

2012

sustainability
report

Beauty is building, together, a more sustainable world



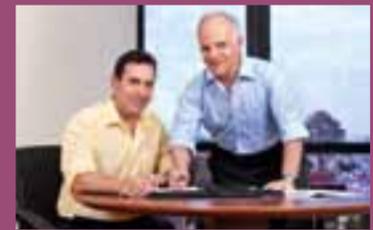
grupo boticário
beleza é o que a gente faz





Beauty is building,
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sustainable world

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Message from the presidents

“The importance of sustainability for Grupo Boticário has been growing and the attention to the subject has intensified.”
Miguel Krigsner

Grupo Boticário has a very particular way of looking at sustainability. It is used to translating it into contributing to the building of a more beautiful world in all of the various meanings of beauty. When I look back to our history, I have no doubts that this task has been fulfilled with transparency and with the commitment of people who are passionate for this organization. The people who make us proud by doing this deserve our admiration and recognition. Without this team, we would have never succeeded in opening new business units in a single year. For this reason, we need to celebrate 2012!

On the other hand, all this excitement in our business structure also required a high level of focus and a lot of thinking about the essence of Grupo Boticário. After all, before taking such daring steps we had to ask ourselves what direction we were giving to our business, what we are planning for our future, and what we have to do to get there - in order to repeat the success we have had



importance of sustainability for Grupo Boticário has been growing and the attention to this subject is getting intensified. The whole value chain is even more prominent to the organization. We want to consolidate the idea of investing in a net of benefits, and in the generation of global value - for our organization as well as for partners and society.

This is a continuous, natural progress which strengthens the concept that sustainability is the management of the future from the present. It is transforming oneself along with the world, proposing new solutions, and anticipating trends, while creating benefits for all.

Many are the expectations and aspirations, as we are facing a huge and vibrant challenge. We are braving the task with the conviction that as important as knowing "how" to get to a destination is the learning that takes us to it.

The Report you have in your hands is a reflection of our current choices.

This celebration to 2012 and to the strategy of sustainability only makes sense if we get the support of all the people who relate to the Group. If this material awakens in you the desire to go beyond and do more in the subject of sustainability, we will be sure that together we will be taking the correct path to beauty.

Miguel Krigsner

President of the Administration Council of Grupo Boticário

in the last 36 years of our first business unit, O Boticário, in the new business units that have opened in the last couple of years.

This is why 2012 was, indeed, a year of a lot of work, questionings and accomplishments. We realized that we needed to understand "the sustainable world" which we intended to cooperate and define our role in and the concepts of "world" and "sustainable" also had to be clarified.

Tuned to this changing society, Grupo Boticário understands the challenges of this era and tries to overcome them. A proof of this is that, in 2012, while adjusting our focus and sharpening our vision of sustainability, we matured. Thus, we have chosen, in a structured manner, some priorities such as raw materials and packaging, sales channels, and eco-efficiency, which will help guide our business for the next 12 years. We are looking to continue moving forward our business with a vision that balances our economic results with a responsible and committed social and environmental posture.

With this in mind, we clearly see that the

In a society in constant evolution as ours, we need to understand the sustainability as the perpetuation of business. This demands responsibility and a sense of balance from new companies to attend to what society desires today and will desire in the future.

To follow this path, it is necessary to focus on profitability. After all, a company that is not financially solid cannot be competitive in the current market. However, above all, the company that is forward-looking and has intelligent management is the one that incorporates social and environmental variables into the decision making process and, consequently, contributes effectively to the society and environmental challenges. This is not a simple task.

We depend on technologies, processes and people. More than on mechanical changes, we depend on cultural progress, new paradigms, and new lenses to understand our role in society.

In terms of market results, the Grupo Boticário has reached satisfactory levels. In 2012, O Boticário, our first, and thus, the most experienced business units, reached 3,550 stores that as a whole sold R\$ 6.9 billion, 25% more than the prior year. And, despite being in the market for very little time, our other three units – Eudora, says who, berenice? and The Beauty Box (the last two launched in 2012) –, have helped us launch 1,600 products last year, more than three times our historical average.



“In 2012, we also revisited our sustainability strategy, in an exercise of ongoing evolution, while we improved our processes to minimize our impacts.”

