Global Reporting Initiative™

natura

Questionnaire for Evaluation of GRI *Sustainability Reporting Guidelines* by Structured Feedback Companies

A. Information on Respondent [year 2000]

Type of Organization:

1. Name of company: Natura

2. Industry sector: Personal Hygiene, Perfume and Cosmetics

3. Privately or publicly owned:

    The Natura Group (a privately owned corporation):
    i.   Natura Participações S.A. (holding)
    ii.   Natura Empreendimentos S. A.
    iii.   Ind. e Com. de Cosméticos Natura Ltda.
    iv.   Natura Cosméticos S. A
    v.   Natura Logística e Serviços Ltda.
    vi.   Natura Inovação e Tecnologia Ltda.
    vii.   Nova Flora Participações Ltda.
    viii. Flora Medicinal J. Monteiro da Silva Ltda.

4. Products or services provided:

    Product Lines:
    i.   Mother, Baby and Child
    ii.   Skin treatment
    iii.   Make-up
    iv.   Perfumery
    v.   Hair
    vi.   Health (line of nutritional supplements and a line of Natura teas)
    vii.   Natura Ekos (line of hygiene and beauty products that values, in an economic and environmentally sustainable way, the active ingredients extracted from the Brazilian flora)
    viii. Crer para Ver (The Eyes Believe - which promotes the participation and the creativity of designers, artists and suppliers to produce packaging and cards, t-shirts and other products, that are voluntarily sold by Natura Consultants. The funds raised are sent to educational projects in 20 states of Brazil.)

<u>Size:</u>

1. Number of employees: 3.139

2. Annual revenues **(R$ millions)**: R$ 1.015,70

<u>Location:</u>

1. Headquarters country: Brazil

2. Countries (or regions) with operating facilities: Brazil, Argentina, Chile, Peru and Bolivia.

<u>Respondent Information:</u>

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B. Structure/Content of Guidelines

<u>Structure:</u>

1. Are the overall sections/groupings the right ones? Should information be grouped differently? Are the titles right? Any suggestions?

   The overall sections are pretty much well defined. The information is also well distributed over the different sections. As a suggestion, GRI feedback group should review the information required in each section in order to assure there is no duplication (asking for the same information in different sections). This is a hard task, considering the focus we have to keep on the different stakeholder's understanding of the report.

2. Please comment on the organization / ordering of sections within the guidelines. Is it logical? Should particular sections come before others?

   When we were using the guidelines to prepare the report, it was not an issue the organization of the sections because not always we presented the data in the same logic as proposed by the guidelines. The physical layout [and information disposition] of the report is something that should be defined by each company, based upon the amount of aspects that has to be considered [as branding requirements, stakeholders characteristics, etc]. Going back and complementing the #2 answer, it's a hard balance between to choose the right indicators [considering the educational function of the report as well as its relevance principle] and to present them in an understandable way.

3. Is the physical layout of the report helpful or can it be improved? Suggestions?

   As mentioned before, each company should define the physical layout in order to meet its organizational requirements and the local culture characteristics. And, of course, allow the maximum access to the report.

4. Can the overall format be improved (e.g., charts, highlighting, explanatory text, definitions of different types of indicators)?

   We would suggest two main points: more charts, diagrams, graphics and correlations between different types of information will, for sure, improve the clarity of the report. Other important point, in our opinion, is to improve the indicators definitions, adding examples of different industries.

Clarity/Terminology:

5. Are the guidelines specific enough about what should be included?

   In general, yes, but there are some exceptions. Under policies and organization, for example, it's clear what the purpose of the section is; but the item 5.2, for instance, is not clear enough. Specific guidelines with more examples are welcome.

6. Is sufficient information included to help you prepare your report? If not what suggestions do you have for improvements (e.g., provision of technical notes, more detailed guidance, case studies, improved definitions of metrics or reporting boundaries etc.)?

   As already mentioned, charts, cases, diagrams, examples, etc would make the work on the report easier.

7. Should a "Help Guide" accompany the release of the 2002 Guidelines? What content might it include – what to measure, how to measure, a further breakdown of the indicators, discussion on subjects to explain their importance? Should GRI itself oversee development of such a document or might outside commercial or non-commercial organizations be equally effective?

   Yes, a help guide is very welcome. And we think we already mentioned some of the contributions we should expect from the guide.

8. Are there alternative / better ways of communicating to readers the spirit and intent of the 2002 Guidelines (e.g., include more real world examples, charts, quotes)?

I think we already covered part of this question in previous answers. I could add, perhaps, that the availability of reports from different companies in different economy sectors in the GRI website may be a good guide also for readers, mainly beginners.

