

natura



iP&L

2023
Integral Impact
Report
Integrated
Profit & Loss

Context of an impact economy

Natura is the Natura &Co group business unit responsible for the global management of Natura and for the Latin American operations of Avon and The Body Shop (the latter as master franchisee). The unit is the regional leader in the cosmetics and beauty products, hygiene and personal care segment, accounting for 76.5% of the Natura &Co Group net revenue in 2023.

At the end of 2023, Natura had a 14,500 strong work force, with operations in 14 countries in Latin America and an omnichannel model that promotes relationship selling with a network of 3.5 million Beauty Consultants, as well as more than 1,000 company-owned stores and franchises and the e-commerce operation. The Natura brand is known for its sustainability-related investments and commitments and its activities in the Amazon. In 2014, it was the first publicly traded company to receive B Corp certification from B Lab, which indicates an engagement in business that balances profit with purpose. Since 2019, Natura has been complemented by the

power of the Avon brand, the global pioneer in direct selling and a benchmark in women's empowerment.

The result of this Integral Impact Report, relative to 2023, was marked by the traction of the integration of the two companies, Natura and Avon, and for the first time considers the impacts of Avon on the integrated countries. Information on The Body Shop was not included since it is not part of this movement. The work mostly involved the Sustainability and Finance areas but also involved all other company areas. This report follows the same frequency as the Natura &Co financial report and the [Natura &Co Integrated Report](#).

The final goal of this document is to investigate the full value of a business and explore how this value can drive a new era of corporate responsibility that harmonizes business success with the health of the planet and the well-being of the community.

Impact assessment strategies to promote well-being

Conceptually, well-being is a conscious state in which actions, choices and lifestyles culminate in full health.

It is multicultural and involves multiple dimensions that contribute to longevity and quality of life. Although evidently this idea does not belong in the field of the exact sciences, there are methodologies to measure it, such as the widely used DALY/QALY¹ units.

¹ Disability or Quality Adjusted Life Years (DALY/QALY) are units that measure the change in quality of life during a period of time (in equivalent years). They are frequently used in decisions on public policies, research and other fields. The indicators have been mainly promoted by the World Health Organization and the scientific journal The Lancet.

Natura translates its commitment to well-being by means of its Reason for Being, well-being/being well, that promotes "the empathetic, successful, pleasurable relationship of the individual with others, with nature and with the world". In this way, it seeks to create value for the world with financial results allied with the generation of well-being, the most important societal impact. This term refers to the effects on the structure and functioning of society as a whole, not just on individual groups or specific social questions, with a view to providing an integrated vision aimed at regeneration.

Faced with current challenges related especially to climate change and social inequality, Natura, oriented by the Reason for Being of its original brand, seeks not only to address adversities and ensure the maintenance of existing resources, but to drive an impact that transcends mitigation and compensation.

This is why today regeneration is addressed by the company as a strategy in itself and not

just a support for sustainability. This model of thought arises naturally from well-being/being well and, based on the premise that mankind and nature are one single thing, is more up-to-date than ever. Internally, the systemic thinking promoted by the iP&L is used to guide decision making in the strategic and tactical management of the company to ensure investments that enable business growth based on the growing generation of socio-economic results.

Why valuation

For the company's activities aimed at positive socioenvironmental impact to be accounted for, as already happens widely with finance (measured by revenue, profit, etc.), in 2022 Natura published its first Integrated Profit & Loss (iP&L), the result of more than 10 years of experience in the valuation of impacts.

This is an impact valuation tool that measures a company's value generation for society, for nature and for the business itself in monetary terms. For the context of Natura's history in impact valuation and its results you can also access the [previous edition of this report](#).

The iP&L impact valuation tool attributes socio-economic value to the positive and negative impacts generated by a business (frequently called "externalities") on three types of capital: Natural, Social and Human. This set of guidelines was systematized by the Capitals Coalition, a global platform comprising companies, governments and other actors dedicated to placing nature and people at the core of decision making based on a multiple capital accounting system.

By integrating the financial, social and environmental aspects of business performance, the iP&L permits better understanding of risks and opportunities and develops mechanisms for mitigating negative impacts and maximizing positive ones. This includes not only the direct and indirect costs related to the operation, but also the socioenvironmental costs and benefits, such as carbon emissions, the use of natural resources, impacts on the relationship network (especially Beauty Consultants, employees and agro-extractivist supplier communities) and the stages of use and disposal of products by the consumer.

The socioenvironmental measurement provided by the iP&L is also aimed at providing the bases for a regenerative economy, that enables not only the reduction of negative impacts, but also the restoration of ecosystems and recovery of communities affected by economic activities. Moreover, this expanded comprehension of the impacts is an instrument of governance that has been widely used in decision making.

well-being being well

The empathetic,
successful,
pleasurable
relationship of the
individual with
others, with nature
and with the world

Operational *summary*

With the integration of Avon into the business model in Brazil, the company's largest market, and in other Hispanic American countries, a complex movement to unify the brands was begun. Even though they shared many values and the same business model (direct selling), there were challenges in integrating processes and operations. Therefore, it was expected initially that this restructuring would be reflected in the consolidated result.

