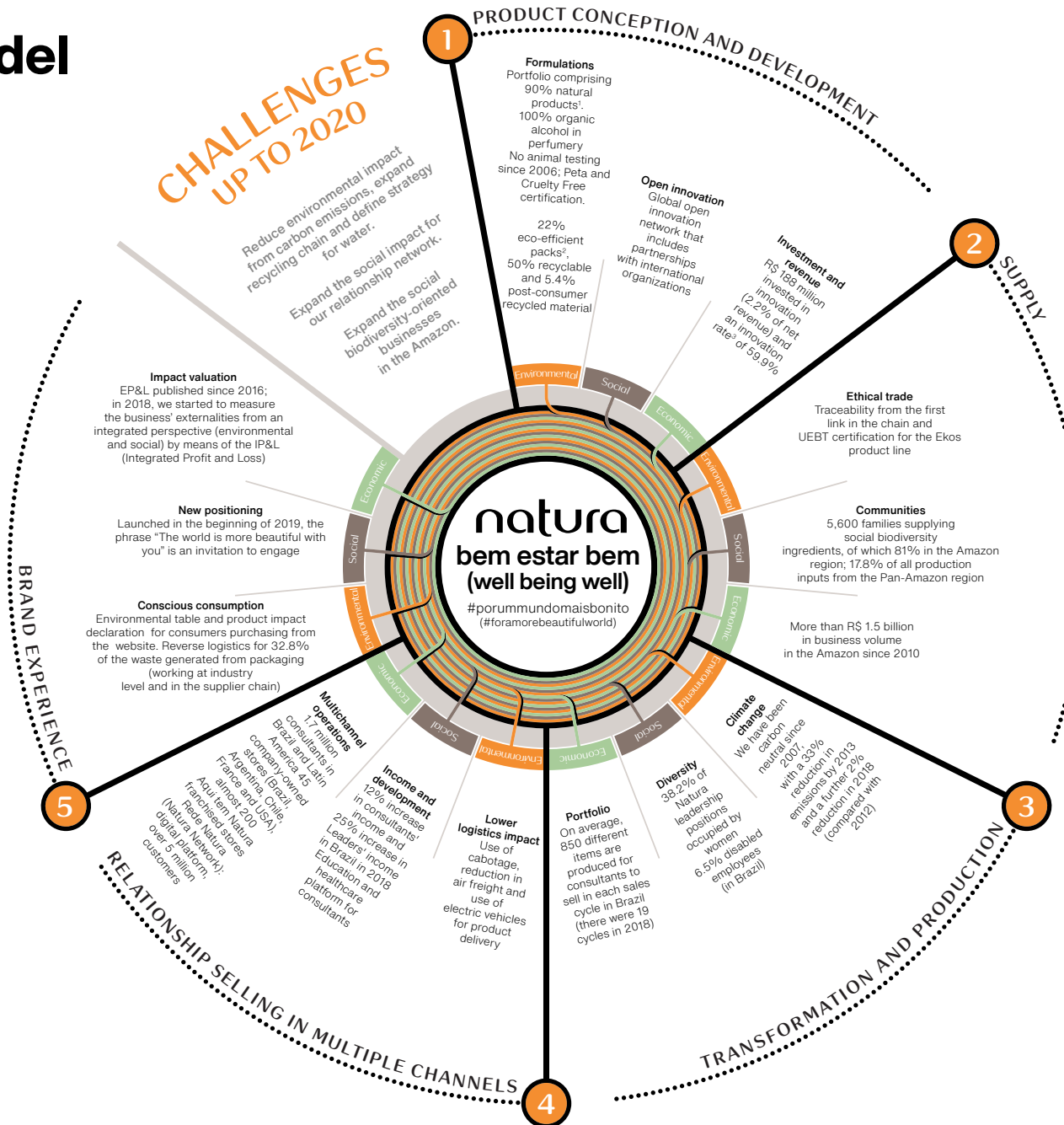
Natura's drivers for the future are:

- >>>> Recover brand preference and desire;
- >>>> Pursue greater differentiation in focus categories by means of innovation;
- >>>> Boost the power of direct selling, improving the shopping experience for consumers and profitability for consultants;
- >>>> Expand multichannel presence;
- >>>> Accelerate the business' digital transformation;
- >>>> Enter international markets that permit accelerated growth;
- >>>> Adopt innovative people management and organisation models that enable future businesses.

Business model

A Powerful Cycle

We strive to structure our activities in a circular manner. Processes are designed to harness the full potential of the resources involved, to drive greater productivity, to reduce environmental impact and to boost positive social impact. It is a model that is interconnected and self-renewing (the illustration at the side separates the initiatives into “environmental”, “social” and “economic” to systematize them, but they are all interconnected).



1. With vegetable and biotechnological ingredients.
2. Eco-efficient packaging is at least 50% lighter than regular/similar packaging; or comprises 50% post-consumer and/or renewable non-cellulosic materials that do not increase mass.
3. Share of sales of products launched in the last 24 months in total gross revenue in the last 12 months (refers only to Brazil).



Multichannel Natura

Anchored in the Relationship Selling model, that was restructured in 2017 and continues to be one of the business' key strengths, Natura has been consolidating its multichannel positioning as a company prepared to serve consumers in the manner that they choose – by means of direct interaction with the Natura Beauty Consultants, digitally or via the different retail experiences we offer. This course is marked by the connection between the channels, which leverages our presence and ensures even greater proximity with our brand. There follows a description of the main advances in our business strategy in 2018.

The power of Relationship Selling

In 2018, we advanced in the revitalization of our direct selling model, which was renamed Relationship Selling. This is guided by three major principles: Prosperity, Purpose and Belonging. The new format offers Natura Beauty Consultants a series of career progression levels. They enter at Seed level and as their performance improves they advance to the levels Bronze, Silver, Gold and Diamond. At each new level, the percentage they earn from sales increases. As they ascend on their career path, they also gain access to a series of benefits, such as courses, rewards and recognition measures.

Attentive to the different profiles and professional ambitions of our consultants, we also offer other possibilities for progression. One of these is becoming a Business Leader (possible from level Silver on), a position combining direct product sales with the task of leading a group of consultants, helping them to develop their business and providing them with support in their work routines. Consultants with an entrepreneurial bent and a high business volume also have the opportunity to open an Aqui Tem Natura franchised

store, becoming Beauty Entrepreneurs. Our network is supported by Business Managers. These are Natura sales force employees responsible for monitoring the work of leaders and training new consultants.

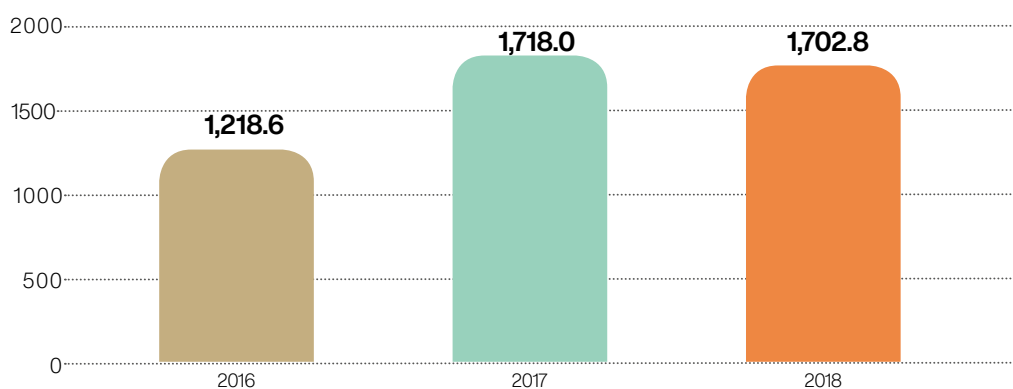
In Brazil, we ended the year with almost 1.06 million consultants, a 6.3% reduction compared with 2017. This slight decrease in the size of the channel was expected and has been offset by the ongoing increase in productivity. Other indicators demonstrate the effectiveness of the new format. Currently, 34% of the consultants in Brazil are positioned in the higher levels of the plan: Silver, Gold or Diamond. The number of consultants who join Natura and progress to a higher level more quickly has also increased, which demonstrates greater engagement in the activity. Among its 5,300 leaders, Natura now has around one hundred consultants in the highest category. Network productivity grew during nine consecutive quarters, with a cumulative 18.4% increase in the last quarter of 2018 (compared with the year ago period). This is a reflex of the new model and the company's commercial

strategy, particularly in the perfumery, body and gift categories. The consultants' average earnings grew 12% in 2018, while average remuneration for Business Leaders increased by 25% compared with 2017. **GRI 203-2**

The main challenges involved in fully consolidating the model in Brazil are ensuring proximity with new consultants and engaging leaders. For this reason, Natura has been investing in initiatives such as new rituals for beginner consultants and in leadership development.

Relationship Selling is being expanded to Latin America, initially to Chile and Peru, and should be in place in all the countries in which we operate in the region by the end of 2019. In the Latin American operations, the total number of consultants increased from 589,000 to 645,000, growing in all the countries except for Chile, where consultant numbers remained stable from 2017 to 2018.

Consultants: Brazil + Operations in Latin America (thousands)¹



1. Does not include Business Leaders/NCA's.

+ than 1.7 million
Natura Beauty Consultant

12% increase
in consultants'
average income

25% increase
in Business Leaders'
average income

Consultants - Brazil	2016	2017	2018
Consultants (thousands)	1,256	1,129	1,058
Business Leaders ¹	8,310	5,221	5,323

1. The Business Leaders replaced the Natura Consultant Advisors (NCA's)

Consultants - Operations in Latin America (thousands)	2016	2017	2018
Argentina	161.2	170.9	189.0
Chile	74.3	73.4	73.0
Colombia	87.8	96.7	108.4
França	2.5	0	0
Mexico	125.8	160.6	183.9
Peru	94.0	87.4	90.5
Total	545.5	589.0	644.8

NCA's/Business Leaders in the Operations in Latin America ¹	2016	2017	2018
Chile	681	420	420
Peru	901	845	650
Colombia	691	719	700
Total	2,273	1,984	1,770

1. In the operations in Latin America we still have countries using the NCA (Natura Consultant Advisor) model.

Technology to leverage the consultant's business

In 2018, we advanced in the digitalization of the Relationship Selling model. We ended the year with some 860,000 consultants using the Consulting platform in Brazil and Latin America. This is available as an app for smartphones and in the form of a mobile website (launched at the beginning of the year). Moreover, 500,000 consultants do business over the internet via the Rede Natura (Natura Network). Of these, a half work simultaneously with the online and face-to-face formats.

The Consulting platform contains a number of features that support the consultants' sales, from order entry to access to sales performance records. Both the website and the application are also accessed by Leaders and Business Managers, who receive support in the form of exclusive tools to facilitate their work. The results underscore the potential of the adoption of digital tools for the consultant's business: the productivity of those using the tools is on average 11.9% higher than that

of consultants who do not use the Consulting platform.

It is also possible for a person interested in becoming a Natura Beauty Consultant to apply via the web and the app. The process is fully digital and rapid, with no need to send any physical documents to Natura. As a result a new consultant is registered immediately. In the previous format, the conclusion of the application process for consultants took on average 15 days.

To boost adhesion to the Rede Natura, in which consultants have their own webpage to sell products to their customers, we nominated a group of Business Managers as ambassadors for the digital channel, with the mission of disseminating it in meetings and training sessions for consultants. During the course of the year, we intensified internal efforts to converge the two consulting models with a view to ending the separation between face-to-face

consulting and digital consulting. This process should be concluded in 2019. The goal is to ensure that all the consultants may use these resources to promote their business and have access to tools that best meet the needs of their customer profiles. This will also help to extend the proven benefits and advantages of digitalization to the entire network.

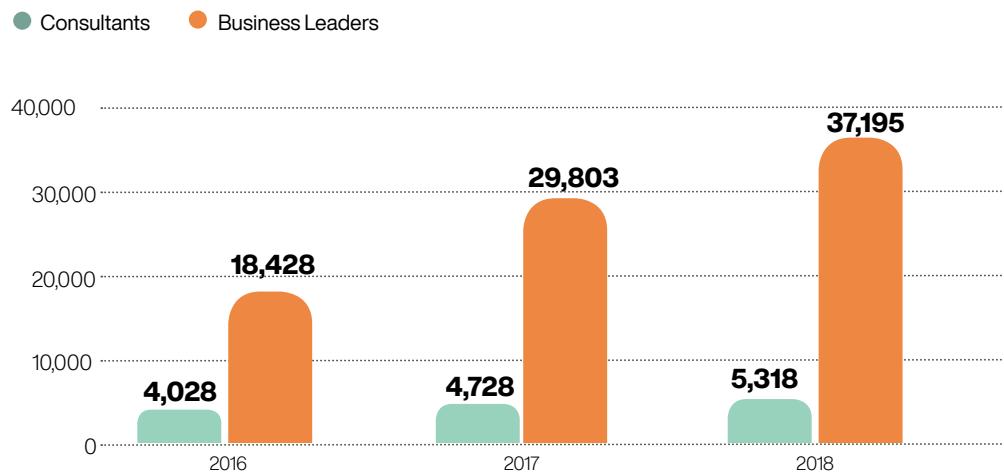
In 2018, we introduced a new means of payment, which boosts sales force productivity in launch events for the main commemorative dates, such as Mother's Day, Valentine's Day and Christmas. Using the Consulting platform, it is possible to place product orders for these launch events and pay with support from a card terminal that offers exclusive commercial terms. This ensures greater flexibility and autonomy for the sales force and for the consultants. Since its launch, the new means of payment has generated revenue of more than R\$ 100 million.

Online training

Another key element in digitalization is training. Currently, a major part of the training provided for consultants in Brazil is virtual. This format has proved to be an important option because it enables the consultant to undertake the training at her convenience. The number of online training events increased by over 40% in 2018, in particular via the Consulting

application. The total number of training sessions undertaken in the year was 2.9 million. Especially noteworthy among the face-to-face training sessions were those conducted by specialist consultants, who disseminate their knowledge of the Natura portfolio (in particular face and makeup), helping to qualify other consultants and boost their productivity.

Average annual income for consultants and leaders Brazil (R\$)



Nat: the Natura virtual assistant

A highlight during the year was the arrival of our personified virtual assistant: This is Nat – our artificial intelligence system made available to the network via the website and the Consulting app. With Nat, in just a few clicks, consultants and the sales force can address any questions related to records, credit and payments. On average, 60% of the contacts with Natura undertaken via the virtual assistant are resolved without the need to resort to a traditional human attendant. Even so, for more complex situations or whenever it is deemed pertinent, the consultant or customer may opt to talk to a person.

The virtual assistant came about after rounds of talks with consultants and leaders. The objective was to create a persona with whom our network could identify, employing the best possible technology to ensure rapid, simple service while maintaining a sensation of proximity with Natura. Nat will be launched in the operations in Latin America in 2019.

A project is also underway to leverage the use of the data generated by the Consultant Experience Centre, located in our administrative headquarters in São Paulo (SP), which monitors information on logistics, product availability and sales results in real time. The project will include the expansion of the synergies between the cross-functional team working in the centre, raising the service levels provided for consultants even higher.

Network loyalty

In Brazil and in the operations in Latin America we monitor consultant loyalty. The indicator comprises three elements: satisfaction, intention to continue the relationship with Natura and recommendation of the company. In Brazil, we started to release the results for loyalty and satisfaction based on the annual average of the surveys carried out in each sales cycle. These are now conducted fully online and represent a more varied participant profile (previously, we reported the result of the annual survey).

In 2018, the loyalty rate among consultants was 22.5%. This percentage corresponds to the proportion of respondents who gave Natura top scores on the three elements assessed. The result is in line with the target established for the period (between 20.8% and 25.4%) and with the average survey results for the 2017 cycles, when

the rate was 22.2%. Among the leaders, loyalty corresponded to 12.1% in 2018, a reduction of more than five percentage points compared with the previous year's 17.3%. More frequent surveys – among leaders measurements are taken every two sales cycles – have enabled us to take measures to improve loyalty levels within this group. Addressing this point will continue to be a priority for the company in 2019.

In the operations in Latin America we still divulge the results of the annual survey. There was a slight decrease in consultant loyalty in 2017, from 43.1% to 42%. Among the leaders and Natura Consultant Advisors (a role that still exists in some countries that have yet to adopt the new Relationship Selling model), loyalty increased by more than three percentage points, reaching 59.5%.

Relationship quality ¹ consultants – Brazil (%)	2016	2017	2018
Satisfaction ^{2 4}	75.4	76.6	78.8
Loyalty ^{3 4}	19.4	22.2	22.5

Relationship quality ¹ leaders – Brazil (%)	2016	2017	2018
Satisfaction ²	66.4	68.3	64.8
Loyalty ³	12.9	17.3	12.1

Relationship quality ¹ consultants – Operations in Latin America (%)	2016	2017	2018
Satisfaction ²	94.0	95.7	95.2
Loyalty ³	37.4	43.1	42.0

Relationship quality ¹ leaders/NCAAs – Operations in Latin America (%)	2016	2017	2018
Satisfaction ²	96.3	97.2	97.5
Loyalty ³	53.3	56.3	59.5

1. Source: Ipsos Institute.
2. Satisfaction: percentage of consultants and leaders who are “completely satisfied” or “very satisfied”, who gave a score of 4 or 5 (“Top2Box”) on a scale from 1 to 5 points in relation to their overall satisfaction with Natura.
3. Loyalty: percentage of consultants and leaders who gave the top score (“Top1Box”), on a scale from 1 to 5 points in the three aspects: overall satisfaction with Natura, intention to continue the relationship with the company and recommendation of Natura to other people.
4. In Brazil, we started to release the results of the annual average of the surveys undertaken in each sales cycle for the satisfaction and loyalty indices. The data from the historical series were adjusted to ensure comparability. Previously, we reported the results of the annual surveys.

Rede Natura: among the best in e-commerce

In the Rede Natura, our online sales channel and digital relationship platform, we exceeded the mark of 5 million registered customers and were elected the best e-commerce in Brazil by the certifying body Nielsen/Ebit. This was the first time we received the top award, the result of a technical assessment based on surveys conducted among consumers who shop via the web. In the popular vote for this award, once again we were recognized as the most popular store in the Cosmetics and Perfumery category.

The Rede Natura network enables consumers to purchase online, offering innovative features such as support from a consultant. Consultants are able to maintain their own virtual store on the Natura platform, with an exclusive web page and specific tools to support customer relations. In addition to Brazil, the Rede Natura is in operation in Chile and in Argentina, and we are currently concluding

implantation in Peru, Colombia and Mexico. We also operate via e-commerce in the United States and in Europe, the latter supported by our operation in France. In financial terms, 2018 revenues from the Rede Natura increased by more than 40% compared with the previous year. Once again, the performance during the Black Friday promotions, held at the end of November, was worthy of note. To maintain service levels during this period, we set up an agile structure based on the start-up model whereby various areas work as a single team in the same physical space. This is aimed at improving the experience for the consultant and the consumer – a similar model had already been adopted on commemorative dates (Mother’s Day, Father’s Day, Valentine’s Day and Christmas), when the transaction volume increases both in the digital and physical channels.

We are committed to driving continuous improvement in the consumer experience

in our online channel. In 2018, we launched the virtual mirror in the Rede Natura application. By activating the camera on their smartphone or tablet, users are able to simulate the tones of Natura Faces, Natura Una and Aquarela products on their face. The purchase conversion rate among people who use this feature on the app is 68% higher than the rate for other users of the application. In 2018, the number of customers who purchase via the Rede Natura app continued to grow.

As part of our efforts to drive convergence between the digital and physical businesses, at the beginning of 2019 we created the unified Natura website, which combines the full e-commerce experience, content, branding and institutional content, providing a complete experience for new consumers who want to access everything with just a few clicks.

5 million
consumers

Best
e-commerce
in Brazil in the Ebit Award

Online
sales
in Brazil, Argentina,
Chile, France and the USA

Rede Natura
in 2019

will also be available in: Peru,
Colombia and Mexico

Digital causes

We are stepping up our efforts to engage the consultants and the consumers who acquire our products via the digital channel in the socioenvironmental causes we advocate. Upon concluding a purchase on our platform, customers are able to visualise the positive impact generated by buying a Natura product. For example, if the product is from the Crer Para Ver line, the purchaser receives information about the educational initiatives developed by the Instituto Natura. With the Ekos product line, we publicise our efforts aimed at conserving biodiversity in the Amazon region.

During the 2018 Black Friday, part of the proceeds from Rede Natura sales were invested in educational projects developed by Natura Beauty Consultants. Upon finalising their purchase, customers received information about the initiatives which they could then share on their social networks.

Expansion of Natura Stores

The strategy to expand our retail presence was further developed in 2018. We inaugurated 17 Natura stores during the course of the year. In December 2018, there were 45 spaces, of which 36 were in Brazil, two in Buenos Aires (Argentina), two in Santiago (Chile), three in Paris (France), one in New York (USA) and one in New Jersey (USA). In Brazil, in addition to São Paulo and Rio de Janeiro, we opened stores in the Distrito Federal and in the states of Goiás, Mato Grosso,

Mato Grosso do Sul, Minas Gerais, Paraná, Santa Catarina and Rio Grande do Sul. The results were positive, with the company achieving its revenue generation and Ebitda (earnings before interest, taxes, depreciation and amortisation) targets.

Natura's retail presence is constantly evolving. In 2018, we designed a new concept for the Natura stores, providing a more in-depth experience for consumers inspired by the brand's references and

causes. Given the possibilities generated by the connection between the physical and virtual channels, we are testing the use of self-service terminals to enable customers to purchase Natura products that are not sold in our stores and receive them in their home. Customers may also purchase products on the Natura website and opt to pick their order up from the nearest store.

Our experiences to expand our retail presence include a partnership with the Sephora cosmetics chain. The perfumery lines and Chronos, Aquarela, Natura Una and Natura Ekos sub-brand products are available from four of the chain's stores and two of its kiosks in Brazil, as well as via e-commerce. In contrast, the decision was taken to terminate the pilot project with the Renner department store chain. The Sou product line continues to be commercialized in some 3,800 pharmacy outlets from the RaiaDrogasil, São Paulo, Pacheco, Panvel, Araújo, Clamed and Extrafarma chains.

Aqui Tem Natura and the Beauty Entrepreneurs

We ended 2018 with 192 Aqui Tem Natura franchised stores in 16 states in Brazil. These are run by consultants who decide they want to open their own business

and adopt the format known as Natura Beauty Entrepreneurs. This number is projected to continue to expand during the course of 2019.

The model is advantageous for consultants because the cost is lower and the return on investment is faster than average for the Brazilian franchise market. In addition to generating revenue, the format stimulates the generation of formal employment – one of the company's requirements is that franchisees formally register their employees. Franchisees also receive support from Natura in marketing strategy and have access to specific training programmes. For customers, the Aqui Tem Natura stores offer a shopping experience focused on practicality and product trial, with a range that can include the full Natura portfolio.

According to a study conducted internally, the opening of Aqui Tem Natura stores also boosts business for consultants who do not have franchises. This is because many customers see the brand's products in the stores and end up buying them via the traditional direct selling channel.

Focus on technological innovation

Natura's digital transformation continued to advance in 2018 and was not restricted to Relationship Selling. Convinced that technological innovation is fundamental for expanding and differentiating the business, we have already started to reap the benefits of some of our recent investments. We pay close attention to new solutions arriving on the market and focus on increasing investments in features such as big data and machine learning solutions that can drive positive results for different company areas.

After conducting a series of concept proofs during the course of 2017 to identify disruptive technologies that best meet Natura's current needs, 2018 was marked by the implementation of some of these solutions. In January, a 3D printer was installed in the factories in Cajamar (São Paulo). This is capable of producing permanent plastic parts to replace

damaged machinery components. Prior to this, it was necessary to acquire new parts from suppliers. In addition to reducing costs and the volume of parts in stock, the technology ensures rapid replacement in the event of breakdowns, avoiding excessive down time.

In September, a collaborative robot was introduced on the packaging line of the Natura Plant production line. It can operate in processes such as fitting lids and valves, activities that require repetitive movements, which could represent the risk of occupational disease for employees. Process robotisation was also introduced into the Shared Services Centre during the course of 2018. Five robots came into operation. Five employees were trained to operate them, resulting in the successful execution of 37,000 transactions. The company expects to increase the number of collaborative robots employed in similar functions in 2019, aimed at raising safety levels in the work place.

We started to use a system based on IoT (Internet of Things), which can predict deviations in the reactors and packaging lines and thus improve production performance, as well as software that simulates production processes and helps to map opportunities for optimisation. An augmented reality solution is also being tested with a view to boosting employee productivity in the operational units.

Some of these initiatives are being developed in partnership with start-ups, another work front that expanded significantly in 2018. In addition to hiring these entrepreneurs to develop specific projects, the company maintains the Natura Start-ups Programme. This supports businesses in areas such as cosmetics, interactivity and biodiversity and is in place in Brazil and Argentina. The Natura Start-ups Programme also helps to disseminate the concept of innovation internally, engaging different areas of

the business in the quest to stimulate disruptive advances and collaborative work. In the ambit of the Natura Start-ups programme, we conducted a new round of business in the Amazônia Up programme, which is intended to develop ideas, prototypes and businesses in the fields of forestry and biodiversity in the Amazon region (*further information on page 50*).

Innovation for sustainability

The company has been reaping the benefits of the redesign undertaken in the Innovation area in recent years, aimed at developing ever more agile and disruptive processes. Currently, this sector is organized in two major areas that report to Marketing, Innovation and Sustainability, which ensures more effective alignment between science, product development and the company's commitment to generating a positive social impact.

The effectiveness of this reorganization is confirmed by the indicator that measures the time Natura takes from the approval of a project to develop a new product to its conclusion. From 2017 to 2018, this time was reduced by approximately 50 days. Considering the actual product launch, there was a 15% reduction in the average lead time compared with 2017.

With research centres in Cajamar (São Paulo) and the Ecoparque site in Benevides (Pará), in 2018 Natura approved investments to revitalize its science and technology park. The project, which will be executed throughout 2019 and 2020, should drive even greater efficiency and productivity in innovation-related activities, boosting synergies among the professionals active in the area. Another measure underway is the sharing of experiences between innovation

professionals at Natura and the other two companies in the Natura &Co group: The Body Shop and Aesop.

Main deliveries

In 2018, we consolidated the use of genomic technology tools that enable the study and simultaneous genetic mapping of diverse active ingredients. We acquired a 3D skin printer to carry out effectiveness and safety tests on ingredients and high-technology sequencing equipment for analysing human microbiota, the bacterial ecosystem that helps protect the skin (this technology, already employed in the Naturé product line, will be featured in the main product launches planned for the face and body categories in 2019). Genomics enables us to expand our knowledge about the effects of ingredients, permitting the development of high performance formulas and products.

We increased the content of natural ingredients in our formulas even further, which will be one of the highlights of our product launch strategy for 2019, especially in the hair care category. Currently, our portfolio comprises products that have on average 90% natural ingredients, which includes the use of vegetable and biotechnological components. Considering only the vegetalisation rate, the formulations of

our portfolio in Brazil and in Latin America contain 81% vegetable ingredients. We also invest in providing an enhanced experience for our consumers. Some Natura stores are already equipped with

a device that conducts an assessment of the consumer's skin in real time, enabling staff to recommend the most appropriate products. On another front, a solution to analyse hair is also under development.

Formulations GRI 417-1

Origin of material and product certification ¹ (%)	2016	2017	2018
Material of renewable vegetable origin – Brazil	83	81	82
Material of renewable vegetable origin – Operations in Latin America ²	75	75	76
Material of renewable vegetable origin – Brazil + Operations in Latin America ²	Not available	Not available	81
Material of natural vegetable origin – Brazil	6	6	15
Material of natural vegetable origin – Operations in Latin America ²	Not available	Not available	24
Material of natural vegetable origin – Brazil + Operations in Latin America ²	Not available	Not available	16
Material with certification of origin – Brazil	13	13	14
Material with certification of origin – Operations in Latin America ²	Not available	Not available	16
Material with certification of origin – Brazil + Operations in Latin America ²	Not available	Not available	14

1 Calculation considers dry base of raw materials present in product formulation. Vegetable origin: raw material of vegetable origin that has been subjected to some chemical process (e.g.: organic alcohol); Natural vegetable origin: raw material of vegetable origin that has not been subjected to a chemical process (e.g.: oil extracted from seeds without a processing stage).

2. Reporting of this information was initiated in 2018.

2018 product launches

Natura launched 233 new products on the Brazilian market in 2018. Our innovation rate (share of sales of products launched in the last 24 months in total gross revenue in the last 12 months) corresponded to 59.9%, stable in relation to previous years and maintaining high levels of contribution to the business.

Particularly worthy of note in 2018 was the perfumery category. Natura has a molecular olfactory library consisting of more than one thousand components, which supports the work done by our exclusive perfumer, Verônica Kato. We launched Essencial Oud, for men and women, whose south-east Asian ingredient was presented in an unprecedented form in Latin America. Another launch

was Kaiak Aero, for men and women, a refreshing fragrance option appropriate for the summer. Another launch in women's perfumery was Luna Intenso, with patchouli and notes of peach and vanilla. In men's perfumery, Natura Homem launched Cor. Agio, the most most intense option in the line, with an innovative bottle without a lid that is more practical to use. We also relaunched the Aquarela makeup line, with new formulas, colours, finishes and packaging. The Natura Una product line also featured novelties. There was a special summer edition of the Tododia line, with specific fragrances – such as Folhas de Limão and Graviola and Lima and Flor de Laranjeira. The brand also sought to engage consumers around questions such as acceptance and self-love.

Innovation	2016	2017	2018
Investments ¹ (R\$ million)	188	172	188
% of net revenue invested in innovation ¹	2.0	2.2	2.2
Products launched ²	255	213	233
Innovation rate (%) ³	57.1	64.6	59.9

1. Data refer to Brazil and the International Operations.

2. The number of products launched includes only products that represent a new value proposition for the consumer, including new packs and formulations. The number refers only to Brazil.

3. Share of sales of products launched in the last 24 months in total gross revenue in the last 12 months. The rate refers only to Brazil.

