

# iP&L

**2022**  
**Integral Impact**  
**Report**  
Integrated  
Profit & Loss

# Pathways to an impact economy

01

Founded in 1969, Natura is the largest Brazilian multinational company in the cosmetics and personal care segment. It is the leader in the direct selling sector in Brazil and is recognized for protecting socio-biodiversity in the Amazon Forest through its sustainable business model. Aware of its potential for social, economic and environmental positive impact, the brand is a pioneer in using Amazonian ingredients and is concerned about maximizing value generation for its diverse stakeholders.

Natura is part of the Natura &Co group, which also includes Avon<sup>1</sup>, the pioneer in the direct selling model with a focus on female entrepreneurship. Currently, the Natura operations are concentrated in the Natura &Co Latin America business unit, which, at the end of 2022, had over 16,000

employees and more than 4.1 million Beauty Consultants (including the former Avon Beauty Representatives) working in 18 countries in the region. The business unit is also responsible for Natura's e-commerce operations in the United States and in France and its omnichannel operation in Malaysia.

Since its foundation 54 years ago, Natura has sought to create value beyond financial results. This is reflected in its Reason for Being, "well being well", which promotes "an empathic, successful, pleasurable relationship of the individual with others, with the nature of which he is part, with the whole". Here the notion of well-being also means a long, healthy, comfortable and happy life.

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<sup>1</sup> In 2022, the reference year for this document, Natura &Co comprised four beauty businesses: Avon, Natura, The Body Shop and Aesop. In August 2023, the group concluded the sale of Aesop. And in November 2023, Natura &Co announced an agreement for the sale of the The Body Shop.

# Beyond sustainability

Discussing solutions and making commitments to address global issues, in addition to being complex, requires a coalition of diverse actors, including organizations, civil society, governments and companies. The latter use natural resources to manufacture, transport and commercialize their products – that is, simply to exist. Given this advantage, it is fair to expect corporations to accept their responsibilities in addressing socio-environmental challenges, with the aim of generating value for society in a meaningful and transparent way.

In a context marked by the advance of the climate crisis, the systemic distancing of man from nature and growing social inequalities, Natura has progressed in its corporate impact agenda. Sustainability alone is no longer a solution. Whereas this approach maintains what already exists and impedes greater exhaustion of the planet and its resources, it does not address the cure for what has already been degraded or lost by mankind. This context requires the pursuit of an approach centered on restoration and rebalance, consolidated in the concept of regeneration.

Regeneration goes beyond mere recovery; it is the dynamic process of restoring life of individuals, communities, nature, and the relationships among them. Each person, by cultivating relationships based on mutual enrichment, recognizes themselves as part of a larger system and actively nurtures their own well-being and that of their surroundings. This ongoing cycle of self-organization propels the system toward a state of ever-evolving and harmonious renewal.

Accordingly, the goal is not only to address the current challenges and ensure the maintenance of available resources, but also to offer an impact vision that transcends mitigation and compensation.

Regeneration should not be only an accessory in sustainability strategy, it should embody business strategy itself. This model of thought derives from "well being well", because it is based on the premise that mankind and nature are one and the same thing. Such values, which are that basis of Natura's beliefs, guide the Natura &Co Latin America businesses.

iP&L  
*enables the  
valuation of impact and  
measures a company's  
value generation*  
**for society, for nature,  
and for the business**

A fundamental condition for making this discourse tangible is employing means of accounting for the company's impact on the planet and society in multiple dimensions (as is already widely done in financial terms, measurement of revenue, profit etc.). The objective of this socio-environmental measurement is to create the basis for a sustainable transition to a regenerative economy that not only enables the reduction of negative impacts, but also the restoration of ecosystems and communities negatively affected by economic activities.

# The IP&L and the importance of the **valuation of impact**

**Integrated Profit & Loss (IP&L) is an impact valuation tool that attributes economic value to the positive and negative impacts generated by the business (frequently called "externalities") on three types of capital: Natural, Social and Human. In general terms, these concepts may be understood in the following way:**

## *Natural* **Capital**

is the set of natural resources capable of providing benefits for society over time and that exists in a state not modified by human action. This set is made up of the so-called natural stocks of value (examples being forests, water resources and healthy lands) and of the flows produced by them, necessary for the maintenance of life, such as the provision of food and raw materials and climate regulation.

## *Social* **Capital**

this is the network of relations, institutions, standards and values that shape the quality and the quantity of social relations and interactions between people. It includes aspects such as reliability, cooperation and community associations, fundamental for the effective functioning of any group or society. These social elements may be generated and invested in (in the form of taxes, for example) and contribute to the social and economic well-being of communities and nations.

## *Human* **Capital**

this refers to the production capacity of the individual and encompasses their education, experience, capacity to work and their health, for example. Here impacts that may be individualized, relative to specific persons, are considered. This concept is not correlated to the diffuse impacts on society (these are accounted for in Social Capital).

There are protocols that have tools for identifying, measuring and valuing businesses' externalities and levels of dependence on the three capitals. This set of guidelines was systematized by the Capitals Coalition, a global platform established by companies, governments and other actors dedicated to positioning nature and people at the center of decision making.

