

Basis of preparation

*Natura &Co
Latin America
Annual Report
2021*

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Basis of preparation

Natura &Co Latin America 2021 Integrated Report

1. Introduction

The Basis of preparation of the 2021 Integrated Report of Natura &Co Latin America, a business unit of Natura &Co Holding S.A., constitutes a complement to the assurance process conducted by PwC Brasil with a view to facilitating comprehension of the limitations and the premises adopted in the indicators that make up this publication.

Natura &Co is present in 18 countries in Latin America. Its operations are concentrated especially in the cosmetics and hygiene area and are represented by the Natura, Avon, The Body Shop and Aesop brands.

This report is in accordance with the Global Reporting Initiative (GRI) - Universal Standards 2021 guidelines, as well as the guidelines of The Value Reporting Foundation (VRF), including the Integrated Reporting framework and the SASB indicators.

It also portrays the main performance highlights and the initiatives that are part of the group's public targets linked with its Commitment to Life (2030 Vision).

Other important references for the publication are international references such as the principles of the United Nations Global Compact, to which the organization is a signatory, and the Sustainable Development Goals (SDGs).

2. Organizational boundaries

The Natura &Co Latin America (Natura &Co Latam) business unit comprises the Natura business in all its geographies, and the representations of Avon, The Body Shop and Aesop in Latin America. The disclosures are presented in consolidated form as a priority. In the event of the unavailability or non-applicability of consolidated information, the scope presented is indicated clearly in the texts and the notes.

Natura &Co Latin America 2021 Integrated Report

3. Accounting information

The financial data in the Natura &Co Latin America 2021 Integrated Report are consolidated for the business unit and, therefore, are limited to the group's four brands in the region: Natura in all its geographies and the Avon, The Body Shop and Aesop operations in Latin America. Meanwhile, the Management Report, published in the March 10, 2022 edition of the newspaper Valor Econômico, reflects the global scope, with annual coverage from January 1 to December 31, 2021. Also as part of the results disclosure process, Natura &Co published an [annual report](#).

The currency used to present the group's financial data is the Real (BRL). Should it be necessary to convert US dollars (US\$) to Reais, the exchange rate used for data relative to 2021 is 1 US\$ = 5.40 BRL. If the data presented has been converted from other currencies, the respective exchange rates used will be given in the footnotes.

4. Reporting systems

The collection of information for the production of the Natura &Co Latin America 2021 Integrated Report involved interviews with business unit leaders and access to internal and public documents. An internal process was also undertaken to collect GRI Universal Standards 2021 and SASB (Household and Personal Products Sector) indicators. The limited assurance process, conducted by PwC Brasil, was based on a sample aligned with the organization's materiality and was complemented by the specifications of each indicator listed below.