Meditation App

In addition to products, the company also launched a service during the year: the Natura Meditation application. This provides an eight-week guided meditation programme, with daily activities focused on breathing, relaxation and mindfulness. The purpose is to help users to manage anxiety, among other characteristic problems of contemporary life.

The Natura Meditation app is the result of a programme to promote well-being and reduce stress. It was developed by Natura, the Instituto do Cérebro do Instituto Israelita de Ensino e Pesquisa Albert Einstein and the Associação Palas Athena. The benefits of the activities proposed in the app were tested and proven in experiments with employees of Natura and Albert Einstein. The next step will involve the incorporation of new features into the application, which may be downloaded free of charge and is available for the iOS and Android operating systems. Between the launch, which was in September 2018, and December 2018, the application was downloaded more than 142,000 times.

Highlights in the year

ESSENCIAL OUD FOR MEN AND WOMEN

Oud, or agarwood, a rare and noble ingredient from South-east Asia, was brought to Latin America for the first time by Natura. It is one of the most luxurious components in a perfumer's palette, endowing the two fragrances in the Essencial product line. In the men's and women's versions, the opulence of the oud or agarwood is enriched by the essential oil of copaiba, an ingredient from Brazilian biodiversity. The fragrance is a co-creation of Natura's exclusive perfumer Veronica Kato and oud specialist Pierre Guéros, perfumer for the Symrise fragrance house.



Natura Homem Cor.agio

launched in December, the men's deo parfum features an intense combination of cold spicy notes, such as rose pepper and nutmeg, with the warmth of copaiba and cumaru. The name of the fragrance melds the concepts of "cor", related to the heart ("coronary"), and "agio", as a reference to action ("agir" or action in Portuguese). The Natura Homem product line invites men to express themselves free from stereotypes or preconceived standards.



Chronos Sistema de Clareamento

based on 30 years of research into Brazilian women, Chronos has developed an innovative skin treatment system that combines concentrates of aroeira, an exclusive active ingredient from Brazilian biodiversity that has a regulating effect on melanin production, with recognized dermatological cosmetic industry active ingredients such as pure Vitamin C and glycolic acid. The line comprises products that, if used together, enhance perceived results on the skin by 70%.



Una Nude Me Base Sérum FPS 18

a major makeup launch for Natura in 2018, the ultrathin texture foundation dovetails with one of the biggest trends in the beauty world: appreciation of the natural allied with cutting-edge technology. With a duration of 24 hours, the product enables the desired coverage with lightness and comfort without looking at all artificial. Its exclusive Oxygen technology, associated with Brazilian biodiversity active ingredients such as cocoa extract, promotes the oxygenation of the skin, leaving it rested, energized and revitalized.



Tododia Lima e Flor de Laranja

the new line consists of a body toning deodorant, a perfumed body deo cologne spray, bar soap and a roll-on deo antiperspirant and stars the sorbet moisturiser Hidratante Sorbet Corporal, which can be stored in the fridge for an even more refreshing sensation. The launch campaign is derived from the "Wear your skin. Live your body" concept, which drives Tododia communication with the goal of showing that everybody is ready for the summer.

New ways of innovating

We maintained the Natura Start-ups Programme, a platform created to enable and accelerate innovation opportunities by means of our interactions with start-ups. We have explored innovation in a number of areas with these companies, such as: treatment and diagnostics for skin, the body, the face and hair; new materials and ways of applying labels to packaging; IoT (internet of things) and the generation of new businesses; cosmetic ingredients and biodiversity active ingredients; and augmented reality solutions to facilitate work for the consultants. The programme, in place in Brazil and Argentina, has analysed 3,186 start-ups, of which 387 interacted with Natura. A total of 60 testing and development projects were undertaken. Currently, projects are being executed with 15 start-ups and more than 20 start-ups have become Natura suppliers. In 2018, Natura was recognized as the third company most heavily involved in relationships with start-ups in Brazil

by the 100 Open Start-ups movement. Internally, we are organising a number of open innovation challenges, which are aimed at fostering the participation of professionals from diverse areas. There were two challenges in 2018, the first related to microbioma and second to waste. The company also has two agile cells in operation. This is a work model which is being tested in different sectors at Natura. It is based on multifunctional teams that work together to speed up project development.

In partnership with the organisation Capes (Coordenação de Aperfeiçoamento de Pessoal de Nível Superior), we held the second edition of the Capes - Natura Excellence in Research Campus Award, which recognized two academic scientific works, one on bioconversion of waste in the Amazonian chain and the other on prospecting potential micro-organisms for bioactive ingredients. The award is part of Natura Campus, an open innovation programme created by the company in 2003.

CorageN Programme

More and more, Natura is seeking to attract people with an entrepreneurial profile able to contribute to our processes and drive innovation. In 2018, we found a new way of capturing these talents with the design of our CorageN selection programme, in which the only application requirement for candidates is age – they must be over 18 years.

A total of 20 people were selected and none of them are attached to a specific company area. Divided into groups of five members, these individuals receive mentoring and are engaged in developing projects inspired by agile work methodologies.

Natura is granted Cruelty Free International certification

GRI 102-11, 416-1, 417-1

2018 symbolised the positioning assumed by Natura in 2006, when the company stopped animal testing for its products and raw materials. In September, we were awarded the Leaping Bunny seal, granted by Cruelty Free International, which attests to the non-use of animal testing throughout our portfolio. The following month, we received Peta (People for the Ethical Treatment of Animals) certification, which also provides assurance that no end product or ingredient used by Natura is tested on animals.



**LEAPING BUNNY
CERTIFIED
CRUELTY-FREE**

In addition to these certifications, we support the Forever Against Animal Testing campaign, an initiative promoted by The Body Shop and Cruelty Free International. The campaign petition was signed by 8.3 million people and was delivered to the United Nations Organisation (UNO) headquarters in October.

Consumer health and safety

GRI 103-2, 103-3, 416-1, 417-1

Committed to ensuring the health and safety of our consumers, we have rigorous internal processes in place, ranging from research into new ingredients, through the conceptual design of products to their launch in the marketplace.

Moreover, our cosmetovigilance system guarantees that products continue to be monitored after they are launched, thus stimulating the company's continuous improvement processes.

Natura formulations use only safe products and ingredients that are compliant with international legislations and best market practices. The company has definitively banned the use of the ingredients triclosan, parabens and phthalates in its portfolio. We are also eliminating MIT (methylisothiazolinone) from non-washable products, in line with European Union recommendations. Attentive to our environmental impact, we have also eliminated polyethylene microbeads from our rinsable products, replacing them with biodegradable exfoliants made from rice

and bamboo. Because they are so small, microbeads are not retained or eliminated by sewage treatment systems and end up in the oceans.

GRI 102-11

In the research and development phase products and raw materials are subject to safety and effectiveness tests and assessments, including in silico, in vitro and in vivo studies, stability and microbiology tests, as well as transportation and usage tests to ensure that the product design is compliant with health, safety and performance requirements. All company production is subject to process, microbiology, stability and other pertinent quality controls.

Our labels provide information on components manufactured by third-parties, substances that may generate an environmental impact, instructions for the safe use and the proper disposal of products, as well as recommendations on the number of times packs may be reused (refilling), among other data.

Sustainability Vision

(2018 Progress report)



Vision Achievement Index

Towards our 2020 ambitions.



Generating a positive impact

We are striving to transform Natura into a company which, in addition to reducing and mitigating the effects of its activities, also promotes social, environmental, economic and cultural welfare.

Our Sustainability Vision is based on three interdependent pillars

- >>>> Management and Organization
- >>>> Brands and Products
- >>>> Our Network



Management and Organization

2020 Commitment	Achieved/ well on track	On track	Not reached/ below target
Valuation of externalities	●		
Consulting council	●		
Public debate on materiality		●	
Governance with engagement	●		
Transparency and evolution	●		

Brands and Products

2020 Commitment	Achieved/ well on track	On track	Not reached/ below target
Product environmental footprint		●	
33% reduction in relative carbon emissions			●
Carbon offsetting	●		
Renewable energy strategy		●	
Water footprint strategy			●
Eco-efficient packs*		●	
PCR Packs**		●	

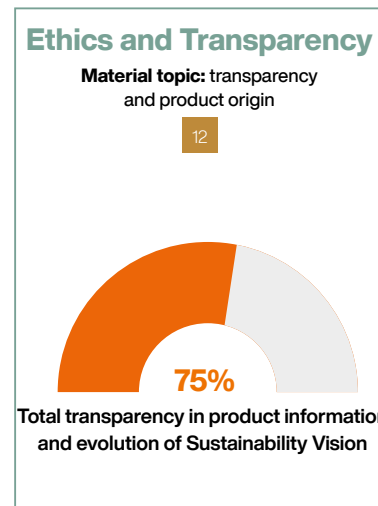
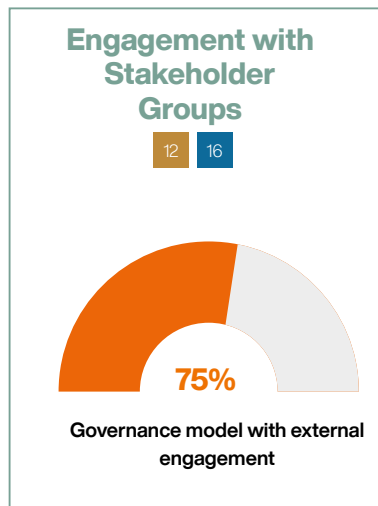
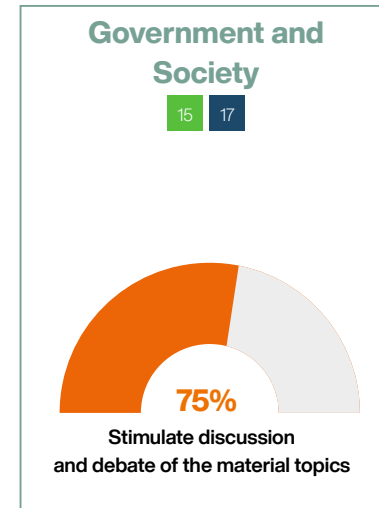
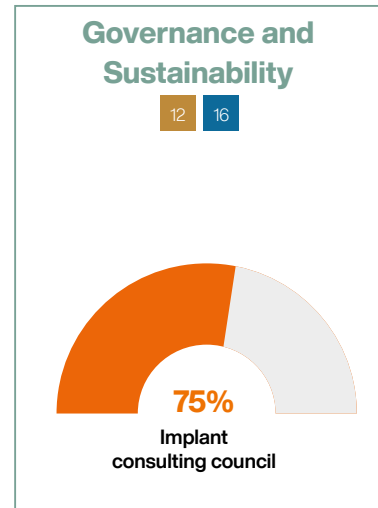
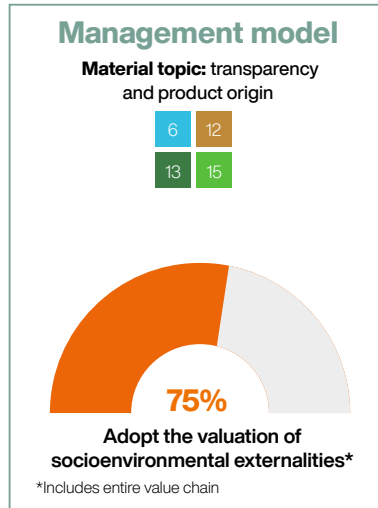
Our Network

2020 Commitment	Achieved/ well on track	On track	Not reached/ below target
Consultant average income	●		
Consultant entrepreneurship	●		
Consultant human and social development	●		
Consultant education	●		
Inclusion of disabled people	●		
Women occupying leadership positions		●	
Employee engagement and culture	●		
Evolution of supplier management		●	
Community human and social development	●		
Territory strategy (surrounding and supplier communities)	●		
Strategy to mobilise consumers		●	

1. Eco-efficient packs: Packaging at least 50% lighter than regular/similar packaging; or comprising 50% post-consumer and/or renewable non-cellulosic materials that do not increase mass
 **PCR: Post-consumer recycled material.

1 Management and Organization

The numbers in the coloured squares refer to the Sustainable Development Goals (SDGs). See the complete list on page 68.



- PRESENTATION
- STRATEGY
- SUSTAINABILITY VISION
- OVERVIEW OF THE 2050 SUSTAINABILITY VISION
- ABOUT THE COMPANY
- COMPLEMENTARY INDICATORS
- ABOUT THE REPORT
- ASSURANCE REPORT



As we approach 2020, the year established for the achievement of key ambitions and commitments in our 2050 Sustainability Vision, (<https://www.natura.com.br/sustentabilidade/visao-2050>, in portuguese), we remain firm in our belief in the transformational power and the righteousness of the commitment we assumed: to transform Natura into a company that generates a positive impact which, in addition to reducing and mitigating the effects of its activities, also promotes social, environmental, economic and cultural welfare.

In 2018, we reviewed the management and governance model for the ambitions and commitments, and we created the Sustainability Vision Index. Based on OKR (Objectives and Key Results) methodology, adopted by a number of Silicon Valley companies in California (United States), the calculation takes into account the percentage of each target achieved in qualitative and quantitative terms, based on the goals established for 2020. The Sustainability Vision index for 2018 stood at 69%. We are also currently defining our next cycle of commitments, for 2030.

We are striving to enhance an integrated vision of the effects of our businesses, which includes managing environmental resources, developing the potential of biodiversity, keeping the forest standing, promoting social impact, harnessing the power of our immense relationship network and mobilising a culture that enables change. This is furthered by the collaboration, transparency, diversity and interdependence of all the members of our network.

A measure worthy of note in 2018 was the reformulation of the Natura Amazônia Programme, reinforcing the dimension of Science, Technology and Innovation. This was based on the understanding that increasing the value generated locally, with additional research and technology, is one of the alternatives for boosting the region's sustainable development.

We also reaffirmed our commitment to the United Nations Organization's (UNO) Sustainable Development Goals (SDGs), a global agenda that helps us to prioritize our initiatives and actions, enabling us to contribute to society

and develop more sustainable means of production.

We also furthered our understanding around the generation of positive social impact, reinforcing the pillars that involve our stakeholder groups, the Natura Beauty Consultants, the forest supplier communities and the other links in the supplier chain.

And this vision of pursuing the generation of positive impact is being extended from Natura to the other companies in the Natura &Co group. Sustainability is one of the three excellence networks, groups involving managers and teams from the three companies to promote the development of joint solutions. The other two areas are retail and digitalisation. This is the context in which the Natura &Co Sustainability Vision is being constructed and will result in the disclosure of the 2030 corporate commitments and priorities for Natura, Aesop and The Body Shop in 2019

Accounting for our impacts

Five years ago we joined a group of companies that committed to measuring the impacts of their activities on nature and society in an innovative manner. At the initial stage, we adopted Environmental Profit and Loss (EP&L) methodology. This is aligned with the Natural Capital Protocol best practices for calculating the externalities or final consequences of the environmental impacts (or benefits) generated by the Natura value chain for society in monetary terms. We published the results of our first EP&L in 2016, based on data from 2013, encompassing the production, commercialization and final disposal stages for our products. EP&L methodology takes the following dimensions into account: water consumption and pollution, emissions of greenhouse gases and other atmospheric pollutants, volume of solid waste generated and land use.

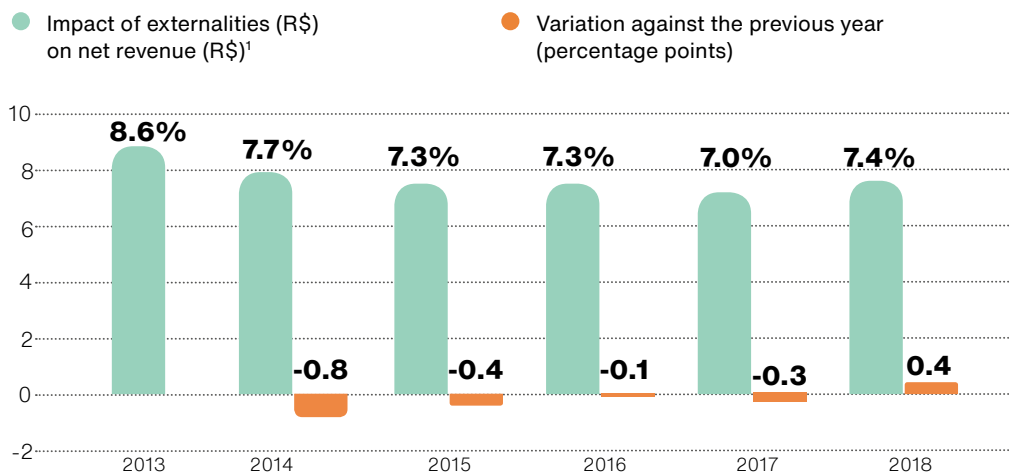
Since we plan to transform this accounting into an effective management tool for our

business, we work constantly on evolving the tool we employ. This was the case in 2018, when we elaborated a new inventory that enabled us to start calculating the impacts of products launched by products billed. Up until 2017, we used the average impact of the product category. The alteration generated a slight variation in the figure reported in 2017, from 6.9% to 7% of Natura's net revenue. In 2018, our externalities, that is, the environmental impacts we generated, grew, accounting for 7.4% of the company's net revenue. The variation was due to the increase in the volume of products billed in 2018, driven by business expansion and the company's promotional strategy. From the first calculation for 2013 until the 2018 figure, our cumulative gain in efficiency in EP&L/Net revenue has been 1.2 percentage points. Being aware of these figures enables us to better focus company efforts on reducing negative impacts and boosting positive ones, in particular by means of our Carbon Neutral

programme and water footprint and waste generation ambitions. According to a co-benefits study undertaken by Natura in 2018, each R\$ 1 invested in our emissions offsetting programme generates R\$ 31 in

benefits for society. Between 2007 and 2018, these co-benefits totalled R\$ 829 million (*further information on page 41*). We see the disclosure of our results as an opportunity to engage other organizations in this movement.

Valuation of Environmental Impact



Integrated valuation

We have already started working from an integrated perspective, which assesses the environmental, social and human impacts of our business on a joint basis. Inside Natura, we call this IP&L (Integrated Profit and Loss). It expresses the results of the company's environmental and social externalities in monetary values, aimed at integrating these impacts into the business model so that the information may be used to guide the organisation's strategic decisions. We expect to continue to progress in these assessments to the point where we will shortly be able to disclose the result of this study.

During the course of 2018, we advanced in the valuation of the social impacts of the business. We employed SP&L (Social Profit and Loss) methodology, in line with the human and social capital protocols, using as a base data collected from monitoring the Natura Consultant Human Development Index, NC-HDI (*further information on page 54*) to calculate the contributions generated by the Natura business model to the consultants' quality of life. The different segments they occupy in the Natura

Relationship Selling framework – from the Seed category through to Diamond - were taken into account.

The methodology uses the minimum salary as the zero base value. The income exceeding this amount is multiplied by impact factors determined in function of the social context of the country – in this case, Brazil –, such as inequality in income distribution and safety, health and well-being of the population. The multipliers adopted by Natura were developed by the consultancy Valuing Nature (<https://www.valuingnature.ch/single-post/2018/07/20/VALUING-THE-IMPACT-OF-WAGES-ON-HUMAN-CAPITAL>).

The result of this first analysis, which took into account only consultants in the Brazilian market, showed that the positive social impact derived from the additional income beyond the minimum salary from the activity of consulting, was equivalent to 25.7% of Natura's net revenue in 2017. The analysis also proved that the consultants that benefit from this positive impact demonstrate superior performance and generate even greater value for Natura.

Impact calculator gains new features

The Natura product innovation teams employ a tool that estimates the environmental impact of a future product launch while it is still in the initial phase of development. The Environmental Calculator, which started off providing information on carbon emissions in 2010, has gradually been gaining new features as Natura progresses in measuring its positive and negative impacts throughout the chain. After including waste generation data, from 2019 the Calculator will be capable of estimating a new product's impact for all the items assessed by means of the EP&L (*further information on page 34*).

The objective is to provide our researchers with as much information as possible, enabling the most conscious choice of ingredients and packaging materials for new Natura products. Environmental impact assessment is a mandatory stage in the innovation process and, in conjunction with the other factors inherent to the business, is an integral part of feasibility studies for future launches.

Study published

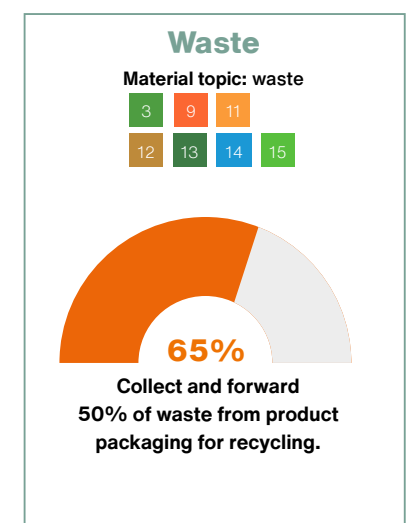
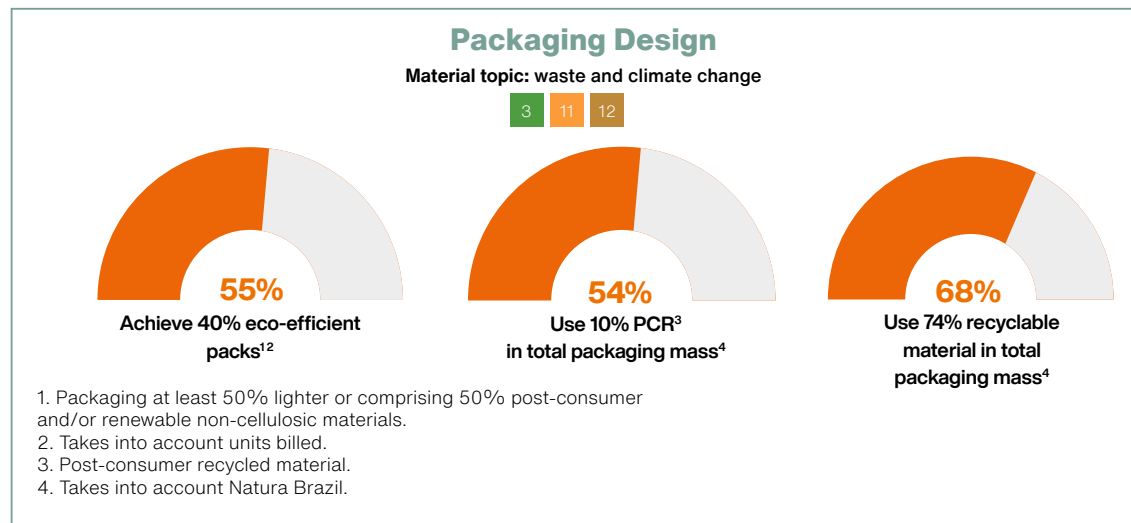
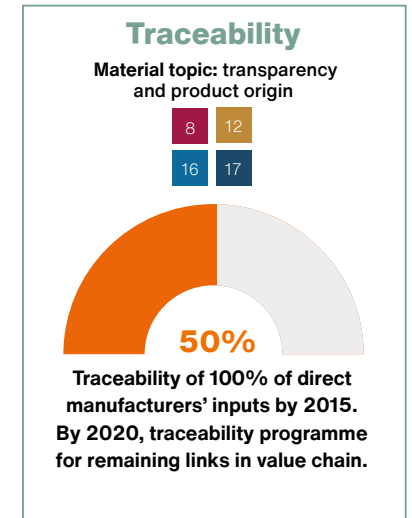
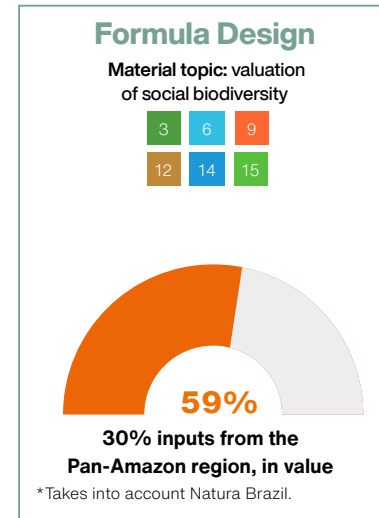
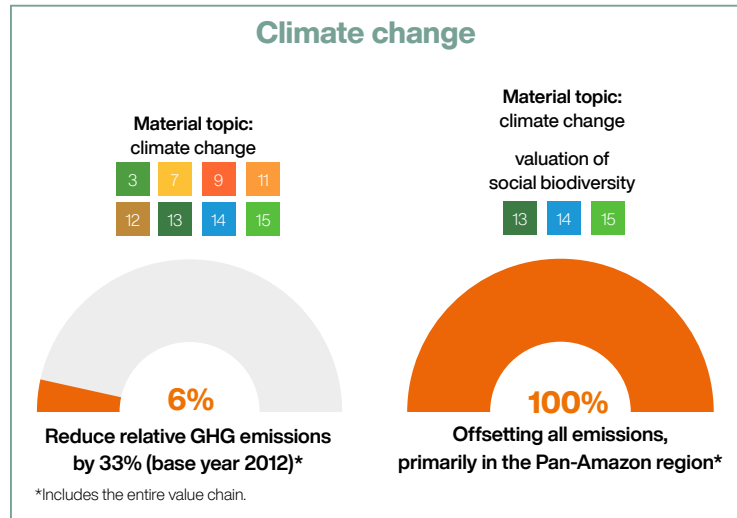
In 2018, a group of Natura specialists, partners and co-workers published a scientific article on Life Cycle Assessment (LCA) in The International Journal of Life Cycle Assessment, a major scientific journal. The article presents the findings of Natura's O-LCA (Organizational Life Cycle Assessment), which enables measurement and management of environmental impacts throughout the organisation's global supply chain, as well as individual analysis of each product.

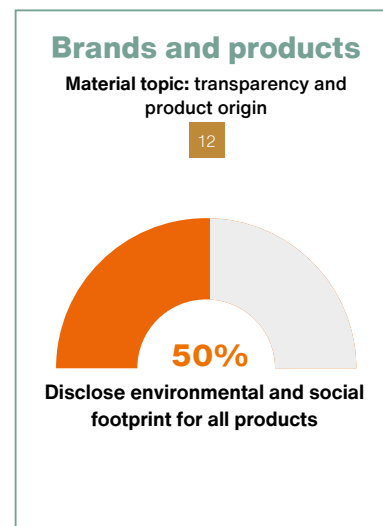
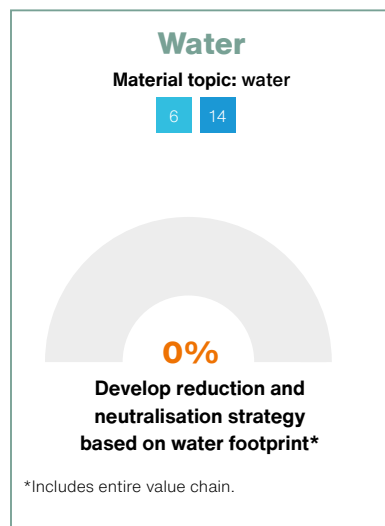
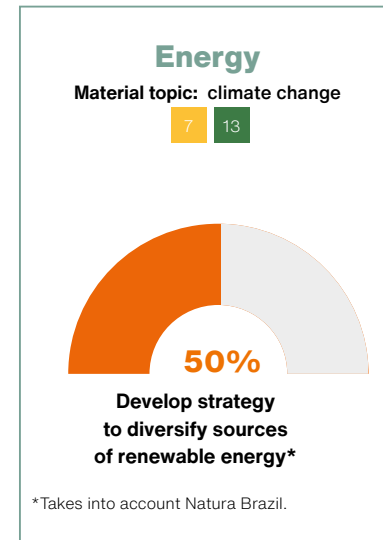
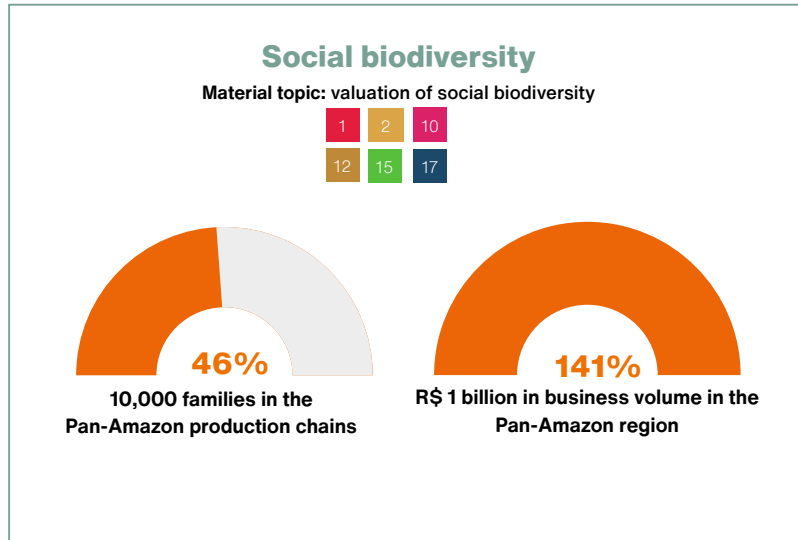
Based on the findings of the analysis of 10 products from the company's main categories it was possible to extrapolate the study and estimate the impact of 2,600 items commercialized in the period studied (2013).

The findings indicate that the most significant effects are concentrated in the product usage stage (water and energy consumption for rinsable products), accounting for more than 41% of the total impact. The stages comprehending the supply of production inputs and packaging materials, as well as the sourcing of ingredients of vegetable origin also provoke a significant impact.

2 Brands and Products

The numbers in the coloured squares refer to the Sustainable Development Goals (SDGs). See the complete list on page 68.





Reduction of environmental impact

One of the topics of our 2050 Sustainability Vision addresses our commitment to reduce the environmental impact of the company's activities. We have targets related to climate change, energy, water, waste and packaging for 2020 and are working in a concerted manner to enhance our performance.

There follows a description of the main 2018 highlights on each of these fronts.

Carbon neutral company GRI 103-2, 103-3

Developed in 2007, the Carbon Neutral Programme was Natura's first public commitment to reduce greenhouse gas (GHG) emissions generated by its activities. The programme's first target was a 33% reduction in the company's relative emissions by 2013 – a commitment that was achieved and led to a new target: a further 33% reduction by 2020, based on 2012 emissions. To engage both leaders and employees in this question, since 2009 the index that measures GHG emissions has been part of the set of indicators that determine the company's profit share payouts.