Artur Grynbaum

To support this growth, we have also formalized investments of about R\$ 650 million starting in 2012 for the construction of a factory and a distribution center in Camaçari and São Gonçalo dos Campos, respectively. The investments include, also, the amplification of the industrial assets in our current factory, in São José dos Pinhais, Greater Curitiba (PR), and the building of a large Research and Development Center, at the same plant, inaugurated in March 2013, which became the cradle of all our innovation in beauty solutions.

We see these results as a proof of maturity of the organization and as a result from our team work, in which employees, suppliers, franchisees and clients performed specific roles, but fulfill the same proposal: creating beauty and personal hygiene products and cosmetics that take beauty to the lives of thousands of people, with acknowledged quality and safety.

The registered growth also increases our responsibility. We are committed to working so that we do more with less, efficiently. For this reason in 2012 we also revisited our sustainability strategy, through an exercise of constant evolution, at the same time in which we improved our processes to minimize our impacts.

We have to highlight the continuity of the great work performed by Boticário Group Foundation for Nature Protection which, year after year, makes us proud with the results reached in the realization and support to projects of nature conservation in the country.

The building of future starts now. We expect to have the support of all people in this journey towards beauty, in its most ample and deep meaning.

Artur Grynbaum

Executive President of Grupo Boticário



Institucional

Beauty, transformation and sustainability

This Sustainability Report includes the main practices of the Grupo Boticário in 2012. In this period we launched new business units and announced the growth of our infrastructure through the expansion to Bahia and the increasing of the current structure at our headquarters in Paraná. More than ever our efforts were directed to the business growth.

The information in this document shows, most of all, that the daring steps for the consolidation of our performance model have always been balanced with a posture that stimulates the social development, the environment protection, and the promotion of people and relationships.

Parallel to those large steps towards a sustainable future, we have assumed the communication positioning "beauty is what we do", translating our valuing of beauty in all its shapes. The intention is showing how our businesses are based on the awareness that the future is built today, now, by individual and collective attitudes.

Aware of the role we perform to contribute to the building of a more beautiful world, we increase and strengthen the links to our value chain yearly. We have more than 5,700 employees, 900 franchisees, besides consultants, sales representatives and suppliers who form a large cooperation network. Together we dream, inspire, and work to transform reality.

We understand that sustainability is the starting point to achieve results, profitability, satisfaction

of our relationships and consequently ongoing growth. Because of this, our work is based on a long term vision considering social and environment impacts. Moreover, in 2012 we structured a new phase of our work in sustainability with challenges we foresee until 2024. This anticipation reveals our proposal of being in the forefront in a management model that includes sustainability in its processes and decisions.

This way of doing business, which has the different forms of expression of beauty as a reference and sustainability as a practice, is essential to keep producing the positive results we have already achieved. With sales that have grown eight times since 2000, the Boticário Group is tuned to new opportunities. Furthermore, since 2012 it has counted on a structure that includes the business units O Boticário, Eudora, quem disse, berenice?, and The Beauty Box, in addition of being responsible for the maintenance of Grupo Boticário Foundation for the Protection to Nature.

The long term plan shows the Group's trust in the personal hygiene, cosmetics, and perfume sector - one of the fastest growing in Brazil. In the last 15 years, it achieved R\$ 34 billion in sales, placing the country as the third largest market in the world - only behind United States and Japan - according to studies by ABIHPEC (Brazilian Association of the Personal Hygiene, Perfumes and Cosmetics Industry) and Euromonitor.



Legacy

- Contribute to the construction of a more beautiful world.

Values

- Commitment to results.
- Value people and relationships.
- Integrity.
- Passion for evolution and challenges.

Vision

- Being a reference in the beauty market.

Our history



The first business

- **O Boticário** is born as a simple handling pharmacy in Curitiba (PR).

1977



- Launching of Acqua Fresca.
- First brand store at Afonso Pena airport in São José dos Pinhais (PR).

1979



- First franchised store in Brasília (DF).

1980

- Beginning of the factory operation in São José dos Pinhais (PR).

1982

- Launching of Styletto - the first man's cologne of O Boticário brand.

1985



- First store abroad (Portugal).

1986

- Creation of the Client Relationship Center (CRC).

1989



- Creation of the O Boticário Foundation for Nature Protection (now Boticário Group Foundation for Nature Protection).

