



World Business Council for  
Sustainable Development

## Case study

2005

### Natura

## Placing sustainable development at the center of business thinking

Brazil has a rich natural heritage and some of the most biodiverse regions in the world. It has the largest reserves of fresh water and one-third of the world's remaining tropical forests. It is estimated that 10% of all existing species of plants and animals live in these regions. Brazil is also the largest and most populous country in South America and the continent's leading economic power. Although the country is furthering its industrial and agricultural growth through the exploitation of its vast natural resources and a large workforce, unequal income distribution remains a problem.

Through its business practices, the quality of its products and the relationships it establishes, Brazil-based Natura seeks to contribute to development and make its brand recognized worldwide and identified with a community of people who are committed to creating a better world.



### Enhancing responsible social and environmental management

Natura's *Ekos Challenge* aims to create a model to allow the sustainable use of natural resources, generating good business opportunity and social development for traditional communities and for Natura and its partners.

Since the 1990s, Natura has been enhancing the responsible social and environmental management of its business, based on the establishment of quality relationships with its stakeholders and of corporate strategies that increasingly place sustainable development at the center of business thinking. Natura has sought to establish processes and systems that ensure the inclusion of its corporate social responsibility principles in its strategic planning and daily business routines. These principles are 1) an ethical and transparent relationship with its stakeholders and 2) the definition of targets that are compatible with sustainable development.

These ethical principles have started to permeate the company's initiatives in all areas and results include:

- The option for the sustainable use of raw materials from Brazilian biodiversity as a technological platform;
- The adoption of a social and environmental supplier evaluation process;
- The development of packages that have less of an environmental impact.

### The Corporate Responsibility Matrix

To focus its attention on the critical issues of this strategy, Natura created a management support tool called the Corporate Responsibility Matrix that helps managers plan and visualize specific actions aimed at each type of stakeholder. This tool does not reflect all of Natura's efforts regarding the promotion of socially responsible management. It does intend, however, to show the investments made in the most critical aspects of this management. These are:



- The monitoring of the quality of Natura's relationship with its stakeholders regarding ethics, transparency and the efficiency of the dialogue channel, including themes that are not directly related to the business ("fundamentals" line);
- The promotion of sustainable development – whether local, in a specific region, or promoting diversity, education, quality of life and culture ("social and economic" line);
- Protection of the environment ("environmental" line).

## Engaging stakeholders

Natura's Corporate Responsibility Management System, which was created in 2003 and improved in 2004, supports the company's responsible management process. By way of this system, a detailed diagnosis of Natura's relationship with its stakeholders was performed and resulted in the survey of topics to be included in the strategic plan.

All areas of Natura now systematically follow up the issues related to the quality of the relationships with stakeholders based on aspects such as ethics, transparency and efficiency of the dialogue channels, including non-business topics. The initiatives related to the critical aspects of socially responsible management are followed with the Corporate Responsibility Matrix.

## Natura Sales Representatives

30 years ago Natura opted to use a direct selling system supported by a network of independent resellers, the Natura Sales Representatives. Sales representatives must be at least 18 years of age and have a clean credit record. The relationship that Natura maintains with its Sales Representatives has established a solid grounding for the expansion of the company's business in Brazil and Latin America. In 2004, Natura increased the number of independent Sales Representatives by 15.6%, totaling 407,000 in Brazil and 26,000 abroad, proving the success of its program.

Because these entrepreneurs are vital for its operations, Natura seeks to strengthen its relationship and offer comprehensive personal and professional development opportunities. This community generated an estimated income of R\$ 1 billion (US\$ 425 million) in 2004.

The Sales Representatives represent the main link between the company and the final customer. The company tries to establish with them a relationship of complicity and recognizes the important role they have in the dissemination of the company's concepts and values. In 2004, Natura increased the number of programs that aim to recognize the value of the relationship with Sales Representatives, reinforcing qualities that are expressed at different levels – length of activity, number of customers, sales volume, presence at events and attendance at Natura Meetings, where the company's new products are presented.

Natura chose the direct sales option because it is in line with Natura's belief about the value of relationships. As the main link between Natura and the final customer and society (community), the Sales Representatives disseminate the company's beliefs throughout Brazil and Latin America, making the quality of their relationships with their clients a cornerstone of the products themselves. The sales activities represent an opportunity for Sales Representatives to improve their income and professional development.

The Sales Representatives also work closely with Natura's Sales Promoters, the "trainers" who help the Sales Representatives remain in touch with the company's values and beliefs. The Representatives must attend regular meetings and are exposed to communication materials that are specially prepared to help them in their role as ambassadors of the company's values.

### Distribution of Wealth to the Sales Representatives

(in millions of reais)



## Sustainability of Natural Resources

### The Brazil Nut

The Brazil Nut, as a food, is consumed as a white mild rich in calories and appropriate for infant nutrition. It is a source of selenium, an important anti-oxidant. As a medicine, the water from the Brazil Nut's bur is used to treat hepatitis. In cosmetics, its emollient properties and the richness of the nutrients in Brazil Nut oil have led Natura to develop special products for dry skin and hair.



The Brazil Nut also has an important socio-economic function. As sustenance for many families, the oil is exported as edible oil and the nut is used as an appetizer. Cookies are bought by the local government and used for school lunches, due to their high nutritional value. In addition, the unprocessed oil is sold to cosmetics companies.

