

SUSTAINABILITY REPORT 2017
BOTICÁRIO GROUP

THE VALUE
OF BEAUTY
TRANSFORMS
THE WORLD
AROUND US



grupo boticário
beleza é o que a gente faz



INSTITUTIONAL

WE BUILD THE FUTURE TODAY

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At the Boticário Group, we maintain the belief in a well-functioning Brazil. We are all entrepreneurs.

O Boticário
Produtos naturais

Over **4** thousand stores and sales stands, besides our presence at drug stores and multibrands

1.750
Brazilian cities



40 tons of raw materials



collaborators

10 thousand direct **30** thousand indirect

Over **300** million items produced in 2017



BR\$ **3,4** billion in purchases



3,5 thousand suppliers
90% national

12 countries



BR\$ **12,3** billion in revenue



THE VALUE OF BEAUTY TRANSFORMS THE WORLD AROUND US

[GRI 102-1 to 102-8, GRI 102-10]



We are **entrepreneurs**, we dream big and work each day to build a legacy for the people and society. With a multibusiness performance model, the Boticário Group has become, in forty years, **the biggest cosmetics franchise network in the world**, comprising the brands O Boticário, Eudora, Quem disse, Berenice?, The Beauty Box, and, more recently, MultiB and Vult. Through our brands, we establish a dialogue with our consumers and partners and share the vision of **converting challenges into opportunities**. Our more than 10 thousand collaborators make over 300 million perfume, cosmetics and personal hygiene items get to clients in Brazil and 12 other countries.

Our production and sales design always looks for the best practices in quality and innovation, in a **healthy work environment** for our collaborators, improving our value chain. This model seeks to **reduce negative impacts on the environment** and increase the positive impacts on people.

The companies of the Boticário Group are closed capital legal persons and, by philosophy, follow the best practices of management and corporate governance. As a premise, they do not put competitiveness over the quality of their products and services, or their responsibility with the environment and their role in society. We seek to be an **agent of development** in the markets in which we perform.

We have over 4 thousand sales spots in 1.750 Brazilian cities, covering all states. We receive our clients in our own stores, franchises, sales stands, and also through e-commerce and direct sales via catalogue – the **Loja de Bolsa (Purse Store)** in O Boticário and the **Guia de Eldora (The Eudora Guide)**. We establish partnerships with big retailers to expand our capillarity and the brands of the Boticário Group are currently present in several drug store networks and multibrands stores.

Our factories are located in Sao José dos Pinhais (PR) and in Camaçari (BA). Our Distribution Centers are strategically located in Registro (SP), Sao Gonçalo dos Campos (BA) and Serra (ES). Our administrative units are in Curitiba (PR), where our headquarters are installed, in Sao Paulo (SP) and at offices in Colombia and in Portugal.

Through our brands, we establish a dialogue with our consumers and partners and share the vision of converting challenges into opportunities. We seek to be an agent of development in the markets in which we perform.

In April 2018, we completed the acquisition of the brand Vult, aligned with a movement to push our reach in the national scenario even further. The brand complements the beauty portfolio and brings significant opportunities for the business, strengthening our presence and performance throughout Brazil.

Our brands, each with its own personality, share the values practiced by the Boticário Group. We maintain a close, respectful and cooperative relationship with our consumers in our sales channels and contact spots. We seek to understand their demands and behaviors and, mainly, meet their expectations.

With a business model which goes from production to sales, including distribution, we make sure that our **value chain is in sync with the best practices**.

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Guided by purpose

[GRI 102-16]



Founded in 1977, the Boticário Group is guided by a purpose: **beauty transforming the life of everyone to transform the world around us.** For us, the concept of generating value means looking for good performances to generate results for our shareholders, commercial partners and franchise holders. It also has as a premise the **transformation of people, the reality that we live in, and of society** through beauty.

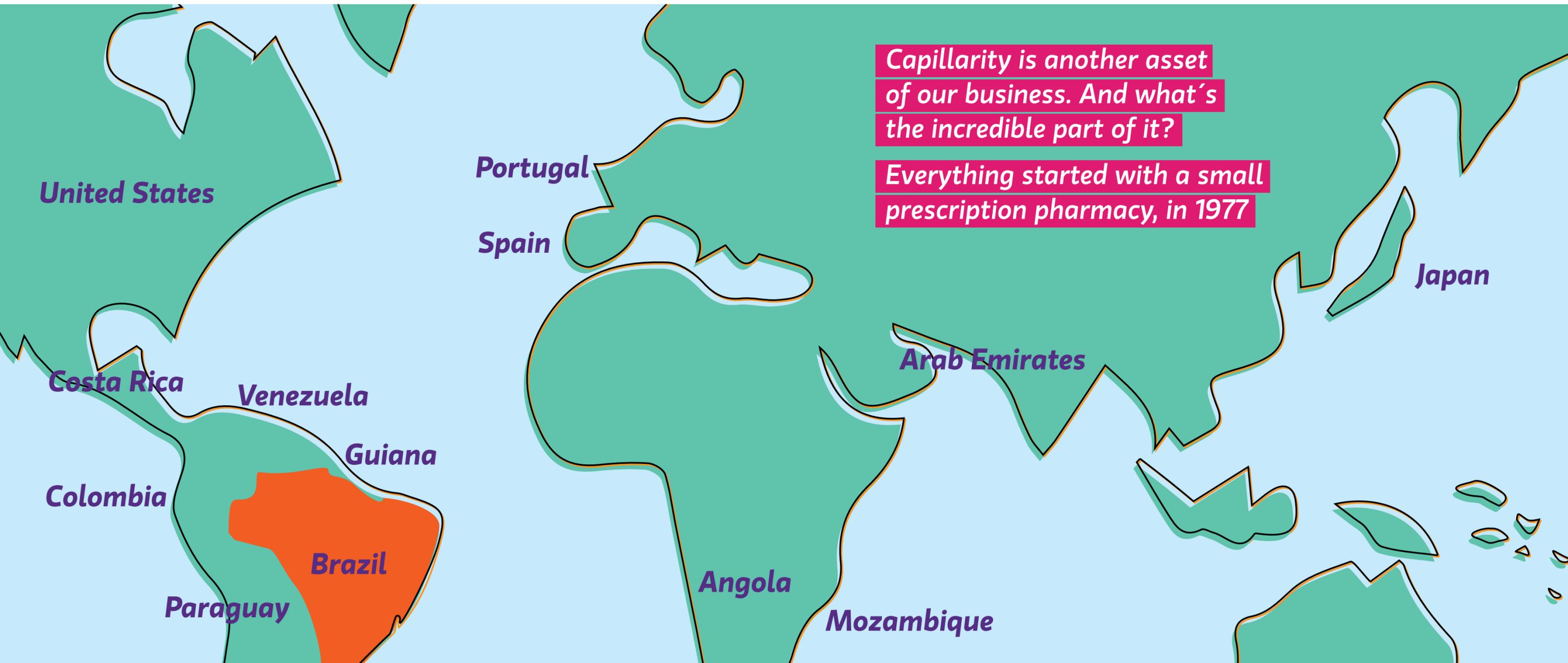
Our purpose reminds us of what we want to achieve as a multibrand group. The Code of Conduct guides our collaborators, partners and other interested parties about what we expect in attitudes and behaviors to reach our targeted development.

Our purpose

create opportunities for beauty to transform the lives of everyone and, as a result, transform the world around us

Our values

Commitment to Results, Integrity, Valuing People and Relationships, and Passion for evolution and challenges



Sectors provided	Types of clients	Brands
Perfume Cosmetics Personal Hygiene	Children Youngster and adults <i>We serve all genders</i>	     



THE WORD OF THE FOUNDER

Miguel Krigsner

Founder of O Boticário and President of the Administration Council of the Boticário Group

SUSTAINABILITY IS A CONTINUOUS EXERCISE

[GRI 102-14]

The belief that beauty transforms the world has brought us this point, and I believe that it is going to take us further. This power of transformation has been reflected since the beginning of our history with our first stores and franchises, in a vision which is supported on entrepreneurship and partnership. We grow more because we grow together and contribute to society, for we have a common purpose.

In each year, we renew our commitment to sustainability. That's why we follow up on and measure our development in respect to the usage of material and natural resources, as you can see in this report. But it is important to understand that, when we talk about sustainability, we are thinking about the future of our business, of the people and of the planet.

The world has been changing at an increasing rate. We see this with very good eyes. Our option has always been that of adapting to change without renouncing our values, which applies to our partners. On the contrary, they are the ones who make us capable of also being agents of transformation. We know that every moment of change is an opportunity to innovate in a continuous cycle of learning.

We observe the new demands from society regarding attitude, diversity and inclusion, and we bring our collaborators and clients to make a difference with us. We are attentive to climate change and to rational usage of natural resources because we feel responsible for the earth, which feeds us, provides with the means of our labor and that we call home.

This posture makes the Boticário Group an organization open to creativity, to innovation and to relationships, the tripod which supports our capacity to establish a dialogue with society in a positive and collaborative way, and of finding opportunities to build value for the country, the economy, but, first and foremost, to the people. Our pioneering investments in the Fundação Grupo Boticário de Proteção à Natureza (Boticário Group Foundation for the Protection of Nature) and, more recently, in the Boticário Group Institute help us take our values and ideas beyond the walls of our units.

This is the Boticário Group that I am proud of having created and founded and that I would like you to get to know a bit more on the next pages.

Happy reading!



THE WORD OF THE CEO

Artur Grynbaum
President of the Boticário Group

THE COMMITMENT AND COURAGE TO PUSH THROUGH

[GRI 102-14]

The values of the Boticário Group naturally conduct us in the search for sustainable results and the promotion of beauty as an element of transformation of the world. In each year, our challenges, efforts and initiatives are motivated by that purpose. That is why sharing this Boticário Group Sustainability Report with our public and society in general is not only the result of our commitment with transparency, but, above all, a moment of extreme satisfaction, a true celebration of our achievements.

To our group, which was born and developed with the vocation of making entrepreneurship its main tool for overcoming obstacles, the challenges of an economy still far from complete recovery from the crisis demand an attentive posture and courage to continue investing not only in the business, but also in people and the environment.

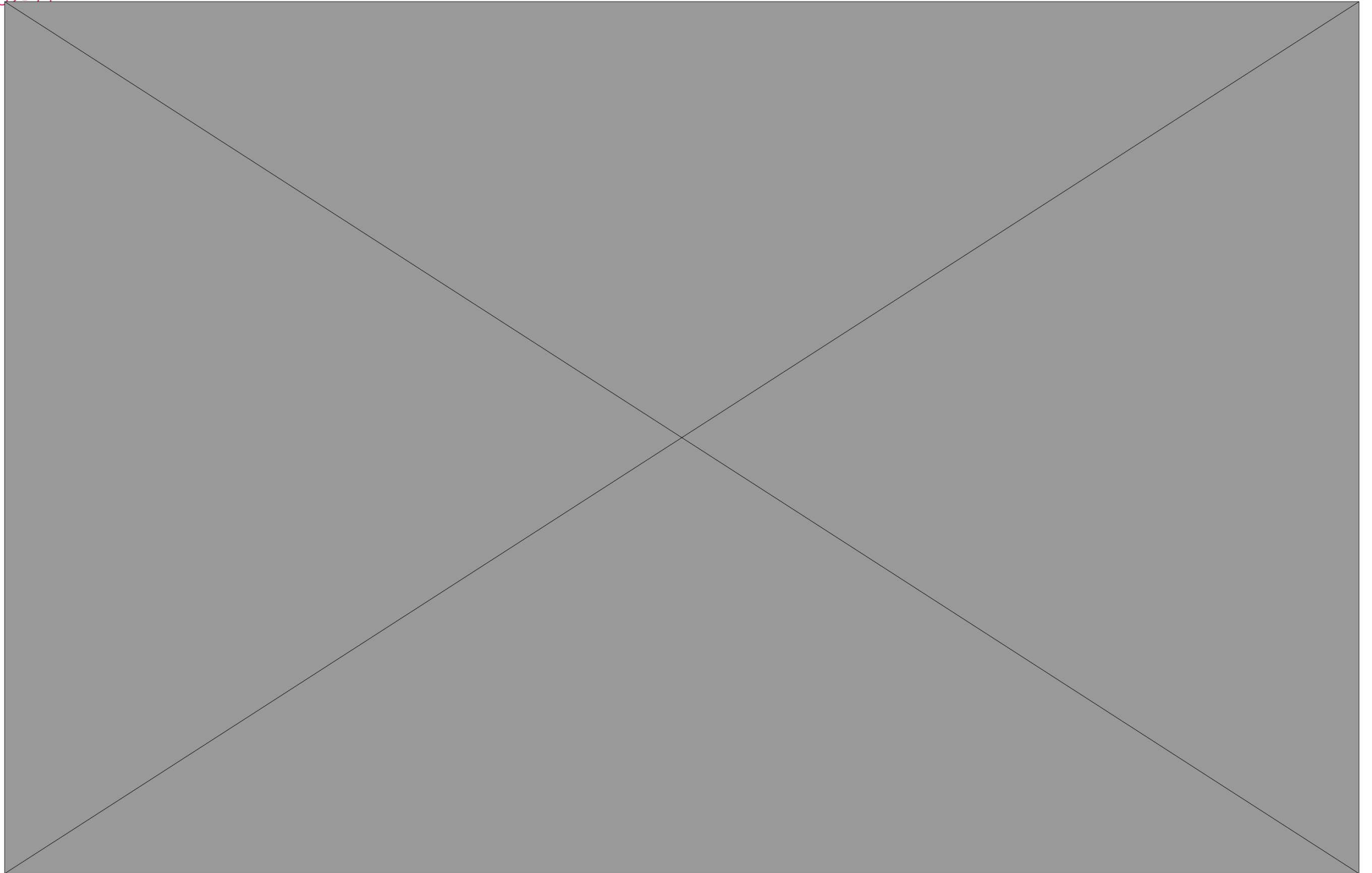
Despite the economic difficulties in the country, we performed with optimism and determination to reach, in 2017, the growth of 7,5% in our revenues, twice that of the entire sector and much above the national average. We intend to continue in the same way to overcome the challenges of 2018, a year with a positive perspective, but that inspires a great deal of care with the electoral scenario and the effects of the economic crisis of the past years.

Here at the Boticário Group, we notice a growing improvement in our performance in ecoefficiency and continue the effort of sharing these values and tools with our suppliers. As a result, our Programa de Parceria em Ecoeficiência (Program of Partnership in Ecoefficiency) has allowed for the conservation of water, financial resources and the reduction of carbon emissions in our value chain.

More recently, in 2018, we assumed the commitment to promote the largest hydric efficiency, together with other companies, in our operations and to potentialize the initiatives taken by the Boticário Group Foundation, through the means of our Corporate Commitment for Hydric Security. Our objective is to demonstrate, as the largest cosmetics franchise network in the world, that it is possible to grow by utilizing natural resources in a sustainable way.

Respect, inclusion and diversity are at the core of our relationship with people. Collaborators, clients, communities and other publics with whom we relate advance together not only in behalf of companies, but also of an entire society, more plural and egalitarian.

[GRI 102-9]



THE VALUE OF BEAUTY TRANSFORMS THE WORLD AROUND US

Our Brands



THE VALUE OF BEAUTY TRANSFORMS THE WORLD AROUND US

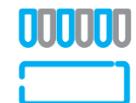
Our Brands

oBoticário



O Boticário has been present in the lives of Brazilians for over **40 years** and we have conquered the trust of consumers in 11 other countries since 1980. In 2017, we launched a new concept of sales spot, the **Ânfora Store**, in Rio de Janeiro, whose attributes of sustainability allow for saving 63% of energy. Our network, with more than 3.700 sales spots, allows us to maintain the largest reverse logistics program in Brazil in number of collecting spots, and increasingly accessible stores. Our portfolio of products has more than 850 items and we continue to **innovate in sustainability** in formulations, productive processes, packaging and distribution, especially for the Floratta, Zaad, Malbec and Native Spa lines.


