

Climate Action

Paving the way to **Net Zero**

Our Commitment to Life vision set ambitious targets regarding climate transition in 2020: achieving Net Zero¹ emissions, aligning with the Science Based Target Initiative (SBTi) 1.5°C criteria, and setting science-based targets for scopes 1, 2, and 3 emissions for the short-term. This decarbonization journey demands collective efforts.

Achieving the goal of limiting global warming to 1.5°C necessitates a substantial reduction in greenhouse gas (GHG) emissions, amounting to 90% by the year 2050. To date, we have set our science-based target for the short-term, we have established the baseline and we have mapped the sources of our emissions. In May 2023, the Science Based Target Initiative (SBTi) approved our target, committing to reduce our absolute scope 1 and 2 GHG emissions 42% by 2030 from a 2020 base year, and to reduce our absolute scope 3 GHG emissions from purchased goods and services, upstream transportation and distribution, and end-of-life treatment of sold products to 42% by 2030 from a 2020 base year, aligning with the Paris Agreement 1.5°C trajectory.

We have been working on our Climate Transition Action Plan (CTAP)² which has six workstreams to address the decarbonization of our business. For scopes 1 and 2, we are implementing action plans across one workstream: operations. We are exploring all avenues for enhancing efficiency in manufacturing facilities and procuring renewable energy as well addressing alternatives for refrigerant gases. Regarding Scope 3 emissions, our climate transition plan encompasses five workstreams: packaging materials, home and style (applicable only for the Avon brand), distribution and transportation, raw ingredients, and Consultants' materials. For each workstream, we are establishing guidelines to contribute to the 42% reduction target. To achieve the reduction needed, it is important to have engagement at the supplier and value chain levels and evaluate different low carbon scenarios. The established goals are adopted by our business units and are working on CTAPs with the same workstreams, but, in 2023, we published more ambitious and specific goals for Natura &Co Latin America, considering the relevance and presence of operations in the region and the urgency to accelerate a transformation agenda related to climate and biodiversity.

Over the past three years, our primary challenge has revolved around understanding the impact of scope 3 emissions, which account for over 96% of our total emissions. Thus, we are actively mapping and engaging with our suppliers to develop an action plan, identifying emissions and determining key focus areas for the coming years.

Climate change also factors into our compensation strategy for our top five employee grades. Our executives are compensated with a fixed monthly salary and direct and indirect benefits. Their variable compensation combines short and long-term incentive plans, linked to the achievement of purpose-driven results. Our Long-Term Incentive is expressed through our Performance Share Units (PSUs) Plan, which incorporates a Carbon Emission Intensity Reduction KPI. The PSU award is performance based; the value that participants receive will be dependent on the achievement of multi-year performance measures and the awards will be subject to performance conditions over a three-year period. This KPI, aligned with our 2030 Commitment to Life sustainability vision, measures 30% of the PSU award, reflecting a set of science-based targets for a 1.5°C pathway,

We are actively mapping and engaging with our suppliers to develop an action plan...

encompassing both direct and indirect emissions. In 2022, as anticipated, we also started compensating our management for meeting the targets related to our 2030 Commitment to Life. All metrics are measured from point to point, and we plan to conclude the first results cycle by the end of 2024, covering the period from 2022 to 2024. Additionally, we have established a second three-year cycle spanning from 2023 to 2025.



Achieving Net Zero *Target Step by Step*

Natura &Co Latin America and Avon International are addressing the challenges and detailing the journey from 2030 to 2050 towards Net Zero emissions. For Avon International, the initiatives include switching from air to sea freight, using recycled (less carbon intensive materials), sourcing certified materials / ingredients, reducing packaging weight and reducing brochure pages and digitization.

For Natura &Co Latin America, one of the key strategies to reach our Net Zero target involves leveraging the second wave of our program aimed at synergizing operations between Natura and Avon.

Main Actions

- **Utilizing Carbon Accounting Software:** To enhance our carbon management efforts, we have adopted a carbon accounting software tool developed by Sinai, a start-up specializing in carbon management solutions. This tool enables us to calculate internal carbon pricing and prioritize CO2 reduction projects effectively, empowering us to make informed decisions towards achieving our Net Zero target.
- **Procurement Initiatives:** Our procurement teams are actively engaged in selecting low carbon suppliers and identifying opportunities to minimize their environmental footprint. Collaborations with suppliers have already yielded positive results, such as one supplier transitioning to furnace fuel, thereby reducing the CO2 impact on fragrances.

