

# Emissions and business

## *descarbonization* GRI 3-3

In 2023 we elaborated a climate transition plan that was presented to the Board of Directors, with four main thrusts:

1. Climate integrity through methodological rigor in accounting for the company's carbon footprint, including the GHG inventory encompassing scope 1, 2 and 3 emissions and alignment with the SBTi targets for the 1.5°C trajectory.
2. Governance and reporting, involving the Board, leadership accountability, employee engagement and the integration of financial planning with climate issues, addressing risks and opportunities in line with the TCFD recommendations (Further information on page 62);
3. Engagement and influence, seeking the commitment of suppliers and the value chain in the transition to a low carbon economy, advocacy for the evolution of the carbon market in Brazil and cooperation between economic sectors to accelerate the implementation of initiatives for a low carbon economy;
4. Integration of biodiversity, nature and society by means of offsetting measures (inside and outside the value chain), residual emission removal plans and working towards a fair and inclusive transition, in accordance with the Natura positioning on climate justice.

### **Climate justice**

Although climate change is a global reality, its consequences impact the population in an unequal manner. This is why we advocate for the regulation of the global carbon market and for socio-environmental policies that recognize the role of indigenous peoples, traditional communities and family smallholders in environmental conservation, particularly in the Amazon region.

We understand that the populations that are most vulnerable in the climate crisis are the ones that least contribute to the current carbon emissions situation. However, they end up suffering the biggest impacts, such as extreme events caused by global warming. These groups have fewer resources to create adaptation mechanisms and solutions for surviving events such as extreme temperatures, droughts, flooding and pandemics.

### **Carbon market**

We participate actively in discussions on the regulation of the Brazilian carbon market and how it could leverage decarbonization in some economic sectors in the country. The evolution of this discussion could drive new technologies, help in the decarbonization of our supply chain and impact the voluntary carbon market.

Regulation of the carbon market worldwide should incorporate mechanisms for income generation for local communities, especially those keeping forests standing. We advocate for financial mechanisms that promote the reduction or removal of carbon, as well as fixing income for agricultural producers.

In this context, Brazil could conduct the development of an innovative low carbon social bioeconomy with social inclusion. Studies by the International Chamber of Commerce Brasil and the consultancy WayCarbon, to which we contribute, project that the country's participation in the global carbon credit market could reach US\$ 120 billion a year by 2030 and could correspond to 49% of global demand, with the potential to create thousands of jobs. In this journey, offsetting models involving nature-based solutions are a path towards accelerating regeneration and the conservation of biodiversity.

### **Circular Carbon Program**

The project for the payment of carbon compensation within our production chain, a practice known as carbon insetting, is the result of an integrated vision of our initiatives oriented to the Amazon. Circular Carbon remunerates family smallholders not only for the purchase of inputs and benefit sharing, but also for environmental conservation services.

In 2023, we had a specific team working on the development of projects in partnering communities in the Amazon aimed

at paying for the environmental service of regenerating and conserving the forest. The initiative captured around BRL 960,000, through the Parceiros pela Amazônia Platform (PPA). These funds were invested in improvements to the Circular Carbon Project, the result of our partnership with the RECA cooperative (Cooperativa de Reflorestamento Econômico Consorciado e Adensado). The funds were also used to accelerate the establishment of new partnerships with communities in the region, in line with our target of prioritizing carbon credit generation in our value chain in the Amazon. In 2023, 33% of our carbon emissions compensation occurred through projects in the Amazon region, with 13% coming from within our value chain.

### **Towards decarbonization GRI 3-3**

The Natura &Co group is part of the Global Compact's Net Zero Ambition, which challenges companies to assume ambitious climate-related commitments to accelerate the reduction of greenhouse gas (GHG) emissions in line with SBTi criteria. Based on the review of our Commitment to Life and the process of validating targets with the SBTi, we assumed the commitment to achieve net zero emissions (scopes 1 and 2) in our own installations by 2030 and to reduce greenhouse gas emissions throughout the value chain (scope 3) by 42%, increasing the engagement of suppliers, consumers and society in the decarbonization process.

A key example is the use of recycled materials, such as glass in our packaging, which helps to reduce our carbon footprint.

Internal activities for the decarbonization of our businesses include the automated management of our carbon inventory, with the capacity to simulate decarbonization projects. Through marginal abatement cost curves (MACC), we are able to compare diverse initiatives for each emissions reduction project as a basis for resource allocation decisions.

In 2023, we detailed our decarbonization plan for logistics processes in Brazil, drafting an integrated roadmap with strategic planning, guaranteeing financial optimization and carbon reduction.

