

Despite continuing to operate in a volatile economic and political scenario, we kept delivering on our strategy of protecting margins, simplifying the business, improving our capital structure, and focusing on transformational projects. The results already demonstrate that we are heading in the right direction.

In mid-2022, in a bold strategic move, we shifted our efforts to prioritize margins rather than top-line growth, along with cash flow conversion and generation. The discipline and consistency in which the businesses followed this new path led to the protection and, ultimately, the expansion of margins. To reach this goal, we anchored our business in the following pillars, which continued to sustain us throughout 2023:

Operational and commercial autonomy for the Business Units to decide on the best way to execute the strategy within their markets and according to each brand's value proposition. As expected, revenues remained stable in Latin America and slightly down in Avon International, but they saw continued improvement in profitability in both full and adjusted base, driven by the gross margin expansion and reductions in SG&A;

Simplification of the Holding's structure and focus on our strengths, with several projects and initiatives reducing their scope to corporate functions and policies only, with considerably diminished involvement in the daily commercial operations of the Business Units. This decision reduced corporate expenses by XX% and radically improved our ways of working to make more agile and assertive decisions.

Improvement of our capital structure resulted from the pre-payment of 60% of our debts using part of the proceeds from the sale of Aesop. With careful and conscious management, we moved from net negative debt in 2022 to positive net cash position by the year-end 2023. Furthermore, not only the balance sheet improved, but the cash flow to the firm also moved to a positive territory in 2023. Looking forward, we continue to expect improvements in our cash flow, combined with a solid balance position pointing to further encouraging prospects as we deliver on critical projects.

Projects to accelerate value creation were in full swing, with the crucial integration of Natura's and Avon's commercial and operational activities in Latin America during the second wave in 2023, with already positive results. Meanwhile, Avon remains on track to stabilize its results thanks to its continued focus on its transformation, which radically reset its fundamentals in areas such as product portfolio, commercial model, alongside a simplified business and operational footprint.

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As we continue to implement our strategy, we expect to see top-line growth gradually playing a more relevant role along with margin expansion, with the fruition of projects that will work to unlock value and enable cash generation. We will also continue our efforts to simplify our business and improve capital structure further.

When looking at our commitments to ESG, we are reigniting our sustainability strategy, which continues to be core to our business, by regularly engaging with the Board of Directors on this crucial topic.

Our primary aim is to continue to prioritize sustainability, strategically transforming social and environmental challenges into valuable assets for both our business and the planet. To gain detailed insights into our sustainability governance and its integration as a core driver in all our initiatives, please [click here](#).



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## FOCUS 2023

### *Natura &Co* **Holding**

- Streamlined execution of our business simplification strategy, enabling a concentrated focus on key regions and our core business model.
- Optimized capital structure leading to improved cash flow conversion, reinforcing financial resilience.
- Commitment to a triple-bottom-line agenda, prioritizing people, planet, and profits in our approach to business operations.

### *Natura &Co* **Latin America**

- Commercial and operational integration rollout
- Natura investing in marketing and R&D
- Avon gaining efficiency and optimizing its portfolio

### *Avon* **International**

- Conclusion of transformational projects in R&D and IT systems
- Stabilization of the new commercial model
- Build momentum with brand rejuvenation and omnichannel opportunities

### *Our* **people**

Executing this strategy with discipline demanded substantial effort from our team, which admirably rose to the occasion and implemented the plan. Following a reorganization of the business in mid-2022 that resized the Holding to half its previous

scale, 2023 focused on stabilizing the new organization. Embracing the concept of a Holding over a Group, we granted greater autonomy to Business Units and provided support in policies and standards for Finance, Legal, Sustainability, and Human Resources. Internal Audit and Corporate Governance are overseen by the Board of Directors with the support of the Officers.

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Despite facing the challenges which any reorganization entails, our Holding's annual employee engagement survey demonstrated a positive score, marking an 11-point improvement from the previous year. This is attributed to enhancements in our work methodologies, fostering greater interconnectedness among teams and a heightened sense of community and participation. We strove to set clear expectations, ensuring as much transparency as possible. Once stabilized, these principles will be formalized in our corporate culture project, anticipated to be addressed in 2024.

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Significant strides were made in implementing our succession plans, appointing key roles through internal recruitment rather than external hires. Notably, Kristof Neyrinck, Avon's Chief Marketing Officer and Managing Director for Western Europe, assumed the position of CEO of Avon International from 2024, and Mercedes Stinco was appointed as the new Global Head of Risk Management and Internal Controls for Natura &Co. Despite ongoing organizational streamlining, voluntary turnover has remained low, a testament to our success in retaining and attracting top talents.

Concerning our people's goals within our Commitment to Life, we achieved targets for women in leadership and the gender pay gap back in 2022, one year ahead of schedule. However, while reassessing our data post the sale of Aesop and The Body Shop in 2023, we ended the year at 49%, just below the target. We are committed to taking the necessary actions to resume and maintain our previous performance. Achieving a living wage for all employees was 100% accomplished, and we renewed this commitment in 2023. Simultaneously, our inclusion efforts progressed, with each Business Unit adopting diverse strategies to achieve 30% management representation from underrepresented communities. Further details on our Commitment to Life performance can be found [here](#).



## **Compensation** *follows strategy*

In 2022, we realigned our global managers' compensation to harmonize with our strategy of simplification and consciously prioritizing profitability and cash flow generation rather than top line growth. Furthermore, the realignment was ratified by our shareholders during the General Annual Meeting with a projected compensation amount for May 2023 to April 2024 of BRL 77,810,117.47. In 2023, there was a reduction in the Board of Directors' members from 13 to 9 and a pivotal shift from a joint Executive Chairman of the Board and Group CEO to a singular Chief Executive Officer (CEO) role. Consequently, the CEO's remuneration is now incorporated into the compensation of the Statutory Officers, deviating from its previous attribution to the Board of Directors. This strategic adjustment is another step to further improve our corporate structure

and ensures data presentation in accordance with established practices among global listed companies.

Our compensation strategy is rooted in Natura &Co's overarching mission "people, planet, and profit." It considers market-specific competitive standards, regulatory requirements, business strategy, and alignment with shareholders' interests. The compensation structure encompasses fixed and variable components, with the latter comprising short and long-term incentives. The variable segment, designed to be predominant, is contingent upon meeting threshold performance levels.

For a more detailed understanding of our compensation policy and management compensation structure, we invite you to explore further at [www.ri.naturaeco.com](http://www.ri.naturaeco.com).

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