

**We create opportunities
to realize *DREAMS***

2018
SUSTAINABILITY
REPORT

GrupoBoticário 

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The year in retrospective by topics and numbers

We grew **7 %** in 2018

11% with Vult:
almost seven times
more than the
Brazilian economy

Revenue
BR\$ 13.2 billion

BR\$ 13.7 billion with Vult

Collaborators
12.349

8.649 women
3.700 men

335 million
items produced

380 million
products sent
from the three
distribution centers

More than
1,5 thousand
thousand products
launched, and
portfolio containing
10 thousand items

GROWTH

MULTICHANNEL

4 thousand
*e-commerce stores
with direct sales*

and opening of

81
new points of
sales in 2018

Present in other

35 thousand
points of sales
in retail

77 %
of all products
developed by the
Boticário Group in
2018 had sustainable
formulas and/or
packaging

**The Anfora
Stores,**
the most sustainable

Boticário model
for reducing
electricity use
in up to **63%**

Best company

of the Consumer Goods
sector in the EXAME
Sustainability Guide

to work for in the Consumer
Goods sector in the Revista
Você S/A guide

of the Consumer Goods
sector in the EXAME
Sustainability Guide



We implemented the largest Reverse Logistics program in Brazil. A project that won the prize Abihpec, in the category of Sustainability

Cruelty Free certification emitted by the NGO PETA (People for the Ethical Treatment of Animals) to every brand produced by the Group

ECO Award in the category of Processes, for recycled glass cases

Vegan portfolio in O Boticário

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[102-6 | 102-7]

INTERNATIONAL

**Beauty
anywhere in Brazil
and in 15 other countries**

We are international

Our brands are now in 15 countries >> We opened two O Boticário stores in Dubai, in the largest shopping center in the world, and we are building bridges to amplify our presence in the Middle-East >> We arrived in Bolivia >> Our Nativa SPA line is in department stores in Panama >> *quem disse, berenice?* was awarded in Portugal as the best makeup brand in the country

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A chain of entrepreneurs

The commitment to sustainable results is a value for the Boticário Group, as we believe that it is through them that we build our legacy and fulfil our calling as entrepreneurs of a better world.

At each year, we anxiously await the moment when we have the opportunity to share with all our public relationships, through our sustainability report, the challenges, initiatives and results that drove our year. We understand this to be more than a transparency effort, as we also see it as a celebration of the journey of effort and commitment that we have been on.

A year ago, in our last report, I wrote in this same space that the excellent results of 2017 indicated a promising 2018, but with clouds on the horizon due to the effects of the crisis and the instability. It was in this scenario of optimism mixed with uncertainties that we have once again achieved excellent results. The 7% growth and the acquisition of Vult are evidences of the effectiveness and power that lie on our courage to carry out our business model centered on the values that beauty provides the world.

Our achievements, however, go beyond the financial dimension. In 2018, as well as in previous years, we have good news to share regarding our evolution in ecoefficiency, the commitment of our chain to sustainability and the growing value that research and development aggregate to our products.

Among these results, I would like to highlight our more sustainable point of sales model, adopted in our Boticário's Ânfora Store. I also celebrate the fact that 77% of the products developed in 2018 contain attributes of sustainability, whether in their formulation or packaging, as well as our achievement of the Cruelty Free seal, given by the NGO People for Ethical Treatment of Animals (PETA) and the launch of our vegan products portfolio, a growing demand from our consumers.

It is this way we want to grow: with the least environmental impact possible, valuing the beauty that people are able to produce and delivering continuous results to all.

ARTUR GRYNBAUM
CEO of the Boticário Group



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The courage to do well

Ever since our first store was open, we have focused our performance on the potential of beauty to improve the world and people's lives. We exist to make people's lives more beautiful and optimistic.

We planted a seed when we were founded – the seed of our commitment to act in the most sustainable and correct manner. The courage to do well, even if it meant more effort and renouncing easier, more immediate results.

Nowadays, when I realize where our conviction has brought us, the greatest joy I have is to know that it is possible to deliver results such as ours with no harm to the commitment of making the world a more beautiful place.

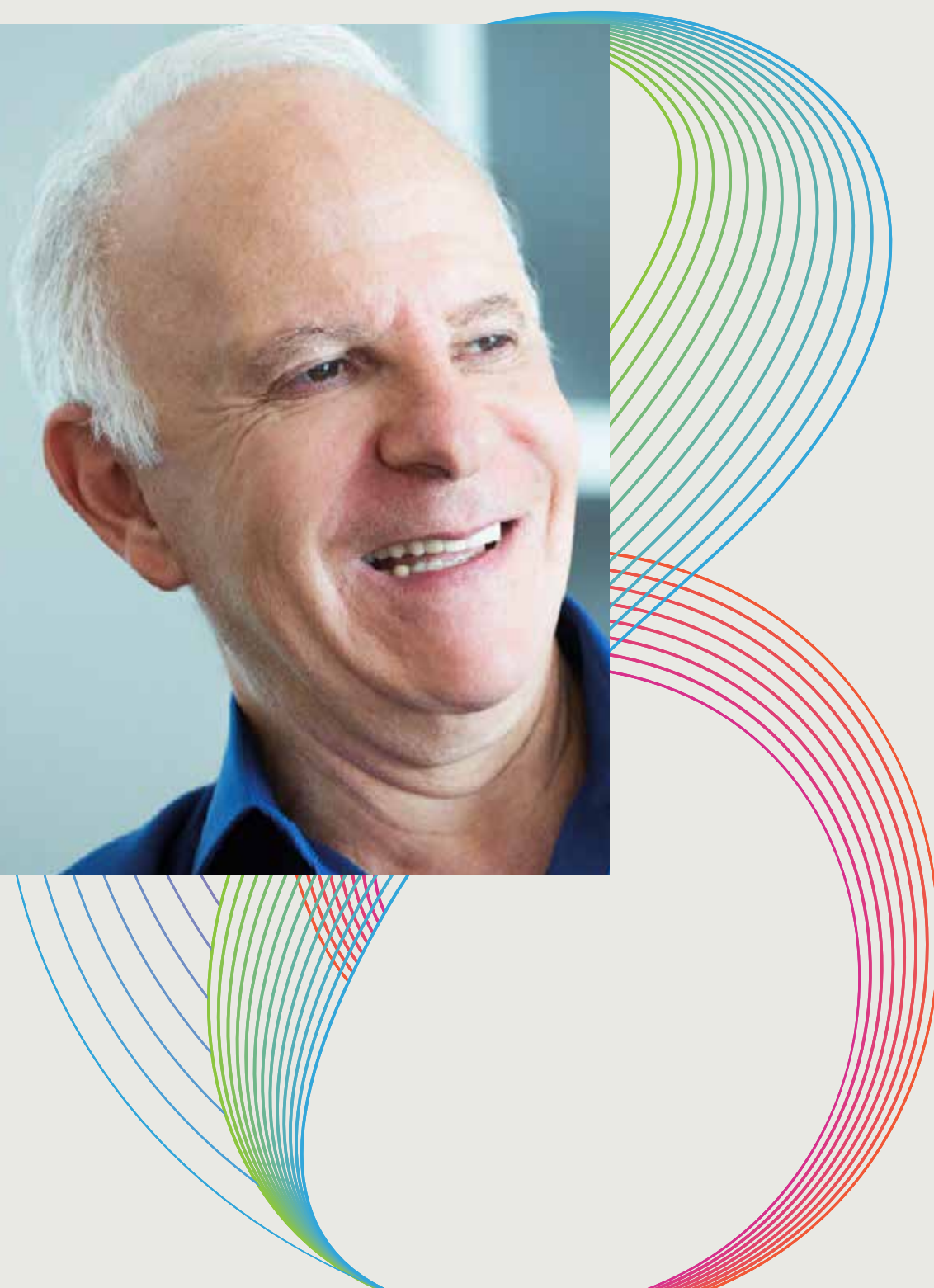
Our performance based on sustainability, diversity, inclusion, and respect to all people, their choices and needs, has gone beyond executive decisions taken by a group of people: it is now the defining criterion of those who are ready to build the future that we want as a society. This is why we are more ready than ever to deliver that which our interested parties expect from us – that we are a company that undertakes the future.

However, we must not forget that our ability to undertake the future comes from people. Currently, the Boticário Group has an immense team of collaborators, franchisees, suppliers and clients, among other parties, working together to build more beautiful and sustainable scenarios. The human being is at the center of everything the Boticário Group does.

All of this is the result of our continuously renewed commitment of doing what is right and of being the best company possible for people and the planet. We share with you now our secret to making all of this a reality.

MIGUEL KRIGSNER

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



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My Present is the Future

The *Fundação Grupo Boticário de Proteção à Natureza* (Boticário Group Foundation for Nature Protection) is one of the main investors in nature conservation in Brazil and a source of inspiration to the Boticário Group's companies and stakeholders. Dedicated to an agenda that is integrated with big global matters, the Foundation has, since its creation, undertaken the commitment of Brazilian nature conservation.

The institution foments scientific research and the production of knowledge on all Brazilian biomes, and it also focuses the relation between the human being and nature. This way, the Foundation has become a protagonist and a leadership in the development of initiatives that ensure eco-systemic services, actions for engagement with society, the influence of public policies, and the support for the creation of high-impact businesses with a focus on conservation.

Contributing to the future is an important part of the commitments that the private sector should make. This could be the management engine to generate resources to social and environmental causes as a complement to what has already been achieved in the governmental contexts throughout the world. If we have arrived where we are by using private social investment – we have been working for this cause for almost 30 years –, we are leveraging our expertise to help develop a more sustainable society that allows for meeting current needs without compromising the natural resources available for the next generations.

Aligned with the Sustainable Development Goals, the Foundation contributes to maintain the quality of life, health and balance of all ecosystems that guarantee our lives and the lives of all species on Earth. We are looking straight ahead, but we know that we need to address the challenges of today.



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The human being at the center of the social transformation we want

Transforming the lives of people through beauty is a mission that the Boticário Group has undertaken and that we materialize daily in Boticário Group's performance. After all, it has been 15 years of activities dedicated to generating a positive impact on people's lives.

In a world still very led by esthetics, we have accepted the challenge of showing that beauty is not only on people's faces and bodies, but also in their stances, in their courage, in their capacity of understanding, of understanding themselves, and of interacting and transforming the world around them.

We believe that having the ability to feel beauty is more important than seeing it.

We also know that people evolve as they allow themselves to have new experiences, to absorb new points of view and to contemplate new perspectives. And thus, they clear the path to experiencing beauty in all its completeness.

Based on this vision, we act so as allow people to amplify their vision through culture and realize how the beauty of the arts can be transforming. In sports, so that citizens learn how to go past their own limits, discovering the joy of overcoming personal challenges. And in the social sphere, by stimulating access to health and education, promoting the development of society and of quality of life for children, adults and the elderly, as well as their families.

We also seek to obtain and generate inspiration from the elements of the Group's organizational memory, which we preserve, revisit and keep alive.

Our actions are increased at each day, together with our connection to the business, getting people closer to our brands and to the commitment of transforming the reality around us.

We know, however, that it is always possible to do more and do better, for we understand that access to social and cultural programs is still a big challenge in the country, and that we have much to contribute in making people's lives more beautiful.





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OUR ESSENCE IS WHAT CONNECTS US TO MAKING BEAUTY HAPPEN IN OUR BUSINESS, IN THE COUNTRY AND IN THE WORLD

People. For them, with them. The human aspect is at the center of everything the Boticário Group does. We have a culture of entrepreneurship and incentivize the feeling of ownership in every business of the Group, in each team. This is the essence that binds us and that drives us to make beauty happen in our business and in our country. Together with entrepreneurship, sustainability and innovation are the driving forces that have pushed us to the best results.

With a multibusiness performance model and a multichannel commercialization strategy, the Boticário Group has asserted itself as the largest cosmetics franchise network in the world. We have joined the brands O Boticário, Eudora, *quem disse, berenice?*, The Beauty Box, MultiB and Vult, acquired in 2018, elevating our production volume to 335 million units produced in the segments of perfumery, cosmetics and personal hygiene. We have also increased our international presence, arriving in Panama, Bolivia and Dubai, reaching 15 countries total, besides Brazil.

We always consider the best way to use natural resources, whether on formulations and product packaging or in industrial processes and recycling waste.

335 million items produced in the segments of perfumery, cosmetics and personal hygiene



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The Boticário Group does more than producing and selling products, as it seeks to understand how to generate more value for people. We want to engage our consumers and bring them the message that sustainability is in everything we do. With this in mind, we are constantly betting on innovation. By 2024, all our products will contain attributes of sustainability. To us, innovation and transformation go hand-in-hand, for the beauty of being human is to evolve.

The success of this strategy has awarded the Boticário Group with the recognition as the best company in the Consumer Goods category of the 2018 EXAME Sustainability Guide. And when it becomes clear to our interlocutors that nature conversation is our cause, the purpose of undertaking a new future becomes more palpable, further connecting us to the UN's global agenda materialized in the Sustainable Development Goals (SDG).

The agenda presented by the United Nations is divided in five axes – People, Planet, Peace, Prosperity and Partnership -, where 17 goals are aligned and which, for their turn, are subdivided in other 169 goals. Of the 17 SDG, the mission and reason for being of the Boticário Group have placed it as an ally in the search for:

Sustainable production throughout the value chain:



Nature conservation with the Boticário Group Foundation:



Investments in culture throughout the country with the Boticário Institute:



Support to the development of our collaborators and communities:



Partnerships in favor of these and other SDG:



Our way of doing business focuses on generating positive transformation in people's lives and in the world through beauty. In 2018, we had an expectation of growth that was confirmed. Although Brazil is currently fighting unemployment, we were able to increase our internal public of 10.500 collaborators to over 12 thousand. In the same year, we were awarded the prize of *Melhor Empresa Para Trabalhar* (Best Company to Work For) in the Consumer Goods sector, by Revista Você S/A – an acknowledgement of our efforts in valuing the human being, inside and outside our facilities.

We are present in more than 39 thousand points of sales – in over 4 thousand of our own stores and in 35 thousand multibrand stores. We cover more than 1.750 municipalities in all states of Brazil. We welcome our clients at our own stores, franchises, stands, and through our e-commerce and direct sales. We have partnerships with large retailers to increase our capillarity. Nowadays, the Boticário Group's brands are found in several drug stores and multibrand stores.

Our factories are located in São José dos Pinhais (PR) and in Camaçari (BA). Our Distribution Centers are strategically located in Registro (SP), São Gonçalo dos Campos (BA) and in Serra (ES). Our Administration facilities are in Curitiba (PR) – the headquarters of the Group –, in São Paulo (SP), as well as in Colombia and Portugal.

We pursue sustainable growth on a daily basis by adopting operational processes that allow for maximum impact reduction and the use of natural resources. As we grow together with our business, we increase our contribution to development, maintaining the commitment of investing 1% of our earnings in sustainability initiatives, in the activities of the Boticário Group Nature Protection Foundation and in the Boticário Group Institute. Through these organizations, we make a pact with the current and future generations of building a society that is more just and has available and accessible natural patrimony.

That is why we have goals for our operations in relation to natural resource consumption and emissions, as well as for waste management. And we don't shy away from matters such as the search for equality of rights and opportunities and inclusion. We have advanced in our internal indicators and established new goals for 2024.

Our companies are privately held and our management aims at adopting the best corporate governing practices, ethics and integrity, compliance and safety. We work so as to foment development everywhere we are. We believe in a successful Brazil.

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O Boticário

For over four decades, O Boticário has been bringing love and integrity to thousands of consumers in Brazil, participating in the construction of countless stories and special moments. The largest franchise network in the country since 1980, the brand has been gaining international space and currently operates in 15 countries. Its portfolio contains over 1.100 products, among perfumery items, makeup and cosmetics. O Boticário had its 2018 marked by a campaign with supermodel Gisele Bündchen and by the challenge of reducing the use of plastics, which mobilized thousands of consumers following a call-to-arms by the Boticário Group's vice-president André Farber. The year was also made special to the brand due to the release of vegan products in makeup and personal care, and by the achievement of the PETA seal, reaffirming the commitment against animal-testing.

77%
of products released with attributes
of sustainability

38
new stores that bring sustainability
closer to consumers

Five
Ânfora Stores
that are more sustainable and have
increased connectivity with consumers



Malbec Floratta

Cuide-se Bem

**Award-winning lines in sustainability and
productive processes, packaging and distribution.**

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Eudora

Eudora believes that you are only alive if you make life happen and that beauty is the driving force of this journey. In 2018, Eudora advanced its multichannel strategy and asserted itself as one of the main direct-sales beauty brands in Brazil, with its own stores, stands and e-commerce.

Eudora wants to continue bringing its nearly 500 products into the lives of protagonist women, as a stimulus for them to achieve their goals more and more.

In 2018, we repositioned our merchandising visual, opened 5 new stores, starting in Belo Horizonte, and 15 new spaces of our representative – in an auto-service model -, totaling 63 new spaces of the representative, besides 11 stands at shopping malls. This grants more autonomy and development to women who work in direct sales, the main Eudora channel.

Besides the repositioning of our sales channels, supported by a brand guide that brought sustainability as a specific chapter, we also potentialized our reverse logistics program called “Chega lá e Recicla” (“Get out there and recycle”). Throughout 2018, we campaigned in 3 cycles and acknowledged our more engaged sales force. As a result, we increased our volume of collected packages and 97% of clients stated they grew to like Eudora more because they could return the empty packages.

68% of all products released by Eudora in 2018 contain attributes of sustainability, especially in packaging, with vegetable plastics and recycled paper being used in cold manufacturing process and/or in the reduction of toxicity levels in the water environment.

63
representative
spaces



700
products of
perfumery,
makeup,
accessories, hair,
body and bath



Chega lá e Recicla
Campaigns in 3 cycles to stimulate package returning

68%
of products with attributes of sustainability

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quem disse, berenice?

This brand is meant to question, amplify and propose a new concept on makeup, free from prejudice and pre-conceived models. Created six years ago, *quem disse, berenice?* keeps on inspiring people to dare, to be free to feel more beautiful. To do so, the brand stimulates its clients to try different possibilities of products until they find the best match for them. In 2018, one of the brand's most important achievements was related to people with disabilities. The Sales Force received training in accessibility, including consumer assistance and makeup tips for the visually impaired. It also counts with support materials in the stores, such as embossed labels to identify the products and a color glossary, which helps the store team translate the tonalities through sensations for those who have never been able to see.

In 2018, 97% of products developed in the brand's innovation projects were increased in sustainability, especially the vegetable plastic and recycled paper packages, as well in formulations, using Ecoglitter. The Recicla Berê program, which incentivizes the correct disposal of packages, has doubled the volume of collected units thanks to its campaigns.

The brand offers more than 500 products in different colors, textures and fragrances, and already has 30% of its portfolio made out of vegan products. A special favorite of our consumers, the refillable eyeshadow pallet was awarded for its sustainable packaging.

**Expansion
of presence
in drugstores**

**19 new stores,
8 of which in
Portugal**



**Ecoglitter was
Carnaval's
starring product
by quem disse,
berenice?**



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THE
beauty
BOX

The Beauty Box is the largest multibrand premium beauty retail in Brazil, with more than 100 international brands of fragrances, makeup, skincare, and hair. It is found in 45 physical stores and in e-commerce delivering everywhere in Brazil.

The first trimester of 2018 was marked by the entrance of Gosh Copenhagen, a socially responsible brand with a completely vegan line and that now is available together with Dior, Lancôme, Shiseido, Clinique, Givenchy, Caudalie and many others.

One of the highlights of the year, the Sustenta+Beauty initiative promoted package recycling at Beauty Box, leading to new purchases by 70% of consumers that brought their packages to the stores, generating unprecedented fidelity.



Opening of six new stores and 10 remodeled stores

The Beauty Box has e-commerce with accessibility resources, and every Instagram post from the brand includes descriptive texts for the blind **#ParaCegoVer**.

Omni Strategy
Buy online and pick up in store available in **100%** of the network

Sustenta
+
Beauty



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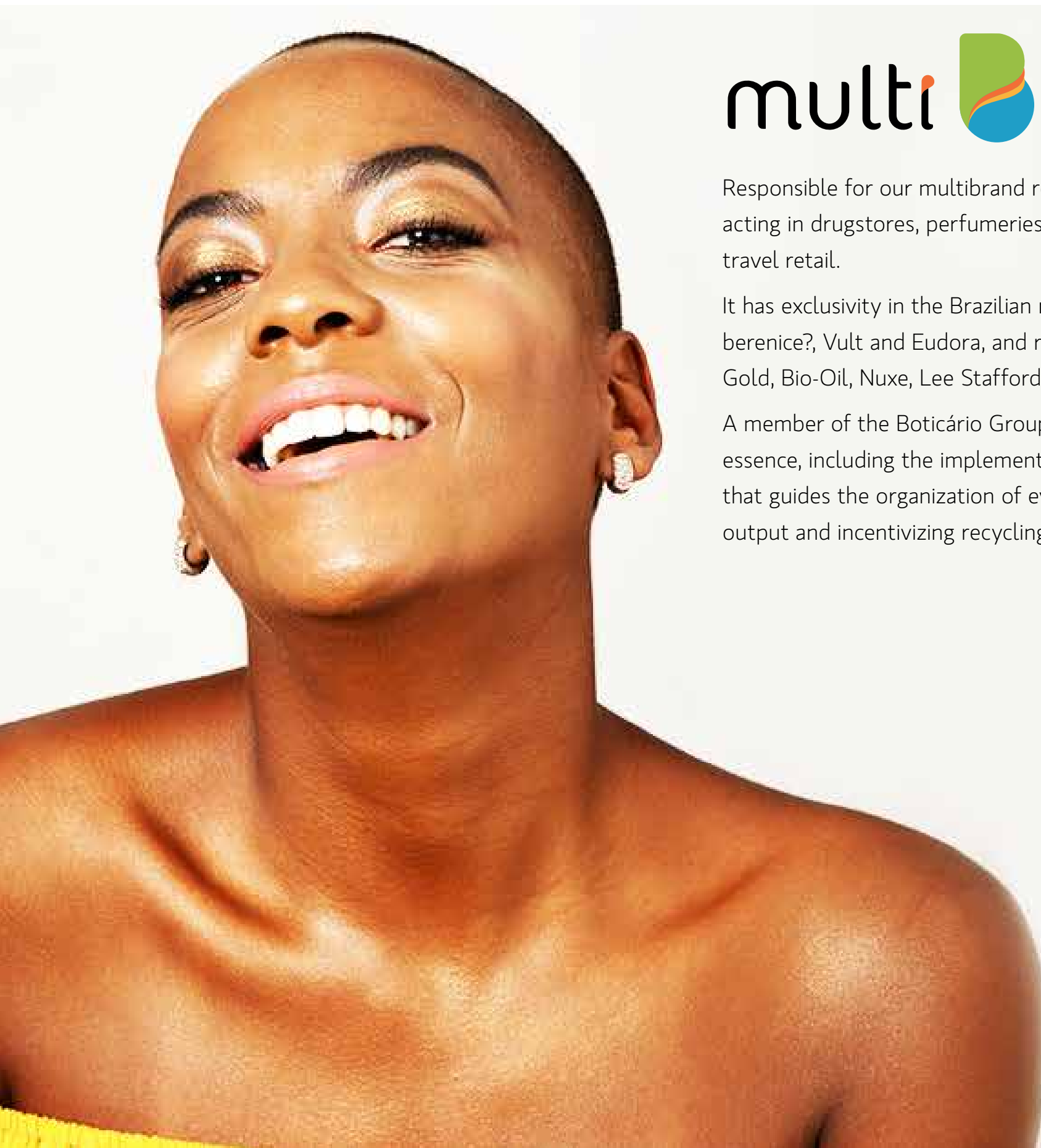
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Responsible for our multibrand retail, MultiB is strategic in diversifying the Group's channels, acting in drugstores, perfumeries, specialized and selective networks, department stores and travel retail.