Indicator/ Disclosure/ GRI Content ¹	Title	Reporting criteria and premises
2-1 (2021)	Organizational data.	<p>The Natura &Co Latin America business unit is part of the Natura &Co Holding S.A. group, a publicly traded corporation. In Latin America, our brands are present in 18 countries in the region. The company's head office is located in São Paulo, Brazil. Avon is present in 15 countries, ranging from the southern region (Argentina, Chile and Uruguay), through the Andean countries (Colombia, Ecuador and Peru) to Central America and Mexico, with a focus on the relationship selling model.</p> <p>The Body Shop has franchised stores in Brazil, Chile and Mexico, in addition to e-commerce sales. And Aesop has one store in Brazil, as well as an e-commerce model for the country.</p> <p>Natura has direct selling, retail and e-commerce operations in Brazil, Argentina, Chile, Colombia, Peru and Mexico. It also has a store in New York (USA) and another in Paris (France, and e-commerce sales in the two countries – the French operation also undertakes online sales to the other European countries. In Malaysia, the Natura experience via stores, direct selling and e-commerce is undertaken by a franchisee).</p>
2-6 (2021)	Activities, value chain and other business relationships.	<p>Relevant business relationships: all relationships with the stakeholders in the value chain [consumers, consultant and representative network, social biodiversity supplier communities and suppliers]. Significant changes: there is no basis for comparison because this is the first report from the Natura &Co Latin America unit.</p>
2-7 (2021)	Employees.	<p>Employees: refers to labour relationships governed by the Brazilian CLT (Consolidação das Leis do Trabalho) regime and senior management. The term "employees" is equivalent to "colaboradores" in the Portuguese version of the text.</p> <p>The total number reflects the employee base active on December 31, 2021.</p> <p>Natura &Co Latin America considers that there were no significant fluctuations in the number of employees from 2020 to 2021. Total headcount in 2020: 17,057 Total headcount in 2021: 17,672. The percentage variation was 3.61%.</p>
2-8 (2021)	Workers who are not employees.	<p>Workers: comprehends interns and apprentices. The total number reflects the base of workers active on December 31, 2021.</p> <p>There are third-party workers in the Natura &Co Latam operations; however, this type of hiring is exceptional. There are no consolidated data for the number of of third-party workers in this cycle.</p>
2-9 (2021)	Governance structure and composition.	<p>The current Board of Directors has members with a term of office of: up to one year (1); between one and less than three years (5); and equal to three years (7). Further information available in the Reference Form.</p>
2-15 (2021)	Conflicts of interest.	<p>In addition to the practices required by law to avoid situations involving conflicts of interest, we adopt a Policy of Transactions with Related Parties and Management of Conflicts of Interest, approved by the Board of Directors on July 17, 2019. A conflict of interest is understood to be an event or a circumstance in which a Related Party is involved in a determined decision making process, deal or potential transaction in which the party has the power to influence or shape the result of this process and in so doing, ensure some benefit for themselves or for a close family member in detriment of the best interests of the company and/or its subsidiaries. For further information, access the policy here.</p>
2-16 (2021)	Critical concerns.	<p>Critical and priority concerns are considered to be those related to the group's public commitments, in particular the 31 targets in the company's 2030 Vision (Commitment to Life).</p>
2-20 (2021)	Process to determine remuneration.	<p>Base salary is understood to the fixed remuneration (pro-labore or salary) defined for each manager or employee, in accordance with the Manager Remuneration Policy available here. Further information on this topic on pages 79, 90, 171 and 192 of the report.</p>
2-21 (2021)	Annual total compensation ratio.	<p>The full employee headcount and the base salary are considered to calculate the ratio of the highest paid employee to the median salary. The salary increase is not disclosed because it is considered confidential.</p>
2-23 (2021)	Commitments.	<p>The company follows the premises adopted by the United Nations in Principle 15 of the "Rio Declaration on the Environment and Development: "Principle 15 – In order to protect the environment, the precautionary approach shall be widely applied by States according to their capabilities. Where there are threats of serious or irreversible damage, lack of full scientific certainty shall not be used as a reason for postponing cost-effective measures to prevent environmental degradation."</p>
2-27	Compliance with laws and regulations.	<p>In relation to social and environmental sanctions, the company considers five million BRL to be a material amount in accordance with a metric published in the Natura 2020 Annual Report. With the harmonization and integration of the group's brands in Latin America, the amount considered to be material will be reviewed in 2022.</p>

