

**Natura Cosméticos S.A.**  
**Report on the Brazilian Corporate Governance Code**

<b>Brazilian Corporate Governance Code</b>
<b>Obligation</b>
<b>1.</b> With regard to principle 1.1: "One share, one vote"
a. Inform if the issuer follows the recommended practice below: "The company's capital stock must be composed of common shares only."  <b>Answer:</b> Yes.
b. If the recommended practice is not adopted, present, in line with the guidelines of the Code, the reasons that made the issuer adopt other shareholding structures.  <b>Answer:</b> Not applicable.
<b>2.</b> As for principle 1.2: "Shareholders' agreements should not transfer to the signatory shareholders decisions with regard to matters for which the board of directors, executive board or audit board is responsible."
a. Inform if the shareholders' agreements filed at the registered office of the issuer, or to which the controlling shareholder is a party, that regulate the exercise of voting rights or the transfer of the issuer's shares, follow the recommended practice below: "Shareholders' agreements should not bind the exercise of voting rights of any members of management or supervisory and control bodies."  <b>Answer:</b> Yes.
b. If the recommended practice is not followed or followed partially, provide, in line with the guidelines of the Code, the justification of shareholders who signed the agreements on the subject.  <b>Answer:</b> Not applicable.

**3.** As for principle 1.3: "Management should seek to engage shareholders, promote their attendance at shareholders meetings and the correct understanding of the matters to be deliberated, as well as facilitate the nomination and election of candidates to the board of directors and audit board."

a. Inform if the issuer follows the recommended practices below:

i. "The executive board should use the shareholders meeting to communicate how the company's business is being conducted, for which reason the management should publish a handbook to facilitate and stimulate participation at shareholders meetings."

**Answer:** Yes.

ii. "Minutes should enable full understanding of the discussions that took place at the meetings, even if they are drawn up in summary form, and identify the votes cast by shareholders."

**Answer:** Practice followed partially.

b. If the recommended practices are not adopted or adopted partially, provide, in line with the guidelines of the Code, the issuer's justification on the subject.

**Answer:** The Company clarifies that it adopts the recommended practice partially, with regard to the minutes of shareholders meetings identifying the votes cast by shareholders. Since the publication of CVM Instruction 594 of December 20, 2017, which amended CVM Instruction 481 and required the disclosure of a final detailed voting map by publicly held companies, the Company stopped identifying in the minutes of shareholders meetings the number of votes and the percentage for each matter voted, and began to disclose them only in the final summarized voting map (disclosed on the same day of the meeting) and in the final detailed voting map, which the Company considers sufficient for shareholders to identify the votes cast.

**4.** As for principle 1.4: "Anti-takeover measure, if adopted by the company, should seek to prevent opportunistic acquisitions of significant portions of the capital stock of the company during adverse market scenarios, preserving the liquidity or maximizing the value of shares, for the benefit of all shareholders."

a. If there are mechanisms against share dispersion envisaged in the bylaws of the issuer, inform:

i. Whether the issuer follows the recommended practice below: "The board of directors should conduct a critical analysis of the advantages and disadvantages of the anti-takeover measure and its characteristics, especially the price triggers and parameters, if applicable, providing the related explanations."

**Answer:** No.

ii. If these mechanisms follow the recommended practices below:

- "Provisions that prevent removal of the measure from the bylaws, the so-called "entrenched clauses", should not be used."
- "If the bylaws determine that a public tender offer (PTO) should be carried out, whenever a shareholder or group of shareholders directly or indirectly achieves significant interest in the voting capital, the rule for determining the offer price should not impose premium increases substantially higher than the economic value or market value of the shares."

**Answer:** Yes.

b. If the recommended practices are not adopted or are adopted partially, provide, in line with the guidelines of the Code, the issuer's justification on the subject.

**Answer:** The Company partially adopts the recommended practice, since its Board of Directors did not formalize in the minutes the critical analysis of the advantages and disadvantages of anti-takeover measures envisaged in articles 31 and 32 of the Bylaws. These measures, conceived and adopted since the Company's IPO in 2004, were subject to specific adjustments over the years, the most significant of which was approved by the Extraordinary Shareholders Meeting held on August 5, 2009 to (1) raise the PTO trigger from fifteen percent (15%) to twenty-five percent (25%) of the capital stock; and (2) remove the premium of 50% of the Share Value (as established in the Bylaws). The Company plans to submit the anti-takeover measures for analysis at the Board of Directors meetings to be held in 2019 to formalize the adoption of the practice recommended by the Code in time for the next Report.

In short, the existing anti-takeover measures establish: (1) that any Significant Shareholder, who acquires or becomes the holder of shares issued by the Company in an amount equal to or greater than twenty-five percent (25%) of the total shares of the Company, should, while holding a public tender offer for the acquisition of all the shares of the Company; and (2) that any Significant Shareholder who has subscribed to and/or acquired shares issued by the Company in an amount equal to or greater than thirty percent (30%) of the total outstanding shares of the Company and who wishes to make a new acquisition of the shares of the Company in the stock exchange, will be required, prior to each new acquisition, to inform the Company and B3 in writing of their intention to acquire other shares of the Company at least three business

days prior to the date scheduled for the new acquisition of shares, always in compliance with the laws in force.

The Company does not use clauses that prevent removal of the measure from the Bylaws, the so-called "entrenched clauses."

The Company understands that the two pricing criteria, namely (i) highest unit price of shares issued by the Company in the twelve (12) months prior to the PTO in any stock exchange on which Company shares are traded; and (ii) the highest unit price paid by the Significant Shareholder, at any time, for a share or lot of shares issued by the Company essentially reflect the market value of shares, without any premium (as it existed until August 4, 2009). Therefore, any premium on the market price will be considered only in exceptional cases, when the share price has dropped substantially in relation to the average price in twelve (12) months or to the price paid by the Significant Shareholder at any time. Normally, this price will tend to reflect the price of shares or the highest price paid by the acquiring party in the last twelve (12) months, in accordance with the Self-Regulation Code on Mergers and Acquisitions drafted by the Mergers and Acquisitions Committee.

Likewise, the third criterion, which corresponds to the amount equivalent to twelve (12) times the Average Consolidated EBITDA (as defined in paragraph 11 of the Bylaws) subtracted from the Company's net consolidated debt, divided by the total number of shares issued by the Company, reflects the economic value of the Company considering the EBITDA multiple method, not envisaging a premium on the economic value (as was the case until August 4, 2009). Therefore, the existence of a substantial premium in adverse market scenarios, when the economic value reflects an EBITDA multiple lower than twelve (12), aims to prevent opportunistic acquisitions of significant portions of the capital stock of the Company instead of imposing an unjustified increase.

The combination of the three criteria proposed protects the Company and its shareholders from opportunistic investors, which could avail themselves of the volatility of the Brazilian market to acquire a significant equity interest (or even original control, if in the future the company ceases to have a defined control group) at a time of instability, without the obligation to hold a PTO at a fair price.

In addition, note that the twenty-five percent (25%) of total shares of the Company defined to trigger the obligation to hold a PTO is aligned with the Self-Regulation Code on Mergers and Acquisitions, which establishes that the trigger percentage cannot be lower than twenty percent (20%) or higher than thirty percent (30%) of the Company's voting capital.

c. If the adoption of practices is recommended, inform, in line with the guidelines of the Code:

i. Websites where the critical analysis of the board of directors regarding the advantages and disadvantages of the anti-takeover measures and their characteristics is available, especially of the price triggers and parameters.

**Answer:** Not applicable.

ii. The reasons why the issuer understands that the premium increases above the economic or market value are not substantial.

**Answer:** Not applicable.

**5.** As for principle 1.5: "Regardless of the legal form and the terms and conditions negotiated for the transaction that originates the change in control, all shareholders of the company involved in the transaction should be treated fairly and equitably."

a. Inform if the issuer follows the recommended practice below: "The bylaws of the company must establish that: (i) transactions in which there is direct or indirect transfer of controlling interest should be followed by a PTO directed to all shareholders, for the same price and in the same conditions obtained by the selling shareholder; (ii) management should issue an opinion on the terms and conditions of corporate reorganizations, capital increases and other transactions that originated the change of control, and state whether fair and equitable treatment is ensured to the shareholders of the company."

**Answer:** Practice followed partially.

b. If the recommended practices are not adopted or are adopted partially, provide, in line with the guidelines of the Code, the issuer's justification on the subject.

