



annualreport
natura2005



natura
bem estar bem

Summary

Reason for Being, I
Vision, 3
Letter from the Board, 6
Beliefs, 8
Strategy and Outlook, 38
Company Profile, 40
History, 44
2005 Main Highlights, 46
Methodology and Main Indicators, 48
Competitive Edges, 54
Corporate Governance, 66
Risk Management, 70
Communication, 72
Main Results, 74
Global Reporting Initiative, 80
Hightlights of Investments in Corporate Responsibility, 108
Financial Statements, 120
General Index, 140
Index Global Reporting Initiative, 143

The electronic version of this Report
is in the CD-ROM attached
on the third cover.





Vision

Because of its corporate behavior, the quality of the relationships it establishes and the quality of its products and services, Natura will be an international brand, identified with the community of people who are committed to the construction of a better world, based on a better relationship with themselves, with others, with nature of which they are part, with the whole.





Letter from the Board



The year 2005 gave cause for enthusiastic celebration by all who root for Natura's success. We once again achieved superlative earnings as we continue to garner the results from our commitment to sustainable development and to our common future.

For over a decade now, our strategy has been anchored to the belief that a business can be a powerful engine for social transformation and help create a much more just and egalitarian society, sharing the common knowledge and promoting well-being. Well-being of people with themselves, the world around them and the nature we all partake.

The permanent challenge is aligning these principles with our day-to-day business practices. This way of being and doing business constitutes Natura's distinguishing trait and helped our company and our brand to earn the recognition and admiration of the community, much to our pride.

Natura's management style is characterized by a dauntless, visionary disposition to mobilize large social networks and manage, with discipline, the multiple processes that make the business chain, all the way from research and development, production, distribution, to the marketing and communication of products and services, while responding to society's needs and creating value.

The continual exercise of this organic approach, the enthusiastic allegiance of our staff and all those who interact with Natura add on to the consistent results we deliver and reinforce our optimistic vision of the future.

Natura's gross revenues grew 27.7% in 2005, or 129.5% in cumulative terms over the past three years. Earnings were up 32.2% from 2004, amounting to R\$397 million. Our stock appreciated by 38%, above the 27.7% rise in the Bovespa index during the year, creating outstanding returns for our investors and shareholders, ratifying the trust bestowed by the market in our proposition. Besides holding on to the leadership in Brazilian cosmetic industry, we are now the country's largest direct selling company.

It is also extremely gratifying to confirm that we made a significant social contribution, sharing wealth in the forms of taxes, wages, dividends and income. Our 519,000 Consultants in Brazil and Latin America, for example, shared some R\$1.3 billion in income.

Our Consultants are quickly becoming more the leading agents of the changes in attitudes and behaviors that we work to promote, also spread – with much enthusiasm – our social and environmental causes, while marketing 220 million items to our 50 million consumers. Their involvement was a deciding factor, for example, in the Educational Campaign of Young and Adults program and in the dissemination of the use or refills as a way to reduce the environmental impact from product's packaging.

Moved by the prospects of spreading this Natura way of doing business to an ever-greater number of people and markets, we decided to boost investments in the company's international expansion program. We opened the doors, in April 2005, to Casa Natura Paris, in France, the birthplace of modern cosmetics and later, in August, we started operating in Mexico, one of the world's largest and most competitive direct sales markets. The significant



growth in operations in Argentina, Chile and Peru, which together achieved a 45.4% gross revenues growth over 2004 reinforces the conviction that we have substantial space to occupy in international markets over the next years.

To prepare for this international expansion, we embraced a sweeping organizational realignment. New corporate structures were rolled into place while the existing ones were reinforced and energized, lending a new burst of support, efficiency and speed to operations in Brazil and abroad. We also took further steps in corporate governance, appointing a CEO who came from outside Natura's controlling group. Under this renewed structure, the founding partners continue active in the formulation of the company's strategy, sharing their expertise and entrepreneurial vision in their new roles in the Board of Directors, working side by side with the executive group.

We are conscious that, by launching a new research platform, anchored in the sustainable use of Brazilian biodiversity and in the combination of traditional knowledge with scientific expertise and technology, we entered into a field where the desire to learn and dialogue must be permanently cultivated. This learning process gave rise, in 2005, to the unveiling of innovative products, such as the Chronos Spilol, which uses jambu, an endemic plant in Brazil's north region, in its formula. Instead of posing a hurdle, this experience reinforces our commitment to dare, besides validating our confidence to tread new paths that open up new business potential.

We are certain of our success because we walk side-by-side with a staff motivated to promote quality human relations in all their actions. For this reason we should develop, with even more commitment, our capacity to find, train and retain leaders who are conscious of their role in the global community. We are conscious that our great challenge will be to face the changes and problems posed by the company's accelerated growth, while continuing to nurture a working environment rich in motivation, joy, quality, coherent with our values – this is the determining condition for our future development.

For all of this years' great achievements, we wish to extend our deepest gratitude and sincere recognition to all those who are part of Natura's largest community: our staff, Consultants, shareholders, consumers, suppliers, community partners and the public power. We also take this opportunity to extend an invitation to all those who also believe that it is possible to promote the Well Being Well and together help build a better, just and harmonious common future.

Antonio Luiz da Cunha Seabra
Guilherme Peirão Leal
Pedro Luiz Barreiros Passos
Cochairmen of the Board

Alessandro Giuseppe Carlucci
Chief Executive Officer

Beliefs

Life is a chain of relationships.

Nothing in the universe exists alone. Everything is interdependent. It is our belief that the appreciation of the importance of relationships is the foundation of an enormous human revolution in the search for peace, solidarity and life in all of its manifestations.

The continuous search for improvement promotes the development of individuals, organizations, and society.

Commitment to the truth is the route to perfecting the quality of relationships.

The greater the diversity, the greater the wealth and vitality of whole system.

The search for beauty, which is the genuine aspiration of every human being, must be free of preconceived ideas and manipulation.

The company, a living organism, is a dynamic set of relationships. Its value and longevity are connected to its ability to contribute to the evolution of society and its sustainable development.







Gláucia Salgado teaches swimming lessons and sells Natura products. She helps Emily Von Oertzen with her diving skills as her Mom, Constance, looks on. Constance will not go a single day without her favorite buriti and andiroba exfoliating vegetable soaps from the Ekos line.

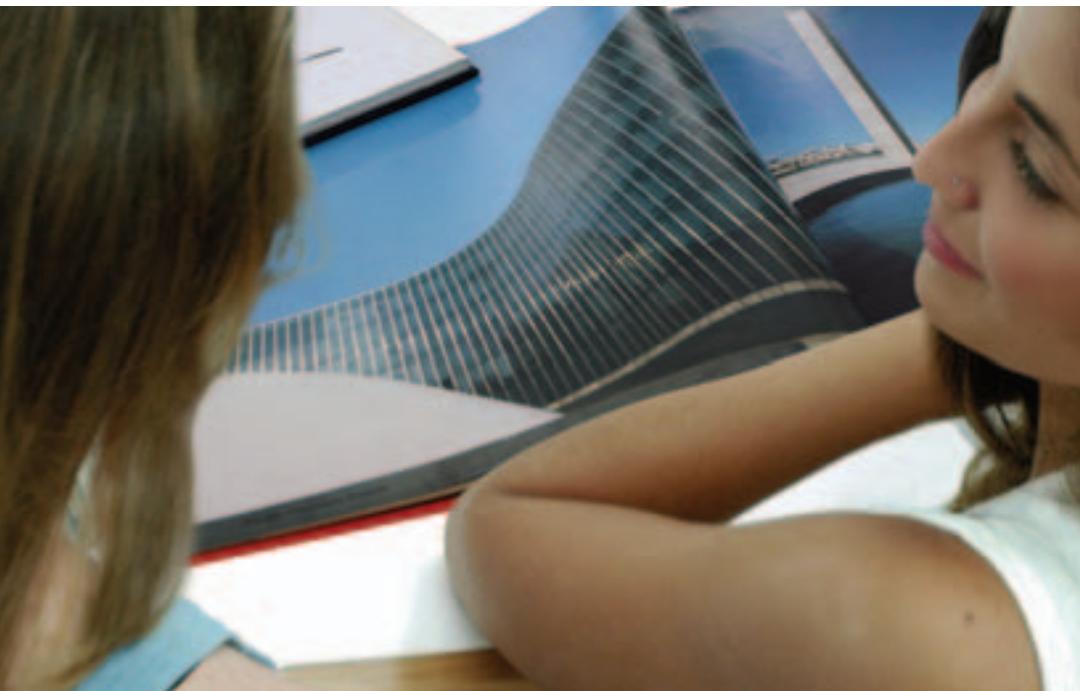


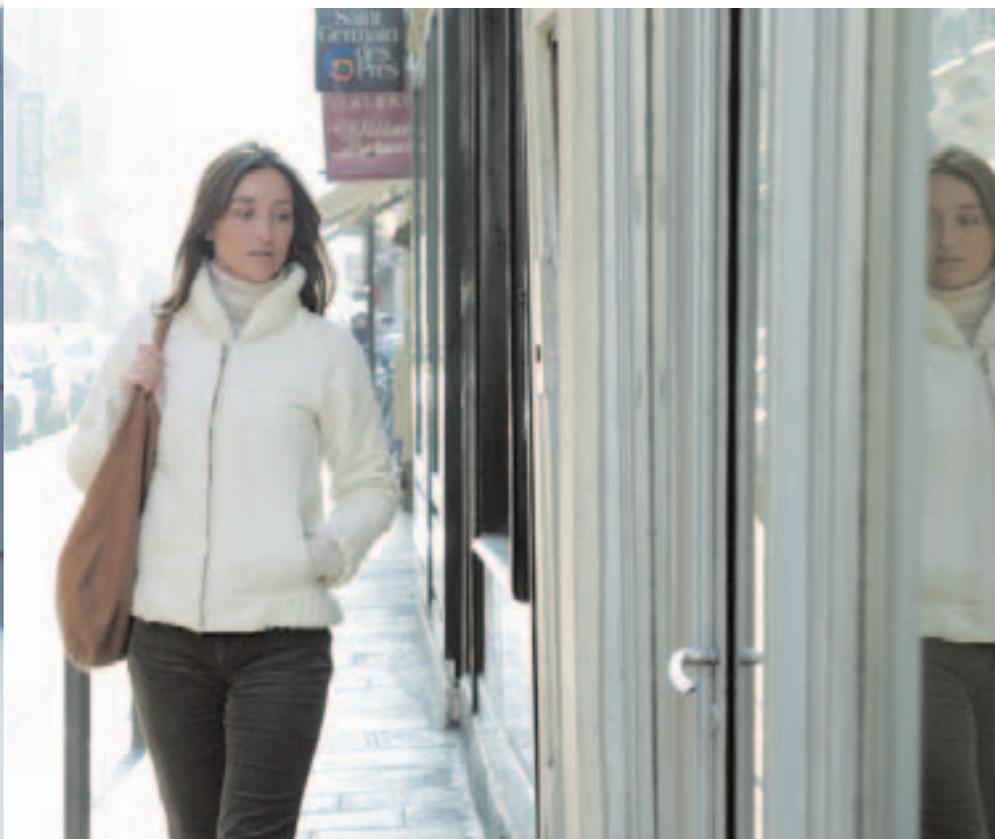


As a friend and Consultant to Elisa Calfat, Gláucia keeps her up-to-date on new Natura products. When they get together they chat about what is new, about their lives. Elisa tells she loves her Architecture course and will devote time, this semester, to study the work of contemporary Brazilian architects.



There is something new and special catching her attention: a distinctive building in Paris that cinches an important link between Brazilian and French cultures.





The building of wide spaces and sensuous curves also fascinates Emmanuelle Mouquet, a Natura consumer who has lived in Paris since she was a child.

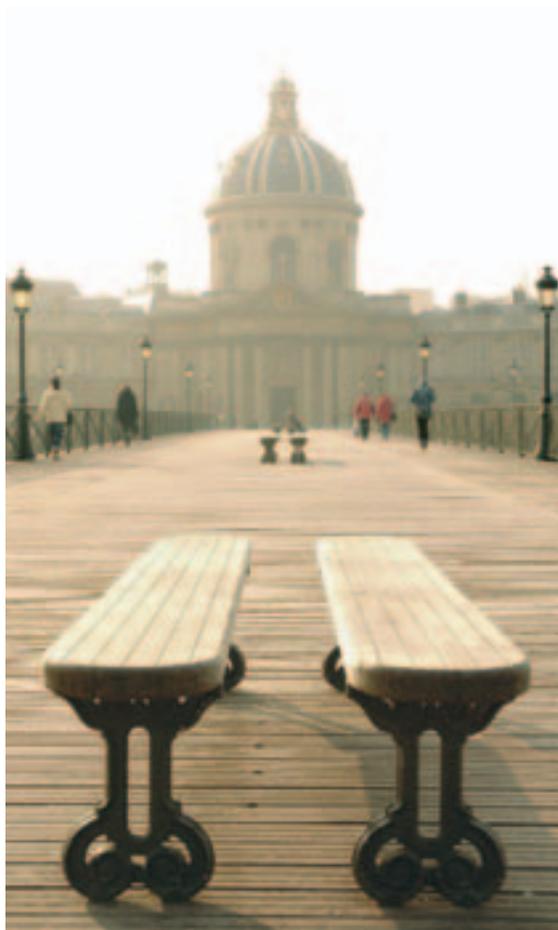
Every times she goes meet her friend Marie Gillot...



...she walks by the building that entices her.







The friends share the dream of visiting Brazil someday.

Its vibrant and
sensuous scents,
colors and unusual
textures that
Emmanuele got to
know keep drawing
her back to Casa
Natura Paris.







The experience is so enveloping that it transports Emmanuelle back to wide vistas...



...to trails and clear water streams surrounded by thick, exuberant foliage.



Spaces, trails and streams that inspire the innovative products...



...that captivate over 50 million Natura consumers.



Águas de Natura Especiarias Frescas



And transport them to the exotic forests...





Just like Petra
Schwartz and Flora
Lopes, Natura
consumers who
celebrate a more
diverse, more
integrated world.





They know that it is possible to use natural resources conscientiously, and they can influence this movement, which will also help their country.





A country naturally rich also in cultural expressions that shine in a diversity of dialects and the enormous talent of its people.



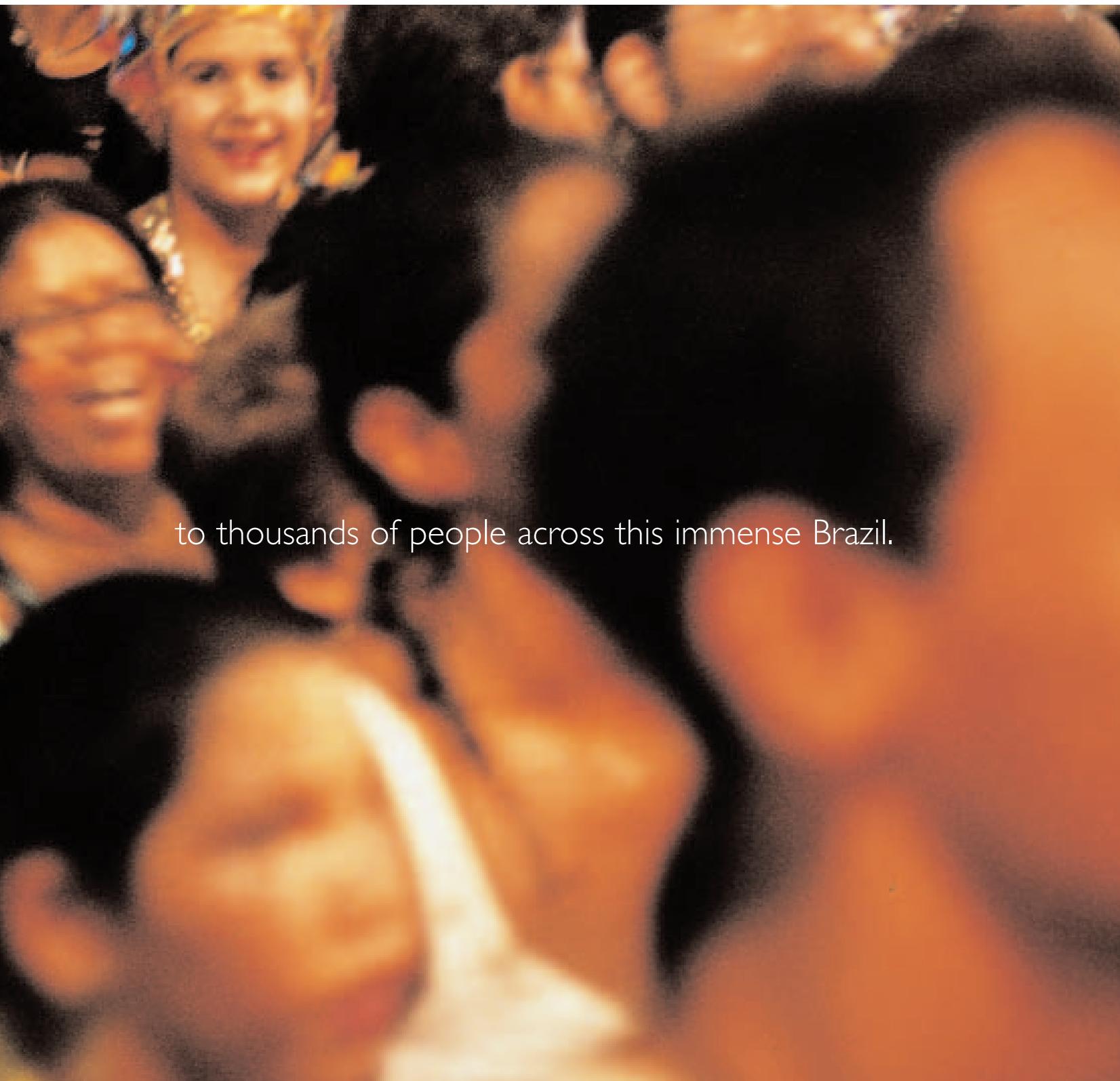
Expressions that Antonio Nóbrega, artist sponsored by the program Natura Musical, brings to the limelight...







...carrying fun, joy and Well Being Well



to thousands of people across this immense Brazil.



Strategy and Outlook

Our business strategy is rooted in four pillars: our commitment to sustainability, the quality of relations established with our various publics, the concepts and products we develop and Natura's brand strength, which all represent our essence.

The prospects favor the materialization of this strategy, because there is room to gain further market share in the market we operate and the company within this market.

The Brazilian cosmetics, fragrances and toiletries market recorded another excellent performance in 2005. According to Abihpec (the industry association), nominal growth for the target market, from January to October 2005 was 16.5% year-on-year. In real terms, discounting IPCA consumer inflation (6.4% for the period), the figure was still a solid 9.5%, much higher than

the average for all economic sectors. In the direct sales segment, the numbers are even more impressive. While full-time positions job growth has been exceptionally frugal in recent years, direct sales created opportunities and income for more than 1.5 million people. In 2005, according to Abevd (Brazilian Association of Direct Selling Companies), they turned over R\$ 12.3 billion – up 18.3% and 51.8% from 2004 and 2003, respectively.

Based on the industry growth coupled with the reported results last year, we intend to take advantage of every possible growth opportunity in the domestic market and cautiously ramp up international expansion process while reinforcing sustainable long-term business platforms, such as Research and Development, and securing value and consistent returns to shareholders.



We intend to maintain our leadership in Brazil's target market for Cosmetics industry, building and reinforcing our brand features in different country regions, by widening the number of Consultants and increasing business volume.

In the international operations, our intention is to consolidate, in 2006, the planning process to broaden our presence in others countries. Perspectives are based on the continuous increase in sales and in the number of Consultants in every single market, with sales channel productivity growth and category orientation besides operation's geographical expansion.

To ensure, in the upcoming years, domestic and international expansion process, it will be essential, not only to grant increasing volume of resources in investments dedicated to Research and Development and innovation,

We will continue to seize all opportunities in the domestic market and to invest in international expansion

but also to maintain its effective usage, focusing on our differentials. We will reinforce our choice to deepen our knowledge on the Brazilian biodiversity and its application to our formulas in a sustainable way. Simultaneously, we will intensify the number of own research projects and associations with scientific and academic networks in Brazil and abroad.

Another challenge is to develop and improve organizational structures, which besides supporting current expansion, also offer a sustained upcoming growth. These structures are shaped in order to broaden either in planning or in our activities management, the concern with social environmental performance, which is part of Natura's essence.



Company profile

Natura's twin passions – for cosmetics as a vehicle of self-knowledge and the exaltation of well-being and human connections as a way to express life – earned it a privileged spot in Brazil's corporate landscape. We are one of the most admired companies in Brazil, also leader in the domestic industry of cosmetics, fragrance and personal hygiene and our brand is one of the most valuable brands in Brazil. Our product portfolio now counts approximately 600 products, in the categories makeup, fragrances, solar protection, skin care and hair care, among others.

In the last years, we have achieved consistent rates of growth, much higher than the average gains by the domestic

cosmetics and direct sales sectors which, in their turn, have already been surpassing the growth rate of Brazil's economy. In 2005 gross revenues amounted to R\$3,243.6 million, 27.7% more than in 2004. One of the cornerstones of this expansion is the constant search of excellence in our products and services, essential to establish and cement quality in our relationships with our publics.

We are at the frontline among the Brazilian companies that invest the most in research and development. Currently, Natura houses a large and integrated research, production and logistics center at its headquarters in Cajamar, São Paulo. There are also commercial and distribution plants in Itapeceira da Serra, in the state of



São Paulo, and in Uberlândia and Matias Barbosa in the state of Minas Gerais.

In 2005 we produced more than 200 million items sold to our 50 million consumers in over 5,000 Brazilian cities through direct sales. We ended 2005 with 4,128 employees and 519,000 Consultants - independent professionals who purchase and resell our products – in Brazil and the other countries where we operate: Argentina, Chile, Peru and Bolivia. Since 2005, we are also present in Mexico and France.

With our daily business fully integrated to our beliefs, we maintain and develop a social environmental responsible management, rooted in two pillars the first one is ethics, transparency and

One of the foundations of our growth is the quest for excellence in our products and services

open communication channels with all the publics who interact with the company. The other one is the establishment of compatible targets with the sustainable development. These are initiatives that belong to our dream of contributing to build a better world. Since 2004 Natura is a public company, with stocks listed in the Novo Mercado at São Paulo's stock exchange, Bovespa.



Products and concepts

Our beliefs and world vision bring forth concepts that breathe life into the products we create. They are developed from a deep commitment to integrate all possible facets of individuals (physical, emotional, intellectual and spiritual) and their family, professional and social relationships as well as those with the environment. For us, a new product must be an instrument of information, consciousness and eagerness for perfection.

Our product portfolio now counts approximately 600 products, in the categories makeup, facial and body treatments, personal hygiene, fragrances, hair care, solar protection, children line among others (*to get acquainted to our complete portfolio, visit Natura's website at www.natura.net*).

Three lines among them stand out for symbolizing with eloquence Natura's world vision and transmit the values we hold dear: Chronos, Mamãe e Bebê and Ekos. Not coincidentally, all these lines were rolled out at seminal periods of our corporate life besides carrying universal concepts.

Natura Chronos was the first line to face head-on the prevailing beauty standards

Our products are also instruments of individual awareness and desire for perfection

and stereotypes. For the sake of coherence, we adopted a new concept for anti-signs skin care and set out an innovative standard communication, in early 90's, by valuing the Truly Beautiful Woman, showing that it is possible to feel well and beautiful regardless of age.

The mother-child bonding determines, to a large degree, how that baby will later relate to the self and the world. This bond inspired the **Mamãe e Bebê** line, in which all products were specially developed to stimulate this essential relationship through the five senses, opening up an universe of feeling and sensation.

The **Natura Ekos** line started a new cycle in the company's history by proving that innovation can be delivered straight from nature. All products in this line lead to personal and collective well-being. Beginning with the use in their formulas of biodiversity elements, all of which Natura works to extract in a sustainable manner. Their benefits, scientifically proven, rescue the values and experiences accumulated by traditional populations through the centuries.

1983
Another first pioneer move, in Brazil, Natura starts offering available products, among other Brazilian retailers.

The Séve line opens up a new category: bath oils.

1984
Launch of the Erva Doce line.

1986
Chronos launch marks the first generation of a line of anti-signs facial treatment.

1989
Merge of the companies that integrated the Sistema Natura.

1990
Natura defines and announces its Principles and Beliefs: the importance of relationships, commitment to truth, continual search for perfection, diversity as an engine of vitality, affirmation of a beauty that is free from stereotypes and manipulation and the corporation as a promoter of social enrichment.

1992
Natura charges ahead with the adoption of corporate responsibility initiatives.
The concept Mulher Bonita de Verdade shows that true female beauty is not a matter of age, but of self-esteem.



bemestarbemestarbemestarbemestarbemestarbemestarbemestarbem

ção Natura
aulo

tionship
itiative
mpany
w its
Report
voluntary
vironmental
orations.

2002

Establishment of Sustainability Committee.

2004

Natura's stock is listed with São Paulo Stock Exchange (Bovespa) Novo Mercado.

Natura is issued a NBR ISO 14001 certificate.

2005

Casa Natura opens its doors to the public in Paris and operations begin in Mexico.

Chronos Spilol is launched the flagship for the latest generation of anti-signs skin care. It uses the extract from a Brazilian native plant from Amazon, known as jambu (*Spilanthes oleracea*).

Natura is issued a NBR ISO 9001 certificate.



2005 main highlights

Milestones

- Instituto Nacional de Propriedade Intelectual (INPI) recognizes Natura's brand name value; the company obtains the NBR ISO 9001 certification.
- Alessandro Carlucci is named Natura's first CEO who came from outside controlling group, crowning the professional process and the enhancement of corporate government procedures.
- Casa Natura opens doors to the public in Paris, France and the company launches operations in Mexico; the internationalization process gains momentum.
- Consolidated gross income grows 27.7%, well above the growth of our target-market, cumulative growth in the past three years soared to 129.5%.
- Natura's stocks are selected for inclusion in well-known domestic and international stock indices: IBrX 100, ISE, Itag and MSCI.
- Operations in Chile, Argentina and Peru grow 45.5% in consolidates, local currency-weighted terms.
- Chronos Spilol is launched; it is also the first anti-signs facial cream formulated from a Brazilian botanical obtained by organic, sustainable methods, the jambu.
- The entire line of Natura soaps turns vegetable, now produced from palm kernel oil instead of animal fat.
- The Ministry for the Environment grants Natura the first ever license to a domestic cosmetics producer to access Brazil's biodiversity genetic heritage, with the *breu branco* extract.
- Natura's Consultants are mobilized to promote the Young and Adult Education, a Ministry of Education program. As a result 66,600 people over age 15 were sent back to primary schools, and, in another campaign, to accelerate the sale of refills.
- Natura was granted, for the third consecutive year, the Best Company for Women to Work, according to *Exame* business magazine and *Great Place to Work Institute*; for the second consecutive year, the Most Admired Company in Brazil – from *CartaCapital* magazine and *InterScience*.



Challenges

- Manufacturing and logistic issues, resolved in the second half, temporarily hampered production and order fulfillment routines in the first half.
- A slight drop in the favorable responses to the Organizational Climate Survey, to 70% in 2005 from 73% in 2004, signaled the need to improve personnel relations.
- Difficulties to find suppliers, particularly in neighboring and traditional Northern region communities, ready to fulfill the sustainability criteria demanded by Natura's certification processes.
- Difficulties to meet our pledged ratio of workers with disabilities related to a rapid increase in personnel and struggle to find candidates with the necessary skills.



Methodology and main indicators

For the fifth consecutive year, Natura reports its economic, social and environmental activity in an integrated format, in line with the permanent quest for the sustainable development of business.

The information on our economic performance is in accordance with the guidelines from Brazilian Security and Exchange Commission (CVM), and Associação Brasileira das Companhias Abertas (Brazilian Association of Publicly Traded Companies).

For indicators of social and environmental performance, Natura follows the guidelines from Instituto Ethos de Empresas e Responsabilidade Social, and the Global Reporting Initiative's (GRI) models. Instituto Ethos was formed in 1998 to mobilize, increase awareness and help companies manage their business in a socially responsible manner.

GRI, created in 1997, is an independent international agency that develops

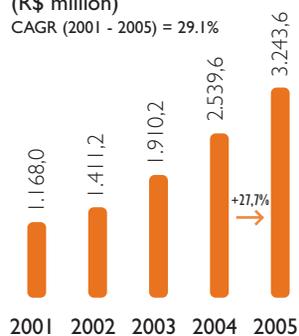
protocols aimed at volunteer usage that permit gauging the economic, social and environmental impact of companies' activities, products and services. GRI is supported by foundations, institutes, companies and organizations throughout the world. It counts on the help of several publics interested in accurate and transparent information. Since 2005, Natura is an Organisational Stakeholder and cooperates with a working group responsible for developing the third issue of the GRI Guidelines. To facilitate the finding of GRI indicators related to several of our activities on the following chapters, its number will come in brackets right after the correspondent theme (see *GRI Index at page 143*).

Besides following these entities' guidelines to prepare its reports, Natura adopts transparency communication tenets issue by Associação Brasileira de Comunicação Empresarial (Brazilian Association of Corporate Communication) to which it is associated.

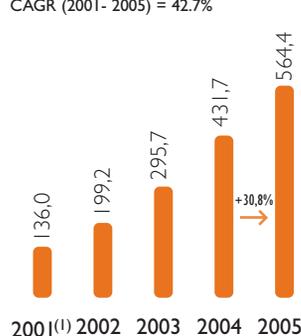


Performance Main Indicators

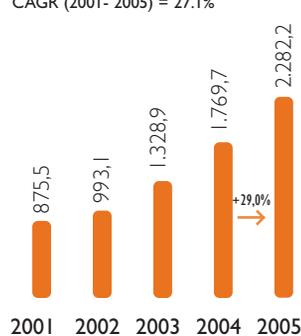
Consolidated Gross Revenue Growth
(R\$ million)
CAGR (2001 - 2005) = 29.1%



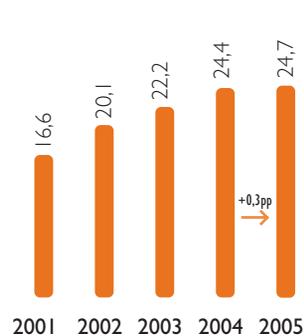
EBITDA Growth
(R\$ million)
CAGR (2001 - 2005) = 42.7%



Net Revenue Growth
(R\$ million)
CAGR (2001 - 2005) = 27.1%



EBITDA Margin Growth (%)



Business Performance

	2001	2002	2003	2004	2005	Change 05/04
Consolidated business volume ⁽²⁾ (R\$ million)	1,644.0	1,951.7	2,652.5	3,531.1	4,496.2	27.3%
Consolidated business volume per Consultant ⁽³⁾ (R\$ Consultants/year)	8,349	8,875	10,283	11,277	11,984	6.3%

1. Natura Empreendimentos

2. Business volume is the estimated amount of take billings by Natura's Consultants, based on the estimated profit margin of these Consultants, excluding revenues from the supporting material that is provided to them. It includes Brazil, Argentina, Chile e Peru.

3. Considers the average active Consultants - those who made at least one order during the sales cycle. Each cycle lasts three weeks. It includes Brazil, Argentina, Chile e Peru.

Financial Performance⁽¹⁾ (R\$ million)

	2001	2002	2003	2004	2005	Variação 05/04
Domestic gross sales	1,140.3	1,375.2	1,860.3	2,472.0	3,149.7	27%
International gross sales ⁽²⁾	27.7	35.0	47.9	66.8	92.6	39%
Other sales	—	1.0	2.0	0.8	1.3	63%
Gross operating revenues	1,168.0	1,411.2	1,910.2	2,539.6	3,243.6	28%
Net operating revenues	875.5	993.1	1,328.9	1,769.7	2,282.2	29%
EBITDA ⁽³⁾	120.3	199.2	295.7	431.7	564.4	31%
Operating income⁽⁴⁾	72.3	121.1	230.4	395.4	532.9	35%
Net income	9.5	21.7	63.9	300.3	396.9	32%
Investments	7.1	25.2	23.9	83.1	111.6	34%
Financial income	(35.5)	(44.3)	(30.1)	(2.8)	11.3	-504%
Total assets	599.9	646.6	723.9	1,016.4	1,368.9	35%
Shareholders' equity and profit-sharing debenture ⁽⁵⁾	208.8	225.9	354.2	436.1	521.4	20%
Net indebtedness ⁽⁶⁾	205.0	119.1	(19.0)	(91.1)	(200.2)	120%

1. Operations in Brazil, Argentina, Chile, Peru, France (only in 2005), Mexico (only in 2005) and exports to Bolivia.

2. Operations in Argentina, Chile, Peru, France (only in 2005), Mexico (only in 2005) and exports to Bolivia.

3. Earnings before financial income, profit-sharing debentures, income tax, depreciation and amortization.

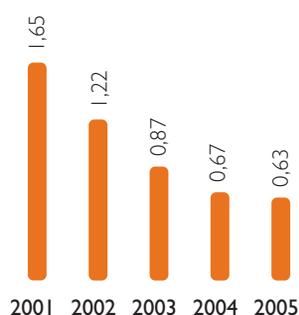
4. Operating income after financial income.

5. Total shareholders' equity and profit-sharing debentures.

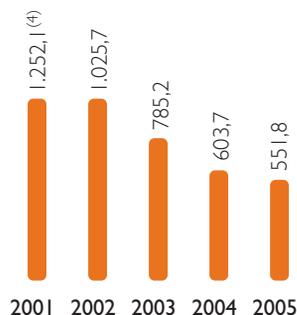
6. Excludes profit-sharing debentures.

Research and Development

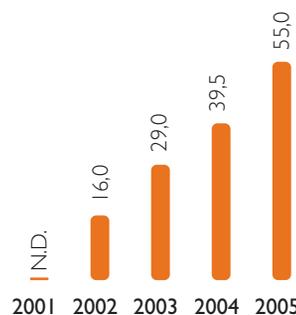
Water Use per Unit Sold⁽¹⁾
(liters/unit sold)



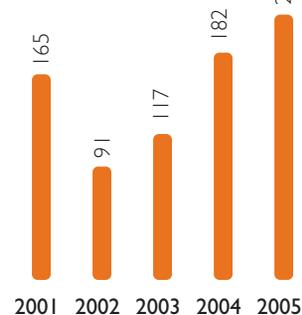
Total Energy Use (Energy Matrix)⁽²⁾
per Unit Sold
(kjoules/unit sold)⁽³⁾



Water Reuse
(% of total water treated at the
Effluent Treatment Station)

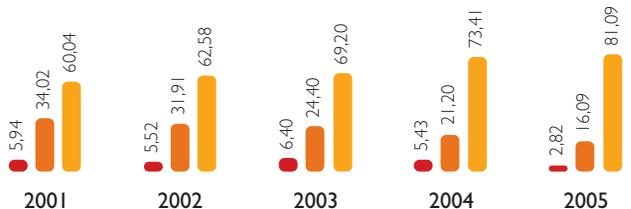


Number of Products Launched

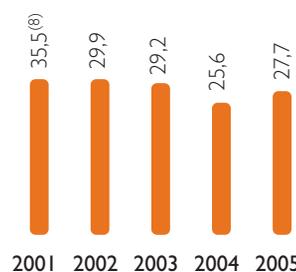


Generation of Waste Destination (%)

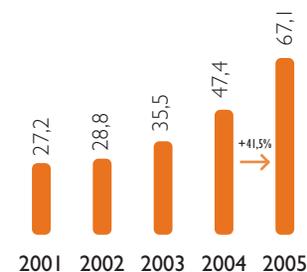
- Incinerated⁽⁵⁾
- Disposed of in land fill sites
- Recycled⁽⁶⁾



Generation of Waste per Unit Sold
(grams/unit sold)⁽⁷⁾



Investments in Innovation
(R\$ million)



1. In 2005 there was 5.3% reduction in relative water use. Main highlight was the unit sale scale gain. We ended 2005 with 5.3% gain over the estimated.

2. Energy Matrix is the total energy used by Natura, that comes from various sources (electricity, diesel and LPG).

3. In 2005, relative energy consumption decreased 8.5%. The main driver was the reduction in items sold scale gain, 5.3% over the estimate one.

4. Approximate value. In 2001 total unit was considered for the calculation.

5. Incineration decrease was due to actions, with clean recycling of solid waste.

6. Improvements were implemented in the segregation process of materials and the change in operation waste destination (equipments for tissue protection) contributed to 10.5% increase in the waste recycling index in 2005 over 2004.

7. Absolute volume of waste posted on increase of 34% in 2005, surpassing the number of units sold growth, which was 25% superior over the previous year. The greater volume in production and actions for stock cleanse were important drivers to increase in the absolute volume of waste.

8. Approximate value. In 2001 total unit was considered for the calculation.

Investment in Corporate Responsibility

During the past decade Natura has intensified and refined its management practices, rooted in the quality of its relations and the definition of corporate goals compatible with sustainable development. These principles now permeate the company's initiatives in all areas. Some results of this process were the choice of renewable compounds from Brazil's biodiversity as its technological platform, the socio-environmental assessment of suppliers and the development of packaging with the least possible impact on the environment. The Annual Report aims to discuss these actions.

To focus attentions on the critical aspects of these strategies, Natura devised a supporting tool for managers to plan and visualize specific actions directed at each public the company relates to: The Corporate Responsibility Matrix.

This matrix, therefore, allows to highlight Natura's investments on corporate responsibility matters, or, on those group of actions

Our businesses are based on establishing quality relations and defining goals compatible with sustainable development

not only related to the corporate law nor to the business, but to enhance the chain of relations and people's quality of life.

The matrix does not fully reflect Natura's efforts to promote a socially responsible management. Instead, it reports the investments made in the pivotal facets of this management style. They are:

- Monitoring the quality of Natura's relations with its publics about respect to ethics, transparency and the efficiency of the dialogue channel, including themes not directly linked with the business. (Fundamentals line)
- Promoting sustainable development – be it local, region-specific, fostering diversity, education, quality of life and culture. (Socio-economical line)
- Protecting the environment. (Environmental line)

The declared values designate effective investments above the legal requirements (see the description of the considered actions at matrix in *Investments Highlights in Corporate Responsibility at page 108*).

**Corporate Responsibility
Investment Matrix**
(in R\$ thousands)

Natura's Funds	Natura stakeholders								TOTAL
	Personnel, families and third parties	Consultants	Supplier communities	Suppliers	Cajamar and Itapecerica da Serra	Costumers	Government and society	Shareholders	
Fundamentals	189.3	214.0	-	98.7	17.0	194.1	2,054.2	-	2,767.3
Economic and social	7,995.8	-	896.3	60.0	410.4	-	1,578.5	-	10,941.1
Environmental	46.6	-	-	-	-	-	1,299.5	-	1,346.1
Subtotals	8,231.7	214.0	896.3	158.7	427.4	194.1	4,932.2	-	15,054.5
Management expenses	All stakeholders								TOTAL
	2,559.6								2,559.6
	Total Natura's fund								17,614.1
	% of net sales								0.8

Funds generated by Consultants	Natura stakeholders								TOTAL
	Personnel, families and third parties	Consultants	Supplier communities	Suppliers	Cajamar and Itapecerica da Serra	Costumers	Government and Society	Shareholders	
Net funds raised by the Crer pra Ver	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	3,041.7	N.A.	3,041.7
	Total funds generated by Consultants								3,041.7

Tax funds	Natura stakeholders								TOTAL
	Personnel, families and third parties	Consultants	Supplier communities	Suppliers	Cajamar and Itapecerica da Serra	Costumers	Government and society	Shareholders	
Tax incentives	-	-	-	-	-	-	2,723.9	-	2,723.9
	Total tax incentives								2,723.9
	GRAND TOTAL								23,379.7

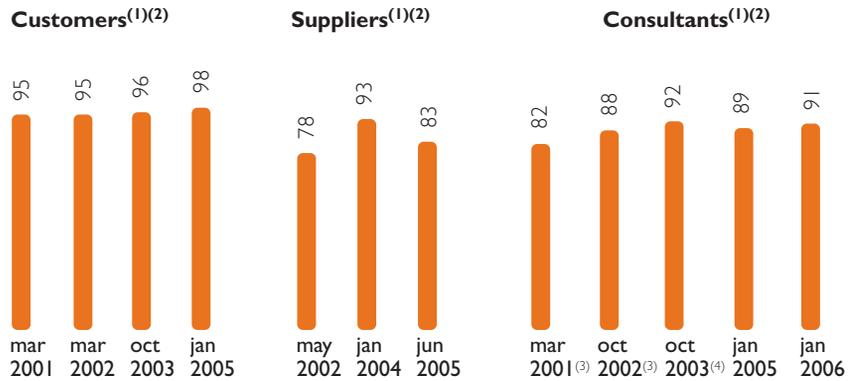
Nota: N.A. = Not applicable.

Main social indicators

Desination of Funds per Type of Stakeholder (R\$ million)

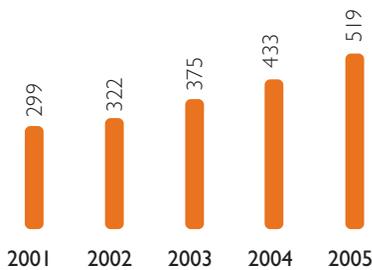


Satisfaction (favorability %)



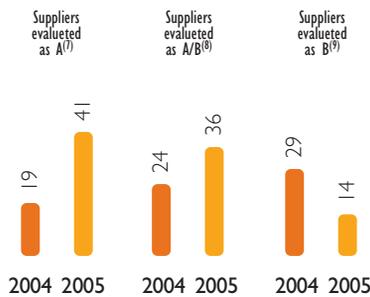
Consultants

Number of Consultants⁽⁵⁾ (in thousands)



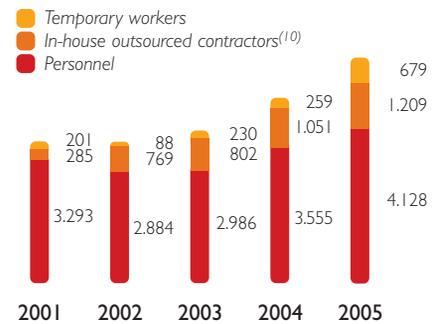
Suppliers

Suppliers Environmental Performance (%)⁽⁶⁾



Personnel

Employees, In-house Outsourced Employees and Temporary Workers



1. From now on, the survey results will be published considering the period when it was carried out.

2. Reported data refers to surveys conducted from January 2001.

3. Consultants surveys results from March 2001 and October 2002 are not comparable to the others owing to methodology changes.

4. Consultants survey results from October 2003 were altered in this report to make them comparable to similar surveys conducted in other periods because they refer to the same methodology used in later periods.

5. Consultants in Brazil, Argentina, Chile and Peru.

6. The suppliers classification began in 2004.

7. Between 90% and 100% meet the requirements.

8. Between 80% and 89% meet the requirements.

9. Between 60% and 79% meet the requirements.

10. We are considering the in-house outsource employees at companies units.



Competitive differentials

Research & Development

Our investments in this area grew 41.5% in 2005, to 2.9% of net revenues (**GRI ECI**). These figures place us among the Brazilian companies that invest the most in research, development and innovation. The end results, parlayed into new products, were particularly rewarding in 2005.

We rolled out 213 new products and the innovation index, which measures the revenue share of products launched in the last 24 months, rose to 69.8% from 63% in 2004.

The anti-signs Chronos skin-care line epitomizes Natura's values. In 2005 the line included a new formulation with Spilol, extracted from a native plant, the jambu, from the Brazilian Northern region, obtained through techniques developed

proprietary by Natura's researchers, which proved to be effective against signs of aging. The line also counts on another anti-signs compound, Elastinol, developed with the help of Professor Ladislav Robert at Paris 5 University. During 2005, studies for the launch of a fourth generation of Elastinol were concluded. The use of both these compounds lends further flexibility to the development of the Chronos line.

Another highlight last year was the conversion of our entire line of soaps to vegetable oils. Now all our soaps are made from palm-kernel oil instead of animal fat.

Equally important to the transmission of the company's values, the Ekos line – which marked the start of the use of products from Brazil's biodiversity as a platform for product development – incorporated some exclusive items for the inauguration of



Casa Natura in Paris, in April 2005. These new products, currently exclusive to the French store, will soon be available in Brazil and other countries.

Natura is already the unquestionable leader in the fragrances market. In 2005 we accelerated specific research projects to include more essential oils in our lines. This work required hiring scientists and researchers and will permit the addition of new extracts besides piri-pirica, breu branco and pitanga, unique to our perfume lineup.

Another important achievement, targeted for June 2006, is the advanced elimination of all animal testing in the product development process. We accelerated the realignment of product safety internal processes. Today Natura is one of the Brazilian companies that develop and conduct in vitro lab testing. In addition

As part of continuous innovation process, we seek to establish partnerships with scientific community

to these tests, we developed an evaluation model with a database and advice from external specialists, under the coordination of the Product Safety Committee, to ensure the integrity and harmlessness of products sold for human consumption **(GRI PR1)**.

In our quest for innovation we sought partnerships with research institutes and universities. The Natura Campus Program, in conjunction with Fundação de Amparo à Pesquisa do Estado de São Paulo (Fapesp) was especially active last year, with the development of various projects with six universities in the state of São Paulo.

AWARDS AND RECOGNITIONS

Throughout its history Natura has been recognized for its ethical and transparent relations with its publics. Among the most important awards and recognitions received in 2005 are (see the complete listing on page 117):

Most Admired Company in Brazil – *CartaCapital* magazine and *InterScience* (second consecutive year).

Best Place for Women to Work – *Exame* business magazine and *Great Place to Work*® Institute (third consecutive year).

Exemplary Company in Social Responsibility – *Guia Exame de Boa Cidadania Corporativa* (sixth consecutive year).

Social Balance Award – Associação Brasileira de Companhias Abertas (Brazilian Association of Publicly Traded Companies); Associação dos Profissionais de Investimento do Mercado de Capitais (Analysts and Investment Professionals in Capital Markets Association); Instituto Ethos de Empresas e Responsabilidade Social (Ethos Institute of Companies and Social Responsibility); Fundação Instituto de Desenvolvimento Empresarial e Social (Corporate and Social Development Institute Foundation) and Instituto Brasileiro de Análises Sociais e Econômicas (Brazilian Institute of Social and Economic Analyses), the fourth consecutive year.

Abrasca Award – Best Annual Report, Public Companies, fourth place.

Aberje São Paulo Award – in the categories **Investor Relations, Media Diversity and External E-News** – Associação Brasileira de Comunicação Empresarial (Brazilian Association of Corporate Communication).

Aberje Brazil Award in the categories Media Diversity and External E-News – Associação Brasileira de Comunicação Empresarial (Brazilian Association of Corporate Communication).

Top-of-Mind Award in the category Product and Beauty Cream – *Folha de São Paulo* news daily.

Empresa de Valor 2005 – *Valor Econômico* business daily.

Fourth Most Valuable Brand in Brazil – *ISTOÉ* business magazine and *Instituto Interbrand*.

Environmental Merit Award – Federação das Indústrias do Estado de São Paulo (second consecutive year).