1. The GRI Universal Standards published up to September 2021 were considered.

Indicator/ Disclosure/ GRI Content	Title	Reporting criteria and premises
2-30 (2021)	Collective bargaining agreements.	See detailed definition in disclosure 2-7.
201-1 (2016)	Direct economic value generated and distributed.	The financial data in the 2021 Natura &Co Latin America Integrated Report are consolidated and, therefore, refer to the group's four brands in the region, with the following scope: Natura in all its geographies, and the Avon, The Body Shop and Aesop operations in Latin America.
201-2 (2016)	Financial implications and other risks and opportunities due to climate change.	In 2021, we initiated the development of an extensive project to evolve the manner in which the company manages climate risk, guaranteeing widespread engagement and understanding of senior management as to how climate-related issues could influence the business and the possible financial implications arising from climate effects. Since the study is currently under development, quantitative data with amounts and costs for climate strategy are not available for this cycle.
203-1 (2016)	Investments in infrastructure and services supported.	The indirect economic impacts and the infrastructure investments considered most significant for the Natura &Co Latin America business unit are those set forth in its Business Model, presented on pages 37 and 38 of the report.
203-2 (2016)	Significant indirect economic impacts.	
204-1 (2016)	Proportion of spending on local suppliers.	The communities supplying ingredients from the social biodiversity chain are considered to be local suppliers. Additionally, suppliers with their head office in the same municipality (for Brazilian suppliers) and in the same State (for suppliers from other countries) as the group's manufacturing units are considered to be local suppliers. The calculation of the indicator considers [(total amount spent on local suppliers / total amount paid to suppliers)*100]
205-1 (2016)	Operation assessed for risks related to corruption.	Operations are considered to be the units [office, distribution centres and factories] in Latin America. This indicator also includes commercial operations [contracts] between the group and its suppliers. The company understands corruption to be "any act of offering, promising, providing or authorising, directly or indirectly, any person to give money or other items of value to a civil servant or any individual or company with the intention of obtaining or maintaining any unwarranted advantage". Fraud is understood to be "any act of bad faith with the intention of defrauding or deceiving the organization".
205-2 (2016)	Communication and training about anti-corruption policies.	The indicator reflects the number of employees (see definition in indicator 2-7) communicated and trained during the year of reference [2021]. It also includes communications to business partners, that is, it covers all third-party companies and institutions that have commercial and institutional relations with Natura, whether they are suppliers or organizations the company supports.
205-3 (2016)	Confirmed incidents of corruption and actions taken.	Confirmed cases of corruption are ones that have been investigated by the company or by public authorities and duly defined as substantiated cases of corruption. For the definition of employees and workers, see indicator 2-7.
206-1 (2016)	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices.	Fines and sanctions in excess of BRL 5 million or of medium/high risk to the company's image were considered.
301-2 (2016)	Materials used, by weight or volume.	The weight of raw materials used in the production of items commercialized by Natura and Avon in Latin America in 2021 was considered.
301-3 (2016)	Reclaimed products and their packaging materials.	Percentage of post-consumer recycled material (PCR) mass in relation to total mass of packaging materials, weighted by the quantity billed (sold+donated) in the reference year (2021) by Natura and Avon in Latin America.
302-1 (2016)	Energy consumption inside the organisation.	The total energy consumed at all the sites and operations of Natura, Avon, The Body Shop and Aesop in Latin America was considered.
302-2 (2016)	Energy consumption outside the organisation.	Third-party manufacturers who manufactured 80% of the total units produced by third-parties in 2021 for Natura, Avon, The Body Shop and Aesop are considered.

Indicator/ Disclosure/ GRI Content	Title	Reporting criteria and premises
303-3 (2018)	Water withdrawal.	The indicator was reporting considering all the operations of Natura, Avon, The Body Shop and Aesop in Latin America. The data are managed in a consolidated manner without distinguishing between areas with potential water stress. This is because data management is being centralized and for this cycle information by source and by area with water stress is not available. Areas of water stress are considered to be those impacted by the (non) capacity to meet human and ecological demand for water, due to the unavailability, quality or accessibility of the water sources (Source: GRI - Water and effluents 2018).
303-4 (2018)	Water discharge.	
303-5 (2018)	Water consumption.	
304-1 (2016)	Company-owned, leased or managed operational units inside or adjacent to protected areas and areas of high biodiversity value outside protected areas.	Own operational units are those that belong to the company; leased , are those whose space does not belong to the company but that house company operations; and, managed , those which are fully managed or are under shared management. National legislation is considered (Environment Ministry Ruling 443: Lista Nacional de Espécies de Flora ameaçadas de extinção), the Convención Sobre El Comercio Internacional de Especies Amenazadas de Fauna y Flora Silvestres of UNEP and the International Union for Conservation of Nature red list as a basis for monitoring biodiversity. Date of consultation of IUCN list : 31 December 2021.
304-4 (2016)	Species included in the IUCN red list and national conservation lists with habitats located in areas affected by the organization's operations.	
305-1 (2016)	Direct (Scope 1) GHG emissions.	The emissions inventory reflects the scope of the Natura operations and considers all the greenhouse gas emissions of the brand's operations, from the extraction of raw materials, through internal processes and those in the production chain, to the disposal of post-consumer packaging. The method of gathering and systematizing data on emissions is based on the standards of the GHG Protocol and the principles of the Brazilian ABNT NBR ISO 14064-1 standard, which establish the rules for the conception, development, management and elaboration of the inventory. In 2021, the Natura GHG emissions inventory was audited by PwC.
305-2 (2016)	Energy Indirect (Scope 2) GHG emissions.	
305-3 (2016)	Other indirect (Scope 3) GHG emissions.	
305-5 (2016)	Reduction of GHG emissions.	
305-6 (2016)	Emissions of ozone-depleting-substances (ODS).	Data not assured in the inventory and not reported in this cycle, see the reason for omission in the GRI Summary on page 228 of the report.
305-7 (2016)	Nitrogen oxides (NOX), sulphur oxides (SOX), and other significant air emissions.	Data not assured in the inventory and not reported in this cycle, see the reason for omission in the GRI Summary on page 228 of the report.
306-1 (2020)	Waste generation and significant waste-related impacts.	Significant actual or potential impact: this type of impact may be classified as extremely severe, capable of causing irreversible damage to the environment or damage that is difficult to remediate.
306-2 (2020)	Management of significant waste-related impacts.	
306-3 (2020)	Waste generated.	This considers all the waste generated and disposed of by the Natura, Avon, The Body Shop and Aesop operations in Latin America. It also takes into account third-party manufacturers who manufactured 80% of the total units produced by third-parties in 2021 for Natura and Avon.