The IP&L enables the extensive visualization of the value delivered by a company throughout its value chain, in all the capitals (Natural, Social and Human), by means of a consistent, relevant and comparable indicator of the quality of life of a society. By attributing monetary value to such impacts, the model enables these results to be related to financial information. It is also a legitimate measure of sustainability and the fulfillment of a company's purpose, by demonstrating both its positive and negative contributions to society.

*The valuation  
of impact creates  
a legitimate  
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purpose*

This movement towards valuing and reporting impacts has been led by the Capitals Coalition, the World Business Council for Sustainable Development (WBCSD) and the Value Balancing Alliance (VBA), among other bodies. A number of global companies participate in it, examples being Kering (luxury products), Puma (sporting goods), Holcim (civil construction) and ABN AMRO Bank (financial institution).

# IP&L at Natura

The IP&L estimates the impacts generated by the activities undertaken throughout the Natura value chain, from its suppliers and agro-extractivist communities in the Amazon, through its direct operations and the activities of the Beauty Consultants, to the product use and end of life phases.

This broadened comprehension of impacts is a valuable governance tool, that qualifies the assessment of the costs and benefits of strategic projects and investments.

Natura is a pioneer in adopting this approach. This began with what was called "environmental accounting", or Environmental Profit & Loss (EP&L) in 2016, oriented to the company's impacts on Natural Capital. At the time this meant evolving Natura's vision of impact in this dimension beyond its robust Carbon Neutral Program<sup>2</sup>. Progressively, the company extended the scope of measurement to the Human and Social capitals, considering a variety of social benefits, addressed, for example, by Natura's Amazon Program, which has supported agro-extractivist communities in the region since 2011, and by the

direct selling model, which empowers the consultants, in their great majority women. Based on these evolutions, the first version of the IP&L was created in 2020 and was only used internally. In 2022, the model was updated, refined and made public in the [first edition of this report](#), for the base year 2021.

Throughout the construction of the IP&L, a fundamental concept for establishing comparisons between the intensity of impact of different activities has been SROI (Social Return on Investment), a methodology that is aimed at translating the social impact of a business for the investor or organization. As a reference, based on public market data, typical business activities result in an SROI of between 1:1 and 1:3, while investments focused on generating social return, such as the Instituto Natura (which works with strengthening education in Latin American

countries), the purchase of carbon credits and benefit sharing payments to agro-extractivist communities, have an SROI ratio that varies from 1:8 to 1:40 (therefore, typically higher numbers). In this respect, it should be noted that a high social return can support the creation of business value, an example being Natura Ekos<sup>3</sup>, a consolidated brand in the market, whose origin and production are based on partnership with supplier families in the Amazon.

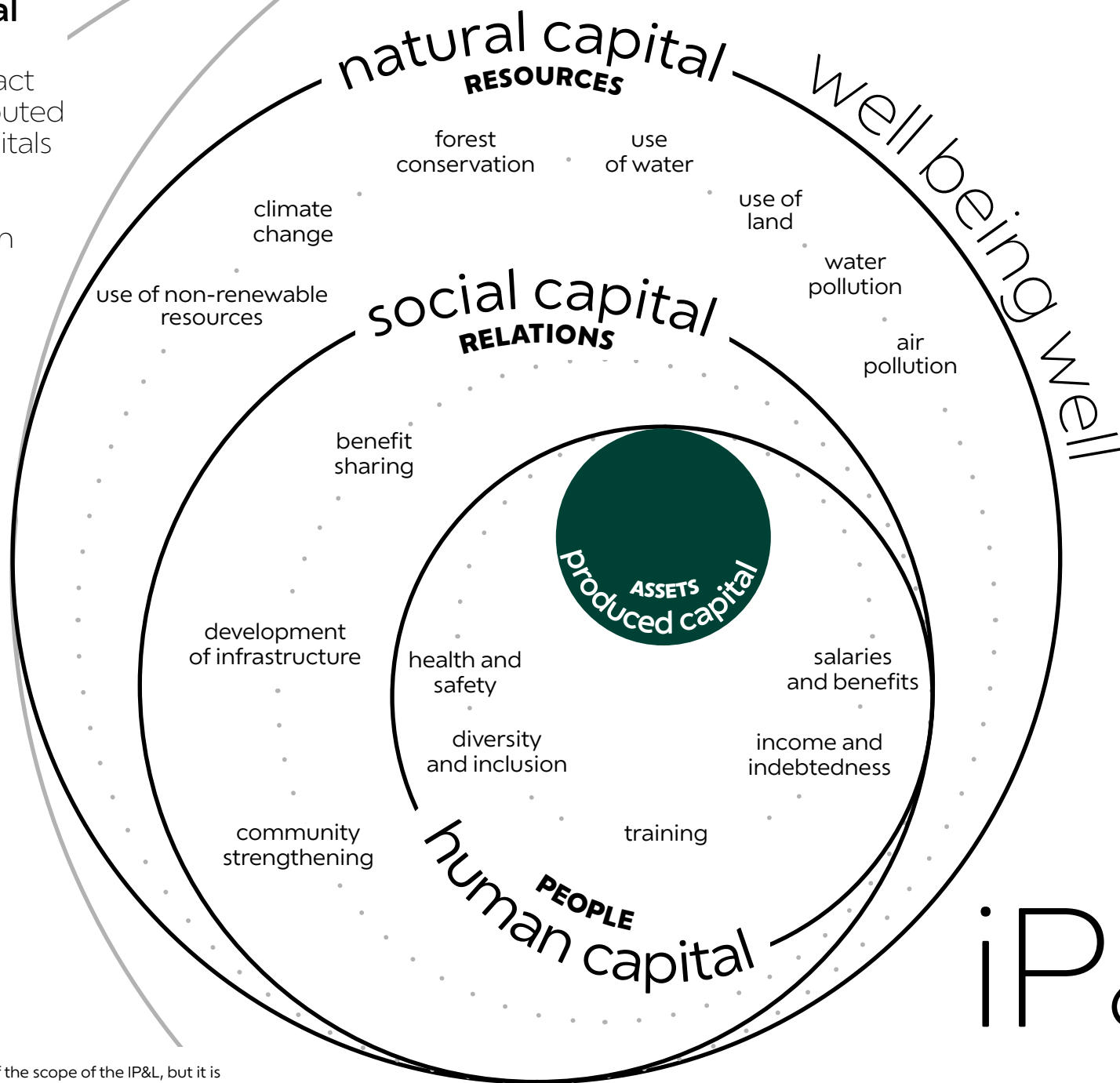
To arrive at the current version of the IP&L, the Sustainability and Finance departments mobilized several areas in Natura & Co Latin America for the collection of information on 15 impact indicators. This work engaged the structure of the entire company, not just the teams traditionally associated with socio-environmental issues, and was supported by the consultancy Valuing Impact.