-63%
 of energy
 consumption in the
 new store


3.700
 sales spots
 in Brazil

+ de 850
 products in the
 portfolio

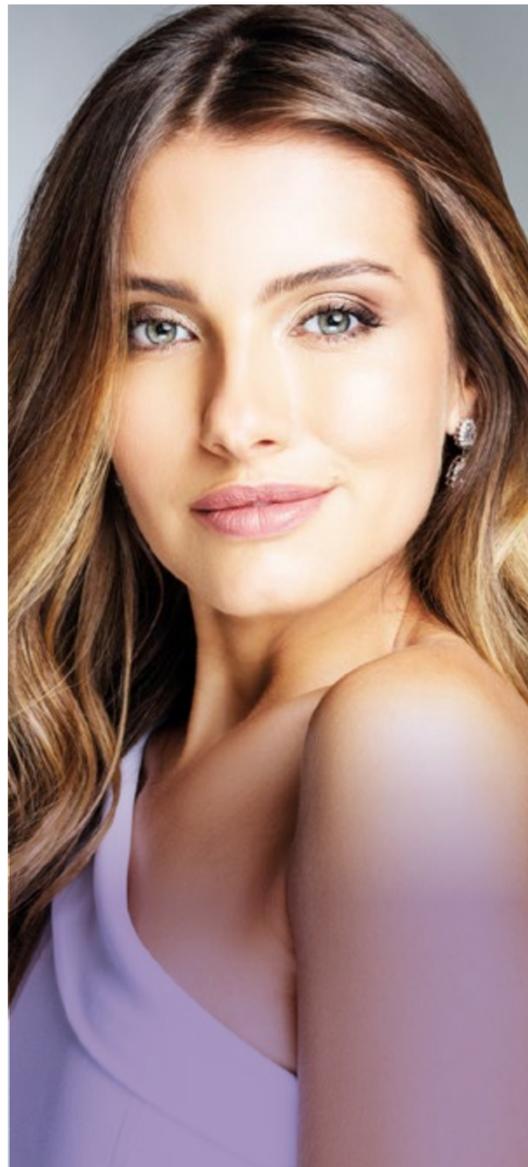
Sustainability
 Florata Zaad Malbec Nativa Spa



THE VALUE OF BEAUTY TRANSFORMS THE WORLD AROUND US

Our Brands

Eudora



Eudora believes that beauty brings **confidence and inspiration** for every woman to get where she wants to go and make life happen. It was born as a multichannel startup and today it is one of the **most important beauty brands in Brazil** in direct sales and has its own stores, sales stands, and e-commerce. The brand of the Boticário Group wants to take its more than 600 products and make history with them, seeing them as incentives for the brand to achieve its goals.

The usage of **bioplastic** in packaging of products such as the ampoule Reconstrói (Reconstruct), of the Siège line, and of cold production of creamy products, such as liquid base Skin Perfection, empower our Representatives to take sustainability as an item which aggregates value to its clients.


46
 spaces for the Representative



15
 sales stands



THE VALUE OF BEAUTY TRANSFORMS THE WORLD AROUND US

Our Brands



With five years of experience, the brand keeps **inspiring women** to be free to feel pretty and experiment different possibilities. In 2017, *quem disse, berenice?* gained 292 new spaces, among which are new stores and sales spots at drug stores. The usage of paper and recycled plastic and **bioplastic in the packaging of its products brings more sustainability** to our consumers in diverse items of makeup and hair. Winner of **sustainable packaging** prizes, our palette of shadows with refill is our consumers' sweetheart.



000000
292

new sales spots



Award-winning packaging for sustainability



THE VALUE OF BEAUTY TRANSFORMS THE WORLD AROUND US

Our Brands

THE beauty BOX



47

new sales spots



+ 100

national and imported brands



The largest multibrands premium beauty retailer in Brazil, with 47 stores in 9 states, **The Beauty Box** offers more than 100 international brands to its consumers. The entrance of Gosh Copenhagen, a **socially responsible** brand which counts with a completely vegan line, marked the first semester of 2018.

The brand also has its own e-commerce with accessibility resources, the #ParaCegoVer (For the blind to see) in every post of the brand on Instagram, and the "Sustenta+Beauty" initiative, which promote the **recycling of packages** of the brand itself in exchange for a new product.



THE VALUE OF BEAUTY TRANSFORMS THE WORLD AROUND US

Our Brands

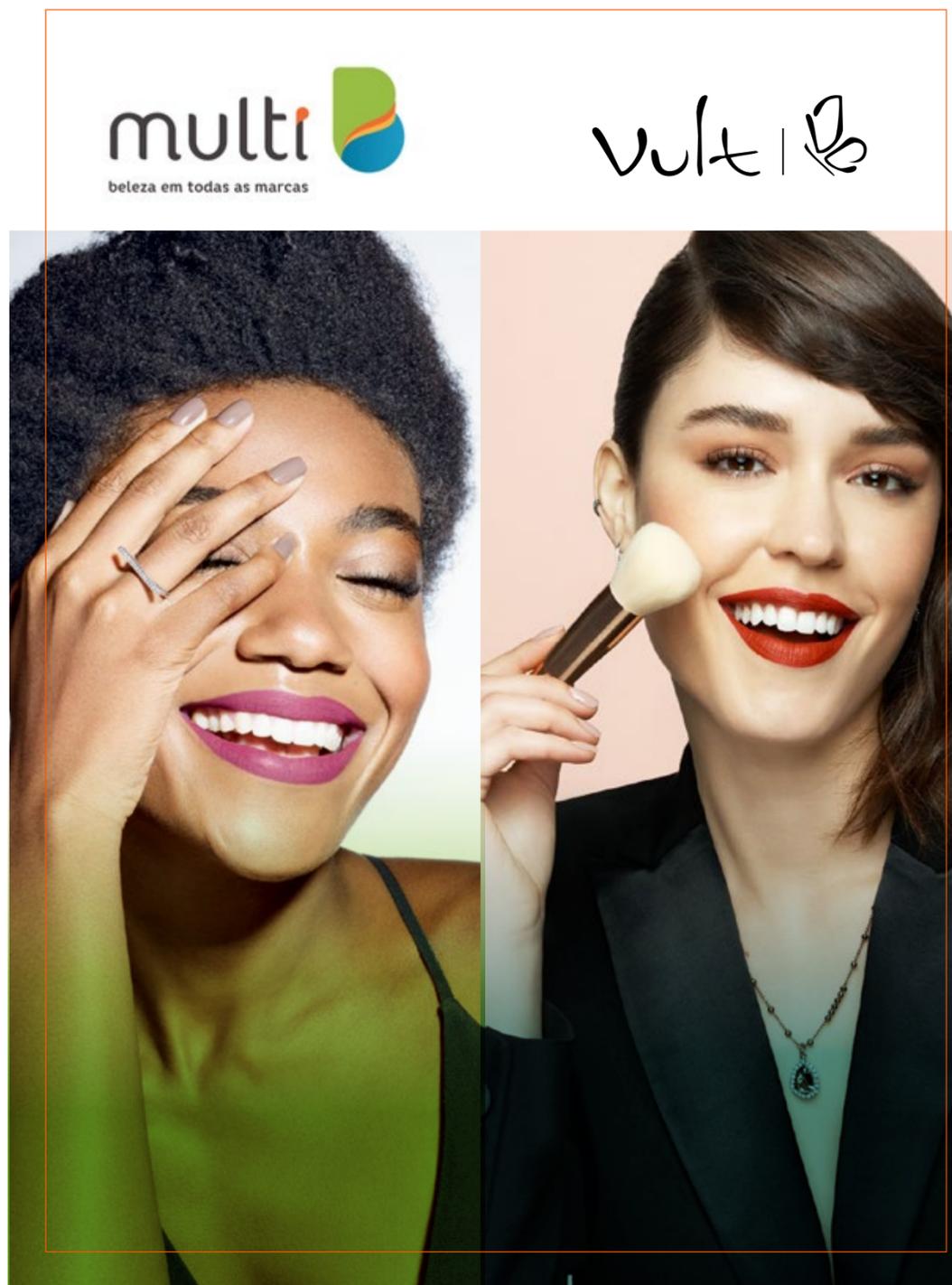


focus on multibrand retail



and on retail retail

A novelty of 2017, **Multi B** is the brand of the business unit of the Boticário Group which reinforces the strategy of diversification of the channels. It is responsible for **servicing the multibrands** retail, which means drugs stores, selective networks, department stores and travel retail. It distributes international brands such as *Revlon, Australian Gold, Bio-oil, Nuxe, Lee Stafford* and *Sinfulcolors* with **exclusivity** in the Brazilian market, as well as brands owned by the group, such as *quem disse, berenice?* and *Eudora*.



Acquired by the group in 2018, it is a brand in constant search for **change and transformation**, connected to the biggest trends. **Leader in makeup in drug stores and multibrands stores**, it is present in more than 35 thousand new sales spots throughout Brazil, from small to large retailers, besides its own sales stands.

“Vult complements our portfolio and our business, which is multibrands and multichannel”, stated the President of the Boticário Group, Artur Grynbaum.

“Our union with a company that is a **reference of success** such as the Boticário Group strengthens the brand. We will continue in the company to leverage our growth in the next years”, stated the founders of Vult, Murilo Reggiani and Daniela Cruz.

Present in more than 35 thousand sales spots throughout Brazil.

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Sustainability in and of the business



We have long understood, as a company, that the **sustainability** of our business demands that we adopt the **best practices of production**, operation and commercialization. As a group, we have given ourselves the role of generating transformation in society, **contributing to the growth of the business and to the preservation of the environment**, considering future challenges. Consequently, sustainability is at the core of our decision-making processes, starting at top management of the group and going all the way to our sales spots and to the relationship with our consumers.

In the meetings with the Administrative Council, the leadership in Sustainability and Institutional Affairs routinely presents the main projects and initiatives to be discussed with the council. Decisions are made with the active participation of the top management, which shares responsibility in maintaining the sustainability aspects throughout the whole chain, in a 360 degrees manner.



In 2012, we adopted our position in sustainability, which goes for the whole operation, in the different areas of the business in order to better guide our social impacts and reduce the environmental impacts of the business, in its respective chains of value and in society.

This document contains **goals** for the life cycle of our products, for the sales spots, for our reverse logistics, and for environmental, water, emissions, residue and energy indexes. It also provides directives to **improve social indexes**, with special respect to **equality in opportunities for genders and ethnicities**. The platform passed through its cycle of development between 2013 and 2015, compiling the results of the first triennium, and it is currently in the stage of evolution from action plans to the achievement of goals, which will be concluded in 2014 (read more in **We Conserve the Present**, on page 34). Every project or process currently underway in any of the productive stages include sustainability aspects.

THE VALUE OF BEAUTY TRANSFORMS THE WORLD AROUND US

Sustainability in and of the business



Boticário Group Foundation for Nature Conservation

22 public policies on nature conservation were influenced, including the creation of 6 conservation units

Launch of the *Guia de Valoração para Unidade de Conservação (Valuation Guide for Conservation Units)* to be included in the management plans

Payment for Environmental Services: launch of the *Guia de Políticas Públicas Estaduais e Municipais (State and Municipal Public Policies guide)*

17 new species described in 2017 alone

Coleção Meio Ambiente (The Environment Collection)

3 thousand teachers involved

73 thousand students impacted

8 states

Created in 1990, the **Boticário Group Foundation** is one of the first institutions in Brazil connected to the private initiative to promote and conduct actions of Nature conservation.

Its first action was supporting scientific research for Brazilian biodiversity. Adding the 30 initiatives supported in 2017, there are already 1.528 projects and programs supported, consolidating the foundation as one of the main investors in environmental projects in the country. Its role for the past 3 decades has been to **educate society on subjects related to the environment and to promote actions for preservation.**

The foundation operates in every region of the country by supporting projects and by its own actions. It maintains the Natural Reserves of Serra do Tombador (GO) and of Salto Morato (PR), conserving more than 11 thousand hectares of Atlantic Forest and Cerrado vegetation, the two most threatened biomes in the country. By working as a **network and fomenting studies on biodiversity**, the foundation has catalogued, throughout its years of activity, more than 150 new species of Brazilian fauna and flora.

Among its focus points is the promotion of **national public policies** on conservation. All to demonstrate that the environment is not only an inspiration, but a reason for a more sustainable future for us all (see the most important results of the foundation on page 42).

THE VALUE OF BEAUTY TRANSFORMS THE WORLD AROUND US

Sustainability in and of the business

Boticário Group Institute



The **Boticário Group Institute** believes that art is capable of **transforming** us and of **connecting** us with the true essence of beauty. By the means of the Private Social Investment Policy of the Boticário Group and the allocation of resources through incentive laws, the **institute sponsors cultural, social and sports projects**, along with initiatives aimed at the **preservation of the organizational memory** of the group (*read more about the projects of the institute on page 46*).

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Corporate governance

[GRI 102-18]

The Administration Council of the Boticário Group is the top sphere of leadership of the organization. It is formed by seven members who are both renowned in the market and experts in their fields and **it gathers once in every two months**. The CEO and partner is a member of the Council, along with a female member, a female controlling partner, a controlling partner and four independent advisors. The mandate of the advisors is annual, and they are **elected** in a meeting of partners.

It is the responsibility of the Council to define every strategic directive, which must be followed by the Executive Committee (President and Vice Presidents) **in the purpose, vision and mission, policies and goals** of the Boticário Group and its business units. The Administration Council has operated together with the business, participating in the consultation committees and **trimestral forums of management**, which have the participation of the managers and directors of the Boticário Group.

Currently, the group has five consultation committees – Committee of Risks and Auditing, Committee of Conduct, Committee of Planning and Strategy, Committee of Remuneration, and Committee of Information Security. The objective of the committees is to **analyze and make recommendations** in strategic subjects for the businesses of the group.

OPERATIONAL AND CORPORATE RISKS MANAGEMENT

[GRI 102-11]

Strategic risks are evaluated monthly by the Administration Council, which is supported by the Committee of Risks and Auditing, responsible for the revision of the management process of organizational risks. This committee meets every bimester and through extraordinary convocation to evaluate and monitor themes of its competence. The agendas of the Committee of Risks and Auditing are pre-defined and contemplate themes **of risk management, of the environment of internal controls and internal and external auditing** of the Boticário Group.

As an industry that moves raw material, people, resources, and services to produce more than 300 million units per annum and maintain a logistics and retail chain which reaches 1.750 cities through drug stores, the Boticário Group **analyzes continuously its risks**, considering the aspects which can impact processes and strategies of the business.

Every risk is managed under financial, economic, operational, social and environmental aspects. Each risk has a responsible “risk owner”, who effectively conducts the management, monitoring, elaboration of action plans and implementation of controls and preventive tools.

In 2017, we conducted the first evaluation of the Administration Council of the Boticário Group. The main topics analyzed were the processes of work, the interaction between members of the council, strategic operation, governance, and aspects of leadership and culture. The process was formed by a stage of self-evaluation of each of the advisers and of the President of the Administration Council. In this stage, we evaluated results especially in the financial, social and environmental spheres. The evaluation inputs contributed so that the group continues to maintain an environment which is healthy and transparent for business.

THE VALUE OF BEAUTY TRANSFORMS THE WORLD AROUND US

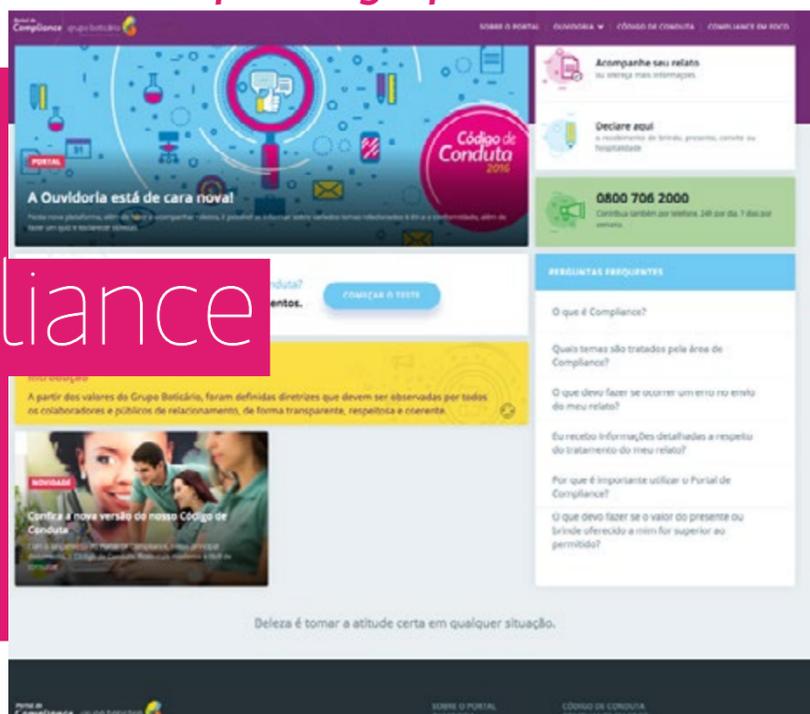
Ethics and integrity

We share instruments aimed at making our value chain align with the commitments that we undertake with **society with all our interested parties**. We give special attention to the Health Policies, Security and Environment and the Sustainability guide for suppliers, available on our website, and to the Code of Conduct, updated in 2016. The revision of this instrument was done through a natural process of updates in relation to the evolution of the business and of society. Among the directives revised are matters which may involve conflicts of interest and the conduct expected in governmental relations. For internal usage, maintain a Policy of Relationship with Consumers, available to employees and franchises, and our Private Social Investment Policy, which guides how the group directs resources to its social and environmental responsibilities practices.