Indicator/ Disclosure/ GRI Content	Title	Reporting criteria and premises
306-4 (2020)	Waste diverted from disposal.	This considers all the waste generated and disposed of by the Natura, Avon, The Body Shop and Aesop operations in Latin America. It also takes into account third-party manufacturers who manufactured 80% of the total units produced by third-parties in 2021 for Natura and Avon.
306-5 (2020)	Waste directed to disposal.	
308-1 (2016)	New suppliers that were screened using environmental criteria.	"New suppliers" are considered to be those approved in the reference year of the report. Our process for auditing critical suppliers and new suppliers, selected in accordance with the type of activity they perform and the socioenvironmental risks they present, assesses a set of socioenvironmental parameters, such as: compliance with legal requirements (environmental operating licenses and water withdrawal permits, among other documents), the existence and dissemination of an environmental policy, environmental emergency and waste rendering plans, environmental risk assessments, non-use of ingredients prohibited on international lists, and management of water and energy consumption, waste generation, control of effluents and atmospheric emissions. The calculation (in %) takes into account the total number of suppliers screened using environmental criteria (numerator) as a proportion of all the new suppliers contracted in the period (denominator).
308-2 (2016)	Negative environmental impacts in the supply chain and actions taken.	The significant impacts related to suppliers in the operation of the Natura &Co Latin America business unit are presented in its Business Model, available on pages 37 and 38 of the report.
401-1 (2016)	New employee hires and employee turnover.	For the definition of employees and workers, see indicator 2-7. The hiring and termination rates are calculated by dividing the total number of hires and terminations by the total number of employees, in accordance with each segmentation of the indicator. See detailed definition in disclosure 2 - 7
401-3 (2016)	Parental leave.	
403-1 (2018)	Occupational health and safety management system.	
403-2 (2018)	Hazard identification, risk assessment and incident investigation.	
403-3 (2018)	Occupational health services.	
403-4 (2018)	Worker participation, consultation, and communication on occupational health and safety.	
403-5 (2018)	Worker training on occupational health and safety.	
403-6 (2018)	Promotion of worker health.	As part of the Occupational Health and Safety Program, in the units in Benevides (PA), Cajamar (SP) and NASP, in the city of São Paulo, we have a Health Space, with a team that provides first aid and emergency care. Worthy of note is the fact the emergency care is guaranteed for everyone on Natura premises, both employees and service providers. Since the Covid-19 pandemic health promotion strategies for everyone in our network have been intensified, including the provision of assistance for our networks of consultants and representatives.
403-7 (2018)	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships.	Occupational health and safety impacts are associated with the mapping of occupational risks, aligned with the ISO 45.001 standard.