9. Provide cases where you think ambiguity could be eliminated. Please provide recommendations.

The feedback we had we submitted to GRI by February 9 and all of them were covered in this questionnaire, mainly in section F.

10. Please comment on the clarity of language. Is it too technical, formal and repetitive? Does it include too much jargon? Is it too American?

This type of report has to provide transparency and we have to make sure that all elements are well balance: the technical approach, the local cultural context and a colloquial language. Also, we have to strive to avoid repetitive information. In some way, the report sounds too American and the suggestion is to balance it with some European and Latin America perspectives.

Content:

11. What is missing / should be improved?

More specific correlations about business impacts management considering:
- Montreal and Kyoto Protocols;
- New technologies (unemployment, new competencies needs, extinguish of native cultures, digital apartheid, etc);
- Corporate governance (criteria to select members, roles and responsibilities, agenda, criteria to evaluate CEO's and company board, etc);
- Third party services (quality of relationships and issues involving people management, legal requirements, etc);
- Relationship with the media (transparency of practices, information about business and markets, company positioning, etc)

12. What is redundant/obsolete?

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13. How useful was the section on Reporting Principles and Practices?

It was very useful. But we strongly recommend a reexamination on levels of disclosure. For example, items 2.8, 2.9 and 2.11: how the companies are addressing the issue of showing strategic information? And considering the stakeholders perspective in the case of Natura, to whom is it relevant? In our experience doing the report, we didn't feel comfortable to share some kind of information that should be used by competitors.

14. What should be GRI's priorities for future development?

    To develop a group of business indicators by economic sectors; to share results from specific industries, creating conditions for comparison and continuous improvement.

15. Are there indicators that you feel are inappropriate because they require release of information that you consider proprietary or competitive? Please specify and provide explanation.

    Already covered in item 13.

16. How can the current classification scheme be improved – generally applicable vs. organization specific? Should any of the organization-specific indicators be made generally applicable? Is there value and usability in distinguishing between generally applicable and organization-specific indicators? Is there enough/too much flexibility in the case of organization-specific indicators?

    Our suggestion is to have a core set of generally applicable indicators to cover all companies; another set, adding industry specifics indicators; and, finally, suggestions of indicators that should be presented by companies.

17. Are there too many indicators? Not enough?
    Please consider the suggestion on # 16. And we suggest others indicators in section F (Input to the Measurement Working Group).

18. Would industry-specific indicators be helpful?
    Yes, it would be very helpful. See # 14 and # 16

19. Other comments (e.g. how should GRI address sector specific issues, how should flexibility be balanced with the need for comparability and simplicity versus completeness?)

Reporting Boundaries:

20. How do your boundaries for sustainability reporting match with those for your financial reporting? Are they consistent?

    As the first time dealing with the report, we learned a lot of things. One of them is that a company should have just one report. In other words, build a unity from all business indicators. The report fragmentation in sustainability and financial perspectives may send a wrong message about what really counts at the bottom line for companies.
    On the other hand, there are some local requirements that have to be attended.

21. Do your selected reporting boundaries ignore critical facilities, impact areas, or indicators? How will you improve this situation?

    Not really. But next year we are planning to incorporate other business operations in the report. It was not possible yet due the weakness of our data consolidation process at that level.

22. Do your reporting boundaries go beyond financial reporting definitions to capture major sustainability issues not otherwise captured (e.g., emissions from vehicle use for an auto manufacturer)?

Yes. We adopt the GRI and Ethos Institute guidelines.

23. Do your reporting boundaries include subsidiaries? Joint ventures with >50% ownership? Operations/facilities where your company controls operations but not ownership?

Not yet. See answer # 21

C. Practicality of Guidelines/Reporting Burden

1. Does your company have any previous experience preparing EHS, Social, or Sustainability reports? If yes, please give details (number & types of reports).

   Natura published its first Corporate Sustainability and Responsibility Report in 2001.

2. Depending on your experience with reporting, do the Guidelines accommodate the needs of early-stage/mature reporters?

   The guidelines, as mentioned in other items, should incorporate more cases, examples, etc for early-stage reporters. We think it is pretty much appropriate for mature reporters.

3. Please comment on whether and how GRI should adopt a "tiered approach" to reporting to accommodate the different needs of first-time reporters or SME's (e.g., a reduced set of indicators).

   The only additional contribution we have is to suggest a reduced set of indicators for small businesses.

4. Approximately how much (e.g., percentage) of the indicator list does your report cover?

   - Generally applicable environmental indicators - 100%
   - Economic – 78,26%
   - Social indicators – 72,22%

5. How have you considered incremental reporting as described in Annex 2 of the *Guidelines*? How do you plan to incorporate additional indicators?