### Relationship with communities supplying biodiversity products

When it launched the Ekos line, in 2000, Natura started to put into effect the sustainable use of raw materials from Brazilian biodiversity. The use of raw materials from the Brazilian flora should be economically viable and, at the same time, include the proper management of the extractivist activity and sustainable development of the producing communities. Since then, the relationship with the communities that supply the raw materials from biodiversity has proven to be an important learning process. The developments seen in 2004 reflect the application of this learning on the process to create a consistent model for the supply of the raw materials.

During 2004, a multifunctional team worked on the development of a model that can, based on a pilot experience with the community of Iratapuru, in the State of Amapá, be used in other communities. The community of Iratapuru is made up of 30 families that supply copaiba, breu branco and Brazil nuts. The NGO Amigos da Terra followed up the experience and created a business management plan together with the community. One significant achievement was the Forest Stewardship Council's certification of the three community-produced raw materials.

Among the measures taken has been the creation of a reserve made up of a percentage of the net revenues obtained from the sale of products originating from the raw materials supplied by the community. These funds may be used both in immediate and future needs. Additionally, a consultancy specialized in sustainable development, Amapaz, will make a diagnosis of the community in order to prepare a plan for the future, which may include other activities in addition to the extractivist one. The diagnosis will include physical, territorial and social and economic aspects so as to help the community to prepare a sustainable development plan.

### *Lessons learned*

From its experiences in creating sustainable communities, Natura has learned to:

- Integrate logistical complexity into business plans;
- Limit the introduction of new active ingredients in its products;



- Limit labor and high-volume production;
- Be vigilant about community dependence on one active ingredient by helping communities widen their base and doing product line extensions from the same ingredient and getting community input for idea creation;
- Mobilize a third party in developing local capability;
- Be prepared for unpredictability;
- Prepare investments for training;
- Be prepared to face high risk and low manageability;
- Get and appreciate external political support & advice;
- Be determined and invest in negotiating;
- Trust and make sure the company is seen as trustful.

Positive results of the partnership with the supplying communities include:

- The communities are better able to deal with any new partnerships that might be established in the future.
- The alliance helps local communities create new outlets for their products in the domestic market and to develop business-oriented models of management that match local situations. Natura's actions directed to the Ekos supplier communities reflect the company's commitment to sustainable development. As a cosmetic product's life cycle is usually short, it is important that the communities receive support in structuring themselves socially and economically to minimize the impact of an eventual decrease in volumes supplied to Natura. The communities' new partnerships are made by their local leaders, with Natura's support whenever necessary.
- One community now has a Brazil nut oil extraction plant which allows it not only to supply basic raw materials, but also to participate in other stages of the production chain, thereby adding value to its product.
- The partnership has also generated jobs, increased incomes and provided professional qualifications for the local communities.
- The alliance goes beyond increasing sales and profits for Natura, by engaging local communities in environmental preservation; the sustainability concept is part of Natura's corporate culture and is now being spread via partnerships to its suppliers.
- The price paid for the raw materials is calculated based on a cost structure analysis. The price of the products covers the costs incurred by the supplier and pays an average of 15% fair trade premium.
- Natura supports many actions to improve the productive network and to improve the local development. This is done in a participatory process and takes into account the specific needs appointed by the community itself.

### **Active Ingredient Certification Program**

Certification is a tool that ensures the sustainable exploitation and management of the forests, involving environmental, social and economic criteria. Its aim is to guarantee that all ingredients originating from Brazilian flora are obtained either through cultivation or from forests managed in an environmentally sustainable and socially just manner.

Natura's stages of certification include:

- 1) Auditing of current situation;
- 2) Preparation of Management Plan;
- 3) Environmental and Social Impact Assessment;
- 4) Implementation of Management Plan;
- 5) Certification Process;
- 6) Monitoring.

### Relationship with government and society

Natura dialogues with federal, state and municipal governments, as well as with members of congress. Additionally, as it is aware that the company must be an agent of social transformation, it seeks to permanently enhance its initiatives aimed at the development of society.

For example, as a member of the Associação Brasileira das Empresas de Venda Direta (Brazilian Association of Direct Selling Companies) – ABEVD, Natura helps promote education for benefit of independent sellers.

Natura also runs the Crer para Ver Program in partnership with the Fundação Abrinq. Through this program Natura Sales Representatives sell products (cards, t-shirts, mugs and gift packages) that are specially created for the program to their communities of origin, channeling the funds raised to public school system projects in the area.

Since 1996, the program has raised 17.9 million reais (US\$ 8 million) and supported 148 projects in 3,638 schools. In 2004, the amount of funds raised was the highest in the program's history.

Among the projects supported by Crer para Ver in 2004 were the the creation of video libraries and the education of students by way of audiovisual language, based on the education of teachers, a training program for pedagogical coordinators and teachers, and a program to fight child labor.

The program was also expanded in 2004 in order to involve sales representatives a program to get middle school dropouts back in the classroom. In the first half of 2005, the campaign reached some 32,000 people, mainly through the mobilization of the vast web of relationships that Sales Representatives have with their local communities.

For Natura, the success of its programs depends on:

- Excellent relations with local communities;
- The company's ability to seize the opportunity to organize and carry out programs that contribute to improving livelihoods in local communities;
- The company's capacity to put its corporate beliefs into action.



### About the WBCSD

The World Business Council for Sustainable Development (WBCSD) is a coalition of leading international companies that share a commitment to the principles of sustainable development via the three pillars of economic growth, ecological balance and social progress. All regions of the world and most major industry sectors are represented in our membership. The WBCSD also benefits from a global network of national and regional business councils and partner organizations representing a large and diversified group of business leaders.

Our mission is to:

- Provide business leadership as a catalyst for change towards sustainable development;
- Support the business license to operate, innovate and grow in a world increasingly shaped by sustainable development issues.