<sup>2</sup> The Natura Carbon Neutral Program was launched in 2007 to account for, reduce and neutralize the greenhouse gas (GHG) emissions generated not only by Natura, but by its entire value chain, from the extraction of raw materials to post-consumer disposal of products. In 2022, the carbon offsetting projects that neutralize the company's emissions generated a positive impact of around BRL 489 million for the protection of ecosystems. According to the IP&L, on average, each BRL 1 invested in the Natura Carbon Neutral program, generates BRL 59 in benefits for society.

<sup>3</sup> In 2018, the Ekos product line received Union for Ethical BioTrade (UEBT) certification. This certification attests to the ethical sourcing of inputs, with respect for biodiversity and for people through fair biotrade, generating income and safe working conditions for the communities in the supply chain and keeping the forest standing. Ekos is one of the only brands in the world to obtain this certification.

## Natura integral impact model

There are 15 impact indicators, distributed among the 3 capitals that make up the IP&L\*: Natural, Social and Human



\*Produced Capital is not part of the scope of the IP&L, but it is comparable in dimension and result. It refers to the business operations and assets traditionally expressed in the financial statements (in terms of revenue and profit, for example).

# Methodological review and valuation of impact *year on year*

02

In 2022, the valuation methodology for the three dimensions of the IP&L (Natural, Social and Human) was refined. Moreover, it was possible to measure some indicators more often, that was the case with consultant income, which is now assessed quarterly, in parallel with the traditional accounting indicators. The baseline of the model was also recalibrated, with the adjustment of the results obtained in 2021. Moreover, the impact valuation factors between all the dimensions were harmonized, using as criteria the change in the quality of life/life expectancy or societal well-being, which substituted the

economic development factor (related to the impact on Gross Domestic Product), which predominated previously.

The unit for measuring such a unique impact indicator is based on the measurement units Disability Adjusted Life Years (DALY) and Quality Adjusted Life Years (QALY)<sup>4</sup>. To establish a connection with the financial report, this indicator should be translated into monetary units. To do this, Natura uses the Value of a Statistical Life (VSL) as a technique for valuing well-being.

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<sup>4</sup>Disability or Quality Adjusted Life Years (DALY/QALY) are units that measure a change in quality of life during a period of time (in equivalent years). Frequently they are used in decisions related to public policies, research and other fields. The indicators have been promoted mainly by the World Health Organization and the scientific journal *The Lancet*.



This is the marginal substitution rate between income (or wealth) and the risk of death, that is, it is obtained by asking a wide range of people about their willingness to pay to prevent a specific health condition. By analyzing these data, it is possible to estimate what the "integral value" of a life would be. On average, a year of life would correspond to BRL 892,878 per DALY/QALY (reference year 2022, adapted from the Organization for Economic Cooperation and Development, OECD).

## *Updates in 2022 IP&L methodology*

Being an innovative tool, naturally the IP&L is evolving and maturing in its assumptions and concepts to the point where it will constitute a standardized accounting rule in the future, in line with the group's expectations. At some level, the analysis of all the capitals (Natural, Social and Human) has undergone adjustments in parameters, calculations and scope in the last year to raise the IP&L's level of accuracy. There follows a brief description of these adjustments:

### *Natural* **Capital**

The calculation of Natura's impacts on Natural Capital is now based on an updated carbon inventory that covers scope 1, 2 and 3 greenhouse gas emissions, in accordance with the GHG Protocol and in line with the target of achieving net zero emissions, submitted to the Science Based Targets initiative (SBTi) in 2021 by the Natura &Co group.