Indicator/ Disclosure/ GRI Content	Title	Reporting criteria and premises
403-9 (2018)	Work-related injuries.	See detailed definition in disclosure 2 - 7.
403-10 (2018)	Work-related ill health.	
404-1 (2016)	Average hours of training per year per employee.	See detailed definition in disclosure 2 - 7. The definition of the functional categories is conducted by the organization itself, in accordance with its personnel management system and reflects the main career levels. The result of the indicator refers to the average number of hour training per employee, in accordance with each segment required by the GRI. Training, courses and programs that are offered internally and given by external trainers or not and are registered in the organization's management system.
404-3 (2016)	Percentage of employees receiving regular performance and career development reviews.	See detailed definition in disclosure 2 - 7. Regular performance reviews are understood to be formal performance assessment initiatives adopted by the organization and registered in its management systems.
405-1 (2016)	Diversity of governance bodies and employees.	See detailed definition in disclosure 2 - 7.
405-2 (2016)	Ratio of basic salary and remuneration of women to men.	The indicator presented is based on a more sophisticated methodology than the simple ratio of women's salary to men's and the ratio for ethnic-racial groups. Although the classification by functional category is not available in this cycle, the metric can be used as a reference to GRI 405-2, due to the similar intention in relation to the data reported.
406-1 (2016)	Incidents of discrimination and corrective actions taken.	"Incidents of discrimination" are understood to be intentional or non-intentional behaviours that breach the company's policies related to diversity, understood here to be a broad set of individual aspects such as race/ethnic origin, belief, gender, sexual orientation, gender identity, disability, among others. Incidents may be reported via the Natura &Co Ethics Line channel. Further information in "Ethics and Compliance, on page 197".
407-1 (2016)	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk.	Our process for auditing critical suppliers and new suppliers, selected in accordance with the type of activity they perform and the socioenvironmental risks they present, assesses a set of social parameters. Some examples are: the existence and dissemination of codes of conduct, commitment to human rights and decent working conditions (prohibition of child and forced labour), commitment to anti-corruption practices and to community development actions.
408-1 (2016)	Operations and suppliers at significant risk for incidents of child labour.	According to the ILO, child labour is characterized as work done by children aged below the age permitted for entry to the labour market, according to the legislation in force in the country. Considering Brazilian legislation as a parameter, in accordance with Art. 7, XXXIII, CF/88 and Art. 403, CLT, the minimum age for entry to the labour market in Brazil is 16 years, with the exception of apprentices, who may start to work from the age of 14 years.
409-1 (2016)	Operations and suppliers at significant risk for incidents of forced or compulsory labour.	According to article 149 of the Brazilian Penal Code, forced or compulsory labour is characterized by the submission of someone to forced or exhaustive labour, either subjecting them to degrading working conditions, or restricting their movements, by any means, due to debts contracted with the employer or agent.
411-1 (2016)	Incidents of violations involving rights of indigenous peoples.	The universal reference related to this question is the United Nations Declaration on the Rights of Indigenous Peoples , as well as Brazilian legislation as set forth in the country's Indian Statute .
413-1 (2016)	Operations with local community engagement, impact assessments, and development programs.	In Natura &Co Latam, the communities supplying social biodiversity ingredients are given special consideration as local communities.

Indicator/ Disclosure/ GRI Content	Title	Reporting criteria and premises
413-2 (2016)	Operations with significant actual and potential negative impacts on local communities.	The Natura &Co Latin America operations are detailed in disclosure 2-2 of this document. Significant impacts related to the social biodiversity supplier communities are presented in the organization's Business Model on pages 37 and 38 of the report.
414-1 (2016)	New suppliers that were screened using social criteria.	"New suppliers" are considered to be those approved in the reference year of the report. Our process for auditing critical suppliers and new suppliers, selected in accordance with the type of activity they perform and the socioenvironmental risks they present, assesses a set of social parameters. Some examples are: the existence and dissemination of codes of conduct, commitment to human rights and decent working conditions (prohibition of child and forced labour), commitment to anti-corruption practices and to community development actions. For suppliers in Brazil, we require compliance with the quotas established for hiring disabled people and apprentices.
414-2 (2016)	Negative social impacts in the supply chain and actions taken.	The significant impacts related to suppliers in the operation of the Natura &Co Latin America business unit are presented in its Business Model, available on pages 37 and 38 of the report.
415-1 (2016)	Political contributions.	Not applicable. Natura does not make contributions to campaigns, parties and/or candidates during or outside electoral processes in line with internal policy. The rule is valid for all the operations. The Code of Conduct is explicit about this rule, adding that the company does contribute directly or indirectly to political parties, movements, committees, political organisations or unions, their representatives or candidates, except when required by applicable laws.
416-1 (2016)	Assessment of the health and safety impacts of product and service categories.	Policies on the non-use of controversial ingredients and processes for the assessment of human and environmental safety in line with international criteria are applied to 100% of the organization's portfolio. For the products on the market, the company applies cosmetovigilance monitoring focused on consumer health and has, as a last resort, its recall policy. There have been no recalls of Natura &Co Latin America products in recent years, including 2021.
416-2 (2016)	Incidents of non-compliance concerning the health and safety impacts of products and services.	
417-1 (2016)	Requirements for product and service information and labelling.	Technological tools based on predictive models and data science support product safety management for 100% of the company portfolio.