1990

- Acquisition of the Natural Heritage Preserve Salto Morato in Guaraqueçaba (PR) by the O Boticário Foundation.

1994

- Natural Preserve Salto Morato is open to public visitation.

1996

- Distribution of products centralized after the interconnection of the store network.

1997



- Creation of the current Relationship Center with the Franchisee (CRF).

1998

1970



1980



1990





- Launching of the man's cologne Malbec - the first produced with wine alcohol in the world.

2004



- Launching of Lily Essence, Boticário's first woman's eau de parfum, produced with the rare and artisanal *enfleurage* process.
- Company becomes the first one in Brazil to use nanotechnology in their age-fighting products within the Active line.

2006



- New concept of the **O Boticário** stores with increasing contact of the clients with their products.
- **O Boticário** starts the Packaging Recycling Program throughout their network of stores.

2007



- Miguel Krigsner assumes the presidency of the Administration Council and Artur Grynbaum assumes the executive presidency.
- Inauguration of the Molecular Biology Laboratory (Labim), in a partnership with Universidade Positivo, in Curitiba (PR).

2008



- O Boticário sponsors the maintenance of the Botanical Garden of Curitiba (today the work is performed by Grupo Boticário).
- Inauguration of the Nature Station and Smell Space (*Estação Natureza e Espaço do Olfato*) in São Paulo.

2009



Starting of the Group and of new businesses

- Packaging Recycling Program reaches 100% of the O Boticário network of stores.
- **Boticário Group** is formed.
- Inauguration of the distribution center in Registro (SP).
- Business Unit O Boticário creates a Code of Conduct for the franchise net.
- Inauguration of Corporate University, dedicated to the ongoing training of employees, at the headquarters of Grupo Boticário, in São José dos Pinhais (PR).
- Inauguration of the Perfume Space Art + History (Espaço Perfume Arte + História) in São Paulo in a partnership with FASM (Faculdade Santa Marcelina).

2010



- Grupo Boticário launches the new brand **Eudora**.
- The Group announces the building of a factory and a distribution center in Bahia.
- Boticário launches Nativa SPA pilot-stores (Curitiba - PR; Salvador - BA; São José do Rio Preto and São Paulo - SP).

2011



- Grupo Boticário launches communication positioning: beauty is what we do.
- Grupo Boticário launches the new brands Skingen Genetic Intelligence, quem disse, berenice? and The Beauty Box.
- Boticário turns 35 and announces the dance as a platform of cultural sponsorships starting in 2013, with a prevision of investments of up to R\$ 15 million.
- The Group establishes Sustainability guidelines until 2024.
- Formalized investments of approximately R\$ 650 million in expansion to Bahia (factory - Camaçari and DC-São Gonçalo dos Campos), amplification of the industrial assets, and construction of a Research and Development Center next to the headquarters in São José dos Pinhais (PR).

2012

2000



2010



Prizes in 2012

Throughout 2012, Grupo Boticário, its executives, its business units, and the Boticário Group Foundation gained important recognitions for their performance in issues such as sustainability, human resources, innovation, product quality, packaging design, and points of sale. Among them, we highlight:

Grupo Boticário

- "20 Model Companies" Prize of the Guia Exame de Sustentabilidade.
- Época Empresa Verde Award.
- LIDE Award of Sustainability, promoted by the Group of Entrepreneurial Leaders, for its sustainable practices.
- "20 Best Companies to Work for" Prize, by the Época magazine, together with the Great Place to Work.
- Ranking The Best Companies to Work For, of the Você S/A and Exame magazines.
- Ranking The Best Companies to Start a Career, of the Você S/A magazine.

O Boticário

- First prize in the ranking "The most influential companies in Brazil", by Ideal – The Reputation Agency – and by the British consultant TLG – The Leadership Group.
- Atualidade Cosmética Award, in the categories Company of the Year, Professional of the Year (for the executive president) and in eight other categories.

Eudora

- Brazilian Packaging Award, promoted by the Brazilian Packaging Association, in the categories Packaging of the Family of Products and Technology in Cosmetics, Personal Care and Pharmaceuticals.
- Great Cases of Packaging Award, by the Packaging Brand magazine, with the man's cologne Carbon and the Neo Etagé cream.

