



DISCLOSURE MATERIALS

Certified B Corporations must complete a Disclosure Questionnaire to identify potentially sensitive issues related to the company (e.g. historical fines, sanctions, material litigation, or sensitive industry practices).

This component does not affect the company's score on the B Impact Assessment. If the company answers affirmatively to any items in the Disclosure Questionnaire and B Lab deems them to be material, the company must:

- 1) Be transparent about the disclosure issues identified on the company's public B Impact Report
- 2) Describe how the company has addressed this issue.
- 3) Demonstrate that management systems are in place to avoid similar issues from arising in the future.

In all cases, the Standards Advisory council reserves the right to refuse certification if the company is ultimately deemed not to uphold the spirit of the community.

In addition to the voluntary indication of sensitive issues in the Disclosure Questionnaire, companies pursuing Certification also are subject to background checks by B Lab staff. Background checks include a review of public records, news sources, and search engines for company names, brands, executives/founders, and other relevant topics.

Sensitive issues identified through background checks may or may not be within the scope of questions in the Disclosure Questionnaire, but undergo the same review process and are subject to the same possible review by the Standards Advisory Council, including ineligibility for B Corp Certification, required remediation, or disclosure.

This document contains a copy of the company's completed Disclosure Questionnaire and related disclosure documentation provided by the company.



DISCLOSURE QUESTIONNAIRE

Company Name: **Natura**
 Date Submitted: **04/21/2017**

Disclosure Industries	Yes	No
Please indicate if the company is involved in production of or trade in any the following. Select Yes for all options that apply.		
Any product or activity deemed illegal under host country laws or regulations or international conventions and agreements		√
Alcohol (excluding beer and wine)		√
Commercial loggings and logging equipment		√
Drift net fishing in the marine environment using nets in excess of 2.5km in length		√
Firearms, weapons or munitions		√
Genetically modified organisms		√
Mining		√
Nuclear Power		√
Fossil fuel-based oil or coal utility		√
Ozone depleting substances subject to international phase out		√
Persistent organic pollutants (POPs) that are banned or scheduled to be phased out of production		√
Pesticides/herbicides subject to international phase out or bans		√
Pharmaceuticals subject to international phase-outs or bans		√
Radioactive materials		√
Tobacco		√
Unbonded asbestos		√
Wildlife or wildlife products regulated under the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES)		√
Chemical-intensive industries reliant on chemicals that meet the Substances of Very High Concern (SVHC) criteria under REACH		√
Disclosure Penalties		
Please indicate if the company has had any formal complaint to a regulatory agency or been assessed any fine or sanction in the past five years for any of the following practices or policies. Check all that apply.		
Diversity and equal opportunity		√
Employee safety or workplace conditions		√
Environmental issues	√	
Financial reporting		√
Geographic operations or international affairs		√
Investments or Loans		√
Labor issues (internal and supply chain)		√
Marketing		√
Product Safety		√
Political contributions		√
Taxes	√	
Animal Welfare		√
Bribery, Fraud or corruption		√

Disclosure Practices	True	False
Please indicate if the following statements are true regarding whether or not the company engages in the following practices. Check all that apply. If the statement is true, select "True." If false, select "False."		
Company is not formally registered in accordance with domestic regulations		√
Company has reduced or minimized taxes through the use of corporate shells or structural means		√
Company does not transparently report corporate financials to government		√
Company facilities are located adjacent to or in sensitive ecosystems	√	
Company does not provide clean drinking water to employees at all times		√
A portion of workers, contractors, subcontractors or day-workers are paid below minimum wage		√
Company does not have a signed contract of employment with each worker		√
Company employs workers under the age of 15 (or other minimum work age covered by the International Labour Organization Convention No. 138) and/or company does not keep personnel records that include evidence of the date of birth of each		√
Overtime work for hourly workers is compulsory		√
Company does not provide payslips or equivalent to all workers to show how wages are calculated and any deductions made		√
Company uses workers who are prisoners		√
Company prohibits workers from freely associating and bargaining collectively for the terms of one's employment		√
Company prohibits workers from freely leaving the site during non-working hours or at the end of their shift		√
Company keeps workers' original Id Cards/Passports		√
Animal testing is conducted		√
Company exploitatively operates in conflict zones		√
Company employs individuals on zero-hour contracts		√
Disclosure Outcomes		
Please indicate if the following statements are true regarding if the company has experienced any of the following in the past 5 years. Check all that apply. If the statement is true, select "True." If false, select "False."		
Company has had an operational or on-the-job fatality	√	
Company sites have experiences accidental discharges to air, land or water of hazardous substances		√
Construction or operation of company facilities resulted in physical resettlement or economic displacement involving 5,000 or more people near your facility		√
Material recalls due to quality control issues		√
Material litigation or arbitration against company	√	
Company has filed for bankruptcy		√
Construction or operation of company involved large scale land acquisition		√
Construction or operation of company involved large scale land conversion and/or degradation		√
Construction or operation of company involved the construction or refurbishment of dams		√
Company has had material breaches of individual's confidential information		√