It has exclusivity in the Brazilian market over the Boticário Group's brands, such as quem disse, berenice?, Vult and Eudora, and represents international brands such as Revlon, Australian Gold, Bio-Oil, Nuxe, Lee Stafford and Sinfulcolors.

A member of the Boticário Group since 2017, MiltiB already has sustainability practices in its essence, including the implementation of the Sustainable Events Guide, an internal initiative that guides the organization of events with reduced environmental impact, reducing waste output and incentivizing recycling.



108%
growth in one year

Australian Gold,
produced locally,
takes a unique position
in the solar market



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vult | B

Consolidated as the leading brand in the cosmetics and makeup segment in Brazilian retail*, Vult is a member of the Boticário Group since 2018. With more than 500 makeup items and a portfolio that is complementary to that of the Group's, it offers very high-quality products at affordable prices to consumers everywhere in Brazil, in more than 35 thousand points of sales such as drugstores, specialized perfumeries and department stores. The #VocêDoSeuJeito (#YouYourOwnWay) stance highlights the power and personality of women and shows that true beauty is in accepting yourself.

*SOURCE: Nielsen Retail Index | Share value in Total Brazil Sales in the Makeup category, in the channels of Perfumery and Pharma, in the period from May/2017 and April/2018.



130

new Vult products
launched throughout
the year



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AWARDS



EXAME Diversity Guide 2018

Best of Brazil in the
Consumer Goods sector



EXAME Sustainability Guide 2018

Best Consumer
Goods company



Sustainable Beauty Awards

Finalist in the categories of
Packaging - the refillable
eyeshadow by quem disse,
berenice?; and Pioneering –
alternative methods
to animal testing



Five Stars Awards

quem disse, berenice?
The brand was considered the
best in makeup in Portugal and
O Boticário was the best
catalogue sales company
in Perfumery and Cosmetics



Popai Award

Gold for the Ânfora Store in
the Sustainability category



150 Best Companies to Work for 2018

Você S/A Magazine,
in the Consumer Goods category –
Hygiene and Beauty



ECO award – Amcham

Sustainability in processes
– reverse logistics case and
Malbec Club, which has 35%
recycled glass in its bottle,
reutilizing over 180 tons of raw
materials each year



ABRE of Packaging

Gold with the Floratta Secret
Flowers fragrance (Form
Design) and the Liquid Eyeliner
Roller (Functionality Design)
Bronze with the Eudora Arien
fragrance (packaging) and
Floratta (Sustainability)



Abihpec Brazil Beauty Award 2018

Sustainability category, with
the case “Package recycling:
the engine that generates
shared value”
Perfumer Category, with
Floratta Secret Flowers,
developed by Marion Costero

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BUSINESS MODEL

RESOURCES



financial

- BR\$ 13.7 billion in revenue.
- BR\$ 300 million in investments starting in 2019.



manufacturing

- Factories in Camaçari (BA), São José dos Pinhais (PR).
- Distribution centers in Curitiba (PR), Registro (SP), Serra (ES), Colbia and Portugal.
- Offices in Curitiba (PR), São Paulo (SP), Colbia and Portugal.
- 6 brands with more than 4 thousand points of sales with sustainable practices.
- Multichannel performance (direct sales, stores, e-commerce).
- Dr. Botica Theater in São Paulo (SP) and in Curitiba (PR), the World of Perfume in São Paulo (SP), Pantanal Station in Corumbá (MT).



natural

- 207 thousand m3 of water.
- 3,1 thousand tons of CO₂ emitted.



intellectual

- R&D Center in São José dos Pinhais.
- Multichannel e-commerce.
- 331 partnerships with educational institutions and organizations.
- Patents, research groups, open innovation, scientific articles, financing of research and development.
- 2,5% of earnings invested in Research and Development.



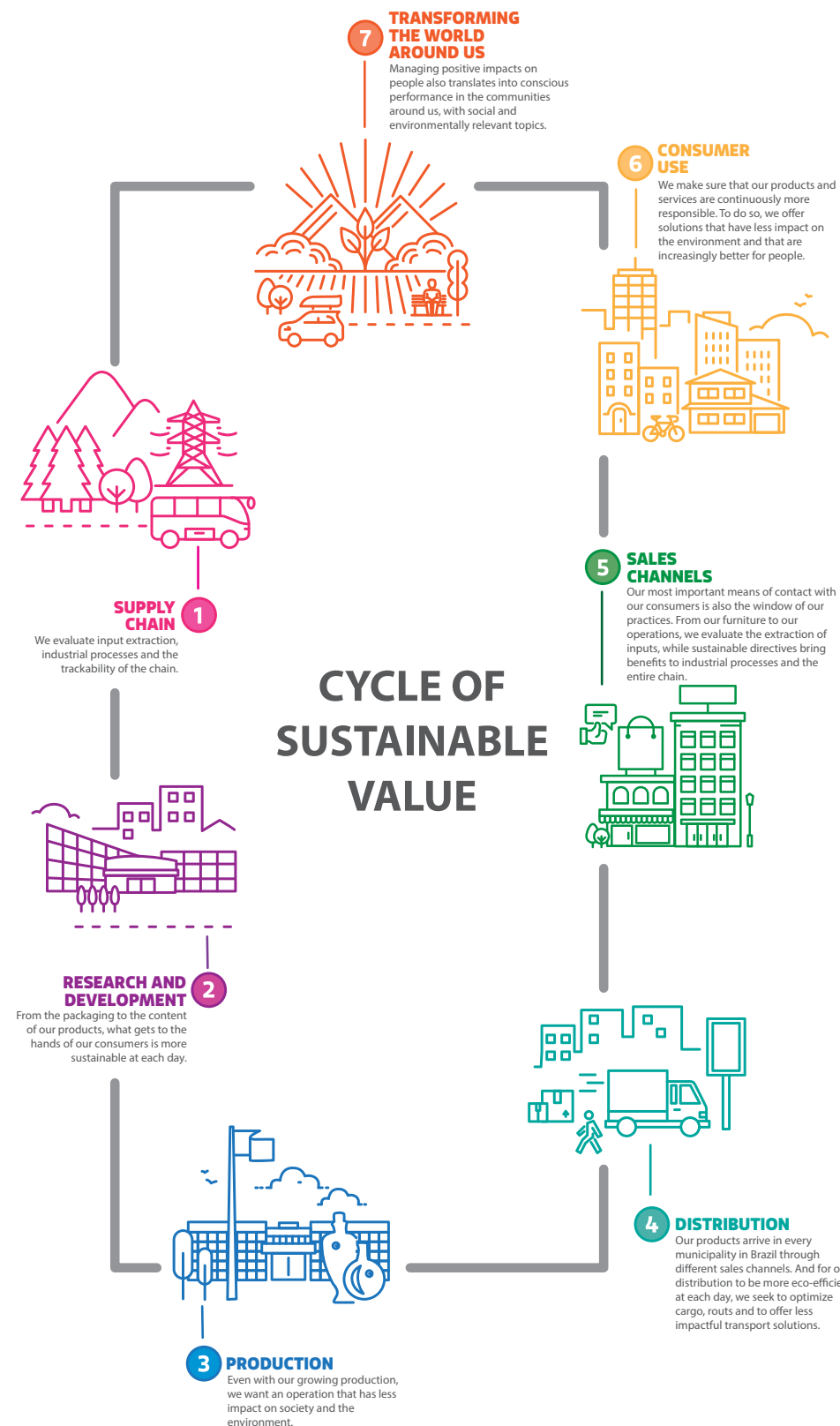
human

- More than 168 thousand hours of training in 2018.



social/relationships

- 1% of earnings invested in actions of the Foundation and the Boticário Institute.
- 62 (98%) of strategic suppliers and other 22 relevant suppliers evaluated in sustainability in 2018. During the year, 124 social and environmental audits were carried out.



RESULTS



financial

- 7% growth, above the average of the sector and almost 7 times the GDP.
- Largest cosmetics franchise network in the world.
- Among the top 5 retailers in Brazil.
- 37% of revenue from innovation.



manufacturing

- 335 million products every year.
- 77% of all products developed by the Boticário Group in 2018 had sustainability in packaging or formulation. Until 2024, 100% of new releases will have sustainable attributes in their packaging and formulations.
- More than 30 products already count with cold manufacturing, which reduces energy consumption.



natural

- Until 2024, 50% of the water we use in our factories and distribution centers will be either recycled or rain harvested. Nowadays, this number is 27%.
- The units of São Gonçalo dos Campos and Camaçari presented an improvement in energy efficiency of 28% and 4%, respectively.
- 11 thousand hectares protected by the Boticário Group Foundation in natural reserves in Serra do Tombador and Salto Morato.
- Distribution centers reduced their annual emissions by each million units transported.



intellectual

- Books, patents, programs – R&D.
- The ninth edition of the Brazilian Conservation Units Congress, with record attendance, organized by the Boticário Group Foundation.
- Pioneering alternative methods, such as Skin 3D and organs-on-chip.
- Organizational Memory – reference in organizing and preserving our history, as well the history of Brazilian perfumery.



human

- Average of reputation among collaborators of 96,42 (out of 100).
- Best Company to Work For award in 2018.



social/relationships

- Best Company in the Consumer Goods category in the EXAME Sustainability Guide.
- 1.500 projects supported by the Boticário Group Foundation.
- In five years, the Boticário Group Institute has impacted the lives of around 16 million people. In 2018, 47 projects were supported everywhere in Brazil.
- 36 partner cooperatives in retrieving and disposing waste. 507 tons collected.

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GOVERNANCE

The Governance of the Boticário Group is built on the commitment of generating value, incentivizing internal and external entrepreneurship, and ensuring the sustainability of our practices and businesses. Sustainability is regarded as a transversal topic in relation to business, as it is present in decision-making, guiding our strategies.

The Administration Council is the highest instance of governance and the main leadership reference. It is composed of seven renowned professionals in the market, with acknowledged expertise in their areas of performance. They gather once in every two months to make strategic decisions. Their mandates are annual and attributed by the partners in a special meeting for this purpose.

The Administration Council guides the Group's management and approves strategic planning. It also ensures that all activities of the company are aligned with the purpose, vision and the values that are disseminated and practiced by all of the Group's collaborators, engaging partners and stakeholders.

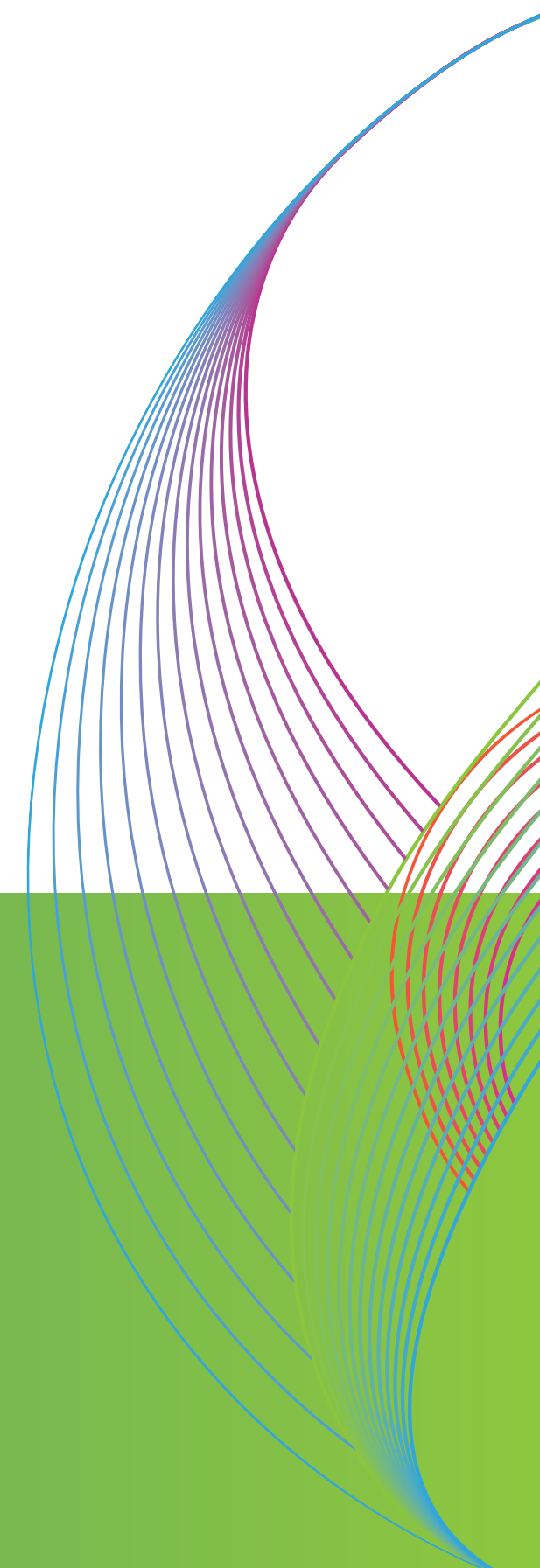
To support the decisions and the performance of the Administration Council, there are five consultative committees (Risks and Auditing, Conduct, Planning and Strategy, Remuneration, and Information Security), responsible for analyzing and presenting recommendations on strategic topics. Another important point of our governance is to carry out trimestral management forums, gathering the amplified leadership – directors and managers – to debate business topics and do the alignment around strategic directives.

Council Structure

CEO of the Boticário Group
(Group's partner)

Female member

4 independent advisors



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RISK MANAGEMENT

The Boticário Group manages and classifies operational risks in five major categories: financial, operational, environmental, legal, and image. The risks identified are monitored by the company's risk owners, who are responsible for managing, monitoring and implementing plans for treatments and mitigation. Operational and strategic risks are monitored by the Risks and Audits committee, which also advises the Group's Administration Council.

As a business group that is responsible and engaged with its impacts on the environment and the use of natural resources, as well as with society, with thousands of employees, millions of clients in Brazil and the world, with financial health and stability, the Boticário Group has the commitment of continuously analyzing these risks.

In this constant evaluation process, we consider aspects that may impact processes and business strategies, besides the image and the health of our brands. The principle of precaution guides all decision-making processes that affect our investments, operation and production increase, among other strategic definitions.

The Risks and Audits committee meets once in every two months and, occasionally, in extraordinary meetings. The committee is an advisory organ to the Administration Council, evaluating and monitoring risk management and other compliance processes, such as internal controls, and internal and external auditing.



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THE VALUE WE CREATE

Beauty is made by people. And the beauty of being human is creating opportunities to realize dreams. It means acting today to transform the lives of each one and the world around us. Here, we are all entrepreneurs of a future when innovation is an ally of nature conservation and well-being. And that is why we renew every day our commitment of decreasing our impact on the environment and of benefiting more people.

Working for a better present and future is the most important value that we have built and our most valuable legacy. To trail this path, we bet on innovation, sustainability and entrepreneurship, the pillars that accompany us and that provide us with the means to deliver results and create the resources that will be the building blocks of the future we are working to have.

Our cycle of shared value involves all interested parties – collaborators, suppliers, franchisees, researchers and many people interested in a more beautiful and sustainable environment. At the center of our strategy is the renovation of the portfolio to give consumers in Brazil and 15 other countries the assurance that they are also reducing their impacts.

All this is only possible because we maintain an integrated and alert perspective towards sustainability, whether in our businesses or through the consistent performance of the Boticário Group Foundation for Nature Conservation. The value generated for society cannot be measured by using the same metrics of economic results, and that is because life and social development are benefits themselves, which can be enjoyed by all and not just by us, as a company, or our consumers.

We know that it is within our walls that everything starts. Investing in the eco-efficiency of operational processes is important, but this investment must be guided towards impact reduction during and after consumption. This perspective aimed at sustainability is coupled by the will to make a difference and to deliver products that are high-quality and safe, as well as innovative in all aspects – from raw materials to sales points – in order to enhance our consumers' quality of life through positive experiences.

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OUR PERFORMANCE

To us, the way we achieve our results is as important as the results themselves. The secret of our positive results, year after year, is that we never give more value to our goals than to our projects. We always consider what is more relevant for people. And we invest in the best formulations for our products, with the best ingredients. And that is the recipe we would like to share: we are focused on the people development, collaboration, the value of technical mastery, the acknowledgement and promotion of singularities, the amplification of our business vision, simplification, the spirit of leadership and purpose, and on the daily search for innovation focused on our clients.

The perspectives of economic development for 2018 were positive, but still reached above-average results at the end of the year. We ended the year with a revenue increase of 7%, more than double that of beauty and cosmetics market – an even more surprising highlight due to strikes, the national elections and world sporting events, all of which impacted the commercial schedule. The cosmetology and personal hygiene segment had a predicted growth of 1,5% and reached 2,77% - a positive outcome in comparison to other industries, but that is still being directed to cover losses from the economic crisis of 2015-2016.

2018

7%
growth

335
million

BR\$ 13.2 billion
in revenues



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In absolute terms, we reached the mark of BR\$ 13,2 billion in revenues. When we add up the results from Vult, acquired in 2018, this number reaches BR\$ 13,7 billion.

For 2019, the expectation is to repeat the results of 2018. Because the Boticário Group believes in this scenario of growth, we will invest BR\$ 300 million in 2019, R\$ 100 million of which will be headed to the expansion of capacity in two factories in Camaçari (BA) and São José dos Pinhais (PR), and to the opening of a fourth distribution center in Varginha (MG), which should generate 250 new jobs.

Our good economic performance has allowed us to increment the application of financial resources in private social investment, as it is proportional to our revenues. We have the commitment of investing 1% of our consolidated net revenues in sustainability initiatives from The Boticário Group Foundation and Institute.

Job creation is another positive consequence of these expressive results. Our workforce has increased, and we are going in the opposite direction of the sad reality of unemployment in Brazil, which doubled between 2012 and 2018. In the same period, we increased our investments in a multibrands and multichannel strategy, and our internal public almost doubled. We are now around 12 thousand direct collaborators of the Boticário Group, all of whom are focused on transforming the world around us through beauty.

The efforts of this group are not only in increasing the volume of operations, but also the quality of this output. We have reached incredible 335 million items produced, but we prefer to highlight the portfolio expansion, from 2.400 different items, in 2011, to 6.800, in 2018. This requires an active attention to consumers' needs and a lot of research and development.

We increased our investments in a multibrands and multichannel strategy

2018

INVESTMENTS:

BR\$ **300** million
in investment

BR\$ **100** million
will be destined to expanding
our factories' output

250
new workplaces

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No frontiers



During the year, we had even more focus on maximizing our actions in proprietary channels. 81 new points of sales were inaugurated and the expectation is that in 2019 an extra 50 are to be opened. Now that Vult has joined our Group, we have added another 35 thousand points of sales in drugstores and diverse retail networks. Our international efforts received special attention. Now we are present in 15 countries besides Brazil. We are achieving the dream of taking the Boticário Group brands even further, and this begins with market studies and much experimentation. Some of these initiatives provided needed insight to our expansion planning.

We presented the Nativa SPA line even in Las Vegas, being present in the Cosmoprof International Beauty Fair. Nativa SPA is also present in the specialized retail in Panama, an international hub country, and, thus, we managed to impact consumers of many different nationalities. Choosing this line is a strategic choice, as Nativa SPA is not only a very dear brand to the market, but it is also rich in sustainability attributes, whether in the choice of raw materials and formulation in the productive processes or its packaging – and we carry this

message through its body and hair products.

The Middle East is also in our efforts map. In 2018 we debuted two O Boticário stores in Dubai, one of them in Dubai Mall, the world's largest mall, which works as a great window for our brand. We learned Malbec Signature and Lily are the most sold items in that area. As part of our expansion plans around this region of the globe, we signed a letter of intention with a local partner in Saudi Arabia, and we are currently studying this project's commercial viability.

In Portugal, "quem disse, berenice?" keeps its top spot as one of the main makeup brands in the country, and O Boticário is recognized as the best catalogue sales company in the Perfumery and Cosmetics category. In Latin America, we amplified our efforts to Bolivia, opening two stores in Santa Cruz de la Sierra.

To build a relationship with international audiences, we are investing in content and broadcast segmentation to different geographies. In these communications, mostly through sites and social media, we choose to strengthen this dialogue about our efforts in sustainability. In the World Animal Day, our message reached over 20 thousand people in Portugal and in the United States.

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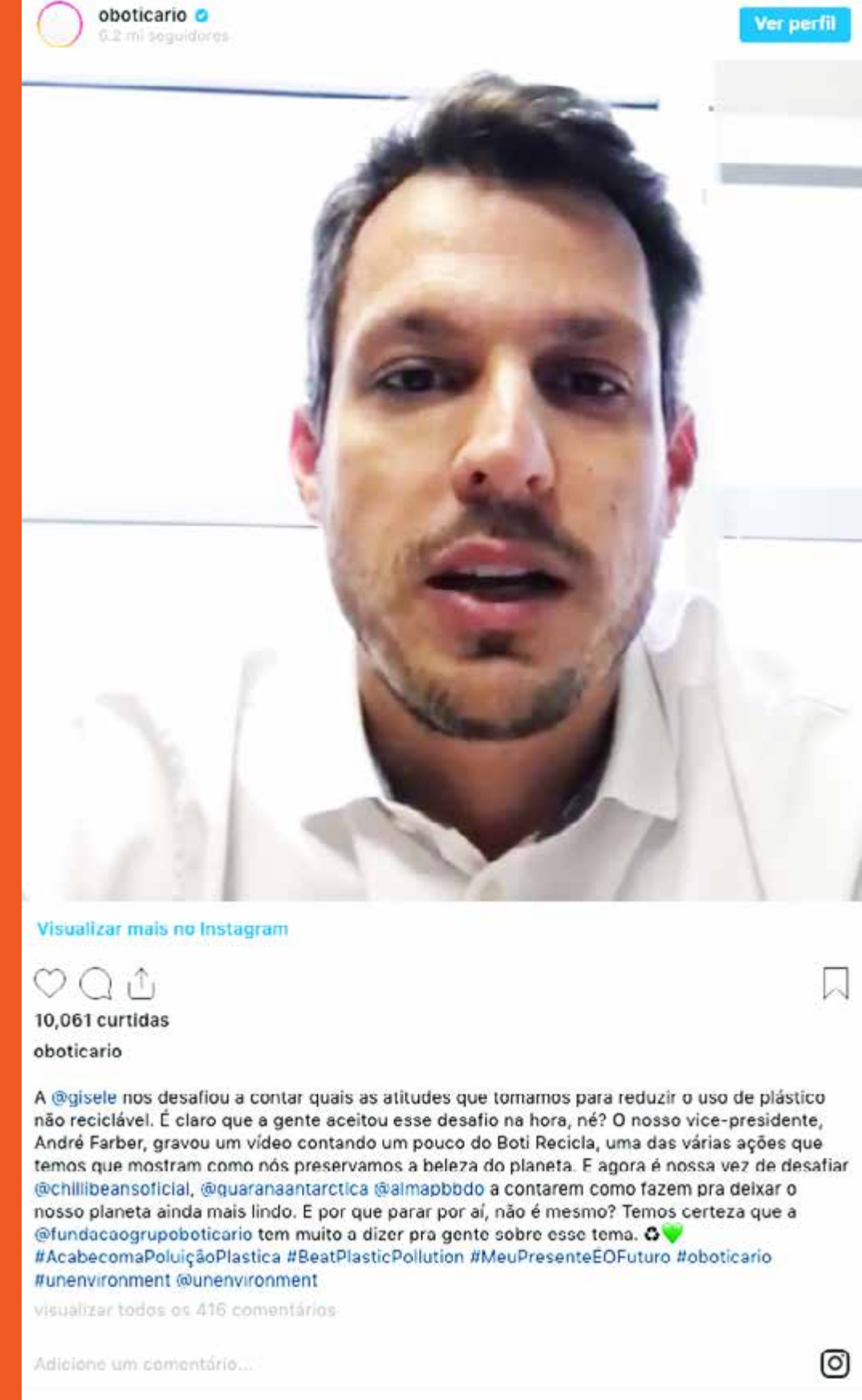


We accepted Gisele Bündchen's Challenge!