   As we mentioned before, this time we adopted the GRI and Ethos Institute guidelines in our report, which means that we incorporate some additional indicators.

6. How much of the required information was already collected in your organization?

   About 45% of the required information was already collected due to legal requirements and the assessment we did on Social Responsibility performance through Ethos Institute appropriate instrument.

7. What, if any, additional costs were incurred to establish new information collection and management systems (specify unit, e.g. $$ or man-hours)?

   To prepare this first report Natura supported consultant costs to collect the information and to guarantee the consistency with the GRI guidelines. The total cost was US$ 40,000.00
   For the next reports the company is evaluating the possibility of establish a data and information system in order to set and track progress.

8. If possible, please break down reporting costs into information collection, report design, writing, verification, legal approval, etc.

   Graphic project: US$ 6,880.00
   Content: US$ 20,090.00
   Publishing: US$ 36,252.00
   Others: US$ 1,668.00
   TOTAL: US$ 64,890.00

9. Are the resource requirements for preparing a GRI-based sustainability report too heavy? Are there cases (e.g., specific indicators) where it makes sense to assign more resources to be able to gather the data and be able to report publicly?

   Yes. We considered too heavy. We assigned more resources to gather the data especially with the indicators related with stakeholder's engagement. We still do not establish an active stakeholders consultation so we used internal surveys and focus groups researches.

10. Please indicate which sections/indicators presented the most significant challenge for your company.

    Section 2 Profile of Organization – Disclosure Level
    Section 5 Policies, Organization and Management Systems – 5.2, 5.3 and 5.8

11. What frequency of public reporting do you consider most appropriate for your organization (annual, biannual, other)?

    Annual reporting

12. What views do you have on the use of printed reports versus electronic reports?

    Considering the educational reality of the country we insist in the necessity of printed reports.

13. Did you have your report verified? Have you had previous reports verified by a third party? Do you plan to do so in the future? What type of verifying body did you use (e.g., accounting, sustainability consultant, NGO)?

    The report was developed with the support of a consultancy company [AMCE Sustainable Businesses] that helps Natura with the integrity of the report, considering GRI and Ethos Institute guidelines. But the report was not verified by auditing. We have, in the future, to incorporate a quality auditing in the process.

14. Do you plan to use the GRI guidelines in the future?

Yes, we do.

D. Internal Utility of Information Reported in the *Guidelines*

1. Overall, what are the main strengths and weaknesses of the *Guidelines* and the GRI process?

   We already made the suggestions in previous answers.

2. What value, if any, did the reported information and process of compiling a report have in your organization at the following levels (if possible please provide examples)?

   * CEO/Board level

     It has been a useful tool to the internal evaluation of the policies and practices and it was used during the Strategic Plan Review in order to focus in the commitments assumed and critical factors.
     Unfortunately it is not possible to compare the company performance with others companies from our sector because there is no uniformity in the reports.

   * EHS

     We are introducing a new standard and sustainability concepts and it is still early to measure changes but we noticed that EHS areas are considering the indicators reported into their Strategic Plan.

   * Operational/business units

     It is a special challenge to involve the operational area with sustainability concepts. Our initial focus is to share the information with all employees through a special edition of our internal journal including key indicators and a summary of the Annual Report. We also published the report in our Intranet and Internet.

   * Other (please specify)

     The Annual Report is working for us like a navigation map. It supports a systematic revision of our business process.

3. As a company preparing a report, attempting to identify areas for improvement, what indicators are of most value to you? Of least value? Why?

   Most value indicators:

   Considering our findings on areas for improvement, the indicators related with Products, Services and Suppliers were the most useful for us.

Least value indicators:

Some of the economic indicators. They are very important to portray the economic performance of the organization but less useful as an improvement tool.

4. Do you see any value in integrating GRI information into your organization's broader business information system?

   Yes. And that's we doing some actions in that direction.

5. Can you provide any examples of business benefits derived from the process of using the *Guidelines*? What benefits do you expect in the future if you become a regular reporter?

   The main benefit is, clearly, to provide more transparency about company practices to stakeholders and future potential stakeholders. Another important benefit is to help the corporation to manage its impacts on economy, society and environment. And, we should add, the benefit of managing the company aligned with country social priorities.

6. Do you think the GRI *Guidelines* will permit meaningful benchmarking?

   Yes, including an international perspective.

7. Please provide any other comments on the internal utility of GRI reporting.

   As we mentioned before, we used the reporting process as an opportunity for company diagnosis.