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Supplier Disclosure	Yes	No	Don't Know
Please indicate if any of the following statements are true regarding your company's significant suppliers.			
Significant Suppliers employ workers under the age of 15 (or other minimum work age covered by the International Labour Organization Convention No. 138)		√	
Significant Suppliers use any workers who are prisoners		√	
Significant Suppliers have had an operational or on-the-job fatality			√
Significant Suppliers' sites have experienced accidental discharges to air, land or water of hazardous substances		√	
Construction or operation of Significant Suppliers' facilities resulted in physical resettlement or economic displacement involving 5,000 or more people near their facility		√	
Construction or operation of Significant Suppliers involved large scale land acquisition		√	
Construction or operation of Significant Suppliers involved large scale land conversion and/or degradation		√	
Construction or operation of Significant Suppliers involved the construction or refurbishment of dams			√
Significant Suppliers have had material fines or sanctions in the last five years regarding the issues indicated in DQ4.1			√
Significant Suppliers exploitatively operate in conflict zones		√	

DISCLOSURE QUESTIONNAIRE CATEGORY	Company facilities are located adjacent to sensitive ecosystems
ISSUE DATE	2014
TOPIC	Natura acquired 172 hectares in an area of environmental protection to build an industrial complex
SUMMARY OF ISSUE	In 2014, Natura inaugurated its second largest manufacturing facility called Ecoparque. The facility is located in Benevides (Pará State - Brazil) and houses a manufacturing facility that produces soaps, fixed oils, and part of Natura's essential oils. The facility has approximately 240 employees.
SIZE/SCOPE OF ISSUE (e.g. \$ financial implication, # of individuals affected)	172 hectares of campus operating area US\$64.6 million investment Production capacity: 500 million bars of soap per year
IMPACT ON STAKEHOLDER(S)	Environmental impact on flora and fauna; economic impact on the local communities
RESOLUTION	Natura presented environmental impact assessments and a detailed construction plan with the environmental department and governmental agencies, and obtained the licenses necessary for construction and operation of the facility.
IMPLEMENTED MGT PRACTICES	Ecoparque was built in an area that is considered urban; however, it is considered a preservation area since it is located in the amazon ecosystem (the whole amazon region is an area of environmental protection). Pará State government, which monitors the forest maintenance, established environmental conditions for operating the site, such as obtaining licenses, specific terms for use of the vegetation, a construction environmental plan, and monitoring flora and fauna in order to avoid negative environmental impacts.
REPORT	
OTHER MANAGEMENT COMMENTS	Natura incorporated environmental design strategies in order to mitigate the impact of the construction and operation of Ecoparque such as energy efficient technologies, a geothermal system for air conditioning efficiencies, natural lighting, electric vehicles, pavement permeability, and filtering gardens for wastewater treatment.

DISCLOSURE QUESTIONNAIRE CATEGORY	ES/WC - Employee Safety/Workplace Conditions
ISSUE DATE	12/17/2013
TOPIC	Natura experienced an accidental fatality when one of its employees passed away in a traffic accident while riding a cab.
SUMMARY OF ISSUE	A Natura employee was involved in a traffic accident while she was returning from a work related assignment, due to an irregular maneuver of the taxi driver. The family of the employee filed a lawsuit against Natura asking the company for financial reparation for the damages suffered as a result.
SIZE/SCOPE OF ISSUE (e.g. \$ financial implication, # of individuals affected)	Value asked by the plaintiff US\$ 2.23MM

IMPACT ON STAKEHOLDER(S)	Projected value (probable risk of loss) US\$ 637K
RESOLUTION	The judge ruled the action as partially upheld and ordered Natura to pay the monthly cost of the maintenance of the employees cemetery grave, overdue pensions, and moral damages. Natura has appealed the first ruling and is awaiting a decision by the Regional Labor Court.
IMPLEMENTED MGT PRACTICES	
REPORT	
OTHER MANAGEMENT COMMENTS	