**Answer:** The Company partially adopts the recommended practice; article 30 of its Bylaws establishes that the direct or indirect transfer of control of the Company, either through a single transaction or through successive transactions, must be carried out under the condition precedent that the acquiring party undertakes to hold a PTO for the Company shares held by other shareholders. Such provision, when read in combination with article 20, item (xxv), of the Bylaws of the Company, which establishes that the board of directors must issue an opinion on any PTO for the shares of the Company through a previous substantiated report that should address, among other matters, the appropriateness and timing of the PTO with regard to the interest of all shareholders, including with regard to the price and potential impacts on the liquidity of shares, demonstrates that the Company complies with such determination regarding the PTOs.

However, the management is not required, under the bylaws, to issue an opinion on the terms and conditions of corporate reorganizations, capital increases and other transactions that originate a change of control, which ensure fair and equitable treatment to the shareholders of the Company. Notwithstanding the absence of a specific obligation, the Company understands that the management, while fulfilling its fiduciary duties, must implicitly analyze whether the proposals for corporate reorganizations, capital increases and other transactions that will change the control of the Company offer fair and equitable treatment to the shareholders of the Company, even if there is no provision in the bylaws.

Therefore, the Company understands that its current practice complies with principle 1.5 of the Brazilian Corporate Governance Code.

**6.** As for principle 1.6: "The board of directors should advise the shareholders regarding PTOs addressed to them."

a. Inform if the issuer follows the practice below: "The bylaws must establish that the board of directors must give its opinion in relation to any PTO for shares or securities convertible into or exchangeable for shares of the company, which must contain, among other relevant information, opinion of the board of directors on the acceptance of the PTO and on the company's economic value."

**Answer:** Practice followed partially.

b. If the recommended practice is not adopted or is adopted partially, provide, in line with the guidelines of the Code, the issuer's justification on the subject.

**Answer:** In line with Novo Mercado Regulations, article 20, item (xxv), of the Bylaws states that the Board must issue an opinion for or against any PTO for the shares of the Company, through a prior substantiated report issued within fifteen (15) days from the publication of the PTO notice, stating at least: (i) the appropriateness and timing of the PTO with regard to the interest of all shareholders, including in relation to the price and potential impacts on the liquidity of shares; (ii) the strategic plans disclosed by the offeror in relation to the Company; and (iii) the alternatives available for the acceptance of the PTO of the shares available in the market, as well as information required by the applicable rules laid down by CVM. This provision of the Bylaws applies exclusively to PTOs for shares and does not cover securities convertible to or exchangeable for shares issued by the Company. The Company understands that the rule of the Code is more comprehensive than that of the Regulations of Novo Mercado, the segment in which the Company is listed and which justified the adoption of this rule. However, the Board of Directors intends to, in a future revision of the Bylaws, align such rule to the practice recommended in the Code.

**7.** As for principle 1.7: "The company's profit allocation policy must respect the economic and financial characteristics of the business – cash generation and investment needs – and be known to all stakeholders, shareholders, and investors."

a. Inform if the issuer follows the practice below: "The company should prepare and disclose the profit allocation policy defined by the board of directors. Among other aspects, said policy should mention the frequency of payments of dividends and the reference parameter to be used for defining the respective amount (percentages of adjusted net income and free cash flow, among others)."

**Answer:** Practice followed partially.

b. If the recommended practices are not adopted or are adopted partially, provide the issuer's justification on the subject.

**Answer:** The Company has an income allocation policy, approved by the Board of Directors on March 17, 2004. It is available at <http://natu.infoinvest.com.br/ptb/1159/NATURA%20RCA%2017.03.04.pdf> and [http://natu.infoinvest.com.br/ptb/101/Politica de Dividendos\\_Natura\\_PTB.pdf](http://natu.infoinvest.com.br/ptb/101/Politica_de_Dividendos_Natura_PTB.pdf) and establishes the distribution of dividends of at least forty-five percent (45%) of adjusted net income. However, there is no express provision on the frequency of payment of dividends, which have been paid annually. The Board of Directors plans to revise the policy soon, to establish the payment frequency in line with the current practice of annual declaration of dividends.

**8.** As for principle 1.8: "Guidance of the company's activities by the controlling shareholder, such that it serves the public interest that justified the creation of the **government-controlled corporation**, must be reconciled with the interests of other shareholders and investors in securities of the company."

a. if the issuer is a government-controlled corporation, inform whether the practices below are followed:

i. "The bylaws must clearly and precisely identify the public interest that justified the creation of the government-controlled corporation, in a specific chapter."

**Answer:** Not applicable.

ii. "The board of directors must monitor the company's activities and establish policies, mechanisms and internal controls for calculating the costs of serving the public interest and any refunds to the company or other shareholders and investors by the controlling shareholder."

**Answer:** Not applicable.

b. If the recommended practices are not adopted or are adopted partially, provide, in line with the guidelines of the Code, the issuer's justification on the subject.

**Answer:** Not applicable.

c. If the recommended practices are adopted, inform, in line with the guidelines of the Code:

i. Identify clearly and precisely the public interest that justified the creation of the government-controlled corporation.

**Answer:** Not applicable.

ii. How and how often the board of directors monitors the activities of the issuer.

**Answer:** Not applicable.

iii. The policies, mechanisms and internal controls established by the issuer for determining the costs of serving the public interest and any reimbursement to the company or other shareholders and investors by the controlling shareholder.

**Answer:** Not applicable.

iv. Costs of serving the public interest and any amounts reimbursed in the last fiscal year.

**Answer:** Not applicable.

**9.** As for principle 2.1: "The board of directors must exercise its powers considering the long-term interests of the company, the impacts of its activities on society and the environment, and the fiduciary duties of its members, acting as the guardian of the company's principles, values, corporate purpose and governance system."

a. Inform if the issuer follows the recommended practice below: "The board of directors must, without prejudice to other legal or statutory duties and other practices envisaged in this Code:

(i) Define business strategies, considering the impacts of the company's activities on society and the environment, seeking the company's perpetuity and long-term value creation;

**Answer:** Yes.

(ii) Periodically assess the company's risk exposure and effectiveness of the risk management systems, internal controls and the integrity/compliance system, and approve a risk management policy compatible with the business strategies;

**Answer:** Yes.

(iii) Define the company's values and ethical principles and strive to maintain the company's transparency in its relations with all stakeholders;

**Answer:** Yes.

(iv) Annually review the corporate governance system in order to improve it.

**Answer:** Yes.

b. If the recommended practices are not adopted or are adopted partially, provide, in line with the guidelines of the Code, the issuer's justification on the subject.

**Answer:** Not applicable.

c. If the recommended practices are adopted, inform, in line with the guidelines of the Code, how the Board of Directors acts in relation to each of the recommended practices:

**Answer:** The Company describes below the work of the Board of Directors in relation to each recommended practice:

*(i) Define business strategies, considering the impacts of the company's activities on society and the environment, seeking the company's perpetuity and long-term value creation;*

The Company adopts the strategy of analyzing its supply chain to determine potential impacts caused and establishing development plans in which partners manage the main social and environmental indicators and undertake to continue investing in areas such as education for employees, occupational health and social initiatives.

Furthermore, article 13, paragraph 3, of the Bylaws of the Company establishes that managers, in the exercise of their functions, must consider the short- and long-term interests of shareholders, employees, suppliers, partners, clients and other creditors, the communities where the Company operates locally and globally, as well as the impacts on the environment.

*(ii) Periodically assess the company's risk exposure and effectiveness of the risk management systems, internal controls and integrity/compliance system, and approve a risk management policy compatible with the business strategies;*

The Company has a compliance department responsible for the compliance program against corruption and bribery, applied and updated in accordance with the current characteristics and the risks of Natura's activities. In addition, the Company has a Risk Management Policy and a Risk Management Procedure that establish the principles, concepts, guidelines and responsibilities of the risk management process, describing the following processes (i) identification of risk events, (ii) assessment of the impact and vulnerability of such events, (iii) applicable responses, as well as forums to share information in accordance with the identified risk levels. The Board of Directors monitors the effectiveness of the internal controls system through the Audit, Risk Management and Finance Committee.

