

OUR MARKET

According to the most recent data from the Brazilian CFT industry association Abihpec/Sipatesp2, the market in this country grew 7.7% in nominal terms in the first ten months of the year; albeit below projections. Even with lower economic growth, increased competition, and higher overseas investment in Brazil, Natura maintained its market leadership, with 23.2% market share against 23.6% the previous year. We also retained high levels of consumer preference: 89% intend to buy our products and 68% actually acquired Natura brand products.

In the Latin American countries in which we operate (Argentina, Chile, Peru, Colombia and Mexico), the most recent Euromonitor figures show a 7.5% average annual growth for the CFT industry. This rate has remained steady over the last four years. In the same period, Natura has grown on average 38% per year in these countries, climbing from the 15th to the 9th position in the CFT company ranking for the region.

The numbers for the direct selling market showed the same trend. According to the Associação Brasileira de Vendas Diretas (Brazilian Direct Selling Association), some 3 million consultants were involved in door to door sales last year; 3.2% up over 2010. The growth rate during the previous year was 12.2%.

PROGRESS IN OUR COMMITMENTS

Every year we assume commitments and targets to drive our socio-environmental performance. These targets are incorporated into our Socio-Environmental Budget and are monitored by the Natura Executive Committee. Our 2012 targets were adjusted in accordance with the operational market framework we encountered in 2011 and Natura made them challenging. The table below presents the results for the year:

2011 TARGET	2011 PERFORMANCE	2012 TARGET
WATER		
Reduce total water consumption per unit invoiced by 3%.	NOT ACHIEVED Water consumption increased by 14%.	Maintain water consumption at 0.40 liters per unit produced in Brazil. ¹
EDUCATION		
EMPLOYEES		
Reach average of 100 hours training per employee in Brazil	NOT ACHIEVED Natura had the same average as the previous year; 90 hours.	None. The scope of the target was expanded to include international operations (see below).
Reach an average of 88 hours training per employee throughout Natura.	NOT ACHIEVED 85 hours reached.	Reach an average of 80 hours training per employee throughout Natura.
CONSULTANTS AND NCAS		
Train 540 thousand consultants per subject ² .	ACHIEVED 566 thousand NCs trained.	Train 1,005,000 consultants per subject. ¹
Achieve R\$ 13 million sales from Crer para Ver product line.	NOT ACHIEVED Sales were R\$ 8.4 million.	Achieve R\$ 10.3 million sales from Crer para Ver product line in Brazil and R\$ 2.5 million from international operations.
Reach 134 thousand NCs engaged in Natura Movement.	NOT ACHIEVED Almost 123 thousand NCs engaged in Natura Movement.	Maintain 123 thousand NCs engaged in Natura Movement.
Achieve 13% penetration among consultants with the Crer para Ver program in Brazil.	NOT ACHIEVED Rate achieved was 9.5%.	Achieve 11% penetration among consultants in the Crer program in Brazil and 17.7% in international operations.
CLIMATE CHANGE		
Reduce relative greenhouse gases (GHG) emissions by 33% by 2013, against 2006 baseline inventory.	UNDERWAY Reduction of 25.4% up to 2011.	Reduce relative greenhouse gases (GHG) emissions by 33% by 2013, against 2006 baseline inventory.
Reduce scope 1 and 2 GHG Protocol emissions by 10% by 2012, against 2008 baseline.	UNDERWAY The accrued variation from 2008 to 2011 increased 11%.	Reduce scope 1 and 2 GHG Protocol emissions by 10% by 2012, against 2008 baseline.

RELATIONSHIP QUALITY		
EMPLOYEES		
Achieve 32% employee loyalty in Brazil.	NOT ACHIEVED The rate was 28%.	Achieve 30% employee loyalty in Brazil.
Achieve 76% favorability in Natura climate survey.	NOT ACHIEVED The rate achieved was 70%.	Achieve 74% favorability in Natura climate survey.
CONSULTANTS AND NCAS		
Achieve 22% loyalty among consultants in Brazil.	NOT ACHIEVED The rate achieved was 19%.	Achieve 21% loyalty among consultants in Brazil and 36% in international operations.
Achieve 37% loyalty among Natura Consultant Advisors in Brazil. ³	NOT ACHIEVED The rate was 24%.	Achieve 33% loyalty among Natura Consultant Advisors in Brazil.
CONSUMER		
Reach 54% consumer loyalty in Brazil.	NOT ACHIEVED The rate was 52%.	Reach 54% consumer loyalty in Brazil.
SUPPLIERS		
Maintain 28% Natura supplier loyalty.	NOT ACHIEVED The rate was 27%.	Reach 29% Natura supplier loyalty.
SUPPLIER COMMUNITIES		
Achieve 44% loyalty among suppliers' communities.	NOT COMPARABLE The rate was 28%, but it was not possible to compare it with the 2010 results because of changes in methodology.	Achieve 30% loyalty among suppliers' communities.
Achieve average score of 3.67 in assessment of BioQlicar community development program.	UNDERWAY Results will be available in May 2012.	Achieve average score of 3.76.
SOLID WASTE		
Reduce total weight of solid waste generated per unit invoiced by 3%.	NOT ACHIEVED Total weight of solid waste generated by unit sold grew 3%.	Maintain quantity of solid waste generated per unit produced in Brazil at 20 grams. ¹
Sociobiodiversity		
AMAZON		
Did not exist.	-	Generate R\$ 136 million in business volume in the Amazon region, considering Natura and other partners.
Did not exist.	-	Achieve 12% share for Amazon raw materials in Natura's raw material purchase volumes.
SUPPLIERS' COMMUNITIES		
Increase funding for communities by 25%.	NOT ACHIEVED Funding was increased by 15%.	Distribute R\$ 12 million in wealth to suppliers' communities.
PRODUCT IMPACTS		
Eliminate the use of the preservative parabens from the portfolio by July 1, 2011.	ACHIEVED Natura excluded parabens from the formulation of all its products.	No ingredient substitutions are scheduled for 2012.

1. We replaced the unit sold metrics with the unit produced. In other words, we no longer do the calculation based on the units sold (invoiced), considering instead what is actually manufactured (produced) by Natura. According to the new calculation, water consumption and solid waste generation were reduced. (more on page 81).

2. Starting in 2012, we should have a new method of tracking this indicator, recording NC participation per subject and counting all the NC learning interactions. Training by subject refers to different actions with specific subjects and focuses.

3. Errata: the NCA loyalty target for 2011 was 37% and not 40%, as published in the 2010 report.