Monitor and reduce

In order to reduce emissions, we must first be aware of the extent of our impact. For this reason, the first front in the Carbon Neutral Programme involves the ongoing monitoring of all emissions generated by Natura and its production chain, which includes emissions

from freight haulage operators, as well as raw materials and packaging materials supplied by third-parties. We conduct our emissions inventory, which is audited by an independent company, on an annual basis.

In 2018, the inventory results indicated a reduction in relative emissions of approximately 2% compared with 2017. Strategic actions to improve efficiency in our processes and product portfolio were essential in achieving this result. However, absolute emissions increased by 8%.

Based on the monitoring exercise, we were able to draft GHG emission reduction initiatives for the entire chain, which is the second front in the programme. The actions include, whenever possible, the adoption of lower impact logistics systems (we have already expanded the use of cabotage and reduced the use of air freight); local production in some countries in Latin

America, reducing the impacts generated by product exports; the use of ingredients of vegetable origin in our formulas and organic alcohol in the entire perfumery line; the use of materials of renewable origin (green PE) and post-consumer recycled material, such as PET and recycled glass; as well as the commercialisation of product refills. In 2018, we avoided 9,127 tonnes of CO₂ equivalent (tCO₂e) scope 3 emissions (other indirect emissions).

GRI 305-1, 305-2, 305-3, 305-4

	Total CO ₂ e emissions (t) ¹²	Relative emissions (kg CO ₂ e/kg of product billed)	Cumulative relative emissions reduction since 2012 (%)	2020 Vision Commitment
2016	303,424	3.17	1.3	
2017	308,048	3.20	0.5	-33% relative emissions
2018	333,183	3.14	1.8	

- 1. CO₂e (CO₂ equivalent): measure used to express greenhouse gas emissions, based on each one's global warming potential.
- 2. Includes GHG Protocol scopes 1, 2 and 3.

Scope 1

- 1. Intergovernmental Panel on Climate Change (IPCC). 2006 IPCC guidelines for national greenhouse gas inventories: Volume 2. IPCC National Greenhouse Gas Inventory Program (<http://www.ipcc-nggip.iges.or.jp>)
- 2. Intergovernmental Panel on Climate Change (IPCC). 1997b. Revised 1996 IPCC guidelines for national greenhouse gas inventories: Reference Manual (Vol 3). IPCC National Greenhouse Gas Inventory Program
- 3. DEFRA - https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/224437/pb13988-emission-factor-methodology-130719.pdf
- 4. IPCC Fourth Assessment Report - AR4 (2013) - (http://www.ipcc.ch/publications_and_data/ar4/wg1/en/ch2s2-10-2.html)
- 5. Balanço Energético Nacional 2013 (BEN 2013) (https://ben.epe.gov.br/downloads/Relatorio_Final_BEN_2013.pdf)

Scope 2

- 1. Brazilian Power Grid Emission Factor: Brazilian Ministry of Science and Technology (MCTC) - <http://www.mctc.gov.br/index.php/content/view/full/74694.html>
- 2. Argentinian Power Grid Emission Factor: <http://energia3.mecon.gov.ar/contenidos/verpagina.php?idpagina=2311>
- 3. Chilean Power Grid Emission Factor: <http://huelladecarbono.minenergia.cl/emision-para-el-sic>
- 4. Colombian Power Grid Emission Factor: http://www.siame.gov.co/siame/documentos/Calculo_FE_SIN_2013_Nov2014.pdf
- 5. Power Grid Emission Factor Peru and France: CO₂ Emissions From Fuel Combustion Highlights 2013
- 6. Mexican Power Grid Emission Factor: <http://www.geimexico.org/factor.html>

Scope 3

- 1. Intergovernmental Panel on Climate Change (IPCC). 2006 IPCC guidelines for national greenhouse gas inventories: Volume 2. IPCC National Greenhouse Gas Inventory Program (<http://www.ipcc-nggip.iges.or.jp>)
- 2. Intergovernmental Panel on Climate Change (IPCC). 1997b. Revised 1996 IPCC guidelines for national greenhouse gas inventories: Reference Manual (Vol 3). IPCC National Greenhouse Gas Inventory Program
- 3. DEFRA 2013 - https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/224437/pb13988-emission-factor-methodology-130719.pdf
- 4. IPCC Fourth Assessment Report - AR4 (2013) - (http://www.ipcc.ch/publications_and_data/ar4/wg1/en/ch2s2-10-2.html)
- 5. Balanço energético Nacional 2013 (BEN 2013) (https://ben.epe.gov.br/downloads/Relatorio_Final_BEN_2013.pdf)

Biogenic emissions (tCO₂ equivalent)¹	2016	2017	2018	GHG emissions – Scopes 1, 2 and 3 (tCO₂ equivalent)¹	2016	2017	2018
Direct biogenic emissions (from the burning or biodegradation of biomass) GRI 305-1	8,870	9,387	10,098	Direct GHG emissions - Scope 1	4,975	5,187	8,509
Indirect biogenic CO ₂ emissions GRI 305-3	9,366	8,976	9,639	Indirect emissions from the acquisition of energy - Scope 2	5,094	6,006	5,072
Total biogenic emissions	18,236	18,364	19,737	Other GHG emissions - Scope 3	293,355	296,855	319,602
GRI 305-1, 305-2, 305-3 Emissions in the value chain (t)¹	2016	2017	2018	Total GHG Emissions - Scopes 1, 2 and 3	303,424	308,048	333,183
Extraction and transportation of raw materials and packaging (process and transportation to direct suppliers)	122,337	119,101	131,504				
Direct suppliers (process and transportation to Natura)	30,378	29,574	32,654				
Industrial and internal processes	15,633	16,754	19,814				
Product sales (transportation and distribution)	63,465	62,751	62,425				
Use of products and disposal of packaging	71,611	79,868	86,786				
Overall total	303,424	308,048	333,183				

1. Our greenhouse gas emissions inventory takes into account total emissions from all stages of our operation, from the extraction of raw materials, through our processes and those in our production chains, to the final disposal of post-consumer packaging. We comply with GHG Protocol standards and the principles of Brazil's ABNT NBR ISO 14064-1 standard, which establish rules for their conception, development, management and elaboration. In 2018, the Natura GHG emissions inventory was audited by KPMG. The sources of emission are the same ones taken into account in the previous tables.

1. Our greenhouse gas emissions inventory takes into account total emissions from all stages of our operation, from the extraction of raw materials, through our processes and those in our production chains, to the final disposal of post-consumer packaging. We comply with GHG Protocol standards and the principles of Brazil's ABNT NBR ISO 14064-1 standard, which establish rules for their conception, development, management and elaboration. In 2018, the Natura GHG emissions inventory was audited by KPMG.

Offsetting

We offset all the emissions we are still unable to avoid by contracting projects that generate climatic and socioenvironmental benefits. These include projects aimed at the conservation of social biodiversity, substitution of fossil fuels and energy efficiency, based on public calls for proposals issued by the company. This is the programme's third front, which ensures that Natura remains carbon neutral. Six

calls for proposal were issued from 2007 to 2018, resulting in the contracting of 38 projects, of which 32 were in Brazil and six in the countries in which we operate in Latin America: Argentina, Chile, Colombia, Mexico and Peru. Two thirds of the projects were related to energy efficiency initiatives, while the remainder were forestry projects. 38% were located in the Pan-Amazon region. **GRI 305-5**

Since 2007, the offsetting projects have:

- >>>> Offset 3.4 million tonnes of carbon;
- >>>> Conserved or reclaimed 7,593 hectares of forest;
- >>>> Avoided the consumption of 571,000 litres of fossil fuel;
- >>>> Produced 1,125 GWh of renewable electricity, equivalent to the annual consumption of 86,500 families;
- >>>> Directly impacted 15,367 families;
- >>>> Generated 1,874 jobs;
- >>>> Generated environmental, social and community services worth the equivalent of R\$ 1.6 billion (*further information in the following box*).

Positive impact of R\$ 1.6 billion

According to a valuation study conducted by Natura, each R\$ 1 invested in the carbon offsetting programme generates R\$ 31 in benefits for society. The study encompassed the valuation of the impacts generated by the offsetting projects, based on Social Return on Investment (SROI 2012) methodology, revealing the positive impacts of the measures undertaken during the ten years of the Carbon Neutral Programme. In addition to neutralising Natura's climate change impact between 2007 and 2018, the offsetting projects generated co-benefits estimated at R\$ 829 million, since the initiatives receiving investments also contribute to improving human health, community development, job generation, increased education and training, as well as ecosystem services. Together with the direct investment made in the purchase of carbon credits, the company's positive socioenvironmental impact totals R\$ 1.6 billion.

Circular Carbon

GRI 305-5

Combining the Carbon Neutral and Amazônia programmes enabled Natura to develop its first internal project to pay for the compensation of carbon within the company's own production chain (a practice known internationally as carbon insetting). Referred to inside the company as Circular Carbon, the project remunerates the families of smallholders not only for the purchase of ingredients and benefit sharing, but also for environmental conservation services.

Up to the present moment the project has been conducted with the reforestation cooperative RECA (Cooperativa de Reflorestamento Econômico Consorciado e Adensado), located on the border between the states of Acre, Amazonas and Rondônia.

Between 2013 and 2016, the deforestation rate on the 126 participating properties

corresponded to 0.93% – less than half the average 1.9% rate on surrounding properties. The conserved area corresponds to approximately 190 football pitches and resulted in the avoidance of atmospheric emissions of 104,000 tonnes of carbon gas. The cooperative received the first payment in 2017, and from 2018 payment is on an annual basis. The transfer of funds is conditional on the preparation of an annual emissions inventory audited by a third-party. Part of the funds are distributed among the smallholders' families, while the remainder goes into a cooperative fund.

Our goal is to eliminate deforestation completely in RECA by the end of the 25-year project. Furthermore, we want to replicate the payment for environmental services model in other regions of the Amazon from which we source biodiversity ingredients.

Networking: Commitment to the Climate

GRI 305-5

In 2017, we launched the Commitment to the Climate initiative, in partnership with Itaú Unibanco and the Instituto Ekos Social. This is a platform to select emissions offsetting projects, whose first call for proposal received 95 submissions. Ten projects were selected from these – six aimed at generating renewable energy, two that promote conservation in the Amazon and two that work towards the adoption of sustainable technologies among rural populations.

The projects contracted to offset Natura's 2017 and 2018 emissions were selected through the first Commitment to the Climate call for proposal. The company

also wants to stimulate its suppliers and partners to participate in the platform.

In 2018, the initiative was expanded with the launch of the Ekos Social platform (<https://compromisso.ekos.social>, in portuguese), which is intended to connect other companies wanting to neutralise their emissions with projects that promote a low carbon economy. In 2019, the São Paulo B3 stock exchange joined the platform, which will help us to mobilise other companies in the capital market. A second call for proposal for the selection of new offsetting projects is scheduled.

Efficient stoves in the SDG Brazil award

One of the emissions offsetting projects the company supports was recognized in the 2018 SDG Brazil award, a federal government initiative to generate visibility for practices aligned with the 2030 UN Sustainable Development Goals (SDGs). With its Efficient Stoves Programme, the Instituto Perene came in third place in the non-profit organisation category.

The programme has been in place since 2008 and has already installed 10,700 sustainable stoves in Brazil's Recôncavo Baiano region, based on a technology that permits the reduction of the amount of wood used by stoves. The model enables the reduction of greenhouse gas emissions and the degradation of forests, as well as diminishing the occurrence of health problems from the inhalation of smoke in homes. Part of the cost of the efficient stoves is subsidised by Natura, while the beneficiaries pay the remainder of the cost.

The company has also helped to implement a similar project in Mexico, where 4,467 stoves have been installed.

Eco-efficient packs and solid waste

GRI 103-2, 103-3, 301-2

Our Sustainability Vision also encompasses ambitions related to the increased use of eco-efficient packaging, post-consumer recycled material and recyclable packaging and to the reduced generation of post-consumer waste. It is our understanding that we are responsible for our products' entire life cycle, including the post-consumer phase, which still represents the greatest challenge for Natura and other organisations. In 2018, we stepped up our commitment in this area by formally joining the Ellen MacArthur Foundation's global New Plastics Economy commitment, which intends to apply circular economy principles to the plastics chain. The commitment establishes targets for plastic packaging to be reached by 2025. These are aligned with the Natura 2020 Sustainability Vision ambitions.

In comparison with 2017, we made a little progress in the adoption of eco-efficient packaging (at least 50% lighter than similar packaging or comprising 50%

post-consumer and/or renewable non-cellulosic materials): at the end of 2018, this represented 22% of our portfolio. The company's ambition for 2020 is to have at least 40% of its packaging within these parameters.

The improvement in the indicator was due to the robust commercial performance of refills, which we use for the main product lines in the portfolio, for the Plant and Tododia sub-brands (produced with material of renewable origin) and for the Natura Ekos body care products, whose packs are made from 100% recycled PET. The Sève line was also relaunched with packs made from 100% recycled PET. Progress was also made in the use of recycled glass in perfumery – now all the Natura perfume bottles have up to 30% recycled glass in their composition. Challenges in the supply chain hamper our efforts to increase the use of this material. These, however, will be addressed in 2019.

GRI 301-2 Eco-efficient packs¹ by items billed (%)

	2016	2017	2018	Vision Commitment for 2020
Brazil	20	21	22	40
International Operations	21	21	22	-
Total	Not available	Not available	22	-

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

GRI 301-2 Recycled materials used in product manufacture

Material	2016	2017	2018	Vision Commitment for 2020
Post-consumer recycled material (PCR) ¹ incorporated into finished product packaging – Brazil (%)	4.3	4.6	5.4	10
Recyclable material ² in product packaging – Brazil (%)	51	50	50	74

1. Percentage of post-consumer recycled material (PCR) in packaging compared with total mass of packaging materials, weighted by the quantity billed.

2. Percentage of recyclable material mass in relation to total mass of packaging materials, weighted by the quantity billed.

Less waste

GRI 103-2, 103-3, 301-3

In 2018, we also progressed in our commitment to collect and recycle 50% of the waste generated by Natura product packaging in Brazil by 2020 in tonnes equivalent. The indicator that measures our performance increased from 29% to 32.8%, which is the result of the volumes recovered in the two programmes in which we participate: Elos and Dê a Mão para o Futuro.

The Elos Programme is a shared responsibility initiative involving Natura and its packaging suppliers, which is aimed at ensuring traceability, ratification and reverse logistics in the post-consumer recycled material supply chains that we employ for our packaging.

The Dê a Mão para o Futuro (Give the Future a Hand) programme is a multisector

recycling initiative conducted by Abihpec (Brazilian personal hygiene, perfumery and cosmetics industry association), Abipla (Brazilian cleaning industry association) and Abimapi (Brazilian industrialised biscuit, doughs, bread and cakes industry association).

Internally, we reduced the volume of waste generated by 11%, in spite of an increase in production during 2018. For example, we launched a campaign to eliminate the use of plastic cups in our offices and started reusing boxes and lids in our distribution centres. We also began to sell oil and alcohol leftovers, which can be used in the manufacture of cleaning products and biodiesel.

GRI 306-2

	2016	2017	2018	Vision Commitment for 2020
[301-3] Recovery of products and packaging materials - Brazil (%)	Not available	29	32.8	50

Water Footprint

GRI 103-2, 103-3, 303-1

We remain committed to formulating a strategy to reduce and neutralise the impact of water use throughout our value chain, including the phase of product use by consumers. To this end, we continued studies on our water footprint.

In Natura's industrial processes, relative consumption remained practically stable compared with 2017. The slight reduction is important in view of the increase in the

total Natura produced in 2018, confirming the efficiency of the company's reduction efforts. On the other hand, absolute consumption increased because we stopped using reclaimed water in the gardens of the Cajamar, São Paulo and Itupeva units, in accordance with the rules established by the São Paulo state environmental authority Cetesb (Companhia Ambiental do Estado de São Paulo).

GRI 303-1 Water consumption per unit produced	2016	2017	2018
Total litres per unit produced	0.53	0.53	0.52

1. Actual water consumption in all the installations listed (measured by local equipment) divided by the number of units produced in the production facilities (Natura: data extracted from SAP and third-party suppliers: data extracted from the monthly report to the environmental area).

GRI 303-1 Water withdrawn by source (m³)	2016	2017	2018
Ground water	190,898	252,016	263,244
Rainwater harvested directly and stored by the organisation	Not available	Not available	354
Water supplied by municipal utility or water supply companies	23,858	37,958	72,821
Total	214,756	289,974	336,419

Sustainable Pan-Amazon social biodiversity businesses

GRI 103-2, 103-3, 203-1, 304-2

Natura's relationship with Pan-Amazon social biodiversity (which includes all the countries whose territory encompasses the forest) is completing two decades. In 1999, one year before the launch of the Ekos product line, we started to develop ties with the Amazonian communities which later supplied us with ingredients. In 2011, to coordinate our activities in the region, we established the Amazônia Programme. The programme strategy was updated in 2018. Its three pillars continue to be: (1) science, technology and innovation; (2) social biodiversity production chains; and (3) institutional reinforcement.

Through the Amazônia Programme, we seek to promote environmental conservation and regeneration; social inclusion, diversity and generation of work and income; placing value on Amazonian culture, traditional communities and the indigenous peoples. We reaffirm our belief in the importance of keeping the forest standing because, as underscored in a

report published at the beginning of 2018 by Brazil's climate change watchdog Instituto Nacional de Ciência e Tecnologia para Mudanças Climáticas, if deforestation in the Amazon reaches between 20% and 25% – something which is close to happening –, it will be impossible to reverse the changes in the region's hydrological cycle, which will provoke serious consequences for the climate. Through the Amazônia Programme, in partnership with government and non-governmental organisations and the communities, we contribute to the conservation of some 257,000 hectares of forest, approximately equivalent to the joint area occupied by the cities of São Paulo and Rio de Janeiro.

Internally, Natura maintains two important ambitions for the Pan-Amazon region, which are part of the company's 2050 Sustainability Vision. The first, which established that the company should generate R\$ 1 billion in business volume in the region between 2010 and 2020, has

already been exceeded by more than 50%. At the end of 2018, the cumulative volume was more than R\$ 1.5 billion. The second ambition, also for 2020, is that 30% of the inputs consumed by Natura should come from the Pan-Amazon region. In 2018, the cumulative relative volume was 17.8%, slightly below the figure for the previous year, due to the company's sales mix. Even so, during the year we bought an additional absolute volume of 14% of company

inputs from the Amazon. Excluding palm oil, absolute acquisitions of Amazonian biodiversity ingredients increased 21% compared with 2017. In other words, we increased the positive impact generated in the communities, which supplied us with a higher volume of ingredients compared with the previous year. We maintain our commitment to boost the use of these ingredients in the portfolio proportionally to the company's growth.

GRI 203-1 Natura Amazônia Programme

	2016	2017	2018	Vision Commitment for 2020
% of raw materials bought by Natura from the Pan-Amazon region ¹ (in relation to sales value)	19.1	18.1	17.8	30
Sales volume in the Pan-Amazon region ² (R\$ million)	973	1,222	1,507	1,000

1. Total purchases of raw material of Pan-Amazon origin as a proportion of total input purchases.

2. Cumulative amount since 2010, such as the purchase of Amazonian raw materials, benefit sharing, investments in the Ecoparque, local development, institutional reinforcement, innovation, environmental projects and the purchase of carbon credits, among others.

Science, technology and innovation

With the internal reformulation of the Natura Amazônia Programme in 2018, we reinforced the understanding that the region's social biodiversity continues to be a major driver of technological innovation for the company. As demonstrated not only by the Natura Ekos product line, but also by the growing use of vegetable inputs and social biodiversity ingredients in the company's other lines, we have intensified research and development related to natural ingredients.

During 2018, in Ekos we relaunched the Ucuuba line enhancing repair and skin firming for the body benefits. In perfumery, the use of Amazonian essential oils has grown.

To boost our innovation potential in the region, we reviewed research and development strategy by reinforcing the innovation team working at the Ecoparque in Benevides (Pará) and the approval of the restructuring of the unit's multi-purpose pilot plant.

Our scientific production in the region is supported by external partnerships, which include the Federal University of Amazonas, the research bodies Instituto Nacional de Pesquisa da Amazônia and Fundação de Amparo à Pesquisa do Estado do Amazonas, as well as the agricultural research agency Embrapa (Empresa Brasileira de Pesquisa Agropecuária).

Palm AFS: inspired by the forest GRI 304-2

Since 2007, Natura has been dedicated to a project aimed at adopting an **Agroforestry System (AFS)** for cultivating palm oil (known as dendê in Brazil), a raw material employed internationally in diverse products, especially in the cosmetics and foods industries. This involves using nature itself as inspiration (a concept known as biomimetics) to substitute palm monoculture – a practice that threatens forests worldwide – with a combined system that involves planting palm together with other crops such as cocoa, açai and andiroba.

In the first phase of the programme, run in partnership with Finep (Financiadora de Estudos e Projetos), the system was tested on 18 hectares of land by producers belonging to the CAMTA (Cooperativa Agrícola Mista de Tomé-Açu) cooperative in Pará. The pilot demonstrated the effectiveness of the model. Not only is palm oil production volume in the AFS higher than with monoculture, but the system also generates other socioenvironmental benefits. In terms of the environment, worthy of note is the creation of a natural barrier against pests in function of the diversity of vegetable species cultivated and the capture of carbon from the atmosphere. In social terms, the biodiverse system represents food security for the agricultural producers, who may also boost their income with the commercialization of additional crops.

In 2019, we ended our partnership with USAID (United States Agency for International Development), which provided support for the project from 2016 with an investment of US\$ 4.8 million. In 2018, the programme was extended and now covers 38 hectares. Natura has initiated studies to permit the extraction of palm oil from the agroforestry system on a commercial scale.

In addition to employing this sustainable palm oil in its portfolio in the near future, the company expects the project to become a benchmark that may be scaled up to other parts of the world. It should be noted that all the palm oil currently used in Natura products has RSPO (Roundtable on Sustainable Palm Oil) certification.

Social biodiversity production chains

GRI 103-2, 103-3, 102-43, 102-44, 203-1, 203-2, 413-1, 413-2

The main objectives of the Amazônia Programme encompass the generation of work and income, as well as social inclusion. To ensure this happens, Natura is committed to the consolidation of sustainable production chains in the region. This commitment is set forth in one of the company's 2020 ambitions, which establishes that Natura should form relationships with 10,000 families in the region. In continuous evolution, in 2018 our network was extended to 4,636 families in the region, compared with 4,294 the previous year. A major part of these families live in the states of Acre, Amapá, Amazonas, Pará and Rondônia. The total number of families in the supplier communities, including other regions in Brazil, grew from 5,296 to 5,664.

The increase in the number of families is due especially to the entry of three new Amazonian supplier communities in our network. Two of them supply biodiversity

ingredients for the Ekos product line. The third, focused on handicrafts, produces wallets made from natural straw fibres that are sold in Natura's own stores. We also initiated relations with new families in communities which are already part of our network.

Our relationship with the communities is measured every two years based on the results of a loyalty survey. The last survey was undertaken in 2017, indicating a Loyalty rate of 27%, similar to the 28% recorded in the 2015 edition. A new survey will be conducted in 2019. One point raised in the last survey was the supplier families' desire for more information about Natura. As a result, in all the workshops and training sessions we conduct with these stakeholders, we now dedicate more time to telling them about our history and to making a connection between the communities' activities and the positive impact they generate for our business.

GRI 203-2 Communities and families benefiting¹

	2016	2017	2018	Vision Commitment for 2020
Communities with which Natura maintains relations	33	34	37	-
Families benefiting in the communities	2,841	5,296	5,664	-
Families benefiting in the Pan-Amazon region	2,119	4,294	4,636	10,000

1. The number of partners and families is monitored by the Social Biodiversity Chain Verification System.

International seal attests to ethical sourcing

GRI 103-2, 103-3

The Social Biodiversity Chain Verification System ensures compliance with Ethical Biotrade criteria (including traceability of all the ingredients acquired from the communities) and that the entire chain is submitted to annual audits. As a result, in 2018 Natura was awarded UEBT (Union for Ethical BioTrade) international certification for its Ekos line products. The seal attests to the sustainability of the supply chain for all the line's natural ingredients (not only those supplied by the communities), reinforcing the company's commitment to fair trade, the conservation of biodiversity and social development as a result of the relationships based on trust formed with the suppliers. Together with a European multinational, Natura was the first company to be granted this certification in the world.

We are founding members of the UEBT (2007), and we received support from the organisation when we designed the Social Biodiversity Chain Verification System, with a focus on community relations and on verifying ingredient production. The system is used to verify questions related to labour, occupational health and safety, the conservation of biodiversity,

organisational management, best production practices and traceability in the communities.

The verifications also guide the development measures we undertake with these stakeholders. During the course of 2018, we conducted training courses on occupational safety, organisational development and best production practices for more than 370 people. In partnership with Sebrae, we promoted the participation of community representatives in two meetings that presented the connection between Amazonian biodiversity and the cosmetics world, addressing aspects such as market trends and the importance of environmental conservation.

More than 150 families also received training in environmental regularisation, which drove an increase in the number of rural environmental registrations (CAR in the Portuguese acronym) granted in the region and reduced the number of environmental non-conformances identified in our verification system. This training was part of a project developed in partnership with Symrise, a company installed in the Ecoparque in Benevides, and the German International Cooperation

Agency GIZ. This cooperation enabled an investment of R\$ 10 million in communities and cooperatives in the north-east of Pará, the Transamazon region, also in Pará, and Ponta do Abunã, in Rondônia. In addition to the training programmes, the measures scheduled include the development of new production chains (of vegetable species as of yet unexploited), the implementation of technologies for the pre-processing of ingredients to improve production quality and support for the communities' organisational management processes.

By means of these and other initiatives, we are contributing to the consolidation of a commercial model that prioritises the valuation of the wealth in the Pan-Amazon region, promoting community autonomy.

SDG Brazil Award

Natura won the 2018 SDG Brazil award in the for-profit organisation category in recognition of its work on certifying social biodiversity chains. The federal government award is aimed at generating visibility for practices that contribute towards the achievement of the United Nations Organisation's 2030 agenda targets and Sustainable Development Goals.

BioQlicar recognition

Our supplier development and recognition programme is also extended to the supplier communities by means of the BioQlicar award. The results of the audits under the Social Biodiversity Chain Verification System account for 80% of the score each community may obtain in the award. The remaining 20% corresponds to fulfilling the planned production volume and the delivery deadline. In 2018, we recognized two communities: the one achieving the highest score and the one that made the most progress in the period. On average, the communities' scores increased to 4.05 (on a scale up to 5). In 2017 and 2016, the scores were respectively 3.97 and 3.93, showing a steady improvement in performance on the part of the company's community partners.

GRI 414-1

Payments and benefit sharing

GRI 103-2, 103-3, 203-2

In addition to payment for the acquisition of production ingredients, Natura remunerates its supplier communities for their contributions during the research and development phase. This is always done based on the fair and equal sharing of the benefits accruing from access to genetic heritage and traditional associated knowledge. This practice, aligned with Brazil's new biodiversity law (13.123/2015) is aimed at promoting the conservation and sustainable use of natural resources. In accordance with Natura's Policy on the Sustainable Use of Social Biodiversity Resources, the company also makes investments in infrastructure, training and the purchase of carbon credits, among other items, which are accounted for in the total invested annually.

In 2018, we paid out almost R\$ 36 million to the supplier communities, a 50% increase over the previous year. Considering only the amount related to the acquisition of raw materials acquired by Natura, we managed to generate an average annual income of approximately R\$ 3,000 for each supplier family.

Of the total amount transferred in 2018,

the most significant sum associated with benefit sharing was for the establishment of the Sustainable Development Fund for the Comaru cooperative (Cooperativa Mista dos Produtores e Extrativistas do Rio Iratapuru), located in the Iratapuru Sustainable Development Reservation in Amapá. Incidentally, this was the first cooperative to supply ingredients for the Ekos product line. To administer the funds a managing committee was created, comprising representatives from Comaru, Natura, the Amapá state environmental department and foundations that undertake research into biotechnology in the region, as well as consultant members, such as the local branch of Sebrae (in Laranjal do Jari) and the state rural development body Instituto de Desenvolvimento Rural do Amapá. The funds are invested in local development initiatives that will benefit nine communities in the region and will be selected via a call for proposals. Structured in line with the new biodiversity law, the agreement stipulates the sharing of benefits on a non-monetary basis, focusing instead on research aimed at conserving biodiversity. Similar agreements have already been undertaken with the extractivist reservation Reserva Extrativista Chico Mendes and communities in the Mid Juruá region.

GRI 203-2 Funds allocated by family (R\$ thousands)	2016	2017	2018
Direct funds	3.1	3.2	5.2
Supply	2.0	2.9	2.9

GRI 203-1 Community investments (R\$ thousands)	2016	2017	2018
Supply ¹	5,771	9,213	10,286
Benefit sharing ²	3,070	6,075	18,711
Carbon credits ³	Not available	1,477	281
Image rights ⁴	36	5	61
Support and infrastructure ⁵	669	763	775
Training ⁶	77	70	71
Technical services ⁷	255	337	125
Studies ⁸	245	0	5,557
Total allocated to the communities	10,123	17,942	35,868

- Supply: direct funds from the supply and purchase of raw materials from communities. This indicator is measured based on the shipping invoice issued by the communities.
- Benefit sharing: direct funds from the sharing of benefits for access to genetic heritage and traditional knowledge acquired in the communities.
- Carbon credits: the purchase of carbon credits in supplier communities.
- Use of image rights: amounts paid by Natura for the use of community members' images in institutional or marketing materials.
- Support and infrastructure: support for local development and infrastructure projects, in particular ones aimed at driving efficiency and adding value in production chains.
- Training: management and organisational development programs, technical exchanges, training in good production and stewardship practices, and occupational health and safety programmes.
- Technical services: all technical services provided by external consultants or contracted by Natura for the cooperatives/communities.
- Studies: elaboration of diagnostics, management plans, stewardship plans, mapping exercises, information gathering, field research, loyalty/satisfaction surveys. The high investment volume in 2018 refers to the implantation project for the palm oil agroforestry cultivation system (AFS).