Fundação Grupo Boticário

- GreenBest | TOP 3 Award – Popular Jury, in the ONG category (Greenvana).
- 2nd Place Contigo! Talents of Brazil - Paraná, in the Sustainability category (award given to Miguel Krigsner for the creation of the Boticário Group Foundation).

Estrutura



Transformation through beauty

Beauty transforms, captivates, conquers, and can also be conquered. This is the ideal of beauty that **O Boticário** multiplies with its products, stores, and in its relationship with the public.

With a portfolio of more than 1,100 products, **O Boticário** offers complete solutions in cosmetics, make-up, and perfumery. The company is the biggest franchise network in the country and the biggest in the world in perfumery and cosmetics - working with approximately 3,550 stores in Brazil and is also present in nine other countries.

Since 1977, O Boticário has been adding inspiration, boldness, innovation, and quality - earning the market's respect, the partners' trust, and the admiration of the consumers.

O Boticário Relationship Channels:

Site: www.oboticario.com.br

Facebook: www.facebook.com/oboticario

Client Relationship Center (CRC):

0800 4130111

Franchisee Relationship Center (CRF):

(41) 3375-7575 e/ou 607575#.

Extranet for franchise net:

<http://www.e-boticario.com.br/portal/site/extranetbr/>



The power of beauty

Eudora is the beauty brand of Grupo Boticário that makes women feel powerful and sensual to accomplish whatever they want. Women know that attitude and beauty, together, are the key parts in all achievements.

The **Eudora** products, divided into "Casual", "Cool", "Powerful" and "Among 4 Walls", help women to express their sensuality. The brand proposes the color that calls attention, the texture that invites touching, the perfume that attracts, instigates, and sweeps you off your feet.

Eudora is the second business unit of the Boticário Group and the first Brazilian company to work, since the beginning, in 2011, with a multichannel strategy that includes direct sales, electronic commerce, and its own stores.

Eudora Relationship Channels:

Site: www.eudora.com.br

Facebook: www.facebook.com/eudoraoficial

Talk to Eudora:

0800 727 4535 or falecomeudora@eudora.com.br

Representatives: representante.eudora.com.br



To become prettier, in your own way

Who said that you can use black on your eyes only at night? Or that the toenails and fingernails need to be polished the same color? Who said that beauty has to have so many rules? **quem disse, berenice?** came to question and expand the concepts on make-up. The brand inspires women to embrace the freedom to feel more beautiful and experiment different possibilities of products until they find what matches better with them.

The business unit of Grupo Boticário arrived in the market in August 2012, with a colorful portfolio, more than complete, with more than 500 products in different colors, textures, and fragrances.

quem disse, berenice? offers options accessible to women of all ages and social classes. The consumers of the brand are women who enjoy trying new combinations.

Good humor, irreverence, and originality are the values that translate the proposal of the business unit.

By the end of 2012, the brand already had 10 points of sales and the forecast is to end 2013 with about 70.

Relationship Channel **quem disse, berenice?**

Site: www.quemdisseberenice.com.br

Facebook: www.facebook.com/quemdisseberenice

Talk to us: 0800 726 6482 or oie@quemdisseberenice.com.br



All the beauty in a single place

The newest business unit of Grupo Boticário, **The Beauty Box**, was launched in November of 2012 with the proposal of bringing a new experience of cosmetics purchasing to the market and get the consumer closer to the beauty universe.

A dream store designed to get in and forget about time. This was the inspiration of **The Beauty Box** to bring more warmth and proximity to the space that gathers more than 100 national and international beauty brands, distributed into ten categories: perfumery, make-up, nails, face care, body and bath, hair, mothers and babies, beyond accessories, and men's products.

Within the store environment, the brand, which proposes getting closer to people, creates stories using good humor, offers beauty tips, and creates curiosity for the brands and products.

Today there are six stores in the state of São Paulo, three in the capital, one in Campinas, one in São José dos Campos, and one in Ribeirão Preto. In addition, the e-commerce store which was recently inaugurated will offer more than 7,000 beauty items until the end of 2013.

The Beauty Box also has its own brand, the Little Beauty Products. In a good natured manner, the new brand brings more than 60 hair products, body & bath, and accessories. The intention is to charm everyone who looks at the store shelves. Because of this, packages were prepared with a contemporary design using symbolic and effective shapes which surprise and communicate with the consumers - inviting them to live a lucid and sensorial experience of the beauty universe.