*(iii) Define the company's values and ethical principles and strive to maintain the company's transparency in its relations with all stakeholders;*

The Company has an Ethics Committee to promote dissemination, clarification, compliance and improvement of the "Natura Code of Conduct," which is approved by the Board of Directors, guaranteeing its credibility and applicability. In addition, the Committee prepared the code of conduct, applicable to all employees and managers of the company. The Code is the tool that explains how employees should act in relation to diverse issues and situations, and also provides for the commitment of all company leaders to a culture of ethics and respect to rules and laws. The Company also has a Code of Conduct for Suppliers that clarifies the guidelines that govern business relations. It covers various important matters for the Company and is applicable to employees, representatives and/or service providers of the Company and brings additional information that reinforces its commitment to ethics and transparency.

*(iv) Annually review the corporate governance system in order to improve it.*

The Company has a Corporate Governance Committee which is responsible for monitoring and tracking the evolution of best local and international corporate governance practices and for proposing adjustments and improvements to the Company's corporate governance system whenever it finds necessary. The committee meets six (6) times a year (this frequency was adopted in 2017 and 2018).

**10.** As for principle 2.2: "The board of directors must have members with a diversified profile, an adequate number of independent members, and a size that enables the creation of committees, effective debate of ideas and taking technical decisions that are unbiased and substantiated."

a. Inform if the issuer follows the recommended practices below:

i. "The bylaws must establish that: (i) the board of directors should be composed of a majority of external members and at least one-third of them must be independent members; (ii) the board of directors must assess and disclose annually who the independent members are and indicate and justify any circumstances that could compromise their independence."

**Answer:** No.

ii. "The board of directors should approve an appointments policy that establishes: (i) the process for appointing members of the board of directors, including mentioning the participation in other corporate bodies of the company in such process; and (ii) that the composition of the board of directors must consider the time availability of its members to exercise their functions and the diversity of knowledge, experience, conduct, cultural aspects, age group and gender."

**Answer:** No.

b. If the recommended practices are not adopted or are adopted partially, provide, in line with the guidelines of the Code, the issuer's justification on the subject, informing:

i. Reason why the company does not have a formal appointments policy, indicating whether there are any other documents of the company, such as its bylaws, that regulate the process of appointment of members of the board of directors.

**Answer:** The Company does not have a formal appointments policy nor a provision in the Bylaws establishing that the Board of Directors: (i) is composed of a majority of external members, with at least one-third of them being independent members; (ii) must assess and disclose annually who the independent members are and indicate and justify any circumstances that could compromise their independence.

Nonetheless, the Board of Directors is entirely composed of external members (including the Chairman of the Board, given that, like other members, he is not an officer or employee of the company). Of the eight (8) members of the Board, four (4) are currently independent (1/2). As such, the Company's practice surpasses the requirements of the Code and the Regulations of Novo Mercado, the segment in which the Company is listed.

In addition, the composition of the Board of Directors must consider the time availability of its members to exercise their functions and the diversity of knowledge, experience, conduct, cultural aspects, age group and gender, as per item 12.5/6 of the 2018 Reference Form – version 5, disclosed on October 5, 2018, which contains their names, résumés and percentage of attendance at meetings.

As for the appointment of independent members, since the Company is listed in the B3 Novo Mercado segment, its Bylaws use the criteria established in Novo Mercado Regulations.

In this regard, the Company understands that its practice complies with principle 2.2 of the Code, although it does not have a formal appointments policy or a provision in its Bylaws aligned with the recommended practice.

To adopt the recommended practices by 2020, the Company plans to formalize an appointments policy that is compatible with the practices recommended by the Code and to comply with the Novo Mercado Regulations.

ii. Reason why the policy does not cover all recommended practices.

**Answer:** Not applicable, given the absence of a formal policy.

iii. Reason why the issuer's evaluation of the independence of the directors differs from the parameters of the Code.

**Answer:** The Company clarifies that, since it is listed in the B3 Novo Mercado segment, it uses the criteria for evaluating the independence established by the Novo Mercado Regulations, which differ from the Code's guidance parameters in a few aspects. For example, the criterion of excessive number of consecutive terms of office is not addressed by the Novo Mercado Regulations. However, although the Company does not formally adopt the independence criteria established in the Code, it informs that, in practice, its independent directors meet the requirements of the Code and, in the future, it plans to combine the independence criteria of both the Code and the Novo Mercado Regulations so as to comply with both of them.

c. If the recommended practice is adopted, inform, in line with the guidelines of the Code, how the policy is implemented in the company's

routine activities, describing the process of appointing members of the board of directors and indicating the participation of other bodies of the company, including the nomination or appointment committee.

**Answer:** Not applicable.

**11.** As for principle 2.3: "The chairman of the board of directors must coordinate the board's activities in the pursuit of effectiveness and good performance of the board and each of its members, serving as a link between the board of directors and the CEO."

a. Inform whether the issuer: "The CEO should not simultaneously hold the position of chairman of the board of directors."

**Answer:** Yes.

b. If the recommended practice is not adopted, provide, in line with the guidelines of the Code, the issuer's justification on the subject, informing any alternative practices adopted to prevent that the concentration of powers of chairman of the board and CEO adversely affects the monitoring of the executive board's activities by the board of directors.

**Answer:** Not applicable.

**12.** As for principle 2.4: "The board of directors must establish mechanisms for periodic performance appraisal that contribute to its effectiveness and to improving the company's governance."

a. Inform if the issuer follows the recommended practice below: "The company must implement an annual process for performance appraisal of the board of directors and its committees, as collective decision-making bodies, the chairman, the directors, considered individually, and the governance secretary, if any."

**Answer:** Practice followed partially.

b. If the recommended practice is not adopted, provide, in line with the guidelines of the Code, the issuer's justification on the subject, informing if there is any process conducted with a frequency of more than a year or any alternative practices adopted to comply with the principle, indicating, if so, the criteria considered in the evaluation and if any external specialists participate in the process.

**Answer:** The Company clarifies that since 2005 it adopted the practice of conducting annual performance appraisals of its management and advisory bodies. The appraisals cover various aspects related to the activities of such bodies during the period of analysis, including, but not limited to, the frequency of meetings, effective participation of the members, freedom and independence in the decision-making process,

history of matters discussed and voted, among others.

However, due to exceptional circumstances resulting from countless changes in the structure of the Board of Directors in recent years, including the recent acquisition of "The Body Shop," the Company did not conduct the performance appraisal of its management bodies and advisory committees in 2017. However, it informs that the annual performance appraisals will be carried out in 2018.

Note that it is not Company policy to conduct individual performance appraisals of its members, given that, considering the structure of its Board of Directors and advisory committees, the Company believes that the evaluation of the bodies as a group is sufficient and effective to analyze the individual performance of their members and establish measures that contribute to the effectiveness of the Board of Directors and advisory committees and to improve the Company's governance.

The appraisals are carried out through interviews with members of each body and top executives of the Company, who also make a self-appraisal of their performance in the exercise of their functions. However, other members of management and/or other bodies are not individually evaluated. The Company uses the results of said appraisals to continuously improve its corporate governance structure, making the necessary adjustments so that its practices are always aligned with the best local and international practices.

For further information about the performance appraisal of the management, see item 12.1, "d," of the 2018 Reference Form – version 5, disclosed on October 5, 2018.

c. in case of confirmation of adoption of the practice, provide, in line with the guidelines of the Code, the criteria considered in the assessment, whether there is participation of external experts, and the frequency, if the process takes into account attendance in the examination and debate of the matters discussed, active contribution in the decision-making process and commitment to the exercise of functions, key aspects identified to improve the body and corrective measures implemented.

**Answer:** Not applicable.

**13.** As for principle 2.5: "The board of directors should ensure the continuity of the company's management, preventing the succession of its key leaders from affecting the company's performance and resulting in destruction of value"

a. inform whether the issuer complies with the following recommended practice: "The board of directors should approve and continuously update a succession plan for the CEO, preparation of which should be coordinated by the chairman of the board of directors"

**Answer:** No.

b. If the recommended practices are not adopted or are adopted partially, provide, in line with the guidelines of the Code, the issuer's justification on the subject

**Answer:** Although there is no formal and approved succession plan, the Board of Directors, advised by the Governance Committee, strives for the continuity of the Company's management, making sure that the succession of its key leaders is done in an orderly manner. As part of this process, the Company conducts annually, with the engagement of the CEO, a review of its succession map for key positions, which includes not only the position of CEO of Natura, but also the positions of CEO of "The Body Shop" and "Aesop", and constantly identifies professionals with the potential to hold executive positions. In this regard, the Company believes that the policy it adopts is sufficient to achieve the recommended purposes of principle 2.5, since its succession process, although not a formal succession plan, is sufficient to ensure that the management has professionals to hire or promote, whose professional experience and skills can contribute to the healthy performance and for preserving the Company's value.