In 2023, the integrated operations generated a net positive impact of BRL 39.5 billion for society, expressed mainly in the Social and Human capitals. The 2023 iP&L result includes the externalities in the Natura and Avon businesses in the countries in which the operations had already been combined (Peru, Colombia and Brazil) and are proportional to the period of complete integration of the brands.

This amount is equivalent to 2.7 times the consolidated net revenue generated by the company (around BRL 20.4 billion, which was adjusted proportionally to the period of complete integration of Natura and Avon

in Peru, Colombia and Brazil and does not consider The Body Shop operation, which explains the discrepancy in absolute amounts). That is, for each BRL 1 in revenue generated by the company, BRL 2.7 is generated in positive socioenvironmental impact.

Accordingly, even though the ratio of 1:2.7 is equivalent to the 2022 result (which only includes Natura), this first iP&L reflecting the integrated operations reaffirms the success of the process and the company's potential to generate positive socioenvironmental impact in addition to its financial result.

In 2023, as part of the Latin American business unit's public commitment to sustainability, the Commitment to Life, we launched an iP&L target of generating a positive socioenvironmental impact 4 times the related revenue by 2030 (BRL 4 for each BRL 1 in revenue).

The 2023 iP&L results are presented ahead, segmented by the activities in the company's value chain.

In 2023, our
socioenvironmental
impact was 2.7 times
the related revenue

Goal: achieve 4 times
socioenvironmental
impact by 2030

In Human Capital, worthy of note is the increase in the productivity of the Beauty Consultants after the inclusion of the Avon base, and the increase in the benefit basket for employees, be it through higher investment in food and transport, through the increase in the bonus linked to business performance or by the integration of positive impacts by Avon employees.

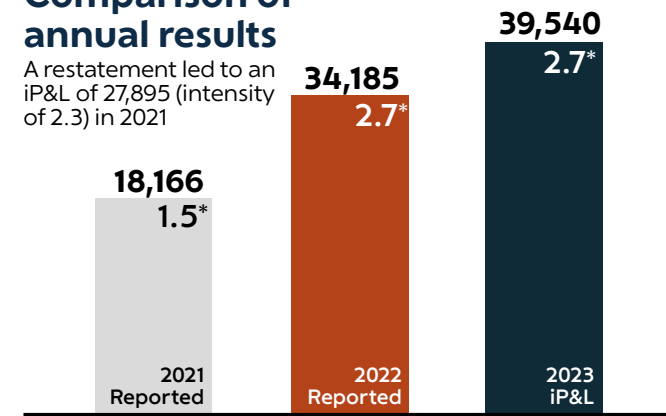
Also noteworthy is the allocation of funds by the Natura Institute², which works with strengthening public education in the Latin American countries and in education for the Beauty Consultants, which made a significant contribution to the increase in positive impact, especially with the inclusion of the results from Hispanic countries, such as Peru and Colombia.

In Social Capital, the result was driven by the robust performance of the Natura brand, mainly in Brazil, as well as the inclusion of the Avon portion proportional to the integration of the brands in Brazil, Colombia and Peru and the increase in direct taxes paid in Brazil based on the sale of Aesop and The Body Shop in 2023.

In spite of the negative result in Natural Capital one of our greatest strengths in mitigation is our activities in the protection of ecosystems, mainly through the Amazon Programme –which promotes innovation and technological development in the region and adds value to sustainable local production–as well as Natura's Carbon Neutral program and reverse logistics initiatives.

Comparison of annual results

A restatement led to an iP&L of 27,895 (intensity of 2.3) in 2021



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

Valuation of impact by category

Consolidated iP&L results based on activities and processes

iP&L Results (in BRL million)	2023	Natural Capital	Social Capital	Human Capital	2023 SROI*
Consultants - higher levels	19,581	-	-	19,581	-
Taxes (sales and corporate)	20,626	-	20,626	-	-
Supply chain	-6,336	-9,540	352	2,852	-
Direct operations	4,628	-201	741	4,087	-
Natura Institute	6,202	-	1,571	4,632	72.7
Carbon credits	2,334	1,588	307	438	121.8
Supplier communities (incl. Amazon)	613	53	488	73	13.0
Social Support	65	-	-	65	4.2
Product use phase + end of life	392	-4,171	4,554	9	-
Consultants - lower levels	-8,566	-	-	-8,566	-
Total	39,540	-12,271	28,639	23,171	2.7**

* 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.

² In 2023, around 3.7 million students in 5,700 schools in Brazil and 350,000 consultants benefited from investments of some BRL 50 million.