Institutional reinforcement

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

In the Amazônia Programme front focused on institutional reinforcement, we invest in partnerships to promote the growth of local institutions and communities with a view to fostering an economy based on the standing forest. Currently the Mid Juruá (Amazonas), Lower Tocantins (Pará) and Transamazon (Pará) regions are priority territories in which we promote entrepreneurship, education and sustainable social biodiversity chains by means of a collaborative territorial development management model. The model involves local governments, communities and companies and provides for a plan based on shared initiatives and targets.

Entrepreneurship in the Amazon GRI 413-1

To foster an environment oriented to innovation and entrepreneurship in the Amazon and extend our social and economic impact in the region, we supported a number of initiatives in partnership with local organisations during the course of 2018.

Together with the sustainable development body Instituto de Conservação e Desenvolvimento Sustentável da Amazônia, USAID (United States Agency for International Development) and other companies, we supported the formation of the Plataforma Parceiros pela Amazônia (PPA or Partners for the Amazon Platform), idealised to lead the construction of innovative solutions for the region's sustainable development. The network's main goals are to be a catalyst for social and environmental investments in the Amazon region by promoting the relationship among the PPA members themselves and between them and other partners and communities in the region.

Natura is a member of the PPA Steering Committee in Manaus and in Belém. In Manaus, the call for proposals from businesses based on social biodiversity products and services supported by the platform selected four start-ups to be accelerated, as well as providing training for another ten.

Jointly with the Centro de Empreendedorismo na Amazônia, we launched a second training programme and a round of businesses in the Amazônia Up Programme. The focus is on accelerating ideas, prototypes and/or businesses in rural areas oriented to the forest and biodiversity. Of the 13 places available, five were reserved for the Rede Jirau de Agroecologia, located in the Lower Tocantins region, a priority territory for Natura. The people responsible for the projects selected in the Amazônia Up programme will receive training and funding to leverage their businesses during the course of 2019.

Other highlights in 2018 GRI 413-1

>>>> In the Mid Juruá territory in Amazonas, efforts were centred on initiatives to promote environmental conservation and regeneration, to foster sustainable value chains, such as the the oilseed and pirucu stewardship chains, as well as rural education and youth and female entrepreneurship. Additionally, 600 solar lighting kits were distributed to communities in the region. The projects reflect part of the investment made by USAID (United States Agency for International Development), with a matching investment from Natura and Coca-Cola, to the local development body Fórum de Desenvolvimento Territorial do Médio Juruá, consisting of government and non-governmental organisations in the region. Instituted in 2014, the forum is focused on strengthening cooperation and driving the integration of organisations working in the Mid Juruá region, promoting quality of life for the peoples and traditional communities in the region, leveraging sustainable value chains and conserving local biodiversity.

>>>> In the Lower Tocantins region, we fostered the development of the Rede Jirau de Agroecologia through the Amazônia

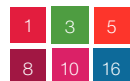
Up programme, developed in partnership with the Centro de Empreendedorismo da Amazônia (*further information on page 50*). We also supported the organisation of the 3rd Jirau Agroecológico, a seminar coordinated by the Jirau network aimed at strengthening agro-ecology within the context of family agricultural production. The seminar was attended by 450 people from diverse institutions working in the Amazon region. Moreover, one of our supplier communities – the Camtauá cooperative or Cooperativa Mista Agroextrativista do Santo Antônio do Tauá – received more than R\$ 250,000 for the construction of ten high efficiency dryers, employed in andiroba and murumuru seed drying processes, and the acquisition of 40 chairs used during the patauá harvesting season. The result of a partnership with the Fundação Banco do Brasil, the project improved production quality and increased safety for harvest workers, impacting some 400 people. Lastly, we supported the Pará rural education association, Associação das Casas Familiares Rurais do Pará, by regularizing its unit in Cametá and providing training for technicians, in particular in the Lower Tocantins region.

3 Our network

The numbers in the coloured squares refer to the Sustainable Development Goals (SDGs). See the complete list on page 68.

Natura consultants

Material topic: income generation



100%
Boost the Natura consultants' average income*

Material topic: education to develop co-workers and consultants



100%
Create human development indicator for consultants

Educational offering that meets the consultant's needs

Material topic: education to develop co-workers and consultants



100%
Support consultants' socioenvironmental entrepreneurship

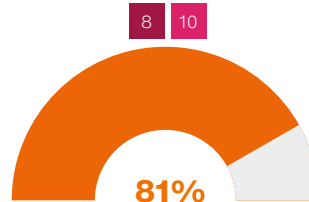
*Takes into account Natura Brazil.

Co-workers

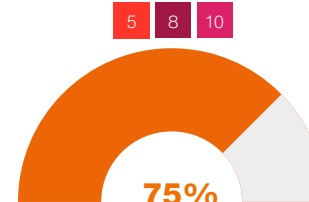
Material topic: education to develop co-workers and consultants



100%
Culture and engagement for co-workers



81%
Reach the mark of 8% disabled people in the work force*



75%
Reach the mark of 50% women occupying leadership positions (director level and above)

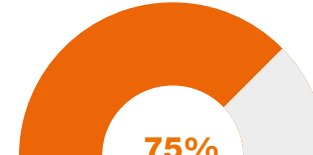
*Takes into account Natura Brazil.

Communities

Material topic: valuation of social biodiversity



100%
Formulate a strategy for the Pan-Amazon territories and Natura's surrounding communities*

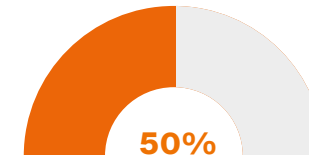


75%
Evolve in measurement of community human and social development

*Takes into account Natura Brazil.

Suppliers

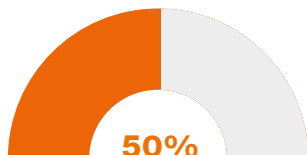
Material topic: transparency and product origin



50%
Evolve supplier management

Consumers

12



50%
Formulate a strategy to mobilise consumers

Positive social impact

We know that the future prosperity of the business is linked with our capacity to generate a positive impact on the environment and on everyone who interacts with the company over time: co-workers, consultants, communities, consumers and, generally, society as a whole. In 2018, we reaffirmed our commitment to the agenda proposed in the United Nations Organisation's (UNO) Sustainable Development Goals (SDGs), and we approved our new understanding around positive social impact.

For Natura, positive social impact means promoting social inclusion and improving quality of life and well-being for our entire relationship network, fostering education, diversity, work and income generation. We believe we are capable of generating a positive social impact by means of our business model and the pursuit of exponential, innovative and collaborative solutions for the challenges facing the company's relationship network. This is aligned with our overarching goal of contributing to human and social development and building a more democratic and more sustainable society.

Work and income for the consultants

With the revitalisation of our Relationship Selling model, in 2017 we established a new growth plan for the Natura Beauty Consultants impacting the professional and financial dimensions, which is already beginning to produce results. The relationship strategy is aimed at boosting the positive effects on the consultant network and is leveraged by the Movimento Natura. In 2018, the strategy for the initiative was revised in order to enhance the company's approach to consultants, aimed at mobilising social impact businesses.

We continue to offer a set of instruments aimed at promoting a positive transformation in the lives of our consultants and their families. These additional instruments were idealised based on the demands of the consultants themselves, identified by means of the listening process which gave rise to the Human Development Index (HDI) that was developed especially for this group, called the NC-HDI. The methodology was developed by Natura in 2014, based on the United Nations Development Programme (UNDP) indicator bearing the same name, however, without taking income into account. In Brazil, the most recent index, from 2017, indicated an HDI of 0.593. In the

course of 2018, Natura started to measure the indicator among the consultants in the operations in Latin America, while a new survey will be undertaken in Brazil in 2019.

In parallel, we conducted a specific survey to gain more in-depth insight into the reality and expectations of Natura Business Leaders, the results of which are being processed.

Education programme in expansion

In accordance with the findings of the HDI, which indicated the priority attributed by the consultants to their education, we developed a programme for this area, financed by the Crer Para Ver product line and managed by the Instituto Natura. This programme makes a wide range of alternatives available to consultants and family members, including campus or distance degree, postgraduate, technical-professional and language courses, among others. Some of these are free and others grant discounts to the consultants.

Examples are the 80 degree and postgraduate courses offered by the Universidade Estácio and the partnerships with the language school chains Wizard by Pearson and English Live and with Geekie Games (an online preparatory platform

for Brazil's Enem national secondary education examination) and the Khan Academy (online reinforcement courses in mathematics).

An internal study showed the growth in productivity of consultants who are studying or who have a child enrolled in one of our education programme courses, demonstrating that investments in this area strengthen the relationship between Natura and this group. In 2018, we exceeded the mark of 100,000 consultants and family members enrolled in at least one of the education initiatives.

We also focused efforts on promoting the consultants' digital education. This is aimed at boosting their access to increasingly important web contents that contribute to their personal and professional development.

Health in focus

From 2017, we started taking a closer look at healthcare for our network. At the end of that year, we launched a programme offering healthcare services for the consultant and one family member. The programme provides for discounts of up to 60% in doctors' consultations, examinations and medication. The

beneficiaries have access to more than 15,000 pharmacies in every region in Brazil and products from the main laboratories in the pharmaceutical sector. In 2018, more than 43,600 people joined the initiative.

Women's rights

Guaranteeing women's rights and reducing violence was one of the causes Natura assumed both in Brazil and in the International Operations in 2018. For the Natura internal audience we launched an exclusive channel for reporting and providing advice on violence. The channel is also open to the Business Managers, employees who work directly with the leaders and consultants. The managers may also report cases of violence among consultants and leaders and intermediate the support offered by the channel. In Argentina, in one of the 2018 editions of the magazine *Consultoría*, which offers consultants tips on doing business, we placed an announcement disclosing the official channels that handle this kind of report. In Brazil, a similar announcement was published providing data on the country's national hotline at the beginning of 2019.

Social innovation laboratory

With support from a specialized consultancy, we designed the Natura social innovation laboratory, which is dedicated to identifying feasible solutions for the points mapped by the HDI that still represent challenges to social inclusion, generation of work and income and improved quality of life and well-being for the consultants. There will be four areas of activity in this first stage of the laboratory's work: financial education, digital education, healthcare and violence against women. With the participation of two start-ups and applying agile working methodologies, we are already testing solutions for financial education. Depending on the results of the pilot project, these solutions will be made available to the entire consultant network.

The social innovation projects will also be connected to the Natura programme to drive the formation of intrapreneurs. The programme is an initiative of the Fundação Dom Cabral and the League of Intrapreneurs, a non-profit organisation active in Brazil and other countries, dedicated to driving skills oriented to innovation and entrepreneurship among employees of organisations.

Inspiring examples

GRI 203-1

One of the ways we have encountered of mobilising our consultants around this movement to generate a positive impact for society and the planet is through the Acolher Award which, since 2010, has provided recognition, as well as technical and financial support for socioenvironmental projects having broad transformational power.

At the beginning, the award was focused on initiatives run by the consultants.

However, since the network is so large, the award was opened to employees and consumers.

In 2018, a new element was the inclusion of projects submitted by members of the communities surrounding the Natura operations in Brazil. A total of 16 projects received awards in this edition: eight in the Natura Beauty Consultant category, three in the consumer category and five in the surrounding community category.

For further information on these projects, see: <http://www.movimentonatura.com.br/cs/movimentonatura/premioacolher> (in portuguese)

Consultants engaged in the Movimento Natura (units)	2016	2017	2018
Public ¹	2,193,662	2,194,838	857,644
Participations ^{2,3}	55,355	56,228	42,237

1. Calculation of the indicator is based on the number of visitors to the website.
2. In addition to the consultants, other groups, such as consumers, access the platform. Currently, the tool does not permit identification of the groups in all types of access.
3. Calculation of the participation indicator considers qualified participations: registration of people or initiatives, sharing of communication contents on social networks and interactions with the people responsible for the initiatives via the platform.

Developing surrounding communities

GRI 103-2, 103-3, 204-1, 413-1, 413-2

The positive social impact Natura is committed to generating also involves the communities surrounding the company's main operations. The priority regions are the municipalities of Cajamar (São Paulo) and Benevides (Pará), where the company's industrial units are installed, and the Vila Jaguara district in the city of São Paulo where its administrative headquarters and the São Paulo distribution centre are located.

In these locations, we make a significant contribution to the generation of employment and income, not only through the direct jobs created by Natura, but also through indirect employment opportunities connected in some way to the business. Worthy of mention is Benevides (PA), where the Ecoparque was implanted in 2014 and where 80% of Natura's bar soaps are manufactured today. In the unit, a significant part of the work force comprises young people who are relative newcomers to the labour market.

We also stimulate the development of surrounding areas by means of partnerships with local suppliers. In 2018, from the total amount paid out to Natura suppliers, 4.3% went to companies in Cajamar and

Benevides. Although the percentage is lower than the previous year (5.2%), the absolute amount increased by 14%, from R\$ 181 million in 2017 to R\$ 207 million in 2018.

Furthermore, we are engaged in partnerships and arrangements with governments, the communities themselves and other companies to leverage human and social development in these regions. A highlight in 2018 was the opening of the Acolher Award to socioenvironmental projects from the communities surrounding our facilities. Two initiatives from São Paulo, two from Benevides and one from Cajamar were selected and will receive technical and

financial support. One of the projects chosen in Benevides, for example, is focused on preventing and addressing domestic violence and has already provided legal, psychological and social support to more than 500 women.

In addition to the Acolher Award, we contribute towards the consolidation of transformational movements in the three locations. In Cajamar, we support the organisation Inova Cajamar's Viva Vielas project, aimed at revitalising urban spaces and carrying out positive interventions in the local environment. The project was selected for the award. In Vila Jaguara, we support a joint community recuperation effort in the

Parque Vila Edwiges district. In Benevides, together with the Rede UDBEN, we helped to set up an exhibition of social projects in the city. In partnership with the Instituto Natura, we also engaged in efforts to improve the municipality's performance in Brazil's basic education development index, Ideb. The municipal schools in Benevides achieved a score of 6.2 (for the first years of basic education). The previous average score in the 2015 survey was 5.4.

GRI 204-1 Total amount spent on local suppliers by operational unit¹ (R\$ million)	2016	2017	2018
Cajamar	155	169	193
Benevides	3	12	14
Total	158	181	207
% of budget spent on local suppliers	3.00	5.22	4.26

1. Only the manufacturing units (Cajamar and Benevides) are considered to be operational units. We maintained the definition of local, considering total purchases from suppliers located in the same municipality as the manufacturing units (Cajamar and Benevides), supplying to any Natura unit. Since only the manufacturing units are considered to be operational units, the International Operations are not considered in the calculation.

Sustainable supplier management

GRI 102-43, 102-44, 103-2, 103-3, 102-9

Our relations with our suppliers were strengthened in 2018. There was significant growth in our production volume, which in turn boosted demand for the products and services we acquire from our supply chain.

In Brazil particularly, Natura suppliers also suffered from the consequences of the truck drivers' strike in May. In a spirit of collaboration, our partners sought to fulfil delivery schedules to Natura, for example, by adopting alternative means of transportation.

In the International Operations, suppliers who manufacture finished products on behalf of Natura saw a 5% increase in production volume compared with 2017. On a consolidated basis, we paid out R\$ 5.9 billion to our business partners (R\$ 4.8 billion to suppliers in Brazil and R\$ 1.1 billion to their overseas counterparts). The total volume is 15% higher than the 2017 figure.

We have on average 9,900 suppliers. These are divided between the ones who supply materials used in product

manufacturing (such as packaging and raw materials) or who make products on behalf of Natura, and non-production suppliers, responsible for services or products not applied directly in the production process (the case of maintenance service providers, freight haulage and logistics operators). From the total number of partners, 165 accounted for 62% of our purchase volume during the year.

Considered strategic for the business, this group of 165 suppliers participates in the Qlicar programme, which is aimed at gradually and consistently improving their management and processes. The Qlicar programme is based on analyses of the pillars Quality, Logistics, Innovation, Competitiveness, Environmental/Social practices and Relationship. Based on the results of the analyses, actions plans are drafted and put into practice by the suppliers with support from Natura. Natura organises the Qlicar award for outstanding performance on an annual basis. In 2018, 22 companies were recognized. There are two other Qlicar awards for specific supplier profiles: BioQlicar, for the supplier communities, and Qlicar Innovation for

partners dedicated to research and technology development.

Additionally, the company organises events for interacting with and engaging suppliers. A case in point is the strategy meeting, when Natura shares the company goals and guidelines for the future with its strategic partners. Natura also organises an innovation fair, with the purpose of fostering innovative projects among suppliers. In the 2018 edition, a total of 190 suggestions were collected. Natura staff participate in the fair, helping to assess and select the best proposals. There are also panel discussions and dialogues that address points generating dissatisfaction in the relationship.

Measured on an annual basis, supplier satisfaction increased from 89% in 2017 to 90% in 2018. Satisfaction is one of the factors taken into account in the loyalty index, which in 2018 corresponded to 33%, 4% down on 2017. The most significant reduction occurred in the International Operations, influenced most heavily by the result in Argentina, which reflected the economic and social fluctuations the country is facing.

Synergy with The Body Shop and Aesop

In 2018, Natura &Co started to design its Global Procurement Organisation. The product and service categories in which negotiations and relations are to be conducted in a unified manner for the three Natura &Co companies: Natura, The Body Shop and Aesop have already been defined. This generates gains in scale for the group, taking advantage of the possibility of negotiating better terms, given the higher purchase volume. There are also advantages from a compliance standpoint- a supplier contracted by the group will only need to conform to a single set of rules and will undergo just one audit. It is estimated that the synergies from the initiative could generate savings of some R\$ 420 million over a three-year period.

GRI 102-9 Information about suppliers	2016	2017	2018
Estimated monetary value of payments to suppliers (R\$ billion)	4.2	5.1	5.9
Annual renewal rate ¹ (%)	20	11	13

1. Calculated based on the percentage of new suppliers registered in the year in relation to the total number of suppliers registered.

Supplier loyalty (%)	2016	2017	2018
Satisfaction ¹ by supplier	82	89	90
Supplier loyalty ² - Brazil	21	30	28
Supplier loyalty ² - International Operations	41	45	38
Natura supplier loyalty ² - Brazil and International Operations	27	37	33

1. Satisfaction: percentage of suppliers who are “completely satisfied” or “very satisfied”, who gave a score of 4 or 5 (“Top2Box”) on a scale from 1 to 5 points in relation to their overall satisfaction with Natura. Since 2017, we have reported information for Brazil and the International Operations.

2. Loyalty: percentage of suppliers consulted who gave the top score (“Top1Box”), on a scale from 1 to 5 points, in three aspects: overall satisfaction with Natura, intention to continue supplying Natura and recommendation of Natura as a client.

Socioenvironmental criteria for contracting suppliers

GRI 103-2, 103-3, 308-1 e 414-1

To become a Natura supplier, it is necessary to share our ethical commitments, including formal adhesion to our Code of Conduct, as well as attesting to the would-be supplier’s financial health and the conformance of its registration data. Every year, part of Natura’s new suppliers – due to the nature of their activity or the risk they represent – are submitted to audit processes that verify environmental, labour and human rights criteria and potential impacts on society and the environment. In 2018, 13 (1%) of the company’s 1,306 new suppliers were eligible and were submitted to assessment. Under environmental criteria, for example, documents such as environmental operating licenses and water withdrawal permits are considered in the assessment, as well as how the future partner manages water and energy consumption and the generation of waste, effluents and emissions.

This supplier approval process, which includes the execution of audits, assessment of the company’s financial health and adhesion to the Code of Conduct is also conducted periodically with suppliers considered strategic for the business.

Diversity and inclusion

GRI 103-2, 103-3, 405-1

In the course of 2018, we saw important progress in the work we have been doing for some years to foster diversity, inclusion and a multicultural environment in the Natura work force and in society as a whole. Since 2016, we have had the Natura Diversity Policy that supports our diversity initiatives, which are focused on women, the disabled, LGBTI+ and black people.

We continue to advance in our commitment to reach 50% women occupying leadership positions (director level and above) by 2020 in all the Natura operations in Latin America. We ended the year with 38.2% of women occupying these positions, compared with 32.7% in 2017. It should be mentioned that in all selection processes – regardless of the hierarchical level – Natura ensures that 50% of the finalists are women. In 2018, we also had the highest ever percentage of disabled employees – our 2020 ambition is to have 8% disabled employees in Brazil. At the end of the year, the rate was 6.5%, half of whom were disabled women. We focus on attracting disabled candidates, reinforcing our employer brand communication aimed at this group.

In addition to these ambitions, we maintained four priority work fronts: gender equality, inclusion of disabled people, ethnic-racial equality and LGBTI+ rights. Affinity groups were formed with the participation of employees who wish to contribute actively in these areas. We also organised the first Diversity Week, with a series of campaigns and one day dedicated to each front.

Regarding gender equality, we also started to focus on the problem of violence against women. After performing a diagnosis with the Movimento Natura and UN Women, in Brazil we launched a toll-free 0800 channel for female employees who are the victims of violence. The channel provides support from lawyers, psychologists and social assistants and dispenses advice on how to report cases of violence, how to find shelters and to obtain other protective measures. In the International Operations, Natura Argentina broke new ground in this area. In the country, employees who suffer from violence may contact a partnering organisation and, in addition to receiving the necessary

guidance, are able to request temporary leave from work and credit to cover extra expenses. This process has already been established in the other countries in Latin America, with the exception of Colombia, which should launch the protocol in 2019.

Now Natura Brazil is studying how to extend this initiative to the consultants. In the operations in Latin America, awareness measures have been implemented, an example being the dissemination of the official channels for reporting violence against women in the magazine *Consultoria*. Natura also continuously encourages discussion about family ties, the role of men in the family and the division of household chores. A practical novelty in this sense was the opening of two Natura nurseries in Brazil for the children of male employees. Initially, these offered 35 places. Paternity leave of 40 days is guaranteed in all the countries in which we operate.

GRI 401-3

Before disabled employees start work, they have a consultation with an ergonomics specialist to map any necessary

adjustments to their work stations. For persons with hearing impairments, colleagues trained in Libras (Brazilian sign language) provide assistance with routine communications. During feedback processes with management and medical consultations in the company health centres, sign language interpreters are available to provide support via videoconferencing. In the São Paulo Distribution Centre, picking by light technology enables disabled workers, including the intellectually impaired, to work in the order picking process. In 2018, a wheelchair user joined the São Paulo Distribution Centre team. Previously people in wheel chairs could only work in the administrative area; however, now the centre has been fully adapted, and 16% of the work force comprises people with a physical or cognitive disability. The target is to reach 30% by 2020. During the year, we also contracted the first professionals with intellectual impairment to work in the Natura stores in São Paulo and Rio de Janeiro. At the beginning of 2019, a disabled person assumed a director level role in the company.

To promote ethnic-racial equality, our efforts are centred on the intern programme, the gateway to working at Natura. In the CorageN programme, which selects people with an entrepreneurial profile to help drive the company's innovation culture (*further information on page 27*), 50% of the selected candidates are black.

On the LGBTI+ front, progress was made in terms of awareness. Use of an individual's chosen name is permitted, and since 2017 the nursery may be used by the small children of employees who take maternity leave, regardless of their gender identity and sexual orientation. Externally, a partnership with the non-governmental organisation Casa 1 offered a vocational course for transsexuals, for which the company donated Natura Faces brand kits.

One external result of our efforts is that we were ranked among the most diverse and inclusive companies in the world on a global index elaborated by the company Thomson Reuters. We were placed in eighth position in the 2018 ranking, compared with 11th place in 2017 and 18th in 2016, proof of our continuous evolution in diversity.

GRI 405-1 Co-workers by functional category and gender (%)	2016		2017		2018		2050 Vision Commitment
	men	women	men	women	men	women	
Production	60.3	39.7	62.4	37.6	65.4	34.6	
Administrative	20.7	79.3	21.5	78.5	21.9	78.0	
Management	45.0	55.0	43.3	56.7	43.8	56.2	
Director level	70.4	29.6	67.3	32.7	61.8	38.2	50
Total	36.5	63.5	37.2	62.8	37.9	62.1	

Disabled co-workers ¹ , by functional category and gender (%)	2016			2017			2018			2050 Vision Commitment
	men	women	total	men	women	total	men	women	total	
Production	2.1	1.6	3.7	2.2	1.5	3.8	2.5	1.4	4	
Administrative	0.4	1.5	1.9	0.7	1.5	2.2	0.8	1.7	2	
Management	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Director level	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Total	2.6	3.1	5.7	2.9	3.1	6.0	3.4	3.1	6.5	8

1. Data monitored only in the operations in Brazil.

Black co-workers by functional category and gender (%)	2016			2017			2018		
	men	women	total	men	women	total	men	women	total
Production	13.0	7.7	20.7	13.6	7.3	20.9	13.5	6.6	20
Administrative	2.9	6.0	8.9	3.1	6.3	9.5	3.7	7.4	11
Management	0.4	0.1	0.5	0.3	0.2	0.5	0.3	0.2	1.0
Director level	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	16.3	13.8	30.1	17.1	13.8	30.9	17.6	14.2	31.8

Instituto Natura: a drive for education

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

In its almost 10 years of existence, the Instituto Natura has been maturing its systemic vision, learning and evolving the competency to work with public policies capable of generating the structural changes necessary for the leap in quality that Brazilian public education requires.

The Instituto Natura is a civil society public interest organisation (Oscip in the Portuguese acronym) which in Brazil is engaged in managing Crer Para Ver funds and providing support for Natura in investing the funds raised by the operations in Latin America, which are managed independently in each country. In addition to measures benefiting public education, the organisation also offers the Natura Beauty Consultants a set of learning experiences and possibilities of engagement in the field of education (*further information on page 54*).

In 2018, we were part of a network of organisations and specialists that co-built a national education agenda to mobilise the then-candidates in the 2018 elections in the cause of education. Led by Todos pela Educação, the Educação Já!

movement developed a set of measures that included the regulation of the national education system, alterations in financing mechanisms, valuing the career of teaching, redesign of national literacy policy and the reorganisation of secondary education.

We were also heavily involved in the Escola em Tempo Integral (ETI or full-time schooling) agenda for secondary education, now consolidated in a

number of states. Similarly, we furthered understanding about the potential of collaboration between states and municipalities to address the common challenge of literacy.

All the work is inspired by evidence and based on the concrete results generated by the Instituto Natura Knowledge Production and Assessment area. Further information about its activities at: <http://www.institutonatura.org.br/inrelatorio2018/en/>



Crer Para Ver (Believing is Seeing)

In existence for almost 25 years, the Crer Para Ver programme is based on a special line of non-cosmetic products commercialized by the consultants and by Natura, in which all the profit is invested in the cause of education. The programme is in place in Brazil and in the other countries in Latin America in which the company operates, and all the proceeds are invested locally.

In 2018, we reached a new record in revenues: R\$ 44.2 million, exceeding the target of R\$ 41 million established for 2020. We also progressed in engaging consultants in selling the line, reaching a penetration of 30.5% in Brazil and 18.8% in the Latin American operations (average percentage of consultants who bought at least one Crer Para Ver product in each sales cycle).



GRI 203-1 Investments benefiting public education (R\$ thousands)

Brazil	2016	2017	2018
Crer para Ver Programme Revenue ¹ (R\$ million)	23.7	22.8	29.1
Crer para Ver Penetration ² (% cycle)	22.6	28.5	30.5
Operations in Latin America	2016	2017	2018
Crer para Ver Programme Revenue ¹ (R\$ thousands)	14,537	12,781	15,122
Crer para Ver Penetration ² (% cycle)	19.4	17.7	18.8

1. Refers to earnings before tax on the Crer Para Ver product line.

2. Average indicator of percentage of Natura Beauty Consultants who bought any Crer Para Ver product from the total number of Natura consultants active during the 19 cycles.

GRI 203-1 Crer Para Ver Programme Actions - Brazil

	2016	2017	2018
Investment in projects developed and supported by Crer para Ver ¹ (R\$ million)	23.313	24.097	25.043
Municipalities impacted	828	1,601	2,015
Schools impacted	910	1,053	1,299
Teachers impacted	9,183	34,633	33,598
Students involved	476,507	1,174,238	1,191,902
Municipal education departments impacted	828	1,601	2,015
Instituto Natura partnerships with state education departments	22	25	22
Natura Beauty Consultants impacted by education benefits	24,000	62,000	80,657

1. The amounts for the projects developed and supported by Crer para Ver may be altered as a result of the audit of the Instituto Natura's annual financial statements.

GRI 203-1 Crer Para Programme Actions - Operations in Latin America

	2016	2017	2018
Investment in projects developed and supported by Crer para Ver (R\$ million)	8.112	10.431	13.273
Schools impacted	475	2,433	5,744
Teachers, coordinators and headmasters impacted	6,057	10,459	24,125
Students involved	89,021	173,074	407,824
Municipal, state and national governments partnering with the project	12	28	61

More schools assisted in Latin America

GRI 413-1

As Crer Para Ver revenue has grown, we have increased investments in educational initiatives in Latin America. In these countries we work via the Learning Community (Comunidade de Aprendizagem) at school, aimed at driving social transformation through school administrators, teachers, students, families and the community. This work is monitored by the Instituto Natura, which provides support and know-how, but investments are made independently in each country, taking into account local characteristics. In Argentina, more than 5,000 schools incorporate learning community practices into their programmes, more than 450,000 books were distributed and 3,000 professionals were trained in the

methodology. In Colombia, one of the benchmark schools gained nationwide recognition for its innovative practices. By October, 3,268 users had concluded distance learning courses in Mexico, compared with 133 people in 2017. In Peru, we systematized four success cases and organised the first National Forum in the country. In the Full-Time School programme, material was distributed to 713 schools, while representatives of 117 schools received classroom training.

One Instituto Natura and Natura priority for 2019 is to determine how to further expand this support as Crer Para Ver funds and consultant engagement in these countries increase.

Culture for sustainability

In 2018, Natura focused on reconnecting its co-workers with the company's sustainability proposals and mobilising them around causes already adopted with other stakeholder groups, such as consumers and consultants. This included the organisation of the first edition of Sustainability Week, held simultaneously in Brazil and in the Latin American operations, with diverse activities.