On World Environment Day, celebrated June 5th, we were summoned by the model Gisele Bündchen to end plastic pollution in the world. The campaign, a 2018 UN Environment initiative, aims to convince people to replace plastics with recyclable items.

Tagged on social media by Gisele, O Boticário's vice-president, André Farber, posted a video on the brand's page on Facebook telling a little more about the Boti Recicla project, a reverse logistics initiative that allows our product's post-use plastic packaging to be properly recycled and reused in our chain.

#endplasticpolution



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WHAT WE UNDERSTAND BY INNOVATION

For the Boticário Group, the beauty of being human is to evolve. We want to know, listen, understand and feel one another. In a world dominated by codes, algorithms and new technologies, we want to deeply envelop what is most human. We want to be increasingly human. That, to us, is innovation. We believe we are not promoting the transformation of an industry, but the transformation of people.

Ever since the foundation of the Boticário Group and the establishment of a multibrands strategy, nearly a decade ago, we diversified our portfolio and nearly tripled our variety of developed items. Committed to delivering value with each bottle, we hit the rate of 77% of 1108 new products with sustainability attributes in formula, processes and/or packaging. By 2024, our goal is to have in our brands 100% of the new products with sustainability attributes and with lesser or equal impact to the referred formula- as well as 50% of all the research projects related to the theme. The only way to achieve this commitment is through innovation. And innovation begins with people.

Our Research and Development Center is one of the world's most modern in the cosmetics industry, capable of developing two thousand products simultaneously. In 2018, 37% of our revenue came from Innovation, which receives investments in the order of 2.5% of our gross revenue. We also dedicate special attention to the potential that Brazilian scientific research developed in our universities may bring to our business. We keep 331 partnerships with learning institutions and organizations. Likewise, our more than 300 collaborators in the R&D Center keep on publishing scientific articles on the projects developed for the Group.

A great success story due to our partnerships is the development of the world's first fragrance through artificial intelligence, a result from a joint research with the fragrance supplier Symrise and IBM, as we will show on the next page.



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two fragrances for **innovative** Brazilian cosmetics company O Boticario



uses **machine learning** to sort through thousands of **fragrance formulas**, **ingredients** and **industry trends**,



discovering **untried combinations**

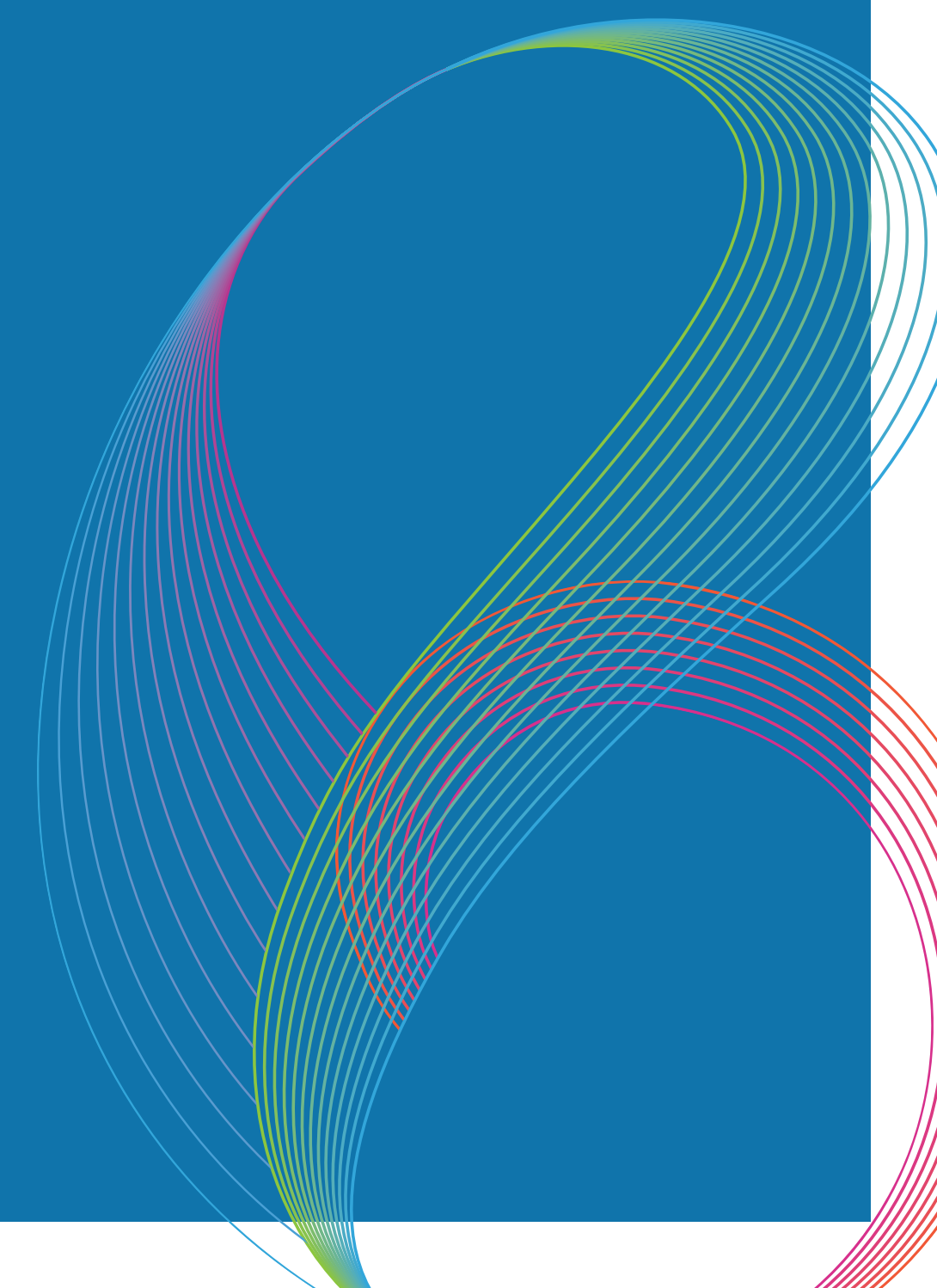
Fragrance developed through Artificial INTELLIGENCE

In 2018, we developed the first fragrances in the world with the aid of artificial intelligence. The O Boticário perfumers used an unprecedented technology system that we call Phylira – the inspiration came from Greek myths, as an homage to the goddess of perfume. The research was performed in partnership with IBM and the German company Symrise, one of the company's main fragrance suppliers. The new product will come in two versions, and estimates indicate it will reach the market in 2019. We focused the marketing strategy on generation Y consumers.

To develop these new formulations, we input an "artificial brain" with millions of data involving ingredients, consumer acceptance rates, formulas and information crossed over with the history of perfumery. The AI system possesses no limitation of combinations and the fragrances gained notes of spices, types of wood, fruits and flowers, among other ingredients.

The decrease in product development time was one of the improvements in this process. While the usual research average may take up to three years, with all the olfactory tests and repetition of a variety of combinations, the usage of this new technology allowed this phase to be shortened to six months – which allows the perfumers and the research, development and marketing teams more time to dedicate themselves to the final fragrance combinations and to enhance the end product.

Click the image to watch the full video.



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Road to Industry 4.0

Innovation is no longer present only in what we do, but also in how we do it. Economic segments are increasingly adopting industry 4.0 premises to become more efficient and competitive. It is an industry concept that encompasses the main technological innovations from automation fields, decentralization of decision making through systems, real time operation capacity, ample trackability capacity, process enhancement from information supplied by machinery with data processing from work cycles, among others.

In the Boticário Group, we always keep ourselves up to date when it comes to technology, but we do that our way. We view the automation of processes and means of production as focusing on freeing people up for much smarter, strategic and creative tasks. People are at the center of everything we do and they remain essential to the success of our businesses.

Since, in the Group, we always change a winning formula, we did not shy away from experimenting. Our Fábrica de Soluções (Solutions Factory), linked to the IT area, focuses on automating processes and transforming paperwork into data. That allowed the formation of a new area in the company, the Shared Services Center. It was innovative at birth, enhancing and automating transactional activities so employees can enjoy their time and efforts better. The Fábrica de Soluções taught robots to take care of repetitive activities such as forms, spreadsheet and parameter filling, calculations and report generation, freeing the employee to perform the critical analysis of these materials and lending more aid to the business – this is essential for a person's self-growth, amplifying their skills for a strategic focus.

In the Núcleo de Avaliação e Soluções Analíticas – NASA (Evaluation and Analytical Solutions Hub), in our Research & Development Center, the team in charge of package testing and quality checking has received two cutting edge pieces of equipment that will ensure performed tests are accurate and decrease the margin of error and testing time.



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The first equipment is a 3D machine for piece measurement, which enables this assurance of accuracy through touch, strength and lasers, which yield the exact measurement of the tested packaging. Each millimeter is crucial to avoiding leakage, content preservation and safety of handling by the consumer. The second one is a scanner, which helps the digitization of the packaging. It is a portable scanner and it generates with fidelity the image of any verified piece. Afterwards, this image is analyzed by the researchers with the help of 3D software, which will simulate the pieces' slotting virtually. This automation has already granted the researchers time to create, innovate and learn more.

Innovation is also present at the quick and efficient methods of controversial material replacement. In 2018, we achieved the elimination of formaldehyde and toluene, which we started in 2017, and we made advances in the replacement of triclosan, which will have its use suspended up to 2020. Another achievement is the RSPO certified sustainable oil supply chain.

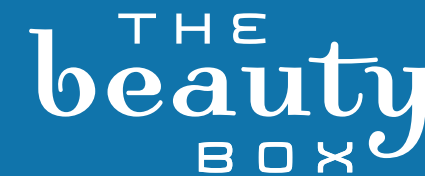
In packaging, we recently concluded the planning and approval of total PVC replacement.

Innovation is the Exchange of ideas

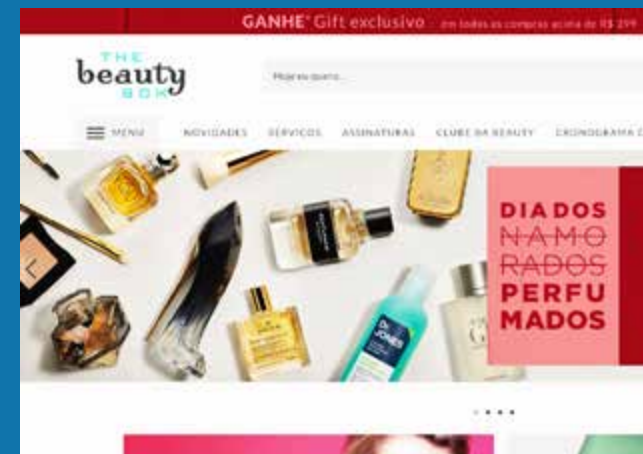


Each brand of Boticário Group is a mini laboratory. Regardless of the challenges and management models, the learning experience is a common point, which could and should impact the business as well as be shared, generating value for more people. In the Acelera initiative in quem disse, berenice?, Berê fosters the submission of employee ideas and treats the suggestions, searching for those that boast testing potential. We have an average of 15 pilot-projects underway among many others that were already implemented, such as the store's layout change. The brand team has also experienced immersion in a startup accelerator. They observed management risks, the will to innovate and to leave the comfort zone.

Buy online, collect in the physical store



More than a multi-brand, multi-channel business strategy engineered to yield results, it's a purchase experience the way the consumer wants it. We are multi-channel today because people are multi-channel. Besides the conventional way to acquire your favorite items in stores and sales stands or retail chains, we serve our customers through direct sale consulting, with sales through the internet, and with online sales and product collecting in physical stores. But not all of our customers choose to receive their sales at home. The Beauty Box is the first Brazilian beauty brand with 100% of its network performing click and collect (online purchase, store withdrawing). Around 25% of online sales already follow click and collect, peaking above 50%. And even with so many options, the close relationship with customers remains steadfast: the number of Eudora consultants quadrupled between 2015 and 2018.



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THE WAY ONLY WE DO IT

Six brands with specific features, lines of unique products, but with a common DNA: attending to our customers' needs and desires with the least environmental impact before, during and after use. Beauty is the essence of everything we do and we can't afford to do our business any other way. Faced with such a superlative number of units produced – 335 million, over an item per Brazilian – you may understand how great our responsibility is. Our millions of customers can enjoy the peace and comfort of taking home a quality product that delivers the well-being and benefits they look for, with a reduced impact on nature. That's the main value we have to deliver.

It is our role as a company to foster the themes we consider relevant for the full-fledged development of society, and the control of environmental damage is one of them. We have historical success stories in this subject, such as the development and adoption of the I.A.R.A methodology (acronym in Portuguese for Environmental Risk Evaluation Index) for the Eco toxicity of dryable products – we created a 3D skin to simulate the reaction and benefits of our products on human skin, we performed in vitro and in silico tests to assure our products' performance and safety. We stopped animal testing in 2000 and this commitment materializes in 2018 with the achievement of the PETA Cruelty Free certification, highlighting our vegan products portfolio to consumers.

We use our strength in the market and our industry knowledge in an institutional way to contribute and improve the fabrication protocol of organic products in cosmetology, a discussion that should advance quickly.

Working towards the fulfilment of our sustainability goals, we have surpassed in 17% the number of new products with sustainability attributes in the portfolio of all the brands themselves, reaching 77% of every development, and we endeavor to reach 83% in 2019. Around 37% of research performed in 2018 sought solutions for even more sustainable products. Our goal is to reach 40% of research in 2019.

Some specific compromises include 63% of products with lesser impact in water (washable products) and 76% of sold products with recycled material and/or renewable sources. These initiatives yield us recognition, such as the ECO Award, offered to us by the Câmara Americana de Comércio (American Chamber of Commerce - Amcham), in the process sustainability category, due to the reverse logistics story and Malbec Club, which uses 35% of recycled glass in its bottle, reusing over 180 tons of raw materials per year.



2019

GOALS:

83%
new products
with sustainability
attributes

63%
products with lesser
water impact

76%
sold products with
recycled material and/
or renewable sources

Ânfora store - beckers

Up to 2024, around 100 tons of glass will be reused in the perfumery's production chain, which are being turned into decorative pieces in the Ânfora stores. This equates 300 thousand pieces of New Acqua Frescas.



Malbec

Over 180 tons of glass are reused every year during the manufacturing of the Malbec Club line, designed specially to be manufactured with this feature. It's as much as 700 thousand bottles of Malbec – which happens to be Brazil's most sold fragrance.

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SUSTENTAINABLE FROM THE FÓRMULA

oBoticário



Veganos

30%
of the makeup
product portfolio



40%
of the
Nativa SPA line



Refill Packaging
Make B Base
Cushion Powder Puff

Workshop

Training to strengthen the vegan, organic and natural concepts internally, subsidizing the Marketing, R&D and Supply teams

PVC free

First phase of accessory acquisition in the world Market without PVC

Make B

Less paper **87%** of all cartridges are made with recycled paper

Bioplastic in the line's liquid base

Malbec Club Intenso



35% = **180** tons of recycled glass in the bottle roughly
oughly
of glass reused per year in this line

More products, less packaging!

We have raised the amount of the bottled product in relation to the amount of packaging for blushes, reducing roughly in **60%** the amount of plastic and paper in relation to the packaged product



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SUSTENTAINABLE FROM THE FÓRMULA



Products
68%
of the products
with sustainability
attributes in 2018

Products
97%
of the products
with sustainability
attributes in 2018



Primer for eyes
Bioplastic packaging



Eco glitter
development of make-up, body
and hair shine products, with no
use of microbeads



**Siège Expert line
conditioners**
Bioplastic packaging



Recycled paper
Cartridges of all makeup
items were developed with
recycled paper



Liptint lipstick
Cartridge
developed with
recycled paper

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If there is sustainability, we should communicate it

As we strengthen many enhancement projects and achieve expressive results, approaching our sustainability goals set for 2024, we begin to engage our employees and customers, besides other audiences, with that theme.

The reputation and materiality research we perform every two years showcases there is an opportunity to achieve more recognition from customers in relation to these efforts that already generate value for society and decrease our impact in the environment. The customer today is a more active citizen who who want to be protagonists as well as to understand whether companies have a cause. Enveloping the people that are loyal to our brands, that use our products every day, is to include them in the transformation wave that we want to cause.

In order to prepare our team to talk about sustainability in a clear and safe manner, we have created Sustenpedia, a tool to familiarize the Marketing and Communication area with these concepts in a collaborative manner. Whoever learns something new may share it with their colleagues on the tool.

In 2018, we also updated our sustainability directives for points of sales and we structured our first Guia de Eventos Sustentáveis (Sustainable Events Guide), providing adequate pointers for the realization of events of all sizes.



O Boticário

We intensified its communication through a strategy exactly like our business - multichannel: by publishing sustainability stories in all of its relationship channels, the Loja de Bolsa (Purse Store), social media, official site and online store, Portal do Revendedor (Reseller Portal), Revista do Revendedor (Reseller Magazine), E-commerce and in training.



Eudora

Communication of the packaging return program Chega Lá e Recicla (Get out there and Recycle) in the Representative's Spaces and in the main communication channels for the brand representatives. We also reinforced the message in sales bags in points of sales and in marketing emails. Sustainability was the theme in plenaries, activations and contact spots of the Encontro Nacional da Força de Vendas de Eudora (Eudora Sales Force National Meeting).



The Beauty Box

It intensified communication about the collecting of packaging program Sustenta+Beauty on social media and in the submissions to newsletter and marketing e-mails for its customer base. In the brands' convention, sustainability was one of the themes mentioned.

quem disse, berenice?

Reinforcement of sustainability content in the brand's convention and through the Facebook channel Adoro, destined to sales' strength, even allowing the performance of a Desafio da Sustentabilidade (Sustainability Challenge). Broadcasting of the packaging collecting program Retorna Berê (Return it, Berê) in marketing e-mails sent to customers, on social media, Youtube videos for the Apê da Berê (Berê's apartment) channel, and in sales bags in points of sales.



NATURE'S CONSERVATION IS OUR CAUSE

THE ENVIRONMENT AND US

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ECOEFFICIENCY:
SUSTAINABILITY FROM THE FRAMEWORK

GREENER BUILDINGS

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THE ENVIRONMENT AND US

**More than a
commitment,
conservation
is our cause**

Preserving the environment is much more than a Boticário Group commitment: it's our cause. Therefore, we work to decrease the impact of our production on natural resources as much as possible, while, at the same time, through the Boticário Group Foundation, we act as the biggest private conservation agent of green areas in Brazil.

To achieve these goals, we act with the same entrepreneurship and innovation that we apply in business, should they be financial or human resource investments, using our articulation and mobilization powers in our sector, or giving support to initiatives aligned with our cause.

All of our initiatives are interconnected in this manner, as if in an ecosystem. That is why it makes so much sense for us to keep our longest social investment, a Fundação Grupo Boticário de Proteção à Natureza (Foundation for Nature Protection). Although the institution works with absolute independence and has its own agenda, it is the root of the efforts and achievements that keep our cause alive; the conservation of nature. And this cause is continued and materialized in our industrial processes, in research and in innovation, in the product lines with an adequate life cycle, and throughout all of the value chain to the promotion of environmentally correct means of disposal in which we engage our customers.

In the last few years, we have advanced in the strategy we traced back in 2012, which has shown itself to be quite resilient. The stakeholders' engagement that allows us to achieve our goals and reduce our impact in the entire chains is ever more consistent, up to the reevaluation cut-off period, 2024. Supported in four main areas (raw materials and packaging, reverse logistics, sales channel and eco efficiency), that strategy establishes a dialogue with the Group's values and policies, the Private Social Investment Policy especially.

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**We strive
to reach 100%
of our products
with sustainable
features up
to 2024**

This involvement from the chain and that shared responsibility are essential, given the exponential complexity and volume of the entire operation. The first step is always maintaining the clarity that the solutions employed for the decrease of future environmental impact that we apply to this point may not be the same ones to take us into the future. Also, we always adopt an optimistic outlook, the sense of ownership when it is time to present results in sustainability. For in the Boticário Group, sustainability is not a hindrance to our growth nor is it perceived as a raising of costs or as an effort. Sustainability is how we do business.

The success of this strategy has garnered the Boticário Group the recognition as best company in the EXAME Consumer Goods Guide. And when it becomes clear to all of our interlocutors that the conservation of nature is our cause, the purpose of entrepreneurship for these new present and future becomes more palatable and connects us to a global agenda – UN's Agenda 2030, that lists 17 Sustainable Development Goals, among which we are aligned with eight, including those which aim to protect the biosphere.

We reinforce these day-to-day operation contribution practices through our processes, such as the decrease of water consumption overall; the amplification of water reuse; cold manufacturing; the systematic action to decrease

our greenhouse effect gas output; the use of a renewable power matrix and decrease of plastic originated from petroleum; the amplification of recycling, reduction in the packaging material volume; and our pioneer stance not to perform animal testing.

We aim to incorporate sustainable features in 100% of our products by 2024.

In addition, our sustainability stance amplifies our employees' engagement, who sent 280 ideas related to eco-efficiency in 2018, birthed from a specific campaign to promote the subject. That also yielded gains in the Group's reputation: we obtained approximately R\$2.5 million of spontaneous media in the sustainability actions in return.