2023 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 2022
	Produced Capital	Total	Natural Capital	Social Capital	Human Capital	
Gross revenue	●●●●●●	11,596	-4,171	4,554	11,213	50%
Beauty Consultants		11,204	-	-	11,204	10%
Products: use and end of life phases		392	-4,171	4,554	9	-116%
Taxes	●○○○○○	20,626	-	20,626	-	47%
Net revenue	●●●●○○	32,222	-4,171	25,180	11,213	48%
Cost of merchandise	●○○○○○	1,109	-191	160	1,138	-40%
Direct operations		1,036	-191	160	1,065	111%
Agro-extractivist communities		73	-	-	73	-95%
Gross profit	●●●○○○	33,331	-4,362	25,340	12,351	41%
Expenses	●●○○○○	6,209	-7,909	3,297	10,821	41%
Sales, marketing and logistics	●●○○○○	-4,645	-9,540	639	4,256	-239%
Direct operations		1,879	-	287	1,592	49%
Suppliers		-6,336	-9,540	352	2,852	-329%
Beauty Consultants		-188	-	-	-188	-72%
General and administrative	●○○○○○	4,652	1,632	1,087	1,933	-5%
Direct operations and social support		1,777	-10	293	1,495	25%
Agro-extractivist communities		540	53	488	0	-76%
Carbon credits		2,334	1,588	307	438	90%
Other operating expenses	○○○○○○	6,202	-	1,571	4,632	169%
Natura Institute		6,202	-	1,571	4,632	169%
Depreciation and amortization	○○○○○○	-	-	-	-	-
EBITDA	●○○○○○	39,540	-12,271	28,639	23,171	88%

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

● Positive
● Negative

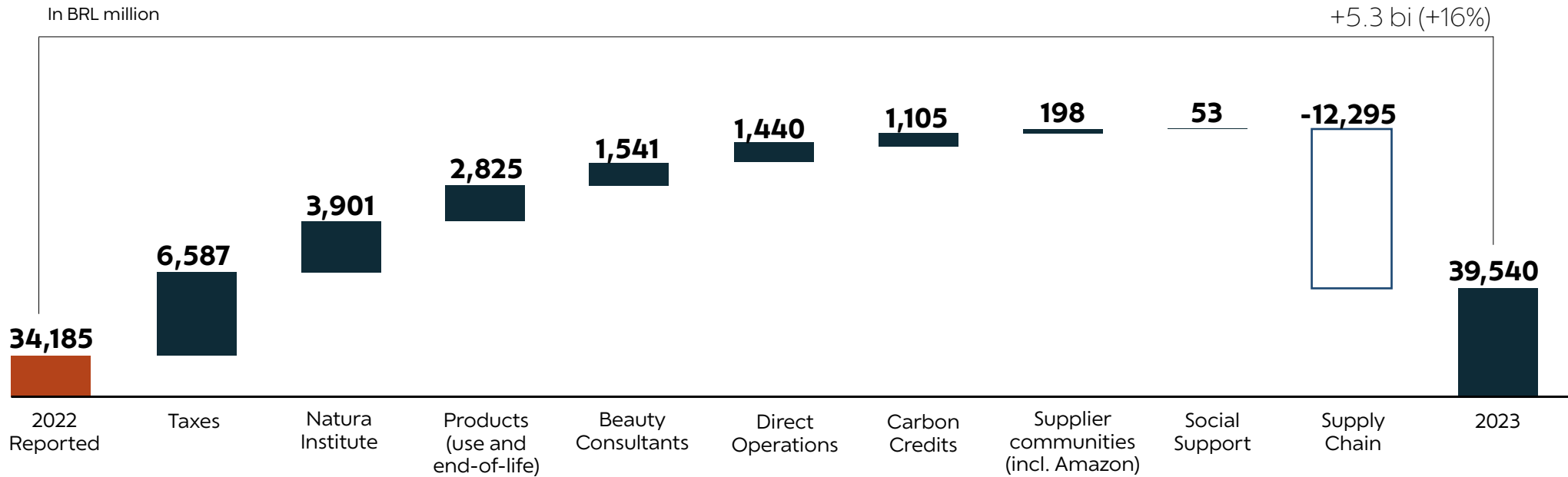
The Produced Capital refers to the business operations and assets traditionally expressed in the financial statements (in terms of revenue and profit, for example). It is not part of the scope of the iP&L, but it is comparable in dimension and result.