The group maintains an **Ombudsman Channel open to all publics**, which is managed by an outsourced and independent company that receives all notifications (anonymous or identified) and previous analysis. It also gathers the evidences and presents them to the Directory of Compliance and to the Committee of Conduct, which define the sending of notifications in accordance with the established governance. This procedure was updated in 2016. The scenario of notifications and internal education actions promoted by the Ombudsman Channel are reported to the Legal and Compliance Directory and to the Committee of Risks and Auditing.

Compliance Portal

www.compliancegrupoboticario.com.br



In 2017, the Compliance subject gained the spotlights in our internal practices and with stakeholders. Functioning since 2010, our Ombudsman Channel was modernized, amplified and converted into a Compliance Portal.

Besides housing the channel, the platform works 24/7 every day for all publics, makes available the Code of Conduct and several other contents on the topic, open to all stakeholders as well as exclusive for all collaborators.

THE VALUE OF BEAUTY TRANSFORMS THE WORLD AROUND US

Institutional relations

The open dialogue with society and with the entities which go along with our business and our value chain is fundamental for the operation of the Boticário Group and its brands. We maintain institutional relations with entities that aggregate information to our business, in industry and retail – and in this sector we also focus on sustainability – and work in behalf of the best interests of the market in which we operate, with the intention of discussing the good practices and contribute to the development of policies that are more effective in every sphere. Organized by work fronts in sustainability, we mention here some of the institutions with which we maintained relevant dialogue in 2017:



Raw Materials and Packaging [GRI 102-12]

As members of the da Associação Brasileira de Indústrias de Higiene Pessoal, Perfumaria e Cosméticos (ABIHPEC) - Brazilian Association of Personal Hygiene, Perfume and Cosmetics -, we participate in discussions about the law nº 7.814 about animal testing in product development. Our objective is to promote a **homogeneous national legislation**, strengthening innovation in alternative methods. We are also members of the Conselho Empresarial Brasileiro para o Desenvolvimento Sustentável (CEBDS) – Brazilian Entrepreneurial Council for Sustainable Development -, and of the Rede Empresarial Brasileira de Avaliação de Ciclo de Vida (Rede ACV) - Brazilian Entrepreneurial Network of Life Cycle Evaluation -, where we have the opportunity to build and explore, together with other companies, tools of measurement of the aspects of sustainability in our products, allowing for the mobilization of partners, the articulation of governments and the education of the consumer, inserting sustainability at increasing rates in the decision-making processes of society. We are associated with the Associação Brasileira de Embalagens (Abre) – Brazilian Association of Packaging -, through which we follow up on the Environmental and Sustainability discussions that relate to our value chain.



Sales Channels

The Associação Brasileira de Franchising (ABF) - Brazilian Association of Franchising - and the Instituto de Desenvolvimento do Varejo – Retail Development Institute – are our main interlocutors. Through these channels, **we gather data and debate trends** which help us predict moves, demands and future necessities of our consumers.



Ample Ecoefficiency

We have relations with the Iniciativa Empresarial do Centro de Estudos em Sustentabilidade da FGV – Entrepreneurial Initiative of the Studies Center of FGV -; we participate in the Programa Brasileiro GHG Protocol – Brazilian GNG Protocol Program, with the objective of **stimulating corporate culture**, for the elaboration and publication of inventories of greenhouse effect gas emissions; and contribute with the discussions about the topic at institutions of great relevance, such as the Grupo de Profissionais de Meio Ambiente das Indústrias do Paraná (GPMAI) – Group of Environmental and Industrial Professionals of Paraná.

WE BUILD THE FUTURE TODAY





OUR VISION OF THE FUTURE

Largest cosmetics franchise in Brazil

Products with less environmental impact, saving natural and financial resources, less generation of residues, collaborators and clients who are more conscious. These are the reasons why sustainability is our way of doing business. **To make the transformation we want to see in the world** and leave positive legacy for people require that we go further than what is expected from us. It demands thinking about the future and noticing the solutions which still don't exist, as well as disseminating what we learn throughout our whole value chain.

Starting with the selection of raw materials and with the research and development projects of our portfolio, the power of transformation of beauty becomes a reality. Investing resources, betting on people and advancing in innovation to reach a better usage of inputs have allowed us to amplify the attributes of sustainability in the different lines of makeup, perfume, personal care and gifts by O Boticário, Eudora, quem disse, berenice?, and *The Beauty Box*. This makes our values and our concern with the environment and society to reach the homes of our clients through our more than 300 million units produced in 2017 in the factories of São José dos Pinhais (PR) and Camaçari (BA).

We work with long term vectors to map risks and encounter **opportunities** for the management of the life cycle of our products and of the reverse logistics program. Among our goals, we include leading the usage of **innovative technologies** for materials, formulations and design which improve the performance of our products in their life cycles. In our retail network, the conception of the best viable model for sales spots, for each brand, considering constructive methods of operation, demobilization and accessibility. And in order to amplify the effectiveness of our package recollection system – currently, the biggest in the country in number of collecting spots.

MORE ENTREPRENEURSHIP AT EACH DAY

In 2017, we launched a new brand, Multi B, **importing and distributing company** responsible for serving the multibrands retail and optimizing the distribution of the brands *quem disse, berenice?* and The Beauty Box and of some international brands with exclusivity in the Brazilian market. This new business unit reflects the **strategy of diversification of group's channels in the Brazilian market**, to which we add the acquisition of Vult, in 2018.

In this first moment, the expansion of the business unit has a strategic focus on the pharmaceutical and specialized market, selective networks, department stores and travel retail, the retail operations located at airports.

9 thousand maior products in the portfolio

+ than 300 million items produced



OUR
VISION
OF THE
FUTURE

Innovation to offer better choices



2,5%

of revenue
invested in
Research and
Development



76%

of the projects
approve follow
premises of
sustainability



Our **responsibility over the life cycle** of all our products starts at the development and idealization stage for new beauty items, personal hygiene and perfumery. Attributes of sustainability are observed in every stage of the process, from the selection of raw materials and suppliers, to ensure that environmental and social matters are considered throughout the development of new cremes, makeup, lotions and fragrances which are more amicable to the environment.

We understand that this posture aims toward the sustainability of our own business, which is the best way to conserve the world in which we live and serving the demands of society. Sustainability is our way of being, and that's why we have been recognized, in 2018, with the *Prêmio Valor de Inovação* (Valor Award for Innovation), an initiative of the newspaper company Valor Econômico, as the 6th most innovative company in the country.

In the development of new products, we operate in three main fronts: **raw materials, formulations and packaging**. Our specialist dedicate special attention to processes that may contribute to the development of more sustainable products and, in order to achieve this, we invest, annually, 2,5% of our revenues in Research and Development. Our **R&D center**, inaugurated in 2010 in the São José dos Pinhais (PR) unit, is **one of the most modern of the sector in the world** and accounts for 242 collaborators with different

educational backgrounds, including Post-Doctors, and 331 partnerships with universities and institutions. In 2017, in our four brands, 76% of all projects approved utilized aspects of sustainability and 52% of the products effectively developed possess such characteristics.

One of the main entrances for innovation to happen in our products is the work of the Innovation Networks team, an area of the Boticário Group responsible for working with the concept of open innovation. The **great objective** of this area is to **generate external connections** to bring more **innovation** into the Boticário Group, potentializing internal results and fomenting the ecosystem. The area does this through the means of open innovation initiatives, such as: Crowdsourcing, Design Thinking, idealization processes, partnership prospection, search for investment, among others.

The goals until 2024 for the development of products are ambitious. Until then, we expect to have 100% of our own new cosmetics with attributes of sustainability, 100% of new formulas with smaller impact or equal to the reference. We also have plans to eliminate the usage of critical controversial materials (those which are approved regulatorily, but which generate some discussion as to their environmental, social or human impacts) – which requires mapping, exchange of information at a global level and control over our value chain .

Sustainable on the outside and the inside

[GRI 416-1 e GRI 416-2]

FOR A GOOD RECIPE, THE BEST INGREDIENTS

The Boticário Group evaluates the quality of its products from the selection of the raw materials utilized in its formulations, submitting all products developed to the **most advanced studies for ensuring security and efficiency of application**, following the most updated international guidelines and legislation in every country where we operate.

For more than 15 years, we have not conducted tests in animals. We believe that there is enough technology available to the cosmetics industry which replace, with safety, this type of analysis. This posture has lead us be the first Brazilian company to use **3D skin** and also organs-on-chip to simulate the conditions of usage in human organs.

In 2017, we conducted ecotoxicity tests in 100% of the new raw materials present in washable products, using our trademark methodology *Avaliação de Risco Ambiental* (Environmental Risk Evaluation), in search for the **least impact possible on water**. The evaluation of the conditions for toxicity and human toxicity from the raw materials and the selection of places with low offensiveness to the environment is one of the starting points **in ensuring the quality and biosafety** of our portfolio.

Besides that, we monitor more than 50 other raw materials and packaging components allowed by the Brazilian legislation or that of the countries where we operate, but that are subject to questioning by the point of view of human toxicity and/or environmental impact, and/or negative social impacts.

Monitoring continuously these raw materials allows us to anticipate possible restrictions or prohibitions of usage of certain ingredients by the scientific community in the future and, also, by the rejection of society to such inputs.

It was due to this work that, in 2017, we interrupted the fabrication of products with toluene, formaldehydes and imidazolinidyl urea (a liberator of formaldehydes) and banished the introduction of raw materials such as black caviar or orange caviar from our portfolio.

We have also taken the responsibility of interrupting the usage of the following components in the fabrication of products:

Products	Until
Triclosan	2019
DMDM hydantoin	2019
Parabens, carmine, palm oil, non-certified RSPO, PVC (packaging)	2020



Sustainable on the outside and the inside

3D SKIN AND ALTERNATIVE METHODS TO ANIMAL TESTING

In 2017, our pioneer project of **Pele 3D (3D skin)**, which replaces the necessity of animal testing in the topic analysis of cosmetics and personal hygiene items, was responsible for the Boticário Group receiving the Company of the Year Award, given by the Associação Brasileira de Indústrias de Higiene Pessoal, Perfumaria e Cosméticos (ABIHPEC) - Brazilian Association of Personal Hygiene, Perfume and Cosmetics. This project started in 2009 with the intention of developing a **viable synthetic skin** and it is only one of the alternative methodologies that we have developed. Overall, there are 39 methodologies of the silico types (computational models) and in vitro with the cultivation of cells and/or biological materials.

Once our products arrive at the market and at the homes of our clients, we monitor their performance through the means of cosmetovigilance, ensuring a complete evaluation cycle. In 2017, there were no serious complaints regarding items which could have indicated the necessity of recalling products or that required safety alerts.

MUCH MORE THAN A PRETTY PACKAGE [GRI 417-1]

Our **Research and Development Center** also focuses on finding the best solutions for the packages of the products by brands O Boticário, Eudora, quem disse, berenice?, and The Beauty Box. The main opportunities are in the usage of recycled materials or materials from renewable sources and packaging with best bulk/material relation in the cases of plastic and glass, which reduces the utilization of these resources. Our goal for **2024** is having **35% of our portfolio** with these characteristics.

The usage of **vegetable plastic** in bottles has reached 70% of our *Cuide-se Bem* line (Take good care of yourself). The utilization of **recycled PET** materials gained the spotlight in important launches, such as the reformulation of the *Nativa Spa* line, by O Boticário. The usage of **recycled plastic and paper** was a novelty in the makeup lines by quem disse, berenice?, Eudora and Make B, and the *Intense* line, by O Boticário.

Besides the quality of packaging and their potential for recycling, the Boticário Group adopts, in **100% of its lines of products**, all the mandatory criteria of labeling according to the current legislation, including the safe usage of the products.



OUR VISION OF THE FUTURE

Sustainable on the outside and the inside

Get to know some of the products developed with attributes of sustainability in formulations and packaging.

oBoticário



Native Spa Quinoa

100% vegetable components

Launched in 2017, Native Spa Quinoa utilizes grains cultivated in Peru, respecting the traditional family culture. The grains are processed in a special room in the São José dose Pinhais unit and undergo biomolecular restructuring. The result is a 100% pure bio-ester with the power of high activity on the skin and that promotes benefits such as hydration, nutrition, firmness and elasticity and a formula with 100% vegetable components. In the production of recycled PET packaging of this line, we utilized the equivalent to 33 thousand 2-liter bottles per year. Also, our cremes and lotions have had formulations which saved about 70% of electric energy in their production process.



Floratta

-50% paper in packaging

The new design the packaging has an ergonomic and delicate format, maintaining the same lightness of Floratta. Regarding the environmental impacts, the new versions have also had the consumption of cardboard utilized in transportation reduced. The change represents as estimated reduction of more than 50 tons of paper each year – equivalent to around 800 trees. The revision process of the molds has avoided discarding 1,5 ton of steel and anticipated the launch of the product by 2 months. In addition, the bottles of lotions, exfoliant cremes and shower gels of the line were made with plastic of vegetable source, further reducing environmental impacts.



Cuide-se Bem

70% of the Cuide-se Bem portfolio are made with vegetable plastic produced from sugar cane, reducing the usage of conventional plastic by 90 tons per year.



Zaad

The reduction in packaging material which enveloped the bottles resulted in 28,8 tons less paper per year, or about 400 trees.



Ampola reconstrói (Reconstruct Ampole)

Packaging made of vegetable plastic and cartridges made of recycled paper.



Skin Perfection

Liquid base from cold production, demanding less energy consumption.



Sombras refil

Packaging comprised of recycled paper, recycled plastic and refill.



Pomada Moderadora

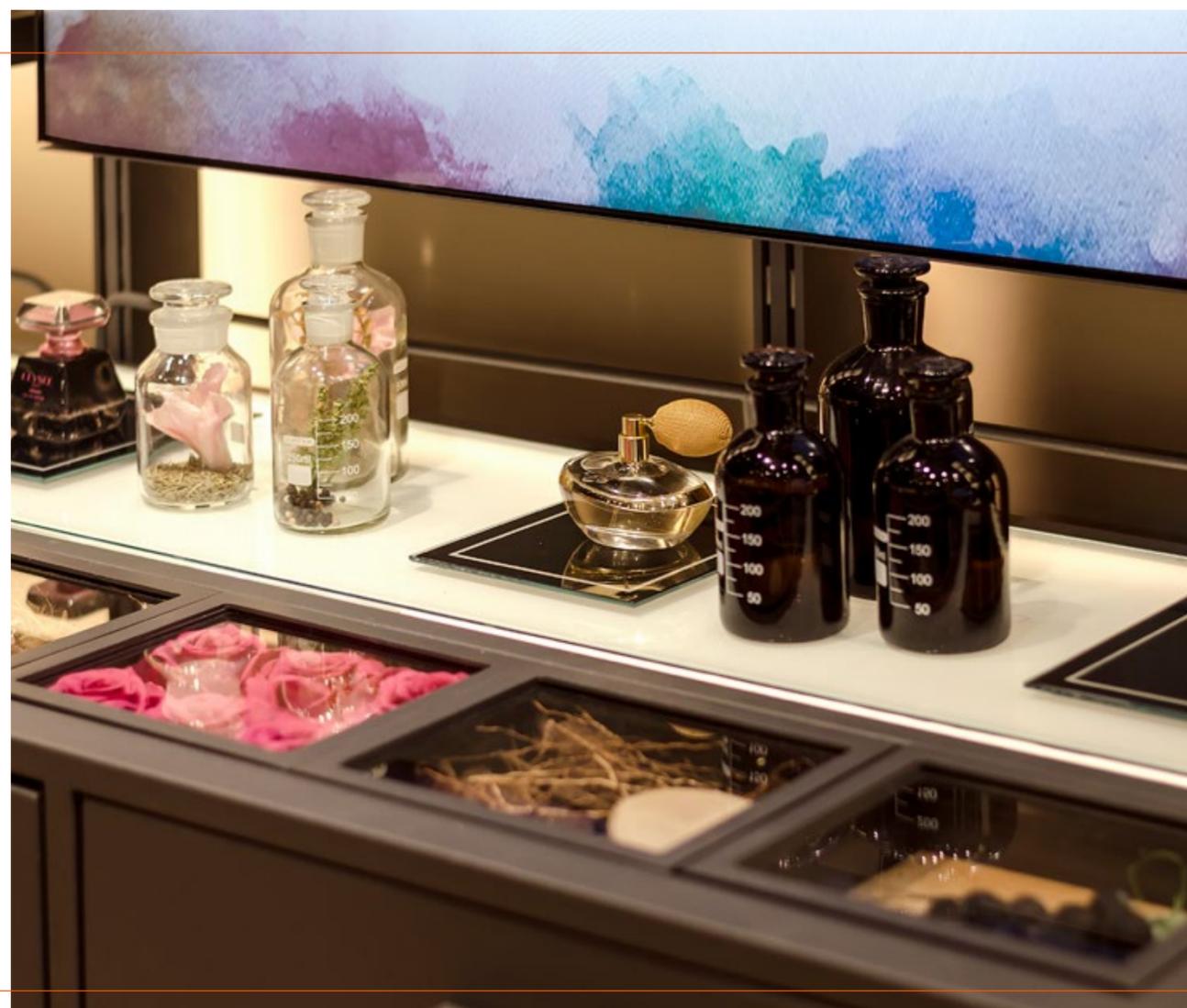
Packaging with vegetable plastic

Lotion bottles, exfoliant cremes and shower gels of the line were made from vegetable plastic, further reducing environmental impacts.

