

***PROGRAM FOR THE GRANTING OF CALL OPTION OR SUBSCRIPTION OF  
COMMON SHARES OF NATURA COSMÉTICOS S.A.***

**PROGRAM FOR THE GRANTING OF  
CALL OPTION OR SHARE SUBSCRIPTION  
REGULATION**

**I - CONCEPT**

The Program consists of the granting of call option or subscription of NATURA COSMÉTICOS S.A.'s common shares to its executive officers, managers and employees, as well as executive officers, managers and employees of other companies under the direct or indirect control of NATURA COSMÉTICOS S.A., whether these are domestic or foreign corporations.

By means of the granting of call options or share subscription, the Participants may acquire, within term and price previously set out, the Company's shares, as long as all the terms and conditions provided for in this Regulation are met.

**II - DEFINITIONS**

For the purposes of this present Program, it is understood by:

**Shares** – the nominative common shares, which shall be or were already issued by the Company in view of the Program for the Granting of Call Option or Share Subscription;

**Qualified Collaborator** – all Natura Cosméticos S.A.'s executive officers, managers and employees, as well as other companies pertaining to the Natura Group;

**Company** – the company Natura Cosméticos S.A.;

**Option Agreement** – the Private Instrument for the Granting of Call Option or Share Subscription executed between the Company and the Qualified Collaborator, through which, the latter acquires the capacity as Program Participant, declaring to be aware and accept all terms and conditions of the Program and respective Plans;

**Exercise of Options** – the effective share subscription or purchase related to the options previously granted to the Participants, under the terms of the Program and respective Plans;

**Natura Group**- the set of companies Natura Cosméticos S.A. and other controlled companies or to be controlled, whether directly or indirectly by Natura Cosméticos S.A., where these are domestic or foreign companies, already organized or to be organized;

**Option(s)** – the possibility of the Participants to subscribe or acquire the Company's shares by a price previously determined, as long as all the terms and conditions of this present Program are met;

**Mature Option(s)** – the Option, which met the conditions set out for the exercise of right to subscribe or purchase shares, therefore, liable to be exercised;

**Non-Mature Option(s)** – the Option, which has not met the conditions set out for the exercise of right to subscribe or purchase shares yet, therefore, not yet liable to be exercised;

**Participant** – the Collaborator Qualified to whom a call option or share subscription under the conditions of this Regulation and respective Plans was granted, after having signed the Option Agreement;

**Maturity Duration for the Options** – a period comprising between the date of granting of options and date from which the Options may be exercised, within such period the options may not be exercised;

**Period for the Exercise of Options**- This is the period comprised between the date on which the Options became mature and the limit date for the exercise of these options, within such period the Options may be exercised under the terms of this present Regulation and respective Plans;

**Maximum Term for the Exercise of Options** – this is the maximum term (limit date) for the exercise of the Mature Options, under the penalty of loss of procedural right;

**Subscription or Purchase Price** – this shall correspond to the Company's Share Value on the date the Options are granted;

**Program** – the Call Option or Share Subscription Program of Natura Cosméticos S.A., formalized by means of this present Regulation;

**Plan** – the Call Option or Share Subscription Plan, which based on the Program, is approved by the Board of Directors for a certain year of validity of the Program; and

**Regulation** – This present Instrument, through which the Program rules and criteria are formalized.

**Share value** – the Value verified for each share under the terms defined in this present Program.

### III - PURPOSES

The Program's purposes are:

a) to encourage the improvement of the Company's management and of the companies under its direct or indirect control, granting to the Participants the possibility of becoming Company's shareholders, stimulating them to work in the optimization of all the aspects which may valorize the Company, and providing them a corporate view, conciliating and improving the relations among the Natura Group's corporations;

b) to motivate the permanence of executive officers, managers and employees, and

c) to expand the attractiveness of the Company and of the Natura Group's companies.

#### **IV – QUALIFIED COLLABORATORS**

The executive officers, managers and employees of the Company and other Natura Group's companies are the Qualified Collaborators.

External Collaborators shall not be eligible to receive any call option or share subscription through this Program.

#### **V – REQUIREMENTS TO OBTAIN THE CONDITION AS PARTICIPANT**

In order to become a Participant of the Program, the Qualified Collaborator shall be formally appointed by the Board of Directors, under the terms defined in this Regulation. In addition, as a basic condition to his/her appointment to be deemed as valid and binding, the Qualified Collaborator appointed as Participant shall sign the Option Agreement, expressly adhering to the Plan prepared in view of this present Program and declaring to be aware of all its terms and conditions, including the restrictions contained therein.

#### **VI – PROGRAM BASIC STRUCTURE**

##### **VI.1 – Annual Plans**

In every year of effectiveness of the Program, the Board of Directors may create a Plan, which if implemented, shall be structured based on the criteria defined in this Regulation.

