

Interview with the CEO

Explore the interview featuring **João Paulo Ferreira**, CEO of Natura &Co Latin America and President of Natura. Gain insights into the synergistic operation of Natura and Avon brands in the region, and learn how Integrated Profit & Loss (IP&L) is driving an amplified positive impact. Delve into other highlights including the thriving momentum of the Natura brand, Avon's strategic readiness for the future, and the ongoing evolution of the omnichannel journey.



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2023 saw many transformations in the Natura &Co global businesses. How do you see Natura &Co Latin America's role in the results achieved?

Globally, Natura &Co is coming to the end of a cycle of transformations and learning. We faced some challenging years, dealing with a performance below expectations that put pressure on our capital structure. We established a large corporation; however, we realized that there would be greater benefits and efficiency with a holding structure that promoted the autonomy of each one of the businesses. This review process resulted in the restructuring of the holding company and the sale of Aesop and The Body Shop.

Latin America represents our point of origin and is the Natura &Co group's major source of revenue (76.4%), income and cash generation. In 2023, Latin America resumed the bases for its future growth with a structural change. Instead of a company with multiple businesses and using Natura as a foundation, we became a multibrand, multichannel company. By doing this, we have prepared for a new cycle of expansion in our capacity to generate positive impact from 2024 on.

This change that is still underway involves two movements: one is enabling the resumption of operational efficiency, expanding productivity margins. To do this we have integrated the Natura and Avon operations, strengthening the omnichannel business. The second consists of developing a new course for growth and innovation. Already in 2024, we have reconfigured our teams to drive the omnichannel business and multibrand management. In terms of innovation, we have focused on developing new products, especially for the Natura brand, and we have promoted our financial services platform, Emana Pay.

To ensure that each brand resumes performance and efficiency in line with its potential, we have implemented the journey to combine the Natura and Avon brand operations. This integration will enable us to focus more closely on boosting profitability and margins in key markets and on enhancing the productivity of the Beauty Consultants – something we have already seen in the results from the most recent quarters.

In parallel, this boosts the social, economic and environmental impact that we generate in the region, from the development of the Beauty Consultants to the development of the socio-bioeconomy in the Amazon.

The omnichannel business is one of Natura's differentiations focuses in the region and reflects the group's learnings from the different commercial and sales models. What were the advances in retail and e-commerce in 2023? How does Avon fit into this picture and what is the strategy for each brand?

Natura and Avon have a lot to learn from each other. Natura's success story is marked by the strength of relationship selling which, with the incorporation of complementary channels, generates even greater social impact – such as the consultants' franchises. Avon introduces an extensive presence, capillarity, connections with other audiences and the opportunity to build other competencies for a multibrand operation in the region.

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In 2023, we reaffirmed the bases for our multibrand and omnichannel operation. The goal behind the omnichannel approach is to bring the brands close to the customers, enabling them to try our brands where, when and how they want to. This has an intrinsic connection with the integration of the Natura and Avon operations.

To achieve this goal we support relationship selling with a combination of over 1,054 company-owned stores and franchises in Latin America, digital tools *and e-commerce*. In 2023, the growth in all the Natura retail channel formats was surprising. The success of the different store models developed by consultants was notable during the year, with 166 units opened in Latin America in the year, mainly in Brazil, but also in Argentina, Mexico, Chile and Peru.

This is boosted by e-commerce and sales in the social networks, which help drive increased income and the capillarity of the business. These are fronts in which we still need to evolve, with a less traditional vision of online sales and the elimination of overlaps between channels with very distinct dynamics. In 2023, we made key adjustments to be able to support Beauty Consultant sales via social networks. At Avon, we resumed heavy investments in e-commerce and obtained positive results, particularly in the last quarter of 2023. It is our understanding that the brand has a lot to gain from the digital experience we are bringing from Natura.

The global actions in the group's transformation journey include the sale of The Body Shop. However, the brand will continue to be operated by Natura &Co Latin America using a franchise model. Could you explain this model?

We are proud of the history we built globally with The Body Shop, a brand that came into being inspired by sustainability and commitment to making the world a better place, clearly attuned to Natura's purpose. With the sale, we will no longer run the business, but, in Latin America, Natura will continue to operate the brand as a master franchisee, including some local production for the brand in our plants.



A passion for innovation is one of Natura &Co Latin America's growth drivers. What are the main highlights of the year for Natura and Avon?

Innovating only makes sense if it generates positive impact. With this maxim, our brand integration process enabled and encouraged us to undertake a wide-ranging review of our organizational structure oriented to innovation. In 2023, we migrated the Avon Global Innovation Center from the United States to Brazil, integrating it with the Natura Innovation Center. This transforms the situation in Latin America, which now represents the company's largest technological investment hub in the world. We aim to preserve the distinct identities and the autonomy of both brands, promoting a symbiotic environment that optimizes research and development activities. With this change, we seek to expand the frontiers of creation in technologies, actives and innovative products, offering the market enhanced benefits and superior performance.