A WINDOW FOR SUSTAINABILITY THROUGHOUT THE YEAR

At the Boticario Group, we believe that the store is our window which should reflect our vision of sustainability. From the conception, going through the operation until the demobilization moment, all of the sales spots of our brands must follow **environmentally correct aspects** established by the Sustainability Directives for Sales Spots, updated in 2016.

More than a **pretty, secure and comfortable environment** for franchise owners, collaborators and clients, we continuously look for **creative and innovative solutions** in architecture and design, developed with the main purpose of delivering the most eco-efficient sales spot possible. After all, it is through the systematic implementation of consistent and coherent practices according to our values that we **promote sustainability in our business**, contribute to the preservation of the environment and prepare for future challenges.



THE ÂNFORA STORE

After conquering the LEED* certification in 2016 for the quem disse, berenice? project at the Cidade de São Paulo Shopping Mall, we have advanced the sustainability of our operation in sales spots. In 2017, we developed and launched the Ânfora Store, by O Boticário, a project installed in pioneering fashion in Rio de Janeiro (located at Barra Shopping), which is now a reference for new installations of the brand. The store is a good demonstration of the fact that we can always make the best choices and we want it to be an inspiration. All that we think, speak and do is materialized there in products, furniture and communication.

* LEED (Leadership in Energy and Environmental Design) certification.

ÂNFORA SALES SPOT REFERENCE IS SUSTAINABILITY



100%
of wood from
certified sources

MATERIALS

We give priority to recycled materials in construction and finishing/embellishment, with the adoption of steel and aluminum in structures that can be recycled infinitely. Moreover, 100% of the wood utilized have the FSC seal, which attests its origins at managed forests.



Ink free from
heavy metals

FINISHING

Usage of water-based ink that is free from heavy metals and has low concentrations of volatile organic compounds. Extra materials are not used in the finishing of areas which are not visible, diminishing the environmental impact.



-63%
energy consumption

LIGHTING

The store only uses LED lighting and was inaugurated with 63% less energy consumption in relation to the previous model, equivalent to 18 days of operation for this store.

-1.200

printed
communication pieces

VISUAL COMMUNICATION

Canvases on windows and other sales spots allow for printing about 1.200 less pieces per year for each sales spot, reducing environmental impact, and also communicate sales and product launches. When display usage is necessary, the directives for sales spots recommend choosing recycled material in at least 25% of the material.



Incentivizing the
eco-bags to diminish the
usage paper bags

BAGS

The products are handed in paper bags with certified origin (FSC) and reusable eco-bags are available to clients as an alternative to the paper bags, generating many opportunities for raising awareness and for the exchange of information on sustainability.



Focus on saving
resources

PROJECT

We give priority to optimized production with standardized modular components, which generates less energy and water consumption.

Recognized initiatives

POPAI PRIZE OF VISUAL MERCHANDISING



One of the most important acts of recognition for the Retail Marketing for Sales Spots, the POPAI – The Global association for Marketing and Retail, conceded seven awards in 2017 to the initiatives from the Boticario Group, three of which related to sustainability. The reverse logistics campaigns of the brands **O Boticário** and **The Beauty Box** received the silver recognition and the sustainable design of the **MakeB** line's sales spot received the gold recognition in its category. In its 17th edition, the prize gathers great brands of international retail.

LEED CERTIFICATION



What is LEED, after all?

The Boticario Group has the first cosmetics factory in Brazil to receive the LEED certification as the first Distribution Center for the North/Northeast and the first store in CI/Retail category contemplated with this recognition. LEED means Leadership in Energy and Environmental Design and is a certification for sustainable construction given by the U.S-based NGO Green Building Council, which adopts rigid criteria for rationing resources such as water and materials.

Recognition from
the Exame Sustainability Guide
1st place in biodiversity management

Abre Award for the packaging of the
QDB Refill Shadow

Alternative methods
to animal testing

OUR VISION OF THE FUTURE

Beauty is for everyone

The power of relationships is one of the strongest foundations of our business. We have long understood that social inclusion is essential for us to get closer to our public. After all, we believe that beauty is for everyone. We evaluate all contact points with our consumers and resellers to identify and implement opportunities for improvement and give access to all consumers, regardless of individual characteristics. Get to know how we achieve this:



100%
of O Boticário
campaign videos
are accessible!

In 2017, all of the brands' portals received new e-commerce digital accessibility resources. In O Boticário, we launched the first **accessible direct sales** catalogue in the country.

Our **Loja de Bolsa** now brings a **QR code** which directs users to the app that allows for consulting the materials.

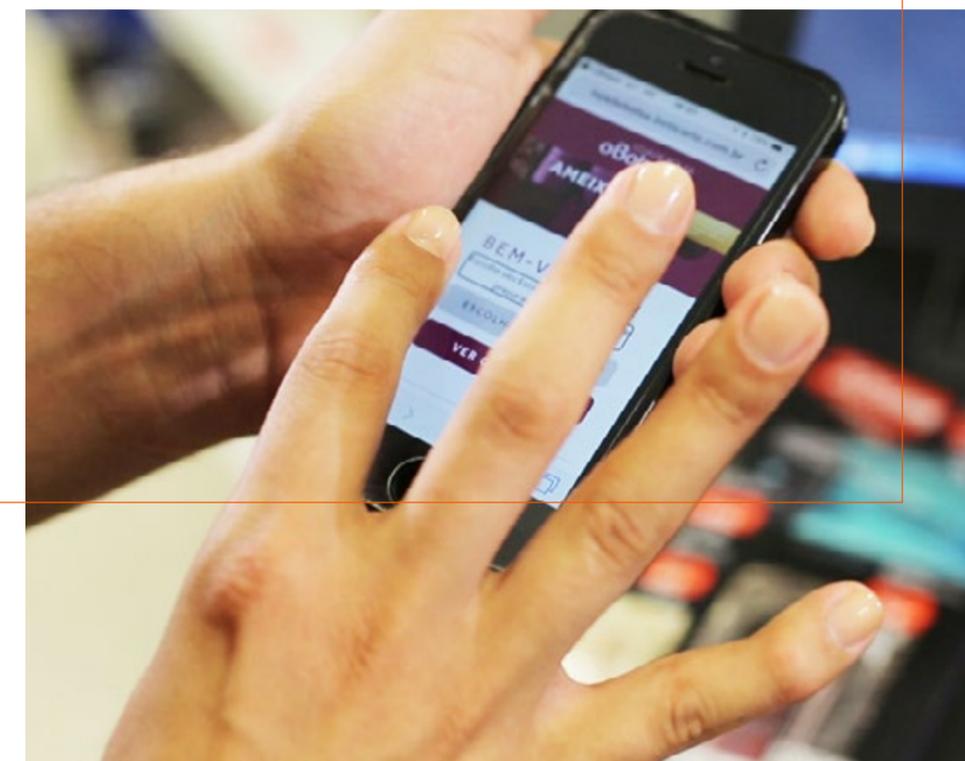
The different **digital accessibility resources** implemented are aimed at people who have difficulty in typing, moving the mouse, reading the screen or using the touch screen function on phones or tablets due to a variety of conditions which lead to visual or motors skills limitation.

Starting in 2017, all social networks of the Boticario Group use image description in all contents with the **hashtag #pracegover** (for the blind to see), to include the visually impaired. In addition, 100% of TV campaigns of O Boticário have the **closed caption** resource. On the brand's Youtube channel, videos are accessible to people with all types of deficiency.

To engage and capacitate the sales force, the extranet of the *Universidade de Beleza Boticário* (Boticário University of Beauty) has made **available a training video** with correct instructions and tips to adequately serve **consumers with special needs** – motor, visual, hearing and intellectual. We have also created **specific guiding content for franchise owners regarding accessibility adequation and in-store movement** to incentivize the network to provide an inclusive and safe environment. Moreover, in the O Boticário stores, franchise owners and their collaborators are oriented to distribute **stickers to blind** people for them to be able to identify and differentiate products that they use daily by touching them.



Above, stickers help people with visual disability to identify products that they use daily. On the right, accessibility is also present in the mobile version of our website.



All good deeds come back to us



The success of our **Package Recycling Program**, launched in 2006, anticipating the directives of the National Policy for Solid Residues, starts with the engagement of our employees, franchise owners and consumers, which share with us the responsibility and desire to take care of the world we live in. Since 2012, the theme of reverse logistics has become a strategic pillar of the sustainability area of the Boticário Group. Throughout the years, the actions of collecting packages and discarded products have increased progressively, amplifying our contribution to the adequate destination of residues.

In 2017, the brand O Boticário launched a new training program about the **Package Recycling Program** for franchise owners and their collaborators in the **University of Beauty**, an online capacitation platform. The sales force for quem disse, berenice? has renewed their engagement to the theme with an action taken during the brand's conventions, which is fundamental for reinforcing the importance of the program and the participation of this public. As for the engagement of our consumers, it is done through our corporate and brand communication, through the ample divulgation of campaigns for collection and by applying symbology on the packages for selectively discarding the products, when applicable. Each of our more than 4 thousand after-sales packaging collection spots is an opportunity to invite our collaborators and clients to think and talk about sustainability. The goal of the Boticário Group is having the program implemented in other sales channels, such as e-commerce, until 2024.

Currently, the packages given at the Eudora resellers and at the stores of O Boticário, quem disse, berenice? and The Beauty Box follow special actions and go to the hands of a network which has over **1.000 collectors of recycled materials in Brazil** organized in **33 organizations** – cooperatives and associations – during the entire year. All cooperatives registered in the program go through a detailed evaluation of **45 items**, such as the inexistence of child labor, usage of protection and maintenance gear and individual protection gear.

It is a virtuous cycle. The group and its clients have the means to conduct the correct discarding of residue and the collectors receive both labor and income. The cooperatives which participate in the reverse logistics program receive management consulting, commercialization of recycled materials, and assistance in the structuring of their documentation, so they can look for commercial partnerships.



Sustenta+Beauty Collection of post-usage packaging

Post-consumption packaging collection actions take place throughout the year. One of them, in 2017, consisted in clients returning five packages at one of the stores and taking a makeup brush home with them. The exchange for the gift is only conceded for products of the brand, but consumers may drop off any suitable cosmetics and personal hygiene packaging.



#retornaberê (Return Berenice)

Incentive for returning empty packages

Realized in September, the incentive campaign for returning packages collected 1 ton of materials at the quem disse, berenice? stores. The invitation to consumers was for them to exchange three packages for a lipstick. After the campaign, exchanges continued for the rest to the year, with a minor adjustment: five packages per lipstick.

#CurtirSentirDevolver (Like, Feel, Return)

Exchange Program involves Collectors

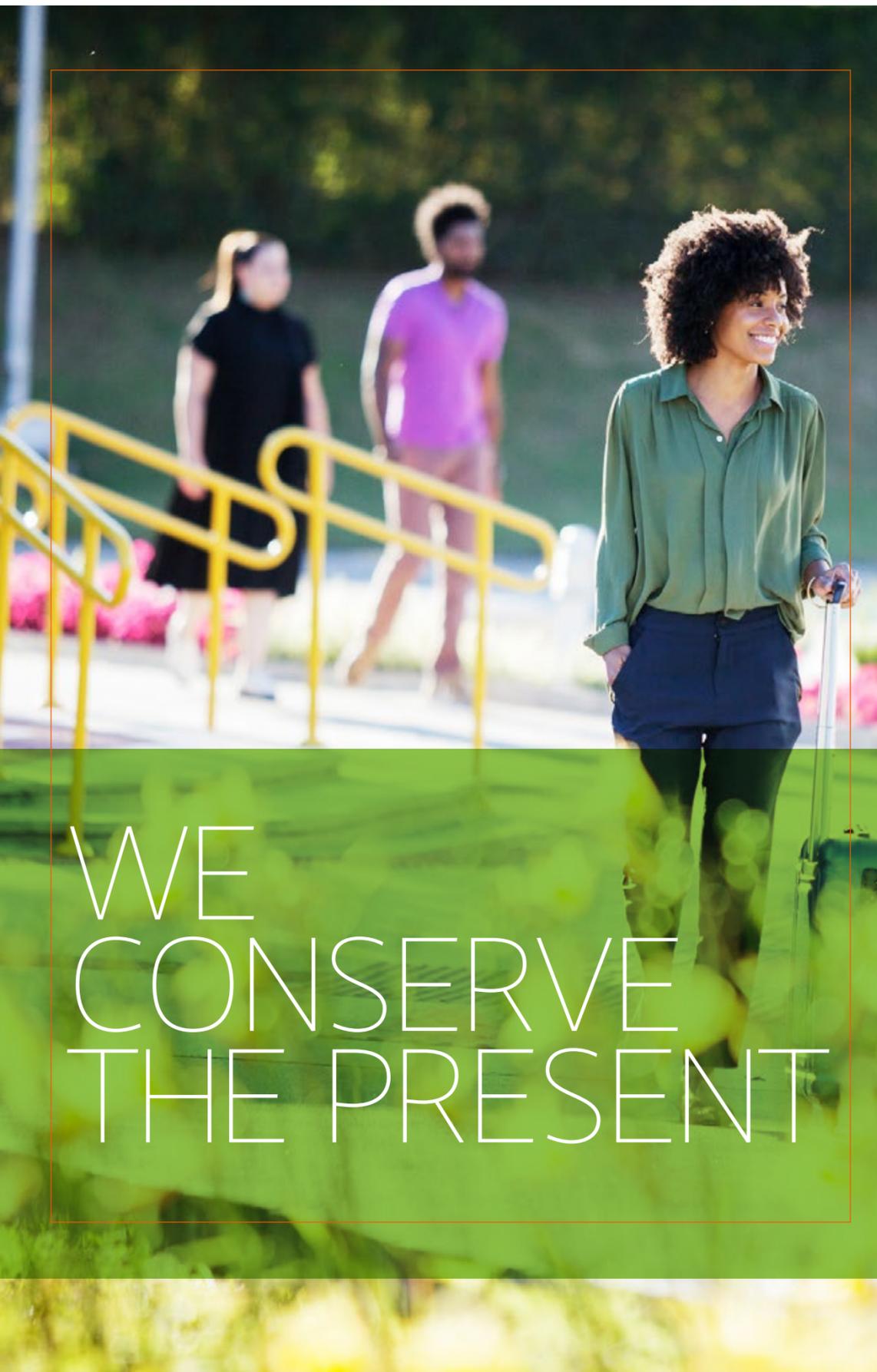
In August 2017 we conducted an internal campaign to mobilize even more our collaborators to exchange packages for reusable bags. This action functions as a permanent reminder of our role in sustainability.



#botirecicla Promotion to incentivize recycling

In May 2017, a post-consumption package of an O Boticário product could be exchanged for a new makeup item. Going beyond this action, the brand's stores are prepared to receive post-consumption packages during the entire year and sending the materials collected to partner cooperatives.





WE
CONSERVE
THE PRESENT

Developing sustainable businesses is one of the pillars of the Boticario Group. This means **using natural resources in an intelligent and efficient way** in order to provide the best to society without compromising the future and the next generations. It also requires us a constant commitment to the conservation of natural patrimony and the rational utilization of natural resources, going beyond the prevention or mitigation of impacts.

In the past years, we have invested intellectual capital and resources to reinforce our commitment to sustainability, mainly by implementing efficient measures in our productive processes. We seek to develop products which are more sustainable each day, may it be in our formulations and packaging as well as with the elimination of all controversial materials, which are constantly monitored throughout our chain. The expectation is that until 2014, 100% of the new cosmetics products of our brands will have aspects of sustainability in their formulations, packaging our fabrication process. In 2017, this number passed the mark of 50%.

One of the highlights of this process was the adoption of a tool for the calculation of ecotoxicity in washable raw materials: the I.A.R.A (acronym in Portuguese for Environmental Risk Evaluation Index). At the end of 2017, 50% of our washable formulas had a decreased environmental impact.

Another initiative that achieved results that we celebrate was **the increase of clean sources in our headquarters**, originated at the Mercado Livre de Energia (Electricity Free Market), at São Gonçalo dos Campos Distribution Center, in Bahia. Though the means of this initiative, we and our consumers which opt for this practice may choose the power sources which best serve our demands – in our case, the option is for **renewable power sources**. Currently, the factory at São José dos Pinhais, in the state of Paraná, and both Distribution Centers buy 100% of their power supply from the Free Market.

We acquired in 2017 the equivalent in wind power to the consumption of 87,5 thousand liters of diesel oil. This choice avoided 231 tons of CO₂ from being released, a quantity which corresponds to the harvest of approximately 1.600 trees. Besides the environmental gains, the migration to the free market allows for generating an economy of half a billion Reais per annum. And if sustainability is our way of doing business, it has been at the core of decision-making processes at the institution level for a long time. We have completed 27 pioneering actions for the preservation of the environment through the means of the Boticário Group Foundation for the Protection of Nature. The good results have allowed us to invest in that which is really important: the future of all of us.