Notwithstanding the above, the Company plans to formalize a succession plan of the CEO so as to adopt the recommended practice.

c. If the practice is adopted, please confirm, in line with the guidelines of the Code, the date of approval of the succession plan and the date it was last updated

**Answer:** Not applicable.

**14.** As for principle 2.6: "In order to adequately perform their duties, the member of the board of directors should understand the company's business"

a. Inform if the issuer follows the recommended practice below: "The company should have an integration program for new members of the board of directors, structured in advance, so that they are introduced to the company's key people and facilities, during which issues that are key to understanding the company's business are addressed ."

**Answer:** Practice followed partially.

b. if the recommended practice is not adopted or is adopted partially, provide, in line with the guidelines of the Code, the issuer's justification on the subject and indicate any alternative procedures adopted by the issuer

**Answer:** The Company believes its practices meet the goal of the principle, although it clarifies that it partially adopts the recommended practice, as it has a non-structured integration program, i.e. upon election of a new member to the Board of Directors, specific training is given

to that director and the Chief Governance Officer of the Company, along with his team, prepares integration activities for the director considering their needs.

Additionally, the Chief Governance Officer personally dedicates his time to intermediate presentations of the areas with which the Director will interact, and shares adequate and tailored material with the new Director when they join the Company. New directors then gain access to materials of forums in which they participate through the governance portal.

Irrespective of the above, the Company indicates that it is in the process of formalizing an integration program for new directors.

c. if the recommended practice is adopted, describe, in line with the guidelines of the Code, the program for integration of new directors

**Answer:** Not applicable.

**15.** As for principle 2.7: "Compensation of the members of the board of directors should be in line with the company's strategic goals, focusing on its continuity and creation of long-term value"

a. Inform if the issuer follows the recommended practice below: "The compensation of the members of the board of directors should be proportional to the duties, responsibilities and time demands. There should be no compensation based on participation in meetings and the variable compensation of the directors, if any, should not be tied to short-term results"

**Answer:** Practice followed partially.

b. if the recommended practice is not adopted or is adopted partially, provide, in line with the guidelines of the Code, the issuer's justification for the following:

i. payment of compensation to any director that differs from the compensation of other directors

**Answer:** Compensation of the Chairman of the Board differs from the compensation of other directors due to the special duties and powers of the position as per the Bylaws, as described in article 18, paragraph 3, and under item 12.1 of the Reference Form – version 5, disclosed on October 5, 2018.

ii. the compensation of directors based on participation in meetings or tied to short-term results

**Answer:** The Company clarifies that it partially adopts the recommended practice, since the compensation of directors is proportional to their duties, powers, responsibilities and time demands. It also informs that there is no compensation based on participation in meetings.

The percentage of variable compensation attributed to the directors of the Company is tied to the achievement of annual objectives and targets, and aims to align the interests of the Company with those of its shareholders and managers to obtain good results in the short, medium and long terms.

For more information, see item 13.1 of the 2018 Reference Form – version 5, disclosed on October 5, 2018.

**16.** As for principle 2.8: “The performance of the board of directors must be guided by a charter containing rules that regulate its structure and form of operation”

a. Inform if the issuer follows the recommended practice below: “the board of directors should have a charter that sets forth its responsibilities, duties, and rules of operation, including: (i) the duties of the chairman of the board of directors; (ii) the rules for replacement of the chairman of the board of directors in the event of absence or vacancy; (iii) the measures to be adopted in the event of conflicts of interest; and (iv) definition of a suitable advance term for receipt of the material for discussion at meetings, in adequate detail”

**Answer:** No.

b. If the recommended practice is not adopted or is adopted partially, provide, in line with the guidelines of the Code, the issuer’s justification on the subject, indicating any other internal document that regulates the operations of the board of directors, and inform, in case the charter fails to do so, what measures should be adopted in case of conflict of interests

**Answer:** The Company does not have a charter for its Board of Directors. However, the duties and rules set forth in principle 2.8 of the Code are established in Article 16, Paragraph 2, and Articles 18 to 20 of the Bylaws of the Company. Note that the Board of Directors underwent significant changes in the last two years, with new members, the acquisition of “The Body Shop”, international expansion, new rules for membership, number of meetings and others and, for that reason, the charter is still being drafted and will be implemented soon.

**17.** As for principle 2.9: “The board of directors should adopt a set of actions that increase the effectiveness of its meetings, facilitate the performance of external members, and give transparency to its performance”

a. Inform if the issuer follows the recommended practices below:

i. “the board of directors should establish an annual calendar with the dates of the ordinary meetings, which should not be less than six and more than twelve, in addition to calling extraordinary meetings, whenever necessary. Said calendar should include a themed annual agenda with relevant topics and dates of discussion”

**Answer:** Practice followed partially.

ii. "Meetings of the board of directors should regularly include exclusive sessions for external directors, without the presence of executives members and other guests, for alignment of the external board members and discussion of topics that could create any embarrassment "

**Answer:** Yes.

iii. "Minutes of meetings of the board of directors should be written in clear language, record the resolutions taken, the persons in attendance, dissenting votes and abstentions"

**Answer:** Yes.

b. if the recommended practices are not adopted or are adopted partially, provide the issuer's justification on the subject, indicating:

*(i) if the calendar does not include a number of meetings higher than six and lower than 12, the reasons:*

**Answer:** The Board of Directors meets four (4) times a year, in accordance with Article 19 of the Bylaws of the Company. Extraordinary meetings are not scheduled, although such meetings may be called by the Co-chairman or by a majority of directors.

Each ordinary meeting of the Board of Directors is held over two consecutive days. In 2017, the Board of Directors held eight (8) meetings, three (3) of which were extraordinary meetings.

In this regard, the Company does not believe it to be essential for the activities of the Board of Directors that its calendar set a higher number of ordinary meetings.

*(ii) if the calendar does not indicate the dates for discussion of the most important matters, the justification for it, informing whether this is a recurring or an exceptional practice influenced by a certain scenario;*

**Answer:**

The calendar sets the dates of the meetings and the important subjects that will be discussed and, eventually, includes new matters on the agenda, according to the Company's corporate dynamics and/or to adapt to the market.

*(iii) reason why the calendar does not include exclusive meetings among external directors, or why these meetings, even if initially intended, were not held*

**Answer:** The Company currently complies with the recommended practice, since its Board of Directors is composed exclusively of external members, which facilitates holding exclusive sessions, in which cases in the Board only has to request the executives and other guests to leave the room during the meeting to discuss any topics that could cause any embarrassment if discussed in their presence.

c. for the purposes of compliance with the practice set forth in item 17.a.iii, in line with the guidelines of the Code, inform whether the charter of the board of directors provides for the adoption of these practices

**Answer:** No, the Company does not have a charter for its Board of Directors. However, the minutes of meetings of the Board of Directors are drafted clearly, recording the decisions made, the members present, dissenting votes and abstentions.

**18.** As for principle 3.1: "The executive board must manage the company's business, subject to the risk limits and guidelines approved by the board of directors"

a. Inform if the issuer follows the recommended practices below:

i. "the executive board, without prejudice to its other duties established by law, the bylaws and other practices set forth in this Code, shall: (i) implement the risk management policy and, whenever necessary, propose to the board of directors any necessary revision thereof, as a result of changes in the risks to which the company is exposed; (ii) implement and maintain effective procedures and programs for monitoring and disclosing the financial and operating performance and of the impacts of the company's activities on society and the environment"

**Answer:** Yes.

ii. "the executive board must have an exclusive charter that establishes its structure, operation and its roles and responsibilities"

**Answer:** No.

b. If the recommended practices are not adopted or are adopted partially, provide, in line with the guidelines of the Code, the issuer's justification on the subject, informing:

i. in case the risk limits and the guidelines approved by the board of directors have not been observed or the strategies defined thereby have not been implemented in the previous year, the reasons for the same

**Answer:** Not applicable.

ii. in case there is no charter or if the charter does not fully meet the practice, the reason

**Answer:** There is no charter of the Company's Executive Board, although its structure, functioning and roles and responsibilities are established in Articles 21 to 25 of the Bylaws of the Company, which, historically, has been sufficient for the functioning of the Executive Board.

Nevertheless, the Company intends to approve a charter of the executive board, following the practice recommended by the Code.