Relationship Channels

The Beauty Box:

Site: www.thebeautybox.com.br

Facebook: facebook.com/facedabeauty

Talk to The Beauty Box: 0800 754 6436



FUNDAÇÃO GRUPO BOTICÁRIO
DE PROTEÇÃO À NATUREZA

For the conservation of natural beauty

Long before the nature preservation became a concern of society and the business world, our organization was concerned with the issue. It was due to this awakening to the subject that, in 1990, was created what is today the **Boticário Group Foundation for Nature Protection**, main expression of our Group's private social investment.

As a nonprofit organization which, since its beginning, promotes and performs actions for the conservation of nature all over Brazil, **Boticário Group Foundation** concentrates initiatives for the protection of areas, such as their own Natural Reserves, through which it protects more than 11 thousand hectares of two of the most threatened Brazilian biomes: the Atlantic Rain Forest and the Cerrado.

Winner of several awards for its actions over the years, the Foundation also supports initiatives of other organizations and the raising of the awareness of the society to the conservationist cause, contributing to the ecological balance of the planet and the maintenance of life. After all these two are fundamental characteristics to guarantee the more beautiful world we all want and that is the objective of the Boticário Group.

Relationship Channels Boticário

Group Foundation for Nature Protection

Site: www.fundacaogrupoboticario.org.br

Facebook: www.facebook.com/fundacaogrupoboticario

Twitter: http://twitter.com/fund_boticario



Sustainability at Grupo Boticário

Where beauty takes us to

To think about the future is a necessary exercise, but which may generate doubts and uncertainties. If it is not possible to know for sure what future reserves to us, at least a good long-term planning allows us know that it is possible to continue in the path that is currently being followed.

Society realizes the relevance not only of what we do for it and the environment, but also how we do it and why. To answer adequately to the wishes of this society in constant movement and evolution, the strategic sustainability planning that we prepared in 2012 considers challenges in a horizon that goes until 2024.

But, what kind of future are we talking about? Important tendencies and pressures may be foreseen in the horizon, with impacts in the short, medium and long terms. Some predictions done by specialists reveal that the world population will pass nine billion people by 2050. It is projected that there will be a strong social inclusion and ascension of less favored classes, as well as the development of new global markets, and the growth of Brazilian market. A growth in the consumption is also considered in relation to the indebtedness and the environmental impacts. There may also be an increase in the requirements of organized groups for the reduction of the use of non-



renewable raw materials in our production chain. Due to this, the need to research new materials with lower after-consumption impact tends to grow.

Specifically in Personal Hygiene, Perfumery and Cosmetics industry, the sustainability will be increasingly recurrent, as the consumers become more aware of social and environmental impacts associated to the productive processes. Research and development of beauty products and solutions are fundamental to address the market trends, such as the access to new consumers to the sector, and the new environmental regulations, for example, besides considering publics and demands with specific needs.



Horizon of challenges and achievements

Thinking in the long term, there are some demands already known by the sector, but the new products that appear are, systemically, placed in our value chain. The acquisition of raw materials will be the focus of growing environmental pressures related to the competition for the use of the soil and the finiteness of natural resources, involving debates such as deforestation, water shortages and emission of greenhouse gases.

Social pressures related to the use of controversial substances also tend to echo, following movements of other countries and continents. The adoption of methods that consider the life cycle appear as important options for the reduction of the social and environmental impact of processes and products, and, for this reason, will receive much more attention from the sector.

The changes in purchasing behavior and consumption in the next generations will also require a new corporate attitude in the years ahead. Currently, the consumers know their consumption standard may not only help reducing the social and environmental impact, but also,

consequently, generate positive impulses in the society. By questioning the origin of the products they consume, they will increasingly require more transparency from the companies, having the network communication as one of their main allies.

Ignoring such tendencies would be equivalent to assume the risk of taking business to a destiny not convergent to the evolutionist trajectory of society. Challenges such as these would require a firm and active posture, besides financial and human resources investments in new techniques and technologies, processes and relationships.