DISCLOSURE QUESTIONNAIRE	Material litigation or arbitration against company - Labor (Employees Internal)
CATEGORY	
ISSUE DATE	Cases in process as of 2016
TOPIC	Labor lawsuits filed by Natura employees
SUMMARY OF ISSUE	Labor suits involve a range of actions, which principally include claims for wrongful termination, re-characterization of the employment relationship, additional severance, or benefits.
SIZE/SCOPE OF ISSUE (e.g. \$ financial implication, # of individuals affected)	As of the end of 2016, Natura had 1,539 open labor lawsuits with a total claim cost of US\$223.8M and a projected payout value of US\$8.8M, yielding a 3.9% expected payout rate. Case classifications are divided below: <ul style="list-style-type: none"> - Employees cases: 340 cases which, compared to a total base of 6,400 employees, yield a 5.3% litigation rate. The projected payout is US\$5.8M, or 4.8% of the US\$122.1M total cost of claims. - Coordinating Consultants: 553 cases which, compared to a total base of 8,000 Coordinating Consultants, yield a litigation rate of 6.9%. The projected payout is US\$1.6M, or 3.9% of the US\$41M total cost of claims. - Third-party or contractors: 646 cases with a projected payout of US\$1.4M, or 2.3% of the total US\$60.6M cost of claims.
IMPACT ON STAKEHOLDER(S)	Financial Impact
RESOLUTION	All cases reported are open and have not yet been resolved.
IMPLEMENTED MGT PRACTICES	When receiving a notice of a lawsuit, Natura investigates internally the reasons why the case may have occurred and takes corrective actions if it finds that a practice should be changed in order to avoid similar occurrences in the future.
REPORT	

OTHER MANAGEMENT COMMENTS	<p>Natura considers the probability of loss in these cases to be remote. Natura calculates the monetary value of its liabilities by using a complex methodology, which includes consulting with a team of lawyers internally and externally, considering the results of similar lawsuits in the industry, and receiving regular updates on the cases' statuses. There is usually very little discrepancy between the real value paid as a result of a loss and the value of the projection (liability) calculated by Natura. Therefore, Natura considers the calculated liability value of US\$8.5M to be an accurate prediction of the amount that Natura will eventually have to pay for the 1,539 open cases as of the end of 2016. It is worth noting that the total 1,539 cases open will not all result in losses for Natura when they come to resolution. In some, Natura will prevail, and in others, there will be agreements or determinations by the relevant authorities to pay a determined amount after the ruling; this amount is the amount reported as liability. Also, it is important to point out that the 1,539 cases are all current open cases from lawsuits that in many cases may have been filed over 5 years ago.</p> <p>According to Natura, employees can file for any case that they consider irregular, and ask for any value when filing a lawsuit, therefore, there is a high discrepancy between the values of merit and values of provision.</p>
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DISCLOSURE QUESTIONNAIRE CATEGORY ISSUE DATE TOPIC SUMMARY OF ISSUE SIZE/SCOPE OF ISSUE (e.g. \$ financial implication, # of individuals affected)	<p>Material litigation or arbitration against company - Civil (Consumer / Consultants / Fraud / Other)</p> <p>Cases in process as of 2016</p> <p>Civil suits involving complaints from consumers and consultants</p> <p>Natura is named in a number of civil suits involving a range of issues, principally related to disputes with consumers and consultants regarding claims of not receiving product orders, incorrect charges or delayed delivery of products, and errors or mistakes regarding product orders through Natura's e-commerce platform.</p> <p>As of the end of year 2016, Natura had 2,703 civil lawsuits with a total claim cost of US\$26.8M and projected payout value of US\$1.8M, yielding a 6.8% expected payout rate. Case classifications are divided below:</p> <ul style="list-style-type: none"> - Consumer complaints: 244 cases that, compared to a total base of 6 million consumers, yield a 0.004% litigation rate. The total claim is US\$9.3M, with none of them exceeding US\$14K. The total projection (liability) calculated is US\$57K. - Relationship of Natura with consultants: 1634 cases which, compared to a total base of 1.8 million consultants, yield a litigation rate of 0.1%. The total cost of the claims is US\$9.3M, with all cases ranging between US\$1 to US\$15K. The total projection (liability) calculated is US\$1.1M. - Fraud and other: 774 cases are classified as fraud and are related to errors in the e-commerce platform and 51 cases are related to other themes. These cases are also in the range of a max US\$15K in provision. The total claim is US\$2.1M and projected payout is US\$24K.
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IMPACT ON STAKEHOLDER(S)	Financial impact
RESOLUTION	All cases reported are open and have not yet been resolved.
IMPLEMENTED MGT PRACTICES	
REPORT	
OTHER MANAGEMENT COMMENTS	Natura considers the probability of loss in these cases to be remote. Natura calculates the monetary value of its liabilities by using a complex methodology, which includes consulting with a team of lawyers internally and externally, considering the results of similar lawsuits in the industry, and receiving regular updates on the cases' statuses. There is usually very little discrepancy between the real value paid as a result of a loss and the value of the projection (liability) calculated by Natura. Therefore, Natura considers the calculated liability value of US\$1.8M to be an accurate prediction of the amount that Natura will eventually have to pay for the 2,703 open cases as of the end of 2016. It is worth noting that the total 2,703 cases open will not all result in losses for Natura when they come to resolution. In some, Natura will prevail, and in others, there will be agreements or determinations by the relevant authorities to pay a determined amount after the ruling; this amount is the amount reported as liability.