**19.** As for principle 3.2: "The process of appointing and filling positions in the executive board and management positions should seek to form a group aligned with the principles and ethical values of the company, taking into consideration diversity, including gender diversity, seeking to fill such positions with people with complementary skills and qualified to face the challenges of the company."

a. Inform if the issuer follows the recommended practice below: "There should be no reservation of executive board positions or management positions for direct appointment by shareholders"

**Answer:** Yes.

b. if the recommended practice is not adopted or is adopted partially, provide, in line with the guidelines of the Code, the issuer's justification on the subject, informing:

i. if the reservation is set forth in a shareholders' agreement, the justification of the signatories to the agreement on the subject, addressing, for example, the specific characteristics of the control structure of the company which could justify such practice as well as the existence of mitigation mechanisms, such as fixing the requirements for exercising the position to be fulfilled by the persons appointed

**Answer:** Not applicable.

ii. if the reservation of positions is envisaged in law or the bylaws, the reasons justifying such practice, as well as the existence of any mitigation mechanisms, such as fixing the requirements for exercising the position to be fulfilled by the persons appointed

**Answer:** Not applicable.

**20.** As for principle 3.3: "The CEO and the executive board should be evaluated based on financial and non-financial performance targets

(including environmental, social and governance aspects), in line with the company's values and ethical principles"
a. Inform if the issuer follows the recommended practices below:
i. "the CEO should be evaluated annually through a formal process conducted by the board of directors, based on the achievement of financial and non-financial performance targets established by the board of directors for the company"
<b><u>Answer:</u></b> Yes.
ii. "the results of evaluation of other executive officers, including the CEO's proposals regarding the targets to be agreed and the stay, promotion or termination of executives from their respective positions, should be submitted to, reviewed, discussed and approved by the board of directors"
<b><u>Answer:</u></b> Yes.
b. If the recommended practices are not adopted or are adopted partially, provide, in line with the guidelines of the Code, the issuer's justification on the subject.
<b><u>Answer:</u></b> The Company conducts annual performance appraisals of the Executive Board, as a management body. The appraisals are conducted individually through interviews with members of each body and key executives of the Company, who also conduct a self-appraisal of their performance in the exercise of their functions.
The Company uses the results of such appraisals to continuously improve its corporate governance structure, making the necessary adjustments so that its practices are always aligned with the best local and international practices. For further information on the management performance appraisal, see item 12.1, "d," of the 2018 Reference Form – version 5, disclosed on October 5, 2018.
Regarding the appraisal of the CEO, the Company informs that the current CEO was not appraised in fiscal year 2017, exceptionally. This is because, at the time of the 2017 appraisal, the CEO had not completed one full year in the position and so the Company decided that the appraisal would be conducted only in 2018. The appraisal of the CEO is scheduled to be conducted during the Board of Directors meetings to be held on November 7-8, 2018.
c. If the recommended practices are adopted, inform, in line with the guidelines of the Code:
i. period during which the appraisals of the CEO and other executive officers were conducted

**Answer:** The last appraisal of the CEO of the Company was conducted at the Board meeting held on February 16-17, 2016, and since the current CEO had not completed one year in the position, the 2017 appraisal was not conducted.

ii. dates of the board meetings when the CEO appraisal was conducted and the results of appraisals of other executive officers were presented, analyzed, discussed and approved

**Answer:** The latest appraisal of the CEO of the Company was approved at the Board of Directors meeting held on February 16-17, 2016, the same date on which the CEO was replaced. The appraisals of other executive officers of the Company were approved at the Board of Directors meeting held on the same dates. The 2018 appraisals of the current CEO and executive board are scheduled in the corporate calendar for November 7-8, 2018.

**21.** As for principle 3.4: "Compensation of members of the executive board should be aligned with the company's strategic goals, focusing on its continuity and creation of long-term value":

a. Inform if the issuer follows the recommended practices below:

i. "the executive board's compensation should be established through a compensation policy approved by the board of directors through a formal and transparent process that takes into consideration the costs and risks involved"

**Answer:** Practice followed partially.

ii. "The executive board's compensation should be tied to results, with medium- and long-term targets clearly and objectively related to the creation of long-term economic value for the company"

**Answer:** Yes.

iii. "the incentive structure should be aligned with the risk limits established by the board of directors and should prohibit a single person from controlling the decision-making process and its respective inspection. Nobody should decide his or her own compensation."

**Answer:** Yes.

b. If the recommended practices are not adopted or are adopted partially, provide, in line with the guidelines of the Code, the issuer's justification on the subject.

**Answer:** Regarding the recommended practice 21.i, the Company believes it partially adopts the practice, since compensation is approved by the Board of Directors through a formal and transparent procedure that takes into consideration the risks involved. However, there is no specific policy for the Executive Board, and the Company is in the process of approving a policy applicable to its three business units: Natura,

The Body Shop and Aesop. The Company expects to implement the policy in 2019.

c. if the recommended practices are adopted, inform, in line with the guidelines of the Code, the reason the issuer believes it complies with the recommended practices

**Answer:** Regarding recommended practice 21.ii, the Company has a set of compensation policies and rules that are separated into Fixed and Variable Compensation (Short- and Long-Term Incentives), which are registered in internal standards of the Company available to employees (see item 13 of the 2018 Reference Form, filed on October 5, 2018).

For short-term incentives, the Profit Sharing model for all managers of Natura is tied to the Company's strategic planning and to the definition of risks. The model is more collective and based on a simpler process for assessing results, and considers financial, social, environmental and individual performance indicators.

The Profit Sharing program is one way of rewarding employees for the achievement of targets based on economic, social and environmental factors that help the Company achieve its own targets. The program also aims to align the interests of our executive officers with those of shareholders, considering a combination of corporate targets.

The long-term incentive, based on granting stock options or restricted share options, is a way to strengthen the relation between compensation and gains, besides creating long-term value for the Company.

Regarding recommended practice 21.iii, the Company clarifies that the compensation of the Company's executives has been approved by the Board of Directors. As an example, the Company clarifies that any salary increase for the CEO is subject to his performance appraisal by HR and must be submitted for validation by a member of the Board of Directors, so that, together with the People Committee, any salary increase can be approved, subject to the limit set by the Annual Shareholders Meeting.

**22.** As for principle 4.1: "The company must have an independent and qualified audit committee, set forth in the bylaws"

a. inform if the issuer has an audit committee set forth in its Bylaws and follows the recommended practices below: "As regards the audit committee: (i) its duties must include advising the board of directors on monitoring and controlling the quality of the financial statements, internal controls, risk management and compliance; (ii) it must be formed mostly of independent members and be coordinated by an independent director; (iii) at least one of its independent members must have proven experience in the corporate accounting, internal controls, finance and audit fields; and (iv) it must have a dedicated budget for hiring consultants for accounting, legal or other matters, when the opinion of an external expert is required"

**Answer:** Practice followed partially.

b. if the recommended practice is not adopted or is adopted partially, provide, in line with the guidelines of the Code, the issuer's justification on the subject, and indicate any alternative procedures adopted by the issuer for monitoring and controlling the quality of the financial statements, internal controls, risk management and compliance

**Answer:** The Company has an Audit, Risk Management and Finance Committee, which oversees the internal and external audit processes, risk management mechanisms and controls, alignment of financial policies with the strategic guidelines and risk profile of the business units, while also ensuring the review of the financial statements and related information disclosed to the market. The committee is composed of and coordinated by independent members of the Board of Directors, and includes at least one financial expert. It does not have a dedicated budget for hiring external consultants for accounting, legal or other matters, when the opinion of an external expert is required. However, the lack of own budget has not prevented it from hiring consultants. Currently, the committee is not envisaged in the Bylaws, although the Company plans to include such provision by 2020 to meet the practices recommended by the Code. In any case, the Company believes that the functioning of the Committee, in accordance with its current structure, has been adequate for the purpose of monitoring and controlling the quality of the financial statements, internal controls, risk management and compliance.

c. if the recommended practice is adopted, inform, in line with the guidelines of the Code, the reason the issuer believes the functioning of the committee envisaged in the bylaws complies with the recommended practices

**Answer:** Not applicable.

**23.** As for principle 4.2: "The audit board, if set up, should be provided with the resources and management support required for its members to effectively perform their individual independent supervision duties"

a. Inform if the issuer follows the recommended practices below:

i. "the audit board should have a dedicated charter describing its structure, functioning, work program, roles and responsibilities, without creating obstacles to the individual performance of its members"

**Answer:** Not applicable.

ii. "minutes of audit board meetings must observe the same rules of disclosure of minutes applicable to the board of directors"

**Answer:** Not applicable.

b. If the recommended practices are not adopted or are adopted partially, provide, in line with the guidelines of the Code, the issuer's justification on the subject.