WE CONSERVE THE PRESENT

Ecoefficiency

The Boticário Group has consistently adopted resource-saving technologies in all its operations, as well as processes which reduce the consumption of resources such as water and power and decrease the generation of residues and greenhouse effect gases. Our actions are aimed at achieving goals defined for the year 2024, the reference for the Group to achieve excellence in these subjects.



Água

50% of consumption comprised of rain water and reutilized water

60% reduction of factory-based consumption in 2005, in the m³ / tonne ratio produced



Emissions

* Greenhouse effect gases

50% reduction of emissions of greenhouse effect-related gases at factories in relation to 2008

40% reduction of emissions of greenhouse effect-related gases in our transporting companies since 2014



Energy

100% from renewable sources at factories and distribution centers

20%

of self-sufficiency at factories and distribution centers

reduction in the consumption of relative power (MWh/10⁶ units produced) in relation to 2005



Residues

30% reduction in emissions of residue at factories and distribution centers since 2012

0% of residues in landfills



Construction

100% of new constructions or large renovations following the premises of the LEED certification

WE CONSERVE THE PRESENT

The operations of the Boticário Group respect the **efficient usage of water**, one of our most important raw materials. This means reducing harvesting, amplifying reutilization and decreasing the relative consumption for units produced.

In the São José dos Pinhais (PR) factory, the totality of new drinkable water comes from the public system, while at the distribution centers and at the Camaçari (BA) factory, it comes from a **system of wells**. We monitor consumption and usage of rainwater and reused water.

In 2017, due to the growth of our operations, we increased the consumption of water and our index of reutilization dropped. However, we continue with our commitment of **reducing by 60%** the consumption of this resource in the factories, measure in m³ per ton produced, in relation to our indexes from 2005 to 2024.

Total of water harvested per source (m³) [GRI 303-1]

	2016	2017
Plant - SJP (m ³)*	89.112	92.297
Plant - CAM (m ³)**	53.577	82.343
DC Registro (m ³)**	3.757	4.713
DC São Gonçalo dos Campos**	6.293	10.100
Total Consumption (m ³)	152.739	189.453

*100% from the public system
 **100% from system of wells

Volume and percentage of reutilized (m³) water [GRI 303-3]

Type	Response 2016	Response 2017
SJP	24.380 (21%)	18.739 (17%)
Registro	2.312 (38%)	2.336 (33%)
CAM	27.593 (31%)	30.253 (27%)
SGC	339 (0%)	1.780 (15%)

Water and effluents



WE CONSERVE THE PRESENT

Power

It is our objective to **reduce the consumption of power** and obtain it entirely from renewable sources to ensure sustainability in our production at the same time that we **decrease gas emissions** from our power matrix.

Our **power consumption is monitored** daily, sector by sector, at each our sites. The areas have specific goals for reducing consumption and for using renewables.

To achieve this, the Boticário Group is investing in changing the lighting in its units to **LED lamps**, as well as taking initiative in optimizing power, such as the one that has been implanted in the packaging of makeup at the São José dos Pinhais factory, which resulted, in 2017 alone, in the saving of more than 15 thousand KWh, the equivalent to the average monthly consumption of 100 homes of four inhabitants.

LED SAVING FINANCIAL AND NATURAL RESOURCES

During the year, the distribution centers of the Boticário Group have changed their traditional lighting for LED lamps. In Registro, a unit with 100% LED lighting, the alteration has allowed for saving 135 thousand KWh throughout the year. But the expectation is that this number reaches the mark of 240 thousand KWh, enough to provide for the monthly consumption of more than 140 homes every year.

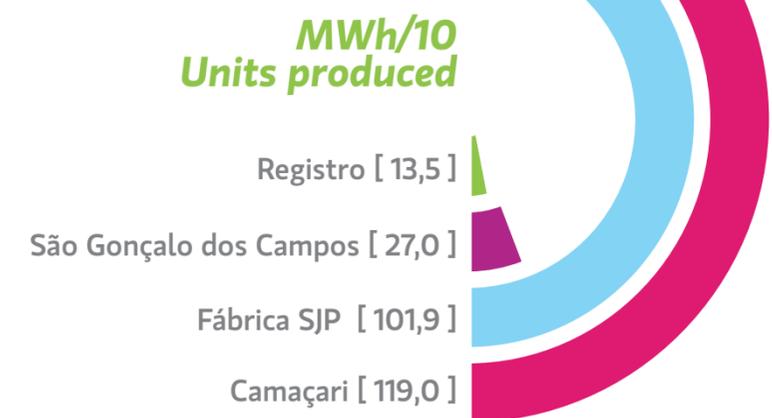
In São Gonçalo do Campo, we have saved 20 thousand KWh, but we can get to 120 thousand KWh/year, which means that both DCs combined will save up to 360 thousand KWh per year (the annual consumption of 210 homes with 4 inhabitants).

Besides the power saving, the initiative represents a considerable reduction in the frequency of installation of new lamps, which means a smaller consumption of this item, as well as less hours of labor in this activity. This way, we predict that, in less than three years, the investment will be completely paid off by the saving obtained, in addition to having a more eco-efficient distribution center.



Placas solares na planta de São José dos Pinhais (PR)

Taxa de intensidade energética [GRI 302-3]



WE
CONSERVE
THE PRESENT

Power

[GRI 302-5]



We understand the relevance of **following up on, mitigating and adapting to climate changes** which impact not only the future of business, but of all of us, in this generation and the next. That's why the Boticário Group presents annually, in the first semester, its inventory of direct and indirect emissions from the organizations, **giving transparency to our emissions** and to how we conduct the management of this subject.

As part of our control and management, **we monitor, on a monthly basis, the emissions** resulting from the burning of fossil fuels in our boilers and power generators at the factories of São José dos Pinhais (SP) and Camaçari (BA), as well as at the distribution centers of Registro (SP) and São Gonçalo dos Campos (BA).

The improvement of the internal processes has contributed to satisfactory performance which makes us observe ever so closely the means to **reduce our emissions**. We have had, in twelve months, a decrease of 15% in the consumption of natural gas in São José dos Pinhais. This result contributed for the index of tons of carbon emissions for every million units produced to fall from 12,6, in 2015, to 10,2, in 2017, a reduction of 19%.

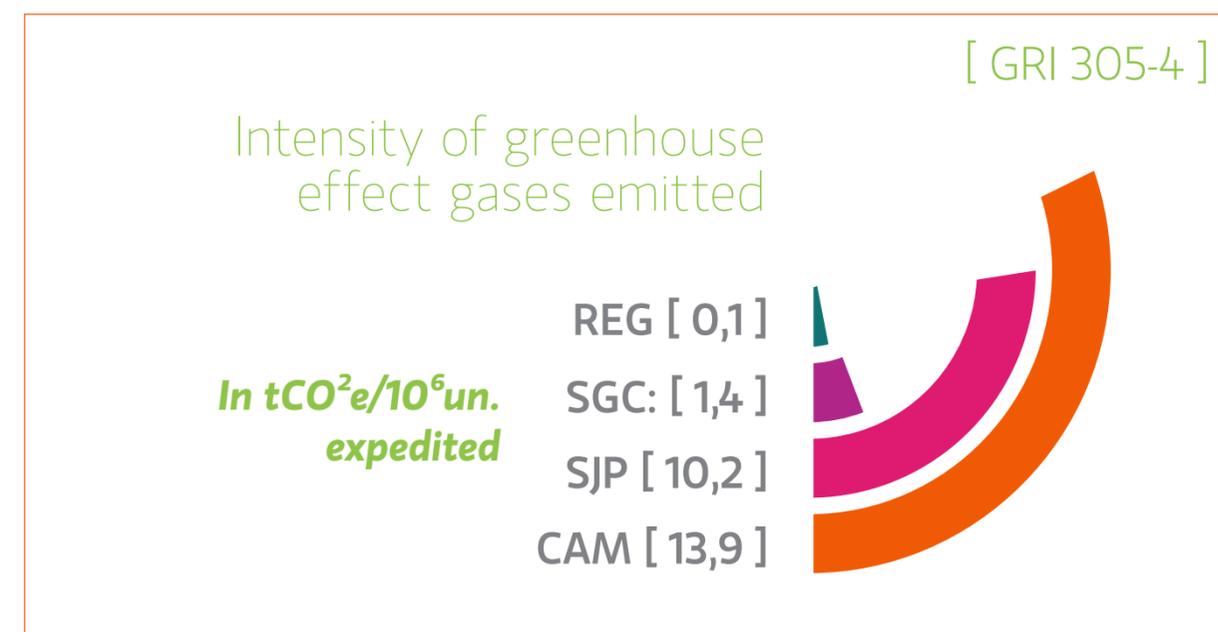
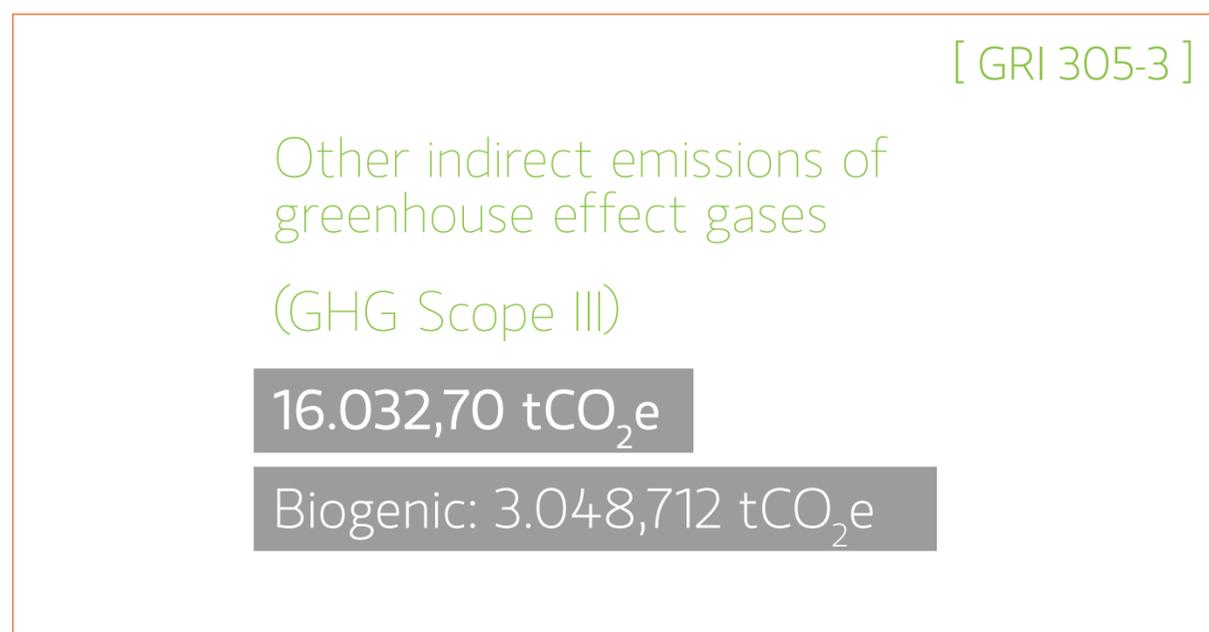
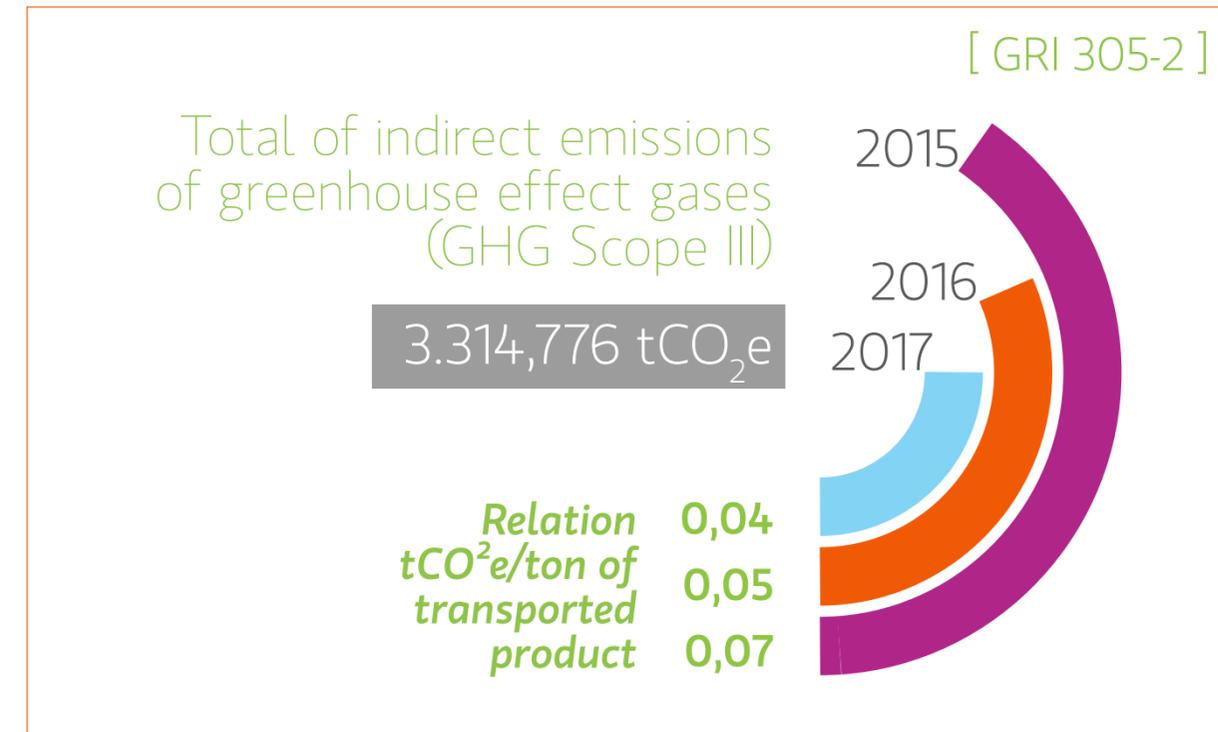
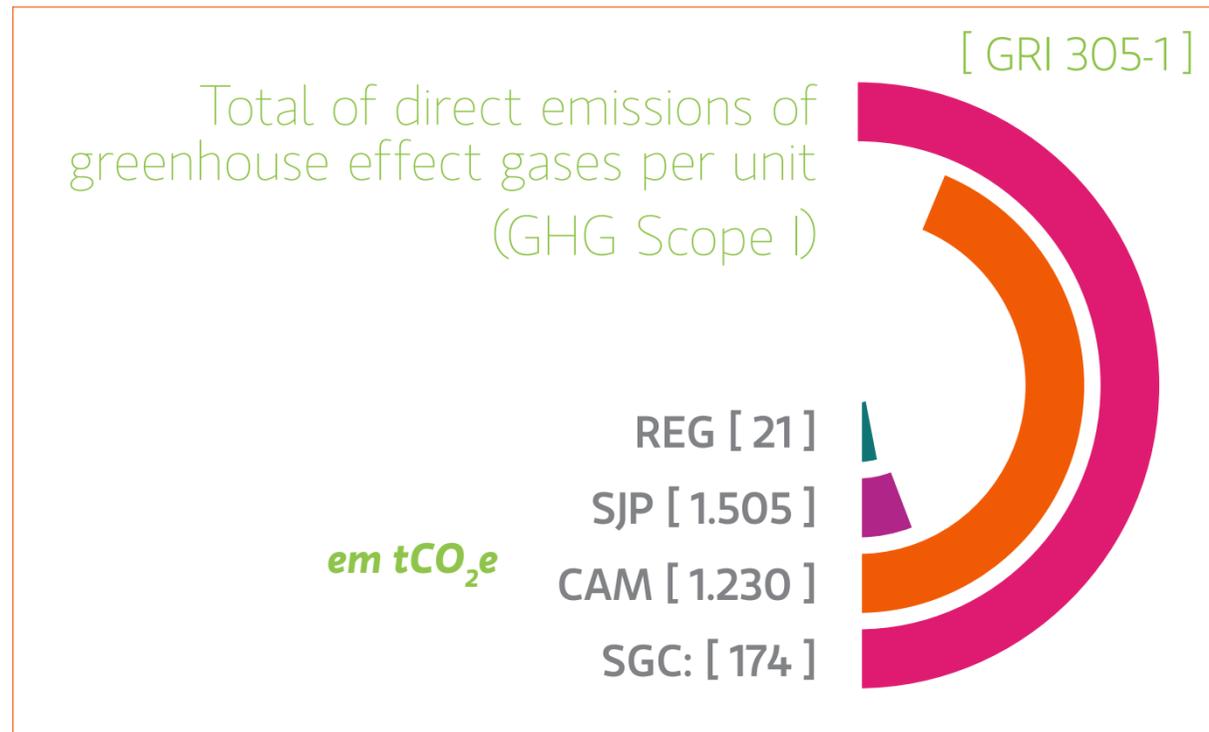
In Registro, a decrease of 92% in Diesel oil consumption gas led to the relation of tons for each million units produced to 0,1, in 2007, a reduction of 98% when compared to the 1,58 of 2015.