The systematization of efforts and the search for superior results in sustainability also carry the mission to elevate the practices in this sector as a whole; we challenge, and at the same time, inspire the market to trail this path. This is the invitation to a new model of economy, since nothing is built on its own. It is a grand co-creation – from the Boticário Group, from the market we are inserted in, and the customers – which hold the potential to share knowledge over what we should do to meet the demands from today without compromising the capacity of attending the needs of future generations.

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Our indicators

The main indicator provided by this Boticário Group effort strategy is the Sustainability Index, an internal tool that measures the evolution of practices and processes. The criteria are defined based on the Group's material topics. Besides allowing the visualization of our performance over time, the Index uses public information to place the Boticário Group before the Beauty and Perfumery sector. We evolved 2.75 points, reaching a score of 85.68 for a total of 100 points.

The evolution in this indicator allows us to direct better investments and intense efforts, and to take better-grounded decisions, such as decreasing the amount of paper used in our packaging, amplifying our recyclability rate, optimizing our power consumption, decreasing our output and developing the biggest reverse logistics program in Brazil regarding collection spots.

The index is made up of four pillars: Management and Information Transparency (20 points), Sustainability Incorporation in Business (30 points), Capillarity in sustainability efforts (20 points) and Reputation/Sustainability expressiveness (30 points). Each pillar contains diverse items aiming to evaluate the sustainability penetration in the Group's efforts. Evaluating these results every year allows us to identify risks and opportunities.



Sustainability engages customers

Customer engagement strategies dealing with sustainability themes are being constantly updated. A research conducted among customers of quem disse, Berenice? showed that 98% of interviewees began to see the brand in a new light after the returnable empty packaging campaign. Meanwhile for O Boticário, the customer easily identifies these attributes in Cuide-se Bem and Nativa SPA, which feature sustainability gains for their entire lines. In all brands, customers respond quite positively to stores' returnable packaging practices and to the broadcasting of the reverse logistic efforts, with widespread coverage.

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Fundação GrupoBoticário



de proteção à natureza



The Boticário Group Foundation for Nature Protection will be 30 years old in 2020 and is one of the main private institutions focused on nature preservation in Brazil. The choice to create a Foundation is the institutional representation of the cause that guides the Boticário Group and its most important legacy: we understand the conservation of nature as the key element to the maintenance of business and life.

Throughout these three decades, the Foundation has also become one of the main financiers of environmental projects in the country, with investments around the R\$80 million mark in research, preservation and conservation initiatives. Overall, over 1500 projects were supported, and among other gains, we yielded the discovery of over 170 species. The institution also develops its own efforts, such as the maintenance of their natural reserves -- Salto Morato (PR) and Serra do Tombador (GO) --, which together conserve over 11 thousand hectares of Mata Atlântica and Cerrado, two of the most endangered biomes in the country.

Innovation is present ever since the Foundation was created, a moment where the themes of sustainability and the environment were still rarely broached in the context of private initiatives. New projects such as Óasis, the initiative of Pagamento por Serviços Ambientais (Payment for Environmental Services), and Estações Natureza (Nature Stations) were born from this capacity of constantly bringing new solutions, aiming to engage society in the environmental cause.

The Boticário Group Foundation is renowned for its efforts both in Brazil and overseas, and it dialogues with a great network of partners to exchange good practices and knowledge.

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New strategic plan

Starting from 2019, the Boticário Group Foundation will begin a new strategic roadmap setting goals up to 2023. Scalable efforts with great impact will become the priority, materialized through some of the institution's effort focuses: engagement, innovative/nature-based solutions and positive impact business for the environment. This choice reveals a purposeful synergy between the Foundation and the Group. With this new strategic plan, the Foundation's work will be guided according to three axes:

Innovation: Solutions and innovative preservation models.

Influence: subsidies and qualification of decision making.

Economy: supporting the development of businesses based on nature conservation.

Another of the Foundation's strategic definitions is that one of the main themes for the next five years will be water, with a lot of priority given to social mobilization and strong contribution impact for Agenda 2030. Preserving the future and acting in the present to influence the creation of public policies favoring the environment is its role, besides amplifying the management of partners' natural capital effort through impact projects. Therefore, the Foundation sees itself, in direct fashion, aligned with SDG 6 (Clean Water and Sanitation), 13 (Climate Action), 14 (Life Below Water) e 15 (Life on Land).

A meeting of people for the planet

The Congresso Brasileiro de Unidades de Conservação (Brazilian Congress of Conservation Units - CBUC), organized by the Boticário Group Foundation for Nature Protection, hosted its ninth edition from the July 31 to August 2, 2018. One of the most important events about nature preservation in Latin America, it gathered renowned specialists from both Brazil and the rest of the world in an intense exchange about innovation, technology, sustainability, diversity and collaboration.

In this year's edition, besides technical topics, the lineup brought the conservation of nature to people's daily lives. Among the highlights were the relationship between nature and health, economy and the arts. Guests such as the actor Juliano Cazarré and the singer Lenine talked about nature as a source of inspiration.

CBUC is a completely sustainable event and gathered over 1200 participants, from a wide variety of sectors.



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Engaging future generations today

One of the educational and engagement projects of the Boticário Group Foundation, the Coleção Meu Ambiente (My Environment Collection) takes nature preservation to public schools in many cities, aiming to make teachers and students sympathize with the cause. This initiative consists in the distribution of sourcebooks for students and teachers of elementary school, in a partnership with the Sistema Educacional Família e Escola (Educational System Family and School - SEFE) in pedagogic supervision.

By 2019, there will be 9 issues and 18 books with nature preservation content, with themes for each specific year:



1st Year – Conservation of Nature

2nd Year – Living Beings

3rd Year – Blue Planet

4th Year – Brazilian biomes: Amazon, Mata Atlântica and Cerrado

5th Year – Brazilian biomes: Pantanal, Pampa and Caatinga

6th Year – Marine Eco System

7th Year – Climatic Changes

8th Year – Possible futures: quality of life, health and nature

9th Year – The Preservation Almanac

The Jovem Cientista (Young Scientist) Award

The Young Scientist Award, sponsored for the first time by the Boticário Group Foundation, received over 1500 projects in three categories divided by education levels. A spotlighted scientist and educational institutions that presented the most qualified candidates to the award were also commended. The first places for each category were:



High school:

Project: The development of biodegradable plastic film from agri-industrial passionfruit waste.

Name: Juliana Davoglio Estradioto, student.

Institution: Instituto Federal de Educação, Ciência e Tecnologia do Rio Grande do Sul (Rio Grande do Sul Federal Education, Science and Technology Institute).

Higher education:

Project: Preservation of the wood vegetation in Dois Irmãos e do Engenho Uchôa, in Recife, as a contribution for the conservation and development of the community around it.

Name: Célio Henrique Rocha Moura, Architectural and Urban Design student.

Institution: Universidade Federal de Pernambuco (Pernambuco Federal University).

Master's and doctor's degree:

Project: Recovery template for the pirarucu fish population in Amazon to conserve the species and generate revenue for riverside communities.

Name: João Vitor Campos e Silva
Institution: Universidade Federal de Alagoas (Alagoas Federal University).

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Araucária Project

One of the most innovative initiatives with high positive impact in nature preservation developed by the F.G.B is Araucária+, where we partnered with the CERTI Foundation. It is an impact business model with integrated conservation logistics, harmonizing innovation and the sustainable production of pine nuts and yerba mate for the protection of the Araucária Forest.

Supported by Araucária+, rural producers are connected to a distinctive market, comprised of companies that adopt innovation and sustainability in their products, and, for that reason, demand originally sustainable feedstock, with data and aggregate traceability. To meet these customers' demands, the producers begin to adopt productive sustainable systems and receive technical strategy guidance to price their products distinctly.

By the end of 2018, Araucária+ featured over 50 involved organizations, among companies, startups, universities, governmental institutions and civil society organizations; over 80 producers; 671 hectares of conserved forest, among the sustainable use and the payment for environmental services for integral conservation; and other 262 hectares undergoing restoration process.



Araucária+



**Ever since its creation,
the initiative
has already received
four awards:**



Tecnologia Social
CERTIFICADA PELA
FUNDAÇÃO BANCO DO BRASIL

**Certification by the Banco
do Brasil Foundation
as Social Technology**



**Prêmio von Martius
de Sustentabilidade**
CÂMARA BRASIL-ALEMANHA

**Von Martius
Sustainability
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**24th Expressão Ecológica
(Ecological Expression)
Award**



**Environmental
Management FATMA
Certificate**

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ECO-EFFICIENCY: SUSTAINABILITY FROM THE FRAMEWORK

We are consumers of natural resources in our production – and we know they are finite. At the same time, to assure our products' quality and fulfill the commitment we have to society and the planet, we must advance in the use of renewable natural resources, and leading by example, to encourage our value chain and other companies to do the same. From research, we know over 70% of customers are aware that consumption generates impact.

Besides all the work promoted by the Boticário Group Foundation, our businesses' daily challenge is to minimize environmental impact and to better benefit all people. We have defined goals to decrease the use of direct resources to increase our eco-efficiency since 2012, when we started the sustainability strategy chapter that guides us to 2024, for the consumption of water, power, the waste generation and greenhouse effect gas emissions. For the 2019-2021 triennium, sustainable initiatives were mapped in area plans like Logistics (43) and Industrial (102). We review our goals and action plans every year, according to the sector's benchmarking and with the challenges we wish to meet.

These indexes are monitored daily, with monthly critical analyses and quarterly meetings with senior management to evaluate and discuss our course of action.

SUBJECT	INDICATOR	GOAL 2019	GOAL 2024
Decrease of water consumption	m ³ /ton produced	6.00	4.23
Increase of water reuse	% of the collected whole	24%	50%
Decrease of power consumption	Wh/SKU*-- MWH/106 produced units	111,80	97.5
Increase of renewable power sources	Participation in the power matrix	72%	100%
Increase of self-generated power	Participation of the consumed whole	0%	20%
Decrease of waste generation	Grams/SKU	22	16.3
Decrease of greenhouse effect gas emissions	CO ₂ /SKU grams	12.60	10.5
Increase of sustainable buildings in stores	Participation in the totals	17.7%	100%

*SKU: Stock Keeping Unit acronym that refers to the types of products a company works with. Each product equates one SKU.



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WATER

Water is a raw material essential for the Boticário Group's Portfolio. We also depend on it for many processes in our production, such as cleaning and cooling. Thus, water management is one of the main indicators of our sustainability strategy, and in our 2024 goals program, there are two courses of action featured: decrease of the average consumption per each produced ton to 6 cubic meters and increase of reuse to 50% of the collected whole.

In 2018, Boticário Group's collected water volume increased 9,5% in relation to the previous year, mostly due to the growth of the operations, which explain the level of consumption in all units. Meanwhile, when the consumed volumes per produced ton are analyzed, there were considerable decreases in the Camaçari plant and in the São Gonçalo dos Campos distribution center, both in Bahia, which indicate greater efficiency in the process. Around 40% of the water consumed in the distribution centers stemmed from rainwater.

Reuse also increased in 2018. 56.382 cubic meters of water (24% of the collected whole) were reused, 6,1% more than in 2017. We highlight the Registro distribution center (SP) that increased its reuse in 11 perceptual points, growing to 42% from a previous 33%. Meanwhile, in factories, a sum of 21% consumed water stemmed from reuse.

Total of water withdrawn per source

[303-1]

UNIT	Volume captured (m³)	Volume consumed per ton (m³/ton)	Volume captured (m³)	Volume consumed per ton (m³/ton)
São José dos Pinhais Plant	107,214	6.6	92,297	6.2
Camaçari Plant	84,499	5.4	82,343	7.5
Registro DC (Well)	5,741	7.0	4,713	6.3
São Gonçalo dos Campos DC	10,151	19.9	10,100	29.3
CONSUMPTION TOTAL	207,605	-	189,453	-

Volume and recycled water percentage (in m³)

[303-3]

UNIT	2018	%	2017	%
São José dos Pinhais	21,911	-	18,739	-
Registro	4,134	-	2,336	-
Camaçari	28,628	23%	30,253	27%
São Gonçalo dos Campos	1,709	14%	1,780	15%
TOTAL	56,382	-	53,108	-



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ENERGY

Our operations, much like that of the entire industry, consumes energy immensely. Due to the environmental impact that energy production may cause, especially in regard to greenhouse effect gas emissions originated from fossil fuels, the Boticário Group is committed to decrease its consumption and at the same time make its energy matrix completely based in renewable sources by 2024. A third goal is related to the decrease of third-party dependence with self-generated energy. By 2024, the Group would like 20% of its consumption to be produced by its own means.

Energy consumption in all of our units is monitored daily, and besides the global goal, each area features specific consumption decrease goals and use of renewable sources. For instance, in 2018, electric energy consumption was down 21.7% compared to 2017.

One of our chief measures for energy economy has been the optimization and efficiency increase in our plants. In Camaçari, an alteration performed in the acclimatization systems yielded a saving of 2,657,000 kWh/year, which equates the average consumption of nearly 17 thousand households for a full year. Another course of action has been the replacement of conventional lamps for LED lamps. In São José dos Pinhais, this alteration allowed us to decrease consumption to 171,639,36kWh/year, which equates roughly a thousand households' monthly supply.

In relation to power intensity, that is, the energy needed to produce a set quantity of our products, the São Gonçalo dos Campos and Camaçari units presented an efficiency increase of 28.8% and 4% respectively.

Power matrix (GJ values)

[302-1]

FUEL	UNIT	CONSUMPTION 2018
Diesel	São José dos Pinhais	645
	Registro	275
	São Gonçalo dos Campos	339
	TOTAL	1,259
Natural Gas	São José dos Pinhais	24,813
	Camaçari	16,269
	TOTAL	41,082
Electric Power	São José dos Pinhais	56,196
	Registro	11,607
	São Gonçalo dos Campos	12,289
	Camaçari	44,317
	Corporate Jardim Botânico – Curitiba	15,355
	Instituto/Fundação – Curitiba e Salto Morato	891
	TOTAL	140,655
MATRIX TOTAL	182,996	

Power Intensity Tax (MWh per million of produced units)

[302-3]

UNIT	2018	2017
São José dos Pinhais	107.8	101.9
Registro	18.6	13.5
São Gonçalo dos Campos	19.22	27.0
Camaçari	114.22	119.0

Note:

1 - In 2018, there was no LPG consumption in any of our units.
2 - There is no gasoline, ethanol or biodiesel consumption in any of the group's units.

Cold manufacturing to save on energy

Among the steps that most consume electric energy in our cosmetics production, we can single out the heating and cooling processes, needed due to the physical and chemical features some of our raw materials possess. The manufacturing and cold filling have been adopted for some years now to make this step more eco-efficient, and they remain as strategic steps to decrease power consumption.

Up to this point, we have had success in changing up over 30 products so they could benefit from the cold process, making reactor heating unnecessary. This innovation resulted in an average decrease of 71% in manufacturing time, generating operational efficiency and decreasing resource consumption: 70% of electric energy consumption, 15% on transformation costs and 10% in raw materials cost.

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EMISSIONS

The Boticário Group believes in the influence of human actions over the amounts of carbon present in the atmosphere and knows that the climatic changes that result from this process influence not only our business, but also biodiversity and the life conditions of billions of people all over the world. It is essential that all nations decrease emissions to keep the raising of temperature at the upper 2°C limit advocated by the Paris Agreement signed in 2015, which Brazil has also signed.

Therefore, the company adopts efforts to decrease its emissions and contribute to mitigate negative impacts. Our efforts extend to our products' life cycles, from manufacturing to the final destination, and other aspects such as logistics, sales points and the preservation of forest areas through the Boticário Group Foundation.

Every year, the Boticário Group elaborates its emission inventory using the GHG Protocol tool and publicizes its main findings. The CO₂ emission totals pertaining to Boticário Group had an increase of 8% in 2018, particularly due to the production increase in the Camaçari and São José dos Pinhais (PR) factories. The distribution centers, however, decreased their emissions. In São Gonçalo dos Campos, the decrease comprised over 85%: from 174 tCO₂e to 25 tCO₂e.

The intensity of GEE emissions is another significant indicator. In 2018, we decreased the Camaçari and São Gonçalo dos Campos' carbon emission intensity. In Camaçari, the decrease comprised 13.9 tons of CO₂ for each million units produced, in 2017, to 11.5 in 2018, a decrease of over 17%. Meanwhile, in São Gonçalo dos Campos, the decrease reached nearly 93%, dropping from 1,4-ton per million units, in 2017, to 100 kilos per million transported units in 2018.

Total of GEE emissions per operational unit (in tCO₂e)
[305-1]

UNIT	2018	2017
São José dos Pinhais	1,932	1,505
Camaçari	1,235	1,230
Registro	20	21
São Gonçalo dos Campos	25	174
TOTAL	3,167.2	2,930

GEE emission intensity per operational unit (tCO₂e/10⁶ produced units)
[305-4]

UNIT	2018	2017
São José dos Pinhais	13.3	10.2
Camaçari	11.5	13.9
Registro	0.1	0.1
São Gonçalo dos Campos	0.1	1.4

Emission and emissions per transported tons in 2018 total (tCO₂e)

TYPE	TOTAL	EACH ton
Scope 1*	6,184.45	0.071
Scope 2**	2,917.94	0.033
Scope 3***	24,653.14	0.284

- * **Scope 1:** direct emissions stemming from the company's controlled or own operations.
- ** **Scope 2:** indirect emissions stemming from power acquisition in the form of electricity or vapor consumed within the organization.
- *** **Scope 3:** All indirect emissions (not included in Scope 2) occurring outside the organization, including upstream and downstream emissions.

Bioplastic reduces carbon emissions

The adoption of bioplastic packaging produced from sugar cane instead of the standard version produced from petroleum for lines such as Cuide-se Bem, Nativa SPA, Siège and Malbec is helping decrease our emissions. This new line of packaging is currently stopping 4.95 CO kilos from being released in the atmosphere for each kilo of plastic used in the manufacturing.

For instance, the Cuide-se Bem line features over 70% of its portfolio produced with vegetable plastic in its vials and tubes, decreasing the use of conventional plastic in over 90 tons a year.



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GREENER BUILDINGS

One of the Boticário Group's goals is that, by 2024, 100% of its buildings observe the premises of sustainable building. Over 51 premises are defined for each building and renovation of the Boticário Group sites, based on the main sustainability certifications existent in the market. The first distribution center in the North/Northwest Brazilian regions not only possesses a pioneering spirit by featuring the first cosmetics factory, it is also the first store in the Customer Intelligence Retail (CI Retail) certified with the Leader in Power and Environmental Design seal (LEED), that defines the criteria of efficient usage of resources such as power, water, materials, among others, at buildings.

The new concept also incorporates the Forest Stewardship Council indications (FSC), which verify the fulfillment of environmental and social matters in forest products, such as wood and paper.

The use of certified wood, reaching 100% in stores, is among the initiatives to increase the eco-efficiency of our installations, for all brands; LED illumination, which is already of 100% in 21 pilot stores; decrease of printing advertising pieces by using digital screens – roughly 1200 pieces in stores per year; practices of power usage decrease that yield 63% lower consumption in the Ânfora stores. In Eudora, this decrease marks 33% in new stores, which are increasingly more sustainable; all of these feature post-use packaging collectors; they feature 90% of the makeup supports in recyclable wood and FSC certificate; 100% of LED illumination and 100% of video wall, electronic screens that avoid the routine use and disposal of printed material featuring information for customers.

The Group follows an internal policy that standardizes and guides new buildings and renovations.

Over 51 sustainable premises for all buildings and renovations at the Boticário Group sites

By 2024
100%
of buildings will feature global sustainable standards

100% — certified wood in stores
100% — LED illumination in 21 pilot stores



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ÂNFORA STORE O BOTICÁRIO

Designed in 2017 and implemented as a pilot store in 2018, the Ânfora store is a new point of sale format that expresses O Boticário's stake in evolving retail. Not only does the brand's spirit live in it, the public at large may get acquainted with the main sustainable retail tendencies already being adopted by the Boticário Group. We already have five stores adapted to this model. In the future, the gains from energetic efficiency will be rather expressive.

In the Ânfora stores, modular furniture reduces the need for construction and interventions, which results in less waste; acrylic, steel, aluminum and recycled wood plates are used in lesser amounts, decreasing the space's environmental footprint; all of the wood used in the store has FSC certification; the illumination is 100% LED and the total power savings in the points of sale in this type of project reaches up to 63%.

Innovation also has a spot in this new store model. They function as a test lab for more sustainable materials, among these recycled glasses from collected bottles in our reverse logistics programs that become decorative pieces sporting a vintage design. By 2024, around 100 tons of glass originated from recycling will be reused in the perfumery production chain and these decorations.

In visual merchandising, part of the stands, once built with paper and plastic, were replaced with multimedia screens. This optimization with material reuse avoids the printing of 45 thousand printed pieces, 200 tons of CO₂ emissions cease, 11 tons of paper and 5.9 million of liters of water are saved up.

The reverse logistics efforts are present in the space for the collecting of empty packaging from the Boti Recicla program. The exclusive Ânfora store eco bags are also manufactured in recycled material. The empty plastic packaging returned by our customers are used as input for the production of luminaries. All of this confirms, materializes and carries a message to our customers: our stance to maintain a circular chain of supply.

By the end of 2018, Ânfora stores were already in Rio de Janeiro, São Paulo, Curitiba, Salvador and Fortaleza.

Point of Sale innovation



Ânfora Store

Fortaleza

Salvador

São Paulo

Rio de Janeiro

Curitiba

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REVERSE LOGISTICS



To the Boticário Group, to be sustainable means thinking about the life cycle of all your products: from the raw materials used in the manufacturing to the destination of our packaging after use. That's why we maintain the biggest reverse logistics program in collection points in all of Brazil.

Ever since 2006, when the Projeto Bioconsciência (Bioconscience Project) started in the Curitiba stores, the Boticário Group has been enhancing its reverse logistics practices. In 2010, 100% of the points of sale already took part in the initiative. Therefore, our practices predate the Política Nacional de Resíduos Sólidos (National Policy for Solid Residues) started that same year.

In 2018, the program's maturity may be measured by its results. 33 cooperatives acted in the reception and adequate treatment of disposal, as well as the engagement of partner transporters, that collect the stores' products and take them to the cooperatives.

The program received the ABIHPEC Beleza Brasil (Brazilian Beauty) award for its packaging recycling results.



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#botirecicla

What is it:

all the O Boticário stores feature packaging collectors for disposal at any time of the year. The initiative was reinforced in 2018 with four promotional action campaigns where swapping empty packaging grants discount tickets for the purchase of new products, as opposed to the exchange of specific items.

Engagement:

social media, emails, sales force relationship.

Result:

for instance, in one of the campaigns, we generated 11 thousand exchange tickets. The empty packaging was collected and part of them, after recycling, became raw materials for functional items and store decorations.



#Sustenta+Beauty

What it is:

this is an evergreen effort featuring an exchange incentive. For every five product packages returned, the customer is given a new product. In 2018, for three months, six stores also collected packaging for other brands sold.

Engagement:

social media, newsletters, marketing emails. On-site sales force training. The sales team that collected the most packaging was commended in the brand convention.

Result:

around 1500 exchanges, a 20% growth for the program, and over 7 thousand collected packages.