**Answer:** Not applicable.

**24.** As for principle 4.3: "Independent auditors should report to the board of directors, which must guarantee the independence of the independent auditors"

a. Inform if the issuer follows the recommended practices below:

i. "the company should establish a policy for contracting extra-audit services from its independent auditors, approved by the board of directors, which prevents hiring of extra-audit services that could compromise the independence of auditors. The company should not hire as independent auditor any party that has provided internal audit services to the company less than three years ago"

**Answer:** Practice followed partially.

ii. "the independent audit team should report to the board of directors, through the audit committee, if it exists. The audit committee must monitor the effectiveness of the independent auditors' work as well as their independence. It must also evaluate and discuss the independent auditors' annual work plan and submit it for review by the board of directors"

**Answer:** Yes.

b. If the recommended practices are not adopted or are adopted partially, provide, in line with the guidelines of the Code, the issuer's justification on the subject.

**Answer:**

Regarding practice 24.a.i, the Company highlights that there is no formal policy for contracting extra-audit services from the independent auditors, although the contracting of such services depends on prior approval from the Audit, Risk Management and Finances Committee, which checks for the existence of any conflict of interests, independence, risk of interference in the work, and other aspects. Approval of all extra-audit services is analyzed and recommended by the Audit, Risk Management and Finances Committee for later approval by the Board of Directors. Therefore, the lack of a formal policy is compensated by alternative practices that enable the Company to avoid compromising the

independence of the auditors. Regarding the second part of the practice, the company states that it has not hired as independent auditor any party that has provided internal audit services to the company less than three (3) years ago.

Nevertheless, the Company intends to assess the implementation of a formal policy for contracting extra-audit services in order to fully comply with the practice recommended by the Code.

**25.** As for principle 4.4: "The company must structure its internal audit in a manner compatible with the size, complexity and the risks of its business, and the board of directors must ensure the qualification and independence of the professionals in the internal audit team in relation to the executive board"

a. Inform if the issuer follows the recommended practices below:

i. "the company should have an internal audit department linked directly to the board of directors"

**Answer:** Yes.

ii. "if this activity is outsourced, the internal audit services should not be performed by the same company that audits the financial statements. The company should not hire as internal auditor any party that has provided independent audit services to the company less than three years ago"

**Answer:** Not applicable.

b. If the recommended practices are not adopted or are adopted partially, provide, in line with the guidelines of the Code, the issuer's justification on the subject.

**Answer:** Not applicable.

c. if the recommended practices are adopted, inform, in line with the guidelines of the Code, the reason the issuer believes the internal audit complies with the recommended practices, describing how the internal audit is structured and its adequacy for the size and complexity of its activities.

**Answer:** The Company's Internal Audit Department, subordinated to the Board of Directors through its Audit, Risk Management and Finances Committee, is responsible for verifying compliance in various business processes, in accordance with the audit plan validated annually by said Committee, as well as for investigating processes in case of complaints. The Audit, Risk Management and Finances Committee is an advisory

committee to the Board of Directors. See items 12.1 and 5.1 of the 2018 Reference Form – version 5, disclosed on October 5, 2018.

**26.** Regarding principle 4.5: “The company must have an adequate risk management process and maintain internal controls and integrity/compliance programs aligned with the scale, risk and complexity of its activities”

a. inform if the issuer complies with the following recommended practices:

i. “the company must adopt a risk management policy, approved by the board of directors, that includes a definition of the risks from which it seeks protections, the instruments used for such purpose, the organizational structure for risk management, an assessment of the adequacy of the operating structure and internal controls for verifying its effectiveness, and a definition of the guidelines for establishing the acceptable limits of the company’s exposure to such risks”

**Answer:** Partially adopted.

ii. “the board of directors is responsible for ensuring that the executive board has mechanisms and internal controls for identifying, assessing and controlling risks in order to keep them at levels compatible with the established limits, including an integrity/compliance program that seeks compliance with laws, regulations and internal and external rules

**Answer:** Yes.

iii. “the executive board must assess, at least annually, the effectiveness of the risk management and internal controls policies and systems and of the integrity/compliance program, and report its findings to the board of directors.

**Answer:** Yes.

b. if the recommended practices are not adopted or only partially adopted, present, in line with the guidelines of the Code, the issuer’s justification of the matter

**Answer:** The “Risk Management Procedure” approved in October 2013 by the Audit, Risk Management and Finance Committee establishes the principles, concepts, guidelines and responsibilities of the risk management process. The policy also provides a description of the steps of the process for (i) identifying risk events, (ii) assessing their impact and vulnerability, and (iii) the types of applicable responses and the forums for sharing in accordance with the risk levels identified.

The Company seeks protection against the risks inherent to its business activities and that could affect the achievement of its strategic goals

(as described in item 4.1 the Company's Reference Form, version 5, published on October 5, 2018). To better manage them, it divides risks into four major categories: Strategic, Operational, Financial and Regulatory.

The Company strives to mitigate its risks in various ways, notably by: (i) monitoring the priority risks identified and the effectiveness of internal controls in order to reduce or mitigate them; (ii) updating the risk dictionary and the risk management methodology of the Company; (iii) contracting and managing insurance policies; (iv) mapping and treating information security risks; and (v) regularly updating the internal control matrix and periodically assessing its effectiveness through annual test cycles. The work of analyzing and reviewing risks is conducted by the Executive Committee and by the Board's advisory committees, which oversee the initiatives to monitor, reduce or eliminate such risks. Given the diversity of its businesses and the complexity of its operations, Natura believes that risks and the mechanisms for mitigating and controlling them may vary.

The Company adopts an integrated structure for managing risks, which include the following internal bodies: (i) Internal Control and Risk Management Department: the department is subordinated to the Finance and Investor Relations VP and is responsible for implementing the internal controls and managing risks. The findings of their work are reported to the Audit, Risk Management and Finance Committee, which meets at least eight (8) times per year. The Executive Board participates in all meetings of said Committee; (ii) Internal Audit Department, subordinated to the Audit, Risk Management and Finance Committee, which is responsible for verifying compliance in various business processes, in accordance with the audit plan validated annually by said Committee, as well as for investigating processes in case of reports; (iii) Compliance Department, subordinated to the Legal and Compliance VP, which is responsible for the compliance program against corruption and bribery, applied and updated in accordance with the current characteristics and risks of Natura's activities; (iv) Management Systems Area, subordinated to the People and Culture VP, which is responsible for the Company's process chain and for managing the existing normative documents that guide the execution of activities; (v) Ombudsman, subordinated to the People and Culture VP, which is responsible for managing the Company's Whistleblowing Channel, analyzing instances of conflicts and periodically reporting indicators to the Audit, Risk Management and Finance Committee; and (vi) the work is monitored by the Audit, Risk Management and Finance Committee, which is responsible for ensuring the swift operation of internal and external audit processes, mechanisms and controls related to risk management, the compliance of financial policies with the strategic guidelines and risk profile of the business, and ensuring the review of the financial statements and related information disclosed to the market.

Furthermore, the Company has internal integrity mechanisms and procedures dedicated to preventing, detecting and remediating fraud and offenses against public administration, which include internal prevention policies, especially the Code of Conduct, the Integrity Policy Against Corruption and Bribery and the Policy for Relations with Government Agents, Diplomatic Representatives and Trade Associations. Said policies are regularly reviewed to ensure their adequacy to the laws and regulations of the countries where it operates and their compliance with best market practices. For more information on the integrity program, see item 5.4 of the 2018 Reference Form - version 5, published

on October 5, 2018.

c. if the issuer indicates the adoption of the practices, inform, in line with the guidelines of the Code:

i. how such practices are adopted by the issuer

**Answer:** Not applicable.

ii. date of the last examination by the board of directors of the executive board's assessment of the effectiveness of the risk management policies and systems and of the integrity or compliance program

**Answer:** On March 13, 2018, the Audit Committee convened to examine the executive board's assessment of the effectiveness of the Company's Risk Management Policy. Said meeting was reported and approved by the Board of Directors in the meetings held on May 9 and 10, 2018.