In Brazil, the event provided a stage for the launch of the Meatless Monday movement, which abolished red meat from company canteens and snack bars on Mondays. The initiative is part of the reflection Natura seeks to trigger among co-workers about the preservation of the Amazon region, impacted by the spread of soy bean plantations and cattle breeding. Another movement initiated in Sustainability week was the elimination of the use of plastic cups. Natura estimated that it was using 13 million cups per year in all the company units in the country. With the ban on use, to be completed in 2019, it is estimated that there will be a 25-tonne reduction in

waste generated, driving annual savings of R\$ 300,000. In Latin America, the waste question inspired training sessions on selective rubbish collection, visits to recycling cooperatives and working sessions with urban recycling operators.

We also launched a campaign to stimulate car sharing among co-workers, reducing impacts caused by fossil fuels. In Cajamar, the Natura headquarters in São Paulo, Ecoparque and the Itupeva Hub, exclusive spaces were reserved in the parking lots for drivers participating in the initiative. In São Paulo, the company provides co-workers with a bicycle rack and changing rooms. During the year, the car fleet for executives was modified, introducing more economical flexible fuel models.

Lastly, for each co-worker who bought R\$ 20 worth of Crer Para Ver line products, the company donated a study grant for the language school English Live to a Natura consultant or her child. We managed to exceed the internal target established, distributing a total of 574 grants.

The world is more beautiful with you

We also continue to engage consumers of our brands in the questions we believe in and advocate. With the Chronos and Tododia brands, we seek to mobilise consumers around respect for and valuing women's beauty regardless of age and body measurements. The launch of Tododia Lima e Flor de Laranjeira led to the creation of the film Ser o Que Se É (Be What You Are), inspired by the open letter that the Spanish writer Jessica Gómez wrote to the unknown "dear girl in the green bathing suit" and which went viral on the internet. The writer's message underscores the importance of loving one's body the way it is and contesting aesthetic values imposed by society. On international Anti-LGBTphobia Day, May 17, we launched a Faces action on Natura's Instagram page that showed official data on the violence suffered by LGBT+ individuals in Brazil. The manifesto ends with the message "+ respect is necessary".

At the beginning of 2019, we announced a new company positioning based on a simple question: "What can a beauty brand do for the world?". The purpose is to attract more and more consumers as allies to Natura's goal of generating a positive impact, with everyone taking care of themselves, but also caring for others and for the surrounding environment. The positioning is synthesized in the phrase "The world is more beautiful with you" and expresses our commitment to more sustainable production methods, to the preservation of the Amazon, to sharing wealth and to generating less waste, among other things. In the social networks, the new positioning was disseminated with the hashtag #PorUmMundoMaisBonito (#ForAMoreBeautifulWorld).

This is the positioning Natura will present in the 2019 Rock in Rio festival, to be held in Rio de Janeiro in September and October. This is the first time we are sponsoring the event, and we expect to engage the public in our sustainability and innovation causes and initiatives.

Natura Musical: reinventing and evolving

In 2018, the Natura Musical programme celebrated 14 years of existence. During this period, the programme has directly impacted more than 260,000 people.

We select projects by means of public calls for proposals. In the 2018 programme, there were 2,617 submissions, around 60% more than in 2017. Based on an evaluation by curators from the music market, 50 projects were selected comprising artists and bands in the career development or renovation phase. They include names such as Margareth Menezes (Bahia), Lia de Itamaracá (Pernambuco) and Tássia Reis (São Paulo), as well as culture collectives engaged in fostering and developing regional artistic scenes. This was the first time that the call for proposals was opened to this kind of project. An example was the Rock de Mulher Circuito (Women's Rock Circuit), in Rio Grande do Norte, which organises cultural events to boost the participation of women in the music market and, with support from Natura Musical, will organise training actions, as well as shows starring women. In parallel, the Bloco da Laje project in Rio

Grande do Sul, agitates the local cultural scene with shows, parties and musical residencies during the course of the year, giving voice to the LGBTQ+ community.

The funding is provided by private company investment and Rouanet law tax incentives on a national level, and state ICMS tax incentives in the states of São Paulo, Minas Gerais, Rio Grande do Sul, Pará and Bahia.

Another new feature was the organisation of the Natura Musical festivals on a national level, with the sponsorship of 11 events, reaching a total audience of around 100,000 people in every region in the country. For the second year in a row, we maintained the Casa Natura Musical, organising more than 100 shows in the city of São Paulo.

A total of R\$ 10.9 million was invested in Natura Musical in 2018, of which more than R\$ 7 million was funded privately by the company. The programme is also active in the digital environment, producing and disseminating Brazilian music via the social networks, engaging around 1 million people.

Organizational transformation

GRI 102-43, 102,44

Natura has continued to promote its cultural transformation process, which reflects the company's business strategy, aimed at promoting effective networking, driving greater collaboration, agility and integration between countries within a less hierarchical structure.

Over the last two years, Natura has been mobilised around the revitalisation of direct selling, the creation of the Natura &Co group and driving significant results in the markets in which it operates. In parallel, it has sought to instil four priority behaviours which served as the basis for the launch of Nossa Gente, the Natura people management model created in 2017.

Based on the elements that the company wants to reinforce in work force conduct, these behaviours – two focused on relations and two on results – were broadly disseminated. The first positions the consultant at the centre of all our decisions, while the second establishes that company employees work in a transparent manner, resolving conflicts constructively and collaboratively. The other two, focused on results, promote

the celebration of accomplishments and, lastly, the importance of each individual in achieving the company's results.

In 2019, the transformation process will be accelerated, engaging co-workers in new behaviours that complement the first four. This is the case of encouraging entrepreneurship to create an environment in which people work proactively. The new behaviours reflect the future designed for Natura, which is preparing to become a digital, multichannel company that operates globally.

Other working models are also gaining space in company routines, such as the use of agile cell methodology, tested in different Natura areas. Comprising multifunctional teams, working groups act together to streamline project development. The CorageN programme is another recent experience that has produced excellent results, with the selection of new people with an entrepreneurial profile, without limitations of age or educational requirements. These individuals work in groups that map and implement new ideas (*further information on 27*).

The co-worker feedback process has been based on this new vision since 2017. It is called Networked Feedback, which permits co-workers to share perceptions about their colleagues' work and deliveries based on the four priority behaviours (this can also be done via the Co-worker app, a smartphone application developed internally). The process is integrated with performance appraisal and the People Forum, the occasion upon which managers together with the Human Resources team analyse the performance of people from different teams to establish development paths, recognition

measures, training needs and individual acceleration initiatives. Today, the exchange of feedback between co-workers and their managers can occur a number of times during the year and is based on the principle that the co-workers are responsible for taking the lead in this process.

A recently approved change, which came into force in 2019, is related to a review of the salary structure. Previously distributed over more than 20 levels, it was reduced to ten broader levels, in line with the new less hierarchical organisational structure.

Selection app

An example of the changes taking place in the organisation is the evolution of the candidate experience in the company's entry programmes. In the process of selecting apprentices and staff for operational vacancies, those interested access a specific application in which, by means of gaming features, they answer a series of questions – the candidates whose characteristics are aligned with the Natura essence go forward to the following recruitment stages. All participants receive a formal response from the platform, including an analysis of the composition they wrote as part of the selection process. The candidates selected to go forward to an interview stage have the chance to take online professional and personal development courses.

Training programmes

GRI 103-2, 103-3, 404-1, 404-2

From 2019, training programmes should become less hierarchical and should promote a more proactive approach on the part of co-workers. This more open proposal, with learning experiences less related to the position occupied by individuals and more aligned with the role they are performing at the time, was employed in the Mosaico programme in 2018. It has now been extended to all leaders (managers and directors) and has been divided into two major areas: Leadership and Culture and Results and Performance. In the former, the Mosaico programme focused on managers' self-knowledge and people management skills, including how to lead teams currently employing agile working models. In Results and Performance, we once again focused on knowledge of company products and launched innovation talks, aimed at connecting leaders with the rapid transformations taking place in Natura and in the external environment. In 2018, the training programme for

potential Natura leaders, Passport to the Future, was open to people from both the operational and administrative areas, as well as to Business Managers, who work with the consultant network. The company continues to offer financial support for the formal education of co-workers and their family members (spouses, children and wards aged up to 21 years). For Natura, stimulating academic studies, the mastery of other languages and professional development helps accelerate co-workers' careers. In 2018, the company granted one hundred new study grants, reaching a total of 238 beneficiaries.

In the International Operations, great emphasis is placed on educational initiatives, both in-company and in partnership with universities. In Argentina, for example, young innovators in the company received more than 100 hours training in agile work methodologies (*further information on page 82 in "Complementary Indicators"*).

Investments in education per operation (R\$ thousands)	2016			2017			2018		
Brazil	7,400	8,300	7,938						
Argentina	2,925	2,556	1,677						
Colombia	1,326	1,075	1,373						
Chile	404	802	421						
Mexico	534	598	338						
Peru	417	397	303						
France	175	0	0						
Total	13,181	13,728	12,051						

Natura Education Programme - Co-workers in the Brazilian Operation	2016			2017			2018		
Grants conceded	132	210	238						
Grants conceded/enrolments (%)	0	78	49						
Amount invested in the Natura Education programme (R\$ thousands)	535	690	897.5						

GRI 404-1 Average hours of employee training by functional category	2016			2017			2018		
	Women	Men	Average no. of hours	Women	Men	Average no. of hours	Women	Men	Average no. of hours
Director level	29	32	31	5.4	6.6	6.2	29.3	22.2	24.6
Management	48	45	46	18.7	23.4	20.9	36.0	35.9	36.0
Administrative	44	44	39	15.5	27.6	18.6	30.2	34.4	31.1
Operational	25	37	32	16.9	37.6	30.0	12.9	20	17.3
Apprentice	41	43	41	44.6	40.6	43.4	17.7	19.1	18.1
Intern	47	49	48	42.2	45.8	43.2	42.8	47.7	45.1



Overview of the 2050 Sustainability Vision



OVERVIEW OF THE 2050 SUSTAINABILITY VISION

Management and Organization

Topic	Commitment for 2020	Correlation		2018 Results		
		Material topic:	SDG	Comments	Index	status
Management Model	To implement the valuation of socioenvironmental externalities, taking into account the positive and negative impacts of the extended value chain (from the extraction of raw materials to the disposal of products) for the Natura brand.	Transparency and product origin	6 12 13 15	EP&L (Environmental Profit and Loss) was implemented in 2017 and, in 2018 we initiated adoption of SP&L (Social Profit and Loss). Valuation of the socioenvironmental impact of the carbon offsetting programme demonstrated a positive balance of R\$ 1.6 billion.	75%	●
Governance for Sustainability	Implant a consulting council comprising external specialists, that will assess the company's progress and help us to develop our strategy.	-	12 16	Created in 2018, the Group Operations Committee (GOC) acts as a forum for discussing and making recommendations about the administrative and operational frameworks of Natura and the two other Natura &Co companies.	75%	●
Government and Society	We stimulate public discussion and debate around our material topics based on the review of our materiality matrix elaborated in 2014.	-	15 17	In recent years, we have evolved in the analysis of socioenvironmental trends, which has guided the company's engagement strategy and repositioning of the brand. The result of this work is the launch of the #porumundomaisbonito (#foramorebeautifulworld) movement. The materiality matrix is scheduled to be reviewed in 2019.	75%	●
Stakeholder engagement	Institutionalise a governance model with external engagement to evolve sustainability management and strategy.	-	12 16	Created in 2018, the Group Operations Committee (GOC) acts as a forum for for discussing and making recommendations about the administrative and operational frameworks of Natura and the two other Natura &Co companies.	75%	●
Ethics and Transparency	For the Natura brand, to implant full transparency in the provision of information about products and progress towards the Sustainability Vision.	Transparency and product origin	12	The Annual Report is based on the Sustainability Vision, presenting the status of all company commitments. Cruelty Free and UEBT certification demonstrates the evolution in transparency regarding our products and processes.	75%	●

● well on target or already achieved ● on target ● below target



OVERVIEW OF THE 2050 SUSTAINABILITY VISION

Brands and Products

Topic	Commitment for 2020	Correlation		Comments	2018 Results	
		Material topic:	SDG		Index	status
Brands and Products	The environmental and social footprints of all Natura brand products will be disclosed, as will all the respective improvement commitments.	Transparency and product origin	12	The environmental table is presented on product packaging. Since 2017, we have provided the product footprint for purchases made via the internet. The product transparency strategy is being reviewed/implemented.	50%	
Climate Change	For the Natura brand, reduce relative GHG emissions (Scopes 1, 2 and 3) by 33%, against base year 2012.	Climate change	<div style="display: flex; flex-wrap: wrap; gap: 5px;"> <div style="background-color: #28a745; padding: 2px;">3</div> <div style="background-color: #ffc107; padding: 2px;">7</div> <div style="background-color: #dc3545; padding: 2px;">9</div> <div style="background-color: #ffc107; padding: 2px;">11</div> <div style="background-color: #6c757d; padding: 2px;">12</div> <div style="background-color: #28a745; padding: 2px;">13</div> <div style="background-color: #17a2b8; padding: 2px;">14</div> <div style="background-color: #28a745; padding: 2px;">15</div> </div>	We ended 2018 with a 2% reduction against the base year (2012). Measures prioritized efficiency in processes and the product portfolio. The challenge to reduce our emissions significantly by 2020 continues.	6%	
Climate change	Continue to offset all emissions that cannot be avoided, primarily in the Pan-Amazon region.	Climate change Valuation of social biodiversity	<div style="display: flex; gap: 5px;"> <div style="background-color: #28a745; padding: 2px;">13</div> <div style="background-color: #28a745; padding: 2px;">15</div> <div style="background-color: #17a2b8; padding: 2px;">17</div> </div>	We have offset 100% of our emissions since 2007. Additionally we have a partnership with Itaú Unibanco and Instituto Ekos Brasil whereby we have created the first offsetting project that remunerates supplier communities for environmental conservation and for combating deforestation. We have calculated the programme's socioenvironmental impact over 10 years: R\$ 1.6 billion equivalent in socioenvironmental services in the 38 projects supported, 3.4 million tonnes of CO ₂ offset, more than 7,000 hectares of forestland reclaimed or maintained and more than 15,000 families impacted directly.	100%	
Energy	Implement a strategy to diversify sources of renewable energy for the Natura operations in Brazil.	Climate change	<div style="display: flex; gap: 5px;"> <div style="background-color: #ffc107; padding: 2px;">7</div> <div style="background-color: #28a745; padding: 2px;">13</div> </div>	The energy matrix of the operations in Brazil comprises more than 95% power from renewable sources. The diversification strategy is being planned and will be ready by 2020.	50%	

OVERVIEW OF THE 2050 SUSTAINABILITY VISION

Brands and Products

Topic	Commitment for 2020	Correlation		2018 Results		
		Material topic:	SDG	Comments	Index	status
Water	Implement a strategy to reduce and neutralize impact, based on measurement of the water footprint in the value chain.	Water	6 14	We finalized the water footprint study and incorporated ecotoxicity assessment into product safety assessments. We have not yet begun to build the water footprint reduction and neutralisation strategy.	0%	●
Packaging design	Ensure that 40% of the units billed by Natura in Brazil have eco-efficient packaging*.	Waste Climate change	3 11 12	We reached 22%, the result of the sale of refills, packaging of renewable origin in the Plant and Tododia product lines and post-consumer recycled packaging for Ekos and Sève.	55%	●
	Use at least 10% PCR** in the total mass of Natura packaging in Brazil.			In 2018, we increased the use of post-consumer recycled glass for the entire perfumery category by 30%, reaching an overall rate of 5.4%. We have post-consumer recycled glass in all our perfumery, while the Ekos body and Sève lines use 100% PCR.	54%	●
	Use at least 74% recyclable material in the total mass of Natura packaging in Brazil.			The rate reached 50%. The challenge we face is in the ecodesign or redesign of products and packs to increase recyclability, particularly in product categories that do not yet have a chain in place in Brazil.	68%	●
Waste	Collect and recycle 50% of the volume of waste generated by Natura product packaging in Brazil (in t equivalent).	Waste	3 9 11 12 13 14 15	Our rate is at 32.8%, as a result of two programs: Dê a Mão para o Futuro (Abihpec sector reverse logistics initiative) and Elos (a shared responsibility initiative between Natura and its packaging suppliers aimed at ensuring endorsement, traceability and reverse logistics in the post-consumer recycled material supply chains incorporated into our packaging).	65%	●
Social biodiversity	To reach 10,000 families in the Pan-Amazon production chains.	Valuing social biodiversity	1 2 10 12 15 17	The total is 4,636 families, the increase being due to the supply of the ingredients Patauá and Tucumã. Our challenge in achieving the 2020 commitment will depend on the strategy to expand use of Pan-Amazon vegetable ingredients proportionally to the company's growth.	46%	●
	Achieve a business volume of R\$ 1 billion in the Pan-Amazon region			Business volume has already reached R\$ 1.5 billion. Amazonian ingredients and funds allocated to the communities represent respectively 58% and 9% of investments. Worthy of note in 2018 were the allocation of proceeds from benefit sharing to the Iratapuru Fund and the environmental conservation and regeneration initiatives in sustainable supply chains.	141%	●
Formula Design	Guarantee that 30% in value of the total inputs consumed by Natura in Brazil comes from the Pan-Amazon region.	Valuing social biodiversity	3 6 9 12 14 15	The rate was 17.8%, with an increase in the use of these ingredients being developed in the main categories and product lines.	59%	●
Traceability	Guarantee the traceability of 100% of the inputs produced by the direct manufacturers (last link) by 2015. Implement a traceability programme for the remaining links in the Natura brand value chain by 2020.	Transparency and product origin	8 12 16 17	In 2018, we were awarded international UEBT (Union for Ethical BioTrade) certification, which attests to the ethical supply system for the natural ingredients used in the Ekos product line, guaranteeing traceability in the social biodiversity link. Traceability will be developed for the other critical chains in the coming years.	50%	●

OVERVIEW OF THE 2050 SUSTAINABILITY VISION

Our Network

Topic	Commitment for 2020	Correlation		2018 Results		
		Material topic:	SDG	Comments	Index	status
Natura consultants	Significantly increase the real average income of Natura Beauty Consultants in Brazil.	Income generation		The growth plan for consultants launched in 2017 has already impacted remuneration, which grew by 12% for consultants and 25% for leaders. Our challenge is to define the role Natura should play in boosting consultants' income by 2020.	 100%	
	Create an indicator to assess the human development of this stakeholder group and develop a strategy to promote a significant improvement.	-		We have been tracking the NC-HDI (Human Development Index) for five years. This assesses the impact Natura has on the consultants' quality of life and shapes initiatives such as healthcare and education benefits. We face the challenge of developing Natura's strategy to impact the network based on the results of this indicator.	 100%	
	Stimulate their interest in ongoing learning and provide a broad educational offering that meets their needs.	Education for the development of co-workers and consultants		The education programme for consultants based on the NC-HDI drivers was implemented and is in progress. In 2018, 80,600 consultants and family members benefited from it.	 100%	
	Expand the collaboration network, supporting consultants' socioenvironmental entrepreneurial actions.	Education for the development of co-workers and consultants		The Movimento Natura recognises and promotes great ideas for transformation and the Acolher Award recognises people leading social impact projects, providing them with technical and financial support. In 2018, in addition to the consultants and consumers, we enabled the participation of initiatives developed in surrounding communities. 16 projects received financial support of up to R\$ 30,000, in addition to technical support to expand their reach.	 100%	
Co-workers	For the Natura brand in Brazil, to have 8% disabled employees in the workforce.	-		We reached the mark of 6.5%, of whom almost half are women. The alignment of internal processes and monitoring of the development and inclusion of these people in Natura is fundamental for ensuring retention. External agendas and leadership engagement in this area are boosting results.	 81%	
	For the Natura brand, reach the rate of 50% women occupying leadership positions (director level and above).	-		We achieved a rate of 38.2% in this ambition, which is a focus of the company's diversity and inclusion strategy. The main actions were an institutional relations plan, internal engagement with an employee affinity group focused on Lançamos, an exclusive support channel for female employees who are victims of violence.	 75%	
	Implement a strategy to leverage employees' execution potential through engagement in the Natura culture.	Education for the development of co-workers and consultants		In 2018, we took another step towards the organizational transformation that we want. We started to reflect on the priority behaviours needed to address our long-term challenges. We set up a Culture Team with leaders from diverse Natura areas and geographies to lead this front and present their ideas to the Executive Committee and other organisational leaders.	 100%	
Suppliers	Evolve the supplier selection and management process, further integrating socioenvironmental and financial parameters.	Transparency and product origin		The supplier selection and management process is being reviewed.	 50%	

OVERVIEW OF THE 2050 SUSTAINABILITY VISION

Our Network

Topic	Commitment for 2020	Correlation		2018 Results		
		Material topic:	SDG	Comments	Index	status
Communities	Develop a strategy for the social biodiversity territories in the Pan-Amazon region and the communities surrounding our main operations in Brazil, by means of dialogue and collaborative construction together with the local populations and actors.	Valuing social biodiversity		To generate transformations at scale, we work in arrangements and partnerships with local governments, grass roots communities and companies to promote territorial development solutions. In the Pan-Amazon region, worthy of note were the rural education actions and the training of young entrepreneurs in the Mid Juruá Territory (AM) and the Rede Jirau activities in the Lower Tocantins Territory (PA). We support the training of sustainable rural entrepreneurs focused on the forest and biodiversity. We maintained our activities with the UDBEN network in the Benevides (PA) region (exhibition of social projects in Benevides, and the ConVIVA (community reclamation) and Inova Cajamar (urban reclamation) networks.	 100%	●
Communities	Evolve the indicators for measuring human and social development in our communities and develop a plan to promote significant improvement	-		In 2018, we created the Human Development and Social Impact Programme (PDHIS in the Portuguese acronym). In 2016 and 2017 we experimented with some territorial development indicators such as the Social Progress Index (IPS), in the Mid Juruá (AM) region and in Cajamar (SP). We also support the Rede Nossa São Paulo Cidades Sustentáveis movement in Cajamar. With these analyses, we seek to build the indicator impact methodologies which will help us execute the strategy.	 75%	●
Consumers	Define priority topics and implement a strategy that mobilises the Natura brand consumer.	-		Based on the material topics defined in 2014, we defined claims for building the value of sustainability with consumers. Launched in the beginning of 2019, the #porumundomaisbonito movement addresses three causes and six commitments to generate positive impact.	 50%	●

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

**PCR: Post-consumer recycled material.



Company information



Corporate governance

GRI 102-18, 102-19, 102-20, 102-21, 102-23, 102-24, 102-26

The governance structure continues to evolve in line with the characteristics of Natura &Co, the global group which Natura Cosméticos S.A. controls.

At the end of the year the Board of Directors comprised nine members, five of whom were independent. In September 2018, the US citizen Jessica DiLullo Herrin joined as an independent member. She is an entrepreneur with experience in direct selling and in large technology companies. Marcos Lisboa, who made important contributions during his seven years on the Natura board, left at his own volition in April to pursue other projects. And we note with profound regret the loss of the board member Peter Saunders, who passed away in August.

With support from a specialised consultancy the Board has been reviewing its structure, processes and practices – including the definition of key areas that should serve group interests. The Board was also involved in discussions about the executive remuneration plan, which evolved to incorporate a global vision, while taking into account regional factors of each business and ensuring a healthy balance between attractiveness, results and long-term commitment to the company. The meetings also addressed questions such as the group budget, Natura’s expansion in Latin America, The Body Shop transformation plan and new challenges for Aesop. In 2018, the Board met five times. Two of these meetings were held in London, England, as part of the business integration process.

GRI 102-22 Composition of the Board of Directors

By age group	
Under 45 years	0
Over 45 years	9
By gender	
Women	3
Men	6
By origin	
Brazilian	8
Overseas	1
By length of service	
Up to one year	1
Between one and three years	3
Over three years	5

Board of Directors

GRI 102-22

(from left to right)

Carla Schmitzberger

Fábio Colletti Barbosa

Pedro Luiz Barreiros Passos

Antonio Luiz da Cunha Seabra

Roberto de Oliveira Marques

Guilherme Peirão Leal

Silvia Freire Dente da Silva Dias Lagnado

Gilberto Mifano

Jessica DiLullo Herrin

(was unable to be with us on this day)

See the résumé of each member of the Board of Directors <https://natu.infoinvest.com.br/corporate-governance/our-leaders>



Advisory committees

The Board of Directors is advised by five committees, the most recent being the Group Operations Committee (GOC), created in 2017 and headed by the executive chairman of the Board, Roberto Marques. The CEOs of the three companies and representatives of key areas in the group are also on the committee. Created in 2017, the purpose of the committee is to drive agile solutions for Natura &Co. It met five times during the year, the first of which in February in Brazil. This meeting was attended by the complete leadership teams of the three businesses.

The other four Board of Directors advisory committees are made up exclusively of board members: Strategy; People and Organisational Development; Corporate Governance; and Audit, Risk Management and Finance.

Further information about the composition of each committee and its attributions: <https://natu.infoinvest.com.br/corporate-governance/board-members-and-committees>

Incentives for integration

To facilitate the approximation and integration of the companies, three Networks of Excellence, or NEX were created in cross-cutting areas that impact the three businesses: Sustainability, Digital and Retail. The NEXs have members from each business, who have met to coordinate and promote the sharing of best practices, providing mutual support, discussing common agendas and synergies.

Self-evaluation **GRI 102-28**

To evaluate the members' performance and pursue improvement opportunities in the governance process, Natura has a self-evaluation process. The previous evaluation took place in 2016 – and another is being undertaken at the beginning of 2019 and will be concluded in the first half of the year. The process was not performed in the last two years because the Board of Directors underwent a series of alterations in composition and scope and was engaged in formatting the Natura &Co group.

Collective knowledge

The company's quarterly and annual management reports, which encompass economic, social and environmental topics,

are analysed by the board members. The board also undertakes the assessment and approval of Natura's strategic activities in these topics, including analysis of the 2050 Sustainability Vision, performance in achieving its goals, as well as engagement and presentations related to data collection and progress. **GRI 102-27**

Executive committee

The Natura Executive Committee (Comex) comprises the chief executive officer and eight vice presidents. In 2018, a new vice presidency area was created, Legal and Compliance, a structural reinforcement that not only supports international expansion, but also sustains the ethical and integral nature of Natura's relations. The new Legal and Compliance Officer, Itamar Gaino Filho, previously occupied the position of statutory legal director. Other new members who joined Comex last year were the vice president of Finance and Investor Relations, José Antonio de Almeida Filippo, and the vice president of Digital Technology, Fernando Mattoso Lemos.

The composition of Comex ensures a diverse group of executives that provides a balance between in-depth knowledge of Natura and a vision of the new competencies that will be necessary as the company's internationalization process advances.

Members of the Executive Committee (Comex)

Chief executive officer

João Paulo Brotto Gonçalves Ferreira

Vice presidents

Agenor Leão de Almeida Júnior
(Latin America)

Andréa Figueiredo Teixeira Alvares
(Marketing, Innovation and Sustainability)

Erasmão Toledo
(Direct Selling)

Fernando Mattoso Lemos
(Technology and Digital Businesses)

Flavio Pesiguelo
(People and Culture)

Itamar Gaino Filho
(Legal and Compliance Officer)

Joselena Peressinoto Romero
(Operations and Logistics)

See the résumé of each Comex member: <https://natu.infoinvest.com.br/corporate-governance/our-leaders>.

Risk management

GRI 102-30, 102-31

In the course of 2017 work was undertaken by the business areas to map the risks indicated by the Audit, Risk Management and Finance Committee at the end of 2016 as priorities to be monitored based on the risk dictionary reviewed that year. In 2018, the mapping process was continued and, in the second half of the year, the risk scenario was reviewed in the light of the business strategies in place and interviews conducted with Natura executives to identify and catalogue the main matters to be taken into account and monitored during the cycle. This wide-ranging exercise led to the incorporation of new aspects to be discussed and followed up, such as questions related to cyber-security and the requirements of Brazil's personal data protection law.

In the first half of 2018, we enhanced the analyses and assessment undertaken in the Environment and Quality areas at the end of 2017 and started to map the principal risks that could impact the goals established for our product distribution hub located in Itupeva (SP). This joint effort helped to consolidate ownership of these topics and contributed to the maintenance of ISO 9001 Quality Management and ISO 14001 Environmental Management certifications.

The entire risk management process is monitored by the Executive Committee and, through the advisory committees, also by the Board of Directors.

Principal risks monitored GRI 102-15, 102-34

Risk	Mitigation measures
Brand and commercial model management, including attractiveness for consultants	We constantly monitor our industry, including consumer preferences and spending patterns. We focus on models designed to advance the commercial model in line with our value proposition and strategic planning, which is reviewed annually. This is the case of new sales formats, such as the digital relationship platform (Rede Natura), and retail experiences, such as sales through pharmacies and Natura's own stores. Moreover, the company is making significant investments in revitalising direct selling, aimed at maintaining close, high quality relations with the Natura Beauty Consultants.
Implantation of strategy	We review our strategic planning and short, medium and long-term targets on an annual basis, including investment decisions related to acquisitions and holdings in other companies, as well as the entry into new markets. This is an activity which involves all of the business units. All the strategies and reviews thereof are presented to and discussed by the Executive Committee and approved by the Board of Directors.
Innovation capacity	We invest continually in innovation on different fronts: commercial strategy, digital platforms, product development, logistics and distribution network etc. We maintain rigorous control over the registration of intellectual property, in particular patents, industrial designs and brands. These measures also help to mitigate the significant competition from Brazilian and multinational manufacturers who have product lines similar to ours and at times compete within our direct selling channel.
Research, development, manufacturing and product quality	Natura is totally committed to the health and safety of its clients, with rigorous internal processes ranging from the conceptual development of a product to its launch, backed by a differentiated positioning characterized by a commitment to the truth and to transparency. The company's Occupational Safety and Health policy sets forth a preventive approach to the occupational risks inherent to the operations. To guarantee the quality and safety of its products, Natura employs the most up-to-date development methods and quality controls, with structured quality assurance processes and programmes that are extensive to our partnering suppliers. Furthermore, Natura maintains open communication and relationship channels with all unions, recognising them as the legitimate representatives of the interests of our co-workers in each area, always striving for understanding and reconciliation of interests between the parties.
Interruptions to our Information Technology systems, including cyber attacks	Natura's main IT systems are managed with a view to ensuring operational stability. We ensure data and server redundancy, information back up routines, control of access to our systems and continuous monitoring to detect safety vulnerabilities in data banks and infrastructure components. Natura manages information security in a structured manner, with explicit guidelines set forth in the company's Code of Conduct, permanent awareness measures for co-workers, mapping and dealing with information security risks in compliance with the ISO 27002:2013 standard.
Attraction and retention of executives and developing leaders	To maintain the engagement and incentives for the development of our co-workers, in 2018 we consolidated the evolution of our Nossa Gente programme, focused on employee proactivity. This is based on a simpler, networked process that promotes increased autonomy, non-hierarchical assessments and real time feedback on a permanent basis, enabling employees to point out and learn about their strengths and opportunities for improvement. To develop leaders, we enhanced the two fundamental pillars of the Mosaico programme – Leadership and Culture and Performance and Results, further aligning it with the organizational transformation in progress. We also expanded the Passport to the Future programme for operational and sales force employees, creating paths for the acceleration of talent in diverse company areas. As a means of recognising and retaining talent we seek to offer a remuneration package above the market average, with the objective of sharing wealth with all co-workers. Additionally, we conduct an annual review of the succession maps, ensuring the constant identification of individuals with the potential to occupy executive positions.
Climate change GRI 201-2	Our activities are aimed at combining economic and socioenvironmental gains. Mitigation projects have become formal company activities cross cutting the entire organisation, an example being the Carbon Neutral programme, which prioritises the reduction of direct and indirect emissions throughout the production chain, in addition to offsetting 100% of emissions that are not avoided through projects that generate socioenvironmental benefits.