It shall be exclusively incumbent upon the Board of Directors to decide on the opportunity and convenience whether or not to implementing the referred plans every year of effectiveness of the Program.

##### **VI.2 – Election of the Participants**

Each Plan shall elect amongst the Qualified Collaborators, the Program Participants. The Board of Directors, as long as the limits approved in the authorized capital and in the Program are observed, may include new Participants in Plans already approved and still in force, granting them the Options deemed as appropriate. The inclusion of new Participants in Plans already approved and still in force only will be possible up to the end of the year in which the Plan has been approved.

##### **VI.3 – Definition of the number of Options to each plan and the form of their distribution amongst the various Participants**

For each Plan, the Board of Directors, in accordance with this Regulation, shall define the number of Options to be distributed amongst the Participants.

It shall also be incumbent upon the Board of Directors to define in each Plan, the Qualified Collaborators who shall have right to the Options, as well as the quantity of Options to which each Participant shall be entitled.

Taking into account that the Participants may become the Company's shareholders, the definition about which Qualified Collaborators shall be Participants, as well as about the quantity of Options each one shall be entitled to, shall be freely set by the Board of Directors in view of the importance and requisite of the position, the Participant's potentiality, his/her involvement in strategic projects and the added-value he/she offers to the Company, without requiring to attribute the condition as

Participant in all the categories or even to all those integrating a same category, besides, in relation to two or more Participants of a same category, different quantities of Options may be attributed.

#### **VI.4 – Total limit of shares available in the Program**

The total number of shares destined to the Program may not exceed the maximum limit of three per cent (3%) of the total Company's shares.

For the purposes of this limit, the sum of the following Options and Shares shall be:

- Non-mature options;
- Mature options;
- Options, whether or not mature, granted based on the Plans previously approved by the companies Natura Participações S/A and Natura Empreendimentos S/A, and which, as a result of the merger processes, were assumed by the Company;
- Shares already subscribed or purchased based on the Program and respective Plans, which are under the possession of the Participants or at Treasury.

#### **VI.5 – Granting of the options- effective commitment with the Company's results**

As long as the requisites required by the Program and Plan are present, as being qualified to attribute to the Qualified Collaborator the capacity as Participant, the Company through the Board of Directors may grant him/her Options under the limits and quantities previously provided for in the respective Plan.

The granting of Options shall only occur in the years in which the Company has earned, in the year immediately prior thereto, earnings sufficient to allow the distribution of compulsory dividends to the shareholders.

#### **VI.6 – Restrictions to the transfer of options**

The Options, whether or not Mature, executed between the Company and the Participants shall be not transferable, unless in the event of succession resulting from the Participant's decease. In this case (Participant's decease), the Options may be exercised by the successors under the terms set out in this present Regulation.

#### **VI.7 –Exercise of Options**

The requirements and conditions provided for in this Regulation and respective Plans being met and provided that the Maturity Duration and Maximum Term for the Exercise of Options are observed, the Participant shall have right to the Exercise of these Options, i.e., to the subscription of new shares or to the purchase of treasury shares, which have been issued or purchased in view of this Program and respective Plans.

#### **VI.8 – Maturity Duration for the Options**

The options granted under the terms of this present Program shall become mature, i.e., they may be exercised, half by the end of the third year and the other half by the end of the fourth year, from March 30 of the year in which the respective Plan granting the Options is approved, in compliance with the provisions provided for in item VI.5 mentioned above.

In this regard: i) by the end of the third year, 50% of the options shall be liable to be exercised; ii) by the end of the fourth year, the totality of options shall be deemed as mature, therefore, liable to be exercised.

The Participant may, at his/her exclusive discretion, whether or not exercise his/her options in so far as these become mature, i.e., the Participant may exercise, by the end of the third and fourth years, the options becoming mature under the terms explained above, or, if he/she so wishes, may postpone this exercise to the moment deemed as more appropriate, provided that the maximum term for the exercise of options is observed, under the terms defined in item VI.9 below.

#### **VI.9 – Maximum term for the exercise of options**

The Program Participant shall have a six(6)-year maximum term, from March 30 of the year in which the respective Plan granting the Options is approved, to exercise the options becoming mature, under the terms set forth in item VI.8 above, under the penalty of loss of procedural right to the referred exercise.

#### **VI.10 –Date of Exercise and Formal Procedures for the exercise of Options**

The Participant intending to exercise his/her Options shall inform the Company, in written, about his/her intention, under the terms of the notice model to be released by the Board of Directors or by the Managing Committee of the Program.

Once the Company is informed, the effective Exercise of Options shall always occur when Board of Directors' ordinary meetings are held, only on these dates the Options may be exercised.