Now, the six macro-indicators of impact in this dimension have been broken down into sixteen new and more specific indicators — such as depletion of fossil fuels (like petroleum, gas and coal) used for energy generation and the production of materials. This granularity enables the establishment of a direct relationship between the indicators, the protection of ecosystems and human health.

## *Social* **Capital**

This dimension encompasses mainly benefit sharing<sup>5</sup>, community and infrastructure development and Natura's contribution to society through the payment of taxes. To make the IP&L directly comparable with the company's financial statements, the calculation of taxes that feeds the model was adjusted to the accrual accounting regime (which records revenues and expenses before payments are received or issued), rather than the cash regime (which recognizes revenues and expenses at the time cash is received or paid out).

## *Human* **Capital**

The parameter used for measuring the impact of employee and consultant income in the IP&L is the living wage established by the Wage Indicator Foundation<sup>6</sup>. Aligned with the UN Sustainable Development Goals (SDGs), the concept establishes the minimum income necessary for a person and their family to supply their basic needs: food, rent, healthcare, education, clothing, transportation and savings.

For the consultant network, Natura uses the term "living income", because this is considered an entrepreneurial activity that does not involve a traditional employment relationship (and, therefore, does not include a conventional wage). In 2022, we applied the same parameter for employees and consultants, standardizing an internal metric and an external reporting criterion. We adopted as a reference the minimum range of a living wage (previously an internal average between the minimum and maximum range of this reference was used).

This monitoring should be an integral part of the development of initiatives that increase the consultants' income, strengthening the direct selling model as a driver of a living income, as well as the performance of the actual business.

The amount of a living income for the consultants is calculated proportionately to the average time, in hours, each one dedicates to consulting. So that the methodology reflects the reality of the business even more closely, this calculation per hour was enhanced, with new elements added to the measurement of the consultants' income, for example the income obtained via e-commerce in Brazil. Regarding employees, the measurement of the impact of the payment of bonuses and profit share schemes, as well as the commission paid to sales staff in the physical stores, was incorporated into the IP&L.

<sup>5</sup> Benefit sharing is the division of the wealth from the use of finished product or raw materials developed based on access to genetic heritage or associated traditional knowledge with agro-extractivist communities.

<sup>6</sup> The Wage Indicator Foundation is a non-profit organization that collects, compares and shares information on the labor market by means of direct and indirect research in specific regions. The referential amount for the living wage, which takes into account the Wage Indicator Foundation data bases, is calculated in accordance with the cost of living, which varies between regions in Brazil and Hispanic America, and exceeds the official minimum wage in Latin American countries.

**For each  
BRL 1 in revenue,  
Natura generated  
BRL 2.7 in positive  
socio-environmental  
impact in 2022**

*Operational  
performance  
an integral vision*

03

The results of Natura's 2022 IP&L will be presented in this chapter, by means of tables segmented by the activities that make up the company's value chain. As mentioned, they represent a positive net societal value of approximately BRL 34.2 billion, expressed mainly in the Social and Human capitals.

In line with the traditional structure of income statements (P&L), the organization of the IP&L report enables us to identify which activity generates which level of impact.

In 2022, Natura generated a net positive impact of BRL 34.2 billion for society, considering the methodological evolutions mentioned previously. This amount is equivalent to 2.7 times the revenue generated by the company – in other words, for each BRL 1 in net revenue generated by the company, BRL 2.7 is generated in positive socio-environmental impact. It should be noted that Brazil accounts for 80% of the total net result of the IP&L.

The result was driven mainly by the increase in consultant income, especially in Brazil.

**In 2022,  
Natura generated:**

**BRL 9.5 billion**  
*in net positive impact  
for the Beauty  
Consultants*

**BRL 287 million**  
*in positive impact  
from reverse logistics  
initiatives*

**BRL 573 million**  
*in positive impact in  
activities to protect  
ecosystems*

This result was favored by the higher earnings of the most engaged consultants and by the decrease of the negative impact on income considering consultants at the lower levels (those who are just starting to work with Natura, or who remain at a relatively low level of sales). Moreover, the payment of taxes, the supply of raw materials and the impacts of the Natura direct operations made a significant contribution to this result.

The amount calculated is the result of the balance between the positive and negative impacts generated and shows the

relevance of the company's contribution to the social and human dimensions, in which the net impact was around BRL 18.1 billion and BRL 19.6 billion, respectively.

In terms of Natural Capital, there was a negative result of BRL 3.6 billion, considering the updating of the scope of the calculation in this dimension. Any company in the transformation industry will always have a negative impact on this capital due to the nature of the activity. And it is precisely on this front that Natura focuses its efforts to mitigate impacts and generate positive externalities.

## Valuation of impact by category

Consolidated IP&L results based on activities and processes

IP&L results (in BRL million)	2022	Natural Capital	Social Capital	Human Capital	2022 SROI <sup>1</sup>
Beauty Consultants - higher levels	16,382	-	-	16,382	-
Taxes	14,039	-	14,039	-	-
Supply chain	5,959	-1,906	2,687	5,177	-
Direct operations	3,188	-146	587	2,747	-
Instituto Natura	2,301	-	488	1,814	45.1
Carbon credits	1,229	871	-	358	58.8
Agro-extractivist communities	415	40	321	54	9.4
Social support	12	-	-	12	2.6
Products: use and end of life phases	-2,433	-2,443	-	10	-
Beauty Consultants - lower levels	-6,908	-	-	-6,908	-
<b>Total</b>	<b>34,185</b>	<b>-3,584</b>	<b>18,122</b>	<b>19,647</b>	<b>2.7*</b>

<sup>1</sup>Social Return on Investment. The numbers in this column represent the intensity of impact (the return in societal well-being) for each BRL invested.