Main risks monitored (continued) GRI 102-15, 102-34

Risk	Mitigation measures
Climate change GRI 201-2	Our activities are aimed at combining economic and socioenvironmental gains. Mitigation projects have become formal company activities cross cutting the entire organisation, an example being the Carbon Neutral programme, which prioritises the reduction of direct and indirect emissions throughout the production chain, in addition to offsetting 100% of emissions that are not avoided through projects that generate socioenvironmental benefits.
Social biodiversity	The use of social biodiversity ingredients is governed by the Natura Sustainable Use of Social Biodiversity Products and Services policy, which ensures the fair sharing of benefits with the supplier communities and the sustainable stewardship of these assets, in addition to complying with Brazilian legislation on access to genetic heritage. By means of the Amazônia Programme, Natura also seeks to drive the generation of sustainable businesses based on biodiversity and traditional/cultural knowledge.
Legal, sector regulation and tax load	We actively monitor regulatory changes applicable to our business in all the judicial spheres in order to manage the impacts any alterations may have on our operational and financial results. We continuously track federal and state level tributary processes and work with sector associations such as Abihpec and ABEVD to defend industry interests.
Other external risks (interest rate, exchange variation, inflation etc.)	Constant monitoring of external risks related to the economic conjuncture by senior management, with the redefinition of strategic planning, if necessary.
Institutional conjuncture (Brazil and International Operations)	Constant monitoring of the political-economic conjuncture in the countries in which Natura operates, with the redefinition of strategy if necessary.
Compliance with Brazil's Personal Data Protection law	The company contracts a specialised legal consultancy to map potential improvements. A multidisciplinary group is responsible for designing and implanting changes in processes or routines when this is necessary to ensure compliance with the guidelines established by the personal data protection legislation. The company organised workshops involving the main internal agents impacted by the law.

Internal controls

Natura has an internal controls matrix based on the ACOSO (Committee of Sponsoring Organizations of the Treadway Commission) framework. This matrix is updated annually both for the controls relative to the operations in Brazil and those for the operations in Latin America. Additionally, all controls are subjected to effectiveness tests, while the implementation of plans to remedy any non-conformance detected is monitored. All the work is documented and presented to the company's independent auditors, who at their discretion, may complement their analyses with additional tests. The results of the tests undertaken both by the company and by the independent auditors, are reported to the managers responsible for the controls and to the Audit, Risk Management and Finance Committee, which in turn reports to the Board of Directors.

In 2018, Natura effected important updates to the risk and control matrix, such as the classification and adaptation of the MRC (Management Review Controls) and IPE (Information Provided by Entity) controls, in accordance with PCAOB (Public Company Accounting Oversight Board) guidelines, as well as the inclusion of controls to address recommendations made by the independent auditors. The company also organized training for the staff of the Shared Service Centre.

Ethics and integrity

GRI 102-17

In 2018, Natura instituted an Ethics and Compliance area headed by a director to ensure a more wide-ranging vision that goes beyond mere compliance with standards and legislation, integrating the principles into the company's sustainability agenda. This ranges from transparency in tax practices and the use of ingredients, through anti-corruption, the promotion of citizenship to questions related to civil rights and women's rights, for example.

This commitment ensures that Natura is constantly recognized for its ethical practices, both in Brazil and internationally. The company maintained the Empresa Pró-Ética (Pro-Ethical Company) seal, an initiative organized by Brazil's Federal Comptroller General and the Instituto Ethos to recognize organizations committed to establishing ethical and transparent practices throughout their business chains. Moreover, for the eighth year running

we were recognised as one of the most ethical companies in the world by the Ethisphere Institute, the global leader in defining and developing ethical standards for business conduct. Natura was the only Brazilian company featured on the list of 135 companies from 23 countries. The company is also a signatory to the Instituto Ethos Pacto Empresarial pela Integridade e Contra a Corrupção (Business Integrity and Anti-corruption Pact).

Part of the Ethics and Compliance team's work during the year was to introduce its practices and processes into Natura &Co. The structure was consolidated in the three companies, including the implementation of an ombudsman channel, reinforcing the group's ethics and integrity frameworks. Aligned with best global practice we reviewed the Natura Code of Conduct in 2017, followed by the updating of the Aesop and The Body Shop codes in 2018.

Responsible tax practices

To promote greater transparency, Natura is a member of the group that established the Responsible Tax Principles, aimed at communicating the tax practices of companies around the world. The initiative is led by the B Team, a global movement comprising leaders of companies, civil society and government to promote best business practices, prioritising the well being of people and the planet.

The B Team Principles adopted by Natura espouse transparency and responsible tax practices and strategies, including information about effective tax burdens. Based on this, in this report we disclose Natura's revenues (not including the The Body Shop and Aesop) in Brazil and in the other countries in Latin America where we have operations, as well as the income tax due for each of them. We are committed to growing this practice, extending this commitment to the Responsible Tax Principles to the other companies in the group (further information on page 10).

Natura commitments and partnerships

GRI 102-17

Seals and certifications:

>>>>>> We have been certified as a B Corp since 2014. This is an initiative of the B System movement, which recognises companies that give equal weight to economic and socioenvironmental results.

>>>>>> UEBT (Union for Ethical BioTrade) seal for Natura Ekos, in recognition of the traceability of the natural ingredient supply chain and reinforcing the company's commitment to fair trade and the conservation of biodiversity.

>>>>>> Leaping Bunny certification from Cruelty Free International, which attests to the non use of animal testing in the entire Natura portfolio. The Body Shop also has this certification.

>>>>>> Peta (People for the Ethical Treatment of Animals), which assures that no product or ingredient used by Natura and its supplier base was tested on animals at any stage of development.

>>>>>> RSPO Palm – we use palm oil 100% certified by the Roundtable on Sustainable Palm Oil.

>>>>>> Organic alcohol – we use 100% organic alcohol in our perfumery, with IBD (Instituto Biodinâmico) and Ecocert certification.

>>>>>> FSC paper (Forest Stewardship Council) – we use FSC certified paper in our product packaging and the cartons used to ship product to consultants.

>>>>>> LEED certification – in 2018 the Natura administrative building NASP was awarded LEED (Leadership in Energy and Environmental Design) GOLD certification. Developed by the U.S. Green Building Council (USGBC).

Organisations with which we maintain relations:

>>>>>> The United Nations Organisation (UNO) Global Compact, a movement of companies, workers and civil society to promote citizenship and sustainable growth.

- We are signatories to the Global Compact, and Guilherme Leal is a member of its council, the highest governance body responsible for defining the initiative's

strategies and policies.

- We participate on the Brazilian Global Compact Committee and coordinate the SDG Thematic Group.

>>>>>> We have aligned our Sustainability Vision with the Sustainable Development Goals (SDGs), a global agenda that sets forth 169 targets for the 17 SDG goals by 2030

>>>>>> World Business Council for Sustainable Development (WBCSD), led by the CEOs of more than 200 leading companies that are working together to accelerate the transition to a sustainable world.

- The Natura vice president of Innovation and Sustainability, Andréa Alvares, is a member of the executive committee.

- We are signatories to the Natural Capital Coalition – a multi-stakeholder global collaboration oriented to conserving and improving natural capital.

- We are also members of the Brazilian sustainable development business council CEBDS (Conselho Empresarial Brasileiro para o Desenvolvimento Sustentável).

>>>>>> UEBT (Union for Ethical BioTrade), as a member of the management committee.

>>>>>> B Team – a group comprising world leaders with the goal of engaging corporations and global leaders in the cause “People-Planet-Profit” and proposing solutions that reconcile revenues and socioenvironmental responsibility.

- Natura board member Guilherme Leal is a member of the B Team.

- Signatories to Net Zero, a coalition dedicated to accelerating the transition to a low carbon economy by 2050.

>>>>>> TCFD (Task Force on Climate Finance Disclosures), an organisation involved in developing standards for the disclosure of climate-related financial risks.

>>>>>> Science Based target, a group of global institutions that aims to define science based emissions reduction targets in line with the scale of reduction necessary to maintain the increase in global temperature below 2°C.

>>>>>> Ellen MacArthur Foundation, whose mission is to accelerate the transition to a circular economy.
 - In 2018, we became signatories to the New Plastics Economy initiative, which establishes targets related to plastic packaging for 2025. In the case of Natura, the commitments assumed are the company's 2020 Sustainability Vision targets.

>>>>>> Instituto Ethos
 - Andréa Alvares is a member of the Steering Council.
 - Natura is a member of the Coalizão Clima e Florestas.

>>>>>> PPA (Parceiros pela Amazônia), a group organised by small private sector companies, NGOs and financiers in the Amazon region to promote sustainable development.

>>>>>> The CFT association Abihpec (Associação Brasileira da Indústria de

Higiene Pessoal e Cosméticos).
 - Member of the initiatives: sector programme Dê a Mão para o Futuro, a coalition of companies that promotes racial and gender equality and the Climate Forum.

>>>>>> LGBTI Conduct Standards Pact, by the UN Free & Equal movement, aimed at promoting equality in rights and fair treatment at work for the LGBTI population.

>>>>>> Business Initiative for Equality, aimed at promoting opportunities in the labour market for the black population. Upon joining the initiative, companies adhere to 10 Commitments for the Promotion of Racial Equality.

>>>>>> Win-Win: Gender Equality Means Good Business, implanted by the International Labour Organisation (ILT) in Argentina, Brazil, Chile, Costa Rica, Jamaica and Uruguay. Natura Brazil and Natura Chile are part of the initiative.

Complementary indicators



COMPLEMENTARY INDICATORS

Complementary indicators

Economic-financial management	84	Environmental management	94
People management	84	Emissions	94
Profile	84	Energy	95
Remuneration and benefits	85	Water	97
Turnover	87	Waste and effluents	98
Career development	88	Biodiversity	101
Relationship quality	89	Environmental Compliance	102
Health and safety	89		
Freedom of association	90	Natura Beauty Consultants	102
Ethics and human rights	91	Suppliers	103
Anti-corruption	91	Society	104
Public policies	93	Consumer health and safety	104
Human rights	93	Support and sponsorship actions	104
Anti-competitive behaviour	94	Leadership and social influence	105

Natura Operations

Regarding the locations informed in the indicators, we take into account:
 Cajamar: Natura plants and office in Cajamar (São Paulo)
 NASP: Natura administrative headquarters in São Paulo (SP)
 SP DC: São Paulo Distribution Centre (SP), located next to NASP
 Ecoparque: Natura plant and office in Benevides (Pará)
 Itupeva Hub: logistics warehouse located in Itupeva (SP)
 Operations in Latin America: Argentina, Chile, Colombia, Mexico and Peru
 IOs: International Operations which, in addition to the countries in Latin America, include stores, offices and e-commerce operations in the United States and France.

Economic-financial management

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

Climate change and social biodiversity are elements in the Natura risk matrix that are monitored by the Executive Committee. They are also monitored by the Board of Director advisory committees. In relation to climate change risk, our major concern is understanding, monitoring and mitigating effects on our value chain. By means of our EP&L (Environmental Profit & Loss) accounting, we map the real impacts and externalities generated by company activities. We identified that our impact on climate change is one of the most significant among the categories analysed. Based on this, together with the Risk team and other areas, we are conducting a specific study on the effects

associated with climate change in our processes in order to map specific mitigation projects that will be implanted throughout the company. It should be noted that we have our Carbon Neutral Programme that prioritises the reduction of direct and indirect emissions throughout the chain, as well as offsetting 100% of the emissions we are unable to avoid. The offsetting measures are voluntary, not mandatory, and as such do not portray the financial implications of climate change-related risks. Our performance in this area and the main initiatives undertaken in 2018 are described from page 38.

People management

Labour practices

Information about employees GRI 102-8

Employees by type of work contract and gender^{1,2}

Type of contract	2016			2017			2018		
	men	women	total	men	women	total	men	women	total
Fixed term - Brazil	18%	82%	51	20%	80%	54	27%	73%	97
Fixed term - International Operations	0%	100%	57	3%	97%	33	11%	89%	54
Permanent - Brazil	42%	52%	4,856	44%	56%	4,711	45%	55%	4,861
Permanent - International Operations	19%	81%	1,433	19%	81%	1,513	19%	81%	1,609
Total	37%	63%	6,397	63%	38%	6,311	38%	62%	6,621

1. Expatriates, interns, members of the Board of Directors and Instituto Natura employees and employees in the United States were not taken into account. We used the headcount at the end of December as a reference.
 2. Regarding other work contracts: (i) Apprentices are hired by a third-party company that is responsible for their management. (ii) Employees hired through employment agencies on fixed-term contracts aligned with Brazil's CLT legislation and involving supervision are considered to be temporary. This number includes the temporary workers in Natura Brazil. (iii) Nested third-parties are suppliers providing services to Natura and who work in or access Natura facilities for a period in excess of six months, who may or may not have a fixed work post. This number includes the nested third-parties in Natura Brazil facilities.

COMPLEMENTARY INDICATORS

Remuneration and benefits GRI 103-2, 103-3

Ratio of women's salary to men's GRI 405-2

We reiterate that our salary grid is not defined by gender-related factors. In Brazil in 2018 collective bargaining agreements resulted in increases of from 2% to 5% for operational and administrative co-workers. Managers received a fixed increment to their base salary. There were also spontaneous increases and increases related to promotions and merit awards, in addition to hires, terminations and transfers during the year, which impacted the amounts reported.

The amounts for 2018 were based on the concept of monetary remuneration, not

including the proceeds of sales bonuses and commissions. This concept impacts mainly women in the administrative area, reducing their average monthly remuneration and making comparison with previous years impossible. The same occurs in the operations in Latin America, where the median sales bonuses also negatively impact the salary difference between women and men, principally in Chile. Additionally, in these countries only administrative and management positions were reported, because of their representative mass in salary analyses.

Ratio of women's salary to men's by functional category - Brazil (%)	2016	2017	2018
Director level	-10	-19	-16
Management	-1	-3	-4
Administrative	10	18	-8
Production	-22	-22	-20

Ratio of women's salary to men's by functional category - Operations in Latin America (%)

Argentina		
Functional category	2017	2018
Management	-11	-9
Administrative	3	-17

Chile		
Functional category	2017	2018
Management	3	-1
Administrative	33	-26

Colombia		
Functional category	2017	2018
Management	-9	-18
Administrative	-4	-27

COMPLEMENTARY INDICATORS

Remuneration and benefits (continued)

Ratio of women's salary to men's
by functional category – Operations in Latin America(%)

Mexico

Functional category	2017	2018
Management	7	10
Administrative	-1	-4

Peru

Functional category	2017	2018
Management	-5	5
Administrative	-28	-24

**Annual total compensation ratio
GRI 102-38**

As in previous years it was not possible to report this in line with GRI Standards requirements due to the confidential nature of this information.

Maternity and paternity leave

GRI 401-3

Rates have remained stable in relation to recent years. There has been an increase in male co-workers taking paternity leave since 2016, when the benefit was extended to 40 days. In 2018, we also started offering places in the two Natura nurseries in Brazil for the children of male

co-workers. There was an increase in the number of female co-workers who continued to work 12 months after returning from maternity leave, meaning that the company is retaining these professionals. Further information on this subject in Diversity and inclusion on page 59.

Maternity leave and paternity leave		2016	2017	2018
Employees who took parental leave	men	87	112	121
	women	139	144	138
Employees who returned to work after the end of the leave and were still employed 12 months after their return	men	71	73	94
	women	107	105	118

COMPLEMENTARY INDICATORS

Turnover GRI 103-2, 103-3

**New employee and turnover rates
GRI 401-1**

There was a 34% increase in the total number of hires in 2018. This increase was due to the hiring of staff for the Natura stores opened in 2018 and to support the administrative activities related to these stores. As in the last two years, 62% of the co-workers hired were women, which contributes towards the achievement of our gender equality target of having 50%

women occupying leadership positions by 2020.

There was a slight decrease in the total number of co-workers who left Natura, worthy of note was the drop in the number of women leaving the company, which is positive in terms of our goals.

Employees hired, by gender – Brazil + International Operations	2016		2017		2018	
	Number	Rate (%)	Number	Rate (%)	Number	Rate (%)
Men	307	38.14%	414	38%	569	38%
Women	498	61.86%	687	62%	910	62%
Total	805	100%	1,101	100%	1,479	100%

Employees who left the company, by gender – Brazil + International Operations	2016		2017		2018	
	Number	Rate (%)	Number	Rate (%)	Number	Rate (%)
Men	409	40.02%	395	34%	420	36%
Women	613	59.98%	772	66%	743	64%
Total	1,022	100%	1,167	100%	1,163	100%

COMPLEMENTARY INDICATORS

Career development

**Performance reviews
GRI 404-3**

Employees who received performance reviews by functional category and gender ¹²		2016		2017		2018	
		men	women	men	women	men	women
Total employees	Director level	38	16	36	17	38	17
	Management	284	347	263	333	264	339
	Administrative	747	2,864	776	2,832	754	1,377
	Production	1,267	834	1,280	774	1,223	698
Employees submitted to performance and career development reviews	Director level	37	16	36	17	31	16
	Management	282	347	263	324	245	320
	Administrative	731	2,864	726	2,638	681	1,247
	Production	1,185	834	1,188	672	1,149	658
% by gender	Director level	97%	100%	100%	100%	82%	94%
	Management	99%	100%	100%	97%	93%	94%
	Administrative	98%	100%	94%	93%	90%	91%
	Production	94%	100%	93%	87%	94%	94%

1. The process was conducted in 2018, but refers to 2017. The process did not take into account the sales force, retail employees, interns, Instituto Natura employees, expatriates, employees in the United States and operational area employees in Brazil admitted from November 3, 2017.

2. The criteria for performance reviews vary according to group of employees. In the sales force, it is necessary to have worked in at least nine sales cycles in the year. For operational co-workers, it is necessary to have worked at least 90 days in the year. For directors, managers and administrative personnel, the process is ongoing and covers employees admitted up to January 31, 2018. The criteria explain why not all the co-workers are reviewed during the year.

**Programmes for upgrading employee skills and transition assistance programmes – Operations in Latin America
GRI 404-2**

Training and qualification programmes continued in Latin America. The measures in Argentina included two programmes: in the first, company leaders addressed business-related matters with their teams, such as our commercial models and company marketing strategy etc.; and, in the second, innovative young employees were trained in agile working methodologies. In Chile, there was an increase in satisfaction with the company Education programme. Investments were also made in the variety of courses on offer and in online offerings. In Colombia, the Mosaico programme was implemented for operational co-workers with a course on logistics. In Mexico and in Peru, among other measures, Natura invested in coaching initiatives for leaders, underscoring the importance of team work. The main measures in Brazil are described on page 65.

COMPLEMENTARY INDICATORS

Relationship quality

Co-worker engagement GRI 102-43

In 2018, for the fourth time we conducted an engagement survey with co-workers, with support from the consultancy Gallup.

We have seen steady year on year growth in the results since the first survey. Using

a scale from 1 to 5, in 2018 the engagement survey score increased from 4.04 to 4.12. In Brazil, the score increased from 3.96 to 4.08, while in the operations in Latin America there was a slight decrease from 4.27 to 4.24. Participation in the survey, which is conducted electronically, was 94%.

Engagement Survey – favourability (%)	2016	2017	2018
Brazil	3.88	3.96	4.08
International Businesses Board	4.13	3.94	4.12
Argentina	4.15	4.33	4.26
Peru	4.33	4.41	4.14
Chile	4.08	4.10	4.20
Mexico	4.16	4.28	4.55
France	Not available	4.18	3.89
Colombia	4.21	4.21	4.26
Overall average – Natura	3.95	4.04	4.12

Health and safety

Health and safety rates GRI 103-2, 103-3, 403-2

In 2018, there was an increase in the accident rate, both among employees and service providers, especially in the distribution centres, in the industrial areas and among administrative workers. There was also an increase in the number of days lost in Brazil, due mainly to accidents with service providers in the distribution centres and some accidents that occurred

in 2017, in which the people involved returned to work only in 2018. The main causes of the accidents in 2018 are related to deviations in behaviour and lack of supervision of activities. As an action plan, we are implementing a programme to reinforce a safety culture at Natura from 2019.

Injury rate ¹	2016			2017			2018		
	Co-workers	Nested third-parties	Total	Co-workers	Nested third-parties	Total	Co-workers	Nested third-parties	Total
Brazil	1.43	2.68	2.04	0.76	1.45	1.09	1.19	1.55	1.36
International Operations	Not available	Not available	Not available	Not available	Not available	Not available	1.53	6.39	3.27

1. The calculation of the frequency rate takes into account all the accidents logged involving co-workers in the Cajamar and Ecoparque units, the distribution centres, the Itupeva Hub, NASP and the sales force in Brazil. In 2018, for the first time we reported accidents in the company's offices, distribution centres and the sales force for the countries in Latin America (Mexico, Peru, Colombia, Argentina and Chile). Minor injuries only requiring first aid were not included. The 2018 absenteeism rate takes into account only days lost through injuries at work. In previous years, the indicator took the total number of days lost into account.

COMPLEMENTARY INDICATORS

Health and safety (continued)

2018 health and safety rates – Brazil	Co-workers	Service providers	Total
Occupational disease rate	0	0	0
Days lost ¹	314	343	657
Absenteeism rate ²	0.02%	0.03%	0.03%
Number of fatalities	0	0	0

2018 health and safety rates – Operations in Latin America	Co-workers	Service providers	Total
Occupational disease rate	Not available	Not available	Not available
Days lost ¹	50	312	362
Absenteeism rate ²	0.01%	0.16%	0.06%
Number of fatalities	0	0	0

1. Days lost: takes into account time from which absences begin based on the reason stated in the fit note and/or the stated illness.
 2. The 2018 absenteeism rate takes into account only days lost through injuries at work. In previous years, the indicator took the total number of days lost into account and not only those related to injuries at work.

Health and safety rates – co-workers, by gender ¹	2016		2017		2018	
	women	men	women	men	women	men
Occupational disease rate	0.0%	0.0%	67%	33%	74%	26%
Days lost rate ²	0.0%	0.0%	53%	47%	84%	16%
Absenteeism rate	3.02%	1.81%	1.42%	1.15%	0.71%	0.62%
Number of fatalities	0	0	0	0	0	0

1. The accident frequency rates are calculated based on the number of accidents per man/hour worked multiplied by 1,000,000, in accordance with Brazil's NBR 14280 standard and NTEP rules.
 2. Days lost: takes into account time from which absences begin based on the reason stated in the fit note and/or the stated illness.

Freedom of association

Possible breach or risk of breach of freedom of association and collective bargaining GRI 103-2, 103-3, 407-1

We value freedom of association to unions both for employees and suppliers' employees, as set forth in our Code of Conduct. As in previous years, we did not identify operations or suppliers

at which the right to exercise freedom of association or conduct collective bargaining had been violated.

Ethics and human rights

Anti-corruption GRI 103-2, 103-3

Operations submitted to corruption-related assessments GRI 205-1

Natura is supported by its Ethics and Compliance, Legal, Internal Controls and Risk Management and Internal Audit areas in preventing and combating bribery and corruption. We employ documents such as the Code of Conduct, which is reviewed annually, to ensure adherence to the reality of the business environment and to incorporate any relevant matters identified. The code, which has a specific chapter on anti-corruption and bribery, is available to all co-workers in Brazil and in the International Operations, as well as to the sales force and suppliers. Taking the e-learning course on the Code of Conduct is mandatory for all co-workers. We also have our Anti-Corruption policy, which is available via the intranet and is disseminated to co-workers in internal communications, e-learning courses and classroom training. Additionally, we have

a policy on Interaction with Government Officials.

We guarantee that co-workers and suppliers may report any suspicion of violations of the Code of Conduct securely, anonymously and confidentially through the Ombudsman channel. Reports are investigated by the Ethics Committee. Moreover, we conduct audits on specific payments and suppliers.

In 2018, we maintained our programme of compliance with Brazil's Anti-Corruption law (law nº 12.846/2013). The company organised classroom training for managers, directors, administrative and operational staff with a focus on the anti-corruption law and the code of conduct, in addition to courses for medium and small product

and service suppliers. We developed a corruption matrix indicating potential risks and the people responsible for addressing them in the company; we also released internal communications to reinforce our guidelines.

The controls related to the code of conduct and the ombudsman channel were tested, with emphasis on: conflicts of interest, family or emotional links with public authorities or co-workers who have worked in public authorities; monitoring of gifts given to public agents; the recording of minutes for meetings held with public authorities; contract clauses for suppliers and/or service providers; policies and procedures for donations, support and sponsorship, managing consultants, advisors, opinion formers and organisers, and procedures for external events involving public

authorities; and the execution of due diligence processes to verify any involvement in corruption-related activities.

Since our interaction with public authorities is limited and the company maintains this series of control and mitigation measures, we classify our exposure to the risk of corruption as moderate to low. In 2018, all of our operations were submitted to risk assessments.

COMPLEMENTARY INDICATORS

Communication and training in anti-corruption policies and procedures GRI 205-2

Our Code of Conduct was communicated to 100% of the work force in 2018, and around 90% received training in the code. In December 2017, the document was relaunched with a global scope, in preparation for implementation in all the countries in which the Natura group operates. Communication on the updated document was via the intranet and email, as was the deadline for employees to conclude the associated e-learning programme. During 2018, a series of actions was undertaken to remind co-workers to conclude the training, including the

engagement of managers and directors. In addition to online training, classroom courses were organised in Brazil.

In 2017, we also relaunched the Code of Conduct for suppliers. This was communicated to the entire supplier base by specific email. In place since 2014, the document sets forth fundamental guidelines for the relationship between Natura and its business partners. In addition to e-learning courses, in 2018 we organised two workshops on business conduct and integrity for suppliers and service providers.

Suppliers communicated and trained in anti-corruption policies and procedures adopted by the organisation, by region – Brazil

Region	2016	2017	2018
	Communicated and trained	Communicated and trained	Communicated and trained
South	33	29	30
Southeast	480	333	339
Midwest	5	3	1
Northeast	21	8	9
North	16	7	7
Total	555	380	386

Co-workers communicated and trained in the anti-corruption policies and procedures adopted by the organisation, by functional category^{1 2 3 4 5}

By functional category	2018
	Communicated and trained (%)
Director level	77.78
Management	93.80
Area head/coordination	95.70
Administrative	91.28
Operational	88.63
Interns	75.15
Total	90.72

1. Includes training on the Code of Conduct for co-workers in Brazil and in the International Operations during the period from 01/01/2018 to 21/12/2018, based on the December 2018 headcount. This year we have started to present the percentage rather than the absolute number.
2. Indirect operational workers performing administrative functions in the production plants were grouped with administrative workers, while Natura Store sales staff were grouped with operational workers.
3. Third-party professionals are not allocated in the scope of co-workers trained, but rather in the scope of suppliers trained.
4. In 2018, our trainee programme ended in March, as a result of which this category was not counted.
5. We did not record training programmes for apprentices in 2018. Because apprentices are outsourced, training for this group is not mandatory.

COMPLEMENTARY INDICATORS

Confirmed cases of fraud and measures taken
GRI 205-3

There were no cases of fraud involving public authorities at Natura in 2018. During the year, there was an increase in the number of reports concerning Natura Beauty Consultants and Business Leaders, who are not company employees. A total of 18 cases of fraud was logged among this group. Fourteen of these were duly punished, while the culprit was

not identified in the others, meaning no penalties were applied.

It should be noted that the increase in the number of reports is a result of the strategy aimed at disseminating the Ombudsman channel and the company's codes of conduct, reinforcing Natura's commitment to ethics and integrity.

Cases of fraud ¹	2016	2017	2018
Total number of confirmed cases of fraud	6	13	23
Total number of confirmed cases of fraud in which co-workers were dismissed or punished for fraud	5	2	5
Total number of confirmed cases in which members of the sales force (not co-workers) were dismissed or punished for fraud	0	6	18
Total number of confirmed cases in which contracts with commercial partners were rescinded or were not renewed as a result of violations related to fraud	0	0	0

1. In previous years, the table indicated that the cases considered founded by the Ombudsman were related to corruption. However, all the cases logged involve fraud. Natura understands fraud to be any intentional act or omission aimed at deceiving third-parties, resulting in a loss for the victim or a gain for the perpetrator. On the other hand, corruption may be understood to be any offer, promise or authorisation of a payment by an individual or company to a public authority or a representative thereof, when this payment is aimed at influencing the person receiving it to use their position or function to obtain or retain an unwarranted business gain or advantage in benefit of the individual, the company or third-parties. Since we have never registered any cases involving public authorities, the information was corrected.

Public policies

Political contributions - GRI 103-2,103-3, 415-1

In accordance with a specific internal policy, valid in Brazil and the International Operations, Natura does not make contributions to campaigns, parties and/or candidates for public office, during or outside electoral processes.