Operational performance: *an integrated vision*

Contribution to integral impact

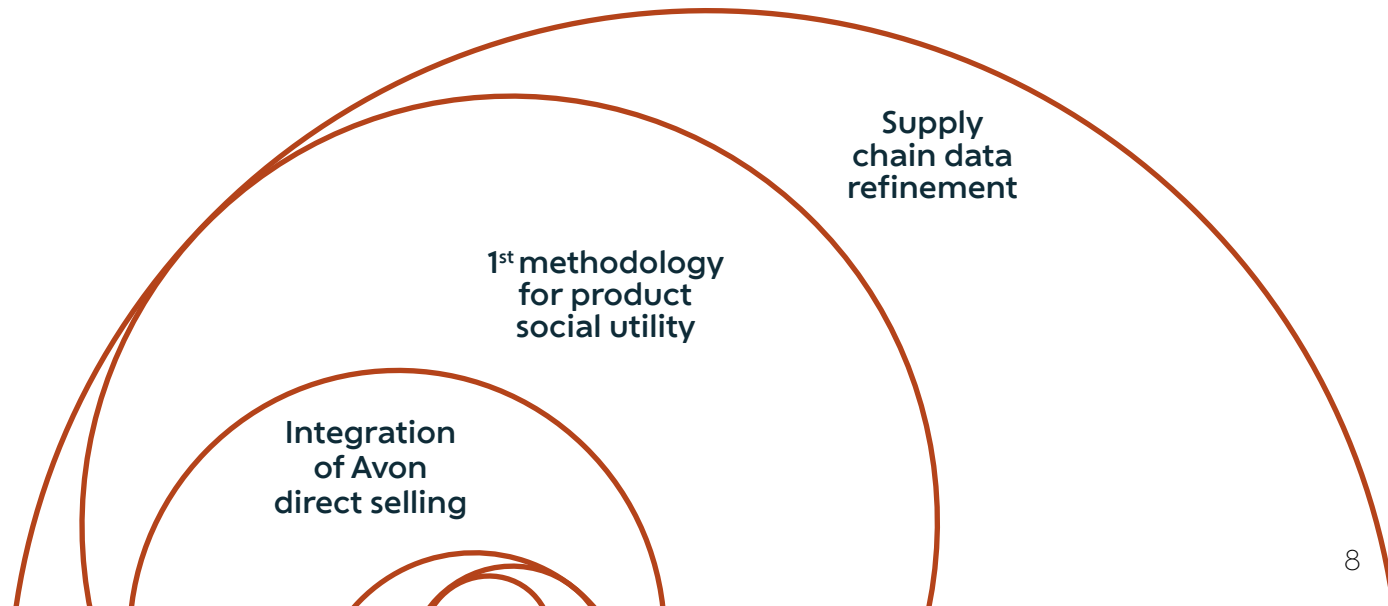
Variations by category (2022-2023), considering new methodology

In BRL million



Methodology main updates

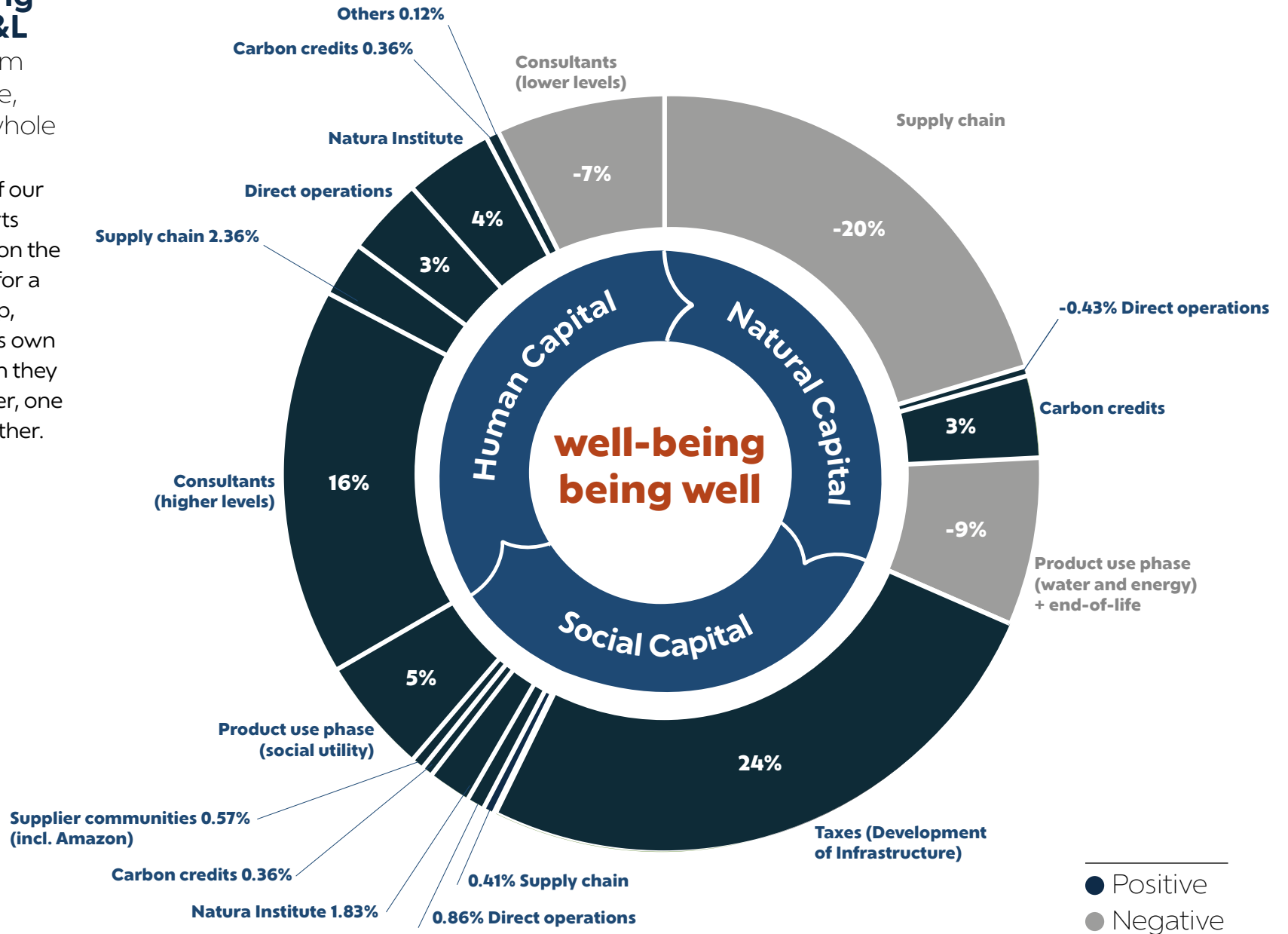
Since it is a live, innovative tool, the iP&L is submitted to constant readjustments and evolutions in parameters, calculations and scope, with a view to producing a standardized accounting tool in the future. These changes are aimed at elevating the accuracy of the tool. In 2023, the three dimensions were refined, as described ahead.