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How have the business integration and strategic changes undertaken in 2023 enabled Natura and Avon to promote proximity and differentiation for consumers?

In its brand communication, Natura has once again embraced Well Being Well, highlighting the emotional and functional benefits of its products. This movement converses with behavioural trends we have seen in Latin America, in which the focus on well-being continues to grow after the pandemic, as well as a desire for value for money and concern about conscious consumption. It is no coincidence that the signature "What if" accompanies the invitation to try our products so that each person may reflect on the transformative power of their choices. We have successfully tested this new approach with the Natura Ekos Tukumã product line.

At Avon, we are focused on the repositioning of the brand, and this work will be more visible to the public in 2024. In 2023, we advanced in the portfolio review and delivered key innovations, such as the Tratamake product line. Hydramatic Matte lipstick is a pioneer worldwide with the adoption of a hyaluronic acid and glycerine complex in its formulation that delivers high moisturising power and fills in wrinkles and lip lines.

The year was marked by the definitive inclusion of regeneration as a driver for the company. The incorporation of this concept into Natura brand strategy was announced at the 28th United Nations Conference on Climate Change (COP28) in Dubai. How does this dialogue with the Vision 2030 and Natura &Co's sustainability ambitions as a whole?

This is a new strategic direction for our businesses: from sustainability to regeneration. Upon discussing this approach at COP28, we proposed that the new frontier for businesses is the regenerative economy and no longer just managing impacts and mitigating the exhaustion of the planet's resources. This is the impact agenda we believe in, and we opted to start it with the Natura brand.

As occurred two decades ago with sustainability, we have assumed this commitment at the same time that science, business management and mankind are discussing and searching for pathways to materialize the concept. Right off, we know that doing business regeneratively does not just involve good techniques for agricultural production, managing biodiversity, commercial models and fostering the social bioeconomy. To regenerate is to restore life, requalify relationships, a new cultural software that we adopt in business, that reconnects us with what has been our reason for being for over three decades, Well Being Well.

To exemplify this and take the first concrete step on this journey, at the beginning of 2024 we launched a product that represents end-to-end regeneration: Natura Ekos Brazil Nut Concentrate, the first concentrated body moisturizer in the world, with 100% plastic retrieved from riverine regions, reusable, with an impressive 81% saving in plastic and 55% less waste, in addition to benefits for 10 cooperatives and almost 200 families in the northeast of Brazil. GRI 3-3

To regenerate it is also necessary to rethink how we measure, and report results. It is necessary to combine financial and economic results, enabling a complete evaluation of the impacts generated by a company's entire operation. In this regard, the Integrated Profit & Loss (IP&L) is an important tool, which throws light on the actions that contribute or not to a business's purpose and longevity.

From a strategic standpoint, the year was characterized by the strengthening of the concept of regeneration and by the updating of the goals of Natura &Co Latin America's 2030 Commitment to Life. Could you talk about what led to these updates and which ambitions have been incorporated?

The 2030 Commitment to Life provides clear, straightforward targets for the agendas of defending the Amazon and fighting climate change; protecting human rights and driving equity and inclusion; and promoting the social-bioeconomy and circularity. The idea of the review was to elevate our ambitions in areas in which we can advance more rapidly and to tighten the focus on critical themes specific to the region.

We reviewed our 2030 carbon targets to adapt them to the premises of the Science Based Targets initiative (SBTi), with emphasis on the decarbonization of the value chain and achieving net zero scope 1 and 2 greenhouse gas emissions. We proposed to increase purchases of Amazonian social bioeconomy inputs fourfold compared with 2020. We are also proposing to reach 25% representation of black people in management positions by 2025 and 30% by 2030, as well as increasing the HDI of four million Natura and Avon Beauty Consultants.

We also launched the target to generate BRL4 in positive impact for each BRL1 of revenue from the business, measured using Integrated Profit & Loss (IP&L) methodology. To do this, we want to incorporate all the socio-environmental and economic results achieved by Avon in the region into the analysis.

What is the outlook for Natura &Co Latin America in 2024 in financial, environmental, social and governance terms?

In 2023, we concluded a cycle of building the foundation for a new moment for the organization, and in 2024 the combination of the Natura and Avon businesses will continue to yield gains in margin and efficiency. Prosperity, innovation and regeneration

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define how Natura &Co Latin America will resume its success story and deliver value in line with its potential for the Natura &Co group and for our entire relationship network.

We still see a complex conjuncture in the region, with market dynamics subject to exchange rate, political and inflationary contexts that differ from market to market. We will also be attentive to behavioral dynamics and trends to ensure we deliver unique, differentiated products for our customers. We have a robust innovation plan for both brands backed by the implementation of our omnichannel strategy.

The concept of regeneration and the Commitment to Life targets updated in 2023 will orientate our activities, given the social, environmental and economic challenges in Latin America and will underscore our product differentials.