Human rights

Operations and suppliers identified as presenting significant risk of child, forced or slave labour and measures taken
GRI 103-2, 103-3, 408-1, 409-1

Natura does not work with suppliers presenting this type of risk. Our suppliers declare the working conditions they provide for their work force and are audited periodically.

In all the supplier communities we conduct audits by means of the Social Biodiversity Chain Verification System, which encompasses indicators on the occurrence of child, forced or slave labour, formal labour relations, ergonomics, and worker health and safety. It should be noted, that our

production chain management system is audited annually by an independent third-party, in addition to having UEBT (Union for Ethical BioTrade) certification. No deviations were identified in 2018. However, in some communities there are indications of the involvement of children and adolescents assisting their parents/families in the production chain. The children sometimes help their parents out, but they do attend school. This is a cultural tradition in some communities, which does not constitute violation of the principles of ethical biotrade.

Violation of indigenous peoples' rights - GRI 103-2, 103-3, 411-1

In 2018, no incidents involving indigenous populations were identified in the locations in which the company operates, given that Natura does not work directly with indigenous peoples.

COMPLEMENTARY INDICATORS

Non-discrimination

Cases of discrimination and corrective actions taken
GRI 103-2, 103-3, 406-1

All reports of discrimination are addressed by the Ombudsman. In 2018, one case was reported internally, and this has already been resolved. It should be noted that all incidents indicating probable breaches of ethical principles, which is the case of discrimination, are reported to the Ethics Committee, in which senior management participates.

Anti-competitive behaviour

Non-compliance with social and economic laws and regulations
GRI 103-2, 103-3, 206-1, 419-1

In 2018, we were not subject to administrative or judicial sanctions for violations of laws or regulations governing anti-competitive, antitrust or monopoly practices.

Environmental management

Emissions

Emissions of ozone depleting substances (ODS), NOx, SOx and other significant atmospheric emissions **GRI 305-6/305-7**

There are no indications that emissions of ozone depleting substances, NOx, SOx and other atmospheric emissions are significant in Cajamar and in the Ecoparque.

Significant atmospheric emissions ^{1,2} (kg)	2017	2018
NO _x	0.87	0.92
SO _x	0.06	0.09
Persistent organic pollutants (POP)	Not Applicable	Not Applicable
Volatile organic compounds (VOCs)	Not Applicable	Not Applicable
Hazardous atmospheric pollutants (HAP)	Not Applicable	Not Applicable
Particulate material (PM)	0.86	2.10
Other standard categories of atmospheric emissions identified in regulations	Not Applicable	Not Applicable

- As clean fuels (ethanol and LPG) are used in the boilers at Cajamar, there are no significant measurable quantities of these gases.
- At the Ecoparque, we considered the biomass boiler chimney emissions analysis reports drafted by the consultancy Bioagri Ambiental in July and August 2018. To calculate the index, we took into account the median of the last six measurements undertaken.

COMPLEMENTARY INDICATORS

Energy GRI 103-2, 103-3

**Energy consumption inside and outside the organisation
GRI 302-1, 302-2**

There was a 7% increase in energy consumption at the Cajamar and Benevides units, caused mainly by the increase in Natura's production volume in 2018. At the other sites, there was an 8% increase in consumption, due

mainly to the effective occupation of the new NASP administrative site in São Paulo. There was also an increase in the absolute consumption by third-parties who manufacture on behalf of Natura, also the result of increased production.

Consumption of fuel from non-renewable sources - Natura Brazil (MWh)	2016	2017	2018
Diesel oil (generator sets) ¹	1,197	1,301	2,408
LPG gas	1,714	1,784	1,852
Natural gas	0	676	1,098
Total	2,911	3,761	5,358

1. The increase in consumption of diesel oil was due to the higher number of power outages in 2018, occasions on which the generators come into operation.

Consumption of fuels from renewable sources - Natura Brazil (MWh)¹	2016	2017	2018
Solar energy ²	6	6	0
Alcohol ³	11,236	12,770	14,568
Briquettes ⁴	8,131	8,488	9,423
Electrical energy - from the grid	52,750	61,179	64,977
Total	72,122	82,444	88,968

1. This refers to electrical energy and fuel consumption in 2018 at the Natura facilities in Cajamar, Benevides, NASP and the Itupeva Hub. It includes the distribution centres operated by third-parties in the states of Rio Grande do Sul, Paraná, Minas Gerais, Bahia, Pernambuco and Pará, as well as six third-party manufacturers, selected in function of the representativeness of the volume produced.
2. Natura stopped generating and consuming solar energy.
3. Renewable fuel used to produce steam at Cajamar.
4. Biomass boiler at Benevides.

Energy consumed by type - Natura Brazil (MWh)	2016	2017	2018
Electricity	53,947	62,486	53,908
Heating	0	432	799
Refrigeration ¹	0	0	13,477
Steam	20,000	23,286	26,141
Total	73,947	86,204	94,326

1. 20% of the energy consumed is used for refrigeration. In the previous years, the energy used for refrigeration was disclosed in the data for electricity. In 2018, Natura opted to disclose this information separately.

COMPLEMENTARY INDICATORS

Energy (continued)

Total energy consumed – Natura Brazil (MWh)	2016	2017	2018
Fuels from non-renewable sources	2,911	3,761	5,358
Fuels from renewable sources	72,122	82,444	88,968
Energy consumed	75,033	86,204	94,326
Energy sold	0	0	0
Total	75,033	86,204	94,326

Energy matrix – Natura Brazil (%)	2016	2017	2018
Electricity (grid)	70.00	70.97	68.89
Solar energy	0.007	0.006	0.000
Briquettes	11.00	9.85	9.99
Alcohol	15.00	14.81	15.44
Diesel oil	2.00	1.51	2.55
LPG gas	2.00	2.07	1.96
Natural gas	Not available	0.78	1.16
Total	100	100	100

Total energy consumption – Natura Brazil (MWh)	2016	2017	2018
Cajamar and Benevides units	59,083	63,939	68,541
Other Natura locations in Brazil	15,972	17,720	19,181
Natura third-party manufacturers	7,194	5,380	6,652
Total	84,266	86,204	94,374

PRESENTATION

STRATEGY

SUSTAINABILITY
VISION

OVERVIEW OF THE 2050
SUSTAINABILITY VISION

ABOUT
THE COMPANY

COMPLEMENTARY
INDICATORS

ABOUT THE
REPORT

ASSURANCE
REPORT

COMPLEMENTARY INDICATORS

Energy (continued)

**Energy intensity
GRI 302-3**

There was a reduction in Natura's energy intensity, because the increase in absolute energy consumption was lower than the increase in production volume.

Energy intensity	2017	2018
Energy consumption inside the organisation (MWh)	80,819	87,722
Energy intensity (inside the organisation) (Wh/unit)	190	178
Types of energy included in the intensity rate (fuel, electricity, heating, refrigeration, steam or all)	All	All
Energy consumption outside the organisation (MWh)	5,380	6,652
Energy intensity (outside the organisation) (Wh/unit)	44	44
Types of energy included in the intensity rate (fuel, electricity, heating, refrigeration, steam or all)	All	All
Total energy consumption by the organisation (MWh)	86,199	94,374
Energy intensity (total for organisation) (Wh/unit)	157.16	146.40
Types of energy included in the intensity rate (fuel, electricity, heating, refrigeration, steam or all)	All	All
Proportion of energy intensity inside/outside the organisation	2017	2018
	4.32	4.09

Water

**Total water withdrawn by source
GRI 303-1**

Water consumption by location (m³)	2016	2017	2018
Natura facilities ¹	191,277	245,386	276,193
Other locations ²	50,224	19,084	20,093
Third-party manufacturers ³	37,453	25,504	39,779
Total Brazil⁴	278,954	289,974	336,065

- 1 Facilities operated by Natura: Cajamar, Benevides, NASP, SP DC and Hub
- 2 DCs operated by third-parties.
- 3 Third-party manufacturers: Manufacture finished products on behalf of Natura.
- 4 Actual water consumption in all the facilities listed (measured by local equipment) divided by the number of units produced in the production facilities (Natura: data extracted from SAP and from third-party suppliers: data extracted from the monthly report to the Environment area).

**Water sources significantly affected
by water withdrawal GRI 303-2**

The water sources significantly affected by water withdrawal are the Formação Irati aquifer, at the Canoas distribution centre (RS), the Cristalino aquifer, in Cajamar, the Barreiras aquifer, at the Ecoparque, and the public supply network at the administrative head office in São Paulo.

COMPLEMENTARY INDICATORS

Water (continued)

**Total volume of water recycled and reused
GRI 303-3**

Due to technical restrictions, there was a decrease in the performance of the current wastewater treatment plan. This affected treatment quality, leading to an increase in the solids content in the treated water. This resulted in an overload in the reverse osmosis system (for the production of reusable water), causing the more rapid saturation of its filters and reducing recycled water production volume. As a result of the increased turbidity of the treated water, we are no longer compliant with the parameters established in law for the use of recycled water for watering gardens. Therefore, use of this water is restricted to bathrooms.

Water recycled and reused	2016	2017	2018
Total volume of water recycled ¹ and reused ² by the organisation (m ³)	63,523	72,072	59,340
Total volume of water withdrawn (m ³)	0	166,793	177,421
Percentage of water recycled and reused	41%	43%	33%
Percentage of water recovered ³ over total volume of water treated in the wastewater treatment plant	41%	43%	33%

1. Water recycled and water reused in flushing, irrigation and in other industrial processes. Also called reused water.
2. Reused water is the water dejects from the potable water purification treatment in the plants. The purification process generates a deject with a high saline content which is reintroduced into the potable water system, where it is diluted.
3. Water recovered is equivalent to the sum of the recycled and reused water.

+

Waste and effluents

**Water discharge (by quality and destination)
and water bodies affected by water discharges and/or runoff
GRI 103-2, 103-3, 306-1, 306-5**

In Cajamar, water is discharged in the Juqueri river (class 3). At the Ecoparque, water is discharged into a tributary of the Benfica river (class 2). It should be noted that these discharges are in compliance with current legislation and do not jeopardise

the characteristics of these rivers. NASP produces only domestic effluent, which is collected via the sewage utility network (Sabesp). Since there are no metres in place, the volume of water consumed and the volume of effluent are considered to be the same.

Total volume of planned and unplanned water discharges (treated volume)

Unit	Destination	Water quality, including treatment method	Water that was reused by another organization	Volume m ³		
				2016	2017	2018
Cajamar	Reuse and discharge in river	Activated sludge	No	157,101	143,176	146,752
Ecoparque	Discharge in river	Wastewater treatment plant and filter garden	No	18,369	14,496	62,274
NASP	Municipal network	Not Applicable	No	15,311	29,804	25,711

1. The information about the water sources was obtained from the withdrawal permits for the Cajamar facility and the Canoas Distribution Centre (RS). Information about the aquifers is not provided in the permits for the distribution centres in Uberlândia (MG), Castanhal (PA), Matias Barbosa (MG) and Jabotão dos Guararapes (PE). Only the geographical coordinates are supplied. The information about the water source for the Ecoparque was taken from the Environmental Control Report elaborated for the implantation of the unit. NASP and the Simões Filho distribution centre are supplied by public utilities. **GRI 303-2**

PRESENTATION

STRATEGY

SUSTAINABILITY VISION

OVERVIEW OF THE 2050 SUSTAINABILITY VISION

ABOUT THE COMPANY

COMPLEMENTARY INDICATORS

ABOUT THE REPORT

ASSURANCE REPORT

COMPLEMENTARY INDICATORS

Waste and effluents (continued)

Treated effluent in Cajamar (mg/l)	Legal parameter	2016	2017	2018
BOD ¹	60	29.10	10.53	9.73
COD ²	150	76.40	56.67	62.72
Oils and grease	120	16.6	15.78	16.10

Treated effluent Ecoparque (mg/l)	Legal parameter	2016	2017	2018
BOD ¹	-	5.50	5.20	6.6
COD ²	-	33.40	30.70	54.9
Oils and grease	<5	5.00	5.00	5.00

1. BOD: Biological oxygen demand.

2. COD: Chemical oxygen demand.

Waste by type and disposal method

GRI 306-2

In 2018, there was an 11% reduction in waste generation, even though production volume increased. We also improved the hazardous waste usage rate, with a 51% increase in the recovery of this type of waste by sending it for co-processing.

Disposal of hazardous waste – class I (%)¹

Destination	2016	2017	2018
% recovery (including energy recovery)	71.09	46.30	96.77
% incineration (mass burn)	28.91	53.70	3.05
% landfill	0.00	0.00	0.18 ¹

1. Disposal determined and controlled by the Natura Environment department, in accordance with the type of waste. The sorting and transportation is undertaken by a service provider installed in our units. Final disposal is undertaken in accordance with legal requirements.

2. Disposed of in landfills appropriate for this type of waste.

Disposal of non-hazardous waste (%)

Destination	2016	2017	2018
% recycling ¹	91.00	91.25	94.34
% incineration (mass burn)	1.87	3.15	0.25
% landfill	7.16	5.60	5.40

1. Composting, co-processing and recycling processes are all considered to be types of waste recycling.

COMPLEMENTARY INDICATORS

Waste and effluents (continuation)

Indirect waste (t)	2016	2017	2018
Total class I waste – Natura facilities ¹	3,933	5,062	1,396
Total non-hazardous waste – Natura facilities ¹	9,601	7,677	9,294
Waste from other Natura facilities ²	1,162	1,135	1,326
Waste at Natura third-party manufacturers ³	1,131	866	1,037
Total waste	15,827	14,740	13,054

1. Refers to the facilities at Cajamar, Ecoparque, NASP+SP DC and the Itupeva Hub. In this indicator Natura does not report the waste generated in civil construction works (rubble) undertaken at its facilities.
2. Refers to the distribution centres, with the exception of the São Paulo centre.
3. This refers to the six largest third-party manufacturers.

Waste per unit produced (g/unit produced)	2016	2017	2018
Total waste per unit produced¹	22.80	25.93	22.06

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

Significant spills GRI 306-3

There were no significant spills or accidents that caused any significant impact in 2018.

Transportation of hazardous waste GRI 306-4

Up until 2017, the effluent generated at the Ecoparque was removed for external treatment.

treated at the plant and it is no longer necessary to transport this type of waste.

In 2018, with the wastewater treatment plant in full operation, all the effluent is now

It should be noted that Natura does not import, export or transport waste internationally.

Total weight of waste (t)	2016	2017	2018
Hazardous waste transported ¹	Not available	5,062	1,626

1. Total hazardous waste transported refers to hazardous waste in Natura facilities. Reporting of this information was initiated in 2017.

COMPLEMENTARY INDICATORS

Biodiversity

**Operating units within or adjacent to protected areas or areas with a high incidence of biodiversity
GRI 304-1**

Classification ¹	Cajamar	Ecoparque	NASP
Geographical location	City of Cajamar (SP)	City of Benevides (PA)	City of São Paulo (SP)
Surface and underground areas owned, rented or administered by the organization	Own area	Own area	Rented area
Position of operating unit in relation to protected area	Permanent protection area inside the unit (areas close to Juqueri River and a spring)	Permanent protection area inside the unit (areas close to a tributary of the Benfica River and a spring)	ZPI (primarily an industrial zone)
Type of operation	Administrative and industrial cosmetics production	Administrative and industrial production of basic soap mass and toilet soap manufacture	Administrative and logistics with warehousing and distribution of cosmetics
Scale of operating unit (m ²)	646,000 m ²	1,729,000 m ²	111,700 m ²

1. Information about the value of biodiversity and the type of ecosystem in the areas is not available.

**Species included on the IUCN red list and national conservation lists with habitats located in areas affected by the organisation's operations
GRI 304-4**

Brazilian biodiversity vegetable species that are used by Natura and are on the red lists were taken into account. In addition to conservation projects, the company employs practices to promote the sustainable use of these species. We also prioritise non-timber related forestry stewardship with techniques to enrich production areas through the adoption of agroforestry systems and agroecological production, which contribute to the conservation of natural resources and species threatened with extinction. In 2018, Natura was granted international UEBT (Union for Ethical BioTrade) certification, which attests to the traceability and good

production practices employed for these raw materials (*further information on page 48*).

Regarding fauna, there is one species threatened with extinction catalogued in the area of the Ecoparque – *Ortalis superciliaris* (Buff-browed chachalaca), according to monitoring programme reports from 2017 and 2018. There are also four species of fauna classified as vulnerable at the unit: *Thamnophilus aethiops* (White-shouldered antshrike), *Thamnomanes caesius* (Cinereous antshrike), *Ramphastos tucanus* (White-throated toucan) and *Ramphastos vitellinus* (Channel-billed toucan).

COMPLEMENTARY INDICATORS

Biodiversity (continued)

2018	Red lists and criteria for species threatened with extinction	
	MMA ¹	IUCN ¹
Species of Brazilian biodiversity present in Natura products		
Ucuuba – <i>Virola surinamensis</i>	Vulnerable	In danger
Brazil nut – <i>Bertholletia excelsa</i>	Vulnerable	Vulnerable
Yerba mate – <i>Ilex paraguariensis</i>	Not listed	Near threatened
Andiroba – <i>Carapa guianensis</i>	Not listed	Least concern
Priprioca – <i>Cyperus articulatus</i>	Not listed	Least concern

1. MMA (Brazilian Ministry of the Environment) and IUCN (International Union for Conservation of Nature).

Environmental Compliance

**Non-compliance with laws and regulations
GRI 103-2, 103-3, 307-1**

In 2018, there were no significant fines or non-monetary sanctions related to environmental questions. Natura considers significant fines to be ones in excess of R\$ 5 million or that put the company's image at risk (medium to high).

Natura Beauty Consultants

Training

For the 2018 highlights, see page 18.

Number of consultants in training in Brazil (thousands)	2016	2017	2018
New consultants	554.0	460.0	408.2
Initial training	230.0	180.0	127.7
Total consultants trained by subject	397.0	184.0	178.9
Percentage of single consultants trained (penetration)	39%	31%	25%
Total training sessions conducted	1,789.0	1,920.0	2,895.5

Number of consultants in training in the Operations in Latin America (unit)	2016	2017	2018
Argentina	10,389	9,272	9,826
Chile	5,233	4,584	3,955
Colombia	7,035	8,426	5,653
Peru	12,582	10,291	5,643
Total Latin America	35,239	32,573	25,077

COMPLEMENTARY INDICATORS

Suppliers

Negative environmental impacts in the supply chain and measures taken GRI 308-2

The percentage of suppliers that are disqualified is relatively low considering real risks. It corresponds to 21%, most of whom are freight operators. Other risks are treated as potential ones.

Suppliers provoking negative environmental impacts ¹	2016	2017	2018
Number of suppliers screened for environmental impacts	338	424	375
Number of suppliers identified as provoking actual or potential significant environmental impacts	120	399	144
Actual or potential significant negative environmental impacts identified in the supplier chain	Not available	600	205
Number of suppliers identified as causing actual or potential significant negative environmental impacts, with whom improvements were agreed on as a result of assessment	53	165	36
Percentage of suppliers identified as causing actual or potential significant negative environmental impacts, with whom improvements were agreed on as a result of assessment	44.17%	41.35%	25.00%
Number of suppliers identified as causing actual or potential significant negative environmental impacts, with whom relations were terminated as a result of assessment	0	0	0
Percentage of suppliers identified as provoking actual or potential significant negative environmental impacts, with whom relations were terminated as a result of the assessment.	0.00%	0.00%	0.00%

1. Since 2017, the data have taken global information into account (Brazil and International Operations).

Negative social impacts in the supplier chain and measures taken GRI 414-2

Suppliers provoking negative environmental impacts ¹	2016	2017	2018
Number of suppliers screened for social impacts	338	440	375
Number of suppliers identified as provoking actual or potential significant social impacts	130	147	165
Actual or potential significant negative social impacts identified in the supplier chain	Not available	205	246
Number of suppliers identified as causing actual or potential significant negative social impacts, with whom improvements were agreed on as a result of assessment	51	52	52
Percentage of suppliers identified as causing actual or potential significant negative social impacts, with whom improvements were agreed on as a result of assessment	39.23%	35.37%	31.52%
Number of suppliers identified as causing actual or potential significant negative social impacts, with whom relations were terminated as a result of assessment	0	0	0
Percentage of suppliers identified as causing actual or potential significant negative social impacts, with whom relations were terminated as a result of assessment.	0.00%	0.00%	0.00%

1. Since 2017, the data have taken global information into account (Brazil and International Operations).

Society

Consumer health and safety

Incidents of non-compliance concerning impacts caused by products and services on the health and safety of consumers and product and service information and labelling GRI 416-2, 417-2

In 2018, Natura did not receive any fines or sanctions for the violation of laws and regulations related to the supply and

use of products and services, to product labelling or to putting customer health and safety at risk.

Support and sponsorship actions

GRI 203-1

In 2018, Natura maintained its focus on valuing Brazilian music by means of the Natura Musical Programme, which completed 14 years of existence and to date has impacted more than 260,000 people. In the fashion world, we were present at the first edition of the 2018 São Paulo Fashion Week. We stopped investing in this front to prioritise our strategy of developing music and culture.

Another highlight in 2018 was the expansion of investments in organisations that connect us with society and help us to build collaboration networks and spaces for dialogue around ethics, sustainability, innovation and diversity. We support the

events Sustainable Brands, related to sustainability, and Festival Path, focused on innovation and creativity. We also continued to support the Ethos Conference, which had its 20th anniversary in 2018, and the second edition of the Ethos Conference in the Amazon, held in Belém (Pará). At these events, we prioritise our work aimed at fostering female entrepreneur networks in the Amazon region. With the consolidation of the Natura &Co group, we stepped up our investments in associations having global penetration, such as the Ellen MacArthur Foundation, the World Business Council for Sustainable Development (WBCSD) and the International Chamber of Commerce (ICC).

Natura Investments (R\$ thousands)	2016	2017	2018
Sustainable development	337	0	0
Brazilian music	1,879	6,706	7,212
Fashion	2,610	2,845	0
Reinforcement of civil society organizations	603	552	818
Total private funds	5,429	10,103	7,212
Investments via tax incentives (R\$ thousands)	2016	2017	2018
Brazilian music	3,175	2,751	3,710
Total tax incentive funds	3,175	2,751	3,710
Total private and tax incentive funds	8,604	12,854	10,922

GRI 203-1 Investments in infrastructure and services in surrounding communities (R\$ thousands)	2016	2017	2018
Natura funds	354	280	265
Crer Para Ver funds	556	847	767

COMPLEMENTARY INDICATORS

Leadership and social influence

GRI 102-12, 102-13, 203-1

In June 2018, we were granted international UEBT (Union for Ethical BioTrade) certification, which attests to the ethical sourcing of natural ingredients for Natura Ekos line products. The new seal underscores the three pillars that have guided the company's businesses for the last two decades: fair trade, conservation of Brazilian biodiversity and community relations based on trust. Worthy of note is the fact that Natura is a founding member of the UEBT. Further information about this certification on page 48.

We participate in discussions organised by the B Corp System and the Movimento Mulher 360°. We also participate in the applied tax studies group Getap (Grupo de Estudos Tributários Aplicados) and the CCiF (Centro de Cidadania Fiscal). In the Brazilian industry association CNI (Confederação Nacional da Indústria), we are active in the environment, tax and overseas trade forums.

In 2018, the executive chairman of the Natura &Co group, Roberto Marques, took part in the SDG Business Forum, held at

the United Nations Organisation (UNO) headquarters in New York (United States). This objective of this forum is to promote businesses and partnerships that contribute towards the achievement of the Sustainable Development Goals (SDGs). During the event, a keynote was Natura's report on its actions to combat climate change. Marques was also present at the The Brazil-U.S. Business Council initiative, in the US Congress, where he affirmed the Natura &Co group's commitment to generating a positive impact in multiple geographies.

Our co-founders are also board members of diverse associations. Pedro Passos is a board member of Iedi (Instituto de Estudos para o Desenvolvimento Industrial) and a member of the CNI's MEI (Mobilização Empresarial pela Inovação) Business Leaders Committee. He was also on the Economic and Social Development Council, a group of civil society representatives that directly advised the Brazilian Presidency of the Republic until the end of 2018. Guilherme

Leal is part of the B Team, a global group of leaders for social, environmental and economic transformation, and is a member/curator of the Instituto Ethos. In 2018, Leal also joined the UNO Global Compact board, the highest governance body responsible for defining strategies and policies for the initiative.

To foster interaction with society, we organise the series Natura Dialogues – #OMundo+Bonito (#+BeautifulWorld), which sought to engage society, in particular young people, in debating relevant contemporary questions, such as empathy, sustainability and love. In the first meeting of the series, the historian Roman Krznaric, founder of the The School of Life in London, and one of the most important thinkers in contemporary Britain, spoke about empathy. In the second talk of the year, the trend guru Lidewij Edelkoort talked about sustainability. Having a strong link with the roots of Brazilian culture, Edelkoort is the idealiser of the magazine Bloom Brasil, the latest edition of which "A Terra Chama" (The Earth Calls) presents a

manifesto on awareness of the importance of our planet and all the elements it offers us. In the last Natura Dialogue, Alain de Botton, founder and CEO of the The School of Life, talked about love and emotional intelligence.



About the report



About the report

Natura has disclosed its economic-financial and socioenvironmental results in accordance with Global Reporting Initiative (GRI) methodology on an annual basis since 2001. As in the previous edition (2017), the 2018 Natura Annual Report was prepared in accordance with the Comprehensive option of the GRI Standards. The data reported refer to the period from January 1 to December 31, 2018, and the content was submitted for external verification by KPMG. **GRI 102-50, 102-51, 102-52, 102-54, 102-56**

The results disclosure process is monitored by the Vice President of Marketing, Innovation and Sustainability and by the office of the CEO of the company through the Corporate Affairs area. The publication is based on the commitments assumed in our 2050 Sustainability Vision and our materiality matrix, elaborated in 2014 (the material topics for company management are described ahead). We also understand our Annual Report to be a communication of the company's progress in relation to the principles of the Global Compact, a United Nations Organisation (UNO) initiative aimed at driving sustainable growth and citizenship worldwide, to which we are signatories. **GRI 102-32, 102-46**

The information contained in the Annual Report, in particular that addressing socioenvironmental topics, continues to refer primarily to Natura's activities in Brazil and Latin America, where the major part of our operation is still concentrated. The consolidated financial data for the Natura &Co group, of which Aesop and The Body Shop are part, are disclosed in the organisation's Management Report, the 2018 edition of which was published in the February 22nd, 2019 edition of the newspaper Valor Econômico. There is also a printed report presenting the 2018 highlights of the three companies that make up the group. We continue to assess how to report the group's economic and socioenvironmental performance on an integrated basis. **GRI 102-45, 102-48**

As in previous years, the GRI content summary of the 2018 Natura Annual Report only presents the most relevant (material) indicators for the integrated management of the business. We also disclose some complementary indicators - drawn from the GRI and from Natura itself -, which are to be found in a specific section at the end of this publication. We believe that this enables us to fulfil our commitment to transparency and accountability in relation to the company's stakeholders. It should be noted that any significant changes compared

with the data reported in previous years or alterations in the calculation bases and measurement techniques are informed throughout the content of the report.

GRI 102-49

Further information about the Annual Report is available via the email relatorioanual@natura.net. We are also open to any comments about our performance and our management practices via the social networks and the face-to-face meetings that we organise with our different stakeholder groups.

GRI 102-53

Materiality matrix

GRI 102-40, 102-42, 102-47

The company maintains dialogues with its main stakeholder groups to define topics that are critical for company management. In the most recent process, conducted in 2014, six topics were defined: water, education for the development of employees and consultants, climate change, waste, transparency, product origin and valuing social biodiversity.

Initially more than 20 topics were selected based on the company's 2050 Sustainability Vision and its ambitions for 2020, as well as on the consultation of industry documents. Using this list

as a basis, we consulted the priority stakeholder groups for Natura in Brazil and in the International Operations: co-workers (including leaders), consultants, customers and suppliers (including the supplier communities). We also incorporated considerations made by some shareholders and by representatives of surrounding communities. A total of more than 4,200 online questionnaires were answered, complemented by 40 personal and telephone interviews and a discussion panel with 18 participants from different stakeholder groups.

Although there has not been a new full review of materiality, we understood that it was necessary to include two other topics identified as priorities for the business: diversity and equality and the generation of work and income. These questions were formally integrated into our base of material topics in 2018. They had already been addressed in our Sustainability Vision and gained even greater relevance in the ongoing dialogues with our stakeholder groups and in the global forums in which we participate (*see the full list of Natura's public commitments and partnerships on page 74*).

There follows a description of the company's material topics and their main impacts.