**27.** Regarding principle 5.1: "The company should have a code of conduct that promotes its values and ethical principles and reflects the organizational identity and culture, and a whistleblowing channel for receiving criticism, questions, complaints and reports"

a. inform if the issuer complies with the following recommended practices:

i. "the company should have a conduct committee, with independence and autonomy and linked directly to the board of directors, in charge of implementing, disseminating, training, reviewing and updating the code of conduct and the whistleblowing channel, as well as for conducting investigations and proposing corrective measures related to violations of the code of conduct"

**Answer:** Partially adopted.

ii. "the code of conduct, prepared by the executive board with the conduct committee's support and approved by the board of directors, must: (i) govern the company's internal and external relationships, expressing the commitment expected from the company and its directors, officers, shareholders, employees, suppliers and stakeholders, with the adoption of adequate standards of conduct; (ii) manage conflicts of interest and provide for the abstention of any member of the board of directors, audit committee and/or conduct committee, if applicable, that is conflicted; (iii) clearly define the scope of the actions that seek to investigate the occurrence of events perceived as having been carried out with the use of privileged information (e.g., use of privileged information for business purposes or to obtain advantages in securities trading); and (iv) establish that ethical principles should underpin any negotiation of contracts, agreements, proposals for

amending the bylaws, as well as the policies that guide the company as a whole, and establish a maximum value of third-party goods and services that the company's management and employees can accept for free or on a privileged basis"

**Answer:** Yes.

iii. "the reporting channel must be independent, autonomous and impartial, and must operate under the guidelines defined by the executive board and approved by the board of directors. It must be operated independently and impartially, ensure the anonymity of its users and conduct investigations and take any necessary measures in a timely manner. This service can be outsourced to a third party of recognized capacity."

**Answer:** Partially adopted.

b. if the recommended practices are not adopted or only partially adopted, present, in line with the guidelines of the Code, the justification of the issuer on the subject, potentially citing the other methods used by the issuer for receiving criticism, questions, complaints and whistleblowing reports

**Answer:** The Company partially adopts the recommended practices, except for the fact that the Ethics Committee is formed, in part, by members of the Company's executive board and is linked to it, having no independence to report directly to the Board of Directors. Note that for cases involving levels of the executive board, the coordinator of the Audit Committee is invited to participate on the Ethics Committee. The Company's internal integrity mechanisms and procedures resulted in its public approval and recognition by the 2017 edition of Pró-Ética, which is awarded by the Ministry of Transparency and the Office of the Federal Controller General (CGU), at the 4<sup>th</sup> Conference of the Brazilian Clean Company Act. In addition, it is the only Brazilian company to figure on the 2018 list of the world's most ethical companies by the Ethisphere Institute, in the Health & Beauty category.

c. if indicating that the practices are adopted, inform, in line with the guidelines of the Code, the composition and functioning of the conduct committee and of the whistleblowing channel, and if such channel is internal or operated by a third party

**Answer:** The Company has the "Natura Code of Conduct" ("Code of Conduct"), which was approved by the Ethics Committee and applies to all employees, directors, agents and distributors of the company, including officers, vice-presidents and chief executive officer. This Code of Conduct, which is reviewed annually and approved by the Ethics Committee, is the tool that clarifies how employees and third parties should conduct themselves in various situations and matters, and espouses the commitment of all levels of leadership at the Company to a culture of ethics and of respect for laws and rules. The Ethics Committee, which is responsible for approving the Code of Conduct, also is

responsible for ensuring compliance with the Code, for analyzing and discussing cases of misconduct and for improving the Code of Conduct when necessary, meeting once every three months and whenever necessary.

The Company also has an "Integrity Policy Against Corruption and Bribery", which includes guidelines on combating corruption and bribery, establishing conduct standards and observance of the highest standards of integrity, seeking to mitigate risk situations. Moreover, the Company has a "Policy for Relations with Government Agents, Diplomatic Representatives and Trade Associations" that establishes that relations with government agents, diplomatic representatives and trade associations must be continuous, transparent and non-partisan and follow the principles of respect for the law, impersonality, morality, publicity and efficiency.

Furthermore, the Company has an Ombudsman subordinated to the People and Culture VP that is responsible for managing the Company's whistleblowing channel, analyzing instances of conflicts and periodically reporting indicators to the Audit, Risk Management and Finance Committee;

**28.** Regarding principle 5.2: "The company must establish mechanisms to handle situations in which there are conflicts of interest in the company's management or shareholders' meetings"

a. inform if the issuer complies with the following recommended practices:

i. "the company's corporate governance rules must ensure the separation and clear definition of the duties, roles and responsibilities related to the mandates of all governance agents. The decision-making limits for each instance also should be established in order to minimize potential focal points of conflicts of interest"

**Answer:** Yes.

ii. "the company's corporate governance rules must be made public and determine that any person who is not independent with regard to the matter being discussed or decided in the company's management or supervisory bodies must declare, in a timely manner, their conflict of interest or private interest. If such person fails to do so, the rules must provide that another person declare the existence of the conflict if they have knowledge thereof, and that immediately upon verification of the conflict of interest with regard to a specific matter, the person involved must withdraw, including physically, from any discussions and resolutions. The rules should provide that this temporary withdrawal must be recorded in the minutes"

**Answer:** Partially adopted.

iii. "the company must have mechanisms for managing conflicts of interest in matters submitted for approval to the shareholders' meeting"

for receiving and processing claims of conflict of interest and for invalidating votes cast in conflicts, even if subsequently to the meeting”

**Answer:** Yes.

b. if the recommended practices are not adopted or only partially adopted, present, in line with the guidelines of the Code, the issuer’s justification of the matter

**Answer:** The Company clarifies that it adopted the conflict of interest procedure for its shareholders, as provided for in the Proxy Statement for the Extraordinary Shareholders' Meeting to be held on November 1, 2018. Furthermore, the Bylaws set forth that only members of the Board of Directors are prohibited from exercising their right to cast votes in situations of conflicts of interest.

c. if the issuer indicates the practices are adopted, inform, in line with the Code’s guidelines, the mechanisms used by the issuer to implement said practices

**Answer:** In addition to the provisions set forth in the Company’s Bylaws, in particular those under Article 16, Paragraph 4 referring to the topic, the Company has a Code of Conduct, which is mandatory reading for all employees and is available on the Investor Relations website, which addresses the matter of conflicts of interest. The document contains a description of what is a conflict of interest, as well as some examples of what is and is not prohibited.

We also have a Related-Party Transactions Policy, which also is public and addresses conflicts of interest, that states that any bound person who also is a related party or that could have interests in conflict with that of the Company must abstain or withdraw from voting on the matter.

Article 16, Paragraph 3 of the Company’s Bylaws establishes that, pursuant to Article 115, Paragraph 1 of Federal Law 6,404/76, exercise of the right to vote in the election of members of the Board of Directors is prohibited in circumstances that constitute conflicts of interest with the Company. Moreover, Paragraph 4 of the same Article establishes that directors cannot have access to information or participate in meetings of the Board of Directors dealing with matters in which they have or represent conflicts of interest with the Company. Therefore, if there is any conflict of interest with the Company, the manager is prohibited from casting a vote on the matter that is the object of the conflict, whether in person or by proxy. Therefore, in the event of a potential conflict of interest between the matters under analysis and any member of the Company’s management bodies, said member must abstain from voting, with the remaining members who are not related to the matter being responsible for deciding on the matter.

In line with the practice recommended by the Code, and seeking to manage conflicts of interest in matters submitted for approval to the shareholders' meeting for receiving and processing claims of conflicts of interest and for invalidating votes cast in conflict, even if subsequently to the meeting, we recently adopted the following mechanism, which will be described in the Proxy Statements of Shareholders' Meetings: "During the Extraordinary Shareholders' Meeting, just as during meetings of the Company's management and supervisory bodies, the Shareholders in attendance must declare any conflicts of interest in any matters under discussion or vote in which their independence is compromised. Likewise, any Shareholder in attendance who has knowledge of a conflict situation in relation to another Shareholders and the matter under deliberation also must declare such fact. When a conflict of interest is declared, the conflicted Shareholder must abstain from deliberations on the matter. In the event that the conflicted Shareholder refuses to abstain from deliberations, the chairman of the Extraordinary Meeting must invalidate the votes cast in conflict, even if subsequently to the meeting."

The Company plans to revise and reinforce the existing mechanisms when drafting the internal regulations of the Board of Directors and of the Executive Board. The Audit Board, if and when installed, also has internal regulations addressing the topic.