DISCLOSURE QUESTIONNAIRE	
CATEGORY	Taxes
ISSUE DATE	Cases in process as of 2016
TOPIC	Tax Infringement Cases (Underpaid Taxes)
SUMMARY OF ISSUE	As of end of the year 2016, Natura had 238 open cases regarding tax fines or notices in which government authorities claimed that Natura is underpaying its taxes. The nature of the specific claims include taxes on industrialized products, social security contributions, taxes on goodwill amortization, and income taxes.
SIZE/SCOPE OF ISSUE (e.g. \$ financial implication, # of individuals affected)	The total cost of the claims relating to the 238 cases is US\$2,327,686,994, with the 5 highest value cases ranging from US\$190M and US\$306M in years 2012 and 2016. Natura considers the chances of loss in these cases to be remote, and as of end of 2016, calculated the total liability (probability of loss) related to the total 238 cases to be US\$19,326,826. However, even though Natura considers the chance of loss in these cases to be remote, Natura is required by law to report on values of tax obligation related to the open cases. This value represents US\$292,956,615. The values of tax obligation and liability together represent 13% of the total value of the claim.
IMPACT ON STAKEHOLDER(S)	Financial impact
RESOLUTION	All cases reported are open and have not yet been resolved.
IMPLEMENTED MGT PRACTICES	
REPORT	

OTHER MANAGEMENT COMMENTS	<p>Natura considers their tax practices defensible since some of the cases and methodology for calculating taxes are related to Natura's organizational structure, which hasn't changed since 1994. In Natura's history there hasn't been reported losses in cases of similar nature or financial scope, and for these reasons Natura considers the probability of loss in these cases to be remote. Natura calculates the monetary value of its liabilities by using a complex methodology, which includes consulting with a team of lawyers internally and externally, considering the results of similar lawsuits in the industry, and receiving regular updates on the cases' statuses. There is usually very little discrepancy between the real value paid as a result of a loss and the value of the projection (liability) calculated by Natura. Therefore, Natura considers the calculated liability value of US\$19M to be an accurate prediction of the amount that Natura will eventually have to pay for the 238 open cases as of the end of 2016. Losses of cases beyond that would have material impact to the financial stability of the company.</p>
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DISCLOSURE QUESTIONNAIRE	Environmental Issues
CATEGORY	
ISSUE DATE	Cases filed between 2012 and 2016
TOPIC	Civil inquiries and administrative procedures (no lawsuits) from the Brazilian Institute of Environment and Renewable Natural Resources (IBAMA) and Public Ministries in locations in different states in Brazil
SUMMARY OF ISSUE	Natura received civil inquiries and administrative procedures relating to investigations of regularity of the company's access to Brazilian biodiversity and genetic heritage; products commercialized from raw materials harvested from this heritage, revenues from these products and regularity of agreements with suppliers; and development and commercialization of products obtained from access to traditional knowledge associated with the national genetic heritage, as well as the sharing of this knowledge.
SIZE/SCOPE OF ISSUE (e.g. \$ financial implication, # of individuals affected)	Natura had 4 new related cases filed in between 2012 and 2016. Since they are all still in the inquiry stage, they do not yet represent financial liability to the company.
IMPACT ON STAKEHOLDER(S)	N/A - since these are inquiries, there is no impact determined yet while in investigation phase
RESOLUTION	All cases reported are open and have not yet been resolved.
IMPLEMENTED MGT PRACTICES	
REPORT	See attachment: "Position on Infringement of IBAMA Autos"
OTHER MANAGEMENT COMMENTS	The first phase of investigation is an inquiry. In cases where the inquiry is confirmed, the public ministry can start an investigation. There have been more than 10 similar cases, which were all archived, not evolving into lawsuits.



POSITION ON THE INFRINGEMENT OF IBAMA AUTOS

May 19th, 2017.

IBAMA promoted two operations, called "Operation New Directions", in the years 2010 (Phase 1) and 2011 (Phase 2) intending to combat allegedly irregular access to genetic resources and associated traditional knowledge in Brazil.

Natura received, as a result of Phase 1 of the IBAMA operation, infringements referring to the alleged lack of authorization to access genetic resources and associated traditional knowledge, and also alleged lack of benefit sharing from those accesses.

The infringements dated mostly from 2010, and only 2 were imposed in 2011. Natura presented administrative defenses in all cases, and four (04) of the infringements have been canceled, but there is still no administrative decision with *res judicata*. Natura informs that it did not receive any environmental fine in Phase 2 of that operation.

Also, Natura's legal team considers that any adverse decisions in administrative proceedings before IBAMA can be judicially contested, as the company is confident that it meets all its legal obligations, especially regarding benefit sharing, which in all cases are conducted in a fair and equitable manner.