By implementing these steps, we are making tangible progress towards our Net Zero goal, demonstrating our commitment to sustainability and responsible environmental stewardship.

Task Force on Climate-Related Financial Disclosure *at Natura &Co*

We are committed to continue adoption and alignment with the recommendations of the Task Force on Climate related Financial Disclosures (TCFD). This year, we have chosen to report against the TCFD recommendations on a 'comply or explain' basis. This disclosure is a step on our journey to better manage and respond to climate-related risks and capitalise on climate-related opportunities. Below is a summary of our status against each

of the recommendations and where information can be found in our reports pertaining to each disclosure.

Recommendation	Status	Description
GOVERNANCE Disclose the organization's governance around climate-related risks and opportunities.		
a) Describe the Board's oversight of climate-related risks and opportunities.	Partially Comply	<p>Refer to the Sustainability Compendium (to be released May 2024) for further information</p> <p>Explain - The Board sub-committees need to define the appropriate frequency to convene to discuss and address climate-related issues. - In future, we will start to incorporate climate-related considerations into our strategic reviews, annual budgeting processes, and oversight of major capital investments reinforcing our Commitment to Life through Climate Action.</p>
b) Describe management's role in assessing and managing climate-related risks and opportunities.	Partially Comply	<p>Refer to the Sustainability Compendium (to be released May 2024) for further information</p> <p>Explain - We expect to develop processes by which management will be informed about climate-related issues and will monitor them over time. - We also hope to better articulate the ways in which management positions and committees report to the Board.</p>
STRATEGY Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material.		
a) Describe the climate-related risks and opportunities the organization has identified over the short-, medium- and long-term.	Comply	Refer to the Sustainability Compendium (to be released May 2024) for further information
b) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.	Partially Comply	<p>Refer to the Sustainability Compendium (to be released May 2024) for further information</p> <p>Explain - In 2024, Natura &Co will conduct a thorough analysis to quantify the financial impacts of climate-related issues on its financial performance, including potential revenue and cost variations. In 2023, we conducted a qualitative climate scenario assessment. - Natura &Co plan to integrate climate-related considerations into our financial planning processes in future, ensuring a strategic alignment with our sustainability goals.</p>
c) Describe the resilience of the company's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	Comply	Refer to the Sustainability Compendium (to be released May 2024) for further information
RISK MANAGEMENT Disclose how the organization identifies, assesses, and manages climate-related risks.		
a) Describe the organization's processes for identifying and assessing climate-related risks.	Comply	Refer to the Sustainability Compendium (to be released May 2024) for further information
b) Describe the organization's processes for managing climate-related risks.	Comply	Refer to the Sustainability Compendium (to be released May 2024) for further information
c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.	Comply	Refer to the Sustainability Compendium (to be released May 2024) for further information
METRICS AND TARGETS Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.		
a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.	Partially Comply	<p>Refer to the Sustainability Compendium (to be released May 2024) for further information</p> <p>Explain - In 2024, we will be conducting a quantitative climate scenario assessment, which will provide us with additional forward-looking financial metrics, e.g., prices on tonnes of GHG emissions. - In future, we will seek to provide additional climate-related opportunity metrics, e.g., potential future revenue from products designed for a low-carbon economy.</p>
b) Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks.	Comply	Refer to the Sustainability Compendium (to be released May 2024) for further information
c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.	Comply	Refer to the Sustainability Compendium (to be released May 2024) for further information

Our climate-related financial disclosure

GRI 201-2

Address the climate crisis is at the heart of our Commitment to Life, and Natura &Co recognises the potentially significant strategic issue climate change could pose to the business. To ensure preparedness, we have undertaken a detailed climate scenario analysis to inform our understanding of current and future climate impacts. In 2024, the integration of climate-related risks and opportunities into our strategic planning processes will be underpinned by financial impact calculations, and increased awareness and capabilities throughout the business, to manage climate risks and opportunities.

Natura &Co Holding, Natura &Co Latin America and Avon International took a consistent approach to identifying and assessing climate-related risks and opportunities and conducting climate scenario analysis. This approach has allowed Natura &Co to better understand the potential impacts of climate change across its value chain.