**29.** Regarding principle 5.3: "The company must have governance policies and practices to ensure that any transactions with related parties always are carried out in the best interest of the company, with complete independence and absolute transparency"

a. inform if the issuer complies with the following recommended practices:

i. "the bylaws must define which related-party transactions should be approved by the board of directors, with the exclusion of any members with potential conflicts of interest"

**Answer:** No.

ii. "the board of directors must approve and implement a related-party transactions policy that includes, among other rules: (i) a provision that prior to the approval of specific transactions or guidelines for the procurement of transactions, the board of directors must request from the executive board market alternatives to the relevant transaction with related parties, adjusted by the risk factors involved; (ii) a provision that there be no forms of compensation to advisors, consultants or intermediaries that give rise to conflicts of interest with the company, management, shareholders or any class of shareholders; (iii) a prohibition on loans on behalf of the controlling shareholders or managers; (iv) the assumptions of transactions with related parties that must be supported by valuation reports that are prepared without the participation of any of the parties involved in the relevant transaction, whether banks, attorneys, specialized consulting firms, etc., based on realistic assumptions and information endorsed by third parties; (v) that corporate reorganizations involving related parties must ensure equitable treatment for all shareholders"

**Answer:** Partially adopted.

b. if the recommended practices are not adopted or adopted partially, present, in line with the guidelines of the Code, the issuer's justification of the matter.

**Answer:** The Company's Bylaws do not define which related-party transactions must be approved by the board of directors with the exclusion of any members with potential conflicts of interest. Nonetheless, the Company has a Related-Party Transactions Policy, which details which transactions are considered pre-approved.

c. if the issuer indicates the practices are adopted, inform, in line with the Code's guidelines, how the issuer implements and verifies that these procedures are adopted

**Answer:** The Company has a Related-Party Transactions Policy that establishes the rules for carrying out such transactions, which are monitored and managed by the Audit, Risk Management and Finance Committee. This policy determines that the Company and/or its subsidiaries may execute transactions with related parties as long as the transactions are contracted on an equitable basis, i.e., conducted within market parameters regarding terms, fees and guarantees and that those are clearly reflected in the Company's reports. <

Any transaction carried out by the Company and/or its subsidiaries must be preceded by a questionnaire on the existence of a relationship between the contracting party, its partners or managers and Natura and/or its subsidiaries in order to determine whether it is a related-party transaction, as established in the corporate policy for registration of suppliers, agreements, etc. As soon as they are detected, related-party transactions must be reported, in writing and regardless of the amount, to the Chief Legal Officer and the Controllershship of the Company, and said report also must contain a detailed justification of the rationale for considering that the transaction is on an arm's length basis or provides for adequate compensating payment.

Granting loans to the controlling shareholder and their relatives, to shareholders who hold significant equity interests, to persons controlled or under the joint control of shareholders who hold significant equity interests or to managers elected by such persons is prohibited.

The Audit, Risk Management and Finance Committee must analyze the information related to any related-party transaction requiring its report and give an opinion on whether to approve the transaction. The Related-Party Transactions Policy, available at [https://natu.infoinvest.com.br/ptb/5086/PolticaTransaescomPartesRelacionadas\\_final.pdf](https://natu.infoinvest.com.br/ptb/5086/PolticaTransaescomPartesRelacionadas_final.pdf), establishes that the Audit, Risk Management and Finance Committee must prepare a report with information on all related-party transactions submitted during the year to submit to the

Board of Directors at the meeting that approves the Company's financial statements for the year in question.

**30.** Regarding principle 5.4: "The trading of shares or other securities issued by the company by shareholders, managers, members of the audit board or other statutory bodies, or any persons with access to information, must be based on the principles of transparency, equitable treatment and ethics"

a. inform if the issuer follows the recommended practice below: "the company must adopt, by resolution of the board of directors, a securities trading policy that, without prejudice to compliance with the rules established by the regulations of the Securities and Exchange Commission of Brazil (CVM), establishes controls that enable the monitoring of trades executed, as well as the verification and punishment of those responsible in the event of violations of the policy"

**Answer:** Partially adopted.

b. if the recommended practices are not adopted or adopted partially, present the issuer's justification on the subject.

**Answer:** The Company's Securities Trading Policy establishes rules and procedures that must be observed by Related Persons and by the Company with regard to securities trading to preserve transparency in these transactions for all stakeholders. The rules of the Trading Policy define periods during which Related Persons must abstain from trading securities so as to avoid questioning with regards to the unlawful use of Material Information not disclosed to the public, pursuant to CVM Instruction 358/2002.

To promote greater awareness and a sense of responsibility in the persons involved, the controlling shareholders, directors, officers, members of the audit board and of any other bodies with advisory or technical functions created in accordance with the Bylaws, the managers or employees of the Company who have regular access to Material Information, and any other personas that the Company deems necessary or convenient, must sign a Declaration of Acceptance of said policy, transforming them into Related Persons.

Furthermore, the Policy determines that Related Persons responsible for violating any provision therein undertake to reimburse the Company or other Related Persons, fully and without limitation, for any losses incurred by the Company or other Related Persons resulting, directly or indirectly, from said violation.

Although the Security Trading Policy does not clearly establish controls to monitor the negotiations carried out, the Company adopts a procedure for monitoring such moves, by filing each month Form 358 on the CVM system, which contains the monthly changes in shares held by the controlling shareholders, directors and officers, as well as changes in treasury shares. Said document is also published, in a consolidated version, on the Company's Investor Relations website.

c. if the issuer indicates that the practice is adopted, inform, in line with the Code's guidelines, the controls implemented to monitor the trades carried out and the method for investigating any violations

**Answer:** Not applicable.

**31.** Regarding principle 5.5: "Management must ensure that directors, officers and other employees clearly and objectively understand the principles and rules on contributions and donations of amounts or goods to philanthropic, cultural, social or environmental projects or political activities"

a. inform if the issuer complies with the following recommended practices:

i. "in an effort to ensure greater transparency with regard to the use of company funds, a policy on its voluntary contributions must be prepared, including those related to political activities, to be approved by the board of directors and implemented by the executive board, containing clear and objective principles and rules"

**Answer:** No.

ii. "the policy must provide that the board of directors is the corporate body responsible for approving all outlays related to political activities"

**Answer:** Not applicable.

iii. "the policy on voluntary contributions of state-owned enterprises or of companies that have significant and reiterated business relationships with the State, must prohibit contributions or donations to political parties or persons related thereto, even if permitted by law"

**Answer:** Not applicable.

b. if the recommended practices are not adopted or adopted partially, present, in line with the guidelines of the Code, the issuer's justification of the matter.

**Answer:** Although no policy exists on voluntary contributions approved by the Board of Directors, as detailed in the Code's recommended practice, the Company adopts numerous social and environmental policies within the Sustainability Vision approved by the Board of Directors, as described in item 7.8 of the 2018 Reference Form, published on October 5, 2018.

This set of policies is adopted strictly in compliance with the Code of Conduct, which only authorizes donations for philanthropic reasons, such as supporting cultural or educational institutions, provided that the donation complies with all our policies and other requirements, including its prior approval and all provisions of our internal policy, entitled the "Integrity Policy Against Corruption and Bribery." Furthermore, the Company's Code of Conduct determines that such donations must also comply with the provisions of the Integrity Policy

Against Corruption and Bribery, which sets forth that (i) Employees and third parties acting on behalf of the Company may not give, offer, promise, accept, ask for or receive bribes or any kind of illicit payment; (ii) employees may not obtain benefits for themselves, for third parties or for the company by committing fraud while performing their duties; and (iii) employees may not practice acts of bribery, cross-border bribery, corruption (active or passive) or facilitating payment, whether by offering/receiving money or any other benefit, to obtain undue benefits for themselves, third parties, government agents or the company. If favors are offered or requested from employees and the Company, employees must immediately inform their managers and the Ombudsman.

The Code of Conduct also establishes that, while performing their duties, employees are prohibited from making donations for politicians, political campaigns, parties or candidates to public office during or outside of electoral processes. Such donations may be considered a crime in some countries.

Therefore, the Company believes the adopted practices are able to effectively guide the promotion and funding of philanthropic, cultural, social and environmental projects or political activities.

c. if the issuer indicates the practice is adopted, inform the policy approval date and, if the issuer discloses the policy, the Internet addresses where the document can be accessed

**Answer:** Not applicable.

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