FREE POWER MARKET

As we migrate to the Free Power Market, we also reach reductions the indexes relative to emissions. At peak hours (from 6 pm to 9 pm), we used to turn off the power provided by the local power company due to the higher tariffs charged. We would then turn on the natural gas and diesel oil generators at the Distribution Centers. After we started working with the Free Power Market, it has no longer been necessary to utilize the generator. This initiative has contributed to decrease the utilization of fossil fuels and reduce the gas emission indexes in Registro (53%) and in São José dos Pinhais (19%).

WE
CONSERVE
THE PRESENT

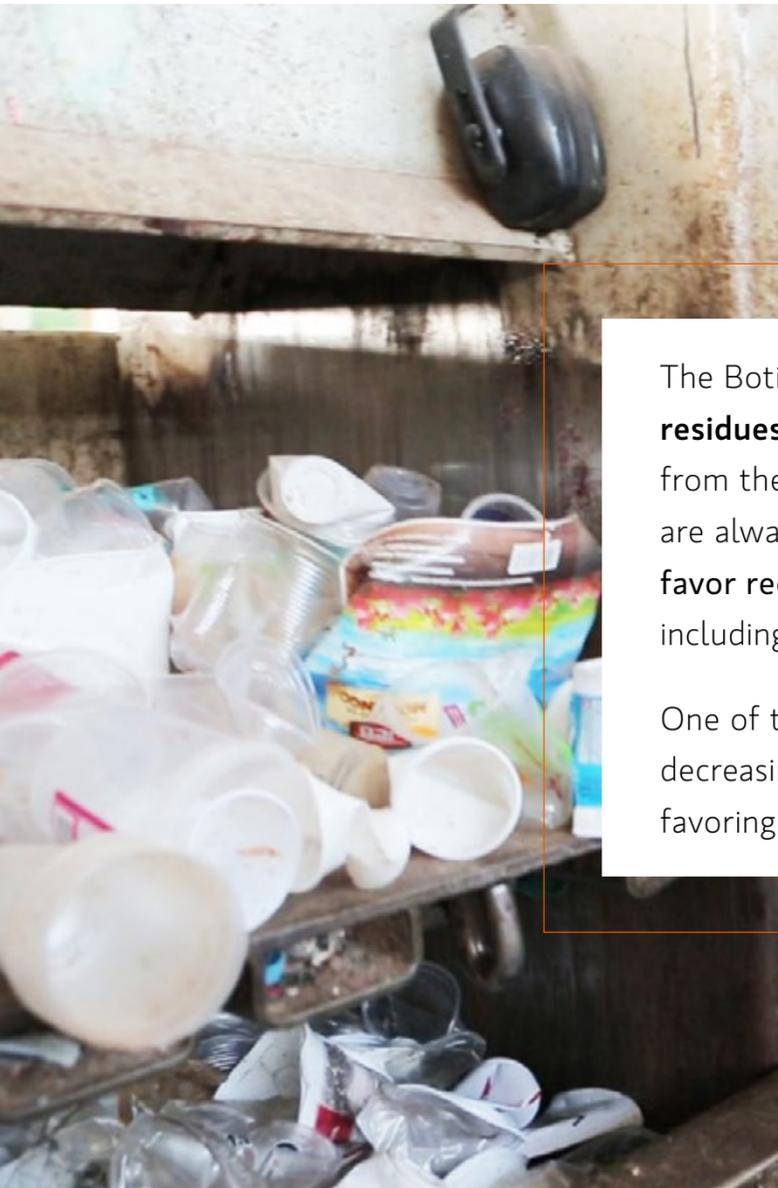
Emissions



WE
CONSERVE
THE PRESENT

Residues

[GRI 306-2]



The Boticário Group worries about the **management of residues** of its productive process from top to bottom – from the extraction of raw materials to the packaging, we are always in search of methods and technologies which favor recycling and the **improvement of our processes**, including our value chain.

One of the goals related to managing residues is decreasing to zero their allocation in landfills until 2024, favoring reutilization and recycling.

Destinação dos resíduos

Type	SJP	Camaçari	São Gonçalo dos Campos	Registro
Non-dangerous (t)	1.592,74	284,00	468,81	1086,61
Reutilization	307,2			608,97
Recycling	1.104,08	1.072,25	431,37	450,97
Coprocessing	0	64		0
Industrial landfill	181,47	219,86	37,44	26,68
Incineration	0			0
Dangerous (t)	896,28	22,71	0	1,7
Reutilization	155,69			0
Recycling	159,04			1,7
Coprocessing	572,87	22,71		0
Industrial landfill	8,68			0
Incineration	0			0
IndicaTor (t/10⁶ units produced or expedited)	16,6	23,9	3,8	5,4

WE
CONSERVE
THE PRESENT

Value chain

INFLUENCE
ON THE VALUE CHAIN

This commitment to more eco-efficient operations is reflected throughout the entire value chain, including our relationship with suppliers. The goal for 2020 is to have 100% of strategic suppliers in this condition and, by 2024, the sustainable purchases of the group amount to BR\$ 2 billion.

To support partner companies in this process, we have established a support program to management practices aimed at a better environmental performance. The initiative consists in training teams, developing of a work plan of a ranking to inspire improvements in the business models.

In this classification, we consider to be of “high performance” the suppliers that reach results equal or superior to those of the Boticário Group. We currently have 22 suppliers in this group.

Management of eco-efficient practices

Performance	Proposed action plan
00 – 50 points: Low	<i>In-company visit Plan of action Trimestral monitoring</i>
51 – 70 points: Regular	<i>Remote follow-up More daring plan Semesterly monitoring</i>
71 – 89 points: Good	
Above 90 points: High	<i>Focus on maintenance and consolidation of differentials Role of multiplier Recognition</i>



WE
CONSERVE
THE PRESENT

Conservation

Boticário Group Foundation for the Protection of Nature



Signing of partnership between the Boticário Group Foundation and the Roberto Marinho Foundation, with the support of the CNPq

One of the first private organizations for nature conservation in Brazil, the Boticário Group Foundation for the Protection of Nature is now 27 years-old, acting continuously and markedly for the cause, which it follows as one of the most current in society: **environmental conservation**. To maintain the expressive results, it promotes **mobilization actions, as well as actions of innovative communication and awareness**, which approximate nature to daily lives of people, developing new actions for society, fomenting the national scientific production, establishing new partnerships and incentivizing innovative proposals to combine social and economic development and the protection of the environment. To carry out its actions, it counts with the Boticário Group's Private Social Investment policy (ISP, in the Portuguese acronym), by which 1% of the liquid revenue goes to the foundation and other initiatives that aggregate value for society.

In 2017, many opportunities and achievements reinforced the consistent performance of the Foundation. The construction of a new auditorium has potentialized the aggregating character of the Natural Reserve of Salto Morato, promoting an increasingly larger integration of agents of nature conservation actions. The work to **empower agents from different** fields into making efforts towards nature conservation has also presented expressive results. The institution has consolidated a partnership with the Tribunal Regional Federal da 4ª Região (the local Federal Regional Tribunal), by which magistrates have been provided with a network of voluntary consultants to provide information related to topics such as nature conservation to help them make decisions inherent to their positions.

In addition, the institution ended 2017 with 30 new initiatives supported by public financing laws and **actions for nature conservation**, amounting to 1.528 projects and programs supported since 1991.

1.528
supported projects
for nature
conservation

17
new species
in 2017, reaching
172 descriptions

11
projects selected
to receive
financial aid

6.630
visitors at the
Natural Reserve of
Salto Morato
in 2017

WE
CONSERVE
THE PRESENT

Conservation



Boticário
Group
Foundation
for the
Protection
of Nature

Since 2014, when it implemented its last strategic map, the Foundation has been acting to amplify the relevance of the subject of nature conservation in society and to elaborate public policies aimed at this matter. In 2017, its marked presence at discussion forums involving several sectors of society, including the Public Judiciary, resulted in the creation of 22 public policies, among which is the creation of **six new conservation** units in 3 states.

With a team formed by 50 collaborators and a network of 75 independent consultants and volunteers, the Foundation strives to be present in the most relevant **debate forums on conservation and climate change**. In 2017, it participated in 20 panels, presentations of studies or in the organization of its own events. In 2018, the Foundation is realizing the 9th edition of the Brazilian Congress of Conservation Units, with the theme of Possible Futures: economy and nature. The gathering takes place in Santa Catarina with three days of panels and presentation of scientific works inscribed.

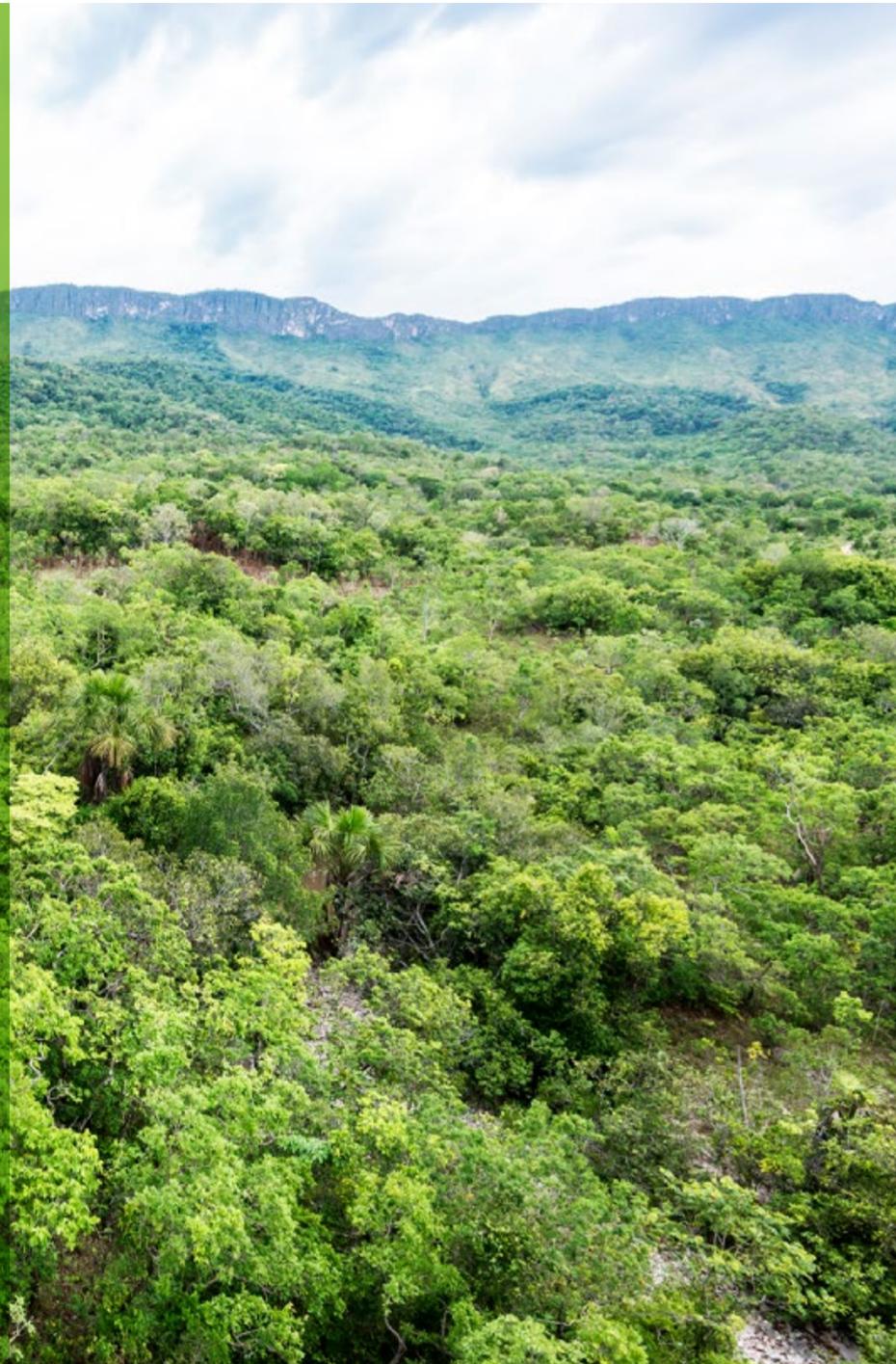


The participation of the Boticário Group at COP 23

WE
CONSERVE
THE PRESENT

Conservation

Boticário Group Foundation for the Protection of Nature



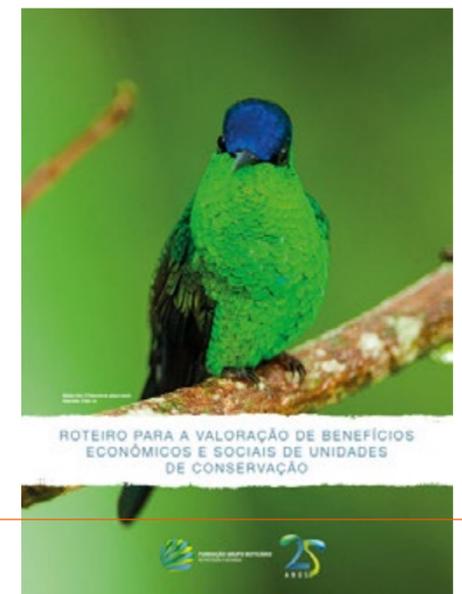
Among the missions related to the development of policies and practices which **contribute effectively for the conservation of areas and biomes** is the dissemination of the logic of finding solutions based on nature. A concept developed by the International Union for The Conservation of Nature (IUCN), this type of solution always focuses on resolving a global challenge – such as climate alterations or access to hydric resources as a starting point.

The Boticário Group Foundation also understands that one of ways to **promote conservation** is by supporting the development of initiatives in the area of Biodiversity Economy. Another way is by incentivizing innovation and investments in impactful businesses, those that generate economic activity that is sustainable and that aims towards generating positive socio-environmental results as well as financial results. In 2017, the Boticário Group Foundation launched two publications that consolidate social and economic benefits generated by the conservation units to incentivize the creation and maintenance of these areas. It also promoted the business and biodiversity Conservation Challenge, awarding three initiatives.



Guide to the Formulation of Municipal and State Public Policies of Payment for Environmental Services

Script for the Valuation of the Economic and Social Benefits of Conservation Units



WE
CONSERVE
THE PRESENT

Conservation

Boticário
Group
Foundation
for the
Protection
of Nature

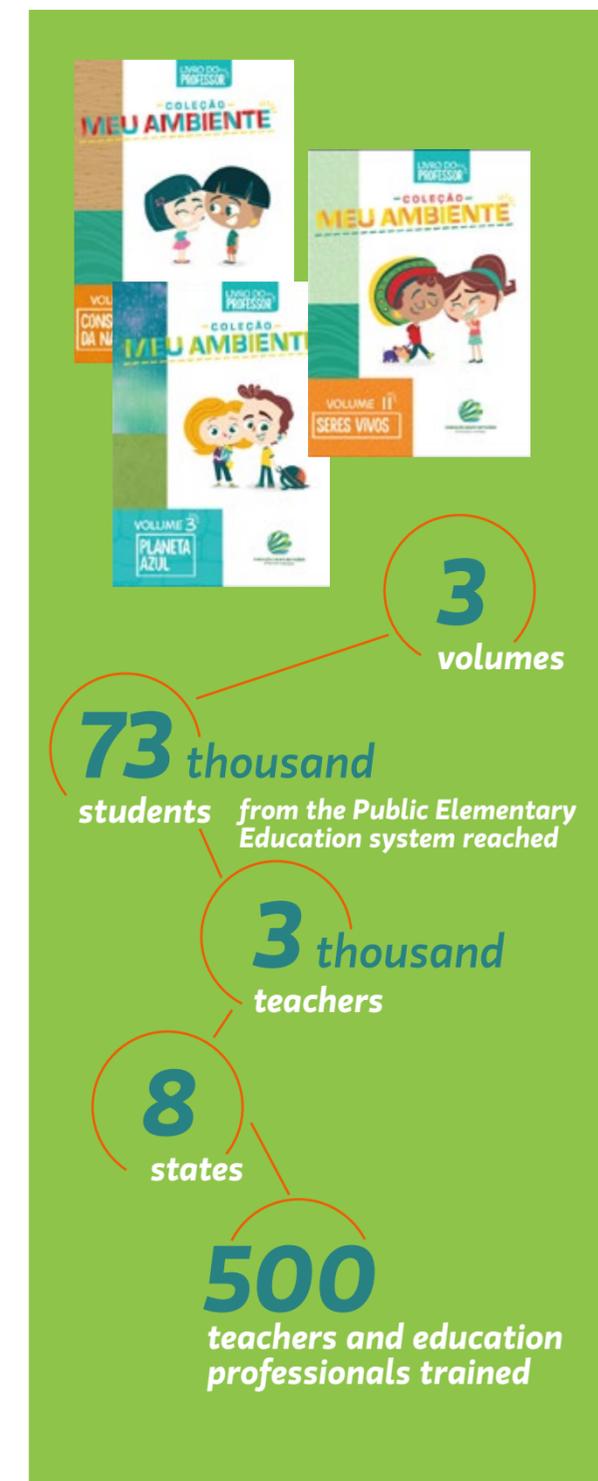
STRATEGIC GUIDE 25+

To think about conservation is to think about the future. Starting from the long-term actions of the institution itself. Throughout 2017, the Foundation promoted an internal diagnosis, involving also its interested parties, and this work resulted in the Strategic Guide 25+, aiming at a long-term vision. This management tool will be an **instrument to assist in decision-making processes** starting from an experience which has already been consolidated and from clear directives. In this guide, the Foundation commits to maintaining itself connected to novelties and trends, to innovate continuously through means that ensure a greater impact, and **to maintain itself always proactive** as a source of scientific knowledge applied to conservation.