1. Pre-work (2021 - Oct 2023)	2. Pair review (Oct 2023 - Mar 2024)	3. Interviews	4. Risk Analysis and Opportunities	5. Consolidation and scoring	6. Next steps (2024)
<ul style="list-style-type: none"> Beginning of development of project aimed at driving greater integration of climate-related risks and opportunities into the global risk matrix. 	<ul style="list-style-type: none"> Analysis conducted in 5 pairs. Documentary investigation of the consumer goods sector. Analysis of failures related to the TCFD recommendations. 	<ul style="list-style-type: none"> Involvement in company functions. Execution of interviews with stakeholders throughout Natura &Co and its subsidiaries. In-depth knowledge of exposure throughout the value chain. 	<ul style="list-style-type: none"> Risk Analysis and Opportunities. Identification of extensive list of risks and opportunities. Validation of risk with the main stakeholders through workshops. 	<ul style="list-style-type: none"> Finalization of a reduced list of climate-related risks and opportunities. Qualitative assessment of reduced list in 2024. 	<ul style="list-style-type: none"> Conduct a quantitative assessment of the priority climate-related risks and opportunities to calculate the possible financial impacts.
<i>Physical risks assessed</i>	<i>5 peers evaluated</i>	<i>24 interviews conducted</i>	<i>191 climate-related risks and opportunities were considered</i>	<i>27 risks and opportunities</i>	

The parameters of our climate scenario analysis

The TCFD recommendations encourage the consideration of different possible future climate scenarios to assess the potential impacts of climate change. This is due to the inherent uncertainty associated with climate change, and the need to be able to account for that uncertainty in business planning. We expect Natura &Co's business outcomes to fare differently depending on different warming outcomes.

To ensure a comprehensive assessment of potential impacts, we have considered three scenario sets – Ambitious, Middle of the Road, High Warming. These scenario sets describe the level of climate policy intervention and market changes which can lead to broad ranges of temperature outcomes. Our qualitative climate scenario analysis was conducted using publicly available projected data from Intergovernmental Panel on Climate Change (IPCC), International Energy Agency (IEA) and Network for Greening the Financial System (NGFS) scenarios which reflect the spectrum of potential outcomes including ambitious³, middle of the road⁴ and high warming⁵ scenario pathways.

Climate risks and opportunities were assessed across the following time horizons:

- **Short-term:** 0-3 years, which aligns with the business planning cycles
- **Medium-term:** 4+ years up to 2030, which aligns with our Commitment to Life
- **Long-term:** 10+ years up to 2050, in recognition that climate impacts occur over longer time periods, and in alignment with Natura &Co group's commitment to Net Zero by 2050.

Climate resilience

Taking into consideration the climate risks and opportunities identified, Natura &Co and its brands are actively developing their resilience to combat deeper exposure and realise the opportunities presented.



We understand that as climate becomes increasingly unstable, particularly under warmer temperatures, our supply routes will become more pressurised, availability of key ingredients may be compromised, and demand trends may change as climate change plays a larger factor in buying habits. We have underway several climate resilience projects to improve our resilience to these risks, and to align our products with a greener world.

Further information on [Corporate Governance](#); [Risk Management](#); [Commitment to Life](#).

The full TCFD disclosure can be found in the Sustainability Compendium (to be released May 2024).

¹ Zero net greenhouse gas (GHG) emissions, as defined by the Global Compact (more info: <https://unglobalcompact.org/take-action/climate-ambition-accelerator>).

² Natura &Co Latin America Climate Transition Action Plan to be released May 2024.

³ The 'ambitious' scenario pathway reflects a Paris-aligned scenario, where global CO2 emissions are cut severely, with ambitious and gradual efforts to limit temperature rise to between 1.4 – 1.8 degrees Celsius. It aligns with NGFS Orderly transition, IEA NZE 2050, and IPCC SSP1-2.6.

⁴ The 'Middle of the road' pathway refers to slower, less ambitious policy action, or, a time lag before sudden ambitious action. It assumes emissions remain stagnant in the near term with notable shifts occurring between 2030-2050. It aligns with NGFS Disorderly transition, IEA Announced Pledges, and IPCC SSP2-4.5.

⁵ Our 'High warming' pathway reflects limited to no action, with society continuing along past trends and emissions increasing significantly resulting in extreme warming. This aligns with NGFS Hot House World, IEA Stated Policies and IPCC SSP5-8.5.