



Natura Cosméticos
Sustainability-Linked Bond Report

2022

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1. Introduction

1.1. Background

Natura Cosméticos S.A. (“Natura Cosméticos” or the “Company”) was founded in São Paulo, Brazil in 1969 and in just over 50 years has grown into Brazil’s largest multinational player in the cosmetics sector. Natura Cosméticos is a wholly owned subsidiary of Natura &Co Holding S.A. (“Natura &Co”), made up of two iconic beauty companies: Natura and Avon. Natura &Co Holding had a consolidated net revenue of R\$36.35 billion in 2022, employs over 30,000 people, and operates in more than 100 countries, including TBS and Aesop.

01.2. 2021 Sustainability-Linked Bond Issued by Natura Cosméticos

In May 2021, Natura Cosméticos successfully issued a US\$1 billion Sustainability-Linked Bond (“SLB”), which represented the largest of its kind issued in Latin America at the time. It includes a target to reduce GHG intensity and a target to increase the use of PCR plastic in plastic product packaging. These targets align with Natura &Co’s Commitment to Life sustainability vision by supporting efforts to address the climate crisis and embrace circularity. The SLB marks Natura &Co’s consistency in connecting financial metrics with environmental targets.

On 28th August 2023, Natura Cosméticos, as issuer of the SLB, was substituted by its affiliate company, Natura &Co Luxembourg Holdings Sarl as the issuer of the bonds. With such substitution, Natura Cosméticos S.A. acts as guarantor of the SLB, together with Natura &Co Holding S.A. Apart from the issuer substitution, there were no other changes in the SLB’s targets, KPIs or other conditions.

1.3. Rationale for issuing Sustainability-Linked Bonds

In order to demonstrate a commitment to sustainability and concretely link our financing to core objectives of Natura &Co’s Commitment to Life sustainability vision, Natura Cosméticos developed a Sustainability-Linked Bond Framework. It accords with the Sustainability-Linked Bond Principles (“SLBP”) 2020, as administered by the International Capital Markets Association (“ICMA”). **The following five components form the basis of the Framework:**

1. Key Performance Indicators (“KPIs”)

2. Sustainability Performance Targets (“SPTs”)

3. Bond Characteristics

4. Reporting

5. External Verification

2. Natura Cosméticos Sustainability-Linked Bond Framework

Natura Cosméticos may use a selection of one or more of the following KPIs, which are core, relevant and material to the Company’s business. There is no assurance that the proceeds of the SLB will be allocated toward green or social projects. The KPIs and SPTs set out in the framework will remain applicable throughout the tenor of any SLB security issued under the Framework, regardless of any changes to Natura Cosméticos’ sustainability strategy. Any new or updated Sustainability-Linked Bond Framework, related or not to future capital markets transactions, shall not have any effects on the SLBs issued under this Framework.

2.1. Key Performance Indicators (KPIs)

Boundary definition for KPI measurement: Natura &Co’s Commitment to Life sustainability vision targets apply to all brands. The KPIs defined in section 2.1 will address the Natura Cosméticos business, excluding Avon and The Body Shop. The perimeter of the KPIs may change if there is a material change to the Natura Cosméticos business, such as through a material acquisition or divestiture of assets.

KPI #1: Scopes 1, 2 & 3 GHG emissions intensity (in tonnes of CO2 per tonnes of product billed)

Definition and methodology for KPI measurement: Scope 1 GHG emissions represent direct emissions, Scope 2 GHG emissions represent indirect emissions from the acquisition of energy and Scope 3 GHG emissions represent all other upstream (company activities and suppliers) and downstream (consumers, waste disposal, etc.) emissions. Natura Cosméticos complies with GHG Protocol 5 standards and the principles of Brazil's ABNT NBR ISO 14064-1 standard, which establish rules for inventory's conception, development, management and elaboration.

KPI #2: Post-consumer recycled ("PCR") plastic used in plastic product packaging (in %)

Definition and methodology for KPI measurement: the proportion of absolute PCR plastic used in finished plastic product packaging in relation to the total absolute amount of plastic product packaging materials. This KPI is applicable to Natura Cosméticos' entire product portfolio.

3. Sustainability Performance Targets (SPTs)

Baseline for SPTs: Natura Cosméticos will use 2019 as a baseline for the SPTs. Business performance in 2020 is considered an outlier because of the COVID-19 pandemic, during which the business experienced a significant increase in demand for basic hygiene products (hair and body care, soaps and refills). Compared to luxury products, basic hygiene products have a lower carbon footprint as they generally use lighter packaging. Additionally, in recent years Natura Cosméticos has incorporated PCR and green plastic into the packaging materials for basic hygiene products, which has lowered carbon impact further. Also, as a result of the COVID-19 pandemic, Natura Cosméticos reduced the number of printed catalogues and catalogues pages, and reduced energy consumption, global air travel, executive fleet and private transportation emissions.

3.1. SPT #1: Reduce Scopes 1, 2 & 3 GHG emissions intensity by 13% by 2026 (baseline year: 2019):

This is an interim target towards Natura &Co's Commitment to Life's sustainability vision which includes a science-based target to reduce 42% of absolute emissions by 2030, aligned with limiting global temperature rise to 1.5 °C.