Systems-thinking through the iP&L

Each dimension, from a unique perspective, contributes to the whole

A detailed breakdown of our impact hotspots supports decision-making to act on the main priorities. Aiming for a win-win-win relationship, each capital stock has its own autonomy, and although they reverberate in each other, one should not "offset" the other.



Natural Capital

The Natural Capital is related to the natural resources that provide benefits for a chain without any modification by human action. This set comprises the value stocks (examples being forests, water resources, soils) and the flows produced by them necessary to maintain life, such as the provision of food and raw materials and climate regulation.

Given the fact that industries consume natural resources to manufacture, transport and commercialize their products—simply to exist—the impact on Natural Capital will always be negative for any transformation industry. This is why Natura focuses on mitigating impacts and generating positive externalities, such as its Carbon Neutral program³, launched in 2007, and its reverse logistics, ecosystem and biodiversity protection initiatives. Now unified, the assessment of Natura and Avon impacts on Natural Capital is conducted based on an extensive inventory of activities (upstream, midstream, downstream), updated to cover scope 1, 2 and 3 greenhouse gas emissions, as established by the GHG Protocol.

In addition to carbon emissions and their direct impact on climate change, the company also accounts for another 16 impacts in alignment with ReCiPe methodology. These are broken down into five categories—use of water, use of land, use of resources, air pollution and water pollution—caused by the direct operations, by the acquisition of raw materials, the consumption of energy, transportation and distribution, down to product use by the consumer.

The valuation factors for the Natural Capital may be addressed in two main ways:

- 1. direct effects on health/change in well-being:** air pollution indicators, formation of particulate material, decrease in the ozone layer etc.
- 2. economic results/change in well-being:** use of water, use of land etc.

In 2023, the iP&L result in Natural Capital was a negative value of BRL 12.2 billion impacted

in large part by the inclusion of the Avon indicators, in particular those related to the supply chain and the disposal of materials.

With the integration of Avon into the iP&L model, it was necessary to make adjustments to enable the joint modeling, taking into account the particularities of the companies.

Regarding adjustments in methodology, we improved the appropriation of the output data (which may be translated as "production", "delivery" or "activity") relative to each product sold. The assessment methodology for these indicators was altered after adhering to one of the most highly considered market bases, WifOR Institute for the input-output model to complement the Ecoinvent base, which provides the greatest degree of granularity possible in tracking supply chains, generating a consistent impact metric.

³ In 2023, Natura invested around BRL 15 million in carbon offsetting projects, including payment for environmental services rendered by local communities, as well as regenerative agricultural systems resilient to climate change (agriculture and livestock, sustainable extractivism and agroforestry systems).

Social Capital

The Social Capital dimension is related to the relationship networks, institutions, standards and values that shape the quality and quantity of social relations and the interactions between people. It includes fundamental aspects for the effective functioning of any group or society, such as reliability, cooperation and community associations. These social elements may be generated and invested (in the form of taxes, for example).

