

# Consolidating

## *our businesses* **GRI 2-6**

The insights and outcomes gathered over the past four years since integrating Avon into the Natura &Co group have facilitated the acceleration of Wave Two in the operational and commercial integration process. The new model has the potential to positively impact the income and quality of life of the network of over 3.5 million consultants, while preserving the individualized brand and product experiences for our customers. The combination of the operation of the businesses of the two brands included Brazil, Colombia, Peru and Chile - the latter initiated officially in January, 2024.

In 2023, we started to offer the Beauty Consultants a unique experience, with the best of each brand. The Natura and Avon sales forces were unified and now share tools and processes to leverage Beauty Consulting, with an optimized, broader and more diverse product portfolio, more attractive commercial terms and greater access to benefits. This core change in the business model enhances the value proposition for the relationship network and has already shown positive results, with greater productivity and higher satisfaction ratings in the last quarter of the year.

Although the integration of the production and logistics operations began in 2020, Wave Two did produce new challenges. We faced temporary supply and logistics setbacks during the implementation of the combined operation, which we managed to stabilize rapidly. The learnings from the first implementations have enabled the development of more agile and effective remediation initiatives in the later processes.

As expected, there was a contraction in the sales channel, while the consultants with more developed businesses witnessed an increase in productivity from cross selling. In the fourth quarter of 2023, Brazil had an average of 1.8 million consultants, a 15.3% decrease compared with the previous year, due mainly to the exit of less productive consultants. There was an 18.1% reduction in the consultant base in Hispanic America compared with the previous year, due mainly to a decrease in the number of consultants with less developed businesses in Peru and Colombia, a situation which is already showing signs of stabilization and recovery. In spite of the adjustments in the commercial model, the network in Mexico has been showing smaller quarterly decreases. One of the goals for 2024 is to stabilize the Natura and Avon Beauty Consultant base.

## **Impact Management - Integrated Profit and Loss (IP&L): integrated management tool**

### **GRI 2-25, 3-3, 203-2**

A passion for innovating, the mission of driving beauty and well-being for our relationship network, and promoting positive economic, social and environmental impact are in Natura's essence. The Integrated Profit and Loss (IP&L) materializes this by accounting for the impacts, which go beyond the traditional statement of profit and loss, integrating the gains and losses generated by our business in the economy, the environment and in society. This measurement takes into account all the company's activities in the year, from the supplier chain and extractivist communities in the Amazon region, through the direct operations, to the activity of Beauty Consulting and the use and disposal of products. We analyze the results of these operations and measure their positive and negative impacts, applying the parameter of change in quality of life and well-being, which includes health and life expectancy, as well as the limits of the sustainable use of natural resources, among other factors.

The differentials of this calculation compared with other forms of impact measurement include valuation, that is, the translation of the positive and negative effects of the business into monetary values, speaking the language of investors and analysts, and enabling a direct comparison with financial results. The impacts we generate on all the links in our chain are monetized in three dimensions: Natural Capital (resources); Social Capital (relations); and Human Capital (people).

In 2023, Natura &Co Latin America generated a net positive impact of BRL 39.5 billion for society. The calculations demonstrate that for each BRL 1 in revenue, Natura generated BRL 2.7 in positive social and environmental impact. These results include the impacts of the Natura and Avon businesses in the countries in which the operations were combined: Peru, Colombia and Brazil.

Internally, the IP&L is a valuable governance tool that qualifies our assessment of the costs and benefits of strategic projects and investments. The extension of the IP&L assessment to the combined operations will enable us to better direct our strategic decisions towards driving a regenerative socio-bioeconomy.

The first IP&L result in 2021 showed that the absolute socio-economic impact of the business far outstripped its financial performance. Since then, we have continued to enhance the methodology and we believe that the ratio of revenue to impact on well-being should grow as we expand our business qualitatively. This is why in 2023, as part of our Commitment to Life, we launched our strategy to generate regenerative solutions and drive a net positive impact four times greater than our revenue by 2030.

**Further information and details about the IP&L methodology [here](#).  
Further information about IP&L performance [here](#).**