Pressures may be faced as opportunities or risks. We have opted for the first option, and we also work to mitigate and address issues related to the second one. We understand that the logic of the choice of sustainable raw materials will provide a virtuous path, capable of reducing the environmental footprint, increasing the efficiency in the production, benefitting suppliers and insuring the consumers' access to innovating and differentiated products.

A beautiful future starts with a good strategy

In this new phase to define our work with sustainability, started in 2012, the objective is for us to be protagonists of transformations, identify and propose solutions for critical themes and for the new demands of a more complex, questioning and interdependent society.

We want to ensure market, growth and results. More than building a differentiated image, we want to give continuity to our history with attitudes and actions that have always been based on sustainability.

Despite the fact that planning for a distant future is challenging, we understand that the necessary changes will happen gradually, and that it is necessary to look to reality through new lenses, being pragmatic since the beginning of each action.

We know that developing innovative solutions, materials and processes depends on time, investment and cultural advancement. For

this reason, to start a process of investments convergence and of management model, as we are doing, it is indispensable to have these elements identified and monitored. Besides being adapted to this need, Grupo Boticário understands that the sustainability strategy drawn is more adequate to this new reality.

All the links from our value chain need to walk together. If we offer beauty products of high quality, we must show the client his responsibility in the life cycle of each product. If we implement internal processes to gain efficiency, we can also give support to suppliers so that they evolve in this direction. And, finally, if we develop new technologies that reduce the use of natural resources and generate less residues, we want to share the discoveries to inspire a new wave, in which sustainability is effectively integrated to the management of other organizations.

Looking at the future, understanding the scenarios, and tracing action strategies is like establishing a direction for our work, which doesn't mean that we will walk a straight line in that direction. It does, however, show that we are constantly improving our internal processes and aligning our actions to the expectations of society.

Grupo Boticário believes that the future starts now. We have confident and inspiring leaders and passionate and motivated teams for this transformation to happen. We want to mobilize the action, awaken the awareness and the systemic vision in each person who contacts our company. The sustainability trajectory cannot be a single one, for it is result of a collective construction, since the action of only one part impacts the totality. For this reason, we believe that adding our actions we can build, today, a future with more beauty to all.



Ripening the sustainability concept

Grupo Boticário wants to continue growing without losing the essence, preserving beauty in all the actions. To guarantee the continuity of business and face future challenges, we have defined three different fronts: Raw Materials and Packaging, Sales Channels and Eco-efficiency.

Developed in 2012 and managed in a participative manner, the sustainability strategy is the result of several debates that involved different areas of the organization. The work was coordinated by a team committed to the insertion of sustainability into the management and processes of the company, with the support of market consultants, specialized in strategic planning of sustainability for large organizations. With an interdisciplinary team, it was possible to identify the necessity of having a more comprehensive perspective of sustainability, intrinsically connected to the Group's business model. "We felt that it was necessary to look deeply at the main elements of the company and answer some questions, such as 'what are the focus of action to look for a differentiation' and 'where should we invest our energy'", says Henrique Adamczyk, executive director of Development and Organizational Transformation. "When we realized that it was necessary to build a long term vision in sustainability, we decided to study it and structure it", he remembers.

Assuming that the future is uncertain and that changes are inevitable, the involved teams started to study and visualize scenarios, understand behaviors, identify actions and measures that contribute to solve problems. It was a challenging process that united interdisciplinary visions of different internal leaders. So many ideas and points of view led to the preparation of a work methodology that privileged technique and objectivity. The idea was to understand which our main challenges for sustainability and for the existence of our business in a solid manner in the next decades were.

Taking into consideration economic, social and environmental issues, the role in beauty market,

the differential and legacy we want to leave, we arrived to the essence of sustainability of Grupo Boticário, represented by the three fronts presented here. "The work was very interesting. We broke paradigms and standardized what was, actually, relevant to the business", says Adamczyk. "We realized that the really important themes for Grupo Boticário were not as many as we had imagined and that were others, not considered until then, needed to be regarded from now on", he concludes.

This immersion of different teams in the challenges of the future showed that the Group must invest in what makes it differential. Taking the O Boticário unit as an example, its net of 3,550 stores may maximize its contribution to sustainability, innovating and bringing with it all the value chain linked to the business.

We also realized that considering the life cycle of the products must, always, be our starting point to make any decisions on these issues. Another subject listed as essential to the business was the ongoing prospection of new materials, Technologies and solutions to make the business more practicable, profitable and sustainable.