INCENTIVIZING FUTURE GENERATIONS

Making the cause of nature conservation gain national relevance requires going further than the **development of public policies and actions** taken together with the scientific community. It requires a systematic raise of awareness in society as a whole, starting early in life. Engaged in helping **educate future generations who are committed to nature conservation**, the Boticário Group Foundation signed, in 2017, a partnership with the Young Scientist Award, an initiative by the National Council for Technological and Scientific Development (CNPq, in the Portuguese acronym) in partnership with the Roberto Marinho Foundation for the promotion of the first scientific researches of young scientists. For the 2018 cycle, the subject defined is Innovations in Nature Conservation and Social Transformation. Of the 11 lines for higher education, 9 are related to conservation. And of the 6 for High Schools, 5 are related to conservation.

For students and teachers of the Elementary School system, the Foundation has launched the My Environment Collection, which **inserts the topics of conservation in the school context**. Exclusive complementary school materials have been developed to engage educators and students to become multipliers of the cause and citizens who are more aware. The volumes for the 1st, 2nd, and 3rd year have been launched and another three will reach classrooms in 2018.



O PRESENTE
A GENTE
CONSERVA

Conservação

Boticário Group Foundation for the Protection of Nature

The Foundation also works by raising environmental awareness in a playful way. It does so by promoting experiences such as **Station Nature Connection**, a traveling exhibition on nature conservation which ended its activities in 2017. It had **three years** of raising awareness among the inhabitants of large urban centers on the **importance of conservation**. In 2017, the exhibition went through five cities, impacted over two million people and received more than 3.600 students from 84 schools.



THE TRANSFORMATION AROUND US

1.438

**products
launched**

127

**new sales
spots**

The commitment with results is one of the values of the Boticário Group as it is born from the will to **change the world in a sustainable way** to become a reference in the creation of value in beauty industry.

In 2017, in spite of the oscillations in the cosmetics market – which had a small growth of 2,8% after two years of recession, according to the Brazilian Association of Cosmetics, Perfumery and Personal Hygiene Industries (ABIHPEC, in the Portuguese acronym) -, the Boticário Group grew 7,5% in relation to 2016, reaching a revenue of BR\$12,3 billion. We have also launched 1.838 products and invested 2,5% of revenues in Research and Development. 127 new sales open were open, 61 of them being new stores, which is more than twice what had been planned.

This good result is a result of a **consistent strategy** that places the client in the center of the process through the omnichannel system. This advances our operations via the Industry 4.0 concept, based **on automation and cognitive intelligence** and other disruptive tools.



THE TRANSFORMATION AROUND US

Passion for innovating



In the second semester of 2017, we inaugurated Botilab, a coworking space at our headquarters, in São José dos Pinhais (PR). In it, collaborators of the Group, startups and partner companies encounter a **modern environment which is welcoming to innovation** and that integrates professionals from various areas in the search for disruptive ideas to create value inside and outside the company.

The Ânfora store, open in Rio de Janeiro, is a clear example of the innovative vocation of the Group. It presents our conception of the future of physical retail, based on the offer of experiences for the consumer (read more on page 28).

In the scientific area, the Boticário Group invests in the **research of alternative methods** deliver safe and effective products without the need of animal testing. Among the technologies developed with this purpose are the already successful 3D skin and organs on a chip, which simulates a human organ on a chip.

THE TRANSFORMATION AROUND US

Private Social Investment

The Boticário Group invests 1% of its industrial liquid revenue on educational and cultural initiatives lead by the Boticário Group Institute and on **nature conservation** via the Boticário Group Foundation.

The Boticário Group Institute **promotes the dissemination of culture through projects** which incentivize experiences aimed at enlarging the world view, value the relationships among people and amplify their repertoires. The Private Social Investment Policy of the Boticário Group guides the **support provided to cultural spaces, sporting and sociocultural events, and the preservation of the Memory of the Group**. Other resources derived from incentive laws are added to the resources of the Institute.

Overall, more than 937.633 people have benefited from the 57 projects supported by the Boticário Group and 9.995 direct and indirect jobs have been created. OF this amount, 33 projects are related to culture and vide are related to sports.

The program *Nossa Memória Organizacional* (Our Organizational Memory) maintains the exhibition The Boticário Group Stories and ended 2017 with four temporary exhibitions about the history and curiosities of the Group and more than 150.000 pieces catalogued in the collection.

The collage features six project cards, each with a title, a photograph, and a brief description:

- PANTANAL NATURE STATION – CORUMBÁ (MS)**: A pink card with a photo of a nature station.
- TRAVELING EXHIBITION STATION NATURE CONNECTION**: A teal card with a photo of a traveling exhibition.
- THE SPACE OF SMELL: A UNIQUE SENSORIAL EXPERIENCE**: A purple card with a photo of a sensory experience.
- DR. BOTICA THEATER: OPEN THE CURTAINS OF IMAGINATION**: A green card with a photo of a theater performance.
- DR. BOTICA'S PUPPET THEATER: A WORLD FULL OF STORIES AND GHOSTS**: An orange card with a photo of a puppet theater.
- THE WORLD OF PERFUME: THE EXPERIENCE THROUGH THE SENSES**: A teal card with a photo of a perfume exhibition.

THE TRANSFORMATION AROUND US

Private social investment



PANTANAL NATURE STATION – CORUMBÁ (MS)

17.000 visitors in 2017

4 temporary exhibitions

95% of schools from Corumbá and Ladário visited the exhibition in 2017



TRAVELING EXHIBITION STATION NATURE CONNECTION

13 million people benefitted in three years traveling across Brazil

20 cities

20 thousand students who raised their awareness



THE SPACE OF SMELL: A UNIQUE SENSORIAL EXPERIENCE

113.634 visitors in 2017



DR. BOTICA'S THEATER: OPEN THE CURTAINS OF IMAGINATION

54 presentations

7.459 spectators from September to December 2017, in São Paulo (SP)

9 workshops to commemorate Children's Day



DR. BOTICA'S PUPPET THEATER: A WORLD FULL OF STORIES AND GHOSTS – CURITIBA (PR)

60.335 spectators in 2017

18 free of charge and traveling presentations

316 presentations in the theater in 2017



THE WORLD OF PERFUME: AN EXPERIENCE THROUGH THE SENSES

Catavento Cultural

inaugurated in 2017, in São Paulo

132.221 visitors from September to December 2017, in São Paulo (SP)

THE TRANSFORMATION AROUND US



Representativity in products

The position of the Boticário Group towards society is of a great commitment with diversity. From the strategies of product development to our communication campaigns – from one end of the process to the other – we seek to **value the beauty of diversity and the power of coexistence of differences.**

Lead by the areas of Product Marketing, Research and Development, and Sustainability, the initiatives of bringing diversity into our products have had some highlights in 2017, mainly in research, development, communication, launches, sales forces, and consumer service.

Research at the Viva Club (O Boticário's fidelity)

with representative demonstrations from each region to understand the profile and physical characteristics of our subscribed consumers regarding race or any physical disability, for example, considering their own judgement.

Content consultancy with researchers, bloggers and influencers

for the curatorship of the project and Workshop of Cocreation.

At quem disse, berenice?

launches of products that cater to 99% of the spectrum of skin tones of the Brazilian population.

THE TRANSFORMATION AROUND US

Suppliers

The Boticário Group has the commitment of exerting positive influence on its value chain and of being recognized as an accelerator of the transformation of suppliers into sustainable entrepreneurs. For this purpose, the group works together with its partners to propel sustainable innovation in the supply chain.

Initiatives such as the Program of Evaluation and Development of Suppliers (PADF, in the Portuguese acronym) and the Program of Partnerships in Ecoefficiency are examples of how this work is done.

It has now been 21 years that the PADF has been evaluating business-related aspects of our suppliers, including sustainability, which carries a relevant weight on the final invoices. Throughout the process, they receive feedback on their performance are oriented as to what are the **best policies and practices** to improve their indicators. The ones that present the best results in consistent fashion are recognized by the Group, including with a specific category for Sustainability.

The processes of **water management, power, residue and emissions** receive priority in the development of suppliers and have great importance on their final annual evaluation. In extreme cases, not conforming may lead to failing the process and consequent exclusion of the supplier. The follow-up is performed continuously in the weekly alignment meeting.

Each social or environmental non-conformity detected results in a plan of action for the development of the supplier. Annually, we consolidate an individual analysis on the operation of each partner, identifying **opportunities for risk reduction**, and share this content at the feedback meetings of the PADF: in 2017, 100% of strategic and relevant providers (74 partners) participated in these meetings.



THE TRANSFORMATION AROUND US

Suppliers

 **115**
Leaders present
at the Suppliers



Artur Grynbaum at the Suppliers Convention

 **88%**
engagement from
Suppliers

Of a total of 343 suppliers evaluated in 2017, 101 direct and 66 indirect were subjected to **environmental impact evaluations**. The 74 providers considered strategic were able to proceed with their self-evaluation online.

The Program of Partnership in Ecoefficiency has been since 2015 engaging our partners in the implementation of **projects to reduce the consumption of water and power, and the emissions of greenhouse effect gases, as well as the generation of residues**. During the project, suppliers receive free technical consultancy and indication of possibilities for improvement. Suppliers then commit to execute the plans, partially or integrally, with a trimestral follow-up.

Considering the basis of 2017, the Group expects to reach 100% of strategic suppliers until 2020 with the Program of Partnership in Ecoefficiency.

In 2017, the work done with 10 suppliers in 12 plants allowed for saving 43.400 m³ of water, equivalent to 17 Olympic swimming pools, 10.300 MWh of electric power, equivalent to the consumption of 9 thousand people; 41 tons of CO₂e, a volume corresponding to 115 trips between Camaçari (BA) and São José dos Pinhais (PR). This performance resulted in avoiding costs of around BR\$3,5 million.

Another highlight of the year was the Suppliers Workshop, which communicated the main guidelines for the following year in **innovation and sustainability**. The 2017 edition had the presence of 115 leaders and 88% of engagement of our suppliers. Around 17 thousand people were reached on social media and the live transmission of the Workshop had 4,7 thousand views.

THE TRANSFORMATION AROUND US

Purchasing practices

One of the objectives of the Boticário Group is to reach the mark of BR\$2 billion in sustainable purchases until 2024. For this purpose, the Group works to establish **consistent partnerships** with its direct and indirect suppliers.

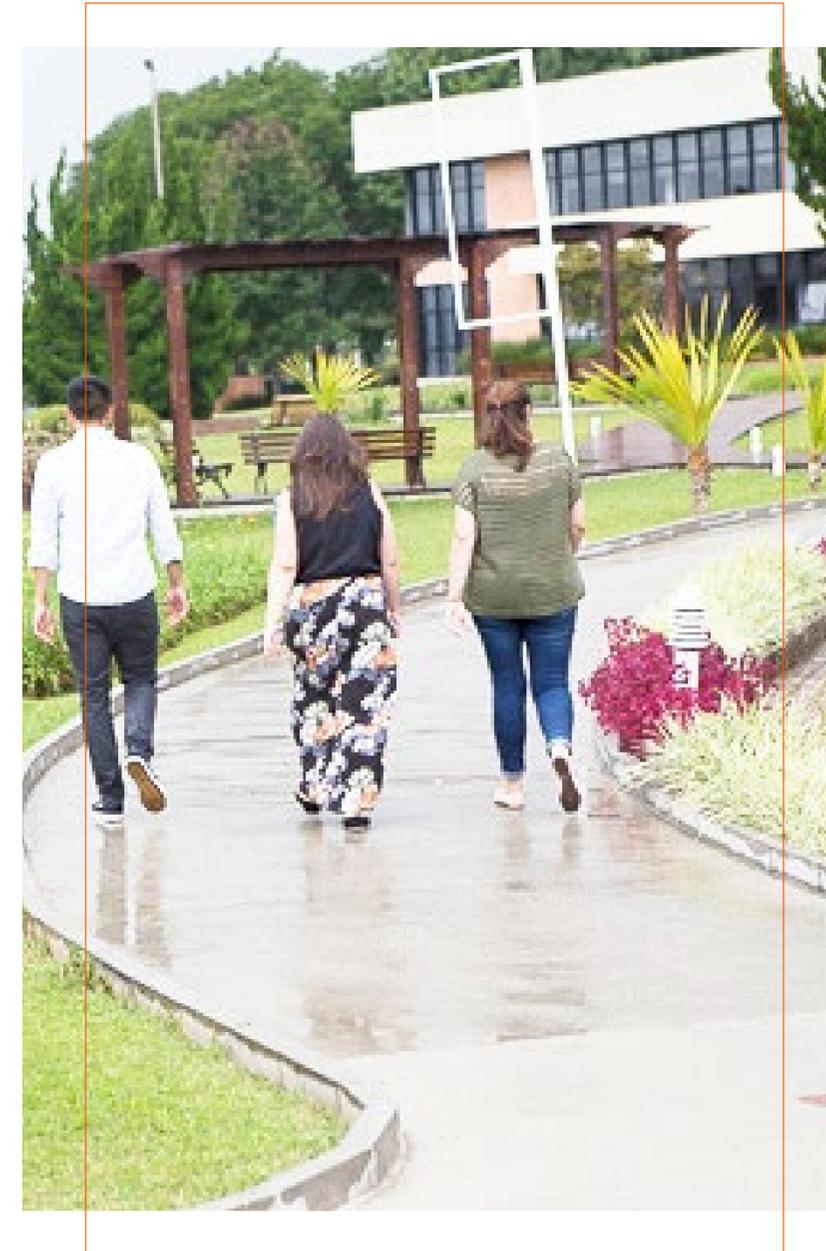
In 2017, the Boticário Group communicated with 214 active direct suppliers and 3.491 indirect suppliers. Throughout the year, 29 new companies became part of the category of direct suppliers and we added more 1.432 indirect suppliers.

Of the providers of direct materials, 60% are located in the state of São Paulo, 20% are in states of the



south region of Brazil, and approximately 6% in Bahia. The remaining are spread out among other Brazilian states and abroad. Among the suppliers of materials and indirect services, 44% are in Paraná, 37% are in São Paulo, and 6,5% in Bahia. The remaining suppliers are in other states of the country and 0,8% are overseas.

The purchases of direct materials by the Boticário Group totaled BR\$1,5 billion in 2017. Around 90% of these purchases were carried out from **suppliers inside the Brazilian territory**. The remaining ten per cent are distributed among companies located in **Europe, Asia**



or other Latin American countries. These materials are divided in the following categories: accessories, raw materials, fragrances, plastics, metals, makeups, valves, and outsourced.

As for the purchases of indirect materials, they reached BR\$1,9 billion and 99% of them were carried out in Brazil. Among the items considered indirect are administration and service materials, facilities, convoys, HR, IT, training, consultancy, civil construction, among others.