\*This figure represents the return in societal well-being for each BRL in Natura's net revenue.

## Overview of results: 2022 vs. 2021

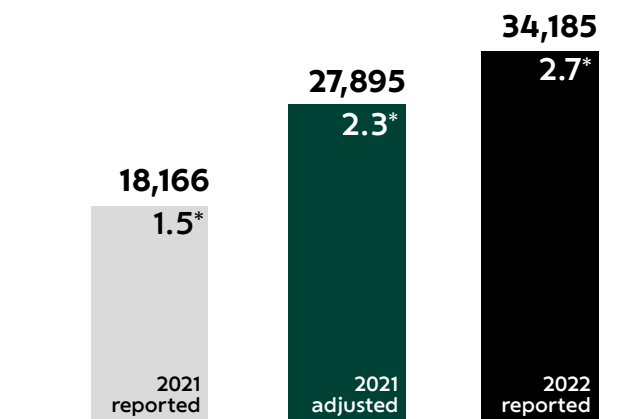
In 2021, the net positive impact generated by Natura was approximately BRL 18 billion, promoted principally by the Social and Human capitals (in that year, the Natural Capital impact was also negative). In comparison with the revenue generated, which corresponds to around BRL 12 billion, the positive impact results in a return of 1:1.5. This means that each BRL 1 in product sales generates around BRL 1.5 in net socio-environmental value. Considering the methodological review conducted in 2022, in adjusted amounts, the net positive impact

generated by Natura in 2021 was around BRL 27.9 billion, equivalent to a return of 1:2.3. It should be noted that, even considering this recalibration, there was a significant evolution in the intensity of impact between 2021 and 2022 (when the ratio reached 1:2.7).

Among the evolutions observed from 2021 to 2022, there is a 62% increase in the Instituto Natura SROI ratio, related to literacy measures (1:44.2 compared with 1:32.8 in 2021), and the improvement associated with carbon credits (1:58.8, compared with 1:40 in 2021).

## Comparison of annual results

The 2021 IP&L total was adjusted after the 2022 methodological review



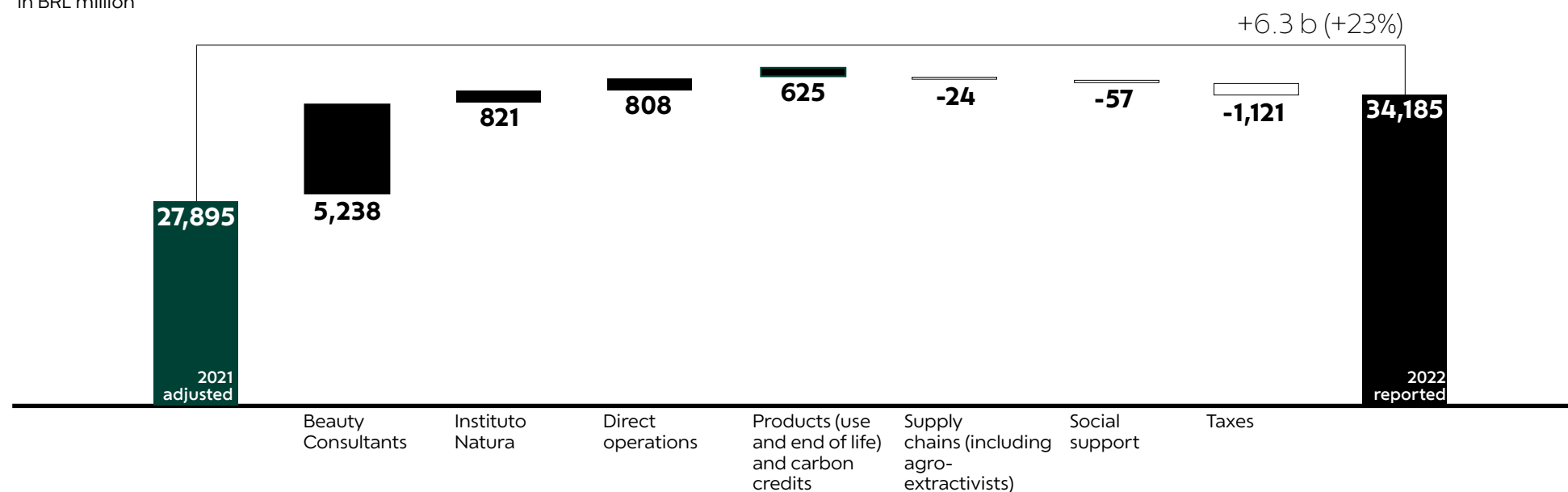
In BRL million

\*This figure represents the return in well-being for society for each BRL in Natura's net revenue.

