



BRIDGE 3

*Governance and Incentives for
Social and environmental impact*



NATURA'S INTEGRATED PROFIT & LOSS (IP&L)

Framing Value Beyond the Financial



Founded in Brazil in 1969, Natura is one of Latin America's largest cosmetics and personal-care companies. Since 2020, its operations have included Avon. With a presence in 100 countries and a network of more than seven million beauty consultants (Natura, 2024 Annual Report), Natura has long operated at the intersection of business and sustainability. In the early 2010s, it began developing its Integrated Profit & Loss (iP&L) methodology to align its business model with long-term environmental and social regeneration.

The problem

The problem it sought to address was fundamental: Traditional financial accounting, while critical, fails to capture the full value created—or eroded—by corporate activities across ecosystems, communities, and human well-being. As a company deeply connected to the Amazon and dependent on relationships with millions of beauty consultants, Natura needed a system that would recognize the real cost and true benefit of its operations. The iP&L framework was developed to quantify, in monetary terms, the impact of Natura's business across four capitals: produced, natural, social, and human.

[Natura's] iP&L accounts for impacts across the full value chain—from sourcing ingredients and producing packaging to product use and disposal. The framework applies recognized protocols (such as the Natural and Social & Human Capital Protocols) to measure and monetize outcomes like carbon emissions, biodiversity protection, circularity of materials, and the socio-economic ripple effects of supporting low-income entrepreneurs, especially women.

Impacts and activities Over the past decade, Natura has become a pioneer in this

space. Its iP&L accounts for impacts across the full value chain—from sourcing ingredients and producing packaging to product use and disposal. The framework applies recognized protocols (such as the Natural and Social & Human Capital Protocols) to measure and monetize outcomes like carbon emissions, biodiversity protection, circularity of materials, and the socio-economic ripple effects of supporting low-income entrepreneurs, especially women. By 2023, Natura reported a net positive impact of R\$39.5 billion—more than double its negative environmental costs—with particularly high returns generated by forest-based economies and consultant income support (Natura iP&L 2021 Technical Report, Valuing Impact, 2023). The iP&L has also supported practical decisions: influencing sourcing strategies, shaping internal investment flows, and informing public advocacy for Amazon forest protection, regenerative supply chains, and national-level bioeconomy policies in Brazil (Sustainable Business Now, 2024).



When Natura's iP&L reveals a negative impact—such as excess carbon emissions, water consumption, or social inequality—it responds through targeted mitigation strategies. These include investing in high-quality carbon credits, redirecting funds toward regenerative sourcing programs in the Amazon, supporting income redistribution to low-income consultants, and redesigning packaging or logistics systems to reduce material and energy intensity (IFAC, 2022, Natura iP&L 2021). Rather than treating impact as externality, Natura's iP&L enables it to see such costs as signals for business adaptation, accountability, and innovation.

Challenges

Implementing integrated socio-environmental accounting brings methodological and organizational hurdles. Valuing intangible social outcomes, like empowerment, dignity, improved hygiene, remains difficult, yet the company views it as essential to a credible sustainability strategy. In practice, Natura acts on directionally reliable estimates when perfect data are unavailable, with transparent assumptions and

uncertainty ranges. Data fragmentation across business units, non-standard valuation methods, and evolving reporting frameworks require ongoing refinement of Natura's iP&L. The integration of Avon in Latin America has added system complexity that remains manageable. A strategic priority is turning iP&L into a comparable blueprint for cross-company and cross-sector benchmarking, which requires shared impact taxonomies, defensible conversion factors, and tools for scenario and sensitivity analysis, simulation, and forecasting. Internally, making iP&L decision-useful at scale means embedding it in planning, capex, pricing, and portfolio governance, work that is progressing but depends on continuous capability-building, data literacy, and dedicated resourcing. Ultimately, translating a technical iP&L into clear and reliable communications is the key challenge in proving that socio-environmental activities can (and do) deliver significant business returns.

Looking ahead

Looking ahead, Natura's iP&L is evolving in several ways. The company is adopting more granular, bottom-up Life Cycle Assessments (LCAs) to enhance natural capital valuation, expanding its social valuation models to include product utility and well-being, and embedding impact measures deeper into governance and incentive systems. The 2024 report, previewed in Natura's annual update, shows a net societal contribution of R\$50.5 billion, a 2.5× multiplier on revenue. The full report, expected in September 2025, will provide further insight into how Natura is using iP&L not just as a reporting tool, but as a strategic compass to transition toward a regenerative, stakeholder-driven economy.

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