E. Utility as a Communication and Stakeholder Engagement Tool

1. What external or internal stakeholder(s) do you consider to be the key audience(s) for your report?

   Employees, trade unions, media, others companies and society in general.

2. Does the information contained in the GRI *Guidelines* meet the needs of these targeted groups? If not, what is missing? What needs to be changed?

   We think that we mentioned the main suggestions on the indicators.

3. What was the extent of stakeholder consultation in determining your reporting indicators?

   This first time reporting, we did not have strong stakeholders consultation. The issue of stakeholder's engagement, however, was addressed in the diagnosis report and considered in company strategic planning for the next years [which already included the inputs of some suppliers in the process]. We are about to validate internal stakeholders and suppliers as 2002 priorities and to establish the business case for each one of them.

4. What was the extent of stakeholder consultation in preparing/editing/verifying your report?

    See # 3

5. Have you received any direct feedback from stakeholders on your GRI report?

    Yes. We have received positive messages from different stakeholders, including support and congratulations messages from the Brazilian and São Paulo State Governments.

6. How do you think the users/uses of GRI type reporting will evolve over the next ten years?

    We think that the main evolution of this kind of report over the next years is to impact strongly on the society apprenticeship on the social role of companies. In this sense, we see the refining of the indicators in such way that can support social dialogues that will solve some of the main issues of contemporary society.

7. What thoughts do you have about integrating GRI reporting requirements into government regulations (e.g., regulatory relief in return for demonstrated improvements in performance)?

    We think that in our country we still have a long way to go to make this possible. We would wait a couple of more years to make a statement on this.

F. Input to the Measurement Working Group

The revision of the June 2000 first edition of the GRI's *Sustainability Reporting Guidelines* is underway. One key area of focus for the revision work is the performance section (Part C, Section 6) of the *Guidelines*. The Structured Feedback Process (SFP) feeds into the revision process. The central coordination for this work is through the Measurement Working Group (MWG).

The energy and ideas of GRI's participants are key to improving the June 2000 *Guidelines*. The GRI plans to release a revised edition of the *Guidelines* by September 2002. The MWG, comprising more than 100 experts, will assist the GRI Secretariat, Steering Committee, and future Board of Directors revise the performance section (Part C, Section 6) of the June 2000 *Guidelines* based on feedback from those who write reports and those who use reports. The work of the MWG will be completed by November 2001. For more information on the MWG please view http://www.globalreporting.org/WorkingGroups/Measurement/SubgroupsFeb22.htm

The MWG is aware of the SFP and has asked the Secretariat to solicit input from SFP companies on the subgroup work streams they are pursuing. The MWG would appreciate receiving comments and suggestions as soon as possible to inform their discussions. Upon receipt of your completed surveys the Secretariat will forward relevant information to the MWG.

The MWG is organized into 10 subgroups pursuing various aspects of the *Guidelines*. Please provide general or specific comments (not made elsewhere in your responses) on any or all of the subgroup topics listed below. This information will be forwarded directly to subgroup coordinators.

Following further discussions, the subgroups might develop specific questions on each topic for response from SFP companies. In this event, the GRI Secretariat will forward all SFP companies a follow-up questionnaire. Your response would be optional, but certainly appreciated.

Environment Subgroup 1: Water Protocol
Developing the detailed protocol for measuring water consumption.

Comments?

<u>Water:</u>

Generally Applicable   Organization Specific

   New Items: New Items:
- Water use per produced unit
  - Consumption reduction initiatives
  - Initiatives to increase water efficiency

Environment Subgroup 2: Energy Consumption Protocol
Developing the detailed protocol for measuring energy consumption.

Comments?

Energy (Joules) – include KWH (measure unit) for electric energy use and Kcal/Kg for fuel use.

Generally applicable

New items
- Total energy use per produced unit

Environment Subgroup 3: Biodiversity Indicators
Developing indicators on biodiversity.

Comments?

No comments.

Environment Subgroup 4: Communication with and Assessment of Environmental Conventions
Several international conventions and protocols have clear definitions of environmental indicators that may be of use to the GRI either as accepted definition for indicators or as annexes. It is the goal of the GRI to incorporate existing work into the *Guidelines* where feasible. This subgroup will identify and evaluate the applicability to the *Guidelines* of such definitions.

Comments?

No comments.

Others Environmental issues:

Materials (Tones or Kilograms)
6.10 – Include objectives, programs and targets to replace not only hazardous chemicals, but also raw materials and packaging and initiatives to increase the use of recycled materials.

New Items:
- Use of reuse materials (initiatives to reduce materials use)
- Raw material use per produced unit

Waste returned to process or market
6.17 – Quantity of waste returned to process or market – also include "through composting".