## Contribution to integral impact

Variations by category (2021-2022), considering new methodology

In BRL million



## 2022 IP&L income statement

Divided into accounting categories (the financial amounts are represented graphically, based on the weight of each line in the total)

In BRL million	Financial P&L	IP&L (Integrated Profit & Loss)				Versus reported in 2021
	Produced Capital	Total	Natural Capital	Social Capital	Human Capital	
<b>Gross revenue</b>	●●●●●●	<b>7,729</b>	<b>-2,435</b>	<b>-</b>	<b>10,164</b>	<b>-285%</b>
Beauty Consultants		10,154	-	-	10,154	-368%
Products: use and end of life phases		-2,425	-2,435	-	10	507%
<b>Taxes</b>	●○○○○○	<b>14,039</b>	<b>-</b>	<b>14,039</b>	<b>-</b>	<b>21%</b>
<b>Net revenue</b>	●●●●○○	<b>21,768</b>	<b>-2,435</b>	<b>14,039</b>	<b>10,164</b>	<b>192%</b>
<b>Cost of merchandise</b>	●○○○○○	<b>1,847</b>	<b>-1,385</b>	<b>965</b>	<b>2,266</b>	<b>-27%</b>
Direct operations		491	-146	73	564	99%
Agro-extractivist communities		1,356	-1,239	893	1,702	-41%
<b>Gross profit</b>	●●●○○○	<b>23,615</b>	<b>-3,820</b>	<b>15,005</b>	<b>12,430</b>	<b>136%</b>
<b>Expenses</b>	●●○○○○	<b>10,570</b>	<b>236</b>	<b>3,117</b>	<b>7,217</b>	<b>29%</b>
<b>Sales, marketing and logistics</b>	●●○○○○	<b>3,346</b>	<b>-580</b>	<b>1,358</b>	<b>2,569</b>	<b>-8%</b>
Direct operations		1,258	-	202	1,056	10%
Suppliers		2,768	-580	1,156	2,192	-15%
Beauty Consultants		-679	-	-	-679	-10%
<b>General and administrative</b>	●○○○○○	<b>4,922</b>	<b>816</b>	<b>1,272</b>	<b>2,835</b>	<b>67%</b>
Direct operations and social support		1,421	-31	312	1,139	90%
Agro-extractivist communities		2,272	-24	959	1,337	23%
Carbon credits		1,229	871	-	358	256%
<b>Other operating expenses</b>	○○○○○○	<b>2,301</b>	<b>-</b>	<b>488</b>	<b>1,814</b>	<b>44%</b>
Instituto Natura		2,301	-	488	1,814	44%
<b>Depreciation and amortization</b>	○○○○○○	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>EBITDA</b>	●○○○○○	<b>34,185</b>	<b>-3,584</b>	<b>18,122</b>	<b>19,647</b>	<b>88%</b>

Produced Capital is represented in billions of BRL in accordance with the financial statement:

● Positive  
● Negative

The Produced Capital refers to the business operations and assets traditionally expressed in the financial statements (in terms of revenue and profit, for example). It is not part of the scope of the IP&L, but it is comparable in dimension and result.

# *Results per* **capital**

## 04

This chapter presents the IP&L performance in each of its three dimensions, with cases that illustrate how this tool enables better comprehension of the business and, consequently, the advance of Natura's sustainability and regeneration strategy. To facilitate understanding, each initiative has been related to the capital most immediately associated with it, but it should be noted that there are points of intersection and dependency between them. As a simple example: air and soil quality (Natural Capital) interferes directly in the health indicators of an individual (Human Capital).

Although the company has the conservation and regeneration of biodiversity as a non-negotiable value, with recognized initiatives to keep the forest standing and to use renewable materials, from the perspective of the IP&L, Natura is also a company with a robust social impact.

*Known for having*  
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**robust social impact**

# Natural Capital

Based on the methodological updates and the expansion of the scope of the IP&L, the impact categories related to the ecosystems were reclassified and the interpretation of the effects generated for Natural Capital was refined. With this scope, the net value of the impact of Natura activities on Natural Capital is negative (-BRL 3.6 billion in 2022).

In Natural Capital, the negative effect is due to the use and end of life phases of products. These involve the use of water and energy

by the consumer, as well as the waste generated by the products and their packaging. The positive contributions to Natural Capital include the investment in the supplier communities, particularly in the Amazon region, protecting the forest, and the investments in carbon credits that offset Natura's GHG emissions and, in parallel, generate additional socio-environmental benefits.

## *Protection of ecosystems*

The IP&L demonstrates that Natura's contribution to the conservation of 2 million hectares of forest, through its relations with agro-extractivist communities, generates BRL 40 million in positive impact on the conservation of ecosystems. Similarly, the benefit sharing model by which communities are remunerated for the use of forest resources, reallocates part of the money paid in forest conservation projects in a virtuous cycle that protects and regenerates these ecosystems. On this front, the net positive impact generated is BRL 42.2 million.

Meanwhile, the carbon offsetting projects that neutralize Natura emissions generate a positive impact of around BRL 488.5 million for the protection of ecosystems.