#Chega e Recicla

What is it:

all stores and representative spaces feature a collector for packaging disposal. In 2018, a three-month campaign in 10 spaces for the Representatives in the state of São Paulo took place, with an incentive: for every five Eudora packages returned, the representative would be given a gift.

Engagement:

Communication channels and on-site meetings with representatives and sales force. At the end of three campaign months, the sales team in the Representative's space that retrieved the most packages was commended.

Result:

the campaign had over 1200 exchanges and 6500 returned packages. In a survey performed with the related representatives, 97% of the interviewed state that returning empty packaging changed their perception about Eudora.



#retornaberê

What is it:

it happens throughout the year. For each five packages returned, the customer is given a lipstick as an exchange incentive. The store has a collector and it is also possible to carry out the correct packaging disposal even without taking part in the promotion.

Engagement:

social media, emails and work force relationship.

Result:

over 6200 exchanges with over 30,000 collected packaging. The program has grown roughly 120%.

Vocês já ouviram falar do #retornaberê? Pois é, a @quemdisseherenice tem um projeto lindo e sustentável que nos permite devolver embalagens vazias da marca e em troca recebemos um batom

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10 February, 2019

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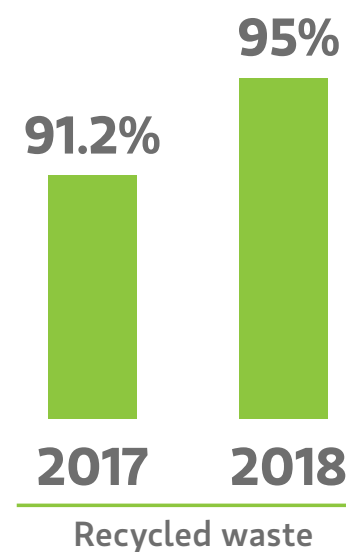
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Everything in life has a cycle, and so do our products and the waste generated by our operations. We go through great efforts to reuse materials that would have been disposed of, sending the bare minimum to waste dumps. Each year we aggregate to our processes technologies and good practices that allow us to increase the percentage of reused waste. In 2018, we reached 95% of reused waste against a little over 91.2% in 2017, and we reduced incineration to zero. We also reached and surpassed our goal of decreasing the waste generation in factories: the threshold value comprised 21.98 tons in items for each million tons of products, but we managed to go further beyond and drop the rate even more, reaching 21.19 tons of waste per million of produced tons.



Smart replacements

To eliminate the use of plastic buckets in the process of lipstick filling, in 2018 we developed the Chutando o Balde (Kicking the Bucket) Project in the makeup factory. Due to security and integrity concerns, the buckets could not be reused in the same process and were 100% destined to recycling. We intended for no new plastic containers to be produced, however. A change in the process allowed the exchange for plastic boxes sporting larger volume, padded with plastic film, which became the only disposal in this process since the boxes could be reused many times. From May 2019, we stopped using 1500 buckets per month, avoiding a waste production of 8 tons a year.

Another effort that yielded significant decrease on materials for reuse was the Caixa Única (Single Box) project, which reuses boxes sent by suppliers in our production line to distribution centers and stores. Up to this point, the project concerns two product lines from the same supplier, and in 2018, it evaded the production of 120 tons of cardboard waste. We are in the testing phase to expand the project to other product lines and suppliers.



Reusable boxes in the make-up factory

Volume and percentage of recycled waste (in tons)

	2018	2017
Total of non hazardous waste (t)	6,392.63	5,424.95
Recycling (t)	6,099.17	4,950.84
% of recycling	95%	91.26%

Total waste weight, per type and disposal method

[306-2]

TYPE	SJP	Camaçari	SGC	Registro
Non Hazardous				
Reuse	-	-	-	-
Recycling	1,444.00	2,357.00	469.00	409.00
Co-processing	-	7.00	-	-
Industrial landfill	143.26	75.00	38	34.64
TOTAL	1,587.26	2,439.00	507.00	443.64
Hazardous (t)				
Reuse	93,7	22.52	-	-
Recycling	207	272.00	-	0.95
Co-processing	736	81.00	-	-
Industrial landfill	2.56	-	-	-
Incineration	0	0	0	0
TOTAL	1,039.26	375.52	0	1.0

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Avoiding trash in its origins

The concern with waste from our activities is not restricted merely to those generated by our operational units. Taking care of the products' life cycle and their packaging's most appropriate post-use destination through our reverse logistics program to decrease their impact in the environment is a commitment that begins in the eco-efficiency of packing at its origins.

We spare no effort to innovate because of that. In the Malbec Club bottles, around 35% of the glass used in production is recycled, which results in reusing over 180 tons of glass per year. Moreover, by the end of 2017, for instance, we released the Nativa SPA recycled PET packaging line, manufactured from bottles, such as for soft drinks. This type of plastic also started to be used in other lines such as Make B., in 2018.

Another innovation that has yielded excellent results is the use of refills, a kind of packaging that uses less plastic than common packaging. In the Cuide-se Bem line, we save up to 69% of plastic. The refills are continuously used products, with positive impact throughout time: in quem disse, berenice? make-up (pressed power, base, eyeshadow), in different lines of O Boticário and Eudora deodorants, in Nativa SPA moisturizers and Eudora liquid soaps.

Making sustainability real

To decrease the use of paper in packaging, the Boticário Group takes a chance on recycled paper and new box formats. In the Make B lines, for instance, we reached 87% of all cartridges (a type of secondary packaging) made with recycled paper. In quem disse, berenice?, the makeup cartridges released in 2018 were also developed with this material, as well as in Eudora lines, an example being the Liptint lipstick, pressed powder, eye shadow palettes and concealers.

In the Florata line, a new package design and changes in the means of transportation allowed for the decrease of over 50 tons of paper each year. That means 800 trees will no longer be felled. Besides saving up on raw materials and natural resources, this initiative has yielded us the ABRE packaging award.



THE BEAUTY OF BEING HUMAN

EMBRACING DIVERSITY IS THE MOST LEGITIMATE
WAY TO TRANSFORM THE WORLD AROUND US

VALUE CHAIN

THE BOTICÁRIO GROUP INSTITUTE: SUSTAINABILITY,
BUSINESS AND SOCIAL DEVELOPMENT

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EMBRACING DIVERSITY IS THE MOST LEGITIMATE WAY TO TRANSFORM THE WORLD AROUND US

Our brands speak to many consumers, arrive at many homes. That is why diversity is so important to us. From the composition of our teams, factories and sales department, to the ranks of our researchers, the goals of including brand leaders and managers, and to our advertising campaigns, we reflect on the belief that, being who they are, people are more upright, productive, transparent and happy. We know that diversity must exist in our teams to reflect the diversity that our brands represent.

We understand that Brazilian society is in a profound process of change and the diverse profiles desire to be represented in products, campaigns and care. We invest in research to elaborate items that meet the demands of a growing public eager to have their needs fulfilled.

We promote equal opportunities between the Sustainability and Human Resources staff, raising awareness towards diversity in our teams.

Our leaders are committed to promoting representation in our advertising campaigns, catalogues and staff. However, more than generating value and a positive impact on the reputation and image of our brands, communication is the means to share with our customers what Grupo Boticário really believes: the power of diversity and the importance of representation. Our team acts in an engaged way to express that there are no barriers in our company.

We understand that our suppliers need to share the same values. Our role is to open up new paths towards the inclusion of all. This way, we promote a fairer trade relationship and encourage other companies to adopt more sustainable practices and attributes of differentiation.

Through the actions of the Boticário Group Institute, we promote social welfare, broaden horizons and feed the dreams of children, elderly and adolescents who benefit from their own projects, encouraged by grant applications in the areas of culture, sports and social responsibility.

We take exhibitions and ludic activities to our branches neighboring communities. In 2018, for the first time, we promoted qualification courses for local councilors in the municipality of Registro (SP).

In order to understand how to deal with singular contexts and attend to the most varied public, we invest in training employees from all segments of the Group. In 2018, the total number of training hours increased by approximately 30%. The operational team tripled their time spent on trainings. In addition to the existing programs, we have improved the development of future leaders, the internship program and young apprentices.



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Diversity Action Fronts

GENDER

Leading women executives
Men at salesforce

ETHNIC GROUPS

Black people in administrative roles, management, salesforce, mkt and communication

LGBTI+

Friendly work environment for the LGBT staff
Salesforce

EMPLOYEES WITH DISABILITY

Inclusion beyond the quotas
Salesforce

GENERAL GOAL

To guarantee inclusion and representativity of diversity, salesforce and value chain.

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BECAUSE BEAUTY IS IN EVERYONE BEING THEIR OWN WAY

The evolution of diversity, beyond gender equity, stems from a broader and strategic view and it connects us to the wide range of characteristics and demands that define our employees, suppliers, communities and consumers. At the Boticário Group, besides value, diversity is among the characteristics by which managers are evaluated.

This is one of the reasons we have developed and implemented workshops for all top leadership and strategic areas of the company, including the multiplication of external consultants who are experts in diversity, as well as among internal multipliers.

In addition to the face-to-face action, we developed a constant training for the identification and correction of unconscious biases, destined to 100% of the company.

We emphasize the importance of respect, acceptance and equity for all profiles, including women, black people, people with disabilities in different age groups, body types, religions, gender and sexual orientations. At the moment, 65% of the staff concluded the program. The goal is to minimize decision-making based on stereotype and promote a fairer environment.

We also monitor the demographics, performance and career data of black, senior and professionals with disabilities in business areas, brands and the Boticário Group's websites. By 2019, we will expand this monitoring with the inclusion of the LGBTI public.

TIMELINE

1st Boticário franchise
Laura Oliveira

1980

1999

Pregnant women's
program

Equal benefits
for men and women

2012

2013

Gender equity
work front

Working women
who feed Ministry of Labor

2014

2015

Signature WEPs
Process Redesign:
50% Women VPs
Women Movement 360

Pro Equity of Gender and Race Silver
Category Award WEPs/BR Extended
Paternity License - Doc. Do we need
to speak with men?

2016

2017

Expanded R & D & I Strategy Articulation
at the UN Uruguay and USA Partnership
with Global Bases *WeConnect* and *Integrare*
Census linked to Engagement Research
Alliance Membership *Toda Cor* Documentary
on GNT / Globo Play

Pro-Equity Seal 2017/18 EADs
in Bias: 100% of GB Support to
Broaden the Profile of PV In Several
p / ANs and Bus Brand Statement

2018

2019

Alliance with no
Stereotypes | Diversity
in Advertising Chain/
EXAME Award/ I Play
Better With You
Diversity Actions and
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Actions and indicators of diversity

We invest in affirmative training and internal actions on issues of gender equity, accessibility, ethnic inclusion, sexual orientation and accessibility as a way to promote representation inside and outside the company. We also evaluated the theme in the engagement survey, we establish purchase goals with suppliers that observe diversity in their policies, and we organize an evaluation of suppliers on the subject.

In order to recruit the groups, we participate in external researches on the subject, establishing partnerships with organizations focused on diversity, such as the Empodera consultancy.

As a result, we have been recognized as the Best Consumer Goods Company by EXAME Diversity Guide due to the practices performed and, above all, because of the way we have always treated this theme throughout our history. Evaluated by the Ethos Institute, a reference in social and environmental responsibility, companies are ranked on best practices in inclusion and development of women, black people, people with disabilities and LGBTI+.

Since 2014, the Boticário Group has regularly followed gender indicators and, in 2017, it followed all indicators of diversity. The goal is to evaluate the performance of all diversity promotion initiatives so that we can identify opportunities for improvement and reach a wider representation in our workforce.

[1] Partnership with Empodera consultancy to act in the hiring process of black professionals

[2] Focus on the O Boticário's commercial campaigns

[3] Hidden client training (blacks, LGBT, seniors, people with disabilities) for O Boticário

#PraCegoVer (#ForTheBlindToSee)

Just like our products, our communication on social networks is done with special care. In our profiles, the publications with the hashtag #PraCegoVer access visually impaired people with image-detailed subtitles.

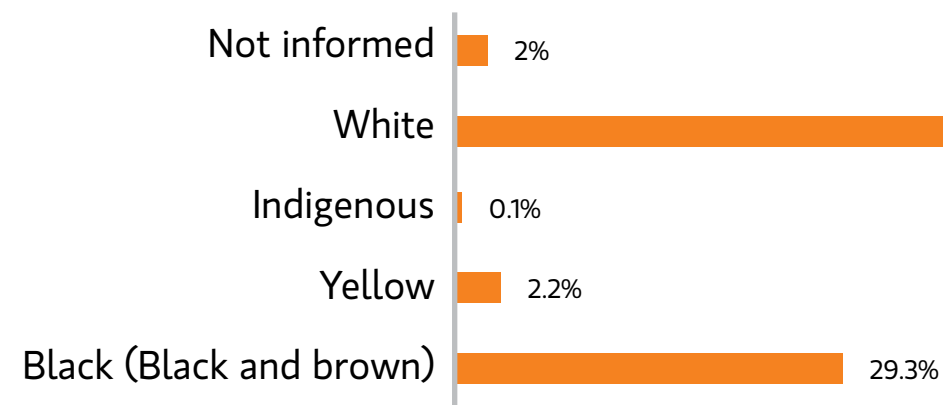


Diversity Indicators

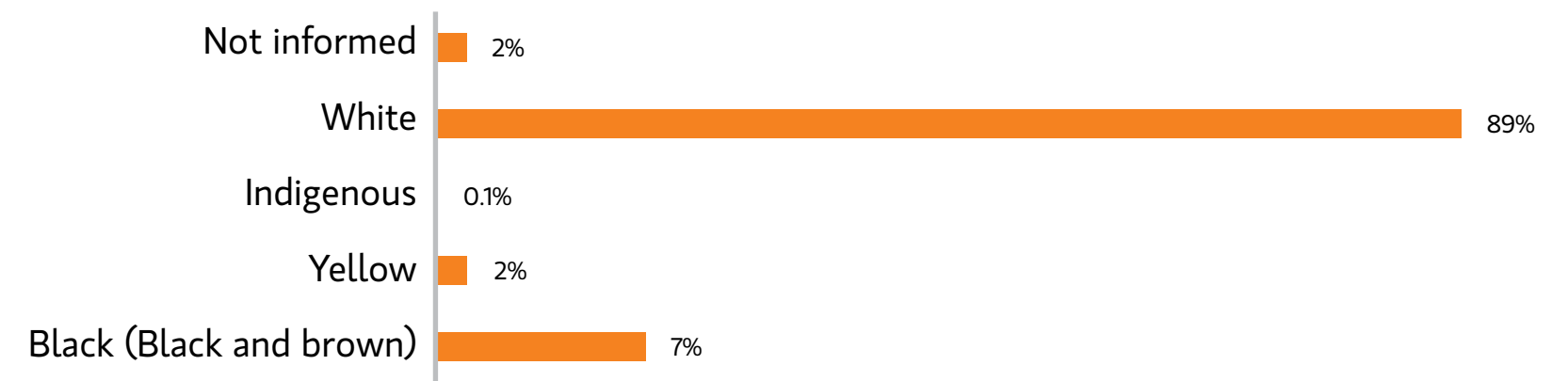
RACE

Role Group	Total	Black	Black%	Brown	Brown%	Yellow	Yellow%	Indigenous	Indigenous%	White	White%	Not Informed	Not Informed%
Expert Tech	4	0	0.0%	0	0.0%	0	0.0%	0	0.0%	4	100.0%	0	0.0%
Specialized Technicians	2208	63	2.9%	261	11.8%	64	2.9%	0	0.0%	1791	81.1%	29	1.3%
Trainees	39	2	5.1%	3	7.7%	1	2.6%	0	0.0%	32	82.1%	1	2.6%
Supervisors	146	7	4.8%	30	20.5%	3	2.1%	0	0.0%	100	68.5%	6	4.1%
Operations	1654	277	16.7%	561	33.9%	27	1.6%	3	0.2%	738	44.6%	48	2.9%
Administrative	1038	71	6.8%	265	25.5%	21	2.0%	1	0.1%	649	62.5%	31	3.0%
Technicians	346	42	12.1%	105	30.3%	8	2.3%	0	0.0%	185	53.5%	6	1.7%
Interns	59	3	5.1%	9	15.3%	2	3.4%	0	0.0%	44	74.6%	1	1.7%
Young Apprentice	104	15	14.4%	34	32.7%	0	0.0%	1	1.0%	51	49.0%	3	2.9%
Overall Total	6082	483	7.9%	1300	21.4%	136	2.2%	5	0.1%	4025	66.2%	133	2.2%
Total Leadership	484	3	0.6%	32	6.6%	10	2.1%	0	0.0%	431	89.0%	8	1.7%

General Board



Leadership Board



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Diversity Indicators

GENDER

Role Group	Total	Male	Male%	Female	Female%
Expert	4	3	75%	1	25.0%
Specialized Technicians	2,208	873	40%	1,335	60.5%
Trainees	39	18	46%	21	53.8%
Supervisors	146	44	30%	102	69.9%
Operations	1,654	870	53%	784	47.4%
Administrative	1,038	189	18%	849	81.8%
Technicians	346	233	67%	113	32.7%
Interns	59	18	31%	41	69.5%
Young Apprentice	104	32	31%	72	69.2%
Overall Total	6,082	2,534	42%	3,548	58.3%
Total Leadership	484	254	53%	230	47.5%

GENERATIONS

Role Group	Total	< 45 years old	% < 45 years old	>= 45 years old	% >= 45 years old
Expert	4	3	75.00%	1	25.0%
Specialized Technicians	2,208	2,108	95.50%	100	4.5%
Trainees	39	39	100.00%	0	0.0%
Supervisors	146	132	90.40%	14	9.6%
Operations	1,654	1,474	89.10%	180	10.9%
Administrative	1,038	966	93.10%	72	6.9%
Technicians	346	306	88.40%	40	11.6%
Trainees	59	59	100.00%	0	0.0%
Young Apprentice	104	104	100.00%	0	0.0%
Overall Total	6,082	5,604	92.10%	478	7.9%
Total Leadership	484	413	85.30%	71	14.7%

General Board



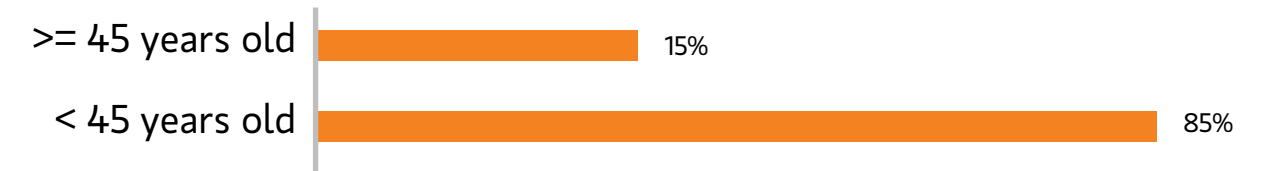
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Women's Empowerment

Women's empowerment and leadership are themes that will be forever marked in the history of the Boticário Group, in dissonance with the social reality external to the company. We were born as a business in which women have always been protagonists and, throughout our history, we have expanded our vision on diversity because we understand that society is formed by different groups that demand representation and inclusion.

Since 2013, our work on empowering women has intensified. We began to develop a series of internal strategies, creating projects to improve in this field. Nowadays, when we look at our indicators according to gender, we notice that this is the one with the best results. We put an effort into sensitizing leaders in order to maintain these indicators. Almost 60% are women. And we design these initiatives outside the company: we highlight the role of women in our advertising campaigns.

Football is also a woman's thing

In 2018, Boticário Group organized shift works and loosened schedules so that employees could watch the male football matches in the World Cup. Thinking about our commitment to gender equality and diversity, we will extend the same idea to the women's version of the competition, held in July 2019. During the games, all employees will be able to cheer for the Brazilian female football team and share [#comvocêujogomelhor](#) (I play better with you) hashtag on their social networks. The aim of this action is to encourage other companies and individuals to also promote diversity.



Technology Helps to Set Up Plural Teams

Since 2015, the Group has monitored its diversity indicators periodically. This task has become easier, faster and more dynamic due to the development of a business intelligence tool which allows us to collect data by period, business areas and websites, considering directories, managements and professional groups. Moreover, the tool efficiently allows the cross-checking of these analyzes. The data analysis allows us to understand in which aspects of diversity we are being more assertive in our strategy and which points need to be improved.

It is an internally developed and customized system for leadership and diversity. The mechanism helps us to identify standard behaviors and, through algorithms, to locate distortions. The monitoring of the indicators allows for the assessment of potential situations, diminishing risks and prioritizing resources. The tool now enables us to work with different cutouts to be analyzed. It also permits data crossing and the focus on specific teams. By 2019, the novelty will be a pilot project for hiring in retail, based on this data, to amplify diversity in our sales force.

We believe that the result of a collaborator's work does not depend on his or her gender, sexual orientation, religion, ethnicity, disability, age or any other individual characteristic. We want the data to demonstrate the importance of the diverse teams for the Group's results, both financial and representative in our internal public.

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Beauty is our business

We want to know, listen, understand and feel other people in order to undertake a new future for and with the people who share our values and purposes and want to transform the world around us.

Nothing in our history would make sense if we were alone. That is why, over our more than four decades of existence, we have evolved our internal processes, our organizational structure and the way we communicate to connect better with each other. We also train our teams to serve the most diverse audiences in a satisfactory way, doing business in our own way.

In 2018, the total number of training hours at Grupo Boticário grew by almost 30%. The operational category was the one with the highest increase: total hours practically tripled. There was also a rise in the amount of training hours per employee. The index rose more than 15%, going from 25.4 to 29.4 hours per employee.

Besides our existing programs, the development of future leaders, the internship and the young apprentices programs have been improved. In addition, since 2013, the Boticário Group has a pre-retirement program that helps eligible employees planning their post-retirement phase.