We also realized the possibility of contributing to the joint construction of national references and stimulating the market with new methodologies and solutions. In this aspect, the work in partnership with the value chain is essential. To generate the transformations we want it is necessary to involve all the partners.

We have governance mechanisms to organize the intended evolution, work groups involved in detailing of actions, goals and timetables. In this moment of absorption of the whole process, we realized that the biggest challenge is to catalyze changes in attitude. To guarantee the desired success, it will be necessary to promote new behaviors, new processes and permeate these themes throughout the organization, considering the different business units.

The idea that we are a single Group has gained more strength and we realized that this is the path to get mutual benefits, in which everyone wins!



“We felt it was necessary to look deeply at all the main elements of the company and answer some questions such as 'which are the focus of action to look for differentiation' and 'where should we invest our energy!'”

Henrique Adamczyk, executive director of Development and Organizational Transformation of Grupo Boticário

Meet the main fronts of Grupo Boticário in the following pages

Raw Materials and Packaging

We seek to reduce environmental and social impacts related to the extraction and manipulation of raw materials, as well as in the conception, production and recycling of packaging, among all the links of value chain. With this, we insure the quality and safety of products, contributing to improve the performance of the life cycle and recovery post-consumption of the sector.



Eco-efficiency

The objective of this pillar is to develop increasingly intelligent industrial processes. Looking for improvements in eco-efficiency, we constantly revise our actions to allow the reduction of the use of raw materials and the conscious utilization of the natural resources.



Sales Channels

Because they represent the interface of the business units from Grupo Boticário with large part of the public, the sales channels constitute the space in which the practice of sustainability that permeates the organization happens, objective and subjectively. We want to stimulate the entrepreneurship, the ongoing development and the professionalization of the publics that work in direct sales. We also look for conditions for all the sales channels to express the Group's sustainability.



Raw Materials and Packaging

Products for a more beautiful world

Fragrances, creams, soaps and make-up are certainly the icons that come to the consumers' minds when they think about our business units, because they represent our core business. For this reason, working with sustainability in Raw Materials and Packaging is of great importance for Grupo Boticário.

The first challenge is to guarantee the performance, quality, safety and attractiveness of products, without forgetting the need of reducing the environmental impacts caused by the use of raw materials. The second is to offer packaging with a different design and potential for recycling, besides guaranteeing that the manufacturing processes (raw materials as well as the product) have reduced social and environmental impacts.

The Group is committed to minimizing the risks and impacts during the research, development and industrialization of its products. Fundamentally, because it believes in the shared responsibility and in the active participation of all the people involved in the company, the organization works to implement sustainable processes and practices in its productive chain. We want to help the suppliers, partners and consumers to be aligned to the best social and environmental practices.

This is what the Raw Material and Packaging front is concerned with. Taking into consideration that Grupo Boticário manufactures, in average, 17 million personal hygiene and beauty per month, one of its



main sustainability objectives is to evaluate the life cycle of products, from the origin of raw materials until the final destination given to the product by the consumer.

The amplification and qualification of the reverse logistics process, which closes the cycle of the product, is the other fundament in which the Group will strongly invest in the next years. "It is not necessary to reduce the consumption, but to stimulate the sustainable and less predatory consumption", says Richard Schwarzer, director of Research and Development.

Phases of the life cycle of a product



Life cycle of the product

"The sustainability is a learning process, an evolution. It is increasingly necessary to embed it in the internal processes and in the productive chain of Grupo Boticário", evaluates Richard Schwarzer, director of Research and Development. "At the beginning, we will work to establish a uniform methodology to work in the whole life cycle of products, to reduce the production and consumption impacts, year after year", he says.

The sustainability strategy of Grupo Boticário is aligned to the growing demand for beauty and personal hygiene products that consider the social, environmental and ethical impacts, associated to its productive processes. Since 2007, the Group performs the Life Cycle Assessment (LCA) of its packaging. It measures the environmental impacts of the production, since the procurement of the raw materials until the discard of the waste. "The production engineering has the role of developing products with different design, which value lower impact materials and do not overload the planet at the moment of discard and recycling", Richard affirms. In 2012, we performed studies to deepen the understanding of the inventory