New items:
- Initiatives to reduce waste generation
- Kilograms of waste per produced unit
- Quantity of waste returned from customers

<u>Effluents to water</u>
New items:
- Sanitary effluent disposal

<u>Suppliers</u>
New items:
- Quantity of packaging returned to suppliers

<u>Education</u>
New items:
- Investment per worker in environmental education program (include hours of training per worker)

<u>Others</u>
New items:
- Compensatory actions in the area of Environmental Performance

Social Subgroup 1: Labor Practices
Issues covered: quality of management, health & safety, wages and benefits, workforce diversity, equal opportunities, industrial relations, flextime possibilities, workforce conflicts, training and education.

Comments?

<u>Quality of Management</u>
New items
- Evidence of employee preparation to retirement program
- Job Generation: number of employee hiring and number of employee lay off

<u>Health and Safety</u>
New items
- Programs for improving safety and health performance

<u>Wages and benefits</u>
New items
- Bonus Program for employee
- Ratio of lowest to highest wage (including bonus program)

<u>Workforce diversity/equal opportunities</u>
New items
- Criteria for minorities hiring

<u>Flextime possibilities</u>
New items
- Criteria for flextime

<u>Workforce conflicts</u>
New items
- Number and Types of workforce conflicts

<u>Training and education</u>
New items
- Hours of Training per employee

Social Subgroup 2: Human Rights
Issues covered: workplace, community and supply chain human rights performance, non-discrimination, forced labor, child labor, freedom of association & right to collective bargaining, indigenous rights, security.

Comments?

<u>Community</u>
New items
- Business performance relative to impact management at community
- Voluntary Programs – worked hours per voluntary employee

<u>Suppliers</u>
New items
- Ratio of percentage of third-party employee to number of workforce
- Hours of training per third-party employee

<u>Non-discrimination</u>
New items
- Percentage of white men, white women, black men, black women and handicapped in upper and middle management positions
- Ratio of average salary of black men, black women and handicapped related to average salary of white men

<u>Child labor</u>
New items
- Describe monitoring system of child labor

<u>Indigenous rights</u>
6.88 – Evidence of indigenous/local community representation in decision making in geographic areas when applicable

Social Subgroup 3: Community, Society, Development
Issues covered: consumers (e.g., influences on consumer behavior, consumer protection), government & business ethics (e.g., bribery & corruption, ethical standards, political funding, money laundering), communities & development (e.g., community & stakeholder consultations, access to information, contribution to cultural preservation, capacity building in developing countries).

Comments?

Consumers
New items
- Number of telephone call answered by Consumers Answering Service
- Ratio of complaint to telephone call answered
- Respect to the needs of handicapped costumers
- Deceptive advertisement

Government and business ethics
New items
- Policy, procedures and actions against bribery and corruption practices
- Fair competition

Economic Subgroup 1
Propose how to better integrate the economic dimension of sustainable development into the GRI *Guidelines*. Review existing GRI economic indicators - maintaining, adding and deleting as necessary. Propose the placement of each economic indicator into one of three areas: financial, company added value, and wealth creation.

Comments?

Investments
6.44 – Consider " community education " in the area of Social Performance / Training and education.
6.52 and 6.53 – should be moved to the area of Social Performance
New items:
- Programs for community

Wages and benefits
New items:
- Participation in profits

Items to be included
- Consider indicators for value - added
- Major economic issues and impacts associated with plant start up, plant move and plant shutdown

Integrated Subgroup 1
Evaluate the practicality of limits-based indicators. An example of a limits-based indicator might be the ratio of a specific company emission to the natural carrying capacity on a local, regional or global level.

Key Issues: Is it possible to produce practical and meaningful limits-based indicators? Who produces the limit data – company or GRI? Are there such things as social limits?

Comments?

Yes, it's possible to produce limits-based indicators. It should be a company responsibility.

Integrated Subgroup 2
Provide a re-wording of the integrated indicators section and propose ways in which it can be better integrated into the main environmental and social areas.

Key Issues: Are all integrated indicators relevant to all types of organizations, e.g., SMEs? Given the almost unlimited number of possible integrated indicators should there be generally applicable integrated indicators, or perhaps sector specific integrated indicators? Who provides the non-company specific base data?

Comments?

We think that sector specific integrated indicators should be better.

G. Questionnaire Evaluation

1. How long did it take you to complete this questionnaire?

   It took us about 8 days to collect information and to edit answers.

2. How could we improve this questionnaire?

   We think that it's ok.

THANK YOU FOR YOUR INPUT !!!