[102-48 | 404-1]

Total number of training hours per work category

	2018	2017
Administrative	14,851.5	10,014.8
Coordination	5,857.0	17,660.2
Trainees	2,240.5	1,298.5
Executives	2,094.0	6,675.5
Young apprentices	3,052.5	1,135.5
Operational	68,690.9	23,769.5
Supervisors	3,453.3	4,496.3
Specialized Technicians	48,788.5	55,970.0
Technicians	19,155.0	9,169.0
TOTAL	168,183.2	130,189.3

Average number of training hours per employee and per work category

	2018	2017
Administrative	18.6	12.5
Coordination	19.7	58.9
Trainees	34.5	18.3
Executives	14.3	44.8
Young apprentices	18.2	7.9
Operational	41.8	16.9
Supervisors	25.8	33.3
Specialized Technicians	23.3	31.1
Technicians	51.9	29.8
TOTAL	29.4	25.4

Total number of training hours per gender 2018*

	Female	Male
Corporate trainings	53,153.80	54,790.10
Individual trainings	378	48

*Since 2018, the number of hours referring to the education grant has not been considered



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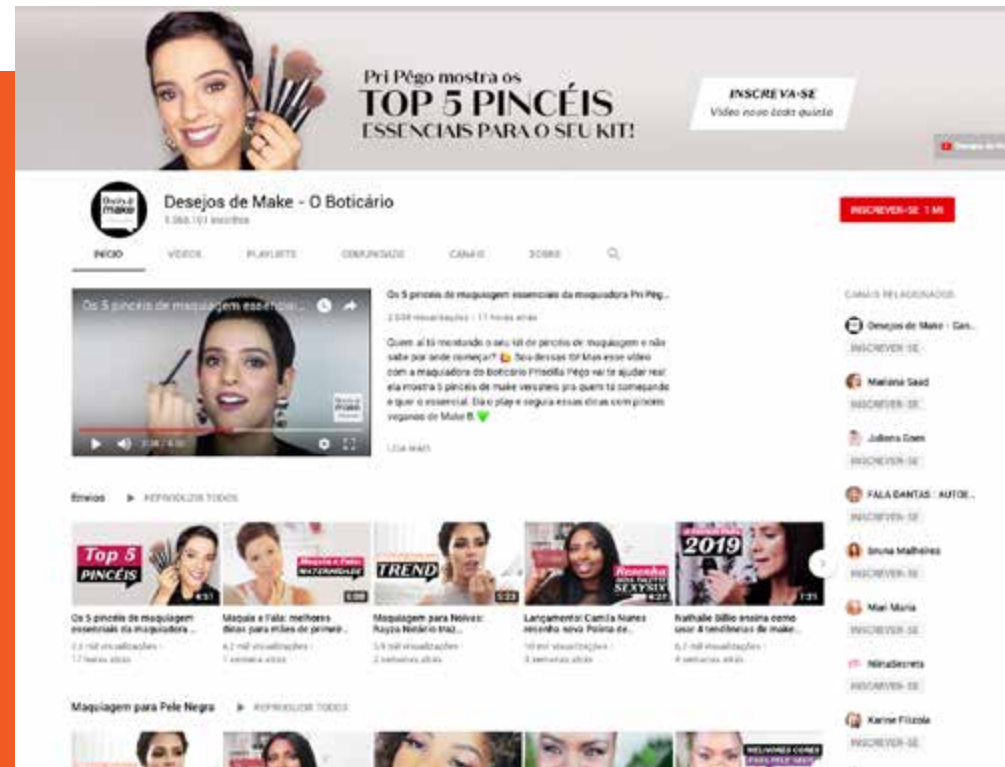
Affordable beauty

The Boticário Group believes in the power of beauty. But, in order to materialize it and succeed in business, it is necessary to ensure equal opportunities and promote equal participation.

In addition to forming plural teams and investing in factories, distribution centers and more accessible offices, we promote the interaction of all people in order to create a more inclusive work environment.

Over the last year, we have organized a series of training for our employees on how to live in a diverse society. We considered actions in terms of inclusion, representation and care.

For the sales force, for example, we had automation courses for visually impaired people. We also make the Loja de Bolsa (Purse Store) and the website accessible; we use close caption on TV campaigns, audio description, Brazilian Sign Language on YouTube and embossed labels so that our products can be differentiated by visually impaired people.



oBoticário

The platform “Desejos de Make” (Make-up desires), received 410 subscribers in just one week after its release. All the videos about self-makeup provided by the channel are audio described, subtitled and signaled in Brazilian Sign Language.



After its acquisition by the Boticário Group, we have certified Vult’s commitments regarding commodities, packaging materials and animal testing. All the products have been exclusively tested on human volunteers, following ethical testing standards.

When Inclusion Really Happens

To us, promoting inclusion is an initiative that should involve everyone, regardless of having disabilities or not. To face up to this challenge, we maintain the program #InclusãonaReal (#RealInclusion), which acts in four fronts.

Relationship: It works on the self-acceptance of employees with disabilities, seen as professionals.

Management: It trains leaders to manage teams also composed of employees with disabilities.

Career: It provides training considering employees’ skills and limitations.

Culture and Environment: It breaks down cultural barriers. There are taboos that influence the inclusion process and that need to be clearly and naturally discussed.

The family has grown: parents receive guidelines from healthcare professionals

The Family has Grown is part of our Life in Equilibrium healthcare program. It considers the future generations, ensuring our employees' peace of mind by respecting their children. The future mothers and fathers who work at the Group join the program that prepares them for the arrival of new family members.

The project is offered to employees and their partners. It is also offered to pregnant women from third-party companies who work at our headquarters. All family configurations are considered, including biological mothers and fathers, adoptive parents, same-sex and common-law marriages.

The future dads and moms receive the same preparation, balancing their knowledge and the levels of responsibility between genders. The aim is to stimulate the exchange of experiences among the employees as well as to offer relevant guidance from healthcare experts in the period of gestation and child development.

Fathers are entitled to five days of paternity leave, but the future fathers who participate in our program are allowed 20 days to be with their family. Future mothers are entitled to 6 months.



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THE VALUE CHAIN HAS VALUES

At the Boticário Group, we work with the concept of an extended chain. This means that our suppliers' business is, in part, an extension of ours, and as we work together, we share responsibilities and challenges.

This is part of a reality in which production chains are increasingly controlled and trackable, and companies are increasingly responsible for the business of their suppliers. We understand that this is a fair trade relationship and we are willing to invest in products and services that might benefit these areas.

The Boticário Group works with goals aiming eco-efficient practices among its suppliers. We believe that more than a risky management practice, this makes a difference and generates real and measurable financial results to these companies.

More and more, suppliers have understood sustainability as an element to be aggregated to their businesses. The corporate reputation research showed that suppliers were the partners which most noticed our performance in sustainability, with an average of 9.7.

We are increasingly determined to increase the volume of our purchases made from sustainable suppliers. Technically, we call it sustainable spend purchasing indicator. In 2018, we reached

BR\$ 1.5 billion
in contracts with
sustainable suppliers

92 guest suppliers at Sustainable
Practices Year Evaluation at PADF.

Suppliers meeting awards:

BASF | Firmenich | BoxPrint

the amount of BR\$ 1.5 billion in contracts with sustainable suppliers, 14% more than last year. Our goal is to reach BR\$ 2 billion by 2024. Created in 2015, the Eco-Efficiency Partnership Program grew from 10 to 27 participating suppliers. This group had already received technical consultancy to join the Boticário Group in its goals of reducing the consumption of water, energy, greenhouse effect gas emissions and waste generation. The commitment of this corporate group is to comply with the recommendations we make in terms of eco-efficiency, partially or fully, with quarterly monitoring reports. We aim to involve 100% of the strategic suppliers by 2020, considering the average in 2017.

Once our suppliers are prepared, our business becomes safer, more innovative and potentially differentiated. We specially seek for this elite team to do business with. There are, however, suppliers who are not yet in this group, but who are relevant to us. In that case, we work together to make them more sustainable through constant evaluations focused on their improvement.

These companies participate in our Supplier Evaluation and Development Program (Programa de Avaliação e Desenvolvimento de Fornecedores PADF), which has existed for over 20 years, testing the maturity of our partners in business-related aspects, including sustainability. Those with the best performances are awarded. In March 2018, the winners at the Suppliers' Meeting were BASF, Firmenich and BoxPrint.

After all, the year 2018 brought a certainty: we have purchased better. This means that the materials and services we have acquired have differentiated us, whether in terms of certification, eco-efficiency or reduction of impacts.



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Turning wishes into reality

The Boticário Group works on the development of its suppliers using the concept of desirable attributes. Practically, we categorize some features of our partners' services and products that can make a difference in our production and, therefore, our sustainability practices. By encouraging the supplier to develop these attributes, we deepen the relationship and, at the same time, contribute to the greater sustainability of the extended chain.

Audits and evaluations

Besides audits, which regularly take place for the approval of direct suppliers, 98% of the direct and indirect strategic suppliers (62 companies) and more than 22 relevant suppliers to Boticário Group underwent a self-assessment on sustainability (a methodology that includes, among other things, eco-efficiency, conduct, human rights, labor practices and diversity).

We also had 172 business partners evaluated during the homologation steps of SAP ARIBA tool. Suppliers were also evaluated according to 124 social and environmental audits. By December 2020, 100% of suppliers of raw materials will have RSPO certification related to sustainable extraction of vegetable oils, especially Palm Oil.

For a more efficient management, the supply risk matrix classifies our suppliers and highlights those groups with whom we must establish a closer relationship. There are nine risk categories in total: Store Environment (VM), Benefits, Civil Construction, Contact Center, Incentives, Graphic Materials, Environment, Standardization of Stores and Transports that constantly go through the process of sustainable purchases in which aspects like operational, labor, financial, conduct, eco-efficiency and others are assessed. Depending on the performance in each item, the supplier may obtain a differential punctuation in the competitive process or be disqualified.

Improvement and Encounter

In 2018, we promoted a sustainability workshop for our suppliers, conducted by the business areas, which enriched the debate. This time, we divided the companies into two large groups, for products and services. This alignment allowed them to be closer to each other and share experiences and doubts. 82 suppliers joined the encounter and 93% approved the content.

Also in 2018, we automatized our system in order to be more integrated with suppliers. We created platforms and searched for tools that match and compare performance data. We suggested opportunities for improvement of products and services based on the results of these analyses.



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Integration and partnership

On the first half of 2018, our value chain was greatly affected due to the truckers' strike. It changed the operation for one of the most important dates, Valentine's Day.

One of our production lines was interrupted by lack of packaging. Our transportation logistics partners were unable to fuel their trucks. As a strategy to reduce impacts, contracts were paid in advance - when this was possible - to boost suppliers' incomes, allowing them to be more comfortable to deal with the crisis. We also developed a fractional cargo strategy, increasing the number of shipping companies involved in the delivery service. Regarding sustainability, we requested our suppliers to give preference to third party companies that work with smaller trucks and use a bi-fuel kit, hybrid engine or other sustainable resources.

This type of situation reinforces our position by pointing out to all our suppliers the importance of seeking practices that differentiate them and reveal new ways of doing things that are familiar to us.



Diversity in our supply chain

Promoting diversity in our supply chain is considered an important attribute, which means that it is something to be worked on by these trading partners. Today, among our strategic suppliers, 54% have initiatives to promote diversity, while 8% of our outgoing goes to women-led companies. In 2018, we apply a diversity research to our main partners to identify how the issue is being addressed by them.



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SUSTAINABILITY, BUSINESS AND SOCIAL DEVELOPMENT

The Boticário Group believes that social development is the way to join society and build a better world. Committed to the promotion of experiences that marvel, sensitize and widen horizons, the Boticário Group Institute has built its legacy and created opportunities for us to discover beauty beyond its borders. Founded in 2004, the Institute is responsible for managing incentive projects, developing and managing cultural spaces and also promoting initiatives that aim to preserve the Organizational Memory of the Boticário Group.

Over the past five years, the Institute has been able to transform and connect with the lives of more than 16 million people who have passed through its cultural spaces or have been impacted by financed projects. And it has been evolving steadily, getting closer and closer to our employees, franchisees and businesses.



Social, Cultural and Sports Projects*

Spaces, Cultural Heritage and Initiatives

*The projects are selected in the end of the year and start their activities in the following year.



Volunteering

In partnership with the TETO NGO, we have chosen 10 employees to participate in volunteering activities in the communities of 29 de Março and Nova Primavera, in Curitiba (PR). TETO NGO acts in 19 Latin American countries, building emergency homes and social habilitation programs. This kind of commitment and pride of belonging inspired the Institute to launch, in 2019, a volunteer program for all the employees of the Boticário Group in order to sensitize them and motivate them to be part of social, cultural and environmental initiatives, highlighting the best practices and the transformative potential of each individual.

More than **250** volunteers

6 days of construction work

More than **27** houses built

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Social development

The Institute promotes access to culture, education, healthcare, diversity and gender equity through sponsorship and fiscal incentives to dozens of socio-cultural and sports projects, ranging from the creation of selection guidelines, via public notice, to the monitoring of the implemented projects.

In order to select these initiatives, some criteria need to be in line with the Group's corporate strategy and aligned with the main attributes of our brands: projects that transform society with positive attitudes and that promote the improvement of people's quality of life and self-esteem; to raise awareness about the importance of preserving the environment and/or to encourage entrepreneurship, independence, empowerment, freedom and female protagonism. In addition, during these projects' management, several opportunities are created for the Group's brands to connect with their audiences in shows, festivals, campaigns and other initiatives, highlighting their intentions and inspirations.

47 Social, Cultural and Sports Projects in Brazil

8 million
invested in projects

450 thousand
people benefited

4 thousand
direct and indirect jobs created

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Protagonist Community: capacitation to elaborate and format incentivized projects



We found a challenging social condition in the municipality of Registro (SP), where the first distribution center of the Group is located. The leaders and public workers in the Children, Adolescents and Elderly Council of the municipality were not able to write federal and state tax-exempt projects due to lack of knowledge and input to receive support and incentive from local companies.

In order to empower the Children, Adolescents and Elderly Rights System, the Boticário Group Institute has trained these professionals for eight months. Violation of rights, empowerment of SDGs and institutional development were issues strategically approached.

As a result, four social projects structured to be supported by the São Paulo Municipal Fund for Children and Adolescents Rights were approved by the Institute's Committee and held during 2019. They are also eligible to be sponsored by the Elderly Fund. This training will be extended to other municipalities such as Guaraqueçaba (PR), Camaçari and São Gonçalo (BA).



Transformation in Bahia

The Boticário Group Institute supports the creation of aesthetics courses promoted by the Federal Institute of Bahia (IFBA) in order to enhance its positive impact in Camaçari (BA). The building constructed by the Boticário Group was fully furnished with specific equipment for the purpose of putting expertise aesthetics into practice. In the last two years, more than 400 women have been trained to work in the beauty industry.

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Cultural spaces

The Boticário Group believes that propagating the beauty that exists in cultural manifestations guides our work and adds an even greater purpose to the work carried out by the Institute. Through Cultural Spaces, we contribute to audience education in Brazil, often offering their first contact with art, widening their worldview. Through these actions, we put a smile on children's and adolescents' faces and watch their dreams coming alive.

In O Mundo do Perfume (The World of Perfume), we reverberate the values of the Group and explore our know-how in perfumery, with playful activities and exhibitions about the alchemy and magic of this universe. Besides the challenge of speaking to our audience and materializing the world of perfumery for children and young people in a non-commercial way, we encourage the profession of the perfumer, reporting important facts and curiosities in the history of civilization. Both in these spaces and in the activities encouraged by the Institute, we promote integration among our staff, franchisees, sales force professionals and other teams connected to the Boticário Group.



800 thousand people visited and were delighted by our Cultural Spaces

BR\$ 5.5 million returned through social media

57 free performances providing access to culture and art

21 corporate events held in the spaces

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Organizational memory

We value and preserve the cultural heritage of the Boticário Group in order to contribute to the construction of new strategies, the future plan of the institution and business units. In addition, the space has become a strategic tool for R&D, Marketing and Communication through historical research conducted for the areas and brands.



More than
160 thousand
items cataloged in
our collection

65 search
requests

9 temporary
exhibitions in
partnership with
local museums in
São José dos Pinhais



The magic of fragrances outside the factory

A partnership with the Atílio Rocco Museum, in São José dos Pinhais (PR) - where the first O Boticário factory is located -, allowed us to open the history of our products to the public. The exhibitions held at the museum set a visitation record. A story of commitment that is reborn every day.

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Standards	Divulcation Items	Page/answer/omission	Global Pact Principles
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EXTERNAL VERIFICATION

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 is limited to the final report presented and its attachments (GRI Index).

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 the completion of the answers. These are 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 the 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 publication of the initiatives and results of the Boticário Foundation and the Boticário Institute. The relation between the Group's strategy and its private socioenvironmental investment is, then, made clear.

This year, the report also allows for a qualitative evaluation of the means of innovation in sustainability. Sustainability permeates the innovation of products, processes, channels and people management. Besides the description of the types of innovation, it is possible to relate the initiatives to the goals of performance improvement in socioeconomical and environmental aspects.

Another upgrade in this report, the formalization of the commitment with the UN's Sustainable Development Goals (SDG) is the result of the strategic advancement of the Group. Prioritizing the SDG is an action aligned with the impacts generated by the Group on its entire value chain. Once again, this report presents in detail the research that was done for the materiality test. The size and diversity of the sample guarantee representation and inclusion of different groups of stakeholders in the research.

Objectivity, clarity and Comparativeness

The answers to the indicators are objective and complete, at the same time. Specific information about the material topics can be easily found by stakeholders throughout the text, as they are highlighted in text or on images, tables and schemes.

The body of the report presents clear information in accessible language to a non-specialist audience, with intuitive indicators of performance. As suggested in the previous verification, the quantitative indicators presented refer to the years of 2017 and 2018, which allows for a comparative evaluation.

Balance, accuracy and completion

The qualitative answers to the Group's performance indicators are in the body of the text, in almost its entirety. Only a few points are presented in the GRI Index.

The report presents some negative results. For instance, the impact of the truck drivers' strike throughout the

entire value chain. But it is more important to report the initiatives implemented to minimize the problem for the company, suppliers and clients.

The qualitative analysis is consistent with the quantitative indicators available. In general, the report fulfils the requisites of publication within the scopes, boundaries of aspects and detailed periods of time for the selected indicators.

Conclusions and suggestions

The report is in accordance with the GRI Standard Guidelines, "Essential or Core" option. The report presents and details, in qualitative fashion, the stances, strategies, results and future goals of the Boticário Group in relation to Sustainability, as well as the boundaries of performance prioritized by different stakeholders.

It is noticeable that the Group considered the suggestions in the previous verification in relation to including the commitment with the SDG for at least 2 years, so as to allow for comparisons.

For the next report, I suggest the inclusion of detailed information on the initiatives of sustainability of the brand Vult, recently integrated into the Group.



Priscila Borin de Oliveira Claro

MATERIALITY AND REPUTATION

Materiality and dialogue with stakeholders

The material topics of the Boticário Group, that is, those that are more relevant for its sustainable performance, as the company and its stakeholders understand them, are listed in the Boticário Group Strategic Sustainability Agenda and go through annual confirmation processes through consultation. Among the parties heard are collaborators, franchisees, university students, suppliers, the government and regulation agencies, the press and associations.

To ensure that several of the company's relationship publics have their voices constantly heard, the Boticário Group has established a series of communication and engagement tools. In 2018, the communication team's strategy, especially in relation to sensitive topics, was focused on actions that not only bring a positive impact and protect the Group's brand, but that are also aligned with the commercial strategies of the business units. Tools such as the Consumer Relationship Center (CRC), the Franchisee Relationship Center (CRF) and the Ombudsman Channel function as mechanisms to receive feedback and complaints from these publics.

The general information hub about the group is the official website and the relationship means are email, social networks, visiting programs at the operational units and the Consumer Assistance Service (SAC) of the brands. To communicate with our clients, we rely on the service of a virtual assistant and on the teams at the Fale Conosco (Talk to Us) assistance centers, who operate via telephone, email, chat, and Whatsapp.

The Boticário Group's material topics

- Community development;
- Supply chain development;
- Franchise network sustainability;
- Usage of sustainable materials in stores;
- Disposal, recycling and collection of packages;
- Usage of renewable natural resources
- Reduction in resource consumption;
- Empowerment of women.

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The more reputation, the more opportunities

One of the most important ways of getting to know the opinions of interested parties on the Boticário Group's performance is the Reputation Research, carried out annually. In 2018, a new research was applied and the general reputation of the group scored 9,1 out of 10 possible points. The sustainability reputation scored 8,8 points.

Another highlight of the 2018 research was the considerable perception evolution of the university groups regarding the Boticário Group. The average of 6,9 in 2017 climbed to 8,2 in 2018, a growth of almost 20%.

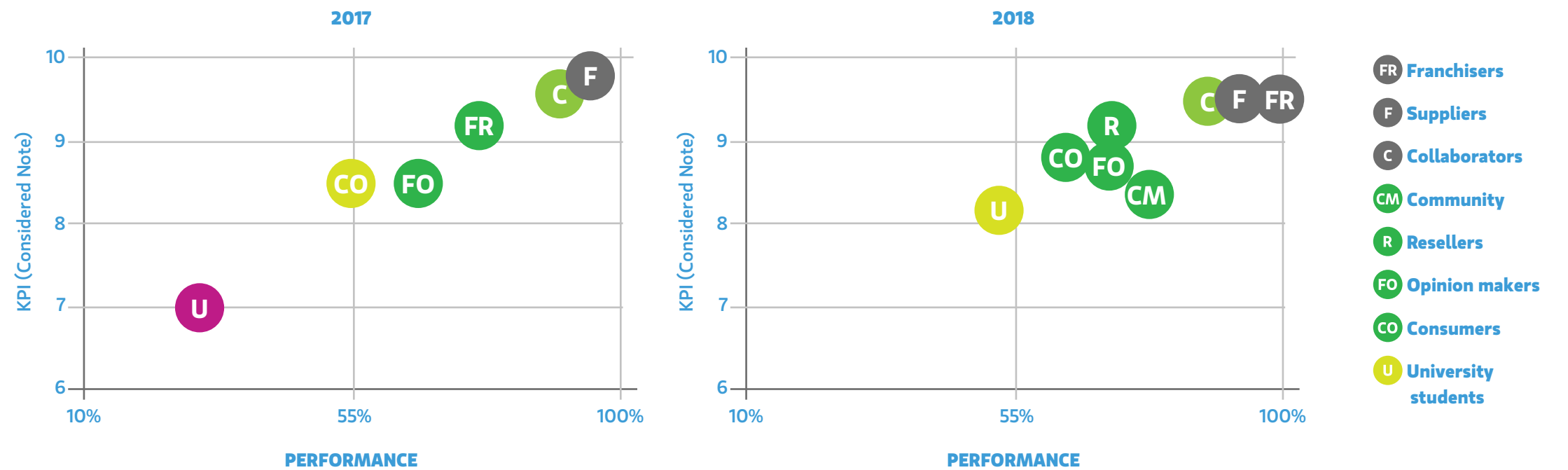
The technical partner in conducting this research is Kantar consultancy, and the focus is to listen to the various publics relevant to the group and monitor reputation, identifying performance opportunities together with the diverse strategic publics.

In this process of reputation evaluation, a comparison is made between 2017 and 2018's performance with other companies, by public. Besides observing the variation of indicators in relation to previous years and quantifying the reputation KPIs (consideration of publics' weight and the importance of the indicators), the research is essential for us to consider another important metric, the consolidated performance, which allows for identifying the largest associations and public perception in relation to the reputation directives.

For the 2018 study, we listened to 1.137 collaborators, 162 franchisees, 200 university students, 20 suppliers, 20 representants of the government and regulation agencies, 20 representants from press, 20 associations, 20 community members, 600 consumers, and 200 resellers. Among all publics, the words most associated with the Boticário Group are Sustainable, Entrepreneur, Responsible and Innovative.