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

Topic	Description	Where it occurs GRI 103-1	Related aspects and indicators	Correlation with the SDGs
Water	Relative reduction in consumption and pollution of water throughout the value chain and neutralization of water impact.	<ul style="list-style-type: none"> _Water sources and environment _Supplier communities _Operational units _Society in general _Consumers (use and post-consumer disposal) 	<ul style="list-style-type: none"> _Water _Effluents and waste <p>GRI 303-1, 303-2, 303-3, 306-1 and 306-5</p>	SDG 6. Clean water and sanitation
Diversity and equality	Progress in promoting equality in the work environment, in particular concerning gender and women's participation in leadership	<ul style="list-style-type: none"> _Employees 	<ul style="list-style-type: none"> _Diversity and equality of opportunities <p>GRI 405-1, 405-2</p>	SDG 5. Gender equality SDG 8. Decent work and economic growth SDG 10. Reduction in inequalities
Education for the development of co-workers and consultants	Development of the consultant network and co-workers, including measures to promote improvements in public education.	<ul style="list-style-type: none"> _Natura Beauty Consultants _Employees _Instituto Natura _Society in general 	<ul style="list-style-type: none"> _Indirect economic impacts _Training and education <p>GRI 203-1, 203-2, 404-1 and 404-3</p>	SDG 4. Quality education
Generation of work and income	Support for the development of Natura consultants and supplier communities	<ul style="list-style-type: none"> _Natura Beauty Consultants _Supplier communities 	<ul style="list-style-type: none"> _Indirect economic impacts; <p>GRI 203-1, 203-2</p>	SDG 1. Eradication of poverty SDG 5. Gender equality SDG 8. Decent work and economic growth SDG 10. Reduction in inequalities
Climate change	Reduction of greenhouse gas emissions throughout the value chain and neutralization by means of projects that incorporate social benefits.	<ul style="list-style-type: none"> _Suppliers _Freight haulage operators _Operational units _Environment 	<ul style="list-style-type: none"> _Economic performance _Emissions. <p>GRI 201-2, 305-1, 305-2, 305-3, 305-4, 305-5 and 305-6</p>	SDG 13. Combating climate change
Waste	Development of packaging that has a lower environmental impact and promotes conscious consumption.	<ul style="list-style-type: none"> _Product conception _Operational units (zero dejects) _Freight haulage operators _Recyclable material cooperatives _Consumers (post-consumer disposal) _Environment 	<ul style="list-style-type: none"> _Materials _Effluents and waste _Products and services <p>GRI 301-2, 306-2 and 301-3</p>	SDG 12. Responsible consumption and production

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

Topic	Description	Where it occurs GRI 103-1	Related aspects and indicators	Correlation with the SDGs
Transparency and product origin	Expanding visibility of business practices and product origin.	<ul style="list-style-type: none"> _Supplier chain _Supplier communities _Operational units _Corporate management _Consumers 	<ul style="list-style-type: none"> _Environmental assessment of suppliers _Supplier assessment for labour practices _Supplier assessment for human rights _Supplier assessment for impacts on society _Product and service labelling _Products and services <p>GRI 102-9, 308-1, 414-1 and 417-1</p>	SDG 12. Responsible consumption and production
Valuing social biodiversity	Promoting sustainable businesses by using products and services primarily from the Pan- Amazon region.	<ul style="list-style-type: none"> _Product conception _Supplier communities _Procurement policies _Consumers _Pan-Amazon region 	<ul style="list-style-type: none"> _Economic performance _Indirect economic impacts; _Biodiversity _Local communities _Child labour _Forced or slave labour _Supplier assessment for human rights _Grievance and complaint mechanisms concerning human rights _Products and services <p>GRI 201-1, 201-2, 203-1, 203-2, 304-1, 413-1, 408-1, 409-1, 414-1 and 103-2</p>	SDG 15. Life on land

PRESENTATION

STRATEGY

SUSTAINABILITY VISION

OVERVIEW OF THE 2050 SUSTAINABILITY VISION

ABOUT THE COMPANY

COMPLEMENTARY INDICATORS

ABOUT THE REPORT

ASSURANCE REPORT

GRI organizational mark

Summary of GRI Disclosures

GRI Standard	Disclosure	Page/URL	Omission	Sustainable Development Goals	Global Compact
GRI 101: Foundation 2016	No disclosures	-			

General disclosures

Organizational profile

GRI Standard	Disclosure	Page/URL	Omission	Sustainable Development Goals	Global Compact
GRI 102: General disclosures 2016	102-1 Name of organization	9			
	102 -2 Activities, brands, products and services	9			
	102-3 Location of headquarters	9			
	102-4 Location of operations	9			
	102 -5 Nature of ownership and legal form	10			
	102-6 Markets served	9			
	102 -7 Scale of organization	9			
	102 -8 Information about employees and workers	9			8
	102-9 Supplier chain	57-58			
	102 -10 Significant changes in the organization and its supplier chain	There were no significant changes in terms of location, operation and supplier chain.			
	102-11 Precautionary principle or approach	28			
	102-12 Initiatives developed externally	105			
	102-13 Participation in associations	105			

Strategy

GRI Standard	Disclosure	Page/URL	Omission	Sustainable Development Goals	Global Compact
GRI 102: General disclosures 2016	102 -14 Declaration from senior decision maker	5, 7			
	102 -15 Main impacts, risks and opportunities	77-78			

Ethics and integrity

GRI Standard	Disclosure	Page/URL	Omission	Sustainable Development Goals	Global Compact
GRI 102: General disclosures 2016	102 -16 Values, principles, standards and norms of behaviour	4		16	
	102 -17 Mechanisms for advice and concerns about ethics	79-80		16	

Governance

GRI Standard	Disclosure	Page/URL	Omission	Sustainable Development Goals	Global Compact
GRI 102: General disclosures 2016	102-18 Governance structure	74			
	102-19 Delegating authority	74			
	102-20 Executive-level responsibility for economic, environmental and social topics	74			
	102 -21 Consulting stakeholders on economic, environmental and social topics	74			16
	102 -22 Composition of the highest governance body and its committees	74-75			5, 16
	102 -23 Chair of the highest governance body	74			16
	102 -24 Nominating and selecting the highest governance body and its committees	The selection of board members takes into account their qualifications, complementary executive experience, identification with Natura's business principles and the absence of conflicts of interest. The term of office is one year, which may be renewed upon approval by the shareholders' meeting. There are no specific diversity criteria for the selection of board members, but inclusion and equality are valued and are the focus of a specific Natura policy. The company in fact has as a target 50% women in executive leadership positions by 2020. Further information on page 74.			5, 16
102-25 Conflicts of interest	We value best corporate governance practices. All decisions regarding the operations are submitted to management, in accordance with the competencies established in the company bylaws. In the event of a potential conflict of interest between a question under analysis and a member of our decision making bodies, we comply with corporate legislation whereby the respective member abstains from voting, with the decision being taken by the other members who have no connection with the matter in question. Further information may be found in item 16.3 of our Reference Form (https://natura.foinvest.com.br/enu/6581/2017%20-%20FR%20_%20English_V24.pdf_)			16	

GRI Standard	Disclosure	Page/URL	Omission	Sustainable Development Goals	Global Compact
GRI 102: General disclosures 2016	102 -26 Role of highest governance body in setting purpose, values and strategy	It is the function of the Board of Directors to determine and to monitor the implementation of company strategy and to evaluate the performance of the CEO and the Executive Committee periodically. The board members analyse Natura's quarterly and annual management reports, which include socioenvironmental indicators considered relevant for the company. Board members also analyse the definition and review of strategic planning, expansion projects and investment programs, risk management and profit share plan payouts to Natura employees. Read more on page 74.			
	102-27 Collective knowledge of highest governance body	76		4	
	102 -28 Evaluating the highest governance body's performance	76			
	102-29 Identifying and generating economic, environmental and social impacts	It is the role of the Executive Committee and the Board of Directors to monitor the Sustainability Vision, which addresses Natura's main socioenvironmental and business topics, which in turn are generated by stakeholder consultation processes.			16
	102 -30 Effectiveness of risk management processes	77			
	102 -31 Review of economic, environmental and social topics	It is the role of the Executive Committee and the Board of Directors to monitor the Sustainability Vision, which addresses Natura's main socioenvironmental and business topics. However, there is no pre-established interval for monitoring by the board. Read more on page 77.			
	102 -32 Highest governance body's role in sustainability reporting	107			
	102-33 Communicating critical concerns	The board members analyse Natura's quarterly and annual management reports, which include socioenvironmental indicators considered relevant for the company. Board members also analyse the definition and review of strategic planning, expansion projects and investment programs, risk management and profit share plan payouts to Natura employees.			

ABOUT THE REPORT / SUMMARY OF GRI DISCLOSURES

GRI Standard	Disclosure	Page/URL	Omission	Sustainable Development Goals	Global Compact
GRI 102: General disclosures 2016	102 -34 Nature and total number of critical concerns	The board members analyse Natura's quarterly and annual management reports, which include socioenvironmental indicators considered relevant for the company. Board members also analyse the definition and review of strategic planning, expansion projects and investment programs, risk management and profit share plan payouts to Natura employees. Read more on page 77.	The critical concerns that are not described are related to strategic information which is the exclusive purview of senior management and the Board of Directors.		
	102-35 Remuneration policies	Our senior management remuneration policy and practices are set forth in item 13 of our Reference Form (https://natu.infoinvest.com.br/enu/6581/2017%20-%20FR%20_%20English_V24.pdf_)			
	102 -36 Processes for determining remuneration	Our senior management remuneration policy and practices are set forth in item 13 of our Reference Form. (https://natu.infoinvest.com.br/enu/6581/2017%20-%20FR%20_%20English_V24.pdf_)			6
	102-37 Stakeholders' involvement in remuneration	Our senior management remuneration policy and practices are set forth in item 13 of our Reference Form. (https://natu.infoinvest.com.br/enu/6581/2017%20-%20FR%20_%20English_V24.pdf_)		16	
	102-38 Annual total compensation ratio	-	Natura opted not to disclose this information because it considers remuneration data to be confidential.		
	102 -39 Percentage increase in annual total compensation ratio	-	Natura does not disclose this information because it is considered to be confidential.		

Stakeholder engagement

GRI Standard	Disclosure	Page/URL	Omission	Sustainable Development Goals	Global Compact
GRI 102: General disclosures 2016	102 -40 List of stakeholder groups	108			
	102-41 Collective bargaining agreements	All employees are covered by collective agreements, which are coordinated by the Human Resources area and comply with the standards and limits set forth in local legislation.		8	
	102 -42 Identifying and selecting stakeholders	108			
	102 -43 Approach to stakeholder engagement	47, 57, 64, 89, 108-109			
	102 -44 Key topics and concerns raised	47, 57, 64, 89, 108-109			

Reporting practice

GRI Standard	Disclosure	Page/URL	Omission	Sustainable Development Goals	Global Compact
GRI 102: General disclosures 2016	102 -45 Entities included in the consolidated financial statements	107			
	102 -46 Defining report content and topic boundaries	107-108			
	102-47 List of material topics	107-108			
	102-48 Restatements of information	107			
	102-49 Changes in reporting	107			
	102-50 Reporting period	107			
	102 -51 Date of most recent report	107			
	102-52 Reporting cycle	107			
	102 -53 Contact point for questions regarding the report	107			
	102 -54 Claims of reporting in accordance with the GRI Standards	107			
	102-55 GRI Content Index	110-122			
	102-56 External assurance	107			

Material topics

Economic performance

GRI Standard	Disclosure	Page/URL	Omission	Sustainable Development Goals	Global Compact
GRI 103: 2016 Management approach	103 -1 Explanation of the material topic and its boundary	108			
	103 -2 Management approach and its components	11		1, 5, 8, 16	
	103 -3 Evaluation of management approach	11			
GRI 201: Economic performance 2016	201 -1 Direct economic value generated and distributed	12		2, 5, 7, 8, 9	
	201 -2 Financial implications and other risks and opportunities due to climate change	78		13	7, 8, 9

Indirect economic impacts

GRI Standard	Disclosure	Page/URL	Omission	Sustainable Development Goals	Global Compact
GRI 103: 2016 Management approach	103 -1 Explanation of the material topic and its boundary	108			
	103 -2 Management approach and its components	45, 47, 61			
	103 -3 Evaluation of management approach	45, 47, 61			

GRI Standard	Disclosure	Page/URL	Omission	Sustainable Development Goals	Global Compact
GRI 203: Indirect economic impacts 2016	203 -1 Infrastructure investments and services supported	45, 47, 49, 55, 61-62, 104-105		2, 5, 7, 9, 11	1, 7, 8, 9
	203 -2 Significant indirect economic impacts	16, 47, 49		1, 2, 3, 8, 10, 17	

Procurement practices

GRI Standard	Disclosure	Page/URL	Omission	Sustainable Development Goals	Global Compact
GRI 103: Management approach 2016	103 -1 Explanation of the material topic and its boundary	108			
	103 -2 Management approach and its components	56			
	103 -3 Evaluation of management approach	56			
GRI 204: Procurement practices 2016	204 -1 Proportion of spending on local suppliers in important units of the operation	56		12	

Anti-corruption

GRI Standard	Disclosure	Page/URL	Omission	Sustainable Development Goals	Global Compact
GRI 103: Management approach 2016	103 -1 Explanation of the material topic and its boundary	108			
	103 -2 Management approach and its components	91			
	103 -3 Evaluation of management approach	91			
GRI 205: Anti-corruption 2016	205 -1 Operations assessed for risks related to corruption	91		16	
	205 -2 Communication and training about anti-corruption policies and procedures	92		16	10
	205 -3 Confirmed incidents of corruption and actions taken	93	At Natura, incidents that are confirmed and investigated are dealt with in confidentiality	16	10

Anti-competitive behaviour

GRI Standard	Disclosure	Page/URL	Omission	Sustainable Development Goals	Global Compact
GRI 103: Management approach 2016	103 -1 Explanation of the material topic and its boundary	108			
	103 -2 Management approach and its components	94			
	103 -3 Evaluation of management approach	94			
GRI 206: Anti-competitive behaviour 2016	206 -1 Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	94		16	

Materials

GRI Standard	Disclosure	Page/URL	Omission	Sustainable Development Goals	Global Compact
GRI 103: Management approach 2016	103 -1 Explanation of the material topic and its boundary	108			
	103 -2 Management approach and its components	43-44			
	103 -3 Evaluation of management approach	43-44			
GRI 301: Materials 2016	301 -2 Recycled input materials used	43		8, 12	7, 8, 9
	301 -3 Reclaimed products and their packaging materials	44		8, 12	7, 8, 9

Energy

GRI Standard	Disclosure	Page/URL	Omission	Sustainable Development Goals	Global Compact
GRI 103: Management approach 2016	103 -1 Explanation of the material topic and its boundary	108			
	103 -2 Management approach and its components	95			
	103 -3 Evaluation of management approach	95			
GRI 103: Management approach 2016	302 -1 Energy consumption within the organization	95		7, 8, 12, 13	7, 8, 9
	302 -2 Energy consumption outside of the organization	95		7, 8, 12, 13	7, 8, 9
	302 -3 Energy intensity	97		7, 8, 12, 13	7, 8, 9

Water

GRI Standard	Disclosure	Page/URL	Omission	Sustainable Development Goals	Global Compact
GRI 103: Management approach 2016	103 -1 Explanation of the material topic and its boundary	108			
	103 -2 Management approach and its components	44			7, 8, 9
	103 -3 Evaluation of management approach	44			7, 8, 9
GRI 303: Water 2016	303-1 Total water withdrawal by source	44, 97		6	7, 8, 9
	303 -2 Management of water discharge related impacts	97		6	
	303 -3 Percentage and total volume of water recycled and reused	44, 98		6, 8, 12	

Biodiversity

GRI Standard	Disclosure	Page/URL	Omission	Sustainable Development Goals	Global Compact
GRI 103: Management approach 2016	103 -1 Explanation of the material topic and its boundary	108			
	103 -2 Management approach and its components	45			
	103 -3 Evaluation of management approach	45			
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	101		6, 14, 15	7, 8, 9
	304 -2 Significant impacts of activities, products, and services on biodiversity	45-46		6, 14, 14	7, 8, 9
	304 -4 IUCN Red List species and national conservation list species with habitats in areas affected by operations	101		6, 14, 15	7, 8, 9

Emissions

GRI Standard	Disclosure	Page/URL	Omission	Sustainable Development Goals	Global Compact
GRI 103: Management approach 2016	103 -2 Management approach and its components	108			
	103 -2 Management approach and its components	38			
	103 -3 Evaluation of management approach	38			
GRI 305: Emissions 2016	305 -1 Direct (Scope 1) GHG emissions	39-40		3, 12, 13, 14, 15	7, 8, 9
	305 -2 Indirect (Scope 2) GHG emissions	39-40		3, 12, 13, 14, 15	7, 8, 9
	305 -3 Other indirect (Scope 3) GHG emissions	39-40		3, 12, 13, 14, 15	7, 8, 9
	305 -4 GHG emissions intensity	39		13, 14, 15	7, 8, 9
	305 -5 Reduction in GHG emissions	41-42		13, 14, 15	7, 8, 9
	305 -6 Emissions of ozone-depleting substances (ODS)	94		3, 12, 13	7, 8, 9
	305 -7 NO _x , SO _x and other significant atmospheric emissions	94		3, 12, 13, 14, 15	7, 8, 9

Effluents and waste

GRI Standard	Disclosure	Page/URL	Omission	Sustainable Development Goals	Global Compact
GRI 103: Management approach 2016	103 -1 Explanation of the material topic and its boundary	108			
	103 -2 Management approach and its components	98			
	103 -3 Evaluation of management approach	98			

GRI Standard	Disclosure	Page/URL	Omission	Sustainable Development Goals	Global Compact
GRI 306: Effluents and waste 2016	306 -1 Water discharge by quality and destination	98		3, 6, 12, 14	7, 8, 9
	306 -2 Waste by type and disposal method	99		3, 6, 12	7, 8, 9
	306-3 Significant spills	100		3, 6, 12, 14, 15	7, 8, 9
	306 -4 Transport of hazardous waste	100		3, 12	7, 8, 9
	306-5 Water bodies affected by water discharges and/or runoff	98		6, 15	7, 8, 9

Environmental Compliance

GRI Standard	Disclosure	Page/URL	Omission	Sustainable Development Goals	Global Compact
GRI 103: Management approach 2016	103 -1 Explanation of the material topic and its boundary	108			
	103 -2 Management approach and its components	102			
	103 -3 Evaluation of management approach	102			
GRI 307: Environmental compliance 2016	307-1 Non-compliance with environmental laws and regulations	102		16	7, 8, 9

Supplier environmental assessment

GRI Standard	Disclosure	Page/URL	Omission	Sustainable Development Goals	Global Compact
GRI 103: Management approach 2016	103 -1 Explanation of the material topic and its boundary	108			
	103 -2 Management approach and its components	57-58			
	103 -3 Evaluation of management approach	57-58			
GRI 308: Supplier environmental assessment 2016	308 -1 New suppliers that were screened using environmental criteria	58			7, 8, 9
	308 -2 Negative environmental impacts in the supply chain and actions taken	103			

Employment

GRI Standard	Disclosure	Page/URL	Omission	Sustainable Development Goals	Global Compact
GRI 103: Management approach 2016	103 -1 Explanation of the material topic and its boundary	108			
	103 -2 Management approach and its components	59, 87			
	103 -3 Evaluation of management approach	59, 87			

GRI Standard	Disclosure	Page/URL	Omission	Sustainable Development Goals	Global Compact
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	87		5,8	
	401-3 Parental leave	59		5, 8	

Occupational health and safety

GRI Standard	Disclosure	Page/URL	Omission	Sustainable Development Goals	Global Compact
GRI 103: Management approach 2016	103 -1 Explanation of the material topic and its boundary	108			
	103 -2 Management approach and its components	89			
	103 -3 Evaluation of management approach	89			
GRI 403: Occupational health and safety 2016	403 -2 Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	89		3, 8	

Training and education

GRI Standard	Disclosure	Page/URL	Omission	Sustainable Development Goals	Global Compact
GRI 103: Management approach 2016	103 -1 Explanation of the material topic and its boundary	108			
	103 -2 Management approach and its components	65			
	103 -3 Evaluation of management approach	65			
GRI 404: Training and education 2016	404 -1 Average hours of training per year per employee	65-66		4, 5, 8	
	404 -2 Programs for upgrading employee skills and transition assistance programs	For layoffs resulting from restructuring we provide employees with a special package to facilitate career transition. Read more on pages 65 and 88.		8	
	404 -3 Percentage of employees receiving regular performance and career development reviews	88		5, 8	

Diversity and equal opportunity

GRI Standard	Disclosure	Page/URL	Omission	Sustainable Development Goals	Global Compact
Diversity and equal opportunity	103 -1 Explanation of the material topic and its boundary	108			
	103 -2 Management approach and its components	59			
	103 -3 Evaluation of management approach	59			

GRI Standard	Disclosure	Page/URL	Omission	Sustainable Development Goals	Global Compact
GRI 405: Diversity and equal opportunity 2016	405 -1 Diversity of governance bodies and employees	There is no information available in the internal controls about black people or disabled people on the Board of Directors. Read more on pages 59 and 60.		5, 8	6
	405-2 Ratio of basic salary and remuneration of women to men	85		5, 8, 10	6

Non-discrimination

GRI Standard	Disclosure	Page/URL	Omission	Sustainable Development Goals	Global Compact
GRI 103: Management approach 2016	103 -1 Explanation of the material topic and its boundary	108			
	103 -2 Management approach and its components	94			
	103 -3 Evaluation of management approach	94			
GRI 406: Non-discrimination 2016	406 -1 Incidents of discrimination and corrective actions taken	94		5, 8, 16	6

Freedom of association and collective bargaining

GRI Standard	Disclosure	Page/URL	Omission	Sustainable Development Goals	Global Compact
GRI 103: Management approach 2016	103 -1 Explanation of the material topic and its boundary	108			
	103 -2 Management approach and its components	90			
	103 -3 Evaluation of management approach	90			
GRI 407: Freedom of association and collective bargaining 2016	407 -1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	90		8	3, 6

Child labour

GRI Standard	Disclosure	Page/URL	Omission	Sustainable Development Goals	Global Compact
GRI 103: Management approach 2016	103 -1 Explanation of the material topic and its boundary	108			
	103 -2 Management approach and its components	93			
	103 -3 Evaluation of management approach	93			
GRI 408: Child labour 2016	408 -1 Operations and suppliers at significant risk for incidents of child labour	93			1, 5

Forced or compulsory labour

GRI Standard	Disclosure	Page/URL	Omission	Sustainable Development Goals	Global Compact
GRI 103: Management approach 2016	103 -1 Explanation of the material topic and its boundary	108			
	103 -2 Management approach and its components	93			
	103 -3 Evaluation of management approach	93			
GRI 409: Forced or compulsory labour 2016	409 -1 Operations and suppliers at significant risk for incidents of forced or compulsory labour	93		8	1, 5

Rights of indigenous peoples

GRI Standard	Disclosure	Page/URL	Omission	Sustainable Development Goals	Global Compact
GRI 103: Management approach 2016	103 -1 Explanation of the material topic and its boundary	108			
	103 -2 Management approach and its components	93			
	103 -3 Evaluation of management approach	93			
GRI 411: Rights of indigenous peoples 2016	411 -1 Incidents of violations involving rights of indigenous peoples	93		2	1, 2

Local communities

GRI Standard	Disclosure	Page/URL	Omission	Sustainable Development Goals	Global Compact
GRI 103: Management approach 2016	103 -1 Explanation of the material topic and its boundary	108			
	103 -2 Management approach and its components	47			
	103 -3 Evaluation of management approach	47			
GRI 413: Local communities 2016	413-1 Operations with local community engagement, impact assessments and development programmes	47, 56		1, 2	
	413-2 Operations with significant actual and potential negative impacts on local communities	47, 50-51, 57, 63		11	

Supplier social assessment

GRI Standard	Disclosure	Page/URL	Omission	Sustainable Development Goals	Global Compact
GRI 103: Management approach 2016	103 -1 Explanation of the material topic and its boundary	108			
	103 -2 Management approach and its components	48			1, 2, 4, 5
	103 -3 Evaluation of management approach	48			1, 2, 4, 5
GRI 414: Supplier social assessment 2016	414 -1 New suppliers that were screened using social criteria	48, 58			
	414 -2 Negative social impacts in the supply chain and actions taken	103		5, 8, 16	

Public policy

GRI Standard	Disclosure	Page/URL	Omission	Sustainable Development Goals	Global Compact
GRI 103: Management approach 2016	103 -1 Explanation of the material topic and its boundary	108			
	103 -2 Management approach and its components	93			
	103 -3 Evaluation of management approach	93			
GRI 415: Public policy 2016	415-1 Political contributions	93		16	10

Consumer health and safety

GRI Standard	Disclosure	Page/URL	Omission	Sustainable Development Goals	Global Compact
GRI 103: Management approach 2016	103 -1 Explanation of the material topic and its boundary	108			
	103 -2 Management approach and its components	28			
	103 -3 Evaluation of management approach	28			
GRI 416: Customer health and safety 2016	416 -1 Assessment of the health and safety impacts of product and service categories	28			7, 8, 9
	416 -2 Incidents of non-compliance concerning the health and safety impacts of products and services	104		16	7, 8, 9

Marketing and labelling

GRI Standard	Disclosure	Page/URL	Omission	Sustainable Development Goals	Global Compact
GRI 103: Management approach 2016	103 -1 Explanation of the material topic and its boundary	108			
	103 -2 Management approach and its components	28			
	103 -3 Evaluation of management approach	28			
GRI 417: Marketing and labelling 2016	417-1 Requirements for product and service information and labelling	24, 28		12, 16	7, 8, 9
	417-2 Incidents of non-compliance concerning product and service information and labelling	104		16	7, 8, 9

Socioeconomic compliance

GRI Standard	Disclosure	Page/URL	Omission	Sustainable Development Goals	Global Compact
GRI 103: Management approach 2016	103 -1 Explanation of the material topic and its boundary	108			
	103 -2 Management approach and its components	94			
	103 -3 Evaluation of management approach	94			
GRI 419: Socioeconomic compliance 2016	419-1 Non-compliance with laws and regulations in the social and economic area	94		16	



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Limited assurance report issued by independent auditors

To the Board of Directors, Shareholders and Stakeholders
Natura S.A.
 São Paulo - SP

Introduction

We have been engaged by Natura S.A. ("Natura" or "Company") to apply limited assurance procedures on the sustainability information disclosed in 2018's Annual Report, related to the year ended December 31st, 2018.

Responsibilities of Natura's Management

The Management of Natura is responsible for adequately preparing and presenting the sustainability information in the Annual Report 2018 in accordance with the *Standards for Sustainability Report of Global Reporting Initiative – GRI (GRI-Standards)*, as well as the internal controls determined necessary to ensure this information is free from material misstatement, resulting from fraud or error.

Independent auditors' responsibility

Our responsibility is to express a conclusion about the information in the Annual Report 2018 based on a limited assurance engagement conducted in accordance with the *Standards for Sustainability Report of Global Reporting Initiative - GRI (GRI-Standards)* and the methodology developed globally by KPMG for assurance of social and environmental information disclosed in sustainability reports - *KPMG Sustainability Assurance Manual - KSAM*, applicable to historical non-financial information.

These standards require compliance with ethical requirements, including independence ones, and the engagement is also conducted to provide limited assurance that the information disclosed in the Natura's Annual Report 2018, taken as a whole, is free from material misstatement.



A limited assurance engagement conducted in accordance with the *Standards for Sustainability Report of Global Reporting Initiative - GRI (GRI-Standards)* and the *KPMG Sustainability Assurance Manual - KSAM* consists mainly of questions and interviews with the Management of Natura and other professionals of the Company involved in the preparation of the information disclosed in the Annual Report 2018 and use of analytical procedures to obtain evidence that enables us to reach a limited assurance conclusion about the sustainability information taken as a whole. A limited assurance engagement also requires additional procedures when the independent auditor acknowledges issues which may lead them to believe that the information disclosed in the Annual Report 2018 taken as a whole could present material misstatement.

The selected procedures were based on our understanding of the issues related to the compilation, materiality and presentation of the information disclosed in the Annual Report 2018, on other engagement circumstances and also on our considerations regarding areas and processes associated with material sustainability information disclosed where relevant misstatement could exist. The procedures consisted of:

- (a) engagement planning: considering the material aspects for Natura's activities, the relevance of the information disclosed, the amount of quantitative and qualitative information and the operational systems and internal controls that served as a basis for preparation of the information in the Natura's Annual Report 2018. This analysis defined the indicators to be checked in details;
- (b) understanding and analysis of disclosed information related to material aspects management;
- (c) analysis of preparation processes of the Annual Report 2018 and its structure and content, based on the Principles of Content and Quality of the *Standards for Sustainability Report of Global Reporting Initiative - GRI (GRI-Standards)*;
- (d) evaluation of non financial indicators selected:
 - understanding of the calculation methodology and procedures for the compilation of indicators through interviews with management responsible for data preparation;
 - application of analytical procedures regarding data and interviews for qualitative information and their correlation with indicators disclosed in the Annual Report 2018;
 - analysis of evidence supporting the disclosed information;
 - visits to Cajamar's unit and to the corporate office for application of these procedures, and items (b) and (c);
- (e) analysis of whether the performance indicators omission and justification are reasonable to be accepted associated to aspects and topics defined as material in the materiality analysis of the Company;
- (f) comparison of financial indicators with the financial statements and/or accounting records.

We believe that the information, evidence and results we have obtained are sufficient and appropriate to provide a basis for our limited assurance conclusion.

KPMG Financial Risk & Actuarial Services Ltda., uma sociedade simples brasileira, de responsabilidade limitada, e firmamembro da rede KPMG de firmamembro independentes e afiliadas à KPMG International Cooperative ("KPMG International"), uma entidade suíça.

KPMG Financial Risk & Actuarial Services Ltda., a Brazilian limited liability company and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

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Scope and limitations

The procedures applied to a limited assurance engagement are substantially less extensive than those applied to a reasonable assurance engagement. Therefore, we cannot provide reasonable assurance that we are aware of all the issues that would have been identified in a reasonable assurance engagement, which aims to issue an opinion. If we had conducted a reasonable assurance engagement, we may have identified other issues and possible misstatements within the information presented in the Annual Report 2018.

Nonfinancial data is subject to more inherent limitations than financial data, due to the nature and diversity of the methods used to determine, calculate or estimate these data. Qualitative interpretation of the data's materiality, relevance and accuracy are subject to individual assumptions and judgments. Additionally, we have not examined data related to prior periods, to evaluate the adequacy of policies, practices and sustainability performance, nor future projections.

Conclusion

Based on the procedures carried out, described earlier in this report, we have not identified any relevant information that leads us to believe that the information in the 2018 Annual Report of Natura is not fairly stated in all material aspects in accordance with the *Standards* for Sustainability Report of *Global Reporting Initiative - GRI (GRI-Standards)*, as well as its source records and files.

São Paulo, April 12th, 2019

KPMG Financial Risk & Actuarial Services Ltda.


Ricardo Algis Zibas

KPMG Financial Risk & Actuarial Services Ltda., uma sociedade simples brasileira, de responsabilidade limitada, é firma-membro da rede KPMG de firma-membro independente e afiliada à KPMG International Cooperative ("KPMG International"), uma entidade suíça.

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- PRESENTATION
- STRATEGY
- SUSTAINABILITY VISION
- OVERVIEW OF THE 2050 SUSTAINABILITY VISION
- ABOUT THE COMPANY
- COMPLEMENTARY INDICATORS
- ABOUT THE REPORT
- ASSURANCE REPORT



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LINKED WITH THE SUSTAINABILITY VISION

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