Brand

The Natura brand epitomizes the company's essence and the contents of our Principles, Vision and Beliefs statements. As the company's most valuable intangible asset, the Natura brand is crucial for our international expansion process and as such we devote special care to strengthen our brand and disseminate it to other markets.

An important initiative in 2005 was the consolidation of the brand management system to manage the entire process involved in branding – language, training, contents development, advertising and secondary-brand management.

The result was clear in the number of awards conferred to Natura as one of the most valuable brands in the country, according to different research institutes and other media vehicles (see the table "Awards and Recognitions") (GRI SO4). Another significant recognition came from Instituto Nacional de Propriedade Industrial, Inpi, acknowledging Natura as a highly renowned brand, a status shared by brands with undisputable authority and outstanding clout that stem from their tradition and the quality and trust they inspire. With it, the protection of our brand is no longer segregated to the cosmetics industry and reached out to all sectors of economic activity.

Relationships

From our belief on ethics, transparency and dialogue, in 2005 we continued to develop efforts to better define and refine the connections to our various publics.

Consultants and consumers

Natura's Consultants are a crucial part of our business. We therefore stimulate and value their role in generating income in times marked by a dearth of formal jobs. In 2005 we distributed R\$1.3 billion to our Consultants, 27.3% more than in 2004 **(GRI EC13)**.

We opened 2005 with 433,000 consultants and added another 86,000 (10,000 of them in other countries), to close the year with 519,000. Consolidated business volume grew by 27.3% over 2004 and productivity per consultant in Brazil moved up 6.6% to R\$ 12,300.

We invested strongly in training and strengthening contacts. As a result of a series of meetings, workshops and product launch events, we managed to reduce consultant turnover.

The Internet has been growing as a vehicle of interaction with the sales force: in 2005 approximately 100,000 consultants in our roster had frequently access to our website, over 70,000 in 2004 **(GRI EC13)**.

Surveys conducted by our quality control areas had detected a few areas of dissatisfaction among Consultants, involving on-demand product availability and delivery issues. Changes in stock management policy were promptly conducted and reduced these issues. The conclusions of consumer satisfaction surveys have been taken to a multidisciplinary group for solutions **(GRI PR8)**.

Segmentation strategies helped improve our relations with specific customer groups.

The first group addressed was our younger constituencies – Consultants as well as customers. Among efforts to better reach them, we launched the Natura Mov, a movement to inspire the creation of a better world. In addition to a magazine named after the program, printed on recycled paper, Natura Mov has a website.

We devised another program for the Mamã & Bebê line, for Consultants and expectant mothers. Its main vehicle is a website with information on parenting and child care, with bulletin boards where young parents exchange tips and opinions. This website registered over 50,000 unique users in 2005.

Personnel

Natura's staff plays the leading role in the construction of a socially responsible company and the establishment of substantive connections with our distinct publics. Their personal and professional well-being and their identification with our culture and guiding beliefs are issues we take seriously.

Natura hired 573 new people in 2005 to back up business international expansion process at home and abroad, increasing the workforce by 16%. At year-end, we had a staff of 4,128, of which 3,575 in Brazil and 553 abroad **(GRI LA1 and LA2)**.

Expansion issues also led to profound changes in corporate structure to support business expansion and the internationalization process. The executive group grew to 292 professionals, 25.5% more than in 2004. At the same time, the new business challenges demanded more investment in training and skill development, which in 2005 totaled 365,264 hours, or 101 hours per employee, including internships **(GRI LA9)**.



These changes posed challenges that involved complementary actions. The satisfaction index tallied by our yearly Organization Environment survey, conducted by an independent specialized firm, slipped a tad to 70% from 73% in 2004 (**GRI HR10**). Although we are still a market reference, this was a sign that we need to redouble efforts on employee relations to be chased in 2006 by all company's managers. Despite this fact, we maintained our capacity to attract and retain talents. Personnel turnover in 2005 fell to 7.64% from 7.81%, and we received 44,884 more applications for internships and trainee programs, 16.9% more than in 2004 (**GRI LA1 and LA2**). We were selected as the Best Place for Women to Work for the third consecutive year by Exame magazine and made it to the lists of 100 best places to work in Latin America, by the same vehicle.

Besides hiring aggressively in 2005 and establishing Human Resources processes at the international operations, we also sought to attract professionals, at all capacities, with skills compatible with the company's expansion in other countries, even for positions in Brazil. International experience and adaptability to other cultures rank high among these requirements. We also started to offer summer internships, partnerships and exchanges with foreign universities. Another program, Natura Educação, which offers tuition reimbursements, grew significantly in value and range, to promote the development of a growing number of employees (**GRI LA16**).

Improve relations with all our publics is a constant goal at all the company's departments

We had some difficulties in 2005 to fill all the positions available for people with disabilities, in view of the need to fit with our beliefs. Another important step forward was a partnership with Serviço Nacional de Aprendizagem Comercial (Senac), to train people with disabilities to work as administrative assistants (**GRI LA10, HR4 and HR8**).

Suppliers

We consider our suppliers as partners in corporate responsibility as opposed to mere providers of products and services. They are also a special public in the role to disseminate our sustainable corporate practices.

To strengthen our relations with suppliers, we expanded and improved our certification process in issues of quality, logistics, innovation, contract, service and responsiveness, reliability, to ensure and reward the efforts by suppliers (**GRI EN33**). The roster of certified suppliers grew 60% in 2005. At the same time, the number of certified suppliers to work with Natura tripled in 2005, after they reached enough punctuation in our scale to fulfill a number of requirements, including quality and social and environmental responsibility.

AN EXPERIMENT IN DEVELOPMENT

Natura in 2000 started a pilot project with the community of São Francisco do Iratapuru to materialize the strategy of using Brazilian biodiversity elements as a technological platform for its products.

The Iratapuru community, in Amapá, in Iratapuru River Sustainable Development Reservation, is constituted by 32 families who, through a cooperative, supply Brazil nuts, copaiba and breu branco. Natura purchases these products from a partner that buys the ready-to-use extracts from this cooperative, but monitors contracts and prices, paying the cooperative a percentage of the net income from the sale of the final products we manufacture with those materials. At the same time, we follow up with routine sustainability assessments to help establish a short and long-term development plan for the community.

One of the first steps, at the beginning of this project, was a physical, geographical and socio-economic assessment of the community as a base for a local plan for sustainable development.

We also conducted meetings to establish production processes that met Natura's demands and to set fair prices. A fund with a percentage of the revenues from the net sale of finished goods produced with the community's materials was constituted. This amount of money is to be used to finance local projects of sustainable development that require the approval of all parties involved: the community, Natura and other partners.

Three materials cultivated by the Iratapuru community – Brazil nuts, breu branco and copaiba – earned in 2004 a certification of sustainable forest management according to the criteria of Forest Stewardship Council, FSC.

Producers of biodiversity elements

Among these suppliers, there was one particular group with whom we maintained a special relationship – the communities who extract the Brazilian biodiversity assets used in our products (**GRI EN7**). We endeavored to build a sustainable model based on a tighter relationship with the producing communities, counting on the support of Non-governmental Organizations and local governments.

As part of this learning process, in 2005 we observed the need of a more encompassing management plan to allow the Iratapuru community, at Amapá (Brazilian Northern region), to meet an increased demand. The plan includes governance requirements, such as more transparency, accountability and reliable performance benchmarks.

There were also advances in other regions. Surveys and assessments of present and future local development needs for three communities surrounding Belém, constituted by 50 families (that supply priprioca, for the most part), were completed. Also of note was the establishment of dialogue channels with the communities of Médio Juruá, in the Amazon, that supply andiroba. This contact had posed challenges and relationship improvements, because the families that form this community, constituted by 378 families, are widely scattered through the area.

But, still there is much to improve in the relationship with these communities.

Each of these regions has peculiarities that hamper the establishment of a blanket-type relationship model. But some principles are essential regardless of local particularities: fair treatment to all communities, participation protocols for all decision processes, capital investment (improvement gains with teaching and learning processes) and sustainable harvesting methods, with investments in the improvement of handling skills.

Natura in 2005 was the recipient of the first-ever license granted by the Ministry of the Environment to a Brazilian cosmetics manufacturer to access the country's biodiversity genetic heritage, related to breu branco (**GRI SO1**).

Despite all the milestones achieved last year, we still have a long way to go, with the identification of needs from both parties and the definition of solutions to improve relations with suppliers communities and ways to foster significant improvements on the quality of life them.

Neighboring communities

Natura is headquartered in Cajamar (home to the labs, facilities and warehouses) and Itapecerica da Serra (commercial and marketing departments) in São Paulo. We consider ourselves part of these communities and feel partly responsible for their future (**GRI SO1**).

In Cajamar, with approximately 55,000 people, a three-party group

Help improve the quality of life at the communities that produce raw materials is a great challenge

constituted by representatives from private entities, the city hall and district government had already signed an accord, in 2004, to implement in the city the Agenda 21 (sustainable development action plan devised at the First UN Conference on the Environment, Eco-92). During 2005, the group rolled out Agenda 21 Escolar, which promoted student-teacher debates and educational workshops.

Moreover, the neighboring communities in Cajamar organized into groups, identified their social and environmental problems and elected representatives for a Townhall Meeting, which took place in December. During the meeting the representatives presented the issues brought up by their respective neighborhoods and identified their differences and common concerns. During the first semester in 2006, a new meeting will go over solutions for the problems detected.

In Itapecerica da Serra, Natura undertakes community service at the Potuverá district, with approximately 10,000 people, where its offices are located. During 2005 we continued promoting activities to identify local leaderships and together they concluded an assessment of the community's living conditions.

We regard the company as an important agent in the quest for solutions for the future of society

Government, society and trade association

We seek to establish a dialogue with all levels of government to discuss subjects related to our industry and also participate in initiatives to improve social conditions in Brazil. During 2005 we joined Programa Oficial de Educação Previdenciária, through partnership with Brazilian Direct Selling Association, (ABEVD), aimed at inducing Consultants to bring their social security contributions. This project involved training managers and sales promoters to collaborate with federal officials, a work that is scheduled to proceed through 2006.

Another important initiative is the Crer para Ver program, which channels the revenues from spontaneous sales of a specially developed product line to public education projects. In 2005 this program launched the Education of Young and Adults campaign, developed in partnership with the Education Ministry and Fundação Abrinq (see *Responsible Management at page 64*).

We have also marked a presence in important national forums. During 2005, Natura was the Brazilian representative in the committee that discusses ISO 26000 norms, aimed at establishing standards to classify socially responsible companies. We also made official our support to the Conferência das Partes da Convenção sobre Diversidade Biológica (COP-8) in 2006, which takes place in Brazil for the first time.

As for trade associations, we developed a joint project with Associação Brasileira de Higiene pessoal, Perfumaria e Cosméticos (Abhipec), for the selective collection of used packaging (*please refer to the Responsible Management section page 64*). We also renewed, with Brazilian Direct Selling Association (ABEVD) our commitment to the Código de Conduta Diante dos Vendedores Diretos e Entre Empresas (**GRI PR6 and SO7**).

Shareholders

A public company since May 2004, Natura lists its stock at Bovespa's Novo Mercado, the board that groups the companies committed to the highest level of corporate governance and regard for the shareholders in Brazil.

Natura goes beyond this formal commitment and regards its shareholders as, more than investors, partners in the constitution of its responsible management. In this respect, it works to extend all of them a fair and egalitarian treatment, with absolute transparency (see *Corporate Governance at page 66*).

Health professionals

Growing investment in research and development and technological advances brought by scientists and physicians investigating new compounds gave cosmetics a therapeutic role. This is why we do our best to participate in medical circles.

The release of Chronos Spilol – with its main ingredient extracted from the jambu plant, which went through extensive scientific testing – in 2005 brought us an opportunity to meet with many opinion makers in the field of dermatology. They also became acquainted with our Cosmetic Monitoring system – a set of practices and protocols to prevent the incidence of possible adverse effects from cosmetic products.



*Gláucia Aparecida Barichello,
Ailma Dias dos Santos and Maria Aleluia Pereira Lima,
employees Natura.*

Responsible Management

Keeping a transparent relationship with your clients and keeping management goals compatible with sustainable growth are essential to Natura's socio-environmental goals. We also implement specific measures to bring these objectives into our planning and administrative routines.

In 2005, we integrated the environmental management process, corporate responsibility and community relationship which were spread within the company.

Natura also has a Corporate Responsibility Management System that assesses the quality of the company's relations on ethics, transparency and efficiency in its communication channels. Perceived weaknesses are subsequently addressed. In 2005, further segmentation of the groups assessed facilitated the evaluations, promising much more precise results for 2006.

The most crucial activities on socially responsible management are monitored through the Corporate Responsibility Investment Matrix (*please refer to the chart in Investment Highlights in the Corporate Responsibility section at page 108*). In the case of environmental goals and indicators, we use the Natura Environmental Management System based on the

ISO 14001 norms. These two systems feed our planning cycle and our strategic map, on which socio-environmental goals have the same importance as financial goals.

During 2005 we have started implementing the Social Responsibility Management System in international operations, training team leaders in a first stage, then building up a foundation for corporate responsibility. Lastly, team members are trained.

Simultaneously, the ISO 14001 norms were implemented in the French operation. Our French division, much like our operation in Mexico – both launched in 2005 – has sustainability as a core goal since its inception.

Another highlighted initiative in 2005 was the consultants mobilization, brought forth to disseminate our values in the economic-financial, social, and environmental fields. Also noteworthy is the Young and Adult Education, a Ministry of Education program supported by Natura. As a result, 66,600 individuals above the age of 15 re-enrolled to complete their primary schooling, nationwide. Consultants were also encouraged to persuade their clients to purchase product refills, which led to a growth in sales of refills to 17.4% of total products sold from 15.3% in 2004, reducing the average environmental impact of packaging in Brazil.

We continue to conduct Life Cycle Analyses of our packaging to devise ways to reduce their environmental impact **(GRI EN14 and EN15)**. The Research and Development Department started, in 2005, to study new refills for liquid products and new packaging for the orders sent to our Consultants. At the end of the fiscal year, these projects were nearing completion. We also launched a new research platform to develop alternative recycled materials to package new products.

To further mitigate the environmental impact from our packaging, we signed up recycled pilot-project organized by the Brazilian Association of Cosmetics, Fragrances and personal Hygiene Industry, Abihpec.

We comply with strict ISO 14001 norms regarding the improvement of environmental manufacturing conditions within our facilities in Cajamar and Itapeccerica da Serra, allocating investment and effort to these activities. We surpassed several of our environmental goals in 2005.

The water usage per unit sold declined 5.6%. The average ratio of waste water

Our Consultants were organized to persuade thousands of people to re-enroll in schools across the country

treatment and re-usage rose to 55% from 39.5% in 2004 **(GRI EN5, EN12, EN22 and EN32)**. The energy consumption per unit sold fell by 8.5% from 2004. **(GRI EN3)**. The share of incinerated waste in the total fell to 2.8% from 5.4% in 2004, and the share of total waste sent to landfills dropped to 16.1% from 21.2% of the total. The share of total waste that was recycled climbed to 81.1% from 73.4% of the total. The amount of residue generated per unit sold, however, grew 8.2%, due to increased use in the Cajamar site and, specially, the increase in scrap volume **(GRI EN11 and EN13)**.

Natura develops clean industrial processes that cause no air pollution. It is relatively more difficult to identify sources of pollution in the cosmetics industry. Since 2005, however, we decided to diagnose, plan and intervene in emissions from the fleet of suppliers that delivers Natura's products in over 5,000 Brazilian cities **(GRI EN8, EN19, EN 30 and EN 34)**.



Corporate governance

Our corporate governance started to develop faster in the mid-90's, when we hired professional executives to take over strategic positions. It was advanced the establishment of the Board of Directors in 1998, followed by auxiliary committees, and the IPO in 2004. In May of 2004 Natura's stock was listed at Novo Mercado, which has the highest corporate governance at Bovespa (São Paulo Stock Exchange), such as issuing strictly common stock, having a minimum of 25% float, and extending minority shareholders the privileges granted to controlling shareholders in the event of a transfer in control.

A new page was turned in 2005 with the appointment of a new CEO not part of the controlling group completing the separation between management and ownership. However, the controlling group continues to share its knowledge and entrepreneur vision at the Board of Directors. Moreover, the whole management and governance

structure were realigned to support plans of domestic and international expansion process.

The Board of Directors added two new committees: Strategy and Corporate Governance. The first is charged with making sure the Board's directives are fully implemented; the second oversees the use of good governance practices and ensure that the Council's forums are working smoothly.

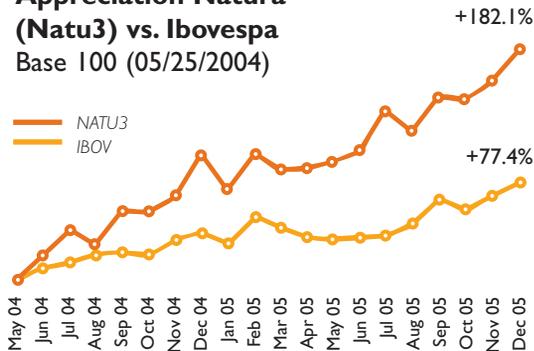
The existent committees had their scope widened. The Auditing and Risk Management Committees had its name changed to Auditing, Risk Management, and Financial Committee and started to address these issues more deeply. The Human Resources Committee was placed in charge of accompanying the development of the Natura Management Systems, besides being in charge of team member development strategies.



Stocks

Public company since 2004, Natura's stock is traded on the Novo Mercado, the highest in terms of corporate governance in the São Paulo Stock Exchange, Bovespa. In 2005, Natura's stock appreciated 38%, while the Bovespa index grew 27.7%. Since the public offering in May 2004 up to December 2005, we have shown an appreciation of 182.1% compared to 77.4% in the Bovespa Index (Ibovespa) for the period.

Appreciation Natura (Natu3) vs. Ibovespa Base 100 (05/25/2004)



Furthermore, in 2005, our stocks have been included in the IBrX100 portfolio in the Bovespa, an index comprised of 100 stocks with the most market liquidity. Our stock was also included in three indices by Morgan Stanley Composite Index (MSCI), created to follow the performance of stock markets all over the world: MSCI Brazil, (0.53% weighting for Natura); MSCI Emerging Markets Latin America (0.27% weighting); and MSCI EM (0.05% weighting).

Natura is also among the 28 companies with their stocks chosen by the São Paulo Stock Exchange to compose the Corporate Sustainability Index. The Index was created with methods developed by the Getulio Vargas Business School in São Paulo (FGV-EAESP) to identify the companies with the best performance in all facts of sustainability.



From left to right: Guilherme Peirão Leal, Cochairman of the Board; Alessandro Carlucci, Chief Executive Officer; Antonio Luiz da Cunha Seabra, Cochairman of the Board – Founder; Pedro Luiz Barreiros Passos, Cochairman of the Board.



Andrea Sanches,
Executive Director, Business Unit



Joel Ponte,
Executive Director, Natura Europe



Moacir Salzstein,
Executive Director, Strategic Planning



Mauricio Bellora,
Executive Vice-President, Latin America



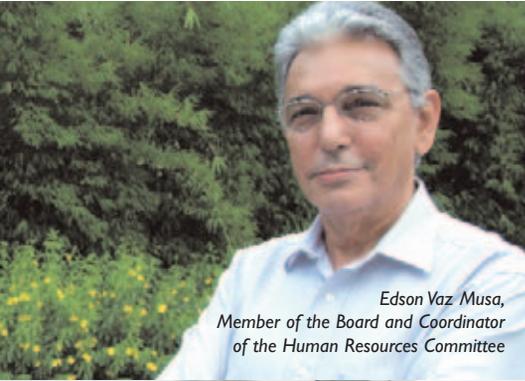
Fernando Mesquita,
Corporate Governance Secretary



Daniel Gonzaga, Executive Director,
Research and Development



Angel Medeiros,
Executive Director, Logistics



*Edson Vaz Musa,
Member of the Board and Coordinator
of the Human Resources Committee*



*Eduardo Zornoff,
Executive Director,
Commercial Modeling*



*José Guimarães Monforte,
Member of the Board and Coordinator
of the Auditing Committee*



*Antônio Siqueira,
Executive Director, Legal Affairs*



*Itamar Correia da Silva,
Executive Vice-President, Operations
and International Logistics*



*Fernando Pantaleão,
Executive Director, Brazil*



*Ítalo Flammia,
Executive Director, Information
and Technology*



*Roberto Zardo,
Executive Director, Client Services*

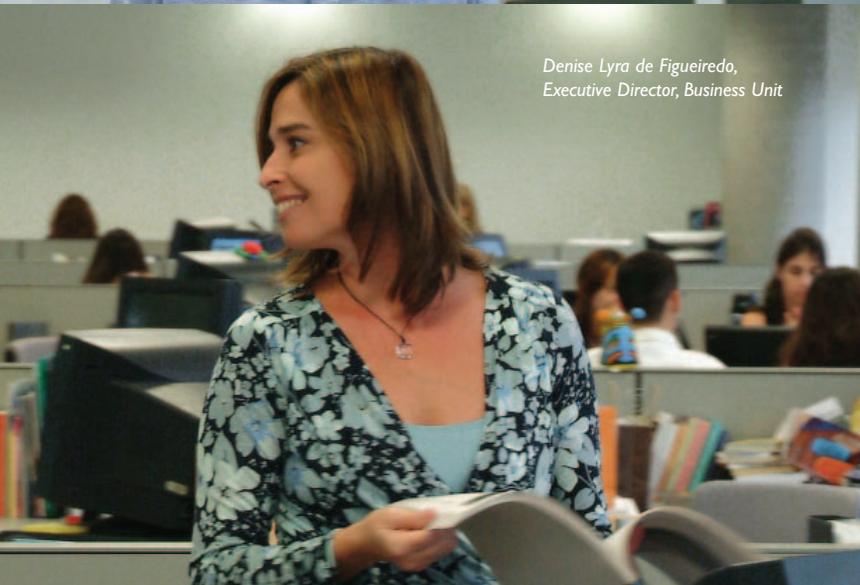




*Eduardo Costa,
Executive Director, Branding*



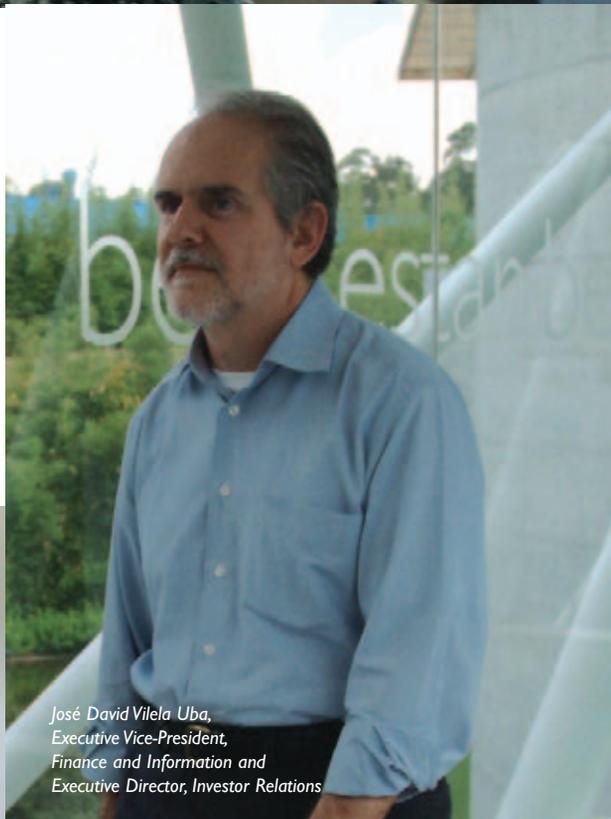
*Philippe Joseph Pommez,
Executive Vice-President,
Internationalization*



*Denise Lyra de Figueiredo,
Executive Director, Business Unit*



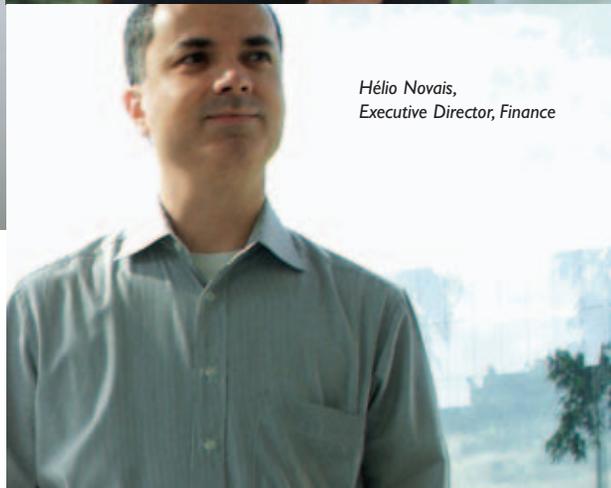
*Rodolfo Witzig Guttilla,
Executive Director, Corporate Affairs
and Government Relations*



*José David Vilela Uba,
Executive Vice-President,
Finance and Information and
Executive Director, Investor Relations*



*Claudia Falcão, Executive Director,
Human Resources and Organization*



*Hélio Novais,
Executive Director, Finance*



*Mario de Oliveira,
Executive Director, Industry*



*Eduardo Luppi Júnior,
Executive Vice-President, Innovation*



*Paulo Lalli,
Executive Vice-President,
Operations and Logistics*



*Pedro Villares,
Executive Director,
Marketing Latin America*



*Marcos Egydio Martins,
Executive Director, Sustainability*



*Renata Ribeiro,
Executive Director, New International Business*



*Moacir Zeitel,
Executive Director, Sales*

Shareholder Structure

On December 31, 2005, Natura had social capital of 85.4 million stocks (including 432,000 shares kept in treasury), of which 26.3% as free float.

Shareholders	Quantity of stocks	Percentage
Controllers	62,637,886	73.7%
Free float	22,368,710	26.3%
Total stock*	85,006,596	100.0%

* Does not include shares kept in treasury

Dividends and Interest

In line with the Brazilian Corporate Law, mandatory minimum dividends were fixed by Natura's by-laws at 30% of adjusted annual net income. However, the Board of Directors opted to pay dividends equivalent to at least 45% of adjusted net income.

In 2004, we paid 106.5% of free cash generation⁽¹⁾ and 72.1% of consolidated net income. For 2005, the proposed pay-out, sent to the Annual General Meeting comprises 80.5% of net income and 95.2% of free cash generation. This is equivalent to a net amount of R\$3.70

I. (net cash paid by operating activities) – (net cash used in investment activities)

per stock in dividends and interest on capital, a growth of 48% over 2004 figure (**GRI EC6**).

Investor Relations

Our Investor Relations department attended 17 conferences held by Brazilian and foreign banks in 2005. It also promoted two road shows abroad and two within Brazil, besides attending two meetings held by the Analysts and Investment Professionals in Capital Markets Association (Apimec) held in São Paulo and Belo Horizonte. Furthermore, it also hosted five meetings with individuals.

We also try to respond directly to questions from potential investors. With this goal in mind, we posted on investor relations website a vast amount of information and guidance on the company, our industry and all scheduled events. Following are the result releases scheduled for 2006 (please refer to their respective dates below).

Release	Date
First Quarter 2006	April 26, 2006
Second Quarter 2006	July 26, 2006
Third Quarter 2006	October 25, 2006





Risk management

Natura has a risk management system geared mainly for these risks: financial, products, data security, environment, consistency of values and practices. This system is mainly meant to identify and evaluate the impact of risks and take measures to mitigate them through an infrastructure of internal controls. According to the corporate governance model we adopted (see *chapter Corporate Governance at page 66*), questions related to auditing are managed by their respective committee.

In 2005, studies were concluded concerning the implementation of a specific department focused on the company's strategic risks. This restructuring was started by the end of the exercise and it is set to be finished by the first semester of 2006. The department will be coordinated by the Risk Management Committee,

and arm of the Administration Council. In the case of other risks, we initiate investments to perfect these operations, with the creation of specific management system. Risks are grouped as financials, products, data security, environment and consistency in values and practices.

Financial

Debts in foreign coin are protected by exchange rate hedging. Due to this, we are cushioned against variations in the exchange rate and results are not significantly changed. As for the effect of the exchange rate on prime material whose prices are in strong currency, as is the case in some imports, we monitor trends and if necessary, authorize the purchase of foreign currency in the Future Market (BM&F). We do not, however, ever make operations in the BM&F with any speculative motivations.



Products

We put a lot of effort into overseeing the quality of our products and count on the Product Safety Committee formed by the vice-president of Research and Development, scientists, doctors and specialized consultants.

The committee establishes policies for product safety and supervises toxicological evaluations of all the ingredients used in our products **(GRI PR1)**.

Data security

In 2005, we finished our outsourcing of our IT infrastructure and installed a contingency data processing center that reaches out to 92% of the company's processes, guaranteeing that business can go on as usual even in the case of an accident. This center is always online next to the main data processing system.

We built a risk management system that encompasses business strategic areas as well as sustainability – related issues

Environment

Natura was recertified according to NBR ISO 14001 norms in 2005. With these norms in mind, we use the Natura Environmental Management System to monitor environmental risk.

Consistency in values and practice

The Corporate Responsibility Management System evaluates risks and questions ethical behavior; transparency, open dialogue with the public and adoption of company goals that are compatible with sustainable growth (see *Responsible Management at page 64*, and the *Corporate Responsibility Matrix at page 108*).



Communication

Natura's communication with its various publics – consumers, consultants, team members, suppliers, and the communities surrounding its installations – has a strategic value in policies and management practices. Guided by the conviction that a company is a dynamic network of relationships, we aim to improve these relations, moving towards integration, transparency and ethics **(GRI LA4)**.

Far beyond the commercial aspect, ad campaigns, merchandizing, public relations programs and commercial-institutional publications are seen as an opportunity to spread our vision. This is why we not only communicate the attributes of our products, but also show the history and values behind them. The ad campaign for *Perfume do Brasil*, for example, exalts the fragrance and its qualities while showcasing the communities that produce the

essences and introducing a discussion on the sustainable use of Brazil's biodiversity. Actions like this one aim at dissemination of Natura's values and beliefs among its publics, bolstering the brand **(GRI PR9)**.

Among the activities developed in 2005, a TV merchandising campaign showing to thousands of viewers the importance of working towards sustainable growth stood out. Another merchandising theme was the professional and social role Consultants have and the fundamental bond between mothers and their infants. Equally important were the Chronos, refill and Natura's soaps produced from vegetable oil campaigns (see *Brand, Competitive Differentials* section at page 56).

Yet another initiative to be noted was Natura's support to the projects One Thousand Women for the Nobel Peace



Prize, Biodiversidade Brasil and Natura Musical (see *Investments Highlights in Corporate Responsibility at page 108*).

Natura is popular in the local press, with a top-of-mind status in institutional terms, including stories and reports on management style and financial results. With the listing of the stock, we opened an additional channel with the specialized business media. All this added to our status in vehicles devoted to fashion, beauty and behavior. In 2005 we also received extensive coverage in the international press, especially France and Mexico, where we established operations.

We also revamped in 2005 *Vitrine*, a magazine-catalogue that is also the main communication link with our Consultants, with

Natura's communication mission is to strengthen relationships within principles of transparency and ethics

a circulation of about 1 million every 21 days. In addition to new products and pricing, *Vitrine* now consistently carries more institutional information about our values. We also created a new publication for Consultants, the *Natura Mov>*, focused on a younger universe, with consistent information on the company's values and culture (see *Relationships in the Competitive Differentials section at page 57*).



Main Results

As we have in the past years, in 2005 we presented consistent financial results, without losing sight of our concern over advances in the social and environmental realms, as they form the tripod on which sustainability is kept.

Financial Results

In 2005 gross revenues amounted to R\$3,243.6 million, 27.7% more than in 2004, consolidating the strong growth recorded in the previous two years and once again, it was a larger growth than that for the cosmetics, fragrances and personal hygiene target market. The market grew 16.5% from January to October 2005 in comparison to the same period in 2004. Net profits reached R\$ 396.9 million, an increase of 32.2% compared to R\$ 300.3 million in 2004 (**GRI EC7**).

We also increased our gross margin (gross profit related to net revenues) by

half a percentile point, thanks to the reduction of costs resulting from the Real's appreciation. The EBITDA totaled at R\$ 564.4 million, a growth of 30.8% compared to 2004. The EBITDA margin remained virtually flat – 24.7% in 2005 versus 24.4% in 2004.

Natura closed 2005 with consolidated gross debt of R\$ 187.5 million, versus R\$ 134.4 million in 2004. In order to meet storage and logistics expansion needs, as well as those of working capital, we received additional financing from the BNDES (National Economic and Social Development Bank), raising that portion of the total debt pegged to the Long Term Interest Rate (TJLP) from 47%, in 2004, to 76%. The remainder is indexed to the Interbank Deposit Certificate (CDI). We also have financing from FINEP (Studies and Projects Funding Agency), whose resources go to the Research and Development area. This is currently being amortized.



Investments

Investment was totaled at R\$ 111.6 million in 2005, under the predicted R\$ 120 million, but higher than the R\$ 83.1 million applied in 2004. Resources were allocated mainly on the third line of separation of products, in a second vertical warehouse and in IT.

In 2006, we will continue to invest into logistical processes, especially in the modernization of existent lines of separation and production capacity, aiming to give the factory more flexibility, as well as marketing activities.

Sales channels

The number of Natura Consultants reached a total of 519 thousand (see *Relationships, Competitive Differentials section at page 57*) (GRI EC13).

Research and Development

In 2005, investments in Research and Development moved up 41.5% over 2004 to R\$67.1 million, equivalent to 2.9% of

net income (see *Research and Development, Competitive Differentials section at page 54*).

Production and Logistics

In 2005 we produced a record 209 million units in Cajamar's assembly lines, a growth of 24.5% related to 2004. An equally positive fact was the solution of problems in the logistical area from the year's first half. With the third separation line running, as well as investments made into equipment, logistical processes were strengthened. The implementation of the total productivity management system TPM was also very important in the more efficient use of machinery.

At the same time, a series of specific policies were applied to identify demand more precisely and plant distribution. These measures led to a reduction in consumer requests that could not be attended due to lack of stock.

Another highlight was the issuance of a certificate of quality according to the ISO 9001 norms.



International Expansion Process

With a growing participation in Argentine, Chilean, and Peruvian markets – where activity has increased 45.4% in weighted local currency and consultants number reached 36,000 – Natura's base has grown even more in 2005.

In April, it started operations in France, the global cosmetic center.

In August, Natura entered the Mexican market. The results of both initiatives are in line with our expectations.

We invested R\$37.8 million in globalization, versus R\$7.5 million in 2004. The increase was justified not only by the big upturn in business in the foreign markets in which Natura was already present, but particularly by the enormous growth potential in Latin America and other parts of the world, given that we are now experienced international operators and that our business model and values have met with great acceptance. In 2006, we shall begin operations in Venezuela and, in the following year, Colombia.

A 2005 highlight was the issuance of the certificate of quality according to the ISO 9001 norms

Social Indicators

The year's social highlight was the Consultants mobilization behind the Young and Adult Education program and the sales of refills. Another important highlight was the official installation of the Cajamar Agenda 21 Permanent Forum following joint efforts by company, local community and government representatives (see *Relationships and Responsible Management, Competitive Differentials* section at pages 57 and 64, respectively).

Environmental Indicators

As holder of the ISO 14001 Certificate, we channeled resources into improving environmental conditions in our production procedures, reason why we exceeded several environmental targets in 2005 (see *Responsible Management, Competitive Differentials* section at page 64).



bemestarbemestarbemestarbe

A photograph of two men walking away from the camera on a dirt path on a golf course. The man on the left is wearing a light blue shirt and dark trousers, while the man on the right is wearing a white shirt and khaki trousers. They are walking on a path that is bordered by a lush green lawn on the right and dense trees and bushes on the left. The scene is captured in a cinematic style with soft lighting.

mestarbemestarbemestarbem

Global Reporting Initiative

Economic, environmental
and social indicators

Once again, Natura combines in a unique document the analysis of its economic-financial, social and environmental data. With a wide-ranging view of activities conducted by the company, this integrated model of information, proposed by the Global Reporting Initiative (GRI), has proved a valuable tool to improve the company's commitment for sustainable development.

Natura's partnership with GRI began in 2000. We were one of the first Brazilian organizations to follow GRI's guidelines and to participate in their feedback group. Three missions from the organization visited our headquarters, in 2001, 2004 and 2005, when we assisted the working group that translated GRI's guidelines into Portuguese. In 2004, Natura became an Organizational Stakeholder, as part of a group of volunteer institutions interested in permanent partnerships with GRI, offering financial support and help for the continuous development of guidelines for sustainability reports. Yet, Natura supports the Stakeholder Council and Technical Council for the new generation of indicators (G3).

In this edition we restructured the section presenting Natura's financial, social and environmental performance. The indicators were reorganized to underscore the company's responsible management while following GRI's guidelines.

To Natura, responsible management can be described as:

1. Establishment of quality relations with all publics based on ethics, transparency and open communication channels.
2. Definition of business targets compatible with sustainable development.

Based on these concepts we decided to highlight our performance.

Indicators were organized as follows:

Quality Relations	Targets Compatible with Sustainable Development		
	Economic	Environmental	Social
Ethics, Transparency and Communication Channels			
Personnel	Direct impact	Biodiversity	Wealth Distribution
Consultants	Investment matrix	Waste	Work and Revenue Generation
Consumers		Water	
Suppliers and Suppliers Communities		Energy	
Neighboring Communities		CO2 emission	Social Inclusion
Government		Materials	Human Rights
Society			Education
Governance			Personnel

Highlights of Investments in Corporate Responsibility



"We are a registered Organizational Stakeholder of the Global Reporting Initiative (GRI) and support the mission of the GRI to develop globally accepted sustainability reporting guidelines through a global multi-stakeholder process."

"This report has been prepared in accordance with the GRI 2002 Guidelines. It represents a balanced and reasonable presentation of our organization's economic, environmental and social performance"

Alessandro Carlucci
Chief Executive Officer

Indicators used for report generation integrate the process of ongoing corporate evaluation, in which information on social responsibility, partnership and environmental practices are presented in details as financial data.

This allows for fundamental analysis and, consequently, action plans related to the establishment of quality relations as well as the evaluation of social and environmental impacts caused by the company's activities, ensuring that Natura reaches its targets.

The biggest challenge is still the evaluation of quality in relations from an ethical, transparency and efficiency of communication channels viewpoint, especially when we analyze our performance in ways that are indirectly connected to commercial activities. A second challenge is the definition of social indicators that express the actual impact of wealth distribution. Important milestones were achieved in 2005, such as the inclusion of social and environmental diagnosis into the corporate planning cycle, and the definition of environmental targets for the entire company. The analysis of correlation between economic-financial, environmental and social results still needs further refining in the compilation stage.

All GRI indicators used by Natura in previous years are present in this new structure (see *Global Reporting Initiative Index at page 143*).

At the beginning of each sample, we present codes, policies and general management systems. In turn, codes, policies and specific management systems for each public are described. In brackets, the indicators' statistics remitting to texts are highlighted to assist the survey. This way, we hope to provide greater transparency on Natura's management evaluation.

The information presented here comprises activities in Brazil and the international operations (Argentina, Chile, Peru, Mexico and France), except where otherwise indicated. It should be noted that Natura has its industrial plant in Brazil.

Quality of relations

Since its foundation, Natura roots its activities in the belief that a company is a living organism, a dynamic set of relationships. Consequently, quality of relations has been a mark of Natura's development. The company's increasing commitment through responsible business practices in the past decades imparted a new dimension to this subject. New aspects were taken into account, just as Natura has grown and entered other countries to face the competition while relating to other cultures.

The challenge of materializing or quantifying ethical quality of relations, in all its aspects, in various cultures, drove Natura into action.

In this respect, our communication channels with different publics have been analyzed and valued as an essential part of our way of doing business. Our challenge is to have open channels to record all questions raised, confidentially or not, ensuring that these questions are understood, followed-up and properly addressed, with the help of the various departments involved.

We believe that these links provide better performance, while giving us an opportunity to forecast demands and build the future of our business.

Important milestones occurred in 2005: the preparation of Carta de Princípios de Relacionamento Natura (the company's guidelines on relations with its various publics), the decision to hire an ombudsman, initially for the internal purposes, and, mostly, the preparation of a more specific diagnosis, introducing tools into the planning cycle of all departments to generate even more solid plans for 2006.

Codes, policies and general management systems

From the beginning Natura adopted a set of values and beliefs that influence its way of doing business. The direct sales model, for example, was chosen owing to the importance of close customer relationships for the company.

To magnify and intertwine these values into routine business practices, we distribute for every single public we have contact with, the documents *Reason to being*, *Our beliefs* and *Our Vision*.

This set of beliefs led Natura to adopt the values of Social Responsibility, expressed in its Corporate Responsibility Management System – which polls the public on quality of relations and implements proactive solutions for detected critical points.

The Management System enables all company departments to work in an integrated and structured way, aggregating strategic plans, objectives, actions and indicators to improve relations with Natura's publics. Plans are followed by organized Committees that deals with these matters.

To consolidate Natura's values and beliefs for easy access by its personnels on a daily basis, in 2005 we prepared a code of relations for our diverse publics, to be published in 2006.

We also follow the guidelines established by regulatory agencies for our business (see *Codes, Policies and Specific Management System for each public on the following pages*)

Target for 2006: Release the Carta de Princípios de Relacionamento Natura (the company's guidelines on relations with its various publics).

See analysis of goals established in 2004 at the end of this chapter



Personnel

We try to keep a stimulating and creative workplace where employees feel respected as individuals, recognized for their contributions and motivated to give their best. This is a daily challenge that requires attention not only from human resources professionals, but also from all of Natura's managers.

As a result of its efforts in this respect, Natura has been elected by *Exame* magazine, over the last three years, as the Best Company for Women to Work.

Codes, policies and specific management systems

In Brazil

Quality controls in employee relations are performed by the follow-up of indicators from the organizational satisfaction survey, developed jointly with the consultants Hay Group. The company compiles information on ethics, transparency and communication channels. From the analyzed results, action plans and guidance for specific aspects are prepared. In 2005 the organizational satisfaction survey extended to in-house outsourced contractors, supported by service providers within their communities.

The Human Resources department deals individually with enquiries from employees involving attitudes that don't comply with Natura's values and beliefs. However, to further improve employee relations we intend to hire, in 2006, an ombudsman to act as the main facilitator in these issues. It will be guided by the Carta de Princípios de Relacionamento Natura (the company's guidelines on relations with its various publics), due out in 2006 (**GRI LA4, HR5 e HR10**).

Target for 2006: hire an ombudsman for Natura's employees

See analysis of goals established in 2004 at the end of this chapter.

Employee Satisfaction

	2003	2004	2005
Employee satisfaction index (%)	76	73	70

In other operations

Since 2005, Natura adopted the framework from the organizational satisfaction survey in all countries where it operates and where there were more than ten survey respondents, to ensure anonymity. Argentina, Peru, Chile, Mexico and France were surveyed in 2005.

Employee Satisfaction index ⁽¹⁾

	2004	2005
Argentina	58	60
Chile	N.A.	58
México	N.A.	76
Peru	N.A.	59
França	N.A.	68

1. Since 2005 Natura conducts this survey in all its international operations.

Ethics

Natura's principle is to respect diverse opinions as the base of ethical relations with employees. It values citizens' expression and the democratic process, therefore recognizing the right to organize unions. **(GRI HR5)**

In Brazil

Relations with labor unions are conducted between Human Resources and union representatives, following guidelines previously agreed upon. Natura also offers unions the opportunity to post information of interest in the company's premises. Currently, Natura maintains relations with three labor unions. **(GRI HR5)**

In other operations

Contact with labor unions does not occur at prescheduled, regular intervals.

Transparency

In Brazil

Organizational changes, work opportunities, benefits and other information pertaining to employees' interest are published in internal communication vehicles – posters placed on highly visible areas, intranet, monthly newsletter (*Ser Natura Colaborador*) and e-mail. The company also holds meetings between employees and the CEO, where all managers also participate. There are also Occasional Meetings with senior management and their teams. **(GRI LA4)**

There is a multi-task team to identify, assess and implement cost-cutting opportunities and assure balanced results.

Several working groups and committees deal with multi-departmental and strategic matters related to the company. They are organized at different levels, meeting regularly and allowing wide and frequent information exchange among directors, managers and employee representative groups, always looking for new joint solutions. **(GRI LA13)**

Employees participate in negotiations related to the Profit-Sharing Program, through two committees. One of them is constituted by managers, supervisors, administrative and operational experts, who discuss targets with the company's representatives and unions and approve the Collective PLR. The other, formed by managers, approves the Individual PLR jointly with the company's representatives and unions. Both commissions are elected by employees, through a formal process conducted jointly with the union. **(GRI HR5)**

In other operations

Information is accessed in a simplified way by small committees, owing to the lower number of employees in comparison with the headquarters in Brazil. Moreover, everyone has access to Brazil's intranet, receiving the monthly internal newsletter (*Ser Natura Colaborador*) and also holding Occasional Meetings.

Communication channels

Natura has various channels available for its personnel to post suggestions or complaints. Employees are always encouraged to freely vent their opinions, suggestions, offer solutions and criticize. This may occur in Meetings with the CEO or Occasional Meetings.

In Brazil

Fale com Natura is a communication channel in which employees can open up to the company about their doubts, compliments, complaints, requests, critiques and suggestions, either via e-mail or intranet. Each department is responsible to address the issues raised.

Another important communication channel is the GSCI – *Gerenciamento de Satisfação do Cliente Interno*, created to track the actions of the Organizational Climate Survey. Employees who participate in this group are elected by their co-workers and, in the GSCI meetings, present suggestions, critiques and proposals **(GRI HR10)**.

In other operations

Communication between managers and their teams takes place through Occasional Meetings. There is no formal system to transmit personnel complaints.



Sales Consultants are the main link between Natura and final consumers. The option for the direct sale model allows a unique and very close connection with a huge resource of women and men who bring to the company Brazil's diversity and, increasingly, Latin America's. The consulting activity represents an opportunity to earn extra income, professional development and more. Through it, these professionals transform the sale of Natura's products into moments of inspiration, self-knowledge, relationship and engagement into social and environmental causes.

Codes, policies and specific management systems

Natura is signatory to the *Código de Conduta de Venda Direta Diante dos Vendedores Diretos e Entre Empresas*, a self-regulatory code of conduct for direct sales companies, from Brazil's Direct Sales Association (ABEVD). The code was prepared in accordance with the model proposed by the World Federation of Selling Association, which defends the rights of direct salespeople, promote loyal competition in a climate of free initiative, improve the public image of direct salespeople and the acceptability of direct sales as opportunities to create income. **(GRI PR6 e SO7)**

Ethics

According to *Código de Conduta de Venda Direta Diante dos Vendedores Diretos e Entre Empresas*, a self-regulatory code of conduct for direct sales companies, from Brazil's Direct Sales Association (ABEVD), Natura pledges respect to the rights of its resellers, providing free educational and training programs to direct salespeople and offering further opportunities to improve their skills.

To prepare the Consultants to comply with its ethical standards, Natura offers workshops and classes on the characteristics and benefits of its products, preparing them to offer adequate advice to each of their clients.