PUBLIC	WEIGHT	TRUST	ADMIRATION	SUSTAINABILITY	CONSIDERED REPUTATION
Collaborators	20%	9,4	9,6	9,3	9,5
Franchisers	15%	9,4	9,7	9,5	9,5
University students	5%	8,9	8,1	8,1	8,4
Suppliers	5%	9,6	9,4	9,7	9,5
Opinion makers	15%	9,0	8,8	8,6	8,9
Consumers	W%	8,8	8,8	8,1	8,8
Community	5%	8,4	8,4	8,0	8,4
Resellers	15%	9,3	9,1	8,7	9,1
Total publics	100%	9,0	9,1	8,8	9,1

Performance comparison 2017 and 2018



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Stakeholder engagement

The reputation research is part of the communication and engagement process with the Boticário Group's stakeholders. With the data gathered in the research, it is possible to evaluate the strategic publics' perception on the coherence and effectiveness of our actions. The year by year comparison allows us to identify critical points, evaluate the tendency of our performance and compare it to that of other companies, market leaders in general.

These observations generate insights into the planning of communications and engagement, as it was the case with the perception improvement among university students from 2017 to 2018. The below-average grade, in 2017, caught the attention of the Group, which then set out to establish a more intense dialogue with this public by visiting universities and promoting a renovation of its internship and trainee program, resulting in an immediate reaction. The reputation index with this public grew almost 20% in one year.

Besides that, some rankings are important for self-evaluation, as well to understand society's perception regarding our practices. We are in 5th place in the 2018 Merco Company Reputation ranking, the most important of the genre in Latin America. Among the best evaluated aspects of the Boticário Group's reputation are socioenvironmental responsibility, product prices, ethical and professional values, ethical business behavior, and brand value. When it comes to Corporate Responsibility and Governance, the Boticário Group is in second place in the research. Our CEO, Arthur Grinbaum, is in 8th place among the most well-evaluated leaders.

Evaluation of the Sustainability Index

One of three items composing the reputation perception index is sustainability (the others are trust and admiration). In this item, the Boticário Group scored 8,8 in average among the several considered groups. Among the highlights of the research, we observed that:

- [1] For the second consecutive year, the word "Sustainable" was the most mentioned by Collaborators and Franchisees, among the ones that represent the Boticário Group the most. For the university public, the word that best describes the Boticário Group is "modern".**
- [2] The public composed of Resellers is the one that has the most positive performance image of the Boticário Group. In their evaluation, they point out that the Group's performance exceeds their expectation (importance) in every item mentioned.**
- [3] The closer our administration is to a certain public, the larger is their perception of the group's sustainability. Suppliers, franchisees and collaborators evaluate, respectively, with the scores of 9,7, 9,5 and 9,3 out of 10.**

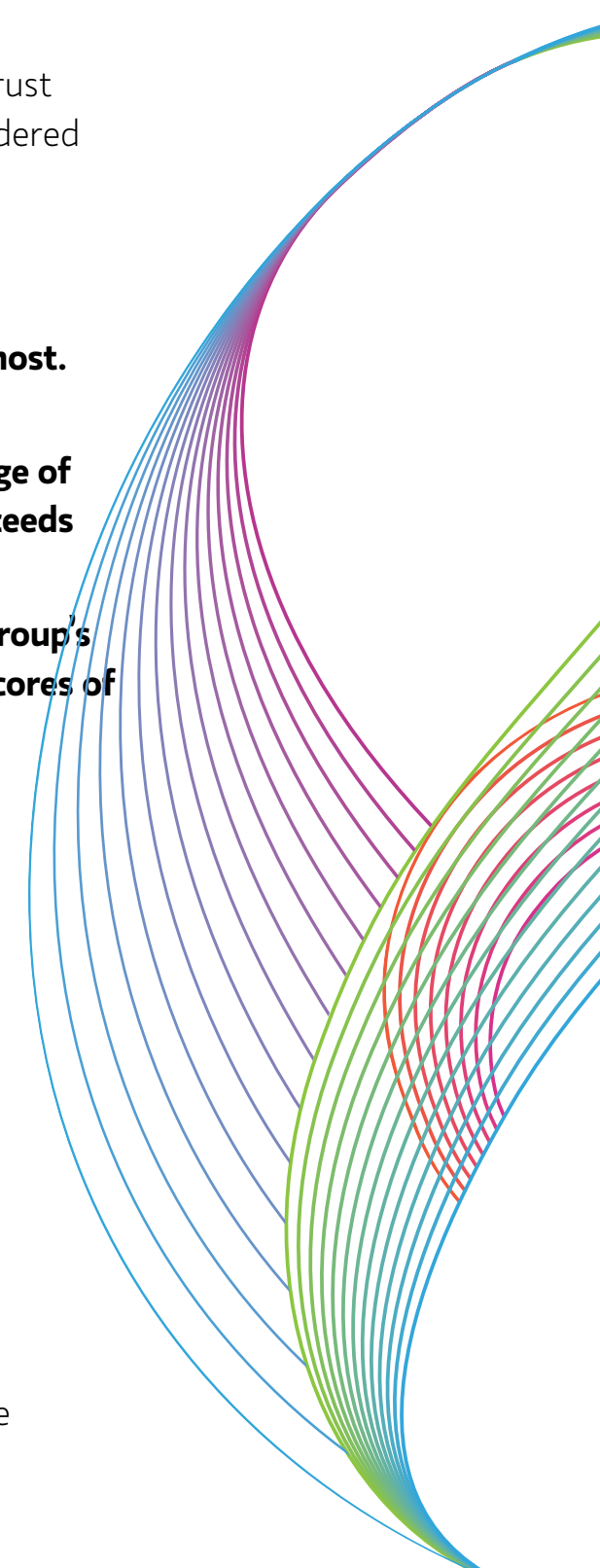
Collaborators 2018



Franchisees 2018



The following pages (80 to 84) contain the evaluations from each public in reference to performance importance in each item of our materiality matrix.



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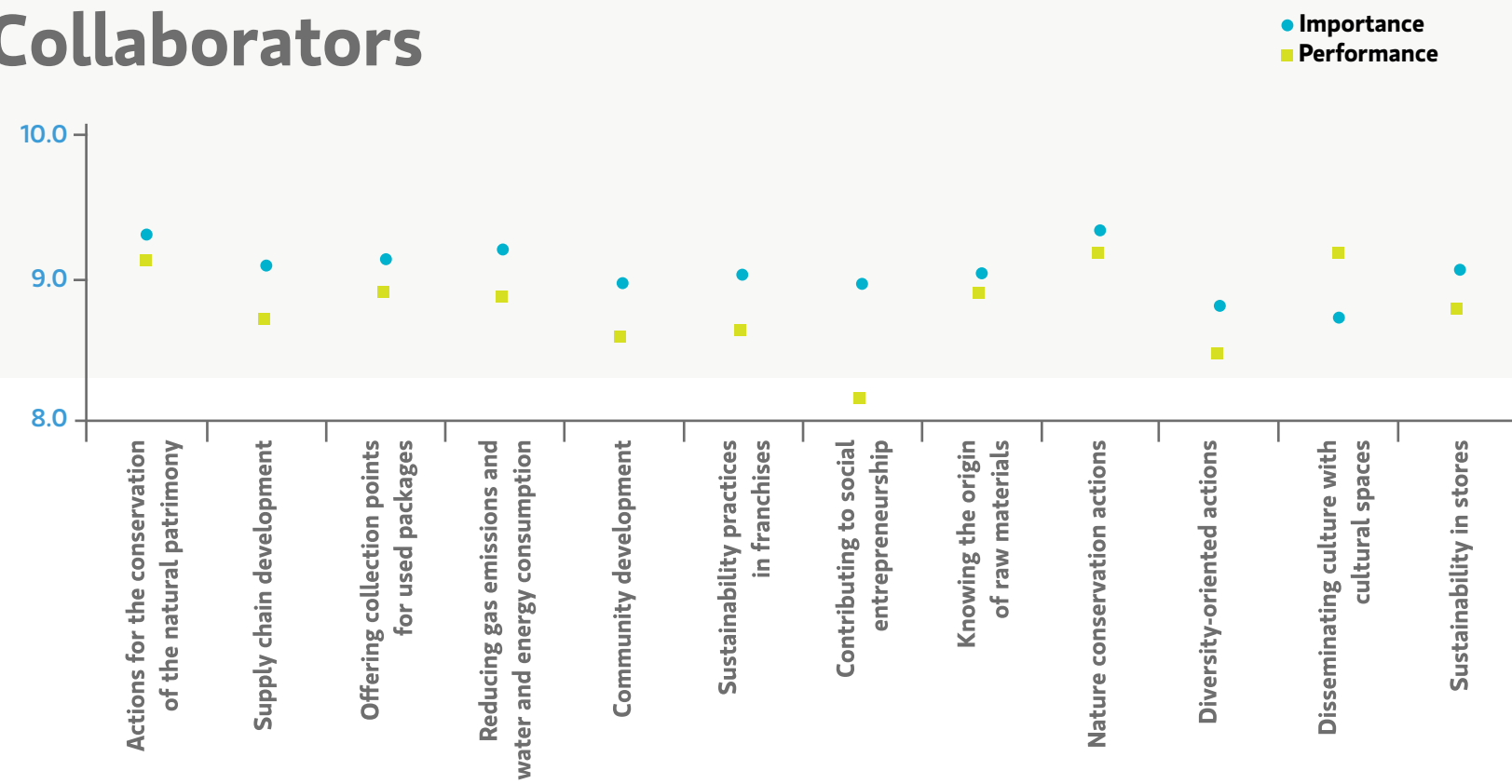
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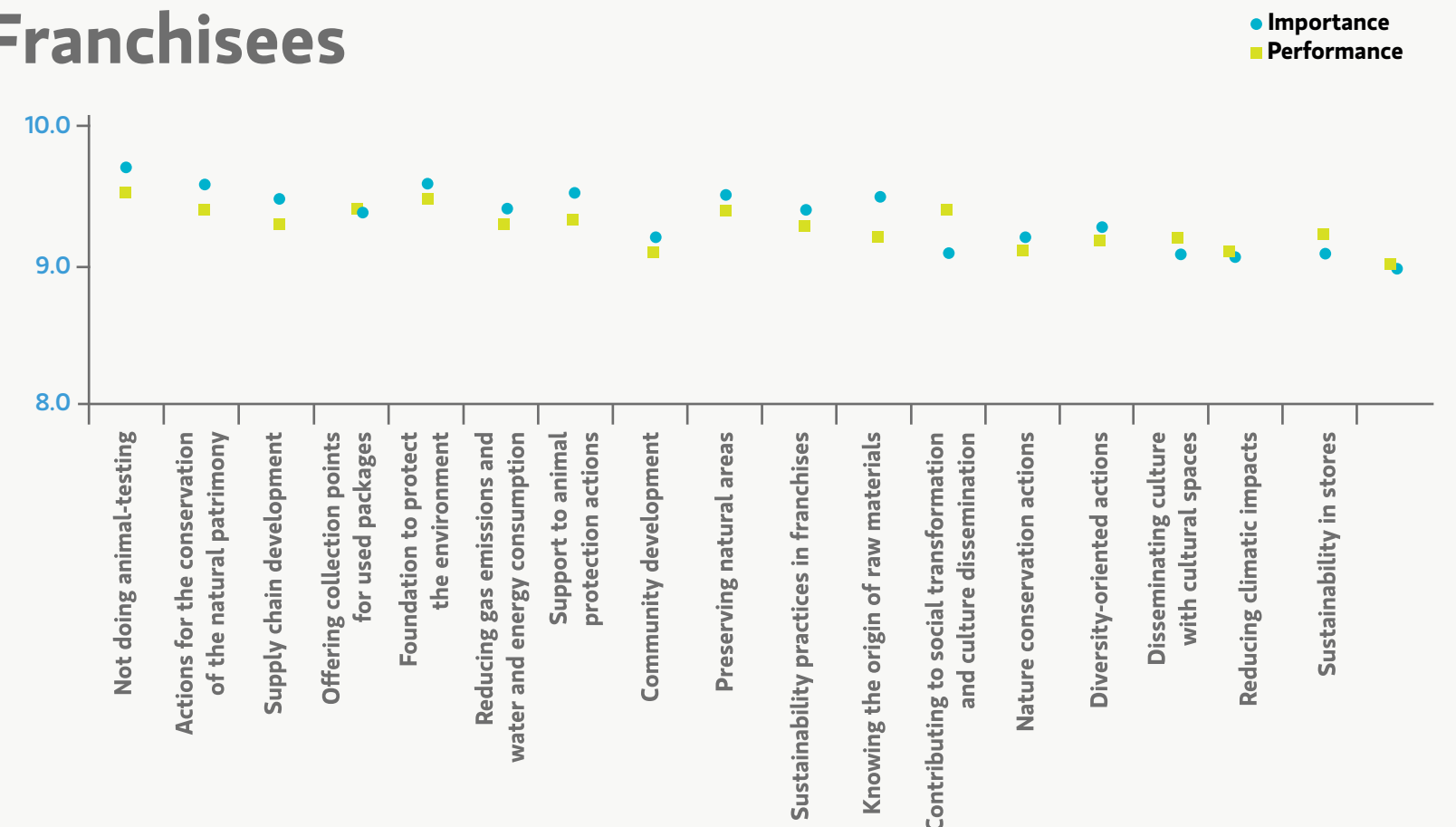
Collaborators



The graphs below show how the publics evaluate the importance of the Boticário Group's performance in relation to the materiality topics they consider to be the most relevant.

The differences among the topics mentioned in the graphs occur due to the specific priorities of each public.

Franchisees



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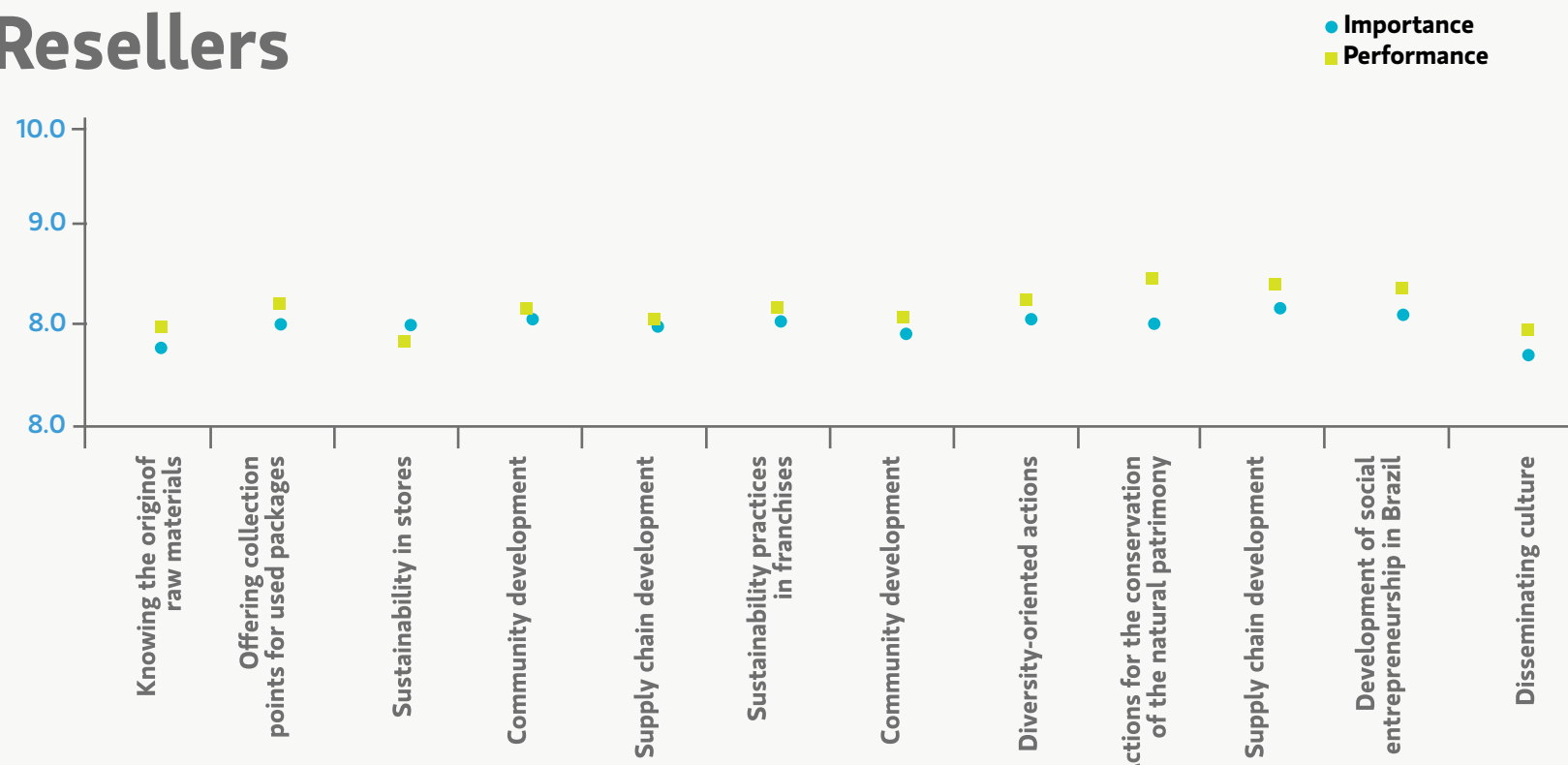
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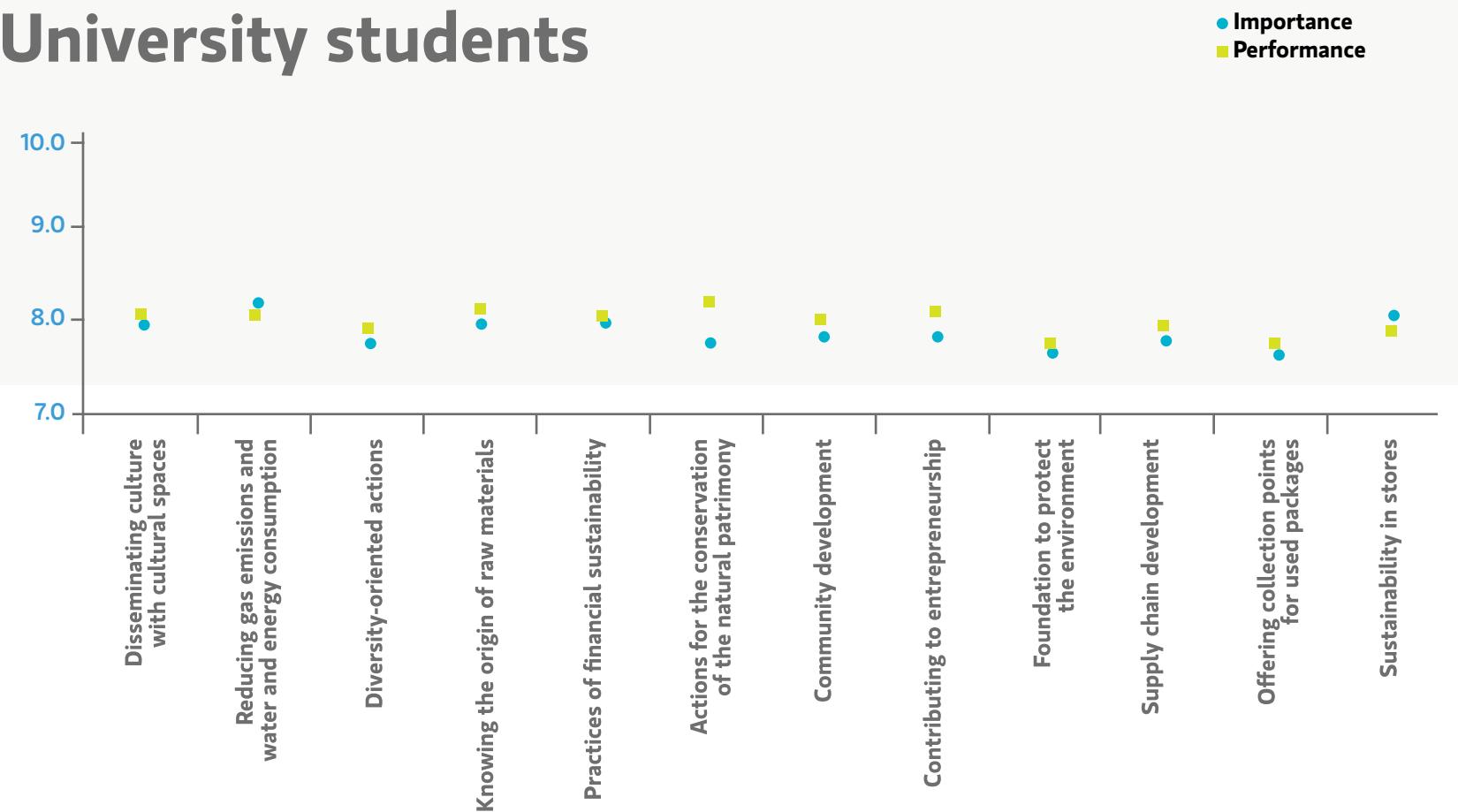