The impact generated by Natura on Social Capital was a positive figure of approximately BRL 28.6 billion. In the company, this dimension involves the sharing of benefits⁴, community development, infrastructure development and the contribution to society through the payment of salaries and taxes. The company has also sought to understand the impact generated by the use of its products on the well-being of consumers in different dimensions, such as hygiene, health, social integration, comfort and entertainment, among others. This affords greater understanding for the R&D areas to enable

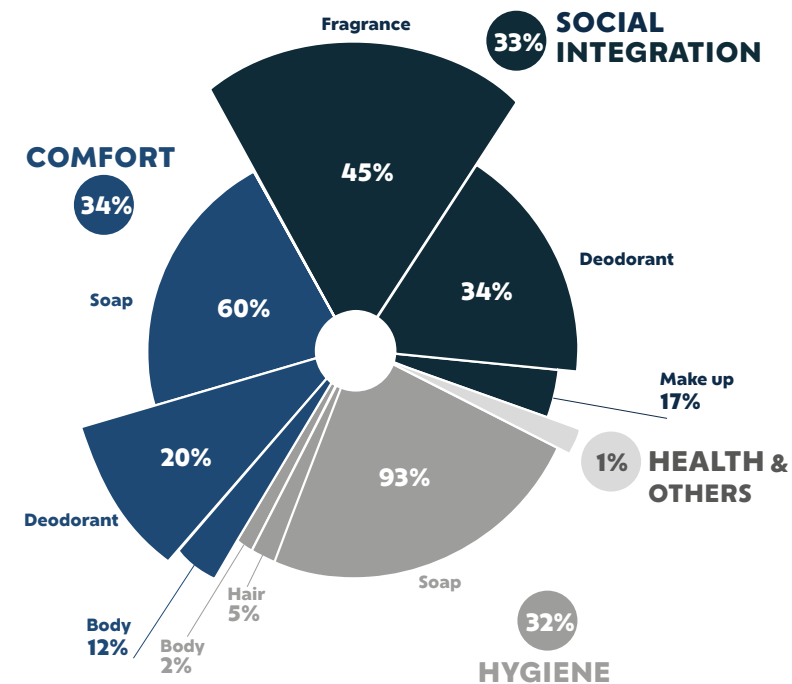
product launches incorporating positive social impacts balanced against the lowest possible natural impact. To conduct this valuation, it is necessary to consider:

- The number of uses of each product sold (output)
- Indications that the needs of the target public are being met, normally measured by primary and secondary data and statistics (outcome)
- Changes in quality of life over a determined period using the QALY unit (valuation factor)
- A multiplier, in %, that reflects the extent to which the measured impact is occurring in reality or the risk of it not occurring as expected (additivity)

In this iP&L, an exercise was begun to value well-being in Social Capital by product category, by means of collaboration between the Sustainability and the Well-Being Sciences (area belonging to R&D) teams and the consultancy Valuing Impact (further information at the side).

Natura products' social utility

The impact is distributed into three primary dimensions: Comfort, Social Integration, and Hygiene



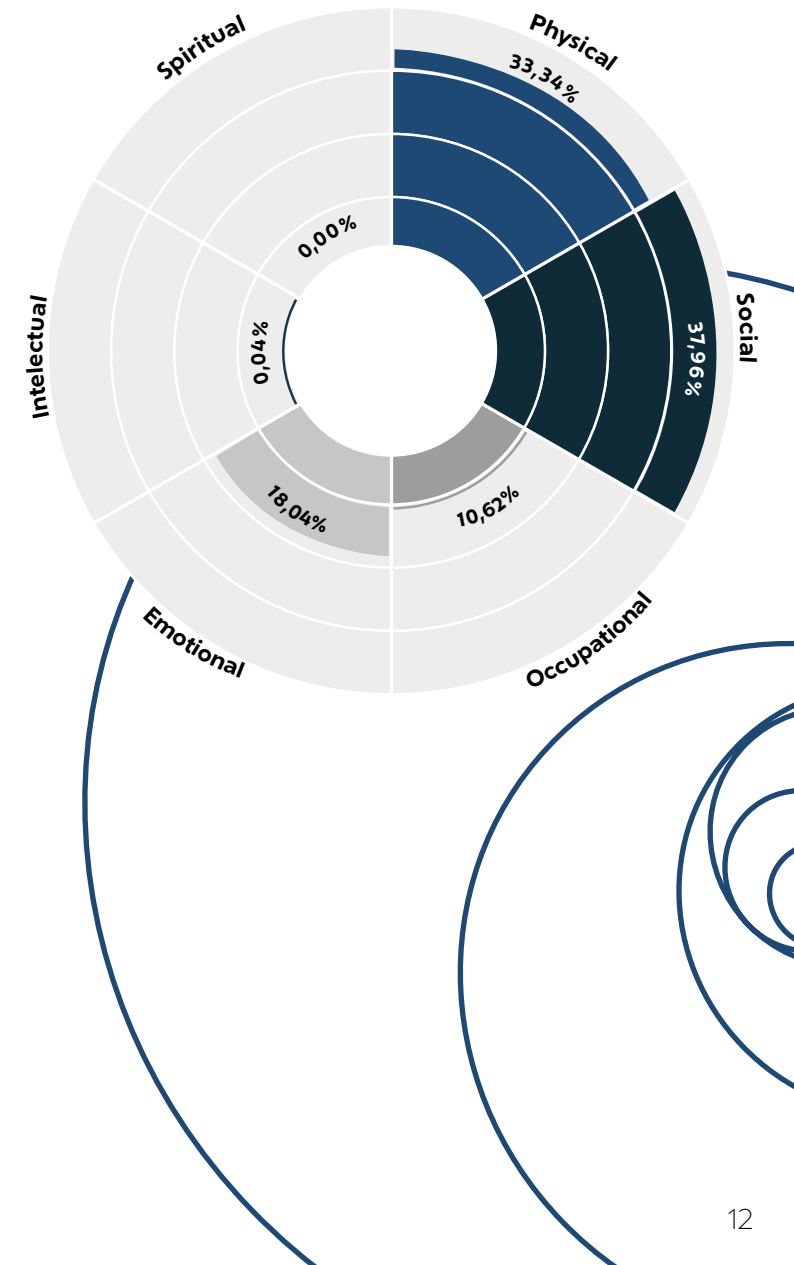
⁴ Benefit sharing is the division of wealth with agro-extractivist communities from the use of finished products or raw materials developed based on access to genetic heritage or the associated traditional knowledge.