This is the result of the valuation of the ecosystem services rendered, for example, by forest areas linked with Reducing Emissions from Deforestation and Forest Degradation (REDD+) projects<sup>7</sup>. The benefits generated by reforestation programs supported by the company, dedicated to reclaiming degraded pasture land, help to make up the number, among other initiatives.

The comprehension of the negative impact generated on Natural Capital is an incentive to transform socio-environmental challenges into business opportunities, prioritizing projects that ally profitability with positive impact on nature (an example being the Palm AFS, an agroforestry system that combines the cultivation of palm with native Amazonian species and originates the palm olein used in the Biôme line of bar cosmetic products).

## Circularity

Essentially aligned with Natura principles and values, the circular economy is a broad concept: it involves the integration of economic activities aimed at optimizing the use of resources in order to keep diverse materials circulating within the economy thus generating less disposal and, consequently, lower environmental impact and less need to generate waste and dejects.

In the plastics chain, the cycle is especially sensitive and complex. For Natura, it is the major agent of negative impact in the IP&L calculation. To mitigate this, in 2017 the Natura Elos program was created. Today this involves the Natura &Co Latin America operations and is responsible for developing the Natura packaging recycling chain, reducing the impact of packaging on the environment while increasing the percentage of post-consumer recycled material in new packaging. To do this, a connection was created between the company operations,

packaging manufacturers, recycling cooperatives and recycling industries.

In 2022, approximately 15,000 tons of plastic, paper and glass was returned to the Natura production process, which contributed directly to an increase in income for 47 waste picker cooperatives. Since 2019, the company has promoted the collection of plastic waste in the forest together with riverside communities in Amazonas and Pará. In 2022, the Rios Vivos project (part of Natura Elos) collected 14.1 tons of plastic in ten communities, generating a net positive impact of approximately BRL 600,000.

Together with other companies in the sector, Natura has financed a wide-ranging packaging reverse logistics program, which currently works with 188 recyclable material waste picker cooperatives all over Brazil. This is the Mãos Pro Futuro program, an initiative by the CFT industry association Abihpec (Associação Brasileira da Indústria de Higiene Pessoal, Perfumaria e Cosméticos), which Natura joined in 2016. In 2022, these reverse logistics measures contributed to a positive impact of BRL 287 million in the IP&L.

<sup>7</sup> An example of REDD+ is the partnership between Natura and the Reca cooperative (Cooperativa de Reflorestamento Econômico Consorciado e Adensado), located in an area between Acre, Amazonas and Rondônia. This is the first insetting project in Brazil. It involves voluntary payment for compensating carbon in the supply chain, called Circular Carbon, which remunerates family smallholders not only for the purchase of ingredients and benefit sharing, but also for the environmental service they render in conserving the forest. Accordingly, in addition to the benefit of offsetting carbon emissions, the project helps to contain deforestation in the Amazon and encourages family agricultural producers to conserve local vegetation.

# Social Capital

In 2022, Social Capital generated a net positive impact of BRL 18.1 billion in Natura's IP&L. The balance was influenced by factors such as an increase in tax payments, the dominant variable in this dimension - which is natural for a large company. Considering the Natura business model, in this section it is worth noting that benefit sharing with agro-extractivist communities is one of the most emblematic examples of activities with stakeholders, which also contributed to the result, with a positive impact of BRL 132.6 million.

## *Benefit sharing in the Amazon*

The purpose of benefit sharing is to reinforce the sustainable use of biodiversity and to combat biopiracy. Brazil was a pioneer in implementing a law in this area, MP 2186-16/2001, and Natura was the first company in the world to execute it in alignment with the Convention on Biological Diversity (CBD), in 2004. The company's pioneering stance contributed towards the promulgation of Brazil's law on access to genetic heritage and associated traditional knowledge (law 13.123/2015), responsible for the implementation of an environmental conservation model aligned with socio-economic development.

# Human Capital

In 2022, Natura generated BRL 19.6 billion in positive impact in Human Capital, represented mainly by the consultant network, a contingent of over 4 million people and, on a smaller scale, by the company's 16,000 employees and the more than 10,600 families in the supplier communities in Latin America. Ahead, we will present initiatives related to the activity of direct selling.

## Consultants

The direct selling, or Relationship Selling, model is a powerful tool for generating value for Natura. The actions aimed at the Beauty Consultants who commercialize the company's products represent a net positive result of BRL 9.5 billion – a significant BRL 5.2 billion increase compared with 2021. Among the consultants most engaged with the brand in Brazil, that is, at more advanced stages of relationship with Natura in the country, the net positive impact was highly significant: BRL 16.4 billion (compared with BRL 8.4 billion in 2021). Among the consultants at initial stages of relationship with the company, the impact is still negative.

Consultant income in Brazil grew 17.9% in the period, driven especially by those at a more advanced level of relationship (in this group, there was also a reduction in delinquency). The positive data also reflect the update in the 2021 baseline mentioned previously, the calculation of the consultants' income per hour was enhanced, with new elements added to the measurement, for example the income they received via e-commerce in Brazil.

The percentage of consultants with earnings higher than the level of a living income also grew, reaching 55.4% in Brazil among the more advanced level consultants. In the Hispanic American countries, these results were negatively impacted by the inflation rate in the last year, especially in Argentina. To address this situation, training of the network in these geographies had to be intensified.