The Board of Directors may determine the suspension of right to the Exercise of Options, whenever situations are verified, which under the terms of the legislation in effect, restricting or preventing the trading of shares on the part of the Company's employees and administrators.

#### **VI.11 –Share subscription or purchase price**

The Subscription or Purchase price of each share shall correspond to the Company's Share Value, determined according to the criteria provided for in letters "a" and "d" below, calculated on the date the Board of Directors has approved the Plan through which, the Qualified Collaborator has been elected as Participant. The Share Value shall be calculated based on the following criteria:

- a) the amount corresponding to the simple average of the ten (10) last trading sessions occurred over the past sixty (60) calendar days, counted from the date, including, the approval of the Plan, by always adopting the daily average quotation of each session;
- b) in the event of not occurring ten (10) trading sessions within a sixty-(60) day term mentioned above, the average referred to above shall be

- obtained taking into account the totality of trading sessions occurred in the referred period (9,8,7,6,5,4 or 3 trading sessions), up to a minimum of three (03) trading sessions;
- c) in the event of not occurring at least three (03) trading sessions within the sixty (60) days mentioned above, the last trading sessions prior to these 60 days shall be considered, until completing the minimum number of three (03) trading sessions.

The price adjusted under the terms above shall be monetarily updated by IBGE's (Brazilian Institute of Geography and Statistics) IPCA (Amplified Consumer Price Index) up to the effective date of Exercise of Options, as this is the case. For the purposes of carrying out the referred update, the following formula shall be adopted:

Subscription or purchase price updated at t=  
(Subscription or purchase price at s) \* (IPCA at t) / (IPCA at s)

where

t = month of subscription

s = month in which the option was granted

When the IPCA index at t is not available, this shall be estimated by the previous month, i.e., the IPCA at t - 1. In the subsequent month, this estimated IPCA shall be replaced by the index published for the respective month.

In the event the IPCA is extinguished, the Board of Directors shall opt for another index to replace the former and reflecting the real inflation for the period.

The price previously referred shall be provided for in the Option Agreement and it shall be the same for all the Participants of a same Plan.

#### **VI.12 – Payment of subscribed shares**

The share subscription or purchase corresponding to the Program shall be paid in cash, with own funds of the Participant.

On an exceptional basis, it shall be incumbent upon the Board of Directors, at its exclusive discretion, whether or not to authorize the funding of purchase or subscription price, observing that this term payment shall be effective by means of funding of at most, ninety per cent (90%) of the subscription or purchase price, based on the following conditions:

- a.1) amortization, in monthly installments, without grace period, annually adjusted, or within reduced term if allowed by law, IBGE's IPCA or in the event of its extinguishment, by another index reflecting the real inflation for the period;
- a.2) funding maximum term of four (04) years;
- a.3) 0.5% simple interest-bearing per month, calculated over the debit balance;
- a.4) amortization of the debit balance at any moment, with Participant's own funds; and

a.5) compulsory amortization by allocating: i) fifty per cent (50%) of the net amount received by the Participant related to his/her interest in profits and results, and ii) one hundred per cent (100%) of amounts received on the sale of shares, up to the limit of his/her debt with the Company.

In the event of non-punctuality of the Participant as to the payment of portions agreed upon for the subscription of purchase of shares acquired through this present Program, the early maturity of debt in full shall be considered.

The Company may at its exclusive discretion accept the payment of the installment overdue, maintaining the normal maturity of the other installments.

#### **VI.13 – Type of shares and rights entitled thereto**

For the purposes of this present Program, nominative common shares shall be issued, under the limits of the authorized capital and in accordance with the availabilities provided for in each Plan, which shall ensure the same rights provided for the other common shares issued by the Company.

#### **VI.14 – Sale of shares**

The Shares purchased or subscribed under the terms of this present Program may be freely sold by the Participant, under the terms of the legislation in force.

#### **VI.15 – Preemptive right**

Under the terms of provisions in the Article 171, paragraph 3, of the Law #6404/76, the preemptive right shall not occur in the granting and in the exercise of call options or share subscription, whether in relation to the current shareholders, or in relation to those obtaining this capacity by force of this Program and respective Plans.

#### **VI.16 – Consequences for the Participants' withdrawal**

In the event of Participants' withdrawal, this shall have the following treatment:

- Participant's withdrawal due to good cause or at his/her request:
  - options not yet mature shall be cancelled;
  - mature options, but which have not been exercised yet, may not be exercised.
  
