

Our Strategy

Despite navigating through a dynamic economic and political landscape, we have consistently executed our strategy, safeguarding margins, streamlining operations, enhancing our capital structure, and prioritizing transformative initiatives. Today, the results speak for themselves, showing we're on the right track.

Strategic pillars

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:

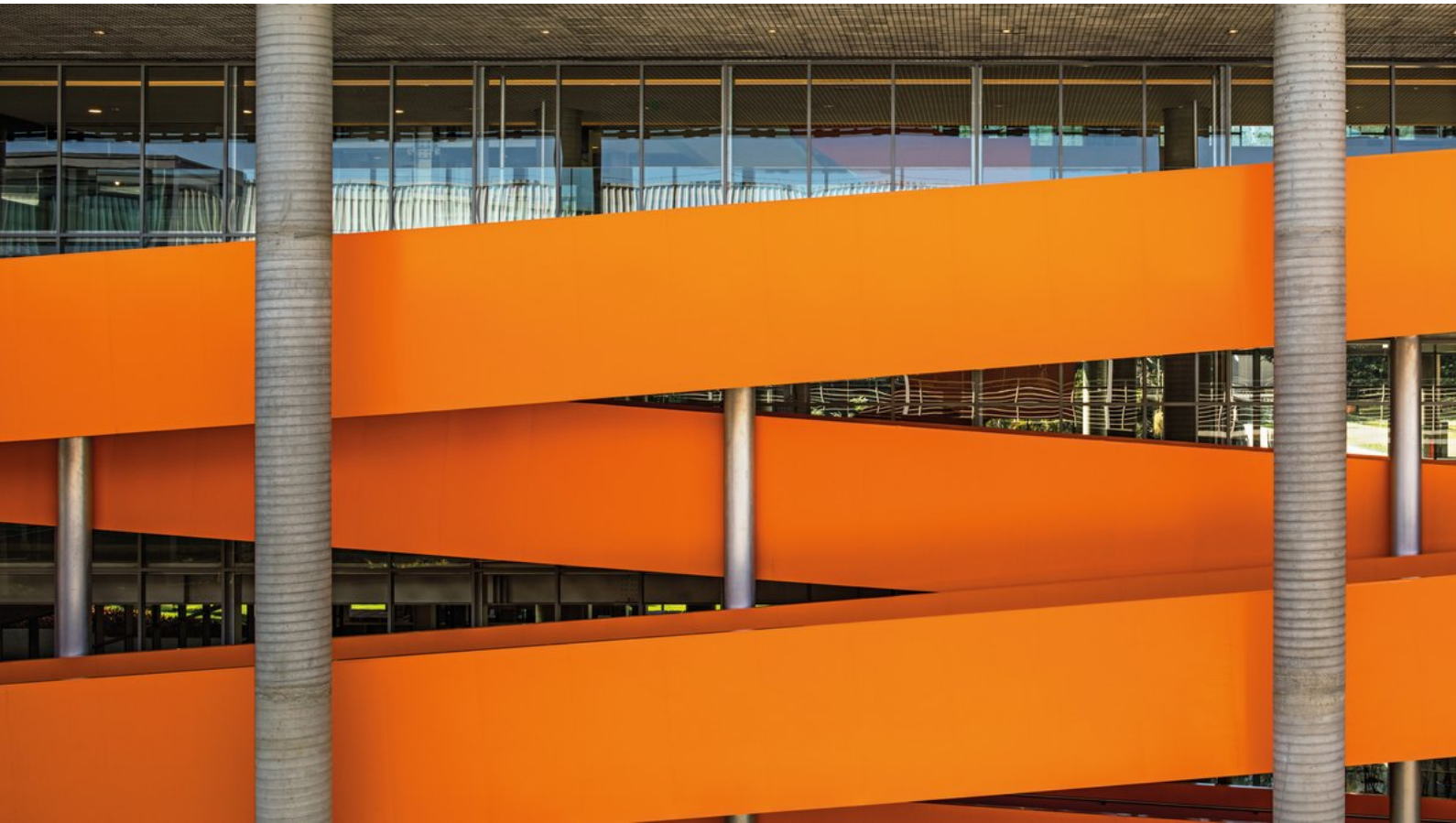
- **Operational and commercial autonomy for the Business Units** to decide on the best way to execute the strategy within their markets and according to each brand's value proposition. As expected, Natura & Co Latin America and Avon International saw continued improvement in profitability in adjusted base, driven by the gross margin expansion.
- **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 42% vs. 2021 (or 18% vs. 2022) and radically improved our ways of working to make more agile and assertive decisions. Moreover, the simplification process included the divestment of Aesop and The Body Shop, which unlocked significant value and gave us a strengthened balance sheet.
- **Improvement of our capital structure** resulting 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 debt in 2022 to net cash position by the year-end 2023. Furthermore, not only did the balance sheet improve, 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 force, with the crucial integration of Natura and Avon's commercial and operational activities in Latin America reaching the second wave in 2023, already with positive results. Meanwhile, Avon International continues its focus on its transformation plan, which radically reset its fundamentals in areas such as product portfolio and commercial model, alongside a simplified business and operational footprint.

We will continue our efforts to simplify our business and improve capital structure further.

As we continue to implement our strategy, in 2024 and beyond, we expect that gradual revenue growth will begin to play a more relevant role, along with the expansion of margins, from the materialization of projects that will unlock value and enable cash generation. We will continue to focus efforts on simplifying the business and further improving our capital structure.

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.

To gain detailed insights into our sustainability governance and its integration as a core driver in all our initiatives, please click [here](#).



2023 *Areas of Focus*

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

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on stabilizing the new organization. Embracing the concept of a Holding over a Group, we granted greater autonomy to Business Units, offering 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.

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.

Significant strides were made in implementing our succession plans, appointing key roles through internal recruitment rather than external hires. Notably, Kristof Neiryck, 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. Natura &Co Latin America went through an organizational redesign in line with structural changes to re-establish the foundations for the future growth of its businesses.

For further information on our Commitment to Life 'Our People' targets including women in leadership, gender pay gap and living wage results [click here](#).

Compensation follows strategy

GRI 2-19, 2-20, 2-21

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. To align with this, 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). The realignment was ratified by our shareholders during the General Annual Meeting when we also confirmed our compensation spend for May 2023 to April 2024. 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 for managers and leaderships is rooted in Natura &Co's overarching mission, connecting "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 and also links to sustainability initiatives, such as reducing greenhouse gas emissions and increasing the use of post-consumer recycled plastic in product packaging.

At Natura &Co, the process of developing compensation policies involves rigorous steps to ensure fairness and alignment with organizational objectives.

At Natura &Co, the process of developing compensation policies involves rigorous steps to ensure fairness and alignment with organizational objectives. Beginning with market analysis and objective setting, a dedicated compensation committee oversees the creation of salary and benefits packages, guided by transparent performance evaluations and regular reviews to maintain competitiveness.

Oversight by the General Shareholders' Meeting ensures stakeholder input is considered, while independent consultants provide impartial assessments. Stakeholders, including administrative staff and the Board of Directors, are consulted to ensure policies meet their expectations. This structured approach fosters trust and accountability, enhancing engagement and alignment across the organization.

For further details on our compensation policies for leadership, senior management, and other employees, please visit the Investor Relations (IR) section of the Natura &Co [website](#).