While generating opportunities for social ascension through the sale of cosmetics, Beauty Consulting (which during the course of 2023 has seen the progressive integration of the former Avon Beauty Representatives) also drives broader benefits. Upon starting a relationship with Natura, the consultant has access to professional training, education and an important social support framework, ranging from promoting women's health to protection against racial and gender violence.

The Instituto Natura<sup>8</sup>, a non-profit organization engaged in transforming

education, also supports initiatives aimed at the consultants, contributing to their social ascension and quality of life. In Brazil, 154,000 of the consultants have already accessed some type of benefit or educational opportunity, such as courses on financial education, digital literacy and citizenship, as well as partnerships in higher education, language, technical and preparatory courses.

The positive impact of the Instituto Natura, considered in the IP&L, was BRL 2.3 billion in 2022. This increased compared with 2021 thanks to the indicators of the courses on literacy and the conclusion of primary education, both those for consultants and for the schools supported by the initiative. In this period, the institute's SROI reached 1:44.2 (compared with 1:32.8 in 2021).

As may be seen from these changes, the IP&L enables us to assess the impact of the direct selling model on the consultants' lives, measuring not only the income generated by product sales, but also the overall contribution to increased quality of life.

<sup>8</sup> The Instituto Natura works together with different societal sectors to guarantee quality education for all children and young people, as well as for the Beauty Consultants. The institute's activities revolve around three major pillars: 1) Support for the implementation of public education policies; 2) Articulation of priority education agendas; and 3) Education and mobilization for the Beauty Consultants. The funds invested come from the proceeds of the Crer Para Ver line of non-cosmetic products. Just like the company, the consultants donate 100% of their profit from the sale, which is invested in educational initiatives. In 2022, 4,800 schools and some 2.7 million students benefited from these initiatives in the Hispanic American countries, one thousand schools and 168,000 students benefited.

# *Learnings and future* outlook

## 05

Natura has progressed in the dissemination of its IP&L, mainly in accounting and finance forums, because the company believes that by sharing this tool with diverse actors, it will contribute to an ever more integrated and transparent view of financial, environmental, and social data by businesses and investors.

The Emana Pay (former &Co Pay) payment platform, which provides financial services for the consultants, should evolve with a view to increasing the income and the productivity of these female entrepreneurs. The measures include incentives to adopt the platform, the optimization of individualized promotions and the improved offer of credit aimed at reducing delinquency (contributing to improved positive impact on the Human Capital front). The current functionalities of the platform include a digital account, payment and credit services.

The targeted advances are to include an ethnic-racial bias in the Human Capital result, based on self-declaration on the part of the consultants and employees.

The IP&L has played a fundamental role in developing and accelerating the integration of the Natura and Avon businesses in the Natura &Co Latin America business unit. An important milestone is the inclusion of the IP&L in the "Regeneration" pillar of the Commitment to Life, the Natura &Co group Vision 2030, whose revised targets were presented in September 2023. The goal was to formalize the pursuit of a net revenue to positive impact ratio of 1:4 (that is, for each US\$ 1 in revenue, Natura &Co Latin America is committed to generating US\$ 4 in positive impact).

## IP&L and regeneration

To drive regeneration and ensure qualitative growth, Natura is enhancing its sustainability vision. The company is embracing a new era with the IP&L as a core element of governance, that will not only guide the company's operations in harmony with the established metrics, but will also capture competitive advantages and other indicators of economic value. This approach, aligned with short-term business goals, is grounded in the innovation and the boldness necessary to blaze the trail to regeneration.

Being a regenerative company, for Natura, goes beyond being "sustainable": it involves restoring and revitalizing sources of energy, networks and materials. Such actions are fundamental for strengthening

the health of the systems on which human life depends and are attuned with the company's purpose of promoting its Reason for Being, "well being well".

At the core of the IP&L, the company has reformulated its model to include Social and Human Capitals, as well as Natural Capital, using a single metric that reflects changes in quality of life. This metric enables quantification of the value generated for the well-being of society and the environment. The final value of the IP&L mirrors the commitment to promote a better life, considering all its dimensions, and significantly boosts comprehension of the business and its consequences, which permits the identification with ever more consistent opportunities to concretely pursue the common good.

The IP&L establishes a methodology to calculate, consolidate data and analyze impacts, aimed at building the organization's efforts to bring about regeneration. It is our aspiration to substantially reduce negative impacts in each indicator and promote the restoration of the capitals by means of three main levers:

- Change in the mental model, integrating the environmental, social, human and economic perspectives of the business.
- Boost the attractiveness of the impact valuation project, stimulating the active participation of our employees. A regenerative business is defined by its total value chain, and this comprehension should permeate all the links of this chain.
- Alignment of the initiatives with the company's regeneration goals, aimed at creating a net positive impact in each indicator, rejecting the idea that negative impacts in one capital may be compensated in another.

Summarizing, for Natura regenerative capitalism means generating a net positive impact in all the capitals – Produced (economic), Natural, Social and Human (the latter three measured by the IP&L) – with the objective of reducing the gaps between planetary and social limits in a sustainable and self-regulated manner.

Natura is pleased to  
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