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University students



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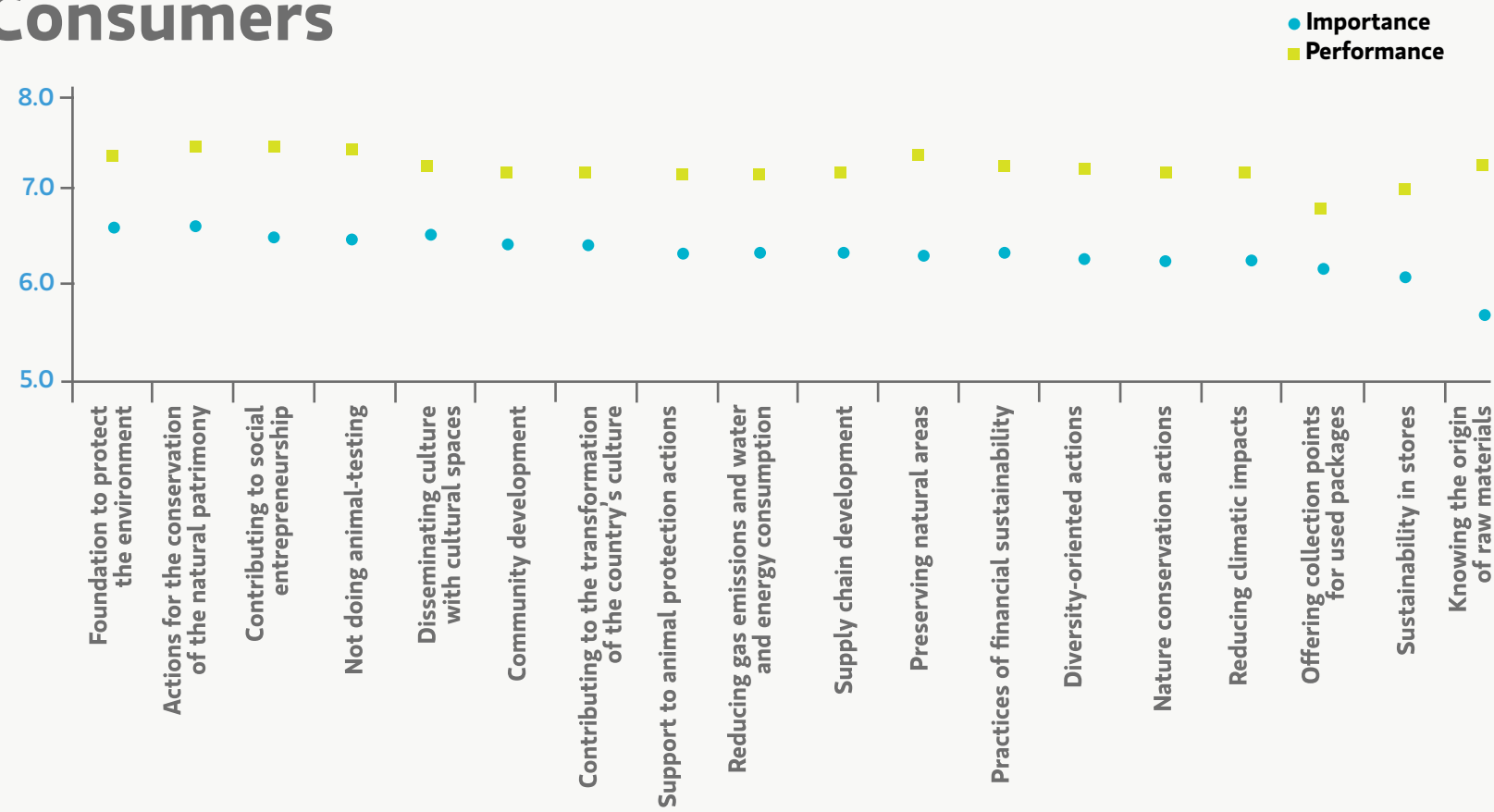
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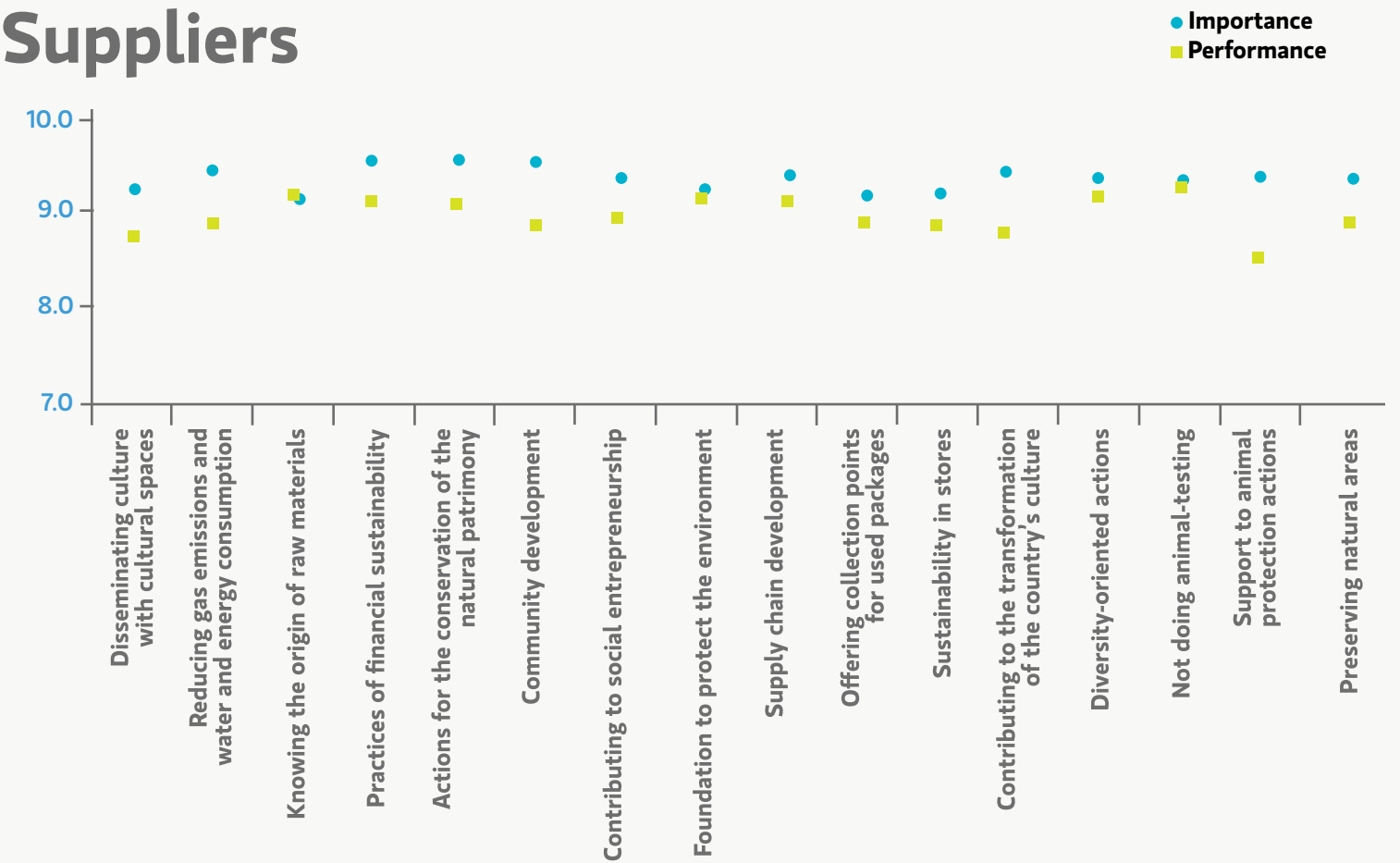


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Consumers



Suppliers



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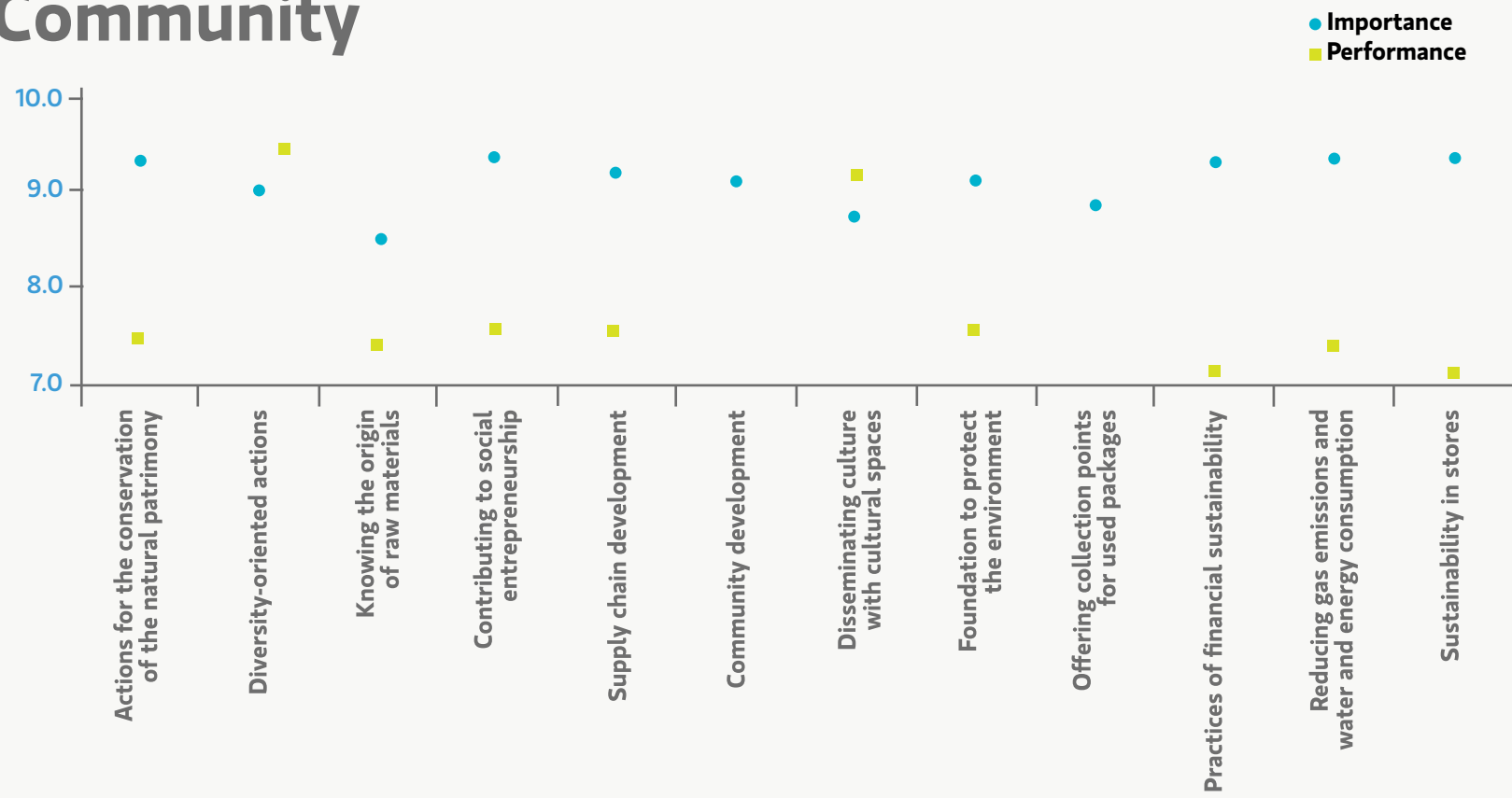
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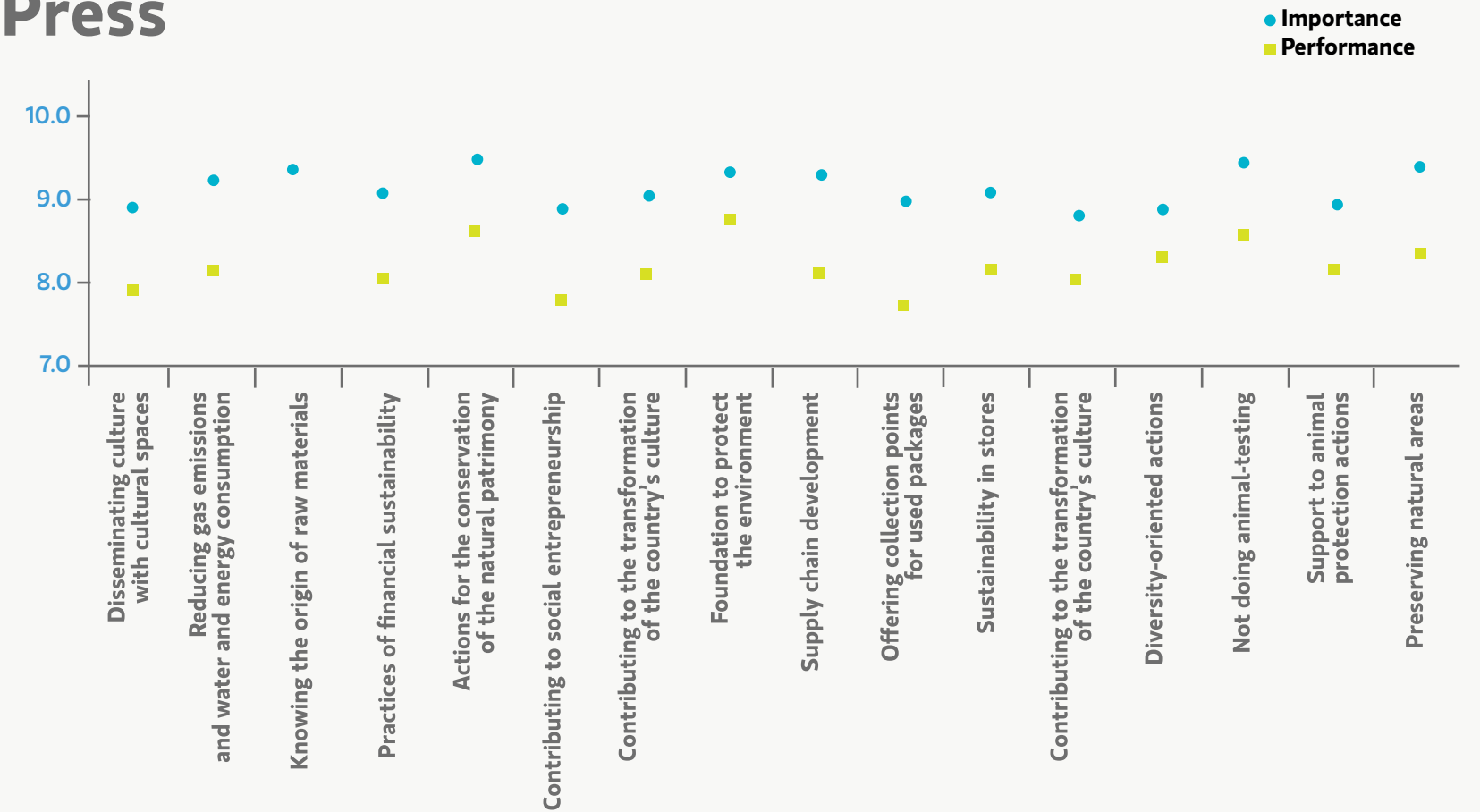


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Press



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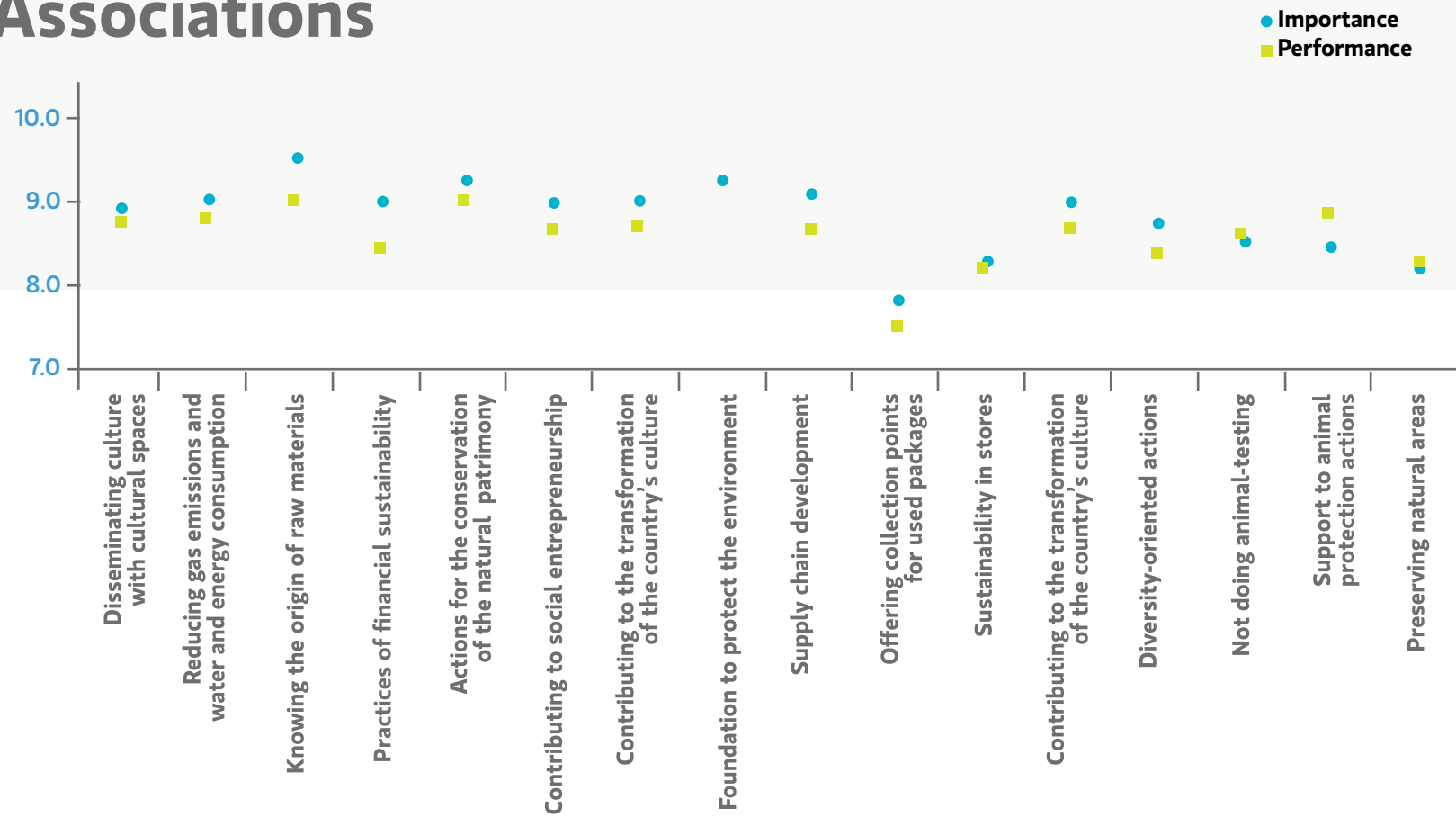
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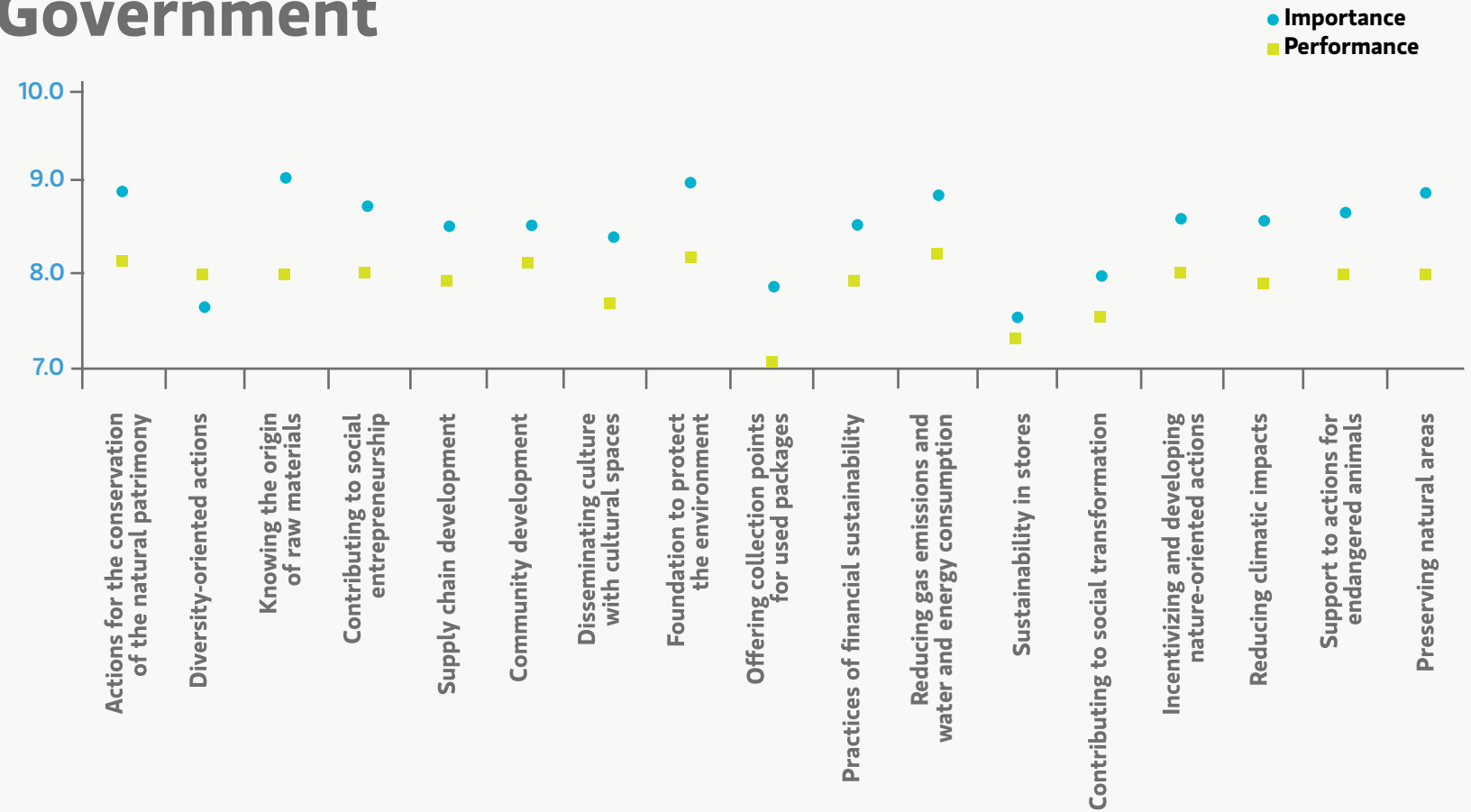


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Institutional relationships

Entrepreneurial

- Câmara Americana de Comércio Para o Brasil (Amcham Brasil);
- Confederação Nacional da Indústria (CNI);
- Conselho Empresarial Brasileiro para o Desenvolvimento Sustentável (CEBDS);
- Endeavor Paraná;
- Instituto para Desenvolvimento do Varejo (IDV).

Sectorial

- Associação Brasileira de Embalagem (ABRE);
- Associação Brasileira de Franchising (ABF);
- Associação Brasileira de Indústrias de Higiene Pessoal, Perfumaria e Cosméticos (ABIHPEC).

Sustainability

- CEBDS (Conselho Empresarial Brasileiro de Desenvolvimento Sustentável) Centro de Estudos em Sustentabilidade (GVces) da
- Fundação Getulio Vargas (FGV-EAESP)- Empresas pelo Clima e Inovação e Sustentabilidade na Cadeia de Valor;
- Conselho Paranaense de Cidadania Empresarial (FIEP);
- Comitê de Responsabilidade Social (FIEB);
- GHG Protocol;
- Grupo de Profissionais de Meio Ambiente das Indústrias do Paraná (GPMAI);
- Grupo de Institutos, Fundações e Empresas (GIFE);
- Instituto Akatu;
- Instituto Ethos;
- Junior Achievement;
- Rede Empresarial Brasileira de Avaliação de Ciclo de Vida;
- Rede Nacional de Métodos Alternativos (RENAMA);
- SBMalt: Sociedade Brasileira de Métodos Alternativos.

Technical

- Associação Brasileira de Anunciantes (ABA);
- Associação Brasileira de Comunicação Empresarial (ABERJE);
- Associação Brasileira de Propriedade Intelectual (ABPI);
- Associação Brasileira de Recursos Humanos (ABRH);
- Associação de Usuários de Informática e Telecomunicação do Paraná (Sucesu-PR);
- Grupo Informal de Empresas sobre Expatriação (GAE);
- Instituto Brasileiro de Inteligência de Mercado (IBRAMERC).

Participation in initiatives

- Pacto Global;
- Princípios de Empoderamento da Mulher (WEPs, na sigla em inglês);
- Indicadores de equidade e gênero do Instituto Ethos;
- Movimento Mulher 360;
- HeforShe;
- Programa pró-equidade de gênero e raça;
- Plataforma global We connect Plataforma global Integrare;
- Adesão ao movimento Livres e Iguais (ONU);
- Fundação Abrinq pelos Direitos da Criança e do Adolescente



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Approach Comunicação

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Karina Rohde

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GrupoBoticário 

Suggestions, criticisms and praise can be sent to the email
sustentabilidade@grupoboticario.com.br



THE
BEAUTY OF *BEING*
HUMAN

É CRIAR OPORTUNIDADES
PARA REALIZAR SONHOS