Historical Performance:

Year	2019 baseline	2020	2021	2022 ⁴	2026 target
Relative emissions (tonnes of CO2e/tonnes of product billed) ^{1 2 3}	3.18	2.85	2.80	2.83	2.76
Reduction versus baseline (%)		10.4%	11.9%	10.8%	13.0%

¹ Considers Scopes 1, 2 and 3 emissions, adopting a location-based approach for Scope 2.

² Calculations cover CO2, CH4, N2O and HFCs.

³ The greenhouse gas emissions inventory takes into account emissions from all stages of our operations, including the extraction of raw materials, our processes, those in our production chains, and 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 inventory's conception and development. The inventory does not take into account our operations in France, the United States and Malaysia.

⁴ In 2022, Natura Cosméticos' GHG emissions inventory was audited by PwC Brasil.

Natura Cosméticos achieved a 7.9% decrease in total absolute emissions, driven by significant improvements in product circularity and a reduction in paper consumption for printed brochures – which now represents 11.9% of total emissions intensity versus 13.7% in 2021. This reduction could be even higher if logistics had not increased the

absolute emissions due to a decrease in the percentage of biofuel included in Brazilian diesel (from an average of 11.2% to 10% -which now represents 15.3% of total emissions intensity versus 11.5% in 2021).

The relative emissions from Natura Cosméticos reached 2.83 tCO₂e per ton of billed product mass, compared to 2.80 in 2021 because the performance sales showed a decrease in product mass billed due to product mix sales which directly contributed to the rise in relative emissions. Products now represent 58.3% comparing with the 60.2% in 2021.

Emission intensity for key processes

Process	2019	2020	2021	2022
Products	57.1%	59.2%	60.2%	58.3%
Distribution	11.9%	12.1%	11.5%	15.3%
Exports	4.7%	6.6%	6.7%	6.7%
Printed & Support material	16.8%	15.1%	13.7%	11.9%
Others	9.6%	7.0%	7.8%	7.8%

Natura Cosméticos maintained its efforts to reduce absolute and relative carbon emission, focusing on the following objectives through its climate action transition plan:

- Increase the portfolio of lower impact products, mainly through PCR incorporation and decarbonization of the supply chain);
- Increase energy efficiency and accelerate the renewable energy transition;
- Improve logistics efficiency and optimization through further integration processes which optimize routes and distribution; and
- Further digitalize sales channels, moving towards with a model of direct selling which reduces GHG intensity.

3.2. SPT #2: Reach 25% of PCR plastic usage in plastic product packaging by 2026

Natura Cosméticos is a leader in packaging innovation and is committed to achieving full packaging circularity. This is an interim target towards achieving 50% of PCR plastic usage in plastic product packaging for all brands by 2030, as set out in Natura &Co's Commitment to Life sustainability vision. Additionally, this target is aligned with Natura Cosméticos' submission to the Ellen MacArthur Foundation's New Plastics Economy Global Commitment.

Historical Performance:

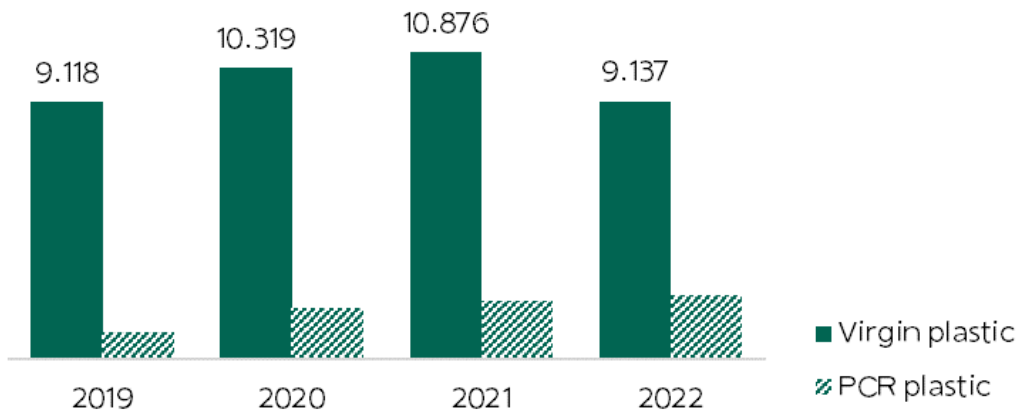
Year	2019 baseline	2020	2021	2022 ⁶	2026 target
PCR plastic used in finished plastic product packaging (%) ⁵	9%	15%	16%	20%	25%

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

² In 2022, the Natura &Co Latin America's annual report was audited by PwC Brasil.

Natura Cosméticos maintained its efforts towards circularity and will follow these measures to increase post-consumer recycled plastic usage:

1. Incorporate recycled PET and further increase the percentage in products that already use this material in packaging;
2. Incorporate PCR product packaging beyond recycled PET; and
3. Further than replacing virgin plastic to PCR plastic, Natura Cosmetics' strategy also aims to reduce virgin plastic consumption.



⁴See GRI 305-4 GHG emissions intensity at PDF page 104 of Natura &Co's Latin America annual report: <https://api.mziq.com/mzfilemanager/v2/d/9e61d5ff-4641-4ec3-97a5-3595f938bb75/b073fa50-c218-4a82-6bfc-ad9509384fac?origin=1>

⁶See Performance in packaging GRI 3-3 at PDF page 145 of Natura &Co's Latin America annual report <https://api.mziq.com/mzfilemanager/v2/d/9e61d5ff-4641-4ec3-97a5-3595f938bb75/b073fa50-c218-4a82-6bfc-ad9509384fac?origin=1>