Products and well-being: an innovative vision

With an unprecedented methodology, the Sustainability and Well-being Sciences teams initiated the consolidation of data and parameters that translate the well-being delivered by the use of the company's products, from the standpoint of the delivery of the benefits desired for the consumers. The concept of well-being used as a driver and applied in research platforms for R&D into new products and technologies is based on definitions from the National Wellness Institute and the Global Wellness Institute.

Personal and community well-being are considered to be fundamental dimensions, assessed by the Well-Being Sciences team. Using

a direct approach and a mandala of categories, the well-being dimensions are selected according to the product requirements, such as skin cleansing, hydration, physical comfort, convenience etc. The model can be replicated in all the main categories (Body, Fragrance, Makeup etc.), attributing to each sub-category (body moisturizer, deodorant, lipstick etc.) a utility for more than one dimension. Although projected for the assessment of the brand's core products, it should be noted that the model can be replicated and adapted for any sector of the transformation industry, it only being necessary to ensure the existence of an impact pathway that attributes the needs of a determined product to a dimension of well-being.



Human Capital

This dimension refers to an individual's production capacity and potential for development. The concept encompasses fundamental aspects of a person's performance and contribution to the community, such as formal education, life experience, skills acquired and physical and mental health.

The audiences most impacted by the company are the employees and the Beauty Consultants. The main parameter used to calculate this impact is the living wage. Calculated by the Wage Indicator Foundation, the indicator is aligned with the UN Sustainable Development Goals (SDGs) and reflects the minimum income necessary for a person and their family to meet their basic needs—food, rent, healthcare, education, clothing, transport and savings—and varies in accordance with the location (frequently exceeding the minimum wage in a location). In the case of the consultants, the amount is calculated proportionally to the average time in hours dedicated to consulting.

In relation to this capital, the positive impact generated by the company in 2023 was around BRL 23.2 billion, driven in great part by the improved productivity of the Beauty Consultants, as mentioned previously. In this period, the

average income per hour was BRL 8.6, accounted for both in the countries in which the operation had already been combined and those in which this had not yet happened (for example, Argentina). This is an increase of 16.4% over 2022 (when only the Natura brand was considered). It may be noted that the performance was better in the integrated countries, in particular in Peru, which has a more stabilized consultant base.

In Brazil, income showed an annual increase of 5.3% over 2022, worthy of note being the result up to the 3rd quarter, with growth of 13.3% compared with the same period of the previous year. This increase is the direct result of the company strategy to increase Beauty Consultant productivity. In the 4th quarter, the integration of the Avon Consultants elevated the base by 55.3%, reaching 1.7 million people working in direct selling. This led to an expected drop in income per hour compared with 2022 (-8%), given that the exclusive Avon consultants were known to have lower productivity than the Natura ones before the combination of the business model.

From the perspective of the iP&L, the positive result in income in the first half was mitigated by the increase in the amount of the living wage,

far higher than inflation, after methodological changes undertaken by the Wage Indicator Foundation. From the second half, there was a recovery driven by the increase in the consultant base, by the maintenance of the growth in productivity and by the equalization of the living wage parameter.