On the transition towards the use of renewable fuels front, in addition to using ethanol in the manufacturing boilers in Cajamar in Brazil, we are studying the use of biomethane and green hydrogen. Units in Mexico, Argentina and Colombia are also going to implement projects for the transition to renewable energies in this area.

Other drivers of decarbonization include the process of digitalization of magazines. In 2023, we had a 32% decrease in printing in Latin America compared with the previous year. This was due to the intensified use of digital channels by the Beauty Consultants.

In 2023, Natura invested around R\$ 15 million in carbon offsetting projects, including the payment for environmental services rendered by local communities, as well as regenerative agricultural systems resilient to climate change (sustainable livestock production and extractivist activities and agroforestry systems).

*R\$ 15 million invested  
in carbon offsetting*

### **Map of value chain**

In 2023, we identified emissions hotspots through the assessment of links and processes in the supplier chain. This initiative facilitates measurement and decision making in new product developments, as well as the process of choosing partners.

In addition to updates to reflect the current supplier chain, the review led to important methodological improvements regarding the measurement of changes in land use, the segregation of biogenic emissions and the updating of end of life premises, with the incorporation of CFF (Circular Formula Footprint) methodology, which takes resource efficiency, recyclability and the use of renewable materials into account to ensure these are accounted for in our circularity programs.

In these analyses of the chains, we identified the substitution of natural gas with biomethane in the glass production kilns, significantly reducing carbon emissions in the production of our perfumery packaging.

## **Emissions performance**

The calculation of our impacts on natural capital is based on the greenhouse gas inventory, which covers scopes 1, 2 and 3 in accordance with the GHG Protocol. The inventory, audited by an independent third-party, takes into account direct operations (scope 1), indirect emissions from the consumption of energy (scope 2), and indirect emissions associated with the transportation, distribution and use of our products, as well as the business's entire value chain (scope 3).

Our emissions reporting presents three dimensions, demonstrating the evolution and the robustness of the method: the total emissions scope, that takes into account all the emissions related to our business; the SBTi scope, which encompasses the emissions categories for which we assume reduction targets; and the Natura Carbon Neutral program scope, established in 2007. With the unification of the Natura &Co Latin America inventory, we included management of other scope 3 categories necessary to ensure the completeness and validation of the science-based targets: non-productive services (Category 1.b.), capital goods (Category 2); activities related to fuels and energy not included in scopes 1 and 2 (Category 3); waste generated in the

operation (Category 5), upstream leased assets (Category 8) and direct and indirect use of products (Category 11). Despite the inclusion of these categories, they are not part of the SBTi validated target, with the exception of direct in Category 11.

In 2023, we also advanced in the strategy of acquiring renewable energy certificates (I-RECs) in all the countries in which the company operates, which guarantees the use of 100% renewable energies in our direct operations. Moreover, we progressed in studies for the use of solar energy.

The main challenge in emissions from our operations (scopes 1 and 2) is to improve energy efficiency and increase the consumption of renewable energy, as well as improving our refrigeration systems and reducing fugitive emissions. In Brazil, we already prioritize the use of ethanol in the executive and sales force vehicle fleets. In the other countries in Latin America, we face the challenge of a lack of a structured supply of renewable fuels. One of the options is the electrification of the company fleet, which depends on the evolution of local infrastructure.

For indirect emissions (scope 3), we defined another five work fronts for decarbonization: packaging, formulas, Home & Style (Avon), logistics and consultancy material. Moreover, for the Avon brand we maintain continuous improvements for refining historical emissions, ensuring greater data accuracy and better emissions management.

## Natura performance

At Natura, specifically, we publish our GHG inventory, audited with an extensive organization of emissions data, the result of Natura Cosméticos S.A.'s long-term experience in this dimension. In the 2023 inventory, scope 3\*\* emissions were reduced by -3%

This category mainly covers activities in the production chain, including the extraction of raw materials, distribution, and the disposal of products.

Natura emissions (tons of CO2)	2021	2022	2023
Scope 1	3,312	4,839	4,965
Scope 2 (Location Based)	9,844	4,838	4,754
Scope 2 (Market Based)	1,502	543	1
Scope 3*	314,901	288,529	276,521

\* Scope 3 only covers the decarbonization workstreams dimension. The complete inventory can be accessed in the Databook

**Check all our performance indicators in the ESG Scorecard and in the Databook Latin America. For information on our governance, strategy, risk and opportunity management and climate metrics and targets, read pages 63 to 65.**