WE VALUE THOSE WHO ARE WITH US

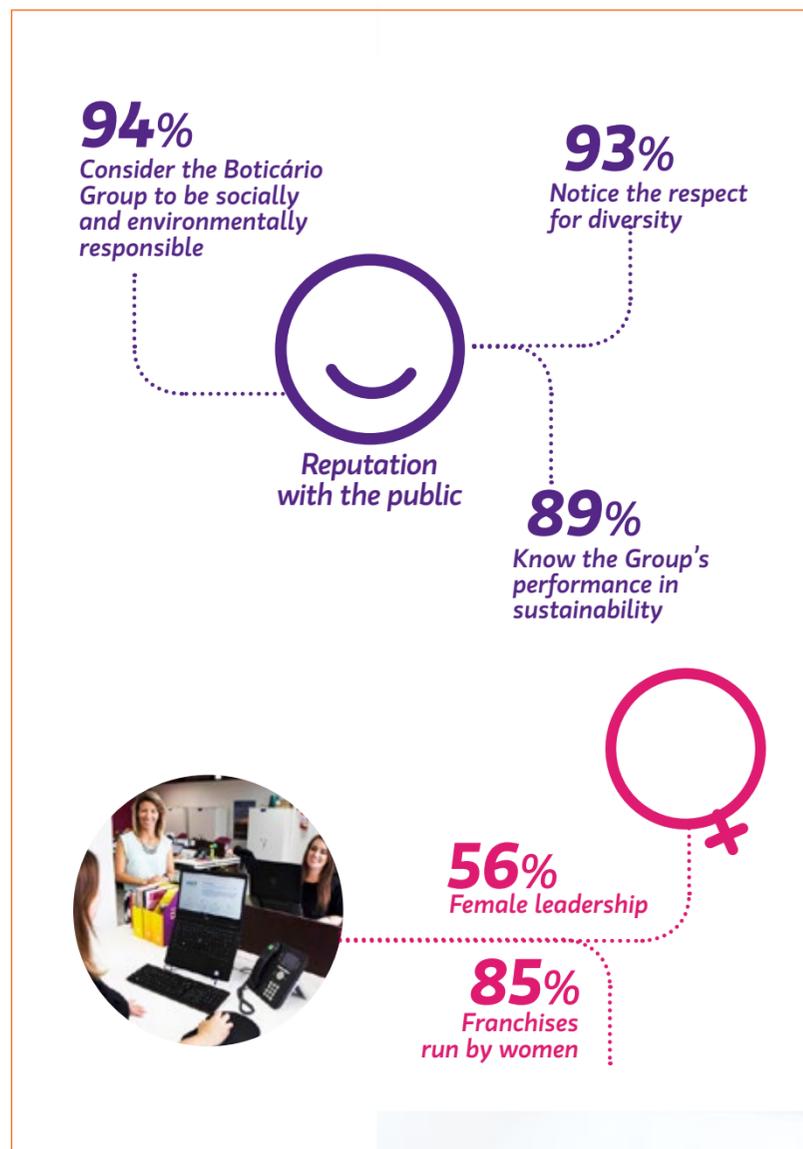
One of the corporate values of the **Boticário Group is valuing people and relationships**. This is one of the strengths that made us get here. We believe in the potential of everyone who is part of our team and value the role of each one in the construction of our future. We have been mobilizing efforts towards **diversity** in all of our relationship publics – from attraction and retention of talents to the relationship with the consumer – for we understand that here resides **innovation and plurality of ideas** for the **construction** of a more just and sustainable society.

This commitment has kept **Boticário Group** among the **150 best companies to work for in Brazil** for the fourth consecutive year. The ranking is made by the magazine *Você S/A*, which also placed the Group among the best companies to start your career.

Since the first work day, each one of our collaborators is presented to our values and counts on a support structure which helps them potentialize their daily production. There are also specific practices for leaderships – our main **engagement channel** – such as the Management Forum, in which subjects related to sustainability and corporate social responsibility are always present, amplifying knowledge and awareness of this public.

As a result, our collaborators are engaged and evaluate very well our performance on sustainability. According to our internal research, 94% of them consider the **Boticário Group** socially and environmentally responsible; 93% notice our **commitment to respect diversity**; and 89% declare to be familiarized with the Group's performance in Sustainability.

In the different points of our value chain, we also work to open spaces for practices to **empower women**, for we understand our role in the sector in which we operate. We are proud of maintaining the mark of 56% of women in our positions of leadership and 85% of our franchises run by women. We also highlight two main special concerns with our public: corporate education and performance evaluation.



WE VALUE
THOSE WHO
ARE WITH US

Diversity and empowerment of women

Promoting equality has always been a priority here the Boticário Group - both for our internal public and for the value chain. We want to be a positive influence on society in this subject so that we may become multipliers of positive attitudes. We desire that everyone understands that they have a role and a contribution to give in order for us to live in a more equal and just society.

We work diligently to improve our practices at home, offering **equal opportunities to all**, regardless of any individual characteristic. We do trimestral monitoring of indicators related to diversity to identify opportunities for actions.

We progressively work towards materializing this belief in the communication of our brands, valuing aspects of the representativity of people and of real moments. We promote internal campaigns to raise awareness in this subject among our collaborators and conduct **training and capacitation** of the Communication and Marketing teams and of all the leadership about unconscious biases and adequation of marketing campaigns.

These initiatives are aligned with national and international commitments to which we adhere, such as the Women's Empowerment Principles (WEP) from the United Nations and the Race and Gender Pro-Equity Program from the Special Secretary of Policies for Women. This is valid for our communication campaigns (both external and internal) and in

the management of the company, with the objective of **ensuring freedom of thought and expression** among our collaborators. The questionnaire was filled out voluntarily and applied in such a way as to guarantee **respect for privacy** for those who answered.

We also highlight initiatives such as talks on **women's empowerment** at events, debating and promoting the subject among our stakeholders and society.

Our performance resulted in the recognition of the Boticário Group by the Woman in Leadership Forum, in partnership with the magazine Exame, with the 1st place in Monitoring of Gender and Equity in the 2017 edition. We have also been recognized as one of the 30 top companies in all of Latin America that most stimulate **diversity of gender in all hierarchical levels** by the means of practices and policies.



WE VALUE
THOSE WHO
ARE WITH US

Another look

To increase the **involvement of the leadership** with the matters of diversity, we conducted in 2017 a training on **Unconscious Biases** for all the management. The objective was to **raise awareness** about prejudice and pre-judgement of people whole profiles or behaviors are different from ours. Five aspects were approached:



Confirmatory bias

When we only try to reaffirm our own ideas instead of hearing and understanding different opinions. It is related to the fact that we observe more closely people who we distrust than those who have no prejudice about.



Affinity bias

It is the tendency to like people who look like us more.



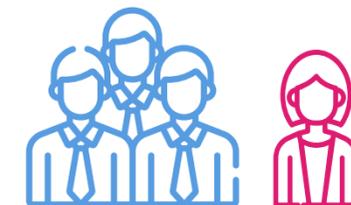
Group effect bias

It is the tendency to follow the behavior of a group, even when we disagree with them, in order to avoid a clash of ideas.



Group effect bias

When we use the aspects of the person who we like and consider everything they do correct, without proper judgement.



The aureole effect bias

It's when a person has the same capacities to execute any function, but is not considered for the position due to the stereotype that we have of the group to which they belong.

Our training has the NGO Women as source:

http://www.onumulheres.org.br/wp-content/uploads/2016/04/Vieses_inconscientes_16_digital.pdf



WE VALUE
THOSE WHO
ARE WITH US

More accessible units



We have prepared a diagnosis of accessibility of the factory in **Camaçari (BA)** and of the **DC of São Gonçalo dos Campos (BA)** to map all the points that we need to adequate to ensure complete accessibility at the sites, a project which should be complete by the end of 2018.

The initiative is inspired on the adaptations that have already occurred at the plant in São José dos Pinhais, which were installed and utilized **by collaborators and special needs visitors.**



WE VALUE THOSE WHO ARE WITH US

Corporate education: learning each day

It is our understanding that the **multiplication of knowledge** is a strategic process which, in order to work, must be addressed by all collaborators. To ensure this, the Boticário Group promotes programs and actions of development and capacitation aimed at incentivizing learning, developing skills, stimulating our collaborators' **self-development**, influencing their performance and **strengthening our inclusive and respectful culture**, a characteristic of ours.

Among our main corporate education tools are **trainings and development** actions, such as the Coaching and Business Partner programs as well as the Educational Complement, which consists in partially financing technical courses, college or graduate degrees for our collaborators.

In 2017, we had more than 130 thousand hours of training for all levels of the company, an increase of almost 40% in relation to 2016. Throughout the year, we added about 30 new online training courses and updated those that we already had available. Among the novelties, there was the start of our program of Retail and Marketing School, with the objective of **concentrating the efforts of all areas of the company** – from corporate to operations -, giving priority to consumer practices.

Total number of training hours per category [GRI 404-1]

6.675,5	Executives	44,8
17.660,2	Coordination	58,9
4.496,3	Supervisors	33,3
55.970	Specialized Technicians	31,1
9.169,9	Technicians	29,8
10.014,8	Administrative	12,5
23.769,5	Operational	16,9
1.298,5	Interns	18,3
1.135,5	Young apprentices	7,9
130.189,3	TOTAL	25,4

Average training hours per employee



Total of training hours per gender



WE VALUE
THOSE WHO
ARE WITH US

Performance evaluation

[GRI 404-3]

The Boticário Group believes in **recognizing and rewarding merit**, which is conducted through the means of our Performance Management. It takes into consideration the results generated by the collaborator, **regardless of gender, race, age or any other individual characteristic**.

The results generated by this process work as guidelines for our personnel management practices (talent management, succession process, wage alterations, development, among others). This is always done in accordance with our values, such as **representativity, diversity, integrity and valuing people**. It is important to highlight that **valuing differences** is among the competences evaluated, as we see this is as an aspect of career development inside the company and a factor of competitiveness in the market.



Total of collaborators evaluated (2017)

Administrative	615	21%
Coordination	276	10%
Executives	129	4%
Expert	4	0%
Supervisors	101	4%
Specialized Technicians	1.519	53%
Technicians	232	8%
Operational*	1.317	99%
TOTAL	4.193	

*Based on the total of eligible collaborators (1.331)



GRI INDEX AND ATTACHMENTS

GRI INDEX AND ATTACHMENTS



How to read this report

[GRI 102-40, GRI 102-42 a 102-44,
GRI 102-46, GRI 102-47, GRI 102-54]

The Boticário Group presents the 2017 edition of its sustainability report. This year, the report was for the first time prepared according GRI Standards: essential option.

As in the previous years, the content of the publication was based on two aspects: the activities of the Boticário Group throughout the year and the material topics of the organization and of the publics with whom it relates. Starting at this edition, our report also seeks to advance the integration between the group's achievements on environmental, social, governance and financial performances. The objective is to clarify the value that we generate for our interested parties.

The content of this year presents the activities of the group regarding the theme of "The value of beauty transforms the world around us", which guides and provides unity to the information presented. This narrative is divided in two parts: Institutional – presenting the group, its companies and products – and "The future we build today", with four chapters that present our performance, management and goals for the next years.

Materiality and indicators

In the process of adaptation to the new Global Reporting Initiative's methodology, which incentivizes focusing on topics, aspects and material indicators related to our operation and to the relationship with our interested parties, we have revised and given priority to essential aspects of the report. We have done this based on the material topics appointed in the Boticário Group's Strategic Sustainability Agenda and confirmed annually by consultation.

In 2016, this revision was carried out through our reputation research, which heard more than 1.500 people distributed among the main publics of interest of the Group: collaborators, franchise owners, university students, suppliers, the government and regulatory agencies, the press, and associations.

At the end of the process, 15 critical topics of sustainability were defined based on risks and opportunities for the company in the short, medium and long terms. The same was done for topics of priority for our interested parties, who constitute the materiality matrix of the Boticário Group, all in high priority:

- Development of communities
- Development of the supply chain
- Sustainability of the franchise network
- Utilization of sustainable materials in stores
- Discarding, recycling and collecting packaging
- Utilization of renewable natural resources
- Reduction in resource e consumption
- Women's empowerment

This is the list that defined the material aspects provided by the GRI methodology which are hereby related and have their indicators presented in this publication. However, other topics that are not included among the GRI indicators are also presented. This allows for a more detailed view of how the Boticário Group has worked to make its management and operation more sustainable, generating value for its interested parties without turning away from our commitment to the planet and to future generations.

GRI INDEX AND ATTACHMENTS

External verification

[GRI 102-56]

The Boticário Group submitted its Sustainability Report to external verification in order to ensure its credibility. The external verification was carried out by Prof. Dr. Priscila Borin Claro, Doctor in Administration, Environment and Development at the Federal University of Lavras, Professor at Insper, where she is responsible for the Núcleo de Estudos em Meio Ambiente e Centros Urbanos (Urban Center and Environmental Studies Working Group) and is Co-Chair of the PRME/UN Brazil. The verification was done by taking the GRI Standards into account.

The verification was performed on final report and attachments (tables pertaining to indicators and GRI materials). The evaluation process involved a general analysis of the report in relation to context and sustainability strategies, including materiality tests and the contents which respond to the selected GRI indicators. The following criteria were adopted: representativity and inclusion of stakeholders, completion, objectivity, clarity, balance between quantitative and qualitative evidences, time frames and completion of answers. These were the main conclusions:

Context of Sustainability, Materiality and Inclusion of Stakeholders

The report clarifies how the businesses and strategies of the Boticário Group contribute to the environmental, social and economic development at local, regional and national levels in the entire value chain. The format of report allows for understanding the achieved results, the strategies executed and the future goals in relation to the desired development. An advancement of this year's report is the detailed presentation about the research conducted for the materiality test, the achieved results and the groups of stakeholders involved, the size and diversity of the demonstration ensure representativity and inclusion of different groups of stakeholders in the research.

Objectivity, clarity and Comparativeness

The choice for the GRI Standard methodology positively influenced the format of the report. The responses to indicators are objective and complete. Specific information on material aspects may be easily found by stakeholders, mainly on the tables, images, schemes and highlighted text. The content of the report is clear and accessible to a non-specialized public, with performance being represented via intuitive indicators. There is evident effort to develop an integrated report, that is, it is evident how matters related to environmental and social sustainability are related to

the businesses of the Boticário Group.

To facilitate even further the understanding of the Group's performance through time, the report presents past performances for the majority of specific indicators. This allows for a comparative evaluation. It would be ideal to expand this practice to all indicators.

The report could have brought information on examples from other companies or projects that are benchmarks in the material aspects of the Group's businesses, as suggested by the GRI Standards. This point could be implemented in future reports with the intention of favoring even more the criterion of comparativeness.

Balance, accuracy and completion

The GRI table and text present the answers to the qualitative and quantitative indicators on the Group's performance and sustainability. The report presents some negative results, as exemplified by the subject of water consumption.

More importantly, the report presents justifications and strategies for the future management of this problem (increase in water consumption).

The qualitative analysis is consistent with the quantitative indicators available. In general, the report meets the publication requisites of the scopes, limits of the aspects and detailing of periods for the selected indicators.

Conclusions

The report is in accordance with the GRI Standard Guidelines, "Essential or Core" option.

The report presents in qualitative and detailed fashion the position, strategies, results and future goals of the Boticário Group towards Sustainability, as well as the stakeholders' priority limits of performance.

For future developments, I suggest that the Group demonstrates its commitment to the UN's Sustainable Development Objectives, aligning the best in corporate practices in Brazil and in the world in relation the Sustainability Report.



Priscila Borin de Oliveira Claro

São Paulo, Agosto de 2018

GRI INDEX AND ATTACHMENTS

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Note 1

The principle of caution guides the activities of the Group with anticipatory actions to protect the health of those involved and the environment. Furthermore, there are the actions for the preservation of natural reserves and areas and actions for the protection of species through the Boticário Group Foundation for Nature Protection. The application of the caution principle is essential for the decision-making processes of the group and is the foundation for the execution of many projects and activities. Although there are no evidences that may establish a relation between the activity and its effects, the group takes a step forward in anticipating risks and takes measures to impede the occurrence of negative impacts.

Note II*

Brazilian Association of Announcers (ABA); Brazilian Association of Entrepreneurial Communication (ABERJE); Brazilian Association of Packaging (ABRE); Brazilian Association of Franchising (ABF); Brazilian Association of the Industries of Personal Hygiene, Perfumery and Cosmetics (ABIHPEC); Brazilian Association of intellectual property (ABPI); Brazilian Association of Human Resources (ABRH); Association of Computing and Communication Users of Paraná (Sucesu-PR); American Chamber of Commerce for Brazil (Amcham Brasil); Sustainability Studies Center (GVces) of Fundação Getulio Vargas (FGV-EAESP) – Companies for Climate, Innovation and Sustainability in the value chain; National confederation of the Industry (CNI); Brazilian Entrepreneurial Council of Sustainable Development (CEBDS); Council of Corporate Citizenship of the State of Paraná (FIEP); Social Responsibility Committee (FIEB); Endeavor Paraná; GHG Protocol; Informal Group of Companies in Expatriation (GAE); Group of Environmental Professionals of the Industries of Paraná (GPMAl); Group of Institutes, Foundations and Companies (GIFE); Akatu Institute; Brazilian Institute of Intelligence (IBRAMERC); Retail Development Institute (IDV); Ethos Institute; Junior Achievement; Brazilian Entrepreneurial Network of Life Cycle Evaluation; National Network of Alternative Methods (RENAMA); SBMalt; Brazilian Society of Alternative Methods.

**All acronyms are in Portuguese.*

Note III

100% of employees operate inside the collective work conventions of each locality. The same occurs for all collective work agreements related to the program of participation in results and the banked hours, concerning 95% of the administrative teams.



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grupo boticário
beleza é o que a gente faz

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