Another driver of positive impact in human capital is the social contributions made by the Natura Institute in the Hispanic countries, driving the result in this dimension, with more than 800,000 students impacted, underscoring that it is the first time the region has been considered in the iP&L. In the Natura Institute Brazil it is interesting to note that there was a small reduction in Natura's direct impact, in spite of the increase in the number of students benefited. This change is attributed to the greater involvement of other partners and the government in education, reflecting an evolution in collaboration for the development of education. In the context of Brazil, where educational partnerships and investments are more consolidated, this redistribution indicates maturity and collaboration in the area. As a result, over 3.7 million students were impacted, demonstrating more efficient allocation of the resources available.

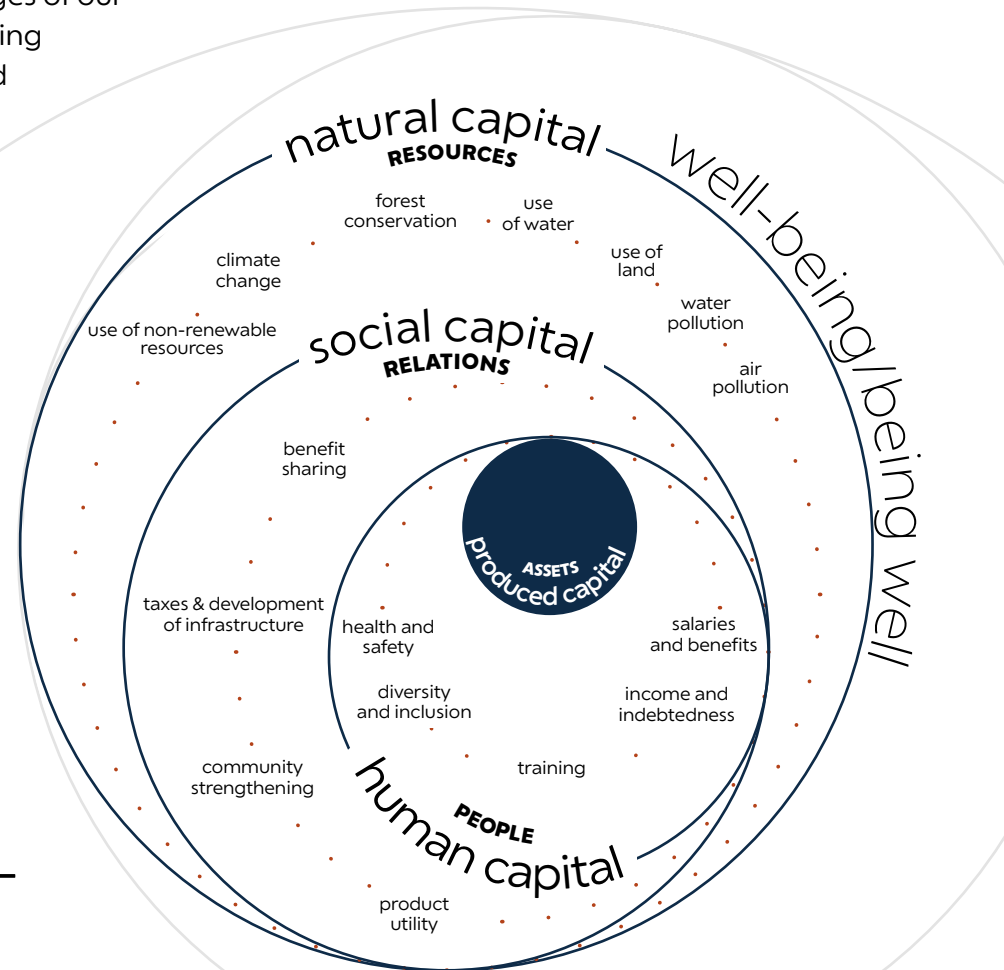
Outlook for the future of valuation

The iP&L is born from the company's constant pursuit of a complete vision of the business that enables it to orientate strategy towards positive impact and regenerative capitalism in a relevant, consistent and comparable manner. To do this, it is supported by a disruptive, industry leading model with which it may contribute and invite other agents to adopt a similar integrated perspective to their businesses and externalities. In the same way that the Avon indicators were included in the result of this year, in 2024 it is expected that data related to the Avon Institute causes, in the areas of women's health and gender violence, will be incorporated. In 2023, the integration of the Natura and Avon institutes in Brazil and the Avon foundations in Latin America was initiated.

As is the nature of innovative solutions, the iP&L is evolving continually. One of the most important factors in this edition was the proposal of a broader, more systematic vision of the relationship between product use and the generation of well-being to provide further inputs for the company's sustainability and regeneration strategies and to initiate a

key discussion on the effects of consumption. Efforts such as these synthesize the commitment to generate transparent and measurable impact, helping to establish the iP&L as a fundamental governance tool to address the major challenges of our times. It is also a means of conveying that caring about relationships and the world is the authentic manifestation of our purpose.

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