- Withdrawal without cause:
  - options not yet mature shall be cancelled;
  - mature options, but which have not been exercised yet, may be exercised, as long as the following conditions are observed: (i) Maturity Duration and (ii) Maximum Term for the Exercise of Options; and
  
- Withdrawal due to Participant's retirement, disability or decease:
  - options not yet mature may be exercised in the future, provided that the following conditions are observed: (i) Maturity Duration and (ii) Maximum Term for the Exercise of Options;
  - mature options, but which have not been exercised yet, may be exercised within the Maximum Term for the Exercise of Options;



In the event of Participant's decease, the Options only may be exercised by the Participant's successors/heirs, duly defined in regular probacion proceeding and estate settlement or by any other means and/or proceeding provided for by law and clearly identifying the successors and/or heirs.

The price to be paid on the occasion of the exercise of options, under the terms explained above, shall be calculated based on the criteria defined in the items VI.11 of this Regulation.

The term for the successors to exercise their Options, under the terms of this item shall be 12 months from the Participant's decease, and the Company, at its exclusive discretion, may extend this term up to the expiration of the probacion proceeding and estate settlement, always in compliance with the Maximum Term for the Exercise of Options.

## **VII - MANAGEMENT – DEFINITION OF INCUMBENCIES**

The Program shall be managed by the Company's Board of Directors, which shall have the incumbency of resolving on the issue of shares, purpose of this present Program (Article 168, paragraph 1, "b" of Law #6404/76). This incumbency may not be delegated to another Company's body.

Within this incumbency, it shall be incumbent upon the Board of Directors any and all resolution on the Program:

- a) define, within the parameters of this Program, the annual plans, as well as carry out any alteration in relation to the plans already created;
- b) define, under the terms of this Program, its Participants;
- c) define, within the limit of authorized capital and observing the maximum limit of shares attributable to the Program, the quantity of options and the form of distribution among these Participants;
- d) determine the Subscription or Purchase Price;
- e) grant the Options to the Participants;
- f) take any other measures deemed as necessary for the administration of the Program, as long as they do not imply in its alteration; and
- g) propose amendments to the Program to be submitted for the extraordinary general meeting's approval.

### **VII.1 – Program Managing Committee**

The Board of Directors may attribute to a Managing Committee the management of the Program. Nevertheless, its acts shall always be approved by the Board.

## **VIII – CHANGE IN THE SHARE CONTROL**

In the event of a direct or indirect change in the Company's share control, the Programs and Plans already implemented shall be observed.

## **IX - MERGER, SPIN-OFF, INCORPORATION AND TRANSFORMATION OF THE COMPANY – INCORPORATION OF SHARES**

In cases of merger, spin-off, with or without the extinguishment of the transferee, merger or transformation of the Company, as well as in case of incorporation of shares, the Programs and Plans already created shall be observed, making the adjustments necessary in the number of Options, including in compliance with the swap relations used for the purposes of the operations above.

## **X – ALTERATION TO THE NUMBER, TYPE AND CLASS OF SHARES**

In cases of alterations to the number, type and class of Company's shares, as a result of reserve split, splitting, bonus shares, as well as in cases of conversion of shares of one type or class into another or the conversion into shares of other securities issued by the Company, the necessary adjustments shall be made in the Programs and Plans already created, especially in relation to the number of Options and the type or class of Shares to which the Options refer, with a view to avoiding distortions and damages to the Company or Participants.

## **XI - ALTERATION, SUSPENSION AND EXTINGUISHMENT OF THE PROGRAM AND RESPECTIVE PLANS**

It shall be incumbent upon the Extraordinary General Meeting to approve and therefore, alter, suspend or extinguish the Program, as well as amend the By-Laws in order to establish the Board of Directors' incumbency to provide for the issues and the conditions under which these issues may occur (Article 122 concurrently with Article 135 of Law #6404/76).

Any and all alteration to the Program proposed by the Board of Directors shall be submitted to the approval of the Extraordinary General Meeting, and once approved, only may reach the call options subsequent thereto.

Amongst the causes, which may give rise to the alteration or extinguishment of the Program, including in relation to the Plans already implemented and options already granted, but not yet exercised: the occurrence of factors causing serious change in the economic scenario and those compromising the Company's financial status.

## **XII –SPECIFIC PERFORMANCE**

The Company and the Participants shall be entitled to claim in court the specific performance of the obligations assumed by the other party, under the terms of this Regulation, pursuant to the applicable provisions of the Brazilian Civil Code Procedure, especially the provisions contained in the Articles 461, 632, 639 and following.

### **XIII – PROGRAM TERM OF EFFECTIVENESS**

This Program shall be valid up to the end of year 2010.

In witness whereof and having agreed thereupon, the legal representatives of **Natura Cosméticos** sign this present instrument in three (3) counterparts of equal tenor and form.

Itapecerica da Serra – São Paulo, April 26, 2004.

**NATURA COSMÉTICOS S.A.**