In Brazil

Movimento Natura, launched at the end of 2004, is a vehicle to encourage and recognize the importance of the sales force in the dissemination of Natura's core values, by encouraging them to motivate their clients to adopt environment-friendly habits at home and at work (see social goals established at page 103, for further information on Natura Movement).

Transparency

From the recruitment stage onwards, Natura is transparent regarding the rights and obligations of its Consultants. They are informed, clearly and in detail, of product costs and sales margins, as well as credit and payment terms.

At the time of accreditation, Consultants receive a copy of *Código de Conduta de Venda direta Diante dos Vendedores Diretos e Entre Empresas*, a self-regulatory code of conduct for direct sales companies, from Brazil's Direct Sales Association (ABEVD).

They receive periodical printed materials with updated information on promotions and new products. Natura also provides them with advance information on products that are about to be discontinued as well as price changes.

Communication channels

Relations between Natura and its Consultants are conducted through periodical meetings, the corporate website and a toll-free number.

Their closest contacts are meetings with their area Sales Promoters. In these meetings, in addition to receiving handouts with information on products and sales programs, Consultants watch videos and participate in discussions on the company's practices and values.

On the internet, Consultants count on the following services: on-line support to address their doubts and concerns, filing orders, sending and receiving e-mails with information and promotions, highlights on recent launches, sales tips and technical information on products.

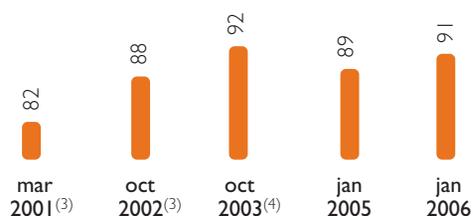
The Natura Support Center (CAN) manages Consultants satisfaction levels. A specially trained team provides information and registers complaints, suggestions and critiques, dealing with all requests and following up on these processes until they are resolved. **(GRI PR8)**

In Brazil

We carry out an annual survey of Consultants' satisfaction to monitor the relationship developments and come up with improvements:

Annual Satisfaction Survey ⁽¹⁾⁽²⁾

(Consultant's satisfaction index %)



1. From now on, the survey results will be published considering the period when it was carried out.

2. Reported data refers to surveys conducted from January 2001.

3. Consultants survey results from March 2001 and October 2002 are not comparable to the others owing to methodology changes.

4. Consultants survey results from October 2003 were altered in this report to make it comparable to similar surveys conducted in other periods because it refers to the same methodology used in later periods.

In addition to the annual survey, since 2005 Consultants are invited to post their opinion on services received from the company at any time through the corporate website, giving is a continuous stream of feedback to inform actions to improve our products and services.

Consultants' Evaluation of Natura's Support Center

	2005
Great/Very good (CAN)	79%

In other operations

Natura does not carry out surveys with this public.



Respect to consumers is one of Natura's foremost principles, the company invests in the Consultants' education so that relations with consumers are ethical and clear, conveying Natura's beliefs and values in addition to the best possible service.

Codes, policies and specific management systems

Texts on Natura products labels are in full compliance with Resolutions n° 211 of July 14th, 2005, n° 79 of August 28th, 2000 and n° 335 of July 22nd, 1999, issued by *Agência Nacional de Vigilância Sanitária* (Anvisa, the national health surveillance agency), and meet the guidelines of the Brazilian Consumer Defense Code. Rules sanctioned by *Instituto Nacional de Metrologia* (Inmetro, the national metrics agency) are also observed **(GRI PR2)**.

Natura has a Product Safety Committee charged with keeping current the company's code of product safety and issuing mandatory reports on product development regarding adequacy for human use. Only after receiving this feedback, the department in charge of filing information with *Agência Nacional de Vigilância Sanitária* (Anvisa, the national health surveillance agency), requests formal authorizations.

The Natura code of product safety establishes the criteria for pre-clinical and clinical trials of all products from the research and development stages all the way through their market launch **(GRI PR1)**. The main safety procedure regarding the company's products is the toxicological analysis of all raw materials employed in the formulas, according to international standards. To conduct these tests, we have a biochemistry lab with in-vitro reconstituted human skin cells, with state-of-the-art equipment to test cell cultures. These tests follow guidelines established by international agencies, such as the Food and Drug Administration, (FDA) in the United States and the European Union's Seventh Directive. Natura also has a Consumer Center where it tests the effectiveness of existing products as well of performance evaluations of new products.

Natura keeps samples of each lot of marketed products. It also enforces of cosmetics surveillance, that is, systematic evaluation of adverse effects of each product it markets. Consumers who have any type of reaction before the product expiration date are supported by a specialized team of dermatologists to establish clear cause-and-effect relations. This information is then transmitted to the pertinent departments to eliminate potential irritants when required and also form the database that helps improve commercial messaging and future production **(GRI PR1)**.

Natura also has a specific policy for Animal Testing, in which it pledges to adopt other means of testing to ensure the safety of its products (see text in this chapter in *Society* at page 87).

In Brazil

Natura bases its practices on the self-regulatory publicity norms jointly established with national associations of advertising agencies and consumer protection, to comply with all norms of social responsibility in its advertising (GRI PR9). It also has a non-intrusive internet policy, ensuring privacy and confidentiality of information provided by website visitors. (GRI PR3)

The company is a signatory to *Código de Conduta de Venda direta Diante dos Vendedores Diretos e Entre Empresas*, a self-regulatory code of conduct for direct sales companies, from Brazil's Direct Sales Association (ABEVD), aimed at safeguarding fair competition, respecting free initiative, protecting the public image of direct salespeople and consumer satisfaction, including the right to privacy (GRI PR6).

In other operations

We are developing a policy to ensure that all international operations follow our ethical principles regarding consumers. Until this policy was announced, international operations follow the same guidelines as Natura in Brazil, tailored to the reality of each country. (GRI PR9)

Ethics

In Brazil

To ensure consumers do not feel misled by deceitful messages and avoid trespassing on the prevailing cultural and moral social standards, besides the regulations mentioned above, we survey consumers before launching each advertising campaign, so that our commercial messages are properly interpreted.

Advertisement agencies working with Natura are required to conduct business with ethics and corporate responsibility. Their practices are aligned to the *Conselho Executivo das Normas-Padrão da Atividade Publicitária*, *Associação Brasileira de Agências de Publicidade* and *Conselho Nacional de Auto-Regulamentação Publicitária* (industry's national self-regulatory committees and councils). They are required to work on pro-bono ad campaigns for non-profits and NGOs and seek high standards of language and content (GRI PR9).

Target for 2006: Release and implement guidelines for Natura's communication management rooted in aesthetics, ethics and transparency. Natura has no record of penalties or fines related to consumer health and security; it is in full compliance with the required regulations (GRI PR4). We also conform to the legislation regarding breach of advertising and marketing regulations. In 2004 Natura received a questionable fine and lodged an administrative appeal; there was no ruling on this appeal as far as year-end 2005 (GRI PR10).

Numbers and types of breaches of advertising and marketing regulations

	2003	2004	2005
Penalties/Fines	0	1	0

In other operations

We are developing a policy ensure that all international operations follow our ethical principles regarding the consumer. Until this policy is made public, international operations follow the same guidelines as Natura in Brazil, tailored to the reality of each country. (GRI PR9)

Transparency

The company uses product labels and sales brochures as information vehicles where consumers find detailed information on the products and their benefits as well as observations on issues related to concepts that led to their development (GRI PR2).

Natura follows all legal requirements on product labeling. There is no record of penalty or fine. (GRI PR7) Additionally, it has not yet received any fines or complaints on any breaches of consumers' privacy (GRI PR11).

Number of complaints received through regulatory or official organizations, to inspect or normalize health and security guarantee for the use of products and services. (GRI PR5)

	2003	2004	2005
Complaints	4	1	2

Note: There are no rulings on the complaints filed in 2003 or 2004; there is no record of any irregularity in the company's products.

Communication channels

Natura pursues excellence in its services to assure client satisfaction. We are available to consumers through Natura Customer Service (Snac), which serves as liaison to improve client satisfaction. The service counts on a trained team to provide information, register complaints, suggestions and critiques, following the processes until resolution (GRI PR8). It also has a formal confidentiality policy with the outsourced contractors that provide this service (GRI PR3).

In Brazil

The consumer relations management system tracks the indicators extracted from the following evaluation forms:

Annual satisfaction survey⁽¹⁾⁽²⁾ (Consumers' Satisfaction Index %)



1. From now on, the survey results will be published considering the period when it was carried out.

2. Reported data refers to surveys conducted after January 2001.

Besides the Annual Satisfaction Survey, we launched in 2005 the Instant Consumer Satisfaction Survey, conducted daily. Clients are invited, through random sampling, to give their opinion on the support they just received. This way, we have a continuous data stream to guide improvements to our products and services (GRI PR8).

Consumers' Evaluation about Natura's Customer Service

	2005
Great/Very good (Snac)	80%

Snac – Natura's Customer Service

	2003	2004	2005
Total of answered calls through Snac (thousands)	1.804	1.905	1.791
Percent of complaints/total calls to Snac	31%	32%	48%
Percent of complaints not answered ⁽¹⁾	7,0%	2,3%	5%

1. Ratio of complaint calls placed on hold and disconnected/total complaint calls.

Total of active processes involving Consumer Protection Code

	2003	2004	2005
Administrative Processes (Procon)	68	23	17
Legal Processes (civil and criminal)	45	72	57
Active complaints involving consumer health and safety	4	0	0

In other operations

The consumer relation management system tracks information consolidated from Snac calls. Natura does not carry out satisfaction surveys with this public.

Snac – Natura's customer service⁽¹⁾

2005	Argentina	Chile	Peru	México ⁽²⁾
Total of answered calls through Snac (thousands)	27	14	36	0,7
Percent of complaints/ total calls to Snac	35%	47%	29%	16%
Percent of complaints not answered ⁽³⁾	0%	0%	0%	0%

Total of active processes involving Consumer Protection Code¹⁾

2005	Argentina	Chile	Peru	México ⁽²⁾
Administrative Processes (Procon)	0	5	0	0
Legal Processes (civil and criminal)	0	1	0	0
Active complaints involving consumer health and security	0	0	0	0

1. The values refer only to 2005.

2. The values refer to September and December.

3. Ratio of complaint calls placed on hold and disconnected/total complaint calls.



Suppliers and Supplier Communities

Suppliers are a critical part of Natura's business network and are jointly responsible for the development of the company. Owing to this, Natura looks for suppliers that share its beliefs and values and are in line with its social responsibility and sustainability policies, committing themselves, among other things, to respect the Child and Adolescent Statute and environmental laws.

Specific management systems, codes and policies

General suppliers

In 2005, Natura developed a policy with guidelines and responsibilities related to the purchase of materials processed in the company. In addition to defining criteria to be considered in the selection of suppliers, this policy shows departments involved, minimum requirements from potential suppliers and Natura's responsibilities regarding its current suppliers. It also recommends to, whenever possible, select from co-operative enterprises or from income distribution projects, suppliers social-environmentally responsible in order to increase social benefits of the business. The target for 2006 is to publish this policy to all current suppliers and make it available to potential suppliers.

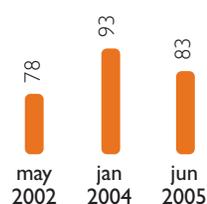
A specific document for suppliers and third parties, which details the company's recommendations on the quality, health and safety at work, environmental and social responsibility, was also developed. Suppliers will be encouraged to comply with indispensable requirements that will subject to auditing.

To ensure quality of all purchased consumables, products and outsourced services and to strengthen relationship with its partners, Natura rewards suppliers who demonstrate excellence standards. In this respect, a follow-up and certification process, based on quality standards, logistics, innovation, cost, contractual conditions, support and reliability. The evaluation of potential suppliers is carried out by Natura through a punctuation system that identifies and recognizes partners who show better practices. With this certification program, Natura seeks to establish a clear, fair and equitable relationship between the parties. In 2005 this process evaluated 53 suppliers of consumables and finished products, which represent 80% of the volume of purchases by Natura Brazil (GRI EN33).

Natura's suppliers' satisfaction is measured periodically through a survey carried out by an external institute. The results of this survey are used as a base to establish action plans to improve these relations.

Annual satisfaction survey⁽¹⁾⁽²⁾

(Suppliers' satisfaction index %)



1. From now on, the survey results will be published considering the period when it was carried out.

2. Reported data refers to surveys conducted after January 2001.

See analysis of goals established in 2004 at the end of this chapter

Supplier communities of assets

Natura applies criteria of selection of supply departments that take into account its current situation and its potential regarding sustainable production, local development, logistics, supply and institutional, regulatory and legal matters. This process also considers whether characteristics of area and local population are aligned with the marketing strategy for the product line that is being developed.

In order to follow up the conditions of compliance with purchase contracts established with the supplier communities and the providers of raw materials for Natura, there is a relationship program that involves visits to these communities, whose quality is supervised by internal committees. In some cases, the program also promotes the development of local projects. In the areas of botanical raw materials supply, one of the monitoring modes is a certification process that adopts socio-environmental principles and criteria (GRI SO1).

For the evaluation of quality of relationship and transparency of business conditions, anthropological reports are made according to requirements of the Genetic Patrimony Management Council (CGEN). Social-environmental projects are being elaborated with communities in Iratapuru, in Amapá, and the surroundings of Belém, in Pará. (GRI SO1).

See analysis of goals established in 2004 at the end of this chapter

Ethics

Regarding the ethical principles that guide the relationship of Natura and its suppliers, in addition to Values and Beliefs of the company, applied to its general public, Natura respects the Letters of Principles of Ethos Institute of Companies and Social Responsibility guidelines in relation to operate with integrity, fighting against commercial influence, offering or receiving bribes or tips from any public or private person or entity. In addition, the company adopts the principles of Global Compact, in the sense of not using services or products from companies who violate human rights, neither benefit from advantages of states that violate it.

Compliance verification of these guidelines is carried out during the diagnosis phase of the Corporate Responsibility Management System. In previous years, the information provided about the percent of paid contracts in accordance with its terms, excluding those paid through

adjusted penalties, weren't properly refined. The referred information is not liable for calculation, once there are no internal control mechanisms (GRI EC4).

The accomplishment of these principles is validated during the diagnostic stages of the Corporate Responsibility Management System.

Transparency

In Brazil

All matters that influence Natura's and its suppliers' businesses are treated directly with them. Suppliers' selection or invalidation criteria are noted in evaluation questionnaires and quality, price and relationship indexes that compose the suppliers in our certificate program for this public.

Follow-up letters to main suppliers of consumables are prepared every three months, where all relevant information to the parties is reported, such as purchase evolution, consumables stock positions, as well as quality and corporate responsibility.

Semi annually, departments that maintain relations with main suppliers carry out a formal self-evaluation, regarding accessibility, pro-activity, ethics, transparency, quality of information and processes, innovation levels, conduct and negotiation aspects. These evaluations are discussed in meetings with the presence of the involved parties.

Communication Channels

In Brazil

In 2005, Natura structured another two communication channels that allow suppliers to convey doubts that they wouldn't like to treat directly with the company's dealers: an 0800 number and an e-mail address, which will be made public in 2006.



Natura has its headquarters located in the Municipal Districts of Cajamar and Itapeperica da Serra, São Paulo, and considers itself part of the local communities, concerned with their needs and future. Due to this fact, it has been supporting the implementation of Agenda 21, that is, discussing and defining processes for the communities' future plans thus creating a better city or district.

Natura has also formed working groups comprised of personnels to provide support for the activities in the educational areas, generation of work and income, environment and relations with local organizations and groups.

Codes, policies and specific management systems

In order to build responsible management, the company adopted as one of its strategic guidelines "act as articulation and facilitation agent for processes of local sustainable development, taking advantage of all opportunities to contribute to the improvement of these communities' quality of life, in a way which be invests good practices."

Ethics and transparency

Even before its establishment in Cajamar, in 2000, Natura began approaching the city, contributing towards strengthening local society with the formation of leaderships and dissemination of the culture of rights, especially among the younger population. The relationship established with local governments and institutions led to the creation of the City Council of Child and Youth Rights and City Fund of Child and Youth. The trust established among the parties also involve the participation of Natura's employees in the establishment of a

political agenda and in the proposal of sustainable planning proposals for the community, in meetings with the mayor, secretaries, NGOs and local citizens.

To learn more about the programs carried out in these communities, please refer to description of projects Agenda 21 – Cajamar; Working Groups Natura-Cajamar and Natura-Itapeperica da Serra in chapter Investments Highlights in Corporate Responsibility page 109 (GRI SO1).

See analysis of goals established for this public in 2004 at the end of this chapter

Communication channels

Communication between the company and the neighboring communities occurs mainly through the connections established with the local authorities, citizens and community leaders.

Natura's direct relationship channel with its neighboring communities is the 0800 number Fale com a Natura. Its objective is to circulate information on the company's projects and induce locals to participate and address their concerns over these projects. The company counts on a channel for registration and response of communications and requests by interested parties about the environment, which also may be accessed by neighboring communities. (GRI SO1).



As it believes that the company must be an agent of social change, Natura engages in a range of initiatives in the public sector through dialogue with all government spheres: Federal, State and Local, which refer not only to the nature of its business, but to society's needs.

Codes, policies and specific management systems

The Governmental Relations department's function is, mainly, to create partnership and relationship opportunities for promotion and dissemination to society the concepts of corporate responsibility and sustainable development. Participants in this department also accompany or represent senior executives of Natura at these events.

In 2005, a Governmental Relation Management System was created, which defined the process of the department, as well as functions, key activities and sub-processes related to it. Although the codes of relations for the civil service, as well as policies about campaign contributions, lobbying, corruption and bribing, still haven't been formalized (GRI SO2 e SO3) – the forecast is for them to be formalized by the end of 2006, Natura has ethics and transparency, resulting in its values and beliefs, as its connection with the government.

See analysis of goals established in 2004 at the end of this chapter.

Ethics and transparency

Natura convenes regular debates on key issues related to the national political agenda. Sustainable use of biodiversity, industrial policy, foreign trade, regional development, regulatory matters, technological innovation are some of the issues conducted by the Congress, government and its agencies which Natura seeks for some contribution.

Communication channels

Natura relates with the government in different ways and at diverse levels. Its particular contribution center on issues of conservation, such as the access to the biodiversity genetic heritage and fair trade. There are direct contacts with government officers and indirect ones,

through business associations, such as the Direct Sales Association (ABEVD) and the Brazilian Association of Personal Hygiene, Perfumery and Cosmetics (Abihpec). With these actions, the company tries to promote change and contribute to industry and sector competitiveness by bottlenecks elimination and products and brand executive campaigns.



Natura sponsors several organizations, on the belief that it can be an influencing factor for social change. In this sense, for ten years it has been involved in programs of public elementary education. In addition, supports and sponsorships neighboring communities, suppliers communities and social organization's initiatives.

Codes, policies and specific management systems

Natura includes in this public the organizations of society.

Due to the demands from a specific set in society about our enterprise sector, natura does everything in order to make public its position regarding the execution of laboratorial tests on animals, as follows.

Animals testing of cosmetics products

- Since 2003, Natura has totally banished the use of animals in laboratory testing for finished products.
- For over six years, it has been searching for alternatives to reduce this testing procedure, ensuring the safety of its products. It still performs limited animal testing for reactions to some raw materials when there are no alternative methods which may enable the elimination of health risks for users.
- The goal for 2004 – a 25% decrease in the number of raw material tests for cosmetics in animals – has been surpassed, reaching 78.5%. Owing to legal requirements, as Anvisa's (The National Health Surveillance Agency) Natura performs safety and efficacy testing in the phytotherapeutic categories in animals.
- Natura also invests in alternative testing as part of the development of new assets and it keeps an in vitro laboratory for the evaluation of raw materials and products in artificially grown human or animal cells. It also invests about R\$ 1.5 million annually in test development and in training of professional people who are dedicated to this issue. These ongoing efforts have enabled the gradual decrease of animal testing, aiming at the complete elimination of this practice by December 2006.
- Natura follows the strictest technical and scientific international procedures based on a principle worldly known as 3R, reduction, refinement and replacement. This principle is the guideline for the largest cosmetics industries in the world aiming at analyzing and developing alternative methods for animal essays.
- The company has created the Natura Products Safety Committee that, among other functions, has the mission to establish the lowest number of essays, which require tests in animals specially bred for that purpose.

In this scenario, performing animal testing is becoming less necessary and it represents an exception in the current reality in the company, which will do its utmost to eliminate it completely. In the strategic alternatives approved for the next years, we are committed to totally eliminate the tests until December 2006. Therefore, whenever Natura has an innovative launch the company has a commitment to release it in a transparent way to everyone.

Natura is totally against any kind of unfaithful communication that accuses the company of indiscriminately using animals in laboratory testing. This kind of communications aims to mislead public opinion and does not add knowledge to the subject.

Tests in animals for phytotherapeutic products

Natura, due to competent authorities' requirements (Anvisa), needs to carry out tests in order to prove security and efficiency of phytotherapeutic products in animals (GRI PRI).

Number of tests in animals

	2003	2004	2005
Tests in animals for cosmetics	308	66	96
Tests in animals for phytotherapeutic products	249	200	0

See analysis of goals established in 2004 at the end of this chapter.

Ethics and Transparency

Natura's relations with several entities of society, from NGOs to enterprise organizations, is transparent. The list of organizations which we are related with is annually published in our annual report (see "commitment with leadership and Social Influence" in the chapter Investments Highlights in Corporate Responsibility at page 115).

The company's policies regarding matters of public interest, as well as their social-environmental strategic opinions, are considered public domain documents and are available whenever they are required or when we deem appropriate.

Communication channels

Our relations with community organizations take place in different ways. From enquiries and specific forums promoted by the company for common interest issues, evaluation processes of our management with the participation of organizations and social leaders as observers, to attendance of representatives of the company in forums, committees, councils and conferences.



Natura has been improving its corporate governance since the mid 90's when it brought together new executives in strategic positions, providing an advantage for professional management. This process developed with the Administration Council, created in 1998 – tracked by Auditing and Risk and Human Resource Management committees, launching its Initial Public Offering, in May 26th, 2004.

Ethics

No societal operation has been carried out in a way that it would constitute economic concentration. (GRI SO6). (For further information on Governance, refer to specific chapter at page 66)

Goals Established in Natura's 2004 Annual Report

Initiative	Committed Target	Results
GRI EN 33	a) Disseminate and practice quality control systems established with suppliers.	☺ Target reached. During 2005, all of our suppliers considered strategic, key and those deemed of critical importance were informed about the Qlicar program, 53 of them are under monthly monitoring for criteria of quality, socio-environmental responsibility, costs and relationship.
	b) Evaluate 100% of the documentation pertaining to all "environment critics" and new suppliers.	☹ Target partially reached. Regarding productive items and finished products considered environmentally critical, we closed 2005 with 100% of the documentation evaluated for new suppliers and 95% for old suppliers.
		☹ Target partially reached. Providers of transportation services considered environmental critics, were evaluated 50% in 2005. The share of non evaluated suppliers refers to new suppliers (contracts signed in 4Q05) or suppliers who have not sent completed documentation required for evaluation.
	c) Of the evaluated suppliers in 2004, increase those with an A rating to 30% of the total.	☺ Target reached. Of total active suppliers in 2005, 41% were rated in the a category.
GRI HR10	a) Develop a relationship code.	☹ Target partially reached. The Letter of Relationship Principles was prepared but did not receive final approval. Its launch will occur in 2006.
	b) Hire a Natura ombudsman.	☹ Target missed. Study comprising evaluation, analyses, model recommendations and of models and premises was completed. Implementation will occur in 2006.
GRI SO1	a) Install a multipartite forum to define actions regarding the Cajamar development plan, following the sustainability principles.	☺ Target reached. District forums and Townhall forum were installed between October and December, after extensive discussion and preparation process.
	b) Constitute a tripartite working group for implementation of Agenda 21 in Potuverá, Itapeçerica da Serra.	☹ Target missed. The group of leaders did not form a tripartite group to foster Agenda 21 in Potuverá.
	c) Perform assessment in Potuverá.	☹ Target partially reached. Diagnostic was addressed in initial staged at the leadership course involving five associations of residents. To define their working targets, the associations had to start from a diagnostic assessment of the area.
	d) Report social-environmental impact of Natura's activities in supplier communities considered more relevant.	☹ Target partially reached. Participative diagnostic assessment and local development planning for in the communities surrounding Belém and in the community of Iratapuru were completed. These studies have not been yet performed in the communities of Médio Juruá.
GRI SO2	Establish policies on the issues of corruption and bribery.	☹ Target missed. The policy was not prepared during 2005. We chose to wait for the completion of a letter of relationship principles, to later define a policy in the two issues that is fully compatible with the relationship principles.
GRI SO3	Establish policy on political contributions	☹ Target missed not reached. The policy was not prepared during 2005. We chose to wait the completion of a letter of relationship principles, to later define a policy on this issue that is fully compatible with the relationship principles.
GRI PR1	Keep below 170 the number of animals used in raw-material testing of cosmetic products (which represents a 32% reduction from the 2004 target). It would also mean a 158% improvement over 2004 levels, because some of the testing scheduled for 2004 was postponed to 2005.	☺ Target reached. A total of 96 animals were used in lab testing for safety during 2005. The value represents 56.5% of the stipulated target, reflecting Natura's policy to reduce testing in animals and use of in-vitro testing of components safety. Again, it is important to point out that, just as in 2004, animals were not used for safety testing of finished products.

Goals compatible with sustainable development

Natura acknowledges that, upon reaching its economic and financial goals there are social and environmental impacts produced and that these must be regarded as a part of the business. Therefore, the company began to consider impact details in the decision process.

Among the main results in 2005, we highlight improvements in the assessment of the environmental impact of packaging and the inclusion of goals to reduce their consequences in the establishment of performance bonuses, as well as the increase in refill sales. We also introduced more specific methods to calculate emissions and carbon absorption.

Intense discussions on the company's role in the development of the communities surrounding its corporate and industrial facilities and its suppliers on the short, medium and long term, as well as questioning proposed models, have led us to establish new goals and enroll the help of other professionals in this area. We began a critical evaluation of indicators for the social impact of the business and are in the middle of a redefinition process around the following focal points: wealth distribution, job and income generation, social inclusion and education.

Natura's planning cycle opens space to the social and environmental analysis of each area and included the theme in 2006 goals definition in more consistently way.

Below are our financial, social and environmental results. We begin each block with the policies and management systems, following that, we explain the performance indicators.



Codes, policies and general management systems

The individual and consolidated financial statements that serve as basis for the economic performance indicators were prepared in accordance with consolidation criteria from Brazil's GAAP and regulatory instructions and decisions issued by the Brazilian Securities Commission (CVM). These financial statements include those of the company and its direct and indirect subsidiaries. We emphasize that these financial statements are audited quarterly and annually by an independent auditing firm and disclosed to the market through the CVM site, Natura's Investor Relations department, and also published on a major newspaper, in case of annual financial statements. The financial statements of foreign subsidiaries were converted into Brazilian currency at exchange rates in effect on the balance sheet dates.

Furthermore, Natura follows the Code of Ethics, and Conduct standards established by the Association of Capital Markets Investment Analysts and Professionals, Apimec, in order to establish conduct standards to these professionals.

The various management processes and systems that are specific to each economic indicator are under the responsibility of the Vice President of Finance.

Direct Impacts

Performance indicators:

Net sales (R\$ thousands) (GRI EC1)

	2003	2004	2005
Net sales	1,328,910	1,769,664	2,282,164

Natura does not disclose regional market analyses (GRI EC2)

Cost of goods, materials and services purchased (R\$ thousands) (GRI EC3)

	2003	2004	2005
Cost of goods, materials and services purchased	942,240	1,365,906	1,731,670

Total payroll and benefits (including wages, pensions, other benefits, and severance pay) broken down by country (R\$ thousands) (GRI EC5)

	2003 ⁽¹⁾	2004	2005
Brasil	167,088	233,194	277,078
Argentina	4,514	5,066	8,500
Chile	2,620	4,343	5,727
México			5,413
Peru	3,561	4,688	6,589
França			3,121
Ybios	N.A.	N.A.	(12)
Total Natura	177,783	247,291	306,416

1. Payroll amounts for 2003 broken down for the various Natura operations were corrected in this report due to previously published figures being preliminary. Note that the total payroll amount for 2003 is unchanged.

Payments to providers of capital, broken down by interest on debt and borrowings, and dividends on all classes of shares, with disclosure of any arrears on payment of dividends to preferred shares (R\$ thousands) (GRI EC6)

	2003	2004	2005
Interest on debt and borrowings	64,439	33,834	45,453
Dividends and interest on capital ⁽¹⁾	60,331	216,352	319,442
Total	124,770	250,186	362,895

1. Values for 2002 and 2003 refer to dividends and interest on capital of Natura Participações.

Increase/decrease in retained earnings at the end of the period (R\$ thousands) (GRI EC7).

	2003	2004	2005
Net income	63,884	300,294	396,881

Total sum of taxes of all types paid, broken down by country (R\$ thousands) (GRI EC8)

	2003	2004	2005
Brasil	490,316	531,346	706,844
Argentina	6,631	9,200	11,086
Chile	2,173	3,156	4,419
México	N.A.	N.A.	223
Peru	2,964	4,103	4,583
França	N.A.	N.A.	N.A.
Ybios	N.A.	N.A.	26
Total Natura	502,084	547,805	727,181

In 2005, Natura was granted by the district council of Itapecerica da Serra, São Paulo, Brazil, a tax break in the amount of R\$ 716,780. This amount will be allocated to investments (**GRI EC9**).

Total amount spent on infrastructure development for operations other than the main one (**GRI EC12**), in 2005, R\$ 9,415 million were invested in Brazil, as follows:

In Cajamar:

- Expansion of the Effluent Treatment Plant
- Energy management system upgrade
- Waste disposal area adaptation
- Monitoring equipment installed for the vacuum system
- Parking lot solar-energy lighting complementation
- Furniture acquisitions and facility improvements

In Itapecerica da Serra:

- Automation of the diesel system in generators;
- Reflective painting and thermal insulation of Administrative Center roof

Investment Matrix

The amount of donations to the communities, society and to other groups and total amount spent on environmental concerns are included in the Investment Matrix in Corporate Responsibility (**GRI EC10 and EC35**) (see chapter *Methodology and Main Indicators at page 48*).



Codes, policies and general management systems

Natura's environmental policy assumes that an environmentally responsible company should identify its impacts on the environment, minimize the negative ones and maximize those that are positive. Therefore, it should keep improving environmental conditions by minimizing potentially aggressive activities and disseminating knowledge regarding this management to other companies. This policy contemplates responsibility towards future generations; environmental education; management of the environmental impact of its products and services and their life cycles; and minimization of material consumption and output.

Regarding environment issues, and as part of its social and environmental strategic options, Natura intends to:

- continue mitigating the environmental impacts from our processes, products and services, especially those related to the major issues in our future: the sustainable use of water; release of greenhouse effect gases, general reduction of waste products, and the efficient use of energy – as our main focuses from the operational, educational, and public policy standpoint. This makes us face the challenge of redesigning our chain of business and acquiring specific technologies;

- continue investing in the sustained use of biodiversity as a way to promote the conservation of native forests, creating new agro forestry models;

- considering that the current knowledge on the use of genetically-modified materials is insufficient to determine their impact on the environment and on health, we decided not to use genetically-modified inputs in our products as a precaution.

Natura also abides by the directives in Agenda 21, which signals a change in the development pattern of the 21st century towards sustainability. It also follows the guidance of Global Compact, among which is the call for preventive action and the development of initiatives to promote more environmental responsibility.

In 2005, the company integrated the quality control and environmental management in Natura's Integrated Regulatory System (SINN). This system helps team members in engaging in their daily activities with the company's commitment to the environment in mind, alongside with the commitment to quality of products and services. The development of SINN includes elements from the cutting edge of corporate management – based on the standards NBR ISO 9001:2000 and NBR ISO 14001:2004 – the Criteria for Excellence of the National Quality Foundation (FNQ), the best market practices oriented towards Natura's corporate culture. SINN is also oriented towards the Good Manufacturing Practices (GMP), systematic and necessary methods to ensure that our products comply with excellence requirements specified by the market.

In 2005, Natura was certified for NBR ISO 9001. This certification is a result of the Natura's continual commitment with the quality of its processes, products and services, seeking to improve these aspects everyday.

In relation to the environmental performance of its suppliers, Natura possesses clear standards and procedures for supplier selection and evaluation in accordance with ISO 14001. Suppliers are evaluated at least every two years through an analysis of their legal documentation and a self-applied environmental evaluation (see details in *Suppliers and Communities Suppliers in the chapter Quality of Relations at page 85*).

Natura has not been issued any penalties in 2005 for any legal infringement regarding the environment (**GRI EN16**). Through SINN, all legal requirements concerning the environment are monitored, allowing the constant interaction between operations and preventing any irregularity. Moreover, the company monitors the progress of legislative projects through use of internal discussion forums. Internal environmental issues are followed up by means of reports showing goals and action plans established by the areas, the Sustainability Committee and the Executive Committee.

Biodiversity

Codes, policies and general management systems

By signing the Biological Diversity Convention during ECO 92, Brazil and 155 other countries committed to implement a series of policies regarding conservation and sustainable use of Brazilian biodiversity. The first challenge is getting to understand biodiversity itself, the second is to preserve this legacy and then there is the complex task of designing a development model that ensures sustainable use of the components of biological diversity as a whole. On May 24, 1994, the BDC was adopted by Brazilian Congress for use as a basis for the Brazilian Biodiversity Policy.

Natura adopted a business strategy of investing in a new product platform based on the sustainable use of natural resources and respect for regional and local cultural traditions.

With this new model, the company established partnerships with rural suppliers (traditional communities and family farm groups) in some regions of Brazil and crafted a network of excellence that promotes research and development, discovers new natural resources, and seeks to refine products and processes, adding value to Brazilian biodiversity.

Natura encourages the organization and nurturing of rural suppliers and seeks to participate in the construction of supply chains to ensure fair pricing of raw materials, focusing on the promotion of the social and economic progress of these suppliers and the adoption of production processes with lower environmental impact. This activity follows the recommendations of the World Labor Organization, the Statute of Children and Adolescents, environmental certification programs and current legislation.

In its socio-environmental strategic options, Natura proposes to continue investing steadily in the sustainable use of biodiversity, aiding its conservation.

There are many specific management systems regarding Natura's biodiversity project: selection of resources to research, regulation of this research, development of products and testing; development of suppliers of all sizes and identifying new supplying communities; environmental certification; and the processes concerning social and environmental impacts produced by the production activity on supplying communities, and others.

Performance indicators

1. Natura's real estate holdings:

Natura owns no land properties other than those where its business units are located. Two of these are located in environmentally important regions, Itapecerica da Serra, a watershed protection area, and Cajamar, an environmental protection area, both within the Atlantic Forest preservation area. These operations comply with the applicable legal requirements (GRI EN6 and EN29).

The company obtains its botanical raw materials from leased or rented areas managed by community or rural producers. Concerned that the resources of the land should be exploited responsibly, Natura strives to ensure a sustainable exploitation model and study the environmental importance of these areas. In 2005 Natura has acquired no new additional areas for its production activities (GRI EN23).

In 2005 the company increased its built area slightly in the Cajamar site, which now totals 83,210 m² as a result of the expansion of the Effluent Treatment Plant and of the product separation lines. The site's impermeable surface now comprises 12.9% of the total land. In the Itapecerica da Serra site impermeable area remained unchanged at 15% of the land (14,366m²) (GRI EN24).

2. Impacts of Natura's activities on earth's biodiversity and ecosystems:

To describe the main impacts on biodiversity linked to activities or products and services in the various environments (GRI EN7), we will start by explaining how we select our direct-operation areas.

In selecting the areas that can be sources of production inputs (botanical raw materials such as extracts, oils or compounds) developed with Brazilian species, or foreign species cultivated in Brazil, Natura's main focus is traceability and sustainability, in order to ensure quality and a reduced impact on the environment.

The company adopts two processes to ensure the sustainable use of natural resources:

1) Identification of the input sources;

2) The resource certification program for two kinds of stewardship:

a) Forest stewardship not based on wood production – The assumption is that this ensures a continuous supply of raw materials, minimizes environmental impact, and safeguards the capacity for sustainable production. Forestry certification is designed to assess the resource extraction process and evaluate adequacy of the stewardship model, under principles and criteria established by the Forest Stewardship Council, FSC, which consider social, economic and environmental aspects.

b) Agricultural stewardship – this is done emphasizing good production practices and includes agricultural and ecological concepts.

The agricultural certification is designed to evaluate the agricultural production of the resources, under the principles and criteria of the Sustainable Agriculture Network, SAN, and of the *Instituto Biodinâmico, IBD*.

Natura's resource certification process comprises three stages:

Stage I – An internal process to identify and select a potential supply area. In this stage the company analyzes the types of producers, the community's organization and the whether the existing stewardship is agricultural or forest-based.

Stage II – Certification design preparation: processes are discussed with vegetable product suppliers; finding the certifying authority; preliminary analysis of the supply area by the certifying authority, if required.

Stage III – Inspection of the supply areas for certification; implementation of an action plan to conform with certification regulations; obtaining the certifying authority's official opinion to obtain authorization.

The company analyzes the environmental impacts of forest stewardship, in their various aspects, such as: (GRI EN7)

Biotic medium⁽¹⁾ – The impact is positive since the harvest does not exceed the area's capacity limit and may even favor the renewal of the species, and thus the forest's dynamics of succession (2); contribution for conservation of genetic diversity maintained by traditional farmers⁽³⁾.

Physical medium⁽⁴⁾ – A positive impact on the soil, since maintenance of the forest coverage acts to preserve this resource. Removal of forest biomass (frequent harvests) has a negative impact on nutrient cycling⁽⁵⁾.

Anthropic medium⁽⁶⁾ – The impact is positive, especially in preventing the exodus of rural workers to the cities, job generation and contribution to local development. The cultural aspect is benefited by the recognition of the value of the body of knowledge acquired through inherited traditions.

1. *Biotic mean: flora (original vegetation, seed deposit on the soil, natural regeneration (vertebrates and insects) and microorganism.*

2. *Forestry succession: it is a process of progressive change in the proportion and composition of individuals from a vegetal community until this community reaches a state of dynamic equilibrium with the environment*

3. *On farm preservation: it is a strategy that complements ex situ preservation and is characterized as one of the form of genetic preservation of agrobiodiversity, its particularity is the fact that it involves genetic resources that are cultivated by the traditional populations, who have a great diversity of phytogenetic resources and a broad knowledge of them.*

4. *Physical mean: air, water resource and edaphic resource.*

5. *Cycling of nutrients: movement of elements and inorganic compounds from the environment to the organisms and from these organism back to the environment, by way of biogeochemical cycles.*

6. *Anthropic means: settlement of the rural worker in the countryside, jobs, regional development, landscaping.*

Status of raw materials

Raw materials/Ekos	State	Phase I		Phase II		Phase III		Notes
		Beginning	End	Beginning	End	Beginning	End	
Andiroba <i>Carapa guianensis</i>	Amazonas	●	●	●				Traditional management
Buriti <i>Mauritia flexuosa</i>	Under evaluation	●	●	●	●			Traditional management
Lemon grass <i>Cymbopogon citratus</i>	São Paulo	●						Cultivation
Chamomile <i>Chamomilla recutita</i>	Paraná	●	●					Cultivation
Brazil nut <i>Bertholletia excelsa</i>	Amapá	●	●	●	●	●	●	Traditional management
Copaíba <i>Copaifera spp.</i>	Amapá	●	●	●	●	●	●	Traditional management
Breu-branco <i>Protium pallidum</i>	Amapá	●	●	●	●	●	●	Traditional management
Cumaru <i>Dipteryx odorata</i>	Under evaluation	●						Traditional management
Cupuaçu <i>Theobroma grandiflorum</i>	Rondônia	●	●	●	●	●	●	Agroforestry system
Guaraná <i>Paullinia cupana</i>	Bahia	●	●	●	●	●	●	Organic cultivation
Rosewood <i>Aniba ferrea</i>	Amazonas	●	●	●	●	●	●	Traditional management
Macela <i>Achyrocline satureioides</i>	Paraná	●	●	●	●	●	●	Traditional management
Passion fruit <i>Passiflora edulis</i>	Minas Gerais	●	●					Cultivation
Matté tea herb <i>Ilex paraguariensis</i>	Rio Grande do Sul	●	●	●	●	●	●	Traditional management
Murumuru <i>Astrocaryum murumuru</i>	Amazonas	●	●	●				Traditional management
Pitanga <i>Eugenia uniflora</i>	São Paulo e Paraná	●	●	●	●	●	●	Cultivation and traditional management
Flatsedge <i>Cyperus articulatus</i>	Pará	●	●					Cultivation
Raw materials/Other lines	State	Phase I		Phase II		Phase III		Notes
Açaí <i>Euterpe oleracea</i>	Rondônia	●	●	●	●	●	●	Agroforestry system
Cacau <i>Theobroma cacao</i>	Bahia	●	●	●	●	●	●	Agroforestry system
Jambu <i>Spilanthes oleracea</i>	São Paulo/Paraná/ Rio de Janeiro	●	●	●	●	●	●	Organic cultivation

Target for 2006: To reach 21 certifications, including six more assets in III phase of the certification process. Natura uses assets (oils and extracts) from 35 native and exotic species in Brazil. Therefore, with 21 certifications we will reach 60% of all certified species.

See analysis of goals established in 2004 at the end of this chapter. In addition to the certification, conservation of biodiversity is encouraged when it provides benefits and products that can generate economic resources.

Regarding activities and operations impact over protected areas (GRI EN25), we started from the six categories of protected areas of World Conservation Union.

After analyzing these categories of protected areas, we conclude that two areas that have partnering agreements with Natura fit the category VI: "Resources in protected areas managed to allow the sustainable use of natural ecosystems". These areas are the Médio Juruá Extraction Reserve (located at Amazonas state) and the Iratapuru River Sustainable Development Reserve (located in the state of Amapá). Both areas were created by the federal and state governments for purposes of sustainable exploitation of resources found in

those areas. They generate cash and jobs for the populations that have always lived in those areas.

The company's activities of buying resources in the aforementioned protected and sensitive areas are monitored by the responsible environmental bodies – the Brazilian Institute for the Environment and Renewable Natural Resources (Ibama), and the State Environment Department (Sema), and this monitoring is complemented by the certification program. The certification process requires the preparation of stewardship plans and its main benefit is that the impact of traditional stewardship on the available resources is monitored. The result of these strategies helps mitigate negative impacts and potentialize positive ones.

In 2005 Natura did not experience any environmental impacts in protected and sensitive areas. (GRI EN25)

The company uses the stewardship plans as tools to monitor changes in natural habitats brought about by activities and operations, and to control what percentages of each area are protected or restored (GRI EN26). The preparation and execution of Stewardship Plans for Sustainable Use of the species in the two protected areas (the Médio

Juruá Extraction Reserve and the Iratapuru River Sustainable Development Reserve) aids conservation of the local biodiversity.

In 2005 Natura did not experience any changes to protected habitats as a consequence of its industrial activities. On the other hand, we did not account separately the parts of the habitat that we protected or restored as part of our activities.

The company maintains programs and targets to restore and protect ecosystems and native species in degraded areas (GRI EN27), as some resources supplied to Natura are produced in such areas. Natura prioritizes the application of agro ecological production models for vegetable raw materials, and encourages others to do the same, resulting in a significant aid to conservation of natural resources such as the soil and water, and helping in the recovery of the areas. The company also considers these models and other environmental parameters in the selection of new areas.

The existence of an agroforestry production model, created as a solution for the recovery of degraded areas in the Rondonia State's Condensed Multi-Species Economic Reforestation Project (RECA) was a significant factor for this area to be chosen for the supply of the fruit called cupuaçu. The company provides incentive for such projects to thrive by acquiring their raw materials and supporting their certification.

In 2005, Natura provided support for the following initiatives that focused on the protection and restoration of ecosystems and native species in degraded areas: the Flora Brasiliensis Project, the Ilhabela Trails Project, the Rio de Janeiro Botanic Garden, the Fruit Grove Project, the Environmental Diagnosis Project in Cajamar, and the Second South America Regional Conference on Climate Changes.

The company also proceeded with the planning of the Forest Recomposition Project in its Cajamar and Itapecerica da Serra sites, whose intent is to enrich the green areas of these sites and increase the diversity of native species and their ecologic relationships. The company's goal is to start implementation of this project in 2006. In addition, Natura is a member of WWF's Brazil Corporate Club, which develops several environmental protection projects.

We also monitor the numbers of species in IUCN's Red List that inhabit the areas affected by Company operations (GRI EN28). Two species used by Natura are in the IUCN's Red List of Threatened Species: the matté tea herb (*Ilex paraguariensis*), classified as a low risk, and the Brazil nut tree (*Bertholletia excelsa*), classified as vulnerable – the latter also included in Official List of Threatened Plants published by the Brazilian Institute of the Environment and Renewable Natural Resources (Ibama). In 2005 Natura, in a partnership with Embrapa Genetic Resources, designed a project to study and plan the conservation of these two species. The plan is scheduled to be carried out early in 2006. In addition, the areas that supply these products to Natura are certified by the Forest Stewardship Council, FSC, which ensures the application of good practices in forestry stewardship.

Water

Codes, policies and specific management systems

Natura addresses the specific water issue both in its environmental policy and its social and environmental strategic options. In our operations, a series of initiatives are taken to reduce water consumption and to recycle water and treat its final effluent before it is returned to the environment. We have also developed several campaigns about this issue targeting our suppliers, Consultants and final consumers. Specific indicators are defined and monitored by company areas involved with the issue.

Performance indicators

In Brazil

Water consumption (GRI EN5)

	2003	2004	2005
Water consumption (m ³) ⁽¹⁾	110,499	116,367	136,677
Water consumption by product unit sold (L/unit) ⁽²⁾	0.87	0.67	0.63

¹ In 2005, due to 35% growth in shampoo production (greatest water consumption) over 2004 and also to 21% growth in Cajamar site in the number of people, there was 17% increase in water consumption, in absolute terms.

² In 2005 there was a 5,6% reduction in water consumption. The main reason was economy scale in resale items, which ended 2005, 5,3% over the estimated figure.

Target for 2006: To reach 138,540% m³ of water consumption in absolute terms.

See analysis of goals established in 2004 at the end of this chapter

The water sources and habitats affected by the company's water consumption are those surrounding the Cajamar and Itapecerica da Serra sites (GRI EN20). Since there is no public water supply system, all water consumed in Cajamar and Itapecerica da Serra comes from local artesian wells. The annual volume of water extraction respects criteria based on water table regeneration with a daily monitoring of consumption volumes as compared to authorized limits. In 2005 Natura exceeded its water reuse target, another good result of its actions for environmental sustainability.

Surface and underground water extraction as a percentage of available renewable water (GRI EN21), in Cajamar

	2003	2004	2005
Extraction	58.2%	70.1%	83%

Note: In 2005 the 18% increase in underground water extraction (Cajamar and Itapecerica) is mostly due to a growth of 35% in shampoo production (greatest water consumption) over 2004 and also to 21% staff increase in the Cajamar site. In 2006, the extraction of drinking water will be extended geographically.

Percentage of water not incorporated to the product (%)

	2003	2004	2005	Target 2006
Water not incorporated to the product	92.2	90.2	89.1	87.0

This percentage represents the relative water consumption by the company that was not used as an item in our products. It represents the water used in our industrial and administrative purposes. It is also the percentage that can be reduced the most avoiding waste consumption.

Target for 2006: To reduce the percentage of water not incorporated to the product by 87.0%.

Water recycling and total reuse (GRI EN22)

	2003	2004	2005
Recycled and reused water (m ³)	20,233	29,065	48,760
Reusage percentage in relation to the total amount of water treated at the Effluent Treatment Plant	29%	39,5%	55%

Note: The treated water from its effluent treatment system is used in all Cajamar facilities for the cleaning of outer vale, fire, sanitaring and irrigating gardens.

See analysis of goals established in 2004 at the end of this chapter

Significant water discharges (GRI EN12)

	2003	2004	2005
Volume total de efluentes tratados (m ³)	79,580	82,786	93,402

Note: The 13% increase in water outflow in 2004 was due to increases in shampoo (35%) and cream (35%) production lines, which generate large volumes of effluents, and also the 21% staff increase in the Cajamar site, which contributed to increase in the volume of wastewater.

Permeado Cajamar

Parâmetro	Padrão	Média	Média	Média
mg/L	Legal	2003	2004	2005
DBO	60	8,0	6,6	6,1
DQO	150	34,7	102,7	87,0
OG	20	2,3	3,7	3,1

Itapecerica treated sewage

Parâmetro	Padrão	Média	Média	Média
mg/L	Legal	2003	2004	2005
DBO	60	144,0	126,0	19,4
DQO	150	300,0	279,0	66,8
OG	20	22,7	24,2	6,1

The water source (and related ecosystems or habitats) significantly affected by the water discharge and drainage (GRI EN32) is the Juqueri River in Cajamar. However, before discharging, our effluents are treated at the Effluent Treatment Plant. This plant fully meets all applicable legal requirements, such as Resolution No. 357, article 34, of the National Environment Council (Conama), and State Decree-Law No. 8468/76, articles 12 and 18).

Because the Effluent Treatment Plant of Itapecerica da Serra is located in a watershed protection area, it adopts the system of infiltrating its effluents into the ground after treatment in a conventional treatment plant whose efficiency in removing organic contents reaches 97% in average.

See analysis of goals established in 2004 at the end of this chapter

In other operations

2005	Argentina	Chile	México ⁽¹⁾	Peru
Water consumption (m ³)	12,037	549	N.D.	N.D.
Water consumption by product unit sold (L/unit)	3.8	0.53	N.D.	N.D.

1. This operation began its activities in August 2005. Figures will be available only in 2006.

Water consumption data have not been calculated for other sites as their volumes are not considered significant as compared to the production activity, which is carried out only in Brazil. The offices use water provided by the public utilities. Since these operations have a commercial nature only, and are carried out only in urban areas, no water sources are affected.

Energy

Codes, policies and specific management systems

Natura addresses the specific energy issue both in its Environmental Policy and its Social and Environmental Strategic Options. In our operations, a series of initiatives are taken to reduce energy consumption, such as the installation of movement sensors and the best planning for the use of this resource. It should be kept in mind that the company's plants are located in Brazil, where the energy matrix is mostly hydroelectric. However, in cases of energy shortages or consumption peaks diesel generators are used, monitored by the responsible employees due to their emissions of gases that can worsen the greenhouse effect. Specific indicators are defined and monitored by the related areas.

Performance indicators

In Brazil

Direct energy consumption, by primary source (joules) (GRI EN3)

Joules	2003	2004	2005
Electricity from primary sources ⁽¹⁾	7.47×10^{13}	7.9×10^{13}	896×10^{13}
Self-generated electricity (diesel generator)	5.02×10^{11}	2.88×10^{11}	4.38×10^{11}
Diesel fuel used in generators	17.3×10^{11}	9.95×10^{11}	15.1×10^{11}
LPG Consumption ⁽²⁾	23.5×10^{12}	24.65×10^{12}	28.1×10^{12}

Total energy consumption

	2003	2004	2005
Energy matrix (joules ⁽³⁾⁽⁴⁾)	9.99×10^{13}	10.47×10^{13}	11.92×10^{13}
Energy consumption – energy matrix per product unit sold (kjoules/unit) ⁽³⁾⁽⁵⁾	785.2	603.7	551.8

1. Consolidated energy consumption from picking, vertical warehouse, and sewage treatment station was 98% higher than 2004. The main drivers were: start-up of the third production line, another vertical warehouse and upgrade to the sewage treatment station.

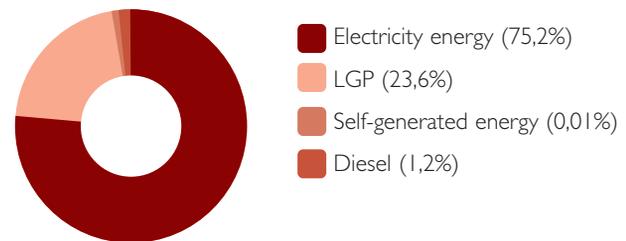
2. Caloric power: LPG = 11,100 kcal/kg; gasoline = 11,277 kcal/kg (1 kcal/kg = 4,186.8 joules/kg)

3. The energy matrix comprises total energy used by Natura through its various sources (electric, diesel, and LPG)

4. Energy consumption increased 13% over 2004, however, in a sustainable way, during this year the company posted 20% production increase and also the 21% staff increase in Cajamar site, in addition to, the conclusion and start-up of several capacity projects (increase in installed capacity).

5. In 2005, relative energy consumption decreased 8.5%. The main driver was the reduction in items sold scale gain, 5.3% over the estimated one.

Energy Matrix - Natura



Advanced station – Juiz de Fora in Minas Gerais

Direct energy consumption – breakdown by primary sources (joules)

	2003	2004	2005
Direct energy consumption	1.77×10^{11}	2.24×10^{11}	2.72×10^{11}

Advanced station – Uberlândia/MG

Direct energy consumption – breakdown by primary sources (joules)

	2003	2004	2005
Direct energy consumption	1.28×10^{11}	1.76×10^{11}	2.30×10^{11}

The indirect energy consumption, which refers to production by outside suppliers, whose main customer is Natura, is not monitored by Natura (GRI EN4).

The company has carried out several initiatives to increase energy efficiency (GRI EN17):

- complementation of the solar energy lighting in the Cajamar parking lot (for the full area of 650 slots);
- reflective painting and thermal insulation on the roof at Itapecerica da Serra Administrative Center (an area of 12,600 m²), to optimize air conditioning energy consumption;
- hiring of a multinational energy firm to assist with energy management actions and identify consumption reduction opportunities;
- approval of the review and complementation of the Green Building study, which calls for the sustainable consumption of natural resources, involving all company units;
- starting the implementation of the project for use of solar energy for water heating in cafeterias and dressing rooms;
- upgrade the Energy Consumption Management System by installing energy meters, also in the generator groups.

In other operations

2005	Argentina	Chile	México ⁽¹⁾	Peru
Total energy consumption(joules)	2.23 x 10 ¹¹	5.11 x 10 ¹¹	N.D.	N.D.
Energy consumption per product unit sold (kj/unidade)	71.6	497.7	N.D.	N.D.

1. This operation began its activities in August 2005. Figures will be available only in 2006.

The amounts are not considered significant vis-à-vis production plants in Brazil.

See analysis of goals established in 2004 at the end of this chapter.

Greenhouse gas emissions

Codes, policies and specifics management systems

Natura considers its emission of greenhouse-effect gases one of its principal environmental impacts that require monitoring. That is why, in 2005, the company discussed in its various forums, and also in outside forums, how it could effectively and systematically cooperate to reduce its emissions of carbon and greenhouse effect gases. Although it has some ongoing initiatives, the company intends to obtain a detailed diagnosis and a complete action plan in 2006.

That is how Natura will consolidate its position on climate changes, identification of sources of greenhouse-effect gas emissions, methods for calculating these emissions and potential mitigating actions, including projects based on Clean Development Mechanisms of the Kyoto Protocol.

Specific indicators are defined and monitored by company areas involved with the issue.

Performance indicators

Due to the new transportation strategy adopted in 2004, the company established and consolidated a process for calculating atmospheric emissions in 2005, and this allowed a better knowledge of CO₂ emissions in the direct-sales distribution channel (GRI EN8).

Natura has progressed both in the use of emission monitoring instruments and in its emission reduction projects. In 2006 we will monitor and disclose data on emissions throughout the distribution chain, and this should allow us to identify improvement opportunities anywhere in the chain in Brazil, by means of activities and projects such as the use of alternative fuels (natural gas and fuel alcohol), and logistical improvements (cargo consolidation). Due to the significant restructuring of international operations, in 2005 no progress in environmental aspects was feasible in these operations (GRI EN34).

CO₂ emissions⁽¹⁾⁽²⁾ (t) (GRI EN30)

	2003	2004 ⁽³⁾	2005
Gasoline	521.20	N.D.	632.93
Diesel	7,960.63	N.D.	11,280.74
Álcohol	25.16	N.D.	209.25
Emissions of other gases	0	N.D.	25.81

1. Calculations for CO₂ emissions were made with the following considerations: 1.76 kg of CO₂ per liter of gasoline; 2.64 kg of CO₂ per liter of diesel; and 0.85 kg of CO₂ per liter of alcohol.

2. Natura understands that indirect gas emissions occur in product distribution, carried out by an outsourced fleet. The data are obtained through information from transportation companies on fuel consumption for distribution of Natura products.

3. Due to the adoption of a new transportation strategy in 2004, some of the measures of fuel consumption and emissions need to be restructured, reason why this information is not available.

Natura does not perform such analyses for transportation companies in other countries.

Natura does not monitor emissions from other indirect uses of energy (exploitation, production and sales) and their implications, such as business trips, management of product life cycles, and use of energy-intensive materials (GRI EN19).

Due to its understanding that no significant volumes of Nox and Sox gases are emitted by its production chain, the Company does not monitor these atmospheric releases (GRI EN10).

Natura proceeded with the use of Isceon gas, which does not damage the ozone layer, in its refrigeration systems. The Company neither emits nor uses substances that are destructive to the ozone layer (GRI EN9).

Target for 2006: To start mapping the sources of greenhouse gas emissions, base on Green House Gas Protocol 2004:

- Direct gas emissions – originates from own transportation and fuel usage for energy generation (hot boiler water and power generators).
- Indirect gas emissions – originates from electric energy acquired.
- Other indirect emissions – originates from product usage, outsourced process, business trips and waste disposed off in landfill sites.

Materials

Codes, policies and specifics management systems

Regarding the materials used in production operations, in addition to adhering to its quality policy, Natura also selects the suppliers that are more appropriate from the social and environmental standpoints.

The company has a system that records all production inputs and other materials coming into the plants. The company monitors these indicators and has made several improvements in the system.

Performance indicators

In Brazil

Use of Materials (other than water) (GRI EN1)

Material consumption	2003	2004	2005
Kilograms	16,107,163	19,776,023	25,005,092
Liters	6,159,544	7,956,295	8,860,798

Note: in 2005 we reviewed all materials volumes and weights registered in the controlling system for materials consumption, aiming to improve the calculation of this indicator. This table already reflects the new reported numbers.

Part of the materials used was processed or unprocessed waste from sources outside the organization (GRI EN2)

	2003	2004	2005
Materials – Tons	1,956	2,547	2,888

Note: This number was calculated considering the average rate of re-usage of waste from suppliers.

In other operations

The volume of materials was considered irrelevant when compared to industrial volumes which is carried out only in Brazil.

Industrial Waste

Codes, policies and specific management systems

Natura has a well-structured policy for industrial waste reduction, and the areas involved with this issue monitor related indicators. Whenever feasible, waste is integrated into production processes of other companies. The purchase of waste products from other chains for internal use refers mostly to recycled paper and packaging items. Specific indicators are defined and monitored by Company areas involved with the issue.

Performance indicators

In Brazil

Total waste volumes by type and destination (t) (GRI EN11)

Tipos de resíduo	2003	2004	2005
Waste Class I	753.13	909.09	1.151.27
Waste Class II – A	2,501.98	3,225.53	3,969.82
Waste Class II – B	377.58	832.98	824.09

Note: According to the NBR 10.004/2004: Waste Class I: dangerous waste (obsolete cosmetic products, laboratory and clinical wastes, and alcohol); Waste Class II - A : non-inert chemicals (sludge from the Effluent Treatment Plant, paper, cardboard, floor sweeping wastes, organic wastes and household wastes); Waste Class II - B: inert waste (glass, metal, plastic, and masonry debris).

Destination	2003	2004	2005
Incinerated ⁽¹⁾	6.40%	5.43%	2.82%
Taken to a landfill area	24.40%	21.20%	16.09%
Recycled ⁽²⁾	69.20%	73.41%	81.09%

1. Previous releases of this report had some incorrect numbers due to problems in measurement, now they are perfectly corrected.

2. Waste absolute volume posted an increase of 34% in 2005, surpassing items sold growth, which reached 25% increase in 2005 year-on-year. Major production volumes and stocks cleanse were important drivers to this absolute increase in waste volume.

Target for 2006: To increase recycled waste index to 85%.

Volume of solid waste (grams) by item sold ^{(1) (2)}	2003	2004	2005
	29.2	25.6	27.7

1. Previous releases of this report had some incorrect numbers due to problems in measurement, now they are perfectly corrected.

2. Waste absolute volume posted an increase of 34% in 2005, surpassing items sold growth, which reached 25% increase in 2005 year-on-year. Major production volumes and stocks cleanse were important drivers to this absolute increase in waste volume.

We had no occurrences of significant spills of any chemicals or other products in 2005 (GRI EN13).

See analysis of goals established in 2004 for this issue at the end of this chapter

Percentage of solid material waste (%)

	2003	2004	2005	Target 2006
Solid material waste	N.A.	N.A.	9.5	8.5

This percentage represents the relative amount of solid materials acquired by the company and are considered as waste materials at the end of the process. This indicator calculation began last year; reason why we do not have 2003 and 2004 figures.

Target for 2006: To reduce solid material waste to 8.5%.

In other operations

There are no industrial waste and the volume of other kinds of waste was not considered significant relative the production activity, which is carried out only in Brazil.

Post-consumption Waste

Codes, policies and specific management systems

In order to achieve sustainable growth, a company may have to change production and consumption patterns. Considering that packaging materials have a major impact on the life cycle of its products, by using the Life Cycle Analysis (LCA) Method⁽¹⁾. The first stage of this project was completed in 2002.

In 2003, LCA became a regular part of the company's product launch process and, beginning in 2004, in compliance with a procedure in Natura's Environmental Management System, no decisions on new packaging designs could be approved before a comparative assessment of environmental impact of the alternatives. In 2005, the Company included in this assessment all promotional boxes for commemorative dates, thus increasing the scope and use of this method in the company.

The managers in charge of the Environmental Impact Model, created in 2004, are conducting projects to determine and assess the major environmental impact of the products. They are also in charge of monitoring indicators related to these impacts. One of the studies conducted by this area, the Carbon Content Model, which discusses the determination of sources (suppliers) of each carbon volume contained in raw materials used, as presented at an international scientific conference (Life Cycle Management 2005), will be applied to the whole product portfolio and included in the product development process beginning in 2006.

The evolution of some environmental impact indicators of products, packaging items and gifts is monitored by the Company on a monthly basis.

1. Natura uses the Life Cycle Thinking, which is rooted in the Life Cycle Assessment of products and in the Design for Environmental concept, integrated approach, techniques and procedures to assess technological and social aspects from products and organization aiming to continuously improve quality of life. Ecodesign guidelines views the integration of environmental and procedures issues.

Performance indicators

The significant environmental impacts of the main products and services monitors in 2005 were (GRI EN14):

- Percentage of products launched for which the Life Cycle Analysis was performed for the packaging: the 100% target was met in every month of the year.
- Total impact: In its Life Cycle Analysis studies, Natura uses the available databases from the Eco-Indicator 99 methodology⁽¹⁾. As in 2004, in 2005 the target was to reduce the average environmental impact of packaging materials, by reducing the weighted average per business unit, as well as the total amount, which should not exceed total amount in 2004.

The final analysis shows that:

- The weighted average impact per unit sold decreased by 5%.
- The total impact (absolute amount) increased 21%.
- The increase in total impact was mainly owed to the 26% growth in the number of items sold.

1. Bibliographic reference: GOEDKOOOP, Mark; SPRIENSMA, Renilde; The Eco-Indicator method for Life Cycle Impact Assessment, 2nd edition, Pré Consultants B.V., 2000.

	2003	2004	2005
Percentage of products sold that are recoverable at the end of their life cycle, by weight ⁽¹⁾	N.D.	38	40,4

1. 97.5% of all packaging used in products sold by Natura, both in Brazil and abroad, is recyclable and should therefore be recovered. This amounts to 40% of the mass of Natura's products (contents and packaging). Since the contents of Natura's products are either washable materials or perfumes, they cannot be reused. A percentage of sold items is recovered but we still do not have a program to measure the exact recovered percentage. (GRI EN15).

See analysis of goals established in 2004 at the end of this chapter.

We emphasize that Natura was a pioneer in the sale of refills for its products. The refill packaging is in average 54% lighter than the regular product packaging. With the sale of refills, Natura avoided placing 2,2 thousand tons of packaging in the market, reducing its environmental impact.

In Brazil

Refills sales campaign reached good results. The percentage of total refills over total items climbed from 15.3% in 2004 to 17.4% in 2005, up 16% versus the established goal (for further information on Natura Movement see Education at page 103).

	2003	2004	2005	Meta 2006
Refill sales over invoiced items	14.9	15.3	17.4	18.0

Target 2006: In Brazil, to increase the percentage of refill sales over total billed items to 18% from 17.4%.

In other operations

	2003	2004	2005	Meta 2006
Argentina	13,8	14,3	14,8	16,8
Chile	2,5	2,2	4,4	10,0
México	N.A.	N.A.	5,8	10,0
Peru	6,5	7,9	12,5	14,2
França	N.A.	N.A.	8,2	10,0

Nota: As operações do México e na França tiveram início em 2005.

Target 2006: In Argentina, increase to 16.8% the ratio of refill sales in total billed items.

Target 2006: In Chile, increase to 10% the ratio of refill sales in total billed items.

Target 2006: In Mexico, increase to 10% ratio of refill sales in total billed items.

Target 2006: In Peru, increase to 14.2% the ratio of refill sales in total billed items.

Target 2006: In France, increase to 10% the ratio of refill sales in total billed items.

Goals Established in Natura's 2004 Annual Report

Initiative	Committed Target	Results
GRI EN 3	Reduce relative energy consumption by 5.5%.	☉ Target reached. There was a reduction of 8.5% in relative energy consumption in comparison with 2004. The reduction came mostly from scale savings in resale items.
GRI EN 5	Reduce water relative consumption by 1%.	☉ Target reached. There was a reduction of 5.6% of the relative consumption accrued in 2005, in comparison to 2004. The main reason for this reduction was the scale savings from resale items.
GRI EN 22	Increase treated water reutilization tax from 39.5% to 49%.	☉ Target reached. The average percentage of treated water reuse was 55%. Treated water was used in the entire site of Cajamar, for washing streets and external walls, fire fighting network, sanitation facilities and ornamental water mirrors.
GRI EN 7	Of a total of 35 native or exotic botanicals obtained in Brazil, which are used in Natura's products (essential oils, fixative agents and extracts), in 2004, the certification process was completed for eight of them (23% of the total). In 2005 the target is to include five more in Phase III of the certification process, achieving a total of 13 certifications (37% of the total).	☉ Target reached. In 2005, eight materials were included in the certification Phase III. Four of those are already utilized in Natura products and another four are in study stages for future use. The botanicals already employed in Natura products are: - Jambu: organic certification - Macela: organic certification - Cupuaçu: social-environmental responsibility - Açaí: social-environmental responsibility
GRI EN 11	Reduce residue generation per unit sold to 2.38 g in 2005 from 2.56 g in 2004.	☉ Target missed. The indicator was 16.3% over the established target; residue generation rose to 27.70 g per unit sold.
GRI EN 12	Keep above 90% the monthly average efficiency in removal of organic debris from discarded effluents in Itapeperica da Serra, vis-à-vis the minimum of 80% presently required by law.	☉ Target reached. We closed the year with a 95.5% average of efficiency in the removal of organic debris. (DBO).
GRI EN 14	a) Ensure that 100% of the new products launched during the year have their packaging analyzed by the Life Cycle Analysis (ACV) tool.	☉ Target reached. All regular products and all kits promoted and sold during special holidays were analyzed through the ACV.
	b) Reduce by 2%, (from 2004 levels) the weighted average of environmental impact from Natura's product packaging.	☉ Target reached. The reduction was over 4%.
	c) Define environmental performance indicators for products and include related information on their respective labels.	☉ Target partially reached. The indicators were defined; calculation of these indicators began and during 2006 will be added to product labels.
	d) As there is no model available for life cycle analysis of raw-material in the cosmetic industry, Natura will develop a model in 2005. It will be applied to the shampoo line Ekos and submitted for international evaluation. submetido à avaliação internacional.	☉ Target reached. The Model of Intrinsic Carbon was developed and applied to the Andiroba Shampoo line. This work was presented to the congress Life Cycle Management 2005, in Barcelona.

Social

Codes, policies and general management systems

The company in 2005 held a series of discussions to define social and environmental plans for its various areas, devoting exceptional time devising ways to attain goals and indicators capable of conveying a clear picture of the business's social impact.

This business performance will be evaluated through five major prongs: (I) wealth distribution and work and revenue generation, (II) social inclusion, (III) human rights, (IV) education and (V) Human Resources actions – complemented with a detailed description of our internal social impact.

Natura adopts management practices consistent with the time-honored principles of the Universal Declaration of Human Rights, such as freedom and equality without distinction of as race, color, sex, language, religion, nationality or social origin (**GRI HR1**). It's also one of the first Brazilian companies signatory of the Global Compact, an UN initiative to mobilize the international business pursuit of the fundamental values regarding human rights, work, environment and the fight against corruption.

To further involve our personnel and Consultants, Natura used several communication vehicles. The brochures, videos, websites and other media approached the following subjects: Millennium Development Objectives; Education Campaign for Youth and Adults; reduction of the environmental impact; Brazil's biodiversity; women's entrepreneurship and leadership; breast-feeding; and sustainable development among others.

However, these were not isolated actions. Many activities developed by Natura are contemplated in the Millennium Goals. Some examples are the programs "Crer para Ver", Agenda 21 in Cajamar and project "One Thousand Women for the Nobel Peace Prize", supported by Natura (see further information about these programs in chapter *Investment Highlights in Corporate Responsibility* at page 108).

To keep track of its social goals, Natura uses, in addition to department-specific procedures, Corporate Responsibility Management System (SGR). With it, the company conducts diagnostics and makes recommendations for action plans directed at improving relationships. These plans then become goals and benchmarks which are followed up by committee in each department.

The system works with the supported of the Corporate Responsibility Network, constituted of employees from all departments. One of the network's main roles is to act as facilitator in the diagnosis stage, which identifies key issues in Natura's relationships with all its different publics: personnel, Consultants, consumers, communities, suppliers, shareholders, government, society and the environment. In 2005, approximately 50 participants in the Corporate Responsibility Network disseminated the principles of responsible management throughout the company, to help their colleagues understanding of those principles and translate them into daily actions.

Wealth distribution, work and revenue generation

Codes, policies and specific management systems

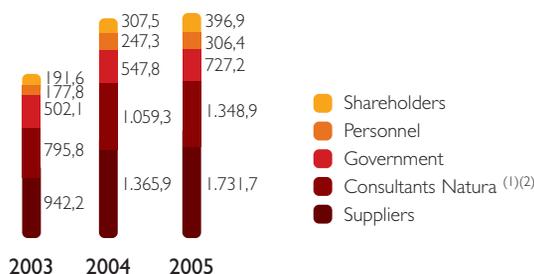
Natura's main channel of wealth distribution is through its Consultants (resale), a concrete opportunity to generate income. The company provides its Consultants, free of charge, with multiple training programs on subjects such as product technical specifications, finance, beauty, health, well-being, quality of life and sustainability principles, among others. Many departments devote time to these activities, monitoring related

benchmarks and adopting specific policies when required.

Natura has other initiatives and policies that create work and income generation opportunities for suppliers and neighboring communities (Cajamar and Itapecerica da Serra, both in São Paulo). The indicators are periodically tracked by the Sustainability Committee.

Performance indicators

Wealth distribution per public (R\$ million)



1. Estimated sales at suggested retail prices.

2. Consultants at Brazil, Argentina, Chile and Peru.

Work and revenue generation (GRI LA1)

	2003	2004	2005
Brazil			
Personnel	2,696	3,177	3,575
Temporary	230	259	679
Third-party ⁽¹⁾	780	1,000	1,161
Trainees	13	37	41
Argentina			
Personnel	157	205	237
Third-party ⁽¹⁾	4	2	2
Trainees	1	0	0
Chile			
Personnel	61	70	93
Third-party ⁽¹⁾	13	24	24
Trainees	0	0	0
Mexico⁽²⁾			
Personnel	N.A.	N.A.	70
Third-party ⁽¹⁾	N.A.	N.A.	16
Trainees	N.A.	N.A.	0
Peru			
Personnel	72	103	133
Third-party ⁽¹⁾	5	25	6
Trainees	0	2	0
France⁽²⁾			
Personnel	N.A.	N.A.	20
Third-party ⁽¹⁾	N.A.	N.A.	0
Trainees	N.A.	N.A.	0

1. Residents allocated to company units are considered third party.

2. France and Mexico operations started in 2005.

Jobs - Brazil (GRI LA2)

	2003	2004	2005
Positions in Cajamar	1,681	2,044	2,281
Positions in Itapecerica ⁽¹⁾	1,015	1,133	1,294
Total	2,696	3,177	3,575

1. The sales force (sales promoters, sales managers, marketing managers, sales supervisors and field assistants) is fully accounted for in Itapecerica da Serra.

Job creation and employee retention

	2003	2004	2005
Brazil			
Jobs created in the period	55	481	398
Turnover ratio (%)	6.53	7.81	7.64
Argentina			
Jobs created in the period	28	48	32
Turnover ratio (%)	7.10	16.00	11.90
Chile			
Jobs created in the period	7	9	23
Turnover ratio (%)	7.40	20.20	25.37
Mexico⁽¹⁾			
Jobs created in the period	N.A.	N.A.	70
Turnover ratio (%)	N.A.	N.A.	7.140%
Peru			
Jobs created in the period	12	31	30
Turnover ratio (%)	16.00	15.53	21.68
France⁽¹⁾			
Jobs created in the period	N.A.	N.A.	20
Turnover ratio (%)	N.A.	N.A.	N.D. ⁽²⁾

1. France and Mexico operations started in 2005.

2. The operation was not able to calculate the ratio.

Internal opportunities

	2003	2004	2005
Percentage of new job positions filled by existing employees	54%	38%	49%

One of the most relevant indirect income opportunities created by Natura (**GRI EC13**) concerns its 519,000 independent Consultants, as shown on the chart below.

Natura consultants⁽¹⁾ (thousands)

	2003	2004	2005
Brazil	355	407	483
Argentina	10	13	18
Chile	3	5	6
Mexico	N.A.	N.A.	N.D.
Peru	7	8	12

1. The figures refer to available Consultants - those who had at least one order in the past sales cycles.

Wealth Distribution – Consultants ⁽¹⁾ ⁽²⁾ (R\$ million)

	2003	2004	2005
Brazil	776.0	1,031.8	1,311.6
International operations	19.7	27.6	37.2
Total	795.8	1,059.3	1,348.9

1. Estimated sales at suggested retail prices.

2. 2003 figures were changed to be in accordance with the Brazilian Association of Direct Sales, ABEVD.

In the communities that supply botanicals and botanical extracts, it should be noted that family income from the sale of industrial raw materials for companies that process them for Natura is demand-driven and therefore a part of the overall family income.

Social Inclusion

Codes, policies and specific management systems

Natura focuses on issues of social inclusion regarding its personnel, with policies fostering egalitarian work opportunities. The company takes a clear stand on diversity and equality in its beliefs and values and will spell out its position in a relationship code to be published in 2006.

Performance indicators

People with disabilities

In Brazil

Natura has long designed specific programs and policies to include people with disabilities in its work force. In a year of vigorous hiring, the challenge of keeping stable at 5% the ratio of people with disabilities in the staff became a challenge involving more departments (**GRI LA10**, **HR8** and **HR4**).

We have an agreement with the Public Prosecution Service (Conduct Agreement) through which we can consider Natura's four companies as one unit in order to meet the quota. Despite a significant effort in 2005, we still found it difficult to contract people with appropriate education for the positions at administrative departments. In the operational departments, the number of people with disabilities is rather significant.

Yet, the most important action last year was the establishment of a partnership between Natura and the National Business Learning Service (SENAC) to develop a training program for people with disabilities for functions of administrative assistance. The first course graduated 20 people. Natura is committed to hiring some of these graduates as administrative assistants. There is a planning to expand the scope of this training program to include other functions.

After hiring, our focus moved to prepare the involved departments (and to prepare the manager who will work with him directly) to welcome and work efficiently with the new employee, even preparing inclusion activities. Whenever a specific department embraces its first employee with disability, everyone from the team is invited to participate in an activity in which they learn to help the new co-worker peacefully.

We also adapted training materials so that people with disabilities have easy access to and comprehension of the contents. We use simultaneous translation for sign language in courses attended by hearing-impaired people, we make voice recognition software available for visually-impaired people and invest in resources for sign translation in all departments to quicken the inclusion process of the hearing-impaired. They also each count on a mentor familiar with sign language, who helps with socializing issues.

The company also carries, on a bi-monthly basis, an awareness activity with employees and third parties in how to work with the disabled and provides sign language courses, the 'Curso de Libras' for those who need it to carry out their duties.

To identify potential employees with disabilities we tap local community resources and institutions such as Laramara, for the visually-impaired, Derdic, for the hearing-impaired and Semis/AACD, for physical disabilities, among others.

Target for 2006: To reach 5% of employees with disability over the total number of employees.

See analysis of goals established in 2004 at the end of this chapter.

In other operations

Natura does not yet have programs for hiring people with disabilities similar to those described for Brazil.

Women

In Brazil

Our operation is focused on valorization and supporting breast-feeding. The mother returning from maternity leave is provided with a specific and welcoming space in the nursery for breast-feeding. The nursery team is oriented to call the mother at breast-feeding periods,

wherever she is, so she can, tranquilly and appropriately, experience this important moment with her baby.

The company even maintains a specific program for Woman Health, which has as its main purpose breast and cervical cancer prevention, also covering topics such as menopause, PMT and pregnancy. In addition, there is a gynecologist on duty in our clinic to meet the needs of our personnels.

The table below shows numbers on employees and management's body composition, the man/woman proportion and other indicators of culturally appropriate diversity (GRI LAI I), as well as wage outline in Brazil and other operations⁽¹⁾

Total of personnels	Brazil ⁽¹⁾⁽²⁾			In other operations – 2005			
	2003	2004	2005	Argentina	Chile	Mexico	Peru
Total of personnels	2.696	3.177	3.575	237	93	70	33
People with disabilities							
Percent against the total of personnels	3.9%	3.6%	3.6%	0.0%	2.3%	0.0%	0.8%
Percent of management positions against the total of management	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Percent of director's positions against the total of director's positions	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Women							
Percent against the total of personnels	62.4%	62.2%	63.1%	81.0%	95.0%	84.0%	79.0%
Percent of management positions against the total of management	56.4%	55.2%	50.9%	41.0%	5.38%	33.0%	2.0%
Percent of director's positions against the total of director's positions	16.7%	17.6%	16.7%	0.0%	0.0%	42.0%	0.0%
Black and mulatto women							
Percent against the total of personnels	N.D.	20.3%	24.0%	0.0%	0.0%	0.0%	1.5%
Percent of management positions against the total of management	N.D. ⁽³⁾	7.3% ⁽³⁾	6.0% ⁽³⁾	0.0%	0.0%	0.0%	0.0%
Percent of director's positions against the total of director's positions	N.D.	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Black and mulato men							
Percent against the total of personnels	N.D.	31.7%	29.4%	0.0%	0.0%	0.0%	1.5%
Percent of management positions against the total of management	N.D. ⁽³⁾	5.1% ⁽³⁾	4.4% ⁽³⁾	0.0%	0.0%	0.0%	0.0%
Percent of director's positions against the total of director's positions	N.D.	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Over 45 years of age							
Percent against the total of personnels	9.2%	11.0%	11.0%	19.0%	7.7%	0.0%	18.8%
Percent of management positions against the total of management	7.9%	12.0%	10.3%	24.0%	0.0%	25.0%	16.7%
Percent of director's positions against the total of director's positions	25.0%	23.5%	20.0%	0.0%	0.0%	0.0%	0.0%

1. The staff racial origin was informed by themselves, using the national statistics agency (IBGE) criteria, which it is the only one officially available in the country: "race: white, yellow, indigenous, black or parda". The expression "non black or pardos" denotes the sum of the number of personnels who marked the white, yellow or indigenous options. The company recognizes that this classification does not comply with the claims of reclassification of several social movements within the country. Race reclassification was conducted in December 2004. The records for 2003 were disregarded.

2. The total of personnel with disabilities increased to 128 from 114. The goal for 2005 was to achieve 5% of employees with disabilities as a percentage of the total.

3. The percent of employees who self-classified themselves as "black or pardo" at management level is very low. The company considers this as a matter that will require specific action plans.

Wage Profile (R\$ thousand)	Brazil ⁽¹⁾⁽²⁾⁽³⁾			In other operations – 2005			
	2003	2004	2005	Argentina	Chile	México	Peru
Women – total							
Monthly average wage for plant workers	860.64 ⁽⁴⁾	870.35 ⁽⁴⁾	903.88 ⁽⁴⁾	660.51	618.46	N.A.	N.A.
Monthly average wage for office workers	3,608.05	3,792.59	4,064.13	1,035.84	1,623.46	3,629.43	1,082.27
Monthly average wage for for managers	8,872.45 ⁽⁵⁾	9,895.06 ⁽⁵⁾	9,786.40 ⁽⁵⁾	5,448.98	4,750.19	7,009.77	5,298.79
Monthly average wage for for directors	N.D.	22,722.94	25,677.50	N.A.	N.A.	15,340.37	N.A.
Men – total							
Monthly average wage for plant workers	1,088.90 ⁽⁴⁾	1,084.34 ⁽⁴⁾	1,114.57 ⁽⁴⁾	697.50	1,239.19	N.A.	N.A.
Monthly average wage for office workers	3,177.31	3,466.81	3,643.37	1,593.84	3,672.38	3,174.24	1,305.20
Monthly average wage for for managers	9,979.63 ⁽⁵⁾	11,112.94 ⁽⁵⁾	10,244.69 ⁽⁵⁾	8,783.10	6,630.26	7,009.77	12,607.99
Monthly average wage for for directors	34,081.84	35,717.84	35,089.75	N.A.	17,012.20	26,981.00	N.A.
Black and mulatto women							
Monthly average wage for plant workers	N.D.	894.81	922.63	N.A.	N.A.	N.A.	N.A.
Monthly average wage for office workers	N.D.	3,853.29	3,864.14	N.A.	N.A.	N.A.	683.58
Monthly average wage for for managers	N.D.	10,946.30	10,135.38	N.A.	N.A.	N.A.	N.A.
Monthly average wage for for directors	N.D.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Non-black and non-mulatto women							
Monthly average wage for plant workers	N.D.	859.58	893.39	660.51	618.46	N.A.	N.A.
Monthly average wage for office workers	N.D.	3,782.67	4,113.82	1,035.84	1,623.46	3,629.43	1,387.17
Monthly average wage for for managers	N.D.	9,827.29	9,764.19	5,448.98	4,750.19	7,009.77	5,298.79
Monthly average wage for for directors	N.D.	22,722.94	25,677.50	N.A.	N.A.	15,340.37	N.A.
Black and mulatto men							
Monthly average wage for plant workers	N.D.	1,072.10	1,091.70	N.A.	N.A.	N.A.	N.A.
Monthly average wage for office workers	N.D.	3,039.28	3,073.38	N.A.	N.A.	N.A.	854.48
Monthly average wage for for managers	N.D. ⁽⁵⁾	10,153.27 ⁽⁵⁾	7,817.69 ⁽⁵⁾	N.A.	N.A.	N.A.	N.A.
Salários médios mensais em for directors	N.D.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Non-black and non-mulatto men							
Monthly average wage for plant workers	N.D.	1,097.87	1,128.68	697.50	1,239.19	N.A.	N.A.
Monthly average wage for office workers	N.D.	3,571.55	3,747.42	1,593.84	3,672.38	3,174.24	1,348.12
Monthly average wage for for managers ⁽⁵⁾	N.D. ⁽⁵⁾	11,164.56 ⁽⁵⁾	10,357.05 ⁽⁵⁾	8,783.10	6,630.26	7,009.77	12,607.99
Monthly average wage for for directors	N.D.	33,717.84	35,089.75	N.A.	17,012.20	26,981.00	N.A.

1. Race reclassification was conducted in December 2004. The records for 2003 were disregarded.

2. Human Resources department corrected 2004 figures due to final data compilation. Please consider the above released numbers.

3. Bonuses paid to sales managers and sales promoters were included in this calculation. Sales force personnel, when divided into categories, reinforces women monthly average wage, excluding plant work category.

4. The production plants classify workers into seven wage levels, the average wage difference between men and women is a consequence of the fact that 97.9% of women are at wage levels 1, 2 and 3 (who earn lower wages), while 77.5% of men are at these baselines. Electricians, manipulators, mechanics, machine preparers and lathe operators, who earn higher wages, are mostly men.

5. Among office workers, comprising six wage levels, the average difference between men's and women's wages stem from the fact that 68.4% of women are at the three lower management levels while 58% of men are at these baselines. The difference between monthly average wage for black and mulatto men in managerial post and men with no black ancestry is due to the first group classification as juniors wage group.

Human Rights

Codes, policies and specific management systems

Brazil is a signatory to the International Labor Organization (ILO) conventions, which determine the need of union organizations to represent employees in their interests and negotiations with their employers. Natura complies with the related laws (GRI LA3). The right of free association is respected by Natura, who recognizes the right to labor organization (GRI HR5). In Brazil, the relationship with unions is conducted through meetings between the Human Resources departments and union representatives.

The company is also affiliated to Fundação Abrinq, a non-governmental organization whose mission is to promote human and citizenship rights of children and adolescents. As a member of this organization, Natura is committed to follow the Child and Adolescent Statute (ECA), which ensures full compliance with systems to guarantee children and adolescent's rights. (GRI HR6). Moreover, as a holder of the seal "Empresa Amiga da Criança", also granted by Fundação Abrinq, Natura must comply with requirements related to the eradication of child labor. Therefore, we enforce specific child and forced labor clauses in the contracts signed with suppliers (GRI HR6).

Performance Indicators

Labor Organization

In Brazil

Workers are mandated by law to pay a trade union tax. As a result, the percentage of personnel represented by independent union organizations or other legal representatives is 100% (GRI LA3).

In other operations

Natura follows the established law of each country. In Argentina, 28.5% of employees are represented by the collective bargaining agreement of the Perfumers' Union (norm: 157/91).

Suppliers

Human rights are part of our procurement decisions, including the selection of suppliers and contractors (GRI HR2). The company assesses human rights performance within the supply chain and contractors through surveys and monitoring systems. (GRI HR3).

In Brazil

Natura included in its system of rules and procedures considerations about contractors and third parties, requiring that their contractor's employees are legally registered in accordance with the Brazilian labor codes (Consolidação das Leis Trabalhistas, CLT); this process is monitored by our Legal Department.

It has also adopted a qualification process for new general suppliers, who are evaluated on social-environment responsibility issues. In 2006, Natura will issue manual informing suppliers of their obligations. Moreover, matters of child and forced labor are part of the standard contract between the Natura and its suppliers, according to our policies of exclusion of child labor; in compliance with provisions of ILO's convention 138 (GRI HR6), and forced and compulsory labor (GRI HR7).

Natura even requires that suppliers of botanicals and botanical extracts do not affect their respective ecosystems, do not take advantage of child labor; comply with all labor laws and policies for the prevention of forced and compulsory labor and that they respect the communities' way of life as well as their traditions. Monitoring is carried out through management plans, good agricultural practices projects and processes of assets certification.

In other operations

Natura does not have similar initiatives in other operations, which function in compliance with the respective laws and corporate regulations of each respective country.

Personnel

There is no specific training for employees on policies and practices concerning all aspects of human rights involved in our operations (GRI HR8). However, various discussions and initiatives covering these subjects are conducted. Examples are sustainability courses for managers, and discussions related to Natura's Relationship Code planning.

In Brazil

In 2005, Natura performed awareness activities with its personnel on topics related to human rights. The main focus was pregnancy and maternity support. In order to prepare expectant mothers, Natura offers orientation courses twice yearly. The topics addressed are pregnancy physiology, postural and emotional aspects of pregnancy, breastfeeding, baby care, legal benefits, healthcare and nursery. The course is aimed at employees and their spouses as well as outsourced employees. The company's medical clinic is staffed with an Ob-Gyn physician and a nutritionist to assist pregnant workers and new mothers.

In the security department, employees are partially trained on human rights issues (GRI HR11). All teams attend a 120-hour initial course, followed by biennial refreshers, on, among other subjects, ethics, discipline and criminal law matters; they also receive semi-annual workshops to reinforce the commitment to these matters.

Furthermore, Natura develops a series of activities (whether in or out of the company environment) regarding HIV/Aids (GRI LA8). Natura adopted a policy that ensures attendance and treatment of HIV-positive employees and their dependants, apart from establishing partnerships with public organizations. Prevention campaigns are carried out periodically, especially during Carnival, May Day, Valentine's Day and World Aids Day. The company also holds an Aids Prevention Program to promote behavior changes and combat discrimination and segregation.

Natura is part of the Conselho Empresarial Nacional para a Prevenção de HIV/Aids, constituted by 24 guest corporations, founded in 1998 by the Ministry of Health. Our company is recognized by the Joint United Nations Programme on HIV/Aids, UNAIDS, for its contribution to the fight against HIV/Aids in Brazil.

In other operations

Natura does not have similar initiatives in other operations, which follow the established laws of each country and corporate guidelines.

Indigenous communities

Natura doesn't have activities with indigenous communities, but recognizes and respects the different cultures and the rights of the many sociocultural groups that live in Brazilian territory (GRI HR12).

Education

Codes, policies and specific management systems

Natura's invests in the education of its personnel and supports the return to school of Consultants and adults, in general. The company also develops national campaigns to improve public education.

The departments responsible for corporate education and corporate responsibility run all education activities. Indicators are tracked by the Education and Sustainability committees and by commercial department forums, which operate campaigns for the entire society.

Performance Indicators

Policies and specific programs for skills management or learning for life (GRI LA17).

In Brazil

Natura's policy is to provide employees with 100% of the technical education required to perform their duties, as well as to support their personal and professional development.

We restructured Corporate Education programs in 2005, in a way to disseminate Values and Beliefs for all new employees. Besides, we developed and improved the programs Integração do Colaborador, Integração Executiva, Negócio Natura, Meio Ambiente and Paixão por Produtos. Other focuses of Corporate Education were the programs Gestão de Pessoas, Oficina de Linguagem e Workshop do Modelo Comercial, important to managers' development on Natura's essential issues: Brand, Products, Relationships and Sustainability.

Corporate Education also trained all employees to ensure NBR ISO 9001 certification. During the year, some 5.784 training hours were held for this certification.

The company also develops Natura Education and Executive Education programs, which offer scholarships (technical, graduation and post-graduation).

Scholarships offered by the Natura Education Program⁽¹⁾

Courses	2003	2004	2005
Technical/professional	39	35	74
Language	100	90	82
University	82	100	119
MBA and Post-Graduation	N.A.	N.A.	90

Enrollment in the program X granted scholarships

	2003	2004	2005
Enrollments	468	365	644
Granted Scholarships ⁽²⁾	228	230	377
% granted/enrollments	48.7%	63.0%	58.5%

1. Data do not include scholarships renewal

2. Include scholarships renewal

Its objective is to grow access to formal education and prepare Natura's personnel and their relatives to work. Approximately 2,000 staffers benefited from the program in its five years. In 2005, 68 scholarships were granted to employees' children, in addition to another 74 technical, 119 university, 90 MBA and graduate school scholarships, plus 82 language courses.

In other operations

In 2005, we restructured Corporate Education programs were extended to disseminate Values and Beliefs for employees in all levels.

In Brazil

Movimento Natura

Movimento Natura was created in February 2005, in an effort to reach out to over 500,000 Consultants with educational programs on environmental awareness and practices. Movimento Natura is guided on the precept that small gestures lead to sweeping actions that can help society. This way, besides selling Natura products, the Consultants become agents of change in their communities, concerned with the socio-environmental issues they share.

The projects rolled out by Movimento Natura contemplate the company's sustainability benchmark, the Triple Bottom-Line, or the three icons of the movement: Nosso Negócio, Nosso Planeta and Nossa Gente (Our Business, Our Planet and Our People). With respect to the first one, Our Business, Natura promotes a series of initiatives to recognize and elevate the role of its Consultants.

The Our Planet pillar conveys the importance of preserving the environment and centers on incentives to the sales of refillable products. Natura also publishes tips and information on environmental matters on the sales catalogs issued every 21 days, with themes such as how each one of us can help preserve the environment and incentives to waste recycling by participating in selective collection programs and practicing conscientious consumption.

With Our People, Natura challenged Consultants to boost the number of enrollments and re-enrollments in public schools throughout the country with the Youth and Adult Education campaign. The goal is to have Consultants identify people of all ages who have not completed their elementary education and motivate them to go back to school. Another campaign was Ver para Crer (Believing is Seeing), in which Consultants volunteer to sell a specially created line of products, among them t-shirts, cards and containers, whose revenues are allocated to public education projects. Natura also conducts awareness campaigns for Consultants on issues such as the importance of breast-feeding, tips to help cut infant mortality, women's volunteerism and entrepreneurship, among others.

With the creation of Movimento Natura, Consultants went on to earn recognition for their engagement in socio-environmental issues in addition to their sales performance. As result, the company established some performance benchmarks, such as the number of refill orders, the number of people re-enrolling in school and sales statistics on Ver para Crer (Believing is Seeing) product line.

Movimento Natura garnered encouraging results in its first year. The sales of refills as a ratio of total sales climbed to 17.4% from 15.3% in 2004, well above the 16% goal. Sales of Ver para Crer (Believing is Seeing) product totaled R\$3.1 million, helping over 66,000 people in several states to return to school – the goal was 50,000.

Crer para Ver Program

The Crer para Ver program raises cash to improve public education through technical and financial support of teacher education projects. The program was launched in 1995 and counts on the support of Natura's Consultants who volunteer to sell products from the Crer para Ver line. In nine years, the program reached 911,000 children in 21 Brazilian states. In 2005, R\$3.1 million were collected through the sale of Crer para Ver products, which financed Project Chapada (BA) and Projeto Cinema e Vídeo Brasileiro nas Escolas (SP), both focused on elementary education.

See analysis of goals established in 2004 at the end of this chapter.

CPV – Supported Projects

Project's name	Partner organization	Municipalities reached	Nº of teachers gathered	Project's total amount (R\$)	Amount support by the program ⁽¹⁾ (R\$)
Primary education					
Projeto Chapada (BA)	Municipals Departaments of Education Caeté Açú Association	28	5,320	500.0 th	245.0 th
Cinema e Vídeo Brasileiro nas Escolas (SP)	Municipals and State Departaments of Education and Ação Educativa	1	630	1,611.5 th	800.0 th
Escolas indígenas da floresta (AC)	Municipal and State Department of Education and Comissão Pró-Índio (AC)	7	40	2,071.7 th	600.0 th
Janelas Cruzadas (RJ)	Municipal Department of Education and Instituto Pé no Chão	1	226	203.1 th	99.9 th
Youth and adult education					
Caapiá do Rio de Janeiro (RJ)	Municipals Departaments of Education, Latin America Research Association and Ação Cultural, Alpac/RJ	4	490	180.8 th	120.0 th
Compartilhando Experiências (SP)	Municipal Department of Education and Ação Educativa	1	64	170.0 th	119.6 th
Educadores de EJA em Ação (SP)	Municipal Department of Education, Instituto de Pesquisa and Estudos de Ribeirão Preto, Iperp, and Centro de Formação de Professores de Ribeirão Preto, Ceforp	49	311	263.1 th	92.0 th
Em Cada Saber um Jeito de Ser (BA)	Municipal Department of Education and Instituto da Pequena Agricultura Apropriada, Irpa	3	195	378.0 th	115.0 th
Roda Gaúcha (RS)	Municipal Departaments of Education and Centro de Defesa dos Direitos da Criança e do Adolescente de Ijuí, Cededical	6	235	180.8 th	120.0 th

1. These values refer to all past year, not only to 2005.

Crer para Ver Program – Youth and Adult Education Campaign

In 2004, Crer para Ver Program, in partnership with the Ministry of Education (MEC), increased its participation and launched, in 2004, a campaign for the education of youths and adults. According to the national statistics agency (IBGE) 2000 Census, there are 70 million people over the age of 15 who have not completed their elementary education, of which 16 million are youths between 15 and 24 years of age. We registered the following results:

1) Financing four teacher graduation projects: Educadores EJA em Ação (SP), Caapiá do Rio de Janeiro (RJ), Em cada saber um jeito de ser (BA) and Roda Gaúcha (RS).

2) Crer para Ver – Inovando a Educação de Jovens e Adultos Award in partnership with MEC: seven prizewinning projects from teachers and schools which work with EJA.

3) Mobilization of Natura Consultants to voluntarily identify and persuade potential students to return to school: Were registered more than 66,000. Re-registration rates are approximately 70%.

Registrations by Natura's Consultants in 2005

Northeast	26,885
São Paulo – Interior	12,473
West Center and North	11,930
Rio de Janeiro, Minas Gerais and Espírito Santo	7,056
Sul	6,642
São Paulo – Capital	1,674
Total	66,660
Nº of cadastred schools	13,328
Nº of schools where enrollments were done	2,791
Municipalities with schools registered in de campaign	3,372
<u>Municipalities with schools where enrollment were done</u>	<u>1,057</u>

Target for 2006: To reach 15,000 re-registration in Youth and Adult Education Campaign

Target for 2006: To reach 1,500 registration Consultants in Youth and Adult Education

See analysis of goals established in 2004 at the end of this chapter.

Personnel

Codes, policies and specific management systems

Our Human Resources Policy contemplates the right to live, freedom and personal security, condemns child labor and defends the freedom of association. It also establishes equitable work and wage conditions, such as social protections, which include support and special maternity and infant health care. The company tries to provide conditions to meet universal educational rights met, whether through scholarships or training staffers and their families.

In its institutional documents, such as procedure manuals for human resources planning and development, management of organizational conditions and personnel training, Natura shows its commitment to employees, highlighting, among other issues, diversity and respect to individuality; improvement of relations and ways of work; investment in education and training for all; assurance of secure working conditions; creating conditions to fully develop individual potential, based on criteria of recognition and fair pay for everyone's contribution (GRI HRI).

Performance indicators

Personnel benefits beyond those established by law (GRI LA12)

In Brazil

- Natura Education Program (please refer to section on chapter investment highlights in RC, at page 105);
- Building the Future Program;
- Prosperity Program: financial education for staffers;
- Savings Incentive;
- Day care center for employees' children up to 3 years and 11 months old;
- Pediatric care provides in the day care center;
- Support for staffers in adoption processes;
- Health care plan;
- Dental care plan;
- Psychological support;
- Check-up: full range of laboratory tests, preventive heart disease testing, diagnostic imaging, nutritional education, reproductive preventive testing, and specialist consultations;
- In-company clinic care services for the prevention of metabolic conditions (diabetes, cholesterol and triglyceride) and cardiovascular conditions (hypertension);
- Self-help, quit smoking program;
- Telemedicine (ECG via telephone in emergency cases);
- Pregnancy follow-up program: prenatal follow-up at in-company clinic and classes for pregnant employees and their spouses;
- Physical check-up: carried out before beginning systematic physical activity in company's gym;
- Clinical services: acupuncture, therapeutic massage, occupational gym, gynecology, hearing assessment, speech therapy, dermatology, all available in the company.
- Work-related disorders prevention service: orthopedics, physiotherapy, global postural rehabilitation (GPR), brief psychotherapy and hearing assessments in the company;
- Nutritional Rehabilitation Program assisted by a nutritionist in the company;
- Natura Club (Cajamar and Itapeverica da Serra) with fitness services, swimming pool and multi-sports field;
- Esthetics Center at Natura Club; manicure, pedicure, hairdresser, beautician, massage and waxing;
- Convenience area with drugstore, seamstress, shoe store, opticians, insurance, post office and video rental store;
- Funeral assistance.

In other operations

Public health care conditions differ a lot among the countries. Natura provides complementary assistance according to the local needs; therefore benefits are different from the ones offered in Brazil:

- Argentina: food vouchers; corporate health care; group life insurance; Portuguese/Spanish classes; program for benefits in region business;
- Chile: food vouchers;
- Mexico: food vouchers; corporate health care; life insurance; savings fund; Prima Vacacional law (35% more than the legally required bonus paid at the time of vacations); Aguinaldo law (15 days more than legally required of working days to be paid);
- Peru: corporate health care; dental insurance; personal accidental insurance; loan program.

Formal committees about health and safety, including administration and workers representatives and part of the work force assisted by any of these committees (GRI LA6).

In Brazil

Each Natura unit has an Internal Accident Prevention Committee (CIPA), in compliance with the law – Regulatory Norm n° 5, Ordinance 3.214/78 of the Ministry of Labor. Members of these committees serve for one year, and the number of participants is proportional to the company's staff, according to risk level. Half the members are chosen by the company and other half by the employees, through election that can be monitored by the respective union.

In other operations

Information about this issue is not available. The activities in the international operations are exclusively administrative. In these way less critical than those in production sites.

Practices on recording and notification of occupational accidents and disease and how they relate to the LO code of Practice on Recording and Notification of Occupational Accidents and Diseases(GRI LA5).

In Brazil

All accidents, with or without disability periods, are logged and analyzed to study the causes and implement of corrective or preventive measures. Governmental organizations (Ministry of Social Security and Ministry of Labor) are notified, as well as the unions of the corresponding professional category, according to the law.

The accident analyses, coordinated by the Labor Security department, are conducted by a group constituted of: a safety expert or a work safety engineer, a labor physician, management, the injured (when possible), witnesses, maintenance people and employees representatives from the respective Commission. The conclusions are published in a report containing, besides the basic description of the occurrence, the correction and prevention actions prescribed, the party or parties responsible for their implementation well as a deadline for implementation.

Through the Programa Quase Acidente, records are made of events that did not cause injury but nevertheless constituted risk. These records are also analyzed for implementation of preventive actions.

In 2005, when the TPM2 program - Total Performance Management - began, a new communication tool of risky situations was developed, irregularity of labor security labels. They can be employed by any plant employee to indicate workplace risks which must be eliminated or neutralized, whether operational or maintenance-related.

In other operations

Personnel activities are exclusively commercial. Therefore, health and security matters are less critical than in production plants. There is no record of absence due to work-related conditions.

Formal agreements with unions or other legal labor representatives regarding health and workplace safety; proportion of labor force supported by any of these agreements (GRI LA15).

In Brazil

Natura follows the guidelines related to health and safety governed by the labor code (Consolidação das Leis do Trabalho, CLT) and the collective bargaining with the unions that represent employees. Some of these guidelines, supported by law or union agreements, include: short-term disability pay (first 15 days); complementary disability pay after that period; filing a work accident report (CAT), with the INSS; adoption of protection measures related to working conditions and workers' security; implementation of the CIPAs; medical and lab testing assurances as provided by law, among others. All employees are represented by unions.

In other operations

Natura complies with the labor laws of each respective country.

In Brazil

Typical injuries, lost days, absence rate and death number related to labor (including subcontracted workers) (GRI LA7)

	2003	2004	2005
Number of accidents with employees (with absence)	5	6	6
Number of accidents with personnels (without absence)	15	12	6
Accidents average of labor/personnel	0.007	0.007	0.004
Number of accidents with subcontracted (with absence) ⁽¹⁾	5	16	21
Número de acidentes com subcontratados (sem afastamento) ⁽¹⁾	34	7	11
Absence	2.06	3.14	3.31
Lost working days	16	57	69
Investment in prevention of diseases/personnel (R\$)	285.00	408.00	407.60
Investment in prevention of accidents/personnel (R\$) ⁽²⁾	121.05	428.93	257.86
Number of communications to the National Social Security Institute regarding occupational disease – Cajamar	3	2	4
Number of communications to the National Social Security Institute regarding occupational disease – Itapeverica da Serra	0	0	0

Notes on the table typical lesions, workdays lost, sick day index and work-related obits.

1. The figure refers to in-house outsourced contractors.

2. The difference in the value of "investment on accident prevention" between 2004 and 2005 owes to the fact that in 2004 we register higher expenses with facilities upgrades, especially those required by law, such as:

- Installation of sprinkler networks and fire hoses in compliance with the Fire Department contract (requirements);
- Purchase of emergence respiratory equipment;
- Bringing the generators' diesel tanks up to insurance codes;
- Installation of safety stairways in remote building and gallery locations and height-related safety equipment.

The improvements in safety equipments in 2005 were not as high as in the preceding year.

In other operations

2005	Argentina	Chile	Mexico	Peru
Number of accidents with personnels (with absence)	0	0	0	0
Number of accidents with personnels (without absence)	8	5	0	0
Accidents average of labor/personnel	0.03	0.05	0	0
Number of accidents with subcontracted (with absence) ⁽¹⁾	0	0	0	0
Number of accidents with subcontracted (without absence) ⁽¹⁾	0	0	0	0

1. Members refer to outsourced employees.

Description of programs to support continuous employability and retirement planning. (GRI LA16).

In Brazil

Natura Education Program

Approximately 2,000 employees and their families benefited from this program during its five years of existence. In 2005, 68 scholarships were granted to employees' children, plus scholarships for another 74 technical, 119 university, 90 MBA and graduate work as well as 82 language courses. For technical courses we reimbursed 50% of the cost, up to the monthly limit of R\$ 150.00, for University and Post-graduation we reimbursed 50%, up to the limit of R\$ 300.00 and languages 50% of the limit per stage of R\$ 300.00.

See the analysis of goals established in 2004 at the end of this chapter.

Executive Education Program

Provide social assistance up to 80% of the cost of MBA, post-graduation and language courses for personnels and executive graduation programs for directors. In 2005 the total amount investments were R\$ 253,000.

Building the Future

The program helps employees to plan for longer-term life goals, involving good health, material comfort and activities capable of keeping them active after retirement. Their focuses are:

- Quality of Life: comprises issues of health care, healthy habits and wellness.
- Financial Planning: focuses on home budgeting skills through financial education, besides extolling the long-term benefits of regular savings through Natura Matched Savings.
- Post-Career Activities: focuses on personnels over 58 years old, the activities give them the opportunity to discover new skills and, consequentially, new ways after retirement. Of an educational nature, the program is carried out by means of lectures, courses, affinity groups and individual assistance, structured to assist their personal needs.

Natura also provides post-careers activities:

- Commercial Training: working in the services industry, helping

the launch of new products or mentoring new employees in the sales department.

- Corporate Responsibility: taking up work in non-profits or NGOs.

Matched Savings

The Natura matched savings plan was created for all employees and promotes savings habits; the company matches 60% of employees' savings up to 5% of their wages.

Even when leaving Natura, the employee can choose to:

- remain in the program, keeping the savings consolidated by their contributions, at the same negotiated conditions in the Natura Plan;
- redeem the balance accrued;
- transfer the balance into another account.

All Natura employees can join the pension plan, from a basic contribution of 1% to 5% of the monthly wage up to the R\$ 10,700.00 limit.

Support Centers

In layoffs related to restructuring, Natura provides former employees with support services. Including counseling; job retraining, computer courses and CV-writing classes; orientation on relocation alternatives; personal prospects after retirement; easy access to health care plans, unemployment insurance social security savings funds; orientation on financial planning for the family; career counseling and self-improvement tips.

In other operations

Natura does not promote similar programs abroad at this time.

Training hours per year + (GRI EC5) Investments in education and training for personnels (GRI LA9).

In Brazil

Training average hours per year, per employee and per category.

	2003	2004 ⁽¹⁾	2005
Workers in industrial facilities	33	78	122
Workers in office facilities	36	61	86
Workers in management positions	66	86	77
Workers in executive positions	40	68	22
Total (average hours/year/personnel)	37	70	101

1. From 2004, this indicator came also to consider training for sales promoters and the Programa Natura Educação, not contemplated in 2002 or 2003.

In others operations

Information not available.

In Brazil

Investments in education and training for employees (R\$ thousands)

	2003	2004 ⁽¹⁾	2005
Investments ⁽¹⁾	7.053	7.875	12.674

1. In 2005, the amount of investments in education and training for employees incorporate the sales force (managers, promoters and Consultants) not included in previous years.

In other operations

Investments in education and training for personnels (R\$ thousand)

2005	Argentina	Chile	Mexico	Peru
Investments	10.4	10.9	81.9	N.D.

Goals established in Natura's Annual Report 2004

Initiative	Committed Target	Results
GRI LA11	Reach the target of 5% people with disabilities in the total of the company's personnel.	⊗ Target missed. We closed 2005 with 3.6% of employees with disabilities and postponed to 5% target to October 2006.
Crer para Ver	a) To maintain the fund raising for social projects at the current levels. b) To reach 50,000 registration all over the country by the Natura's Consultants	⊙ Target reached. In 2005, the voluntarily sell of Crer para Ver products raised R\$ 3.1 million ⊙ Target reached. In 2005, more than 66,000 registration in the Youth and Adult Education.
Natura Educação	a) To extend Natura Educação to the outsourced employees who works in customer service. b) To include continuing education, post-graduation and MBA courses	⊗ Target missed. The extended program to outsourced employees was not conducted due possible law implications. ⊙ Target reached. In 2005, Natura Educação benefit 90 employee with scholarships in MBA and post graduation course. In to 2006, the program will continuous offer scholarship.

Highlights of Investments in Corporate Responsibility

This chapter highlights some of Natura's most relevant projects included in the Investment Matrix in Corporate Responsibility (presented with respective values in Methodology and Main Indicators section at page 48).

Below are listed projects in different categories. Some are detailed and appear in the matrix in bold. The choice was made based on examples and nature of action importance.

Natura's resources	Personnel, Relatives and Third parties	Consultants	Supplier Community	Suppliers	Neighboring Communities	Consumers	Government and Society
Fundamentals	<ul style="list-style-type: none"> Satisfaction survey (see page 81) Ombudsman channel, diagnosis Internal communication materials focusing on corporate responsibility, environment and sustainability 	<ul style="list-style-type: none"> Annual satisfaction survey (see page 53, 83) Instant satisfaction survey (see page 83) Ombudsman channel, diagnosis 		<ul style="list-style-type: none"> Annual satisfaction survey (see pages 53, 85) Ombudsman channel, diagnosis 	<ul style="list-style-type: none"> Natura Cajamar working groups (Relationship front) Itapeçerica da Serra working groups (Relationship front) 	<ul style="list-style-type: none"> Annual satisfaction survey (see page 53, 84) Instant satisfaction survey (see page 84) Ombudsman channel, diagnosis 	<ul style="list-style-type: none"> Sponsorship and Patronage Annual Report development
Economic-social	<ul style="list-style-type: none"> Natura's sustainability week Diversity program Incentive program to hire disabled people (see page 99) Natura education Program Sustainability training Nursery, fitness center, medical services (see page 103) Quality of life program Mother's Day event Parties, toys and Christmas presents 	<ul style="list-style-type: none"> Crer para Ver program and Young and Adults education program⁽¹⁾ 	<ul style="list-style-type: none"> Assets certification program Sustainable development program Relationship with Ekos line supplier community 	<ul style="list-style-type: none"> Events to discuss social-environmental issues Natura Award to Suppliers (considers supplier's social and environmental behavior) Supplier's Social-environmental mobilization 	<ul style="list-style-type: none"> Cajamar Agenda 21 Potuverá Agenda 21 Natura-Cajamar working group (other front) Natura-Itapeçerica da Serra working group (other front) 		<ul style="list-style-type: none"> Sponsorship and Patronage Voluntary work program Marco Legal development and Brazilian biodiversity extraction Sustainability education project Crer para Ver program (Natura's budget) Creation Institute (Movimento Natura)
Environmental	<ul style="list-style-type: none"> Environmental consciousness 	<ul style="list-style-type: none"> Refill Campaign (stimulate the selling of refill considered as products with low impact packaging) (see page 96) 	<ul style="list-style-type: none"> Assets certification program 	<ul style="list-style-type: none"> Supplier's Social-environmental mobilization⁽²⁾ 	<ul style="list-style-type: none"> Cajamar Agenda 21 Potuverá Agenda 21 		<ul style="list-style-type: none"> Sponsorship and Patronage Forestry re-composition project Energy reduction initiative Water re-usage initiative Packaging life cycle assessment
Management expenses	<ul style="list-style-type: none"> Corporate Responsibility Management System <ul style="list-style-type: none"> Environmental Management System Teams: Corporate Responsibility, Environment and Social Service Operating expenses: Corporate Responsibility, Environment and Social Service 						
Natura's Consultants generation of income	Personnel, Relatives and Third parties	Consultants	Suppliers communities	Suppliers	Neighboring communities	Government and Society	
Net income obtained from Crer para Ver Program	N.A.	N.A.	N.A.	N.A.	N.A.	Programa Crer para Ver	
Fiscal resources	Personnel, Relatives and Third parties	Consultants	Suppliers communities	Suppliers	Neighboring communities	Government and Society	
Fiscal incentives						Sponsorship and Patronage	

1. Crer para Ver program resources.

2. Resources non declared in the Investment Matrix in Corporate Responsibility, as they were declared in other trading activities.

Nota: N.A. = Not applicable.

All the publics

1. Corporate Responsibility Management System

See complete system description in the section Social, in codes, policies and general management systems, page 98, in Economic, Social and Environmental chapter.

Employees, families and outsourced employees

1. Education Program

See complete program description in Education in Methodology and main Indicators Chapter at page 103.

Consultants

1. Programa Crer para Ver – Education Campaign for Youth and Adults

See complete program description in Education in methodology and main Indicators chapter at page 103.

Suppliers communities

1. Certification Program for botanicals or botanical extracts

Targets: Certify native botanicals and their extracts to ensure the sustainable supply of raw materials considering environmental, social and economical aspects.

Target Audience: The civil society and the scientific community.

Partners: Instituto de Manejo e Certificação Florestal e Agrícola (Forestry and Agricultural Management and Certification Institute), Instituto Biodinâmico (Biodynamic Institute) and Ecocert.

Results: Natura's industrial processes place high priority in the preservation of the biodiversity. The proper use of the botanical resources in Natura's products is guaranteed by the Forest Stewardship Council (FSC), Sustainable Agriculture Network and the Organic Agriculture certifications granted by the Biodynamic Institute (IBD) and Ecocert. The certification process fosters preservation by complying with environmental and social guidelines, establishing relationship of trust with consumers.

Eight botanical materials were included on Phase III certification in 2005. Four raw materials are already present in the Natura's products and four are in the research stage. The extracts already used in Natura's products are:

- Jambu: organic certification
- Macela (Camomile): organic certification
- Cupuaçu: social-environmental responsibility
- Açaí: social-environmental responsibility

2. Sustainable Development Program with Supplier Communities

Target: To promote sustainable development in areas where supplier communities live, aiming at local social and environmental reinforcement that surpass trading activity.

Place: Brazil's northern region.

Target Audience: Communities that produces assets.

Partners: Different according to each region, local communities, public entities, NGOs, private initiative and universities.

Results: In 2005 the Participative Local Diagnosis (Diagnóstico Local Participativo) and Iratapuru Sustainable Development Plan (Plano de Desenvolvimento Comunitário Iratapuru Sustentável – PDCL) were concluded. Both programs were developed by Amapaz DS, jointly with the community. The survey represents a balance of a present and future standpoint (to 2010 and 2015), a current realistic analysis prepared by the community and its expectations for the upcoming years. PDCL presents crucial actions to be finished in short and mid-terms, as well as implementing strategies.

However, the community had some difficulty to assume such action as a concrete proposal for next steps on local development. An action plan for administrative improvements and ethics management was defined for 2006.

On neighboring communities, such as Belém, a similar process was also concluded by Peabiru Institute, with the elaboration of a diagnosis and a development plan for Boa Vista, Cotijuba and Campo Limpo communities.

Neighboring Communities

1. Agenda 21 de Cajamar

Targets: articulate community leaderships and the public sector to work on a plan for the city's sustainable development (Agenda 21).

Place: Cajamar, São Paulo.

Target Audience: The Cajamar community.

Partners: Cajamar's Municipal Government, NGO Mata Nativa, neighboring associations, schools, trade associations, community leaderships.

Results: the results analysis is displayed below, segmented by area of operation.

1.1 Tripartite Working Group

The Tripartite Working Group formed by Natura, Cajamar's Municipal Government and the NGO Mata Nativa focused their efforts on the organization and set-up of the Agenda 21 Permanent Forum in Cajamar, officially established by the end of 2005 after a series of educational, training and discussion activities in the city's schools and neighborhoods.

Preparatory seminars were held to discuss the meaning of the participatory planning (Agenda 21) and the importance of the community's involvement in the process, with the objective of creating development opportunities in the city, respecting the environment and improving living conditions. The starting point was the diagnostic assessment conducted in 2004.

Seminars table:

Description/local seminars	Target audience	Date	Numbers of Attendees
Natura	Leaderships from several sectors	19/7/2005	45
Natura – Municipal Councils	Advisors/others	26/8/2005	35
Village Scorpius – Rotary	Associates	30/8/2005	30
Suzana Dias State Public	Teachers	6/9/2005	25
Élcio Cotrin State Public School	Teachers	19/9/2005	9
Tenente Marques State Public School	Teachers	20/9/2005	10
Vera Zucchi School	Teachers and students	12/9/2005	55
Ana Maria Garrido Orlandin State Public School	Teachers	28/9/2005	13
School Jundiá – Caxambu Agricultural Technical School	Teachers and students	29/9/2005	45
Demétrio Pontes Municipal Public School	Teachers, students and community	4/10/2005	25
Walter Ribas de Andrade State Public School	Teachers	11/10/2005	13
Cajamar Evangelical Ministers	Ministers	15/10/2005	40
São Luiz – Polvilho State Public School	Teachers	19/10/2005	23
State School Antonio Pinto de Campos	Teachers	25/10/2005	6
Odir Garcia State Public School	Students attending the fourth grade of Elementary School	26/10/2005	70
Total			444

As a second step, district forums were held to discuss the 2006 priorities for each Cajamar districts. These priorities were presented at the Townhall meeting on December 7, 2005.

District forums priorities

Description	Target Audience	Date	Number of Attendees	Description
Ponanduva District Forum	The community at large	4/10/2005	25	Environment degradation, infrastructure, unemployment
Polvilho District Forum	The community at large	11/11/2005	68	Professional education, sanitation, leisure
Cajamar – Center District Forum	The community at large	25/11/2005	87	Sanitation, professional education health
Jordanésia District Forum	The community at large	2/12/2005	42	Sanitation; education; land issues
Agenda 21 Cajamar Permanent Forum	Coordinators and community at large	7/12/2005	52	
Total:			274	

In the next step the districts will define targets and indicators for the follow-up of every priority to be presented at the next Townhall Meeting in June 2006. The action plans will be defined at that time.

1.2 Education and Public Management

To help implement the Agenda, courses and discussions were held to provide the attendees a theoretical basis.

The first course taught a group of young citizens how to use the Spring software to compile a database for Cajamar, complementing and updating the information contained in the 2004 city's diagnostics. The course on Pluriannual Planning and Annual Budgetary Law (LOA) aimed at assisting participants in the Pluriannual Planning execution for the 2006-2009 period, as well as prepare them to follow-up on the LOA application.

In 2006, the LOA and Director Plan courses will be resumed, considering the established deadline of October 2006 for the approval of the municipal director plans.

Courses held in 2005

Description/Local	Audience	Working	Number of Attendees
Spring – 4 modules	Leaderships form several sectors	80 hours	60
Pluriannual Plan and the Annual Budgetary Law	Leaderships form several sectors	10 hours	39

1.3 Projeto Comunidade Ativa (Active Community Project)

To lead the community to identify and establish social and political participation channels, interactive workshops were held in two Cajamar districts: Gato Preto and Paraíso in partnership with the NGO Mata Nativa, attended by 95 and 76 people, respectively. With both conceptual and practical sections, field research and project creation, the workshops sought to establish embryonic democratic centers for discussions of environmental and social issues, besides the municipal budget.

Targets for 2006: Consolidate district forums and Agenda 21 Cajamar Permanent Forum; disclose data collected in Cajamar to the community in public research centers and offices; extend the workshops to another two neighborhoods.

2. Working Groups Natura – Cajamar

Target: Improve Natura's relationship with the Cajamar community, planning and implementing projects on jobs creation and income generation, education and professional training, environment and interrelations, in partnership with several of Natura's divisions.

Place: Cajamar, São Paulo.

Target audience: the Cajamar community

Partners: Cajamar's Municipal Government, Cajamar's Department of Education and Culture, NGO Mata Nativa and other Cajamar-based NGOs; vale public schools, Caieiras' Department of Education; NGO SOS Mata Atlântica.

Results: The findings are displayed below, segmented by area of operation.

2.1 Jobs and Income Generation Initiative

a) Training Cultural Agents

Target: Provide professional training and prepare community youth leaderships to work as cultural and social multipliers in Cajamar; promoting job creation and income generation.

Results: The establishment of partnerships with different sectors for the inclusion of agents as cultural multipliers in the district: 10 agents hired by the Department of Culture; 6 agents hired by the Department of Social Services; 6 agents hired as monitors for a makeup show held by Natura in November and December 2005; partnerships with performing arts groups for a cultural agents internship program (Baque Bolado Group and Cia. de Dança Borelli).

The objective of organizing a cooperative or association was not achieved in 2005. Fifty agents participated in cooperative management training held by the União e Solidariedade das Cooperativas e Empreendimentos de Economia Social do Brasil – Unisol/Brasil, and 15 also attended a Sebrae's training in cooperative management.

2.2 Frente Meio Ambiente (The Environment Initiative)

a) Projeto Visita à Natura (Visit Natura Project)

Target: Promote environmental education through guided visits to Natura's facilities, showing processes and programs implemented on-site to stimulate the development of environmental projects in Cajamar schools.

Results: Human Resources and Environmental and Engineering areas involvement, coordinated by Natura's Corporate Responsibility Department. Twenty visits were held with approximately 700 students, all attending the 1st year of middle public state-ran schools in Cajamar.

b) Gincana Fazendo Eco – A Cajamar que temos e a Cajamar que queremos ("Fazendo Eco" Field Day – The Cajamar we have, the Cajamar we want).

Objective: Stimulate students and teachers to know and become interested in the city; stimulate discussion and exchange of ideas in schools on subjects related to Agenda 21; promote the discussion of citizenship.

Results: About one thousand students were involved directly in the completion of 18 challenges with several different activities such as: the gathering of "green books" about the environment; tests about Cajamar history and statistics data; presentation of choreographies with the "cities in movement" theme, graffiti with "Cajamar: the man and his environment" theme; projects of environmental preservation in schools' vicinities; exhibition of Fine Arts and models with "Garbage in its Place" theme; research with Cajamar citizens about their knowledge of medicinal plants properties; the challenge "Quem Sabe, Sabe" ("Who Knows, Knows"), performed by groups of students of all levels related to subjects such as the city's diagnostics, the Budget Bill, the Pluriannual Plan, the Environmental Protection Area (APA - Área de Proteção Ambiental), the history of Cajamar; among others. The gathering challenge obtained 3,500 "green books" that will be available to all citizens at the city public libraries. Teachers and students of Cajamar state and city-ran schools as well as those committed to Programa de Educação de Jovens e Adultos (Education of Youth and Adults Program) took part in the Field Day.

2.3 Frente Relacionamento (The Relationship Initiative)

a) Support to Local Projects

Targets: Deepen Natura's relationship with the Cajamar community; support the development and implementation of local projects.

Results: Continuous interaction with the Cajamar's Department of Education and Culture through Natura's infrastructure facilities (rooms

and amphitheater) for the implementation of projects and activities; R\$ 20,000 in financial support for Unicamp (University of Campinas in São Paulo State) to conduct an assessment of Cajamar's educational program; donation of hygiene products to Sítio Agar (a shelter for HIV-positive children).

b) Projeto 0800 – Comunidade Cajamar (Project 0800 - A toll free line for the Cajamar Community)

Target: Provide a channel of dialogue to identify and follow-up community-specific issues.

Result: In 2005, the toll free line was available to the Cajamar Community.

3. Agenda 21 de Potuverá

Target: Start the process of building up the local Agenda 21, training the first local social leaderships in support of a future Agenda 21 participatory assessment.

Place: Itapecerica da Serra, São Paulo.

Target Audience: The Potuverá community.

Partners: Five Potuverá district neighborhood associations: Associação Aldeinha, Ferradura dos Manacás, Alto do Potuverá, Parque Santa Adélia and Sociedade Futura.

Results: Training courses for leaders in all five Potuverá neighborhood associations (29 attended but only 12 reached the minimum 50% attendance record and went on to receive their certificates) with 33 addressing: strategic planning; legal aspects; preparing projects; budget and cash flow; financial orientation and fund-raising.

4. Natura Working Groups/Itapecerica da Serra

Targets: Improve Natura's relationship with the Potuverá community, planning and implementing projects related to educational and professional training, environment and interrelations, in partnership with several of Natura's departments.

Place: Itapecerica da Serra, São Paulo.

Target Audience: Itapecerica da Serra community.

Partners: Municipal Department of Education, Itapecerica's regional Department of Education, Municipal Environment Agency, five neighborhood associations, two state-ran schools and three city-ran schools.

Results: The results are described displayed below, segmented by area of operation.

4.1 Frente Agenda 21 Escolar

Target: Supervise the Agenda 21 for Schools project implementation in the Potuverá nucleus, under the coordination of the Regional Department of Education and Itapecerica da Serra Municipal Department of Education.

Results: Participation in Agenda 21 monthly meetings at Potuverá nucleus with two state-ran schools and five municipal schools that chose to hold professional workshops for teachers during 2006, besides supporting recycling programs in schools.

4.2 Frente Meio Ambiente (The Environment Initiative)

a) Visit Natura Project

Targets: Promote environmental education through guided visits to Natura's facilities, demonstrating processes and programs that stimulate the development of environmental projects in Potuverá district schools.

Results: Visits to the company facilities in Itapecerica da Serra and Cajamar and a lecture on the environment. The initial planned target of stimulating the creation of environmental projects in schools was not achieved due to lack of continuity.

4.3 Frente Educação e Capacitação (Education and Professional Training Initiative)

a) Future Youth Project

Targets: Help the development and social inclusion of the Potuverá community's youths, offering a place for study, research and discussions on joining the labor market.

Results: 16 weekly meetings and activities for 30 youths from Matilde Maria Cremm state public middle-school students, with the participation of seven Natura employees and two outsourced contractors.

4.4 Frente Relacionamento (Relationship Initiative)

a) Support to Local Projects

Targets: Deepen Natura's relationship with the Itapecerica da Serra community; support the development and implementation of local projects, such as the information bulletin and reading spaces, assisted by the five neighborhood associations, promoting monthly lectures on various subjects.

Results: Coordination between Potuverá leaderships and Itapecerica da Serra's Department of Culture to implement a "Reading Spaces" project in the neighborhood associations; and for five lectures for the Potuverá community addressing subjects such as: environment, employment and the role of neighborhood associations.

b) Projeto 0800 – Comunidade de Potuverá (Project 0800 – A toll free line for the Potuvera Community)

Targets: Provide a channel of dialogue to identify and follow-up community-specific issues.

Results: In 2005, the toll free line was available to the Itapecerica da Serra community.

c) Projeto Agente Jovem (Young Agent Project)

Targets: Offer sports facilities for 15-17-year old teenagers under supervision of Natura's club volunteer professionals.

Results: Bimonthly use of the Natura Club's facilities in Itapecerica da Serra by 25 youths during the first half of 2005.

Government and Society

1. Crer para Ver Program (Believing is Seeing Program)

Complete program description is mentioned in Education (page 103).

2. Volunteering Promotion Program

Objective: Strengthen the exercise of citizenship by Natura's employees through volunteer activities.

Results: The results are described below, segmented by project.

2.1 Novos Olhares – Oficinas de Automaquiagem (New Looks – Self Make-up Workshops)

Targets: Improve Natura's sales promoters and Consultants skills while offering makeup workshops to women with medical and/or emotional conditions to contribute to elevate their self-esteem and to improve their life quality.

Place: São Paulo (SP); Rio de Janeiro (RJ); Porto Alegre, Santa Maria e Pelotas (RS); São Luiz (MA); Goiânia (GO); Belém (PA).

Target Audience: Women suffering from medical and/or emotional conditions assisted by social organizations and hospitals.

Partners: AC Camargo Hospital (SP); Instituto Brasileiro de Combate ao Câncer (SP); Hospital Estadual Mario Covas (SP); Instituto Nacional do Câncer (RJ); Hospital Femina (RS); Hospital da Universidade Federal de Santa Maria (RS); Hospital Escola da Universidade Federal de Pelotas (RS); Instituto Maranhense Aldenora Belo (MA); Hospital do Câncer Araújo Jorge (GO); Hospital Ofir Loyola (PA).

Results: In 2005, the project was extended to three new locations in São Paulo (SP), Santa Maria (RS) and Pelotas (RS). 185 workshops and 2,733 appointments were carried out at the 10 institutions supported by the project and the number of project volunteers has grown from 170 to 186.

Target for 2006: extend and consolidate the free participation of Consultants in the New Looks workshops at the existing locations.

2.2 Truly Beautiful People (Gente Bonita de Verdade) in the Community

Target: To allow Natura's employees to get closer to the social reality of neighboring communities, by presenting projects and entities during working hours.

Place: Cajamar, sate of São Paulo.

Target Audience: Municipal and State Schools, Municipal Libraries, Neighboring communities and publics assisted by such entities.

Partnership: Municipal school named Emef Professora Veneranda de Freitas de Pinto in Cajamar, state of São Paulo; Municipal Library in Jordanésia, state of São Paulo; State school named Professor Elcio José Pereira Cotrim in Jordanésia, state of São Paulo.

Results: In 2005 two schools and a municipal library participated in the project and received Natura's volunteers. On such spaces, volunteers developed activities related to culture and education, with workshops on reading and IT. 54 employees cooperated in 70 visiting periods, divided into two groups. With the reading activities, it was possible to work with approximately 750 children from Municipal school Professora Veneranda de Freitas de Pinto and with the community which attended the Municipal library in Jordanésia. IT classes benefited 40 students from state school Professor Elcio José Pereira Cotrim.

2.3 Collecting Campaign

Objective: To bring to the employee the importance of active participation; material collection (glasses, books, magazines, newspapers and comic books) to be donated to institutes.

Place: Cajamar and Itapeceira da Serra, state of São Paulo (SP).

Partners: Municipal Library in Jordanésia (SP) and General Hospital in Itapeceira da Serra (SP).

Results: During the campaign, 43 bottles of glasses were gathered and donated to Itapeceira da Serra General Hospital – Milk bank. In the reading campaign (Trilha na Leitura), 223 newspaper, 13 childish CDs, 219 comic books and 469 books, totaling 1983 items, were donated to Jordanésia municipal library, aiming to increase the archive and community access to such information.

3. Supports & Sponsorships

The guidelines for Corporate Support & Sponsorship seek to align investment allocations to the company's strategic choices and to its corporate beliefs that lead its business behavior; always based on business ethics and the search for a fair and sustainable business model. This way Natura supports initiatives from communities, governmental organizations and the civil society to promote the best practices in sustainable development, entrepreneurship and women's leadership. In addition supports the strengthening community and government organizations and advancing Brazil's culture.

3.1 Sustainable Development

Initiatives to promote job creation and the protection of endangered areas and species.

Main initiatives supported in 2005:

a) Biodiversidade Brasil (Brazilian Biodiversity Project)

Target: Stimulate discussion on topics related to Brazil's biodiversity in partnership with Fundação Padre Anchieta – TV Cultura de São Paulo (public television). This partnership involves three public TV shows: *Biodiversidade Debate (Biodiversity Debate)*; a documentary series called *Biodiversidade Documento (Biodiversity Document)*; and the insert *Biodiversidade (Biodiversity)*, which is part of the TV program *Repórter Eco*.

Place: The TV shows are broadcast to all TV Cultura affiliates throughout the country.

Target Audience: National and international botanic community, scientific community, academic communities and society.

Partners: TV Cultura and Fundação Padre Anchieta.

Resultado: production of 39 *Biodiversity* inserts.

b) Flora Brasiliensis Project

Coordination: Centro de Referência em Informação Ambiental (Center of Reference in Environmental Information)

Targets: Scan the work *Flora Brasiliensis* by C.F.P. von Martius; publish the digital material online, free of charge; update the species nomen-

clature; build a website; integrate the work with data from European herbariums and the speciesLink network; integrate the work to other information systems.

Place: Brazil.

Target Audience: National and international scientific community, academic community and society.

Results: The results will be assessed after the project implementation, in 2006.

3.2 Entrepreneurship and Women's Leadership

Initiatives that promote entrepreneurship and leadership among women.

Main initiatives supported in 2005:

a) One Thousand Women for the Nobel Peace Prize

Coordination: Geledés (Black Women Institute).

Targets: Highlight the life work of one thousand women appointed to compete for the Noble Peace Prize in 2005 due to their examples in promoting a culture of peace

Place: Brazil.

Target Audience: The society.

Results: Information about the One Thousand Women for the Noble Peace Prize initiative through an event involving the press, the business community; publication of a book to be released in March 2006 on the lives of the 52 Brazilian women selected for this initiative.

3.3 Strengthening of the Civil Society and Governmental Organizations

Actions and initiatives of entities and associations aligned to Natura's strategic options and/or representing and promoting the cosmetics sector:

Main initiatives supported in 2005:

a) Braudel Papers

Coordination: Instituto Fernand Braudel de Economia Mundial (Fernand Braudel World Economy Institute).

Targets: Develop research, publications and discussions offering on Brazil's social and economic issues through the publication of the *Braudel Papers*.

Place: Brazil.

Target Audience: Distribution to a group of 5,000 by business representatives, government officials, international agencies, academic community, press, and national and international NGOs.

Results: Publication of two editions of the *Braudel Papers*.

b) Human Rights Universal Conversation

Coordination: Conectas Direitos Humanos (Human Rights Network Association).

Targets: Promote dialogue, learning opportunities and cooperation among southern hemisphere countries in support of the human rights concept.

Place: Brazil.

Target Audience: Academic community, UN staffers, international foundations, human rights activists.

Resultados: Participation of 60 human rights activists from 29 African, Asian and Latin American countries and, for the first time, from Eastern Europe in discussions about the creation of an effective dialogue and strengthening of human rights activists. In addition, the discussions included the themes of access to fairness and justice, strategies to reduce violence and the cooperation of universities and international agencies in human rights issues. Workshops, visits to human rights organizations in São Paulo and a special conference was performed too.

c) Fundo de Bolsas de Economia (Economy Funds Program)

Coordination: Getúlio Vargas Foundation.

Targets: Offer scholarships in Economics.

Place: São Paulo.

Target audience: Students graduating in Economics at Fundação Getúlio Vargas (SP).

Results: One student was granted full scholarship for the four-year undergraduate course.

Graduate scholarships in Business and Sustainable Development – FGV-CES

Coordination: Corporate Responsibility and Corporate Education departments at Natura.

Five Natura employees were selected.

3.4 Natura Musical (Brazilian Culture with focus in music)

Artistic initiatives that improve international understanding and appreciation of Brazil's musical heritage. Projects are selected through public tender and financial support originates from tax rebates (Rounet Law and the Culture Incentive Program from the Minas Gerais State Government).

In 2005, more than 20 projects benefited from Natura's sponsorship, favoring projects from all over the country. For a list of all projects sponsored in 2005, visit www.natura.net/patrocinio.

2005 Sponsorship Investments Total

Natura Resources

Subjects	Amount in 2005
Sustainable Development	797,199
Women's Entrepreneurship	178,000
Strengthening community and governmental organizations	982,481
Natura Musical	756,357
Total	2,714,037

Fiscal Incentive Resources

Subjects	Amount in 2005
Sustainable development	525,000
Natura Musical	2,043,671
Rouanet Law	1,401,230
Culture Incentive Program from Minas Gerais State ⁽¹⁾	642,441
Others	155,250
Total	2,723,921
Total Geral	5,437,958

I. This amount refers only the compensated values in 2005.

Transparent Relations with Society and Dialogue with Interested Parties

2005 Lectures on Corporate Responsibility area

Event	Lectures	Organization	Lecturer	Date	Location	Audience
IV Environmental Workshop – Senai/SP	Espaço Natura Cajamar: from blueprint to sustainability	National Service for Industrial Learning	Karina Aguiar	03/22/05	São Paulo, state of São Paulo	Approx. 70 technicians and employees
II National Conference on State and Sector Quality Programs, Productivity and Competitiveness	Competitiveness and Sustainability	Movimento Brasil Competitivo	Roberto Zardo	03/23/05	Brasília, Federal District	Approx. 300 attendees, executives and professionals related to the topics.
International Conference on Life Cycle (CILCA)	Case Study – The new Natura recycled paper bags	Latin American Association for Life Cycle Assessment (LCA)	Alessandro Mendes	04/27/05	San José, Costa Rica	Approx. 1,000 attendees, NGOs and private companies representatives
Social Responsibility module – Inaugural class of International Executive MBA from Administration Institute – Foundation	Social Responsibility: Natura's look	Administration Institute – Foundation	Pedro Passos	04/30/05	São Paulo, state of São Paulo	Approx. 30 International Executive MBA students, several corporate executives
II International Meeting – Fourth Open Seminar on Corporate Social Responsibility – Social Capital, Ethics and Sustainable Development	Panel "Partnerships for a Sustainable Society"	The Federation of Industries of the State of Minas Gerais	Pedro Passos	05/09/05	Belo Horizonte, state of Minas Gerais	Approx. 250 attendees, representatives from companies, NGOs, guests.
Social Responsibility – University Extension Course	Selection, Evaluation, and Environmental Partnership with Suppliers	Getúlio Vargas Foundation	Eliane Anjos	05/19/05	São Paulo, state of São Paulo	Approx. 30 students from Social Responsibility course
Seminar on Communication and Corporate Responsibility	The importance of Social Responsibility in economic development	Interrupcion	Rodolfo Guttilla	05/19/05	Buenos Aires, Argentina	Approx. 300 attendees
VI Week of Managerial Studies	Espaço Natura Cajamar: from blueprint to sustainability	Managerial Faculty from Monsenhor Messias Educational Foundation	Karina Aguiar	05/23/05	Sete Lagoas, state of Minas Gerais	Approx. 600 college students
Post-graduation in Administration	Espaço Natura Cajamar: from blueprint to sustainability	Minas Gerais Ibmecc Institute	Karina Aguiar	05/24/05	Belo Horizonte, state of Minas Gerais	Approx. 50 post-graduation students
Social Responsibility – University Extension Course	Selection, Evaluation, and Environmental Partnership with Suppliers	Getúlio Vargas Foundation	Eliane Anjos	05/30/05	São Paulo, state of São Paulo	Approx. 30 students from Social Responsibility course
Corporate social responsibility practices course	Corporate social responsibility and sustainability	Getúlio Vargas Foundation	Aline de Oliveira	06/01/05	São Paulo, state of São Paulo	Approx. 35 student from the Foundation extension course
International Conference 2005 – Companies and Social Responsibility	Responsible Management	Ethos Institute of Companies and Social Responsibility	Guilherme Peirão Leal	06/08/05	São Paulo, state of São Paulo	Approx. 1,000 attendees, among company directors and presidents and NGOs, academics, journalists and sectors specialists.
VIII Environmental Week – The Federation of Industries of the State of São Paulo	Life Cycle Assessment	The Federation of Industries of the State of São Paulo	Alessandro Mendes	06/08/05	São Paulo, state of São Paulo	Approx. 200 people from industries, universities and research institutes.
II Services National Fair and Legal supply	How social responsibility contributed to Natura's image construction.	Fenalaw	Rodolfo Guttilla	06/16/05	São Paulo, state of São Paulo	Approx. 30 attendees.
Business Models in Corporate Responsibility International Seminar	Business models examples	Fundación PROhumana	Rodolfo Guttilla	06/22/05	Santiago, Chile	Approx. 500 attendees.
Sustainability report	GRI Index and Natura's annual report	São Paulo University Politécnica School	Camila Fornazari	06/27/05	São Paulo, state of São Paulo	Approx. 40 MBA students
Local Pró-Agenda 21	Sustainability and competitiveness	Gaucho Program for Quality and Productivity	Roberto Zardo	07/05/05	Porto Alegre, state of Rio Grande do Sul	Approx. 500 attendees, executives, and professionals related to the area
II Ideas Bandeirantes Forum	Social Responsibility: Natura's vision	Bandeirantes Television Broadcasting, RS	Nelmara Arbex	07/27/05	Porto Alegre, state of Rio Grande do Sul	Approx. 100 people such as entrepreneurs and area specialists.

2005 Lectures on Corporate Responsibility Area

(continuation)

Event	Lecture	Organization	Lecturer	Date	Location	Audience
Sustainability Management Specialization Course – Magna Class	Sustainable development challenges	Getúlio Vargas Foundation	Pedro Passos	08/09/05	São Paulo, state of São Paulo	Approx. 100 people, among students and Foundation teachers.
Environmental Educational Courses	Local Agenda 21	Secretary of Environment of the State of São Paulo	Isabel Ferreira	08/11/05	São Paulo, state of São Paulo	Approx. 100 people.
El Management Responsable	Cómo diseñar un balance sostenible	Revista Valor Sostenible	Rodolfo Guttilla	22/08/05	Buenos Aires, Argentina	Approx. 150 participants.
II Brazilian Environmental Communication Congress	Annual Report	Environmental Communication AG	Aline de Oliveira	08/25/05	São Paulo, state of São Paulo	Approx. 50 journalists and other professional focused on environmental issues.
Assistants meeting	Corporate social responsibility	II R Training – Development and Enterprise Performance	Aline de Oliveira	08/27/05	São Paulo, state of São Paulo	Approx. 60 assistants.
Third Quality Seminar	Social Responsibility	Commerce and Industry Trading Association of Jaraguá do Sul (south region).	Aline de Oliveira	08/30/05	Jaraguá do Sul, state of Rio Grande do Sul	Approx. 300 entrepreneurs, students and civil society representatives.
Agenda 21	Local Agenda 21	Cajamar Rotary Club	Isabel Ferreira	08/30/05	Cajamar, state of São Paulo	Approx. 30 professionals.
LCM 2005 – Innovation by Life Cycle Management – 2nd International Conference on Life Cycle Management	Intrinsic carbon model	Life Cycle Management, LCM	Alessandro Mendes	09/05/05	Barcelona, Spain	Approx. 1,000 researchers, NGOs and companies representatives.
16th Annual Meeting of Latin American Entrepreneurs	Natura and social responsibility	Latin America Entrepreneurs Council	Guilherme Peirão Leal	09/09/05	Santiago, Chile	Approx. 300 participants, among company's directors and presidents and NGOs, students, journalists and sector's specialists.
Second Marketing Seminar	Social-environmental responsibility: the sustainability and the investors	Febraban – Brazilian Banks Federation	Marcos Egidio	09/13/05	São Paulo, state of São Paulo	Approx. 100 participants, among corporate responsibility professionals and senior officers.
V Brazilian Association of Quality of Life Congress	Quality of Life	National Brazilian Association of Quality of Life	Nelmara Arbex	09/21/05	São Paulo, state of São Paulo	Approx. 100 entrepreneurs.
I Public Policies and Environmental Symposium	Society and environment: Natura's experience in selection, evaluation and environmental partnership with suppliers.	Environmental Commission of City of São Paulo Section of Attorney's Association and Young Attorney Comission	Eliane Anjos	09/23/05	São Paulo, state of São Paulo	Approx. 400 participants, among authorities, entrepreneurs, students and Cruzeiro do Sul University representatives.
Ethics and Social responsibility: Commitment or only Fashion Tendency?	Natura's Corporate Responsibility	State of Minas Gerais Educational Union	Marcos Botelho	09/27/05	Uberlândia, state of Minas Gerais	Approx. 40 students.
Local Pro-Agenda 21	Local Agenda 21	Caxambu permanent Forum	Isabel Ferreira	09/29/05	Jundiá, state of São Paulo	Approx. 40 students from Jundiá technical school
Seminar: Impact of Life Cycle Assessment in Brazilian Industry Competitiveness	Life Cycle Assessment studies applied to cosmetics development	Brazilian Association of Research Intuitions - ABIPTI	Felipe Maranzato	10/04/05	São Paulo, state of São Paulo	Approx. 200 industry professional, university and research institutions.
First International Innova Quality Seminar	Natura: biodiversity sustainable use.	Innova Quality	Sônia Tuccori	10/05/05	São Paulo, state of São Paulo	Approx. 150 people, among entrepreneurs, marketing managers and sector's professionals.
Corporate Responsibility	Natura Corporate Responsibility	University of São Paulo Communication and Art School de São Paulo	Cristiane Samarra	10/10/05	São Paulo, state of São Paulo	Approx. 50 students from the university's public relations course.
Environmental Corporate Law National Conference 2005 – Biodiversity: a preparation for COP8	Industrial practices in implementing Biological Diversity convention targets: sustainable business.	Pinheiro Neto Attorney Office, Brazilian Environment Institute and Renewable Natural Resources.	Eliane Anjos	10/27/05	Brasília, Federal District	Approx. 50 professionals and students from environmental law.
Corporate Social Responsibility Seminar	Apertura del coloquio: la RSE como una herramienta de gestión	Interrupcion	Maurício Bellora	11/01/05	Buenos Aires, Argentina	Approx. 150 participants among several companies NGOs and government representatives.
Business and the 2010 Biodiversity Challenge Meeting	Institutional presentation	Ministry of Environment and Brazilian Sustainable Development Enterprise Council, CEBDS.	Eliane Anjos	11/05/05	Cajamar, state of São Paulo	Approx. 40 international representatives from governmental sectors, finance, students, industry and NGOs.
Superior School of Advertising and Marketing - ESPM	Partnership among companies, organizations and agencies	Superior School of Advertising and Marketing - ESPM	Aline de Oliveira	11/17/05	São Paulo, state of São Paulo	Approx. 40 students.
Annual Report Triple Bottom Line (GRI) Seminar	Annual Report as a management tool	Revista Valor Sostenible	Mauricio Bellora	11/17/05	Buenos Aires, Argentina	Approx. 50 companies and NGOs representatives.
Environmental Engineering course	Products Life Cycle Assessment	State University of Sorocaba	Felipe Maranzato	11/23/05	Sorocaba, state of São Paulo	Approx. 60 students from third year attending such course.
Seminar: Life Cycle Assessment (LCA) impact on the CF&T industry	LCA in Natura's product development.	Brazilian Cosmetics, Fragrances and Toiletries association - Abihpec	Felipe Maranzato	11/28/05	São Paulo, state of São Paulo	Approx. 100 participants among companies representatives related to the personal hygiene sector that were interested in learning about LCA and discuss the development of Brazilian inventory.
It is on the Table - Tá na Mesa	Business sustainability	The Federation of Commercial and Services Association of the states of Rio Grande do Sul - Federasul	Alessandro Carlucci	11/30/05	Porto Alegre, state of Rio Grande do Sul	Approx. 250 Rio Grande do Sul entrepreneurs
Municipal Workshop	Environmental and hydrographic management	Municipal workshop	Karina Aguilair	12/12/05	São Paulo, state of São Paulo	Approx. 20 municipal employees
Conal 2005 – National Convention "Let the Arrow Fly"	Natura Corporate Responsibility	Aiesec	Cristiane Samarra	16/12/05	Santa Isabel/SP	Approx. 50 students

Commitment with Leadership and Social Influence

Natura's representation in Trade Associations and Associations in General

Entity/Association	Natura Representative	Type of Representation	Mandate
ABC – The Brazilian Association of Cosmetology	Elizabete Vicentini	Representative	
Aberje – The Brazilian Association of Corporate Communication (www.aberje.com.br)	Rodolfo Guttilla	Chairman of the Decision-Making Council	2005-2008
ABEVD – The Brazilian Association of Direct Selling Companies (www.abevd.org.br)	1. Rodolfo Guttilla 2. Moacir Salzstein 3. Karen Cavalcanti 4. Lucilene Prado 5. Bruno Antunes 6. Márcio Orlandi 7. Kássia Reis	1. Chairman 2. Research Committee Chairman 3. Communication Committee Chairman 4. Taxation and Government Relations Committee Chairman 5. Research Committee Member 6. Information Technology Committee Members 7. Legal Affairs and Government Relations Committee Member	1. 2004-2006
ABIA – The Brazilian Association of Food Industries (www.abia.org.br)	1. Rodolfo Guttilla 2. Renata Novaes	1. Director 2. Representative	
ABIHPEC – The Brazilian Association of Personal Hygiene, Perfume and Cosmetics Industry (www.abihpec.org.br)	1. Pedro Luiz Passos 2. Rodolfo Guttilla 3. Moacir Salzstein 4. Lucilene Prado 5. Elizabete Vicentini 6. Eliane Anjos	1. Vice-President 2. Director 3. Foreign Trade Committee Member 4. Taxation Committee Member 5. Technical and Regulatory Committee Member 6. Environment Committee Member	1, 2. Jun 2004-Jun 2007
ABNT - The Brazilian Association of Technical Standards (www.abnt.org.br)	Renato Wakimoto	Representative	
ABPI - The Brazilian Association of Intellectual Property (www.abpi.org.br)	1. Eneida Barbare 2. Luiz Marinello 3. Renata Franco	1. Copyright, Patents, Brands and Technology Committees Member 2. Copyright and Enforcement Committee Member 3. Brands Committee Member	
ABPVS - The Brazilian Association of Sanitation Control Professionals (www.abpvs.com.br)	Elizabete Vicentini	Representative	
ABQV – The Brazilian Association of Quality of Life (www.abqv.org.br)	Plinio Yasbek	Representative – Founder	
Abrasca – The Brazilian Association of Open Companies (www.abrasca.org.br)	Helmut Bossert	Representative	
Acelp – The Portuguese Language Corporate Communication Association	Rodolfo Guttilla	Chairman	Jul 2004-Jul 2008
Aippi – The International Association for the Protection of Intellectual Property (www.aippi.org)	Renata Franco	Representative	
Amcham-SP – The American Chamber of Commerce of São Paulo (www.amcham.com.br)	1. Pedro Luiz Passos 2. Antônio Siqueira 3. Eliane Anjos 4. Carla Pavao 5. Elizabete Vicentini 6. Eneida Barbare 7. Luiz Marinello	1. Administrative Council Representative 2. Member of the Strategic Group - Legal Directors and Vice-Presidents 3. Environment Committee Member 4. Secretaries Committee Member 5. Technical Subgroup Member 6. Industrial Property Task Force 7. Task Force to Combat Counterfeits	1. 2004-2005
Amerco – The Association of Corporate Communication of the Mercosur Peruvian Civil Association of Companies Related to Brazil - Brazil Group	Rodolfo Guttilla	Chairman	Jul 1999-Jul 2005
Anpei – The Brazilian Association of P&D of Innovative Companies (www.anpei.org.br)	Erasmus Toledo	Director	
Anpei – The Brazilian Association of P&D of Innovative Companies (www.anpei.org.br)	Elizabete Vicentini	Director	May 2002-May 2005
Asipi – Asociación Interamericana de la Propiedad Industrial (www.asipi.org)	Eneida Barbare	Representative	2000-indeterminate
Aspi – The São Paulo Association of Intellectual Property (www.aspi.org.br)	1. Eneida Barbare 2. Renata Franco	Representative Representative	
Asug – The Association of the SAP Users in Brazil (www.asug.com.br)	Anna Sant'Anna	Representative	
Audibra – Brazilian Institute of Internal Auditors (www.audibra.org.br)	Mercedes Stinco	Representative	
Bramex – The Mexican Industry, Trade and Tourism Chamber	Rodolfo Guttilla	Vice-President	
Cámara de Comercio de Lima (www.camaralima.org.pe)	Erasmus Toledo	Representative	
Cámara de Venta Directa de Chile	Mauricio Pinto	Director	2004-2005
Peruvian Chamber of Direct Sales	Erasmus Toledo	Treasure	
Capa – Cámara Argentina de la Industria de Cosmética y Perfumería	1. Alejandro Díaz 2. Jelena Nadinic	Executive Commission Member Technical Representative	
Cavedi – Argentinean Chamber of Direct Sales (www.cavedi.org.ar)	Alejandro Díaz	Executive Commission Member	
Ceal – The Council of Latin American Businessmen (www.ceal-int.org)	Guilherme Peirão Leal	Representative	
Cempre – Corporate Commitment to Recycling (www.cempre.org.br)	Eliane Anjos	Representative	
CEN – National Business Council to HIV/AIDS Combat	1. Guilherme Peirão Leal 2. Plinio Yasbek	1. Representative 2. Technical Representative	
Getúlio Vargas Foundation/ Center of Studies of Sustainability (www.ces.fgvsp.br)	Nelmara Arbex		
Ciesp – The Federation of Industries of the State of São Paulo (www.ciesp.org.br)	1. Guilherme Peirão Leal 2. Itamar Correia da Silva 3. Eliane Anjos 4. Rodolfo Guttilla	1. Director 2. Junta Regional Council 3. Director 4. Member of the Center of Strategic and Advanced Studies	1. Sep 2004-Sep 2007
CNI – The Brazilian Confederation of Industries (www.cni.org.br)	Eliane Anjos	Environment Thematic Council Coordinator	
Committee of the Upper Tietê Hydrographic Basin	Eliane Anjos	Officer; Technical Chamber of the Underground Waters - CTAS	Jan 2004-Dec 2005
Ethos – The Ethos Institute of Companies and Social Responsibility (www.ethos.org.br)	1. Guilherme Peirão Leal 2. Nelmara Arbex 3. Rodolfo Guttilla	1. Member of the Decision-Making Council 2. Officer 3. Substitute I	1. Mai 2003-mai 2005
FNQ – FNQ - Fundação Nacional da Qualidade (www.fnq.org.br)	1. Pedro Luiz Passos 2. Roberto Zardo 3. Sophia Segawa 4. Nelmara Arbex 5. Yara Rezende	1. Advisory Council Chairman 2. Planning Director 3. Benchmarking and Processes Management Thematic Committees Member 4. Social Responsibility Committee Member 5. Intellectual Capital and Innovation Committee Member	1. 2003-2005

Natura's representation in Trade Associations and Association in General

(continuation)

Entity/Association	Natura Representative	Type of Representation	Mandate
Funbio – The Brazilian Biodiversity Fund (www.funbio.org.br)	Guilherme Peirão Leal	Decision-Making Council Substitute Member	Nov 2001-Nov 2005
The Abrinq Foundation for the Rights of the Children (www.fundacaoabrinq.org.br)	1. Guilherme Peirão Leal 2. Nelmara Arbex 3. Pedro Villares 4. Susy Yoshimura	1. Decision-Making Council Member 2. Director Committee of the Crer para Ver Program Members 3. Director Committee of the Crer para Ver Program Members 4. Director Committee of the Crer para Ver Program Members	1. Since 1992 and since 1996 2, 3. Since 2003 4. Since 2004
G50- Latin-American Businessmen Council	Guilherme Peirão Leal	Member	
GRI –Global Reporting Initiative (www.globalreporting.org)	1. Rodolfo Guttilla 2. Nelmara Arbex	Representative Stakeholders Council Members	2002-2005
Ibef – The Brazilian Intitute of Finance Executives (www.ibef.com.br)	Jorge Casmerides	Representative	
IBGC – Instituto Brasileiro de Governança Corporativa (www.ibgc.org.br)	Lucilene Prado	Representative	
Ibri – The Brazilian Institute of Investor Relations (www.ibri.org.br)	Helmut Bossert	Representative	
Iedi – Industrial Development Studies Institute (www.iedi.org.br)	Pedro Luiz Passos	Council Member	Sep 2000-indeterminate
Akatu Institute (www.akatu.org.br)	Guilherme Peirão Leal	Steering Council Member	
The Fernand Braudel Institute of World Economy (www.braudel.org.br)	Guilherme Peirão Leal	Representative	
The São Paulo Institute Against Violence (www.spcv.org.br)	Rodolfo Guttilla	Representative	
Inta – International Trademark Association (www.inta.org)	Renata Franco	Representative	
MBC – Competitive Brazil Movement (www.mbc.org.br)	Roberto Zardo	Representative	
Sipatesp – Perfume and Beauty Products Industry Union in the State of São Paulo	1. Pedro Luiz Passos 2. Rodolfo Guttilla	1. Delegate Representative 2. Director	1, 2. Jun 2004-Jun 2007
S.O.S. Mata Atlântica	Pedro Luiz Passos	Council Member	
Uniethos – (www.uniethos.org.br)	Nelmara Arbex	Technical Council Member	
WFDSA – World Federation of Direct Selling Associations (www.wfdsa.org)	Alessandro Carlucci	CEO Council Member	
WWF-Brasil (www.wwf.org.br)	Guilherme Peirão Leal	Steering Council Member	Dec 2001-Mar 2006

Contato dos Representantes da Natura nas Entidades e Associações

Name	Function	e-mail	Contact
Leandro Machado	Governmental Relations Manager	leandromachado@natura.net	(55 11) 4446 2544

Awards and certifications received for social, ethical and environmental performance (SO4)

Award	Promotion/ Organization	Objective	Awarded category	2002	2003	2004	2005
The Most Highly Regarded Companies in Brazil	<i>CartaCapital</i> magazine and InterScience	The survey recognized organizations that stand out their business ethics, social commitment, environmental responsibility and civic responsibility awareness.	Brazil's Most Regarded Company One of the 10 most admired companies in Brasil	2°	1°	1°	
The Best Companies according to <i>ISTO É Dinheiro</i> Magazine	<i>ISTOÉ Dinheiro</i> Magazine and Deloitte	Recognize the best managed companies in Brazil based on financial sustainability, human resources, innovation, environment and social responsibility indicators.	Pharmaceutical, Hygiene and Health			1°	1°
The Best Companies to Work in Latin-America	Great Place to Work® Institute	Identify companies that were benchmarks in the Best Companies to Work editions in the Latin American countries where the Great Place to Work Institute conducts this survey	Natura was one of the 100 Best Places to Work in Latin America				
The Best Places to Work in Argentina	Great Place to Work and Clarín daily paper business section.	Identify the 100 best companies to work for in Argentina through a research of organizational environment	26th place among the 100 best places to work in Argentina				26°
Modern Customer of Excellency in Services	<i>Consumidor Moderno</i> Magazine	Recognize the companies that stand out as reference in customer care in their industry and stimulate the companies to continually improve relations with the demanding Brazilian consumers.	Quality of relations. Distinct among the 38 companies that have excelled in customer care service in the Cosmetics category				1° 1°
Election of the Brand that Respects Consumer the most Companies that people most wish to work for	Rádio Bandeirantes and Omni Marketing <i>Forbes Brasil</i> Magazine	To elect the 10 most recognized brands in the opinion of the audience in the "respect for consumer" category	Socio-environmental General ranking Sector ranking			4°	2°
Business Leaders – <i>Gazeta Mercantil</i> Journal	<i>Balanço Anual</i> Magazine, <i>Gazeta Mercantil</i>	Elect leading national executives by business sector from to readers voting.	Leader of the Cosmetics, Hygiene and Health Sector (Guilherme Peirão Leal)				
<i>Exame Guide of Good Corporate Citizenship</i>	<i>Exame</i> Magazine – Editora Abril and Instituto Ethos	Recognize corporate citizenship practices based on criteria such as coverage, innovation, sustainability, establishment of partnerships and results of projects.	Company of reference in Social Responsibility				
<i>Guia Exame – The Best Places to Work</i>	<i>Exame</i> Magazine and Great Place to Work® Institute	In-depth assessment of the work environment and the practices and HR policies, taking employees' opinions into consideration.	Values and transparency among the 150 Best Places to Work Best Place to Women to Work				
IR Magazine Brazil Awards	<i>Revista IR Magazine</i>	Evaluate the best performances in IR among public companies. In Brazil, the Investors' Perception Study was performed through an independent research conducted by Fundação Getúlio Vargas from a poll with 350 investment professionals – analysts and stock market administrators working on the stock market in Brazil.	Grand Prix of Best Investors Relations Program (companies outside IBovespa index) Best Performance in Investors Relationship on an Initial Public Offer.				1° 1°
The Best 25 Companies to Work For in Peru	Great Place to Work® Institute Peru and <i>El Comercio</i>	To identify the best 25 companies to work for in Peru by way of the organizational climate survey.	One of the Best 25 Companies to Work		9°		
Most valuable brands in Brazil – <i>ISTOÉ Dinheiro</i> magazine	Interbrand/ <i>ISTOÉ Dinheiro</i> magazine	Honor Brazil's highest valued brands according to respected consulting firm Interbrand and published by <i>Dinheiro</i> Magazine.				3°	4°
Best and largest by <i>Exame</i> Magazine	<i>Exame</i> Magazine	To show the most complete and comprehensive analysis of Corporate Brazil by way of data obtained by companies – growth, profitability financial health, investments in property, plant and equipment, market share and productivity by employee.	Pharmaceutical, Hygiene and Health			1°	
Aberje Award	Aberje – The Brazilian Association of Corporate Communication	Distinguish magazines, newsletters, bulletins, videos and corporate communication projects that best met the companies' strategic demands during the year.	Management Report Mural Newspaper (State of São Paulo and Brazil) Company of the Year (SP) Relationship with the Investors (SP) Media Diversity (SP e Brasil) E-news External (SP e Brasil)		1°	1°	1° 1° 1° 1°
Best Annual Report Abrasca Award	Abrasca – The Brazilian Association of Publicly Traded Companies	Encourage improvement in the preparation of clearer and more transparent quality reports and a larger volume of information and innovative character, regarding both the information reported and graphic design.	Private Company Public Company		1°	1°	4°
Annual Report Award	<i>Gazeta Mercantil</i> newspaper	Identify the companies that create the most value for shareholders.	Personal Hygiene sector				1°
Social Report Award	Brazilian Association of Publicly Traded Companies (Apimec); The Brazilian Association of Corporate Communication (Aberje); Fundação Instituto de Desenvolvimento Empresarial e Social	Stimulate the compilation and publication of social reports by the companies; recognize and honor the best social reports, according to criteria established under this regulation; disseminate the relevance of social reports as an instrument of transparency.	Overall National São Paulo State Regional				1° 1°

(continuation)

Award	Promotion/ Organization	Objective	Awarded category	2002	2003	2004	2005
Bramex Award	(FIDES); Brazilian Institute of Social and Economic Analyses (IBASE) and Ethos Brazil Mexico Chamber of Industry, Trade and Tourism	Identify and recognize initiatives by public or private companies, individuals and the people who promote environmentally responsible economic, social and cultural development.	Environmental Responsibility				1°
DCI Award	DCI Journal	Recognize the companies most highly-regarded by executives and businessmen.	Most admired company in Cosmetics, Hygiene and Health category		1°	1°	1°
Eco – Amcham Award	The American Chamber of Commerce (Amcham)	Identify, recognize and promote social initiative projects developed by private companies in the fields of culture, education, environment, health and participation in communities.	Environmental and Social Responsibility – large companies		1°	1°	1°
Ecodesign Award	Fiesp/Ciesp, IPT	To encourage the development of products with recycled material and which consume less energy.	Packing design			1°	1°
Executive of Value Award	Valor Journal	Select the executives that have distinguished themselves in each industry according to a survey conducted at the top headhunting firms in Brazil. Leadership, strategic vision and management style are some of the aspects considered by the selection committee.	Executive of Value in the category Hygiene and Personal Care (Pedro Luiz Passos)				1°
FGV Business Excellence Award	The Brazilian Institute of Economy and Getúlio Vargas Foundation	Identify and recognize the 12 companies classified in the survey of "The 500 Largest Companies in Brazil" by business efficiency. The selection process takes into consideration objective parameters of recent financial-economic companies performance, with emphasis on the results of the immediate precedent accounting period to the award. The top 500 largest companies were chosen by total assets and net income.	Chemical sector				1°
Environmental Merit FIESP	Federation of Industries of the State of São Paulo	To annually identify and honor manufacturers that distinguished themselves in the implementation of an environmental project with significant results for the affected area.				1°	1°
Environmental Preservation Ford Motor Company Award	Ford e Conservation International do Brasil	To annually identify the most significant projects carried out in Brazil for the preservation of Nature.	The Initiative of the year in Environmental Preservation: Biodiversity Brazil Project		1°		
PNBE Civic Responsibility Award	PNBE	To publicly recognize the initiatives of businessmen, entities and individuals who contributed to improve the quality of life of other Brazilian individuals.	"O empresário que queremos" (Guilherme Peirão Leal)			1°	
Quality of Life Award	ABQV – Brazilian Association of Quality of Life	To stimulate the development and the implementation of quality of life programs in institutions, awarding organizations that carry out specific and innovative initiatives in this work sphere and that are successfully improving the quality of life of their employees.	Learning New Eating Habits Program		1°		
Renato Castelo Branco Social Responsibility Award	ESPM- Escola Superior de Propaganda e Marketing	Award professionals and companies for their contribution to corporate citizenship.					1°
State Week for the Fight against Cancer Award	Health Department os State of São Paulo	To recognize the institutions that had the best projects against cigarette smoking.	Program for the Prevention and Fight Against Cigarette Smoking		1°		
Value 1000 Award	Valor Econômico newspaper	Classify the 1,000 largest Brazilian companies by net income, based on their current financial statements. The 1,000 largest companies are classified into 27 industries.	"Empresa de Valor" (Value Company) Hygiene and Cosmetics sector.				1°
Social Value Award	Valor Econômico newspaper with support of the Ethos Institute and Akatu Institute	Recognize corporate social responsibility practices through programs developed by companies that serve as reference and inspire the multiplication of initiatives.	Responsible Management and Sustainable Development, Popular Juri			1°	
Viagem Award	Viagem e Turismo magazine	To identify the best among many items related to tourism	Grand Award Ecological Merit Work with Brazilian biodiversity				1°
Transparency Trophy	Anefac – Fipecafi – Serasa	Select the best financial statements posted during the year.	1 st place among Private Brazilian Companies		1°		1°

Note: the numbers refer to the company's position in the award recognition ranking, when applicable.

The following awards received by Natura involve quality seals that may be used:

- Exame Guide of Good Civic Responsibility;
- The Best Places to Work in Latin-America;
- The Exame Você S.A Guide – The Best Companies to Work for;
- Social Report Award;
- Valor 100 Award.

Natura is also recognized in Brazil with the titles:

- Children-friendly Company, granted by the Abrinq Foundation for the Rights of the Children and the Adolescents;
- Civically Responsible Company, granted by the Assembly of the City of São Paulo;
- AACD Partnership Company Seal, granted by the Association of Assistance to the Deficient Child.

Goals Established in Natura's Annual Report 2004

Initiative	Target	Results
Biodiversity Brazil	a) Production of 48 Biodiversity's TV shows	⊕ Target partially reached. Production totaled 39 Biodiversity's TV shows
	b) Production of documentary on theme to be defined;	⊖ Target missed. The documentary was not produced.
	c) Search for a partner to produce a second documentary;	⊖ Target missed. Search did not happen.
	d) Initial studies to distribute public television programs in Latin America.	⊖ Target not reached. Studies were not conducted.
Agenda 21 Cajamar	a) Expand the tripartite working group, involving other local businesses in the process.	⊖ Target not reached. Participating companies joined the local forum and the corporate forum, but did not yet join the tripartite working group.
	b) Publish the results from the diagnostic assessment to the community	⊕ Target reached. The findings of the assessment were widely released, with hard copies and diskettes distributed to all public schools in Cajamar and other community, local company officers and other community organizations.
	c) Promote the installation of a Sustainable Development Forum.	⊕ Target reached. The district forums and municipal forum were installed in November and December 2005, respectively, after a long discussion and preparation process.
	d) Carry out workshops in two additional of the city's subdivisions.	⊕ Target reached. Two more workshops were conducted during 2005, in the neighborhoods of Polvilho and Gato Preto, with high attendance.

Financial Statements

Natura Cosméticos S.A.

Balance Sheets

As of december 31, 2005 and 2004

(In thousands of Brazilian reais - R\$)

Assets	Company		Consolidated	
	2005	2004	2005	2004
CURRENT ASSETS				
Cash and banks	38,882	26,656	56,198	29,592
Cash investments (Note 5)	237,084	158,631	330,241	202,020
Trade accounts receivable (Note 6)	302,688	236,453	316,264	250,066
Inventories (Note 7)	835	1,634	152,307	121,961
Recoverable taxes (Note 8)	508	3,009	23,967	18,158
Advances to employees	3,312	4,084	5,331	6,949
Related parties (Note 10)	4,850	833	-	-
Deferred income and social contribution taxes (Note 9.a)	16,404	12,198	25,757	21,630
Other receivables	8,160	358	14,799	6,063
Total current assets	612,723	443,856	924,864	656,439
LONG-TERM ASSETS				
Receivables from shareholders (Notes 10.e and 19.c)	130	172	130	172
Advance for future capital increase (Note 10.d)	1,007	770	-	-
Recoverable taxes (Note 8)	1,432	876	9,574	3,848
Deferred income and social contribution taxes (Note 9.a)	17,680	12,624	29,324	21,301
Escrow deposits (Note 16)	23,590	20,370	29,477	24,256
Other receivables	-	1,122	526	2,878
Cash investments (Notes 5 and 16.i)	-	-	3,968	-
Total long-term assets	43,839	35,934	72,999	52,455
PERMANENT ASSETS				
Investments (Note 11)	516,929	373,748	5,761	8,707
Property, plant and equipment (Note 12)	17,674	13,231	365,284	298,822
Total permanent assets	534,603	386,979	371,045	307,529
TOTAL ASSETS	1,191,165	866,769	1,368,908	1,016,423



Liabilities and shareholders' equity	Company		Consolidated	
	2005	2004	2005	2004
CURRENT LIABILITIES				
Loans and financing (Note 14)	44,942	11,879	68,309	62,407
Domestic suppliers	38,070	17,197	148,045	89,348
Foreign suppliers	-	-	4,115	4,172
Suppliers - related parties (Note 10)	124,241	102,151	-	-
Salaries, profit sharing and related charges, net (Note 17)	30,074	28,272	73,122	67,618
Taxes payable (Note 15)	75,536	52,776	89,085	62,382
Dividends (Notes 10 and 19.e)	195,070	113,644	195,070	113,644
Interest on capital (Notes 10, 19.d and 19.e)	17,699	13,623	17,699	13,623
Accrued freight	13,786	10,178	13,786	10,026
Sundry accruals	8,863	4,802	9,026	4,802
Related parties (Note 10)	-	94	-	-
Other payables	12,780	9,934	13,564	12,773
Allowance for losses on swap and forward contracts (Notes 22.b and 22.d)	2,703	4,544	2,703	6,138
Total current liabilities	563,764	369,094	634,524	446,933
LONG-TERM LIABILITIES				
Loans and financing (Note 14)	44,290	19,549	119,156	71,982
Allowance for losses on subsidiaries (Note 11)	4,202	64	-	-
Reserve for contingencies (Note 16)	53,843	3,769	90,599	59,559
Other payables	1,806	841	3,232	1,885
Total long-term liabilities	104,141	60,223	212,987	133,426
MINORITY INTEREST				
	-	-	8	7
SHAREHOLDERS' EQUITY (Note 19)				
Capital (Note 19.b)	230,762	230,762	230,762	230,762
Capital reserves (Notes 19.b e 19.g)	120,678	113,122	120,678	113,122
Profit reserves (Note 19.i)	172,589	94,674	170,718	93,279
Treasury shares (Note 19.f)	(769)	(1,106)	(769)	(1,106)
Total shareholders' equity	523,260	437,452	521,389	43,057
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	1,191,165	866,769	1,368,908	1,016,423

Statements Of Income

For the years ended december 31, 2005 and 2004

(In thousands of Brazilian reais - R\$, except for earnings per share)

	Company		Consolidated	
	2005	2004	2005	2004
GROSS SALES				
Domestic market	3,127,462	2,457,891	3,149,654	2,472,046
Foreign market	-	-	92,616	66,782
Other sales	1	5	1,341	829
GROSS OPERATING REVENUES	3,127,463	2,457,896	3,243,611	2,539,657
Taxes on sales, returns and rebates	(721,114)	(576,564)	(961,447)	(769,993)
NET OPERATING REVENUES	2,406,349	1,881,332	2,282,164	1,769,664
Cost of sales	(960,012)	(776,170)	(731,134)	(575,260)
GROSS PROFIT	1,446,337	1,105,162	1,551,030	1,194,404
OPERATING (EXPENSES) INCOME				
Selling	(600,073)	(458,913)	(709,190)	(535,909)
General and administrative	(323,203)	(249,223)	(276,144)	(216,900)
Employee profit sharing (Note 17)	(11,209)	(12,094)	(28,577)	(31,594)
Management compensation (Note 18)	(7,467)	(7,084)	(12,289)	(11,818)
Equity in subsidiaries (Note 11)	(6,741)	2,788	-	-
Other operating expenses, net	(3,640)	-	(3,220)	-
INCOME FROM OPERATIONS BEFORE FINANCIAL EFFECTS	494,004	380,636	521,610	398,183
Financial expenses	(11,800)	(18,301)	(43,453)	(38,156)
Financial income	31,470	21,125	54,714	35,414
INCOME FROM OPERATIONS	513,674	383,460	532,871	395,441
Nonoperating (expenses) income, net	(212)	1,098	(1,242)	(868)
INCOME BEFORE DEBENTURES PARTICIPATION AND TAXES	513,462	384,558	531,629	394,573
Debentures participation	-	(7,178)	-	(7,178)
INCOME BEFORE TAXES ON INCOME	513,462	377,380	531,629	387,395
Income and social contribution taxes (Note 9.b)	(116,105)	(76,969)	(134,747)	(87,102)
NET INCOME BEFORE MINORITY INTEREST	397,357	300,411	396,882	300,293
Minority interest	-	-	(1)	1
NET INCOME	397,357	300,411	396,881	300,294
EARNINGS PER SHARE - R\$	4.6745	3.5431	4.6689	3.5417

Statements of changes in shareholders' equity (company)

For the years ended December 31, 2005 and 2004

(In thousands of Brazilian reais - R\$)

	Capital	Capital reserves			Profit reserves		Retained earnings	Total
		Treasury shares	Share premium	Investment grants	Legal	Retention		
BALANCES AS OF DECEMBER 31, 2003	56,387	-	-	9,998	10,687	45,544	-	122,616
Capital increases:								
Capitalization of debentures (Notes 19.b and 19.g)	138,569	-	100,000	-	-	-	-	238,569
Merger of Natura Empreendimentos S.A. (Notes 1, 19.a and 19.b)	1,415	-	-	-	-	-	-	1,415
Subscription of shares (Note 19.b)	34,391	-	-	-	-	-	-	34,391
Purchase of shares (Note 19.f)	-	(1,415)	-	-	-	-	-	(1,415)
Sale of treasury shares by exercise of stock options (Note 19.f)	-	309	5,177	-	-	-	-	5,486
Receivables from shareholders (Note 19.c)	-	(3,029)	-	-	-	-	-	(3,029)
Payment of receivables from shareholders (Note 19.c)	-	480	496	-	-	-	-	976
Absorption of excess liabilities through merger of Natura Empreendimentos S.A., after the elimination of the merged company's investment in the Company (Notes 1 and 19.a)	-	-	-	-	-	(23,367)	-	(23,367)
Absorption of excess liabilities through merger of Natura Participações S.A., after the elimination of the merged company's investment in the Company (Notes 1 and 19.a)	-	-	-	-	-	(29,235)	6,986	(22,249)
Absorption of reserve (Note 19.b)	-	-	-	-	(7,058)	7,058	-	-
Net income	-	-	-	-	-	-	300,411	300,411
Allocation of net income:								
Legal reserve (Note 19.h)	-	-	-	-	15,021	-	(15,021)	-
Profit retention reserve (Note 19.i)	-	-	-	-	-	76,024	(76,024)	-
Dividends - R\$2.204 per outstanding share (Note 19.e)	-	-	-	-	-	-	(186,910)	(186,910)
Interest on capital - R\$0.347 per outstanding share (Note 19.e)	-	-	-	-	-	-	(29,442)	(29,442)
BALANCES AS OF DECEMBER 31, 2004	230,762	(3,655)	105,673	9,998	18,650	76,024	-	437,452
Sale of treasury shares by exercise of stock options (Note 19.f)	-	337	4,537	-	-	-	-	4,874
Payment of receivables from shareholders (Note 19.c)	-	2,053	249	-	-	-	-	2,302
Tax incentives	-	-	-	717	-	-	-	717
Net income	-	-	-	-	-	-	397,357	397,357
Allocation of net income:								
Profit retention reserve (Note 19.i)	-	-	-	-	-	77,915	(77,915)	-
Dividends - R\$3.357 per outstanding share (Note 19.e)	-	-	-	-	-	-	(285,237)	(285,237)
Interest on capital - R\$0.403 per outstanding share (Note 19.e)	-	-	-	-	-	-	(34,205)	(34,205)
BALANCES AS OF DECEMBER 31, 2005	230,762	(1,265)	110,459	10,715	18,650	153,939	-	523,260

Statements of changes in financial position
For the years ended december 31, 2005 and 2004
(In thousands of Brazilian reais - R\$)

	Company		Consolidated	
	2005	2004	2005	2004
SOURCES OF FUNDS				
From operations:				
Net income	397,357	300,411	396,881	300,294
Items not affecting working capital:				
Depreciation and amortization (Notes 12 and 13)	4,989	3,809	44,035	34,340
Monetary and exchange variations on long-term items, net	4,980	(5,601)	9,234	175
Reserve for contingencies (Note 16)	10,598	16,625	21,638	31,570
Sundry accruals	1,626	1,168	4,255	1,420
Deferred income and social contribution taxes (Note 9.a)	(5,056)	(4,233)	(8,023)	(9,196)
Equity in subsidiaries (Note 11)	6,741	(2,788)	-	-
Proceeds from sale and disposal of permanent assets	559	1,333	3,056	1,828
Minority interest	-	-	1	(1)
	421,794	310,724	471,077	360,430
From shareholders:				
Capitalization of debentures (Note 19.b)	-	107,913	-	107,913
Capital increase through subscription of shares (Note 19.b)	-	34,391	-	34,391
Sale of treasury shares by exercise of stock options (Note 19.f)	4,887	630	4,887	630
Payment of receivables from shareholders (Note 19.c)	2,288	-	2,288	-
From third parties:				
Transfer from long-term to current assets	-	-	-	20,122
Increase in long-term liabilities	25,007	-	121,712	-
Tax incentives	717	-	717	-
Minority interest	-	-	-	37
Total sources	454,693	453,658	600,681	523,523
USES OF FUNDS				
Additions to property, plant and equipment (Note 12)	9,991	7,629	111,636	76,886
Increase in investments (Note 11)	149,425	34,975	-	6,179
Increase in long-term assets	1,639	9,070	9,987	15,289
Decrease in long-term liabilities	-	18,656	-	-
Transfer from long-term to current liabilities	-	11,809	78,783	24,740
Dividends proposed and paid (Note 19.e)	285,237	186,910	285,237	186,910
Interest on capital proposed and paid (Note 19.e)	34,205	29,442	34,205	29,442
Total uses	480,497	298,491	519,848	339,446
Merger of Natura Empreendimentos S.A. and Natura Participações S.A. net assets (Notes 1 and 19.a)	-	23,393	-	3,383
(DECREASE) INCREASE IN WORKING CAPITAL	(25,804)	131,774	80,833	180,694
REPRESENTED BY				
Increase in current assets	168,867	170,771	268,425	218,908
Increase in current liabilities	194,671	38,997	187,592	38,214
(DECREASE) INCREASE IN WORKING CAPITAL	(25,804)	131,774	80,833	180,694

Notes to the Financial Statements

For the Years Ended December 31, 2005 and 2004

(Amounts in thousands of Brazilian reais - R\$, unless otherwise stated)

1. OPERATIONS

Natura Cosméticos S.A. (the "Company") and its subsidiaries are engaged in the development, production, distribution and sale, substantially through direct sales by Natura beauty consultants, of cosmetics, fragrances, hygiene and health products. The Company also holds equity interests in other companies in Brazil and abroad.

The Extraordinary Shareholders' Meeting held on March 5, 2004 approved the merger of the net assets of Natura Empreendimentos S.A. and Natura Participações S.A. into the Company. The merger was recorded based on an accounting valuation supported by a valuation report issued by independent experts. These mergers did not modify the activities described in the paragraph above.

The net assets of Natura Empreendimentos S.A. and Natura Participações S.A. as of January 31, 2004, the accounting date of the mergers, were R\$104,951 and R\$75,716, respectively.

After eliminations of intercompany receivables and payables and the investment balances, as required by Brazilian accounting practices, the Company recorded net liabilities of Natura Empreendimentos S.A. and Natura Participações S.A. amounting to R\$23,367 and R\$29,235, respectively.

2. PRESENTATION OF FINANCIAL STATEMENTS

The accompanying financial statements have been prepared in accordance with Brazilian accounting practices and standards established by the Brazilian GAAP and Brazilian Securities Commission (CVM).

Until December 31, 1995, the Brazilian GAAP established a simplified methodology for the recording of inflation effects determined to that date. This methodology, named monetary restatement of the balance sheet, consisted of the restatement of permanent assets (investments, property, plant and equipment, and deferred charges) and shareholders' equity accounts at the indexes disclosed by the Federal Government. The net effect of the monetary restatement was accounted for in the statements of income in a specific account under the heading "Monetary restatement of the balance sheet". This monetary restatement was prohibited by Law No. 9,249, of December 26, 1995, effective January 1, 1996.

The terminology and grouping of certain accounts in the balance sheet and in the statements of income, changes in financial position and cash flows have been changed from the prior year for better classification and presentation. Such changes included fiscal year 2004, in order to allow comparability between years. Please note that such changes did not result in any change in the individual account balances and total balances.

3. SIGNIFICANT ACCOUNTING PRACTICES

a) Results of operations

Determined on the accrual basis of accounting.

b) Cash investments

Consists of highly liquid temporary investments stated at cost plus income earned through the balance sheet dates.

c) Allowance for doubtful accounts

Recognized based on an analysis of risks on realization of receivables, in an amount considered sufficient to cover possible losses.

d) Inventories

Stated at the average cost of acquisition or production, adjusted to market value and for possible losses, when applicable.

e) Investments

Investments in subsidiaries are accounted for under the equity method, plus goodwill on acquisition of investments, as shown in Note 11.

f) Property, plant and equipment

Recorded at acquisition cost, monetarily restated through December 31, 1995, plus interest capitalized during the construction period, if applicable. Depreciation is calculated under the straight-line method, based on the estimated economic useful lives of the assets, at the rates shown in Note 12.

g) Deferred charges

Represented by goodwill arising from the merger of shares of Natura Empreendimentos S.A., into Natura Participações S.A., less the provision for maintenance of dividend payment capacity, as described in Note 13.

h) Current and long-term liabilities

Stated at known or estimated amounts, plus, if applicable, interest and monetary and exchange variations incurred through the balance sheet dates.

i) Income and social contribution taxes

The provision for income tax was recorded at the rate of 15%, plus a 10% surtax on annual taxable income exceeding R\$240. Social contribution tax was calculated at the rate of 9% of taxable income. Deferred income and social contribution taxes recorded in current and long-term assets result from expenses recorded in income, although temporarily nondeductible for tax purposes. Additionally, deferred income and social contribution taxes were recorded on tax loss carryforwards.

Pursuant to CVM Resolution No. 273/98 and CVM Instruction No. 371/02, deferred taxes are recorded at their probable realizable values, as detailed in Note 9.

j) Loans and financing

Adjusted based on exchange and monetary variations and interest incurred through the balance sheet dates, as provided for by contract and mentioned in Note 14.

k) Reserve for contingencies

Adjusted through the balance sheet dates based on the probable loss amount, according to the nature of each contingency and supported by the opinion of the Company's attorneys. The fundamentals and the nature of reserves are described in Note 16.

l) Swap and forward contracts

The nominal values of swap and forward contracts are not recorded in the balance sheet. Unrealized gains or losses on these transactions are recorded on the accrual basis of accounting, as mentioned in Notes 22.b and 22.d.

m) **Financial income and expenses**

Represented by interest and monetary and exchange variations on cash investments, escrow deposits and loans and financing.

n) **Interest on capital**

For corporate purposes, interest on capital is accounted for as allocation of income in shareholders' equity. For tax purposes, interest on capital is treated as financial expense, reducing the income and social contribution tax basis.

o) **Earnings per share**

Calculated based on the number of shares at the balance sheet dates, excluding treasury shares.

p) **Supplementary information**

In order to permit additional analysis, the Company presents as supplementary information the individual and consolidated statements of cash flows (Attachment I) and value added (Attachment II).

q) **Use of estimates**

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities as of the date of the financial statements, and the reported amounts of revenues and expenses for the reporting periods. Since management's judgment involves estimates of the probability of future events, actual results may differ from the estimates.

4. **CONSOLIDATION CRITERIA**

The consolidated financial statements have been prepared in accordance with the consolidation principles established by Brazilian accounting practices and regulatory instructions and resolutions established by the CVM, and include the financial statements of the Company and its direct and indirect subsidiaries, as follows:

	Ownership Interest - %	
	2005	2004
Direct:		
Indústria e Comércio de Cosméticos Natura Ltda.	99.82	99.76
Natura Cosméticos S.A. - Chile	99.96	99.96
Natura Cosméticos S.A. - Peru	99.93	99.85
Natura Cosméticos S.A. - Argentina	95.00	99.99
Natura Brasil Cosmética Ltda. - Portugal	99.99	99.99
Commodities Trading S.A. - Uruguay	-	100.00
Nova Flora Participações Ltda.	100.00	100.00
Natura Inovação e Tecnologia de Produtos Ltda.	99.99	100.00
Natura Europa SAS	100.00	100.00
Natura Cosméticos S.A. - Mexico	99.99	-
Natura Cosméticos C.A. - Venezuela	99.00	-
Indirect:		
Natura Logística e Serviços Ltda.	99.99	99.99
Flora Medicinal J. Monteiro da Silva Ltda.	100.00	100.00
Ybios S.A. (proportional consolidation - joint control)	33.33	31.93

The consolidated financial statements have been prepared based on the financial statements as of the same date and consistent with the accounting practices described in Note 3. Investments in subsidiaries were proportionally eliminated against shareholders' equity and net income of the respective subsidiaries. Intercompany balances and transactions and unrealized profits were also eliminated. The minority interest in the Company's subsidiaries was shown separately. The financial statements of

foreign subsidiaries were translated into Brazilian reais at the exchange rates in effect on the date of the related financial statements.

In 2005, the Company acquired equity interest, per nominal value, in Natura Cosméticos S.A. - Mexico, resumed operations of Natura Cosméticos C.A. - Venezuela, and discontinued operations of Commodities Trading S.A. - Uruguay.

The shareholders' equity balances as of December 31, 2005 and 2004, reported by the Company, differ by R\$1,871 and R\$1,395, respectively, from those recorded in the consolidated financial statements due to the elimination of unrealized profits of subsidiaries. For the same reason, net income balances reported by the Company as of December 31, 2005 and 2004 differ by R\$476 and R\$117, respectively, from the balances in the consolidated financial statements.

	Net income		Shareholders' equity	
	2005	2004	2005	2004
Company	397,357	300,411	523,260	437,452
Elimination of unrealized profits of the subsidiary Indústria e Comércio de Cosméticos Natura Ltda. with other subsidiaries	(476)	(117)	(1,871)	(1,395)
Consolidated	396,881	300,294	521,389	436,057

The operations of the direct and indirect subsidiaries are as follows:

- Indústria e Comércio de Cosméticos Natura Ltda.: engaged principally in the production and sale of Natura products to Natura Cosméticos S.A. - Brazil, Natura Cosméticos S.A. - Chile, Natura Cosméticos S.A. - Peru, Natura Cosméticos S.A. - Argentina, Natura Cosméticos S.A. - Mexico and Natura Europa SAS, whose amounts are mentioned in Note 10.
- Natura Cosméticos S.A. - Chile, Natura Cosméticos S.A. - Peru, Natura Cosméticos S.A. - Argentina, Natura Cosméticos C.A. - Venezuela (currently in the preoperating stage), Natura Brasil Cosmética Ltda. - Portugal (this company has no activities currently) and Commodities Trading S.A. - Uruguay (this subsidiary ceased operations in May 2005): their activities are an extension of the activities conducted by the parent company Natura Cosméticos S.A. - Brazil.
- Nova Flora Participações Ltda.: holds equity interest in the subsidiary Flora Medicinal J. Monteiro da Silva Ltda.
- Natura Inovação e Tecnologia de Produtos Ltda.: its activities consist of product and technology development and market research.
- Natura Europa SAS: engaged in the purchase, sale, import, export and distribution of cosmetics, fragrances in general, hygiene and health products.
- Natura Cosméticos S.A. - Mexico: engaged in the purchase, sale, import, export, distribution and storage of cosmetics, fragrances in general, hygiene and health products.
- Natura Logística e Serviços Ltda.: engaged in the provision of administrative and logistics services.
- Flora Medicinal J. Monteiro da Silva Ltda.: engaged in the sale of phytotherapeutic and phytocosmetic products of its own brand. This company has no activities currently.
- Ybios S.A.: engaged in research, management and development of projects, products and services in the biotechnology area, and may also enter into agreements and/or partnerships with universities, foundations, companies, cooperatives, associations, and other public and private entities; provision of services in the biotechnology area; and holding of equity interest in other companies.

5. CASH INVESTMENTS

	Company		Consolidated	
	2005	2004	2005	2004
Bank certificates of deposit (CDBs)	228,106	128,841	325,231	165,583
Investment funds	8,978	29,790	8,978	36,437
	<u>237,084</u>	<u>158,631</u>	<u>334,209</u>	<u>202,020</u>
Long term (Note 16.i)	-	-	3,968	-
Current	<u>237,084</u>	<u>158,631</u>	<u>330,241</u>	<u>202,020</u>

As of December 31, 2005, CDBs yield interest rates ranging from 100% to 102.5% (100% to 101.8% as of December 31, 2004) of the interbank deposit rate (CDI), and the share in the total investment portfolio is 97.31% (81.96% as of December 31, 2004). Investments funds yield interest rates ranging from 101.64% to 101.92% of the CDI (99.5% to 105.5% as of December 31, 2004).

6. TRADE ACCOUNTS RECEIVABLE

	Company		Consolidated	
	2005	2004	2005	2004
Trade accounts receivable	322,228	250,246	337,104	265,048
Allowance for doubtful accounts	(19,540)	(13,793)	(20,840)	(14,982)
	<u>302,688</u>	<u>236,453</u>	<u>316,264</u>	<u>250,066</u>

7. INVENTORIES

	Company		Consolidated	
	2005	2004	2005	2004
Finished products	811	1,604	88,468	57,105
Raw materials and packaging	3	2	66,165	62,327
Promotional material	21	28	7,976	9,308
Work in process	-	-	6,037	7,617
Allowance for losses	-	-	(16,339)	(14,396)
	<u>835</u>	<u>1,634</u>	<u>152,307</u>	<u>121,961</u>

8. RECOVERABLE TAXES

	Company		Consolidated	
	2005	2004	2005	2004
ICMS (state VAT) on purchases of fixed assets	1,918	1,182	11,581	5,194
ICMS (state VAT) on purchases of goods	22	2	6,946	935
IRPJ (corporate income tax)	-	2,701	3,580	8,984
CSLL (social contribution tax)	-	-	3,091	1,420
COFINS (tax on revenue)	-	-	2,025	98
PIS/COFINS/CSLL - withheld at source	-	-	860	1,896
PIS (tax on revenue)	-	-	671	-
IRRF (withholding income tax)	-	-	776	-
Other	-	-	4,011	3,479
	<u>1,940</u>	<u>3,885</u>	<u>33,541</u>	<u>22,006</u>
Long term	1,432	876	9,574	3,848
Current	<u>508</u>	<u>3,009</u>	<u>23,967</u>	<u>18,158</u>

ICMS credits on the acquisition of fixed assets are offset at the rate of 1/48, pursuant to prevailing legislation.

9. INCOME AND SOCIAL CONTRIBUTION TAXES

a) Deferred

Deferred income (IRPJ) and social contribution (CSLL) taxes recorded in the financial statements result from temporary differences (Company and subsidiaries) and tax loss carryforwards (subsidiaries). These credits are recorded in current and long-term assets, in view of their expected realization based on projections of taxable income, considering the limit of 30% for annual offset of tax loss carryforwards against taxable income, pursuant to applicable legislation. The amounts are as follows:

	Company		Consolidated	
	2005	2004	2005	2004
Current:				
Tax loss carryforwards	-	-	1,089	691
Temporary differences:				
Allowance for doubtful accounts (Note 6)	6,952	4,829	6,952	4,829
Allowance for inventory losses (Note 7)	-	-	5,555	4,895
Allowance for losses on swap and forward transactions (Notes 22.b and 22.d)	919	1,545	919	2,087
Other provisions	8,533	5,824	11,242	9,128
Deferred income and social contribution taxes	<u>16,404</u>	<u>12,198</u>	<u>25,757</u>	<u>21,630</u>
Long term:				
Tax loss carryforwards	-	-	375	2,032
Temporary differences:				
Reserve for contingencies (Note 16)	16,847	12,058	27,809	18,399
Other provisions	833	566	1,140	870
Deferred income and social contribution taxes	<u>17,680</u>	<u>12,624</u>	<u>29,324</u>	<u>21,301</u>

As required by CVM Resolution No. 273/98 and CVM Instruction No. 371/02, management, based on projections of results, estimates that the recorded tax credits will be fully realized within five years. The amounts recorded in long-term assets will be realized as follows:

	Consolidated	
	2005	2004
2006		1,644
2007	19,850	3,207
2008	2,146	9,796
2009	5,571	6,654
2010	1,757	-
	<u>29,324</u>	<u>21,301</u>

b) Current expense

Reconciliation of income and social contribution taxes:

	Company		Consolidated	
	2005	2004	2005	2004
Income before taxes on income	513,462	377,380	531,629	387,395
Income and social contribution taxes at the rate of 34%	(174,576)	(128,309)	(180,753)	(131,714)
Reversal of provision for maintenance of dividend payment capacity (Note 13)	49,933	41,611	49,933	41,611
Interest on capital (Note 19.d)	11,630	10,011	11,630	10,011
Tax incentives (donations)	2,147	1,649	2,268	2,089
Equity in subsidiaries and exchange variation on translation of foreign investments (Note 11)	(3,530)	948	-	-
Permanent differences	(1,700)	(2,831)	(1,932)	(3,203)
Losses generated by subsidiaries (Note 11)	-	-	(15,952)	(6,317)
Other	(9)	(48)	59	421
Income and social contribution taxes: net expenses	<u>(116,105)</u>	<u>(76,969)</u>	<u>(134,747)</u>	<u>(87,102)</u>
Income and social contribution taxes: current	<u>(125,367)</u>	<u>(81,497)</u>	<u>(146,897)</u>	<u>(96,736)</u>
Income and social contribution taxes: deferred	<u>9,262</u>	<u>4,528</u>	<u>12,150</u>	<u>9,634</u>
Income and social contribution taxes: net expenses	<u>(116,105)</u>	<u>(76,969)</u>	<u>(134,747)</u>	<u>(87,102)</u>
Effective rate - %	<u>22.6</u>	<u>20.4</u>	<u>25.3</u>	<u>22.5</u>

10. RELATED PARTIES

Receivables from and payables to related parties are as follows:

	Company		Consolidated	
	2005	2004	2005	2004
Current assets:				
Related parties:				
Natura Logística e Serviços Ltda. ^(a)	2,806	-	-	-
Natura Inovação e Tecnologia de Produtos Ltda. ^(b)	1,211	-	-	-
Nova Flora Participações Ltda. ^(c)	833	833	-	-
	<u>4,850</u>	<u>833</u>	<u>-</u>	<u>-</u>
Advance for future capital increase- - Nova Flora Participações Ltda. ^(d)	<u>1,007</u>	<u>770</u>	<u>-</u>	<u>-</u>
Receivables from shareholders ^(e)	<u>130</u>	<u>172</u>	<u>130</u>	<u>172</u>
Current liabilities:				
Suppliers:				
Indústria e Comércio de Cosméticos Natura Ltda. ^(f)	106,470	85,874	-	-
Natura Logística e Serviços Ltda. ^(g)	9,259	8,028	-	-
Natura Inovação e Tecnologia de Produtos Ltda. ^(h)	8,512	8,249	-	-
	<u>124,241</u>	<u>102,151</u>	<u>-</u>	<u>-</u>
Related parties- Natura Inovação e Tecnologia de Produtos Ltda.	<u>-</u>	<u>94</u>	<u>-</u>	<u>-</u>
Dividends payable - Shareholders	<u>195,070</u>	<u>113,644</u>	<u>195,070</u>	<u>113,644</u>
Interest on capital payable - Shareholders	<u>17,699</u>	<u>13,623</u>	<u>17,699</u>	<u>13,623</u>

Transactions with related parties are summarized as follows:

	Product sales		Product purchases	
	2005	2004	2005	2004
Natura Cosméticos S.A.	-	1,111,577	924,649	-
Indústria e Comércio de Cosméticos Natura Ltda.	1,144,178	949,674	-	-
Natura Cosméticos S.A. - Argentina	-	-	13,403	13,353
Natura Cosméticos S.A. - Peru	-	-	9,623	6,800
Natura Cosméticos S.A. - Chile	-	-	6,112	4,374
Natura Cosméticos S.A. - Mexico	-	-	1,865	-
Natura Europa SAS	-	-	923	317
Natura Inovação e Tecnologia de Produtos Ltda.	-	-	675	164
Flora Medicinal J. Monteiro da Silva Ltda.	-	-	-	17
	<u>1,144,178</u>	<u>949,674</u>	<u>1,144,178</u>	<u>949,674</u>

	Service sales		Service purchases	
	2005	2004	2005	2004
Administrative structure: ⁽ⁱ⁾				
Natura Logística e Serviços Ltda.	172,383	118,749	-	-
Natura Cosméticos S.A.	-	-	124,082	84,297
Indústria e Comércio de Cosméticos Natura Ltda.	-	-	34,264	24,355
Natura Inovação e Tecnologia de Produtos Ltda.	-	-	14,037	10,097
	<u>172,383</u>	<u>118,749</u>	<u>172,383</u>	<u>118,749</u>
Product and technology research and development: ^(j)				
Natura Inovação e Tecnologia de Produtos Ltda.	113,596	71,914	-	-
Natura Cosméticos S.A.	-	-	113,596	71,865
Ybios S.A.	-	-	-	49
	<u>113,596</u>	<u>71,914</u>	<u>113,596</u>	<u>71,914</u>
Lease of properties and common charges: ^(k)				
Indústria e Comércio de Cosméticos Natura Ltda.	8,575	8,627	-	116
Natura Logística e Serviços Ltda.	-	-	5,695	5,804
Natura Inovação e Tecnologia de Produtos Ltda.	-	-	1,831	1,753
Natura Cosméticos S.A.	-	136	1,049	1,049
Natura Empreendimentos S.A.	-	-	-	27
Natura Participações S.A.	-	-	-	14
	<u>8,575</u>	<u>8,763</u>	<u>8,575</u>	<u>8,763</u>
Total service sales and purchases	<u>294,554</u>	<u>199,426</u>	<u>294,554</u>	<u>199,426</u>

(a) Refers to advances granted for provision of logistics and general administrative services.

(b) Refers to advances granted for provision of product and technology development and market research services.

(c) Amount receivable due to the capital reduction made on January 30, 2004, approved by the shareholders' meeting held on the same date.

(d) Cash contributions to Nova Flora Participações Ltda. mainly for maintenance of working capital.

(e) On September 29, 2000, April 30, 2002, December 30, 2002 and January 5, 2004, under a stock purchase and sale agreement, a financing in the total amount of R\$6,174 was made to two directors of the Company, with interest rate of 3% per year and maturities between April 30, 2009 and September 30, 2010. This financing was granted to the directors in order for them to acquire common shares in Natura Empreendimentos S.A. and Natura Participações S.A. In the corporate restructuring completed in March 2004, these shares were exchanged for common shares issued by Natura Cosméticos S.A. The financing, in the amount of R\$2,493 as of December 31, 2005 (R\$4,823 as of December 31, 2004), is amortized with dividends and interest on capital paid by the Company to those directors.

(f) Payables for the purchase of products. Prices and terms are within normal market conditions.

(g) Payables for services described in item (i).

(h) Payables for services described in item (j).

(i) Logistics and general administrative services.

(j) Product and technology development and market research services.

(k) Rental of part of the industrial complex located in Cajamar and buildings located in the municipality of Itapeverica da Serra.

The main intercompany balances as of December 31, 2005 and 2004, as well as the intercompany transactions that affected the results for the years, refer to transactions between the Company and its subsidiaries, which were substantially carried out under usual market conditions for each type of transaction.

II. INVESTMENTS

	Company		Consolidated	
	2005	2004	2005	2004
Investments in subsidiaries	516,921	373,748	-	-
Goodwill on acquisition of investment - Nova Flora	-	-	8,015	8,015
Amortization of goodwill - Nova Flora	-	-	(8,015)	(5,487)
Goodwill on acquisition of investment - Natura Europa	-	-	5,753	6,179
Other	8	-	8	-
	<u>516,929</u>	<u>373,748</u>	<u>5,761</u>	<u>8,707</u>

The goodwill on the acquisition made by the subsidiary Nova Flora Participações Ltda. was fully amortized in 2005, due to the low expectation of profitability from 2006 onwards. Liabilities related to this subsidiary are properly reflected in the consolidated financial statements.

The goodwill generated on the purchase of a commercial location where Natura Europa SAS operates is supported by an appraisal report issued by independent appraisers, attributable to the fact that it is an intangible, marketable asset, which does not suffer any decrease in value over time. The balance variation between December 31, 2004 and 2005 is basically due to the effects of the exchange variation for the period.

	Indústria e Comércio de Natura Ltda.	Natura Cosméticos S.A. - Chile	Natura Cosméticos S.A. - Peru	Natura Cosméticos S.A. - Argentina	Natura Cosméticos C.A. - Venezuela	Nova Flora Participações Ltda.	Natura Inovação e Tecnologia de Produtos Ltda.	Natura Europa SAS	Natura Cosméticos S.A. - Mexico	Natura Brasil Cosmética Ltda. - Portugal	Commodities Trading S.A. - Uruguai	Total
Shares of subsidiaries	432,500	44,422	2,286	64,486	609	2,413	5,008	30,818	14,576	111	-	-
Number of shares (common shares) held	431,705	4,404	2,284	61,262	603	2,413	5,007	30,818	14,575	111	-	-
Ownership interest - %	99.82	99.96	99.93	95.00	99.00	100.00	99.99	100.00	99.99	99.99	-	-
Capital	432,500	44,422	2,286	64,486	609	2,413	5,008	30,818	14,576	111	-	597,229
Shareholders' equity of subsidiaries	474,699	1,454	948	89	248	(4,202)	22,132	13,400	4,807	28	-	513,603
Share in shareholders' equity	473,827	1,453	947	84	245	(4,202)	22,130	13,400	4,807	28	-	512,719
Net income (loss) of subsidiaries	21,978	(2,819)	(1,991)	(8,224)	(361)	(5,230)	13,917	(14,620)	(9,754)	-	(20)	(7,124)
Book value of Company's investment:												
Balances as of December 31, 2004	348,385	346	2,936	2,965	-	1,028	8,214	9,854	-	-	20	373,748
Equity in subsidiaries	21,933	(2,819)	(1,991)	(7,810)	(337)	(5,230)	13,916	(14,620)	(9,754)	(9)	(20)	(6,741)
Exchange variation on translation of foreign investments	-	(352)	(273)	(610)	1	-	-	(2,653)	238	9	-	(3,640)
Recognition (reversal) of provision for losses	-	-	-	-	-	4,202	-	-	-	(64)	-	4,138
Capital increase	103,509	4,278	275	5,538	581	-	-	20,819	14,324	92	-	149,416
Balances as of December 31, 2005	<u>473,827</u>	<u>1,453</u>	<u>947</u>	<u>83</u>	<u>245</u>	<u>(4,202)</u>	<u>22,130</u>	<u>13,400</u>	<u>4,808</u>	<u>28</u>	<u>-</u>	<u>516,921</u>
Provision for losses:												
Balances as of December 31, 2004	-	-	-	-	-	-	-	-	-	(64)	-	(64)
(Recognition) reversal of provision for losses	-	-	-	-	-	(4,202)	-	-	-	64	-	(4,138)
Balances as of December 31, 2005	-	-	-	-	-	(4,202)	-	-	-	-	-	(4,202)
Net balances as of December 31, 2005	<u>473,827</u>	<u>1,453</u>	<u>947</u>	<u>83</u>	<u>245</u>	<u>(4,202)</u>	<u>22,130</u>	<u>13,400</u>	<u>4,808</u>	<u>28</u>	<u>-</u>	<u>512,719</u>

12. PROPERTY, PLANT AND EQUIPMENT

	Company						
	Annual depreciation rate - %	2005			2004		
		Cost	Accumulated depreciation	Net book value	Cost	Accumulated depreciation	Net book value
Vehicles	20	16,412	6,022	10,390	13,071	4,788	8,283
Software	20	5,179	1,920	3,259	3,079	1,226	1,853
IT equipment	20	3,832	2,353	1,479	6,868	5,624	1,244
Furniture and fixtures	10	2,403	1,453	950	3,929	3,031	898
Machinery and equipment	10	1,064	191	873	960	610	350
Leasehold improvements	12	900	185	715	756	157	599
Construction in progress	-	8	-	8	-	-	-
Other	10	1	1	-	6	2	4
		<u>29,799</u>	<u>12,125</u>	<u>17,674</u>	<u>28,669</u>	<u>15,438</u>	<u>13,231</u>

	Company						
	Annual depreciation rate - %	2005			2004		
		Cost	Accumulated depreciation	Net book value	Cost	Accumulated depreciation	Net book value
Buildings	4	144,140	24,618	119,522	126,990	19,166	107,824
Machinery and equipment	10	131,819	41,811	90,008	76,549	32,305	44,244
Installations	10	67,884	27,040	40,844	64,486	24,757	39,729
Vehicles	20	24,694	8,325	16,369	19,953	7,816	12,137
Software	20	24,885	8,571	16,314	12,477	5,379	7,098
Land	-	15,910	-	15,910	15,910	-	15,910
Molds	33	36,521	22,428	14,093	26,879	20,703	6,176
IT equipment	20	28,772	15,050	13,722	31,910	19,094	12,816
Furniture and fixtures	10	13,789	5,009	8,780	12,809	6,825	5,984
Leasehold improvements	12	1,028	204	824	774	175	599
Advances to suppliers	-	16,813	-	16,813	19,742	-	19,742
Construction in progress	-	8,569	-	8,569	21,478	-	21,478
Other	10	6,420	2,904	3,516	9,856	4,771	5,085
		<u>521,244</u>	<u>155,960</u>	<u>365,284</u>	<u>439,813</u>	<u>140,991</u>	<u>298,822</u>

13. DEFERRED CHARGES

As mentioned in Note 1, on March 5, 2004, Natura Participações S.A. was merged into the Company. Natura Participações S.A. had recorded goodwill on the investment in Natura Empreendimentos S.A., amounting to R\$1,028,041, and a corresponding provision for maintenance of future dividend payment capacity in the same amount. This goodwill arose from the merger of the shares of Natura Empreendimentos S.A. into Natura Participações S.A. on December 27, 2000. This merger was approved by the Extraordinary Shareholders' Meeting held on that date, and the amounts are supported by a valuation report issued by independent experts. The amounts are as follows:

	Company	
	2005	2004
Goodwill on investments	758,792	905,655
Provision for maintenance of future dividend payment capacity	(758,792)	(905,655)
	<u>-</u>	<u>-</u>

The provision for maintenance of future dividend payment capacity, as it is in the full amount, will result in the recognition of the goodwill amortization tax benefits for all of the Company's shareholders. The goodwill amount is being amortized over a seven-year period.

14. LOANS AND FINANCING

Type	Company		Consolidated		Vencimento	Encargos	Garantias
	2005	2004	2005	2004			
BNDES - PROGEREN (Support Program for Enhancing Employment and Income Capacity)	69,890	-	69,890	-	June 2007	Interest of 3.5% p.y. + TJLP (long-term interest rate)	Bank guarantee and guarantee of Indústria e Comércio de Cosméticos Natura Ltda.
BNDES (Brazilian Bank for Economic and Social Development)	19,342	31,131	34,994	31,131	August 2007 to April 2010	Interest of 4.0% p.y. and 4.5% p.y. + UMBNDES (*)	Mortgage (***) and guarantee of Natura Cosméticos S.A.
FINEP (Financing Agency for Studies and Projects)	-	-	32,050	36,545	December 2008	Interest of 3.0% p.y. + TJLP	Guarantee, promissory notes and receivables of Natura Cosméticos S.A.
Export credit note (NCE)	-	-	31,641	-	April 2008	Interest of 104.7% of CDI (interbank deposit rate)	Promissory notes and guarantee of Natura Cosméticos S.A.
BNDES - FINAME (Government Agency for Machinery and Equipment Financing)	-	-	12,115	3,768	January 2006 to April 2010	Interest of 4.5% p.y. + TJLP	Chattel mortgage and guarantee of Natura Cosméticos S.A. and promissory notes
Loans - Argentina	-	-	6,775	6,706	January 2006	Interest of 9.5% p.y. + exchange variation (Argentinean pesos)	Guarantee of Natura Cosméticos S.A.
Loans (onlending - International Finance Corporation - IFC)	-	-	-	26,654	December 2011 (paid in June 2005)	Interest of 6.1% p.y. + semiannual LIBOR + exchange variation (U.S. dollar)	Promissory notes and guarantee of Natura Cosméticos S.A.
Resolution N° 2,770 and overdraft account	-	-	-	27,828	May 2005	Interest of 105% of CDI	Promissory notes and guarantee of Natura Cosméticos S.A.
BNDES - POC (***)	-	297	-	297	February 2005	Interest of 4.5% p.y. + TJLP	Guarantee, promissory notes and receivables of Natura Cosméticos S.A.
Loans - Chile	-	-	-	372	July 2005	Interest of 5.0% p.y. + exchange variation (Chilean pesos)	Guarantee of Natura Cosméticos S.A.
Loans - France	-	-	-	1,088	May 2006	Interest of + 3.7% p.y. + exchange variation (euro)	Guarantee of Natura Cosméticos S.A.
Total	89,232	31,428	187,465	134,389			
Current	44,942	11,879	68,309	62,407			
Long term	44,290	19,549	119,156	71,982			

(*) UMBNDES - BNDES monetary unit.

(**) Financing in local currency from the BNDES is guaranteed mainly by the Cajamar unit.

(***) POC - Proposal of Credit Operation.

Maturities of long-term debt are as follows:

	Consolidated	
	2005	2004
2006	-	25,359
2007	61,895	21,714
2008	49,107	13,470
2009	6,276	3,847
2010	1,878	3,790
2011	-	3,802
	<u>119,156</u>	<u>71,982</u>

15. TAXES PAYABLE

	Company		Consolidated	
	2005	2004	2005	2004
ICMS (state VAT)	58,163	48,640	58,184	48,650
IRPJ (corporate income tax)	10,438	-	12,234	159
CSLL (social contribution tax)	4,118	-	4,718	-
IRRF (withholding income tax)	1,570	2,873	3,048	4,084
COFINS (tax on revenue)	74	382	2,166	4,424
PIS/COFINS/CSLL (Law n°. 10,833/03)	1,093	770	1,606	1,095
PIS (tax on revenue)	17	84	826	960
IPI (federal VAT)	-	-	-	431
Other	63	27	6,303	2,579
	<u>75,536</u>	<u>52,776</u>	<u>89,085</u>	<u>62,382</u>

16. RESERVE FOR CONTINGENCIES

The Company and its subsidiaries are parties to certain tax, labor and civil lawsuits and to tax proceedings at the administrative level. Based on the opinion and judgments of its internal and external attorneys, management believes that the reserve for contingencies is sufficient to cover probable losses.



The balances of contingencies are as follows:

	Company		Consolidated	
	2005	2004	2005	2004
Tax	45,837	36,970	76,789	53,190
Labor	3,929	2,198	5,118	3,244
Civil	4,077	601	8,692	3,125
	<u>53,843</u>	<u>39,769</u>	<u>90,599</u>	<u>59,559</u>

Tax contingencies

Accrued tax contingencies are comprised of the following proceedings:

	Company		Consolidated	
	2005	2004	2005	2004
IPI - zero rate ^(a)	-	-	15,814	13,604
PIS (tax on revenue) - semiannual - Decree-laws n°. 2,445/88 and n°. 2,449/88 ^(b)	12,740	11,039	14,267	12,370
Deductibility of CSLL (social contribution tax) (Law n°. 9316/96) ^(c)	5,901	8,057	5,901	8,057
Late payment fines on federal taxes paid in arrears ^(d)	4,926	-	5,859	-
IPI tax assessment - attorneys' fees ^(e)	-	-	5,717	-
Monetary restatement of federal taxes (IRPJ/CSLL/ILL) according to the UFIR (fiscal reference unit) ^(f)	4,851	4,694	4,976	4,814
Tax assessment - INSS (social security contribution) ^(g)	4,944	4,371	4,944	4,371
IPI credit on purchases of fixed assets and consumption material ^(h)	-	-	4,325	-
IPI (federal VAT) - tax collection lawsuit ⁽ⁱ⁾	3,773	3,353	3,773	3,353
Assessment notice - 1990 corporate income tax ^(j)	2,448	-	2,448	-
Attorneys' fees and other	6,254	5,456	8,765	6,621
	<u>45,837</u>	<u>36,970</u>	<u>76,789</u>	<u>53,190</u>

(a) Refers to IPI tax credits on raw materials and packing materials purchased at a zero tax rate and with tax exemption. The Company filed for a mandate and was granted an injunction for the right to the credit.

(b) Refers to the offset of PIS paid as per Decree-laws No. 2,445/88 and No. 2,449/88, in the period from 1988 to 1995, against federal taxes due in 2003 and 2004. The appeal filed by the Company was judged favorably to it on September 12, 2005 by the 1st Panel of the 2nd Board of Tax Appeals that, by a majority of the votes, denied the alleged lapsing of the offset right and unanimously recognized the unconstitutionality of the Decree-laws determining that the calculation basis should be the billing of the sixth month prior to the occurrence of the taxable event, without monetary restatement. The Company is waiting publication and notification of the Decision.

(c) Refers to CSLL (social contribution tax) that was addressed by a mandate that questions the constitutionality of Law No. 9,316/96, which prohibited the deduction of CSLL from its own tax basis and the IRPJ (corporate income tax) basis. A portion of this contingency, in the amount of R\$3,787 (R\$3,245 as of December 31, 2004), is deposited in escrow.

(d) Refers to the levy of a late payment fine on the payment of federal taxes in arrears, whose expectation of loss, according to the opinion of the attorneys, was changed to probable, due to a recent decision by the Superior Court of Justice.

(e) Refers to attorneys' fees for the defense in the tax assessment notice issued in November 2005 by the Federal Revenue Service, relating to the tax basis of the IPI (federal VAT) on intercompany transactions. The attorneys are of the opinion that the likelihood of loss is remote.

(f) Refers to the monetary restatement of federal taxes (IRPJ/CSLL/ILL) related to 1991 based on the UFIR (fiscal reference unit), discussed in a mandate. An escrow deposit has been made for the amount involved in this contingency.

(g) Refers to INSS (social security contribution) required by tax assessments issued by the National Institute of Social Security as a result of an inspection. The Company, as a taxpayer having joint liability for tax payment, is required to pay INSS on services provided by third parties. The amounts are discussed in court through a tax debt annulment action and are deposited in escrow.

(h) The subsidiary Indústria e Comércio de Cosméticos Natura Ltda. is discussing through injunctions the right to the IPI (federal VAT) credit on purchases of fixed assets and consumption materials. In view of Federal Regional Courts' former decisions, the attorneys believe that the risk of loss changed to probable.

(i) Refers to a tax collection lawsuit seeking to collect the IPI (federal VAT) related to July 1989, when wholesale establishments began to be considered equivalent to industrial establishments under Law No. 7,798/89. The lawsuit is in the Federal Regional Court of 3rd Region (SP) for judgment of the appeal filed by the debtor. The amounts involved in this tax collection lawsuit are guaranteed by an affiliate's cash investment in the amount of R\$3,968 (R\$3,337 as of December 31, 2004).

(j) Refers to a tax assessment notice issued by the Federal Revenue Service requiring the payment of income tax on profit from incentive-based exports made in base year 1989, at the rate of 18% (Law No. 7,988, of December 29, 1989) and not 3%, as established by article 1 of Decree-law No. 2,413/88, which supported the Company in its tax payments at that time.

Labor contingencies

As of December 31, 2005, the Company and its subsidiaries are parties to 267 labor lawsuits filed by former employees and third parties (163 as of December 31, 2004), claiming the payment of severance amounts, salary premiums, overtime and other amounts due, as a result of joint liability.

Civil contingencies

Accrued civil contingencies are comprised of the following lawsuits:

	Company		Consolidated	
	2005	2004	2005	2004
Several civil lawsuits ^(a)	1,811	601	2,043	2,096
Civil lawsuits and attorney's fees				
- Flora Medicinal ^(b)	2,266	-	6,649	1,029
	<u>4,077</u>	<u>601</u>	<u>8,692</u>	<u>3,125</u>

(a) As of December 31, 2005, the Company and its subsidiaries are parties to 760 lawsuits (571 as of December 31, 2004), at the civil court, special civil court and PROCON (Consumer Protection Agency), filed by beauty consultants, consumers, suppliers and former employees, mostly related to indemnity claims.

(b) The Company is a party to civil lawsuits filed by a former shareholder of the indirect subsidiary Flora Medicinal, which seek the determination of any amounts and the satisfaction of alleged liabilities due to the former shareholder's withdrawal. With the end of the expert investigation phase in four of the five civil lawsuits, it was possible to determine the amounts involved, although no decision, even by the lower court, has been issued.

Escrow deposits

Escrow deposits, which represent the Company's restricted assets, refer to amounts deposited in court until litigation is resolved. The balance of these deposits as of December 31, 2005 was R\$29,477 (R\$24,256 as of December 31, 2004) - consolidated, and is classified under the heading "Escrow deposits", in long-term assets.

Possible losses

The Company and its subsidiaries are parties to tax, civil and labor lawsuits, for which the risk of loss is considered possible by management and its attorneys. These lawsuits, for which the Company did not record any reserve, are as follows:

	Company		Consolidated	
	2005	2004	2005	2004
Tax:				
INSS debt annulment action ^(a)	4,750	4,199	4,750	4,199
Offset of 1/3 of COFINS - Law n ^o . 9,718/98 ^(b)	3,902	-	3,902	-
Tax assessment - transfer pricing on loan agreements with foreign related company ^(c)	1,239	1,707	1,239	1,707
IPI credit on purchases of fixed assets and consumption material ^(d)	-	-	-	9,245
Other	459	2,388	663	2,860
	<u>10,350</u>	<u>8,294</u>	<u>10,554</u>	<u>18,011</u>
Civil	1,542	6,109	9,489	7,799
Labor	2,878	7,933	5,388	19,094
	<u>14,770</u>	<u>22,336</u>	<u>25,431</u>	<u>44,904</u>

(a) Lawsuit filed by the Company seeking the annulment of the tax demanded by the INSS through a tax assessment notice issued for purposes of collecting the social security contribution on the allowance for vehicle maintenance paid to sales promoters.

(b) Law No. 9,718/98 increased the COFINS (tax on revenue) rate from 2% to 3%, and allowed this 1% difference to be offset in 1999 against the social contribution tax paid in the same year. However, in 1999 the Company and its subsidiaries filed for a mandate and obtained authorization to suspend the payment of the tax credit (1% rate difference) and to pay COFINS based on Supplementary Law No. 70/91, prevailing at that time. In December 2000, considering former unfavorable court decisions, the Company and its subsidiaries waived the lawsuit and enrolled in the tax debt refinancing program (REFIS), for payment in installments of the debt related to the COFINS not paid in the period. With the payment of the tax, the Company and its subsidiaries gained the right to offset 1% of COFINS against social contribution tax, which was made in the first half of 2001. However, the Federal Revenue Service understands that the period for offset was restricted to base year 1999. This lawsuit is awaiting ruling at the lower administrative court.

(c) Refers to a tax assessment notice whereby the Federal Revenue Service is demanding the payment of IRPJ and CSLL on the difference of interest on loan agreements with a foreign related party. On July 12, 2004, an administrative defense was filed and is still being judged.

(d) In view of Federal Regional Courts' former decisions, the attorneys reviewed the initial estimates and assessed part of this contingency as probable risk. Thus, a provision has been recorded to cover potential losses (see list of accrued tax contingencies).

17. MANAGEMENT AND EMPLOYEE PROFIT SHARING

The Company and its subsidiaries pay profit sharing to its employees and managers, tied to the achievement of operational targets and specific objectives established and approved at the beginning of each year. As of December 31, 2005, the following amounts were recorded as profit sharing: R\$13,506 (R\$14,084 as of December 31, 2004) and R\$35,171 (R\$36,626 as of December 31, 2004), Company and consolidated, respectively, under the heading "Salaries, profit sharing and related charges" in current liabilities, with contra entry to "Employee profit sharing" and "Management compensation" in the statements of income for those years.

18. COMPENSATION OF MANAGEMENT AND EXECUTIVES

a) The total compensation of the Board of Directors and Officers of the Company and its subsidiaries is as follows:

	2005				
	Compensation			Stock Options Program	
	Fixed	Variable ^(*)	Total	Stock Option Balance (Quantity) ^(**)	Average exercise price ^(***)
Board of Directors	3,608	-	3,608	-	-
Officers	2,592	1,267	3,859	37,788	31.41
Total	6,200	1,267	7,467	37,788	

	2004				
	Compensation			Stock Options Program	
	Fixed	Variable ^(*)	Total	Stock Option Balance (Quantity) ^(**)	Average exercise price ^(***)
Board of Directors	2,364	-	2,364	-	-
Officers	3,396	1,324	4,720	32,423	22.06
Total	5,760	1,324	7,084	32,423	

b) The compensation of the executives of the Company and its subsidiaries is as follows:

	2005				
	Compensation			Stock Options Program	
	Fixed	Variável ^(*)	Total	Saldo das opções (Quantity) ^(**)	Preço médio de exercício ^(***)
Executives	12,423	4,562	16,985	1,044,114	31.43

	2004				
	Compensation			Stock Options Program	
	Fixed	Variável ^(*)	Total	Stock Option (Quantity) ^(**)	Average exercise price ^(***)
Executives	7,405	3,097	10,502	1,105,329	22.42

(*) Refers to profit sharing.

(**) Refers to the balance of unexercised vested and unvested options as of the balance sheet date.

(***) Refers to the weighted average exercise price of the option at the time of the Stock Option Grant, updated by the inflation calculated based on the IPC-A (Extended Consumer Price Index) through the balance sheet date. Note 20 presents the pro forma net income as of December 31, 2005 and 2004, should Company Management opt for recognizing the effects of the plans in the accounting records, considering the vesting period and using the intrinsic value method (difference between the market price obtained on December 31, 2005 and the value of the option updated based on the IPC-A).

19. SHAREHOLDERS' EQUITY

a) Merger of companies

At the Extraordinary Shareholders' Meeting held on March 5, 2004, the Company's shareholders approved the merger of Natura Empreendimentos S.A. and Natura Participações S.A. into the Company based on an accounting valuation supported by a valuation report issued by independent experts, as mentioned in Note 1.

The net assets merged into the Company were R\$104,951 for Natura Empreendimentos S.A. and R\$75,716 for Natura Participações S.A. based on the book values of these companies, as mentioned in Note 1.

b) Capital

As of December 31, 2003, the Company's capital was R\$56,387, divided into 25,000 common shares without par value and 10,955 preferred shares without par value.

On March 2, 2004, the shareholders decided at an Extraordinary Shareholders' Meeting to: (i) capitalize the credits arising from the redemption of the subordinated debentures held by them and from the net yield of debentures through January 31, 2004; and (ii) split the shares issued by the Company in the proportion of 2,099 new shares for each existing share. The total amount of the capitalized credits was R\$238,569, and was allocated to a capital reserve in the amount of R\$100,000 and a capital increase in the amount of R\$138,569, representing 3,299 new common shares at an issuance price of R\$72,3 thousand per share. These shares were subsequently split in the proportion of 2,099 new shares for each existing share, resulting in capital of R\$194,956, divided into 59,399,601 common shares and 22,994,545 preferred shares. In the Extraordinary Shareholders' Meeting held on March 5, 2004, the shareholders approved, among other matters:

b.1) Merging Natura Participações S.A. and Natura Empreendimentos S.A. into the Company.

b.2) Canceling the Company's shares held by the merged parent companies.

b.3) Amending the bylaws to R\$196,371, represented by 83,266,061 shares.

In the first quarter of 2004, the amount of R\$7,058 was deducted from the legal reserve, recognized in prior years, to absorb the net liabilities arising from the merger of the net assets of Natura Empreendimentos S.A. and Natura Participações S.A., which exceeded the reserve for profit retention.

On May 24, 2004, the Board of Directors' Meeting approved an increase in the Company's capital within the limit of authorized capital, due to the exercise of the right to convert the debentures issued by the Company and fully subscribed by BNDES Participações S.A. into common shares of the Company, as allowed by the Private Indenture of Issuance of Registered Debentures Convertible into Common Shares, dated February 23, 2001.

Consequently, 2,172,550 registered common shares without par value, totaling R\$34,391, were subscribed, and the Company's capital was changed from R\$196,371, represented by 83,266,061 common shares, to R\$230,762, represented by 85,438,611 common shares.

As of December 31, 2005 and 2004, the Company's capital is R\$230,762. The subscribed and paid-up capital is represented by 85,438,611 common shares without par value. The Company is authorized to increase the capital up to the limit of 4,995,964 common shares without par value, of which 2,172,550 were subscribed on May 24, 2004 with a remaining balance of 2,823,414 common shares.

c) Receivables from shareholders

In 2004, the amount of R\$3,029 was reclassified from the heading "Receivables from shareholders" to the heading "Treasury shares" until it is paid up. Details are disclosed in Note 10.e.

d) Interest on capital

At the Board of Directors' meetings on April 28, July 27 and November 23, 2005, the Company's management proposed the

payment of interest on capital, according to the terms of the bylaws, CVM Resolution No. 207/96 and Law No. 9,249/95. As of December 31, 2005, the recorded gross amount of interest on capital is R\$34,205 (R\$29,442 as of December 31, 2004) and was calculated within legal limits, including as to the mandatory minimum dividend of 30% according to article 202 of Law No. 6,404/76 and the bylaws.

Withholding income tax in the amount of R\$5,131 (R\$4,416 as of December 31, 2004) was withheld and paid by the Company.

e) Dividend payment policy

The shareholders are entitled to receive every year a mandatory minimum dividend of 30% of net income, considering principally the following adjustments:

- Increase in the amounts resulting from the reversal, in the year, of previously recognized reserves for contingencies.
- Decrease in the amounts intended for the recognition, in the year, of the legal reserve and reserve for contingencies.

The bylaws allow the Company to prepare semiannual and interim balance sheets and, based on these balance sheets, authorize the payment of dividends upon approval by the Board of Directors.

Dividends and interest on capital - gross, relating to income for 2004, in the amounts of R\$186,910 (R\$2,204 per share) and R\$29,442 (R\$0.347 per share), respectively, were approved by Annual Shareholders' Meeting on March 29, 2005 and corresponded to 72.1% of the 2004 consolidated net income.

On February 21, 2006, the Board of Directors' Meetings approved a proposal, to be submitted to the Annual Shareholders' Meeting to be held on March 29, 2006, for the payment of dividends and interest on capital - gross, relating to income for 2005, in the total amounts of R\$285,237 (R\$3.357 per share) and R\$34,205 (R\$0.403 per share), respectively, corresponding to 80.5% of the 2005 consolidated net income. Of these amounts, the Company paid, on August 16, 2005, dividends and interest on capital - gross, related to income for the first half of 2005, in the amounts of R\$90,434 and R\$13,383 (R\$11,390, net of withholding income tax), respectively.

Dividends were calculated as follows:

	Company	
	2005	2004
Net income	397,357	300,411
Profit reserve - legal (h)	-	(15,021)
Calculation basis for minimum dividends	397,357	285,390
Mandatory minimum dividends	30%	30%
Annual minimum dividend	119,207	85,617
Proposed dividends	285,237	186,910
Interest on capital - net of withholding income tax	29,074	25,026
Withholding income tax	5,131	4,416
Total dividends and interest on capital - gross	<u>319,442</u>	<u>216,352</u>
Amount exceeding the mandatory minimum dividend	200,235	130,735
Dividends per share - R\$	3.357	2.204
Interest on capital per share - net - R\$	0.343	0.296
Total dividends and interest on capital, per share - net - R\$	<u>3.700</u>	<u>2.500</u>

f) Treasury shares

As of December 31, 2005, common shares in treasury, which have been used in the exercise of options in the Stock Option Programs for purchase or subscription of shares, totaled 432,015 (651,849 as of December 31, 2004), at a unit average cost of R\$1.7801 (R\$1.6970 as of December 31, 2004).

g) Share premium

Refers to the goodwill generated on the issuance of 3,299 common shares resulting from the capitalization of debentures in the amount of R\$100,000, as further detailed in item b) above.

h) Profit reserve - legal

Since the balance of the legal reserve plus capital reserves exceeded 30% of the capital, the Company decided, in accordance with article 193 of corporate law, not to recognize a legal reserve on net income for 2005.

i) Reserve for profit retention

As of December 31, 2005 and 2004, this reserve was recorded in accordance with article 196 of Law No. 6,404/76 for future investments, in the amounts of R\$77,915 and R\$76,024, respectively, to the Company. The withholding referring to 2005 is based on a capital budget, which will be submitted for approval in the Annual Shareholders' Meeting to be held on March 29, 2006.

20. STOCK OPTION PROGRAM

In 1998, the former Natura Empreendimentos S.A. approved an incentive policy for certain directors and managers of the Group's companies, whereby they could buy and subscribe shares. Subsequently, this Program was also assumed by the former Natura Participações S.A., and the terms of the Program remained unchanged.

On March 5, 2004, the Shareholders' Meeting of Natura Cosméticos S.A. approved the merger of Natura Empreendimentos S.A. and Natura Participações S.A. into the Company, at which time the Company assumed the Program. The Company completed an initial public offering in Brazil and modified the Program to remove the Company's obligation to repurchase the shares subject to the plan and change the basis for determination of the stock option strike price.

Subsequent to the Company's initial public offering, in a meeting held on April 26, 2004, the Company's management changed these Programs, in which the Company no longer has the obligation to repurchase shares acquired within the Program. The Company's management also modified the criteria for determining the exercise price of purchase or subscription of shares, which became the average market price of the Company's common shares on the São Paulo Stock Exchange (BOVESPA) in the last ten trading sessions prior to the option grant date. The exercise price will continue being updated based on the IPC-A (Extended Consumer Price Index). The Board of Directors meets once a year for the purpose of, pursuant to the terms of the Program, establishing the Plan, indicating the directors and managers who will receive the options and the total amount to be paid.

The Plan for 2001 had three years for exercising the options, i.e., the option holder had the right to exercise options at the rate of 1/3 per year. The Plans for 2002, 2003, 2004 and 2005 have a four-year time span for exercising the options, and the exercise rights are 50% at the end of the third year and 50% at the end of the fourth year. The deadline for exercising options was two years after the end of the fourth year.

The balance of options as of December 31, 2005 is 1,645,210 (1,795,620 as of December 31, 2004) and is composed by plan as follows:

	Number of call options (in shares)	Amount for the year updated according to the IPCA through December 31, 2005
2001	12,294	19.56
2002	407,260	27.15
2003	680,899	15.21
2004	329,433	37.43
2005	215,324	80.31
	<u>1,645,210</u>	

As mentioned above, after its initial public offering, the Company is no longer required to repurchase the shares acquired under the Program and, since the recording of a provision for the Stock Option Program as CVM Official Circular No. 01/04 is no longer mandatory and is not a practice adopted by publicly-traded companies in Brazil, the amount of R\$9,564 related to this provision was reversed as of June 30, 2004 against the "Administrative expenses" account, in the amount of

R\$2,578, and "Retained earnings", in the amount of R\$6,986. The amount of R\$6,986 in the "Retained earnings" account is due to the fact that the provision was derived from Natura Participações S.A. and was received by Natura Cosméticos S.A. as part of the net assets in the merger process of March 2004, as disclosed in Note 1, and, therefore, it had no effect on the income of Natura Cosméticos S.A.

As of December 31, 2005, had the Company's management opted to record the effects of the plans based on the intrinsic value of the options (difference between market price as of December 31, 2005 and the option value updated according to the IPCA) recorded over their related vesting period, the pro forma consolidated net income for the year ended December 31, 2005 would have been R\$364,152 (R\$242,981 as of December 31, 2004), as shown below:

	Consolidated	
	2005	2004
Net income	396,881	300,294
Effect of programs considering vesting period	(32,729)	(57,313)
Net income - pro forma	<u>364,152</u>	<u>242,981</u>

The pro forma net income includes all estimated effects for the shareholders arising from the probable exercise of the options.

As of December 31, 2005, the market price of the Company's shares was R\$102.98 (R\$77.50 as of December 31, 2004).

21. PENSION PLAN

On August 1, 2004, the Company implemented a supplementary defined contribution plan for all employees of the Company and its subsidiaries in Brazil. According to the terms of this plan, the cost is shared between the employer and the employees, so that the Company's share is equivalent to 60% of the employee's contribution according to a contribution scale based on salary ranges from 1% to 5% of the employee's compensation. The plan is managed by Brasilprev Seguros e Previdência S.A. and the Company's contributions for the year ended December 31, 2005 totaled R\$3,037 (R\$1,313 as of December 31, 2004).

22. FINANCIAL INSTRUMENTS

a) General conditions

The Company and its subsidiaries enter into transactions involving financial instruments, all recorded in balance sheet accounts, to meet their own needs, and reduce exposure to market, currency, and interest rate risks. These risks and the respective financial instruments are managed through the definition of strategies, establishment of control systems, and determination of exchange exposure limits.

Cash investments are mainly made at negotiated rates of return, since the Company intends to hold these investments to redemption. These investments reflect market conditions at the balance sheet dates.

Loans and financing are recorded at the contractual interest rates of each transaction.

b) Exchange risk

The Company has entered into swap and forward (only for 2004) transactions to hedge against exchange variation on its liabilities resulting from financing agreements and operating activities. According to the Company's policy, swap transactions must be contracted for all debts that may expose the Company to exchange risks. These transactions consist of swaps between two variable rates: foreign currency and CDI (interbank deposit rate).

As of December 31, 2005 and 2004, the Company had swap and forward (only for 2004) transactions with financial institutions in the amounts of R\$7,242 and R\$74,007, respectively. These transactions generated liabilities of R\$2,703 and R\$6,138, respectively, recorded in consolidated current liabilities. The exchange exposure is substantially indexed to the U.S. dollar.

The Company and its subsidiaries do not use derivative financial instruments for speculation purposes.

c) Interest rate risk

The Company and its subsidiaries are exposed to fluctuations in the long-term interest rate (TJLP) due to the financing agreements entered into with the BNDES and FINEP.

d) Fair values

As of December 31, 2005 and 2004, the fair values of cash and banks, temporary cash investments, and accounts receivable and payable approximate the carrying amounts due to the short-term maturity of these financial instruments. The fair values of loans and financing substantially approximate the carrying amounts since these financial instruments have variable interest rates.

Regarding the swap and forward (only for 2004) transactions the carrying and fair values are as follows:

	Consolidated			
	2005		2004	
	Carrying value	Fair value	Carrying value	Fair value
Swap and forward transactions	2,703	2,775	6,138	6,494

At the balance sheet dates the Company consults the financial market and updates the fair value of financial instruments.

e) Credit risk

The Company's sales are made to a large number of beauty consultants. The Company manages the credit risk through a strict credit granting process.

23. INSURANCE

The Company and its subsidiaries contract insurance based principally on risk concentration and significance, at amounts considered by management to be sufficient, taking into consideration the nature of its activities and the opinion of its insurance advisors. As of December 31, 2005, the insurance coverage was as follows:

Items	Coverage	Insured amount
Industrial complex/ inventories	Any material damages to buildings, installations and machinery and equipment	434,862
Vehicles	Fire, theft and collision for 954 vehicles	25,171
Loss of profits	Non-realization of profits arising from material damages to installations, buildings and production machinery and equipment	604,241

24. SUBSEQUENT EVENTS

On February 21, 2006, the Board of Directors approved a proposal to be approved at the Extraordinary Shareholders' Meeting, which will be held on March 29, 2006, for the:

- Issuance of 340,450 common shares (1,702,250 common shares, if the proposed stock split is approved as described below), without par value, by the Company, within the limit of authorized capital, to fulfill the exercise of 50% of the options granted to the Company's Management and Employees, as well as to the direct or indirect subsidiaries' Management and Employees, participants in the "Amendment to the Stock Option Plan of Purchase or Subscription of Common Shares Issued by the Company Related to Calendar Year 2003", approved by the Company's Board of Directors on May 17, 2004, excluding the right of preference for subscription by the Company's other shareholders due to the specific purpose described above, pursuant to the last portion of the third paragraph of article 171 of Law No. 6,404/76. The price for payment of shares issued and to be subscribed, according to the conditions described above, established according to said "Amendment to the Stock Option Plan of Purchase or Subscription of Common Shares Issued by the Company Related to Calendar Year 2003", currently corresponds to R\$15.30, subject to monetary restatement based on the IPCA, calculated and disclosed by the Brazilian Institute of Geography and Statistics, through the effective subscription date, and must be paid in cash, upon subscription.

- Split of common shares, without par value, issued by the Company, in the proportion of 5 shares after the split for each existing share. The purpose of this stock split is to adjust the Company's shares price to increase individual investor access to the securities market, diversify the shareholder composition and increase liquidity of the Company's shares. Due to this stock split, the number of shares will increase from 85,438,611 to 427,193,055. Likewise, the balance of authorized capital will increase from 2,823,414 to 14,117,070.

In compliance with CVM Regulatory Instruction No. 358, of January 3, 2002, the Company disclosed on the CVM's site (in the Periodic Eventual Information - IPE) significant event notice on February 21, 2006 related to the events described above.

Statements of cash flows
For the years ended december 31, 2005 and 2004
(In thousands of Brazilian reais - R\$)

ATTACHMENT I

	Company		Consolidated	
	2005	2004	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income	397,357	300,411	396,881	300,294
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization (Notes 12 and 13)	4,989	3,809	44,035	34,340
Monetary and exchange variations, net	5,550	(1,143)	3,920	8,835
Reserve for losses on swap and forward contracts (Notes 22.b and 22.d)	1,231	2,648	12,064	4,243
Reserve for contingencies (Note 16)	10,598	16,625	21,638	31,570
Allowance for inventory losses (Note 7)	-	-	1,943	7,007
Sundry accruals	5,726	1,171	11,794	1,420
Deferred income and social contribution taxes (Note 9.a)	(9,262)	(4,528)	(12,150)	(9,634)
Proceeds from sale and disposal of permanent assets	(204)	1,333	2,242	1,828
Equity in subsidiaries (Note 11)	6,741	(2,788)	-	-
Debentures participation, net of taxes	-	5,743	-	5,743
Minority interest	-	-	1	(1)
	<u>422,726</u>	<u>323,281</u>	<u>482,368</u>	<u>385,645</u>
(INCREASE) DECREASE IN ASSETS				
Current assets:				
Accounts receivable (Note 6)	(66,235)	(63,193)	(66,198)	(68,455)
Inventories (Note 7)	800	(1,280)	(32,289)	(49,715)
Other receivables	(7,750)	26,193	(212)	532
Long-term assets:				
Escrow deposits (Note 16)	(888)	(7,128)	(2,688)	(9,073)
Other receivables	(4,252)	(654)	(1,615)	115
Subtotal	<u>(78,325)</u>	<u>(46,062)</u>	<u>(103,002)</u>	<u>(126,596)</u>
INCREASE (DECREASE) IN LIABILITIES				
Current liabilities:				
Suppliers	42,816	96,455	51,216	31,476
Salaries, profit sharing and related charges (Note 17)	2,574	5,981	7,122	24,044
Taxes payable, net (Notes 8 and 15)	24,705	(6,662)	14,068	(20,705)
Other payables	9,171	(4,236)	(5,910)	(6,213)
Long-term liabilities:				
Other payables	-	(1,496)	1,346	(1,448)
Subtotal	<u>79,266</u>	<u>90,042</u>	<u>67,842</u>	<u>27,154</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>423,667</u>	<u>367,261</u>	<u>447,208</u>	<u>286,203</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment (Note 12)	(9,991)	(7,629)	(111,636)	(76,886)
Investments (Note 11)	(149,425)	(34,975)	-	(6,179)
NET CASH USED IN INVESTING ACTIVITIES	<u>(159,416)</u>	<u>(42,604)</u>	<u>(111,636)</u>	<u>(83,065)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Decrease in short-term loans (Note 14)	(12,907)	(76,963)	(75,104)	(47,898)
Fundings - long-term loans (Note 14)	65,342	-	120,366	38,768
Payment of dividends (Note 19.e)	(203,812)	(130,003)	(203,812)	(130,003)
Payment of interest on capital (Note 19.e)	(30,129)	(11,403)	(30,129)	(11,403)
Other	717	-	717	-
Sale of treasury shares by exercise of stock options (Note 19.f)	4,929	630	4,929	630
Payment of receivables from shareholders (Note 19.c)	2,288	-	2,288	-
NET CASH USED IN FINANCING ACTIVITIES	<u>(173,572)</u>	<u>(217,739)</u>	<u>(180,745)</u>	<u>(149,906)</u>
Merger of Natura Empreendimentos S.A. and Natura Participações S.A. net assets (Notes 1 and 19.a)	-	21,086	-	42,269
NET INCREASE IN CASH AND BANKS	<u>90,679</u>	<u>128,004</u>	<u>154,827</u>	<u>95,501</u>
Cash and banks at beginning of year	185,287	57,283	231,612	136,111
Cash and banks at end of year	275,966	185,287	386,439	231,612
CHANGE IN CASH AND BANKS	<u>90,679</u>	<u>128,004</u>	<u>154,827</u>	<u>95,501</u>
SUPPLEMENTARY CASH FLOW DISCLOSURE				
Income and social contribution taxes paid (Note 9)	103,859	69,183	111,605	84,378
Interest paid on loans and financing (Note 14)	2,484	3,991	6,645	12,061
Payments of swap and forward contracts (Notes 22.b and 22.d)	3,072	7,117	15,499	9,170

Statements of value added
For the years ended december 31, 2005 and 2004
(In thousands of Brazilian reais - R\$)

ATTACHMENT II

	Company		Consolidated	
	2005	2004	2005	2004
REVENUES	3,088,611	2,432,140	3,201,561	2,509,073
Sales of goods, products and services	3,119,889	2,453,708	3,234,980	2,533,614
Allowance for doubtful accounts - recognition	(31,066)	(22,666)	(32,177)	(23,673)
Nonoperating	(212)	1,098	(1,242)	(868)
INPUTS PURCHASED FROM THIRD PARTIES	(1,860,261)	(1,485,412)	(1,731,670)	(1,365,906)
Cost of sales and services	(1,110,075)	(921,613)	(1,046,472)	(852,405)
Materials, energy, outside services and other	(750,186)	(563,799)	(685,198)	(513,501)
GROSS VALUE ADDED	1,228,350	946,728	1,469,891	1,143,167
RETENTIONS	(4,989)	(3,809)	(44,035)	(34,340)
Depreciation and amortization (Notes 12 and 13)	(4,989)	(3,809)	(44,035)	(34,340)
VALUE ADDED GENERATED BY THE COMPANY	1,223,361	942,919	1,425,856	1,108,827
VALUE ADDED RECEIVED IN TRANSFER	24,729	23,913	54,714	35,414
Equity in subsidiaries (Note 11)	(6,741)	2,788	-	-
Financial income	31,470	21,125	54,714	35,414
TOTAL VALUE ADDED TO BE DISTRIBUTED	1,248,090	966,832	1,480,570	1,144,241
DISTRIBUTION OF VALUE ADDED	(1,248,090) 100%	(966,832) 100%	(1,480,570) 100%	(1,144,241) 100%
Payroll and related charges	(118,907) 10%	(106,100) 11%	(306,416) 21%	(247,291) 21%
Taxes and contributions	(714,503) 57%	(532,934) 55%	(727,181) 49%	(547,804) 48%
Financial expenses and rents - includes exchange variation on translation of foreign investments (Note 11)	(17,323) 1%	(20,209) 2%	(50,091) 3%	(41,675) 4%
Debenture participation	- 0%	(7,178) 1%	- 0%	(7,178) 1%
Dividends (Note 19.e)	(285,237) 23%	(186,910) 19%	(285,237) 19%	(186,910) 17%
Interest on capital (Note 19.e)	(34,205) 3%	(29,442) 3%	(34,205) 2%	(29,442) 2%
Minority interest	- 0%	- 0%	(1) 0%	1 0%
Retained earnings (*)	(77,915) 6%	(84,059) 9%	(77,439) 5%	(83,942) 7%

(*) Unrealized profit from subsidiaries is eliminated.

Additional information on the statements of value added:

Of the amounts recorded under "Taxes and contributions" in 2005 and 2004, the amounts of R\$412,131 and R\$296,892, respectively, refer to ICMS (state VAT) under the taxpayers' substitution regime levied on the estimated profit margin defined by the State Finance Secretariats obtained from sales made by Natura beauty consultants to final consumers.

In order to analyze this tax impact on the statements of value added, these amounts should be deducted from the amounts recorded under "Sales of goods, products and services" and "Taxes and contributions", since sales revenue does not include the estimated profit attributable to Natura beauty consultants upon the sale of products, in the amounts of R\$1,311,672 and R\$1,059,324 in 2005 and 2004, respectively, considering an estimated profit margin of 30%.

Independent Auditors' Report

To the Board of Directors and Shareholders of
Natura Cosméticos S.A.
São Paulo - SP

- 1) We have audited the accompanying individual (Company) and consolidated balance sheets of Natura Cosméticos S.A. and subsidiaries as of December 31, 2005 and 2004, and the related statements of income, changes in shareholders' equity (Company), and changes in financial position for the years then ended, all expressed in Brazilian reais and prepared under the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements.
- 2) Our audits were conducted in accordance with auditing standards in Brazil and comprised: (a) planning of the work, taking into consideration the significance of the balances, volume of transactions, and the accounting and internal control systems of the Company and its subsidiaries, (b) checking, on a test basis, the evidence and records that support the amounts and accounting information disclosed, and (c) evaluating the significant accounting practices and estimates adopted by management, as well as the presentation of the financial statements taken as a whole.
- 3) In our opinion, the financial statements referred to in paragraph 1 present fairly, in all material respects, the individual and consolidated financial positions of Natura Cosméticos S.A. and subsidiaries as of December 31, 2005 and 2004, and the results of their operations, the changes in shareholders' equity (Company), and the changes in their financial position for the years then ended in conformity with Brazilian accounting practices.
- 4) The supplementary information contained in Attachments I and II, referring to the statements of cash flows and value added, respectively, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information was audited by us in accordance with the auditing procedures mentioned in paragraph 2 and, in our opinion, is fairly presented, in all material respects, in relation to the basic financial statements taken as a whole.
- 5) The accompanying financial statements have been translated into English for the convenience of readers outside Brazil.

São Paulo, February 21, 2006

DELOITTE TOUCHE TOHMATSU
Auditores Independentes
CRC 2 SP 011609/O-8

Edimar Facco
Contador
CRC 1 SP 138635/O-2

General Index

A

ABC 115
Aberje 48
ABEVD 38, 83, 84, 87, 115
Abia 115
Abihpec 38, 87, 114, 115
ABNT 115
ABPI 115
ABPVS 115
ABQV 114, 115
Abrasca 48, 115
Absence 106
Açaí 109
Acelp 115
AG Comunicação Ambiental 114
Agenda 21 86
Agenda 21 Cajamar 109, 119
Agenda 21 Permanent Forum in Cajamar 77, 109
Agenda 21 Potuverá 111
Agricultural stewardship 109
Agrobiodiversity 109
Aiesec 114
Aippi 115
Amerco 115
Animal testing 55, 87
Annual Budgetary Law. See LOA
Anpei 115
Anthropic Medium 91
Anti-signs treatment 46, 54
Anvisa 83, 87
Apimec 68
Argentina 7, 41, 46, 77, 80
Asipi 115
Asociación Civil Peruana de Empresas Vinculadas al Brasil – Grupo Brasil 115
Asociación Interamericana de la Propiedad Industrial. See Asipi
Aspi 115
Assets
Açaí 92
Andiroba 92
Breu-branco 92
Buriti 92
Cacau 92
Camomila 92
Çapim-limão 92
Castanha-do-brasil 92
Copaíba 92
Cumaru 92
Cupuaçu 92
Guaraná 92
Jambu 92
Louro-Rosa 92
Macela 92
Maracujá 92
Mate-Verde 92
Murumuru 92
Pitanga 92
Priprioca 92
Associação Paulista da Propriedade Intelectual. See Aspi
Association Internationale pour la Protection de la Propriété Intellectuelle. See Aippi

Association of Corporate Communication of the Mercosur. See Amerco
Association of the SAP Users in Brazil. See Asug
Asug 115
Audibra 115
Auditing Comitee 66

B

Balance Sheet 120
Banco Nacional de Desenvolvimento Econômico e Social. See BNDES
Baque Bolado (grupo teatral) 110
Beliefs 41, 43, 56, 72, 81, 85
Biblioteca Municipal de Jordanésia (SP) 112
Biodiversidade Brasil 119
Biodiversity 7, 39, 43, 46, 54, 90, 93
Biodiversity Conservation 109
Biodiversity National Police 90
Biological Diversity Convention 90
Biotic Medium 91
BM&F 70
BNDES 74
Board of Directors 7, 66, 68, 70
Bolivia 41
Bovespa 66, 67
Bramex 115, 117
Brand 38, 56
Brazilian Association of Corporate Communication. See Aberje
Brazilian Association of Direct Selling Companies. See ABEVD
Brazilian Association of Food Industries. See Abia
Brazilian Association of Open Companies. See Abrasca
Brazilian Association of Personal Hygiene, Perfumery and Cosmetics. See Abihpec
Brazilian Association of Publicly Traded Companies. See Apimec
Brazilian Association of Quality of Life. ABQV
Brazilian Association of R&D of Innovative Companies. See Anpei
Brazilian Association of Sanitation Control Professionals. See ABPVS
Brazilian Association of Technical Standards. See ABNT
Brazilian Banks Federation, Febraban 114
Brazilian Biodiversity Fund. See Funbio
Brazilian Confederation of Industries. See CNI
Brazilian Corporate Law 68
Brazilian Institute of Finance Executives. See Ibfef
Brazilian Institute for Corporate Governance. See IBGC
Brazilian Institute for the Environment and Renewable Natural Resources. See Ibama
Brazilian Institute of Internal Auditors. See Audibra

Brazilian Institute of Investor Relations. See Ibri
Brazilian Sustainable Development Enterprise Council, CEBDS 114
Breu-branco 55, 60
Bribing 85

C

Caieiras' Department of Education 110
Cajamar (SP) 86, 90, 109
Cajamar's Department of Education and Culture 110
Cajamar's Department of Social Services 110
Cámara Argentina de Venta Directa. See Cavedi
Cámara de Comercio de Lima 115
Cámara de la Industria Cosmética de Chile. See Cicc
Cámara de Venta Directa de Chile 115
Cámara Peruana de Venta Directa 115
Campaign 6, 46, 98, 112
CAN 83
Casa Natura Paris 6, 46, 54
Cavedi 115
CDI 74
Ceal 115
Cempre 115
CEN 115
Center of Industries of the State of São Paulo. See Ciesp
Certification 109. See ISO e NBR
Chile 7, 41, 46, 77, 80, 81
Chronos 43, 54, 72
Chronos Spilol 7
Cia. de Dança Borelli 110
Ciesp 115
City Council of Child and Youth Rights 86
City Fund of Child and Youth 86
Clinic 105
CNI 115
Código de Conduta de Venda Direta Diante dos Consumidores 84
Código de Conduta de Venda Direta Diante dos Vendedores Diretos e entre Empresas 82, 83
Comercial training 107
Communication 6, 72
Communication channels 81, 83, 84, 86
Communication management 84
Congress 86
Conselho Empresarial Nacional para Prevenção ao HIV/Aids. See CEN
Consolidated gross revenues 40
Consultants 6, 7, 39, 41, 46, 57, 71, 72, 75, 83, 98, 111
Consumer 6, 7, 57, 71, 83, 84
Consumer Center 83
Consumer Protection Code 84
Consumer satisfaction 84
Contingency Data Processing Center 71

Controlling group 7, 66
Cooperative 85
Corporate Commitment to Recycling. See Cempre
Corporate Governance 7, 66, 70
Corporate Responsibility Management System 71, 81, 85
Corporative Responsibility 52, 109
Corruption 85
Cosmetics 40, 56, 87
Cupuaçu 109
Current assets 120
Current liabilities 121

D

Debts 70, 74
Dental care plan 105
Dermatologist 83
Direct sales 6, 38, 40
District forums 110
Diversity 51
Dividends 68

E

EBITDA 49, 74
Ecocert Brasil 109
Economic and financial results 74
Economic indicators 80
Education 51
Education and Public Management 110
Education for Social Responsibility and Sustainable Development. See Uniethos
Education of youths and adults. See EJA
Effluent Treatment Plant 90, 91
EJA 77
Ekos 43, 54
Elastinol 54
E-mails 83
Energetic Matrix – Natura Group 94
Energetic Matrix 50
Energy 94
Energy consumption 50, 94
Energy Management System 94
E-news Externa 56
Entrepreneurship and women's leadership 112
Environment 71, 90
Environmental Commission of City of São Paulo Section of Attorney's Association 114
Environmental goals 80
Environmental impact 6, 80, 89, 91
Environmental indicators 80
Environmental management 80, 90
Escola de Administração de Empresas de São Paulo da Fundação Getulio Vargas, 114
Escola Estadual Professor Elcio José Pereira Cotrim 112
Esthetics Center at Natura Club 105
Ethics 41, 73, 80, 83, 85, 86
Ethos, Institute 48, 85, 115

- Ethos Institute of Companies and Social Responsibility. See Ethos, Institute
- Exchange rate 70
- Exchange rate hedging 70
- F**
- Fapesp 55
- Fernand Braudel Institute of World Economy 116
- FGV-Eaespp 67
- Financial Comittee 66
- Financial planning 107
- Financial Statements 120
- Financing 74
- Finexp 74
- Flora Brasiliensis (book) 112
- Food and Drug Administration 83
- Forced labor 102
- Forest Stewardship Council 109
- Formação de Agentes Culturais 110
- Fórum Permanente Caxambu 114
- Fragrances 40, 43, 55
- France 6, 41, 46, 73, 80
- Free cash generation 68
- Frete Agenda 21 Escolar 111
- Frente Educação e Capacitação 111
- Frente Geração de Trabalho e Renda 110
- Frente Meio Ambiente 110
- Frente Relacionamento 110, 111
- Funbio 116
- Fund raising 112
- Fundação de Amparo à Pesquisa do Estado de São Paulo. See Fapesp
- Fundação Getulio Vargas 114
- Fundação Nacional da Qualidade 115
- Future Market. See BM&F
- G**
- Genetic Patrimony Management Council 85
- Genetic resources 46
- Gente Bonita de Verdade na Comunidade 111
- Gincana Fazenda Eco: a Cajamar que Temos e a Cajamar que Queremos 110
- Global Compact 85, 90
- Global Reporting Initiative. See GRI
- Goals established in Natura Annual Report 2004 97, 107, 119
- Government 86, 111
- Government Relation Management System 86
- Government relations 86
- Graduate Scholarships in Business and Sustainable Development - Getulio Vargas Foundation. See FGV
- Greenhouse Gas Emissions 95
- Greenhouse-effect 95
- GRI 48, 80, 116
- Gross debt 74
- Gross revenues 6, 40, 46, 74
- GVces 115
- H**
- Hay Group 81
- Health care plan 105, 107
- Hospital
- Araújo Jorge (GO) 111
- do Câncer AC Camargo (SP) 111
- Escola da Universidade Federal de Pelotas (RS) 111
- Estadual Mário Covas (SP) 111
- Fêmnia (RS) 111
- Ophir Loyola (PA) 111
- Universitário de Santa Maria (RS) 111
- Human Resources Comittee 66
- Human Resources, department 81
- I**
- Ibama 92, 114
- IBD 109
- Ibef 116
- IBGC 116
- Ibri 116
- ledi 116
- In vitro evaluation 55, 83
- Index
- Bovespa 6
- IBrX100 46, 67
- ISE 46
- itag 46
- MSCI 46, 67
- MSCI Brasil 46, 67
- MSCI Emerging Markets Latin America 46, 67
- Industrial Development Studies Institute. See Iedi
- Industrial Policy 86
- Industrial waste 96
- Information Technology 71, 75
- Inmetro 83
- Innovation index 54
- Inpi 46, 56
- Instituto Akatu 116
- Instituto Biodinâmico. See IBD
- Instituto Brasileiro de Controle do Câncer (SP) 111
- Instituto Maranhense de Oncologia Aldenora Belo (MA) 111
- Instituto Nacional da Propriedade Industrial. See Inpi
- Instituto Nacional de Câncer (RJ) 111
- Instituto Nacional de Metrologia. See Inmetro
- Inta 116
- Interbank Deposit Certificate. See CDI
- Interests 68
- International Trademark Association. See Inta
- Internationalization 46, 56, 59, 66
- Internet 57, 83
- Investment 6, 39, 51, 52, 54, 62, 75, 107
- Investment in Corporate Responsibility 108
- Investment Matrix in Corporate Responsibility 51
- Investor 6, 68
- Investors Relationship 68
- IPO 66
- Itapecerica da Serra (SP) 40, 86, 90
- J**
- Jambu 7, 46, 54, 109
- Jordanésia (SP) 112
- K**
- Kyoto Protocol 95
- L**
- Labels 84
- Labor Code (Consolidação das Leis do Trabalho) 106
- Labor safety 105
- Latin America 41
- Latin America Businessmen Council 114
- LCA 96
- Lectures in the Corporate Responsibility area held in 2005 114
- Letter of Relationship Principles 81
- Letters of Principles of Ethos Institute of Companies and Social Responsibility 85
- Life Cycle Analysis (methodology). See LCA
- Life Cycle Management, LCM 114
- Line 0800 Talk to Natura 86
- LOA 110
- Lobbying 85
- Logistics 40, 74, 85
- Long Term Interest Rate 74
- Long-term Assets 120
- M**
- Macela 109
- Make-up 40
- Mamãe e Bebê 43, 57
- Management systems 70, 80
- Marketing 75, 84
- Mata Atlântica 91
- Mata Nativa NGO 109, 110
- Materials 95
- Matias Barbosa (MG) 41
- MBC 116
- Merchandising 72
- Mexico 6, 41, 46, 73, 80, 81
- Millenium Goals 98
- Ministério do Meio Ambiente 46, 114
- Morgan Stanley Composite Index. See Índice MSCI
- Movimento Brasil Competitivo. See MBC
- Municipal Government 77
- N**
- National Health Surveillance Agency. See Anvisa
- Natura Cajamar 110
- Natura Customer Service 84, 85
- Natura Environmental Management System 71
- Natura Itapecerica da Serra 111
- Natura Mov (publication) 73
- Natura Mov 57
- Natura Movement 82, 97, 103
- Natura Support Center. See CAN
- Natura's by-laws 68
- NBR ISO 14001 71, 77
- NBR ISO 9001 46, 77
- Neighbouring Communities 86, 109
- Net amount 68
- Net income 6, 50, 68, 122
- Notes to the Financial Statements 125
- Novo Mercado at São Paulo's Stock Exchange 41
- Novos Olhares – Oficinas de Automaquiagem 111
- O**
- Oficina Municipal 114
- Ombusman 81
- Operating Income 122
- Oral hygiene 43
- Organisational stakeholder 80
- Organizational Satisfaction Survey 47
- Outsourcing 71
- P**
- Perfume and Beauty Products Industry Union in the State of São Paulo. See Sipatesp
- Permanent assets 120
- Personnel 6, 41, 47, 53, 66, 72, 81-82, 100, 105, 107
- Peru 7, 41, 46, 77, 80, 81
- Physical Medium 91
- Pinheiro Neto Advogados 114
- Pitanga 55
- Pluriannual Planning 110
- Portuguese Language Corporate Communication Association. See Acelp
- Post-careers activities 107
- Post-consumption waste 96
- Priproca 55
- Prizes 56, 117
- Aberje 117
- Abrasca 117
- Annual Report 117
- Social Report 117
- Good Corporate Citizenship 117
- Bramex 117
- Modern Customer of Excellency in Services 117
- Eco-Amcham 118
- Children-friendly Company 119
- Civically Responsible Company 119
- Best companies 117
- The Most Highly Regarded Companies in Brazil, As 117
- Executive of Value 118
- FGV Business Excellence Award 118
- Business Leaders Forum 117
- IR Magazine Brazil Awards 117
- Most valuable brands in Brazil 117
- Marcas que Mais Respeitam o Consumidor, As 117
- Best Place for Women to Work 81
- Best Companies to Work in Latin-America 117
- Best Places to Work in Argentina 117
- Best Place to Work 117
- Environmental Merit 118
- Renato Castelo Branco Social Responsibility 118
- AACD Partnership Company Seal 119
- Transparency Trophy – Anefac-Fipecafi-Serasa Award 118
- Valor 1000 118
- Valor Social 118
- Product Safety 55, 87
- Product Safety Comittee 55, 71, 83, 87
- Production 6, 40, 47, 75
- Production planning 75
- Productivity 39
- Products Safety Policy 71, 83
- Programs
- 1000 Women for the Nobel Peace Prize 98
- Agenda 21 Cajamar 98
- Support Centers 107
- Building the Future 106
- Crer para Ver 98, 104
- Crer para Ver – Young and Adult Education Campaign 109
- Natural resources certification 109
- Sustainable Development of Supplier Communities 109
- Executive Education 106
- Trainees 59
- Volunteering Promotion 111
- Corporate Education 103
- Agricultural stewardship 91
- Forest stewardship not based on wood production 91
- Natura Campus 55
- Natura Education 109
- Natura Matched Savings 107
- Quase Acidente 105
- TPM2 105

Projects

Agente Jovem 111
Biodiversidade Brasil 73
Caapiá do Rio de Janeiro (RJ) 104
Chapada (BA) 104
Cinema e Vídeo Brasileiro nas Escolas (SP) 104
Compartilhando Experiências (SP) 104
Comunidade Ativa 110
Educadores de EJA em Ação (SP) 104
Em Cada Saber um Jeito de Ser (BA) 104
Escolas indígenas da floresta (AC) 104
Janelas Cruzadas (RJ) 104
Juventude do Futuro 111
1000 Women for the Nobel Peace Prize 73
Natura Musical 73
Roda Gaúcha (RS) 104
Visita à Natura 110, 111
0800 – Cajamar 111
0800 – Potuverá 111

Propaganda 56, 84

Public education 87

Q

Quality of life 51, 107

Quality of relations 81

R

Reason for being (document) 81

Reduction, refinement and replacement. See 3R

Refill 6, 46

Regional Development 86

Relationship programs 72

Reliability 85

Representation in professional organizations 115

Research 6, 40, 47, 84

Research and Development 38-39, 40, 54, 62, 71, 74, 75

Returns 39

Reused water 50

Risks 70

Risks impact 70

Risks management 70

Risks Management Comitee 66, 70

Roadshows 68

S

Sales channel 75

Sales promoters 111

São Paulo Institute Against Violence 116

São Paulo Stock Exchange. See Bovespa

Satisfaction research 84

Secondary brand 56

Secretary of Environment of the State of São Paulo 114

Security Strategy 83

Self make-up 111

Shareholder Structure 68

Shareholders 6, 7, 68

Shareholders' Equity 121

Sipatesp 116

Brand Management System 56

Social and environmental indicators 48

Social and environmental performance 39

Social capital 68

Social environmental responsible management 41

Social impact 80, 89

Social indicators 80

Social Responsibility 80, 81

Solar protection 40, 43

SOS Mata Atlântica 110, 116

Spilanthus oleracea. See Jambu

Spilol 46, 54

Spring (software) 110

Stakeholder Council 80

Statements of Changes in Financial Position 124

Statements of Changes in Shareholders' Equity 123

Statements of Income 122

Stocks 6, 39, 46, 68

Studies and Projects Funding Agency. See Finep

Superior School of Advertising and Marketing, ESPM 114

Suppliers 7, 53, 85, 102

Suppliers Communities 47, 60, 85, 109

Suppliers satisfaction 85

Support to Cajamar Local Projects 110

Sustainability 38, 47, 67, 74, 80

Sustainability Comitee 98

Sustainable Agriculture Network 109

Sustainable Development 41, 51, 71, 80, 109

T

Technology 7, 46

The Federation of Commercial and Services Association of the states of Rio Grande do Sul, Federasul 114

Third line of separation 75

Toll Free Line 83

Total Performance Management 105

Total productivity management 75

Toxicological analysis 71

TPM System 75

Training 99, 107

Transparency 73, 80, 83, 86

Tripartite Working Group 109

U

Uberlândia (MG) 41

Unemployment insurance 107

União e Solidariedade das Cooperativas e Empreendimentos de Economia Social do Brasil. See Unisol Brasil

União Educacional Minas Gerais 114

Uniethos 116

Unisol Brasil 110

Universidade Estadual Paulista de Sorocaba 114

Universal Declaration of Human Rights 98

University of São Paulo Communication and Art School 114

Upper Tietê Hydrographic Basin 115

V

Valor Sostenible (ma) 114

Values 6, 7, 41, 71, 72, 81, 85

Vegetable raw materials 109

Vertical warehouse 75

Vision 3

Vitrine (magazine) 73

W

Waste 50, 96

Water 93-94

Water consumption 50, 93

Water recycling 93

Working capital 74

Workplace 81

World Federation of Direct Selling Associations 84, 116

World Wildlife Foundation-Brasil 116

Y

Young Attorney Comission, 114

Youth and Adults Education. See EJA

Index Global Reporting Initiative

As it is fully adopting the guidelines of the Global Reporting Initiative, GRI, Natura is including the index in the 2005 Annual Report, in accordance with the recommendations of that organization. The objective of the index, in addition to making it easier to reference the information and indicators, is to evaluate the level of adherence of the company to the GRI guidelines. Further information on the GRI model can be obtained from the www.globalreporting.org website.

Indicator	Chapter	Page	Indicator	Chapter	Page
EC1	Economic indicators	89	LA1	Social indicators	98
EC2	Economic indicators	89	LA2	Social indicators	98
EC3	Economic indicators	89	LA3	Social indicators	102
EC4	Quality of relations	86	LA4	Quality of relations	81, 82
EC5	Social indicators	89, 107	LA5	Social indicators	105
EC6	Economic indicators	89	LA6	Social indicators	105
EC7	Economic indicators	89	LA7	Social indicators	106
EC8	Economic indicators	89	LA8	Social indicators	102
EC9	Economic indicators	90	LA9	Social indicators	107
EC10	Economic indicators	90	LA10	Social indicators	99
EC12	Economic indicators	90	LA11	Social indicators	100
EC13	Social indicators	99	LA12	Social indicators	105
EN1	Environmental indicators	95	LA13	Quality of relations	82
EN2	Environmental indicators	95	LA15	Social indicators	106
EN3	Environmental indicators	94	LA16	Social indicators	106
EN4	Environmental indicators	94	LA17	Social indicators	103
EN5	Environmental indicators	93	HR1	Social indicators	105
EN6	Environmental indicators	91	HR2	Social indicators	102
EN7	Environmental indicators	91	HR3	Social indicators	102
EN8	Environmental indicators	95	HR4	Social indicators	99
EN9	Environmental indicators	95	HR5	Quality of relations	81, 82, 102
EN10	Environmental indicators	95	HR6	Quality of relations	102
EN11	Environmental indicators	96	HR7	Social indicators	102
EN12	Environmental indicators	93	HR8	Social indicators	99, 102
EN13	Environmental indicators	96	HR10	Quality of relations	81, 82
EN14	Environmental indicators	96	HR11	Social indicators	102
EN15	Environmental indicators	97	HR12	Social indicators	102
EN16	Environmental indicators	90	SO1	Quality of relations	85, 86
EN17	Environmental indicators	94	SO2	Quality of relations	86
EN19	Environmental indicators	95	SO3	Quality of relations	86
EN20	Environmental indicators	93	SO4	Main texts	56
EN21	Environmental indicators	93	SO6	Quality of relations	87
EN22	Environmental indicators	93	SO7	Quality of relations	82
EN23	Environmental indicators	91	SO8	Quality of relations	84
EN24	Environmental indicators	91	PR1	Quality of relations	83, 87
EN25	Environmental indicators	92	PR2	Quality of relations	83
EN26	Environmental indicators	92, 93	PR3	Quality of relations	84
EN27	Environmental indicators	93	PR4	Quality of relations	84
EN28	Environmental indicators	93	PR5	Quality of relations	84
EN29	Environmental indicators	91	PR6	Quality of relations	82, 84
EN30	Environmental indicators	95	PR7	Quality of relations	84
EN32	Environmental indicators	94	PR8	Quality of relations	83, 84
EN33	Quality of relations	85	PR9	Quality of relations	84
EN34	Environmental indicators	95	PR10	Quality of relations	84
EN35	Economic indicators	90	PR11	Quality of relations	84

Indicators not included in this report: EC11, EN18, EN31, LA14, HR9, HR13, HR14 and SO5

credits

Editorial Council: Antonio Luiz da Cunha Seabra, Guilherme Peirão Leal, Pedro Luiz Barreiros Passos, Alessandro Giuseppe Carlucci, José David Vilela Uba and Rodolfo Witzig Guttilla

Edition and Coordination: José David Vilela Uba, Executive Vice-President, Finance and Information, and Rodolfo Witzig Guttilla, Director, Corporate Affairs and Government Relations

Editorial Coordination: Carmen Nascimento, Corporate Communication Department

Writing: Ana Augusta Rocha, Antonio Felix, Carmen Nascimento, Célia Cassis, José Paulo Kupfer, Renato Modernell and Sonia Dias

Survey, Determination of Indicators and Support for the Identification of Content: Nelmara Arbex, Corporate Responsibility Department

Translation into English: Eliana Bryant

Art Director and Graphic Design: Wilson Spinardi Júnior; Modernsign Design e Inovação

Image Director: Rafic Farah

Art Assistants: Edna Junko Yokota, José Carlos Gonsalves Correa Júnior, Rogério de Stacchini Trezza, Modernsign Design e Inovação

Illustrations: Modernsign Design e Inovação over Joana Lira designs

Printing: Litokromia

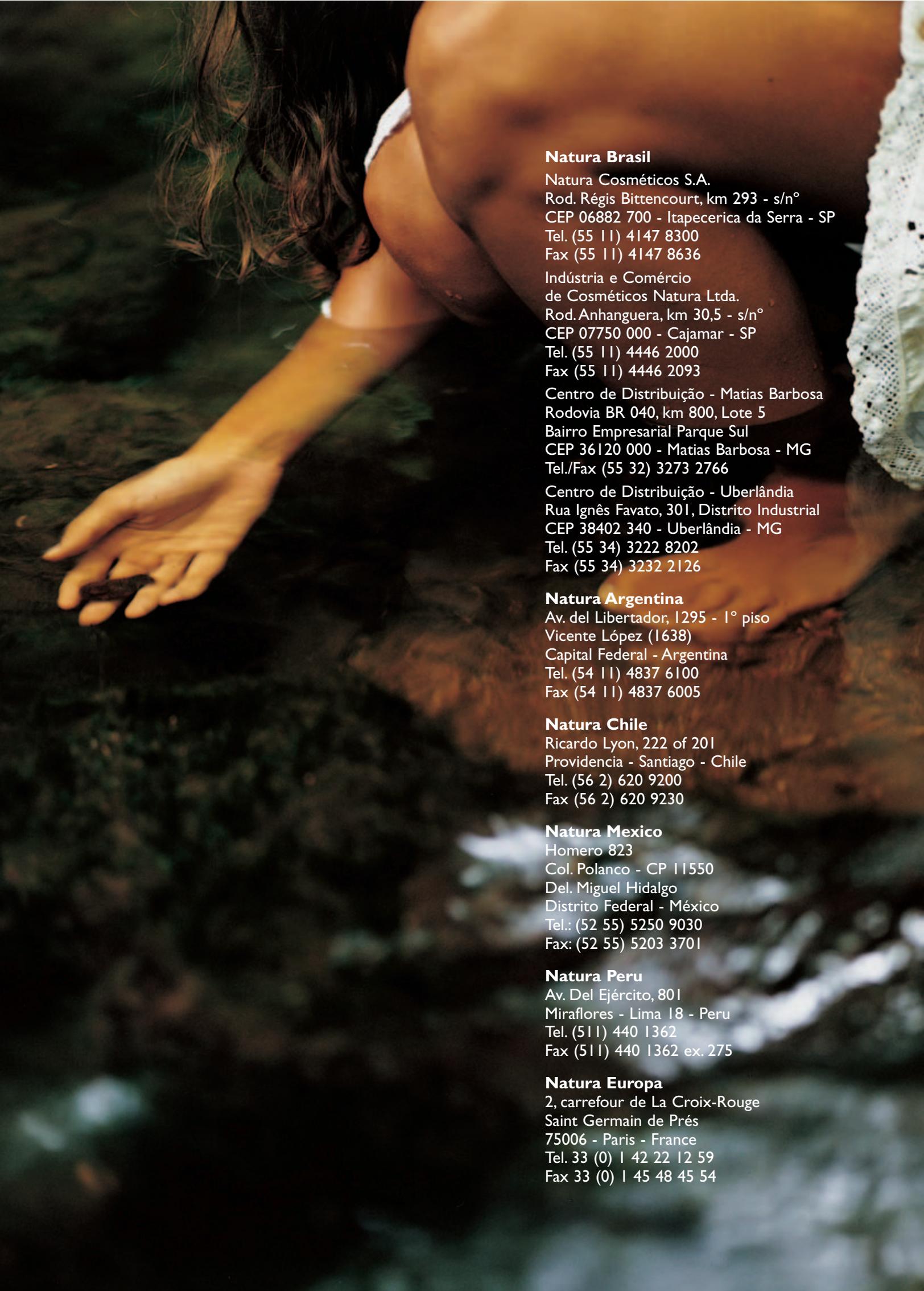
Natura's Team Responsible for the Determination and Provision of Indicators and Information in this Report: Alan Nascimento, Alejandra Ramos, Alejandro Diaz, Alexandre Zaparoli, Aline de Oliveira, Ana Luiza Nossar, Andrea Vernacci, André Battaglia, Angel Medeiros, Antonio Rigolo, Antonio Siqueira, Aureo de Almeida, Camila Fornazari, Camila Souto, Carlos Witte, Carmen Nascimento, Carolina Pulizzi, Claudia Falcão, Cláudio Souza, Claudio Eschecolla, Clayton Pedro, Cristiane Samarra, Cristiane Vieira, Cristiane de Moraes, Cristina Liberado, Damian Puerto, Daniel Gonzaga, David Guzman, David Uba, Denise Asnis, Ednalva Moreira, Eduardo Costa, Eduardo Luppi, Eduardo Zornoff, Elaine Lemes, Eliane Munford, Eliane Anjos, Elizabeth Vicentini, Felipe Dias, Felipe Maranzato, Fernando Oliveira, Filipe Moura, Flavia Motta, Frederico Bandini, Georgia Bernardes, Gisela Bartolomé, Gladys Morales, Gloria López, Hélio Novaes, Hélio Ribeiro, Helmut Bossert, Ira Finkelstein, Isabel Ferreira, Itamar Correa da Silva, Janice Casara, Jean Gesztesi, Jelena Nadinic, Jorge Casmerides, Karen Cavalcanti, Karina Aguilár, Karine Boselli, Laura Gambeta, Leandro Machado, Lidia Pinto, Lourdes Rodriguez, Luciana Magalhães, Luciano Saporito, Lucilene Prado, Luiz Gomes, Maíra Vasconcellos, Marcel Szajubok, Marcelo Judzik, Marcos Bianchi, Marcos Egydio Martins, Marcos Josmar, Maria Amélia de Moraes, Mario de Oliveira, Moacir Salzstein Mônica Gregori, Natali Lima, Nelmara Arbex, Nivaldo Pizzinato, Olívia Ortiz, Patrícia Pessoa, Patrícia Peters, Patrícia Queijo, Paula Noschese, Paulo Lalli, Plínio Yasbek, Renata Paioli, Regina Rodrigues, Renata Sbardelini, Renzo Higginio Sanchez, Ricardo Capella, Ricardo Dessen, Ricardo Martello, Roberto Zardo, Rodolfo Guttilla, Rodrigo Roux, Romy Romero, Rosângela Brandão, Rosimara Lopes, Sandra Matsumoto, Sebastião Sampaio Alves, Sérgio Delarcina, Simoni Chitarra, Sônia Tuccori, Sophia Ribeiro, Susy Yoshimura, Wilson Ergonomista

Photography: Cover and Fold: J. R. Duran; Pages 2, 3: Arnaldo Pappalardo; Pages 4, 5: Willy Biondani & Arnaldo Pappalardo; Pages 6, 7: J. R. Duran; Page 8: J. R. Duran; Pages 9, 10: Thelma Vilas Boas; Pages 11, 14: Rafic Farah & Wilson Spinardi Junior; Pages 15, 17: Rafic Farah; Pages 18, 19: Wilson Spinardi Junior; Page 20: Rafic Farah; Page 21: Rafic Farah & Wilson Spinardi Junior; Pages 22 to 24: Rafic Farah; Pages 25 to 32: J. R. Duran; Pages 33, 35: Wilson Spinardi Junior; Pages 36, 37: Rafic Farah; Pages 38, 40: Wilson Spinardi Junior; Page 41: Danilo Borges; Page 42: J. R. Duran; Pages 44, 46: J. R. Duran; Page 47: Rafael Quintino; Page 48: J. R. Duran; Page 49: Danilo Borges; Page 54: Wilson Spinardi Junior; Page 55: Danilo Borges; Page 58: J. R. Duran; Page 63: Willy Biondani & Arnaldo Pappalardo; Page 66: Wilson Spinardi Junior; Page 67: Danilo Borges; Pages 66, 67 internals: Arnaldo Pappalardo (presidents) & Marcos Vilas Boas; Page 69: Willy Biondani & Arnaldo Pappalardo; Page 70: a) Thelma Vilas Boas; b) Wilson Spinardi Junior; Page 71: Rafael Quintino; Page 72: Thelma Vilas Boas; Page 73: Danilo Borges; Page 74: Danilo Borges; Page 75: Willy Biondani & Arnaldo Pappalardo; Page 76: Rafic Farah; Pages 78 & 79: Arnaldo Pappalardo.



THE USE OF MORGAN STANLEY CAPITAL INTERNATIONAL INC.'S ("MSCI") TRADEMARKS AND INDEX NAMES DOES NOT CONSTITUTE A SPONSORSHIP, ENDORSEMENT OR PROMOTION BY MSCI, ANY OF ITS AFFILIATES, ANY OF ITS INFORMATION PROVIDERS OR ANY OTHER THIRD PARTY INVOLVED IN, OR RELATED TO, COMPILING, COMPUTING OR CREATING ANY MSCI INDEX. THE MSCI INDEXES ARE THE EXCLUSIVE PROPERTY OF MSCI. MSCI AND THE MSCI INDEX NAMES ARE TRADEMARKS OF MSCI OR ITS AFFILIATES AND HAVE BEEN LICENSED FOR USE FOR CERTAIN PURPOSES BY NATURA.

This Report was printed using GillSans typeface on 240 g/sq. m recycled paper for the cover and 120 g/sq. m recycled paper for the pages. This publication is made up of 8,000 issues in portuguese, 3,000 in english and 3,000 in spanish.



Natura Brasil

Natura Cosméticos S.A.
Rod. Régis Bittencourt, km 293 - s/nº
CEP 06882 700 - Itapeverica da Serra - SP
Tel. (55 11) 4147 8300
Fax (55 11) 4147 8636

Indústria e Comércio
de Cosméticos Natura Ltda.
Rod. Anhanguera, km 30,5 - s/nº
CEP 07750 000 - Cajamar - SP
Tel. (55 11) 4446 2000
Fax (55 11) 4446 2093

Centro de Distribuição - Matias Barbosa
Rodovia BR 040, km 800, Lote 5
Bairro Empresarial Parque Sul
CEP 36120 000 - Matias Barbosa - MG
Tel./Fax (55 32) 3273 2766

Centro de Distribuição - Uberlândia
Rua Ignês Favato, 301, Distrito Industrial
CEP 38402 340 - Uberlândia - MG
Tel. (55 34) 3222 8202
Fax (55 34) 3232 2126

Natura Argentina

Av. del Libertador, 1295 - 1º piso
Vicente López (1638)
Capital Federal - Argentina
Tel. (54 11) 4837 6100
Fax (54 11) 4837 6005

Natura Chile

Ricardo Lyon, 222 of 201
Providencia - Santiago - Chile
Tel. (56 2) 620 9200
Fax (56 2) 620 9230

Natura Mexico

Homero 823
Col. Polanco - CP 11550
Del. Miguel Hidalgo
Distrito Federal - México
Tel.: (52 55) 5250 9030
Fax: (52 55) 5203 3701

Natura Peru

Av. Del Ejército, 801
Miraflores - Lima 18 - Peru
Tel. (511) 440 1362
Fax (511) 440 1362 ex. 275

Natura Europa

2, carrefour de La Croix-Rouge
Saint Germain de Prés
75006 - Paris - France
Tel. 33 (0) 1 42 22 12 59
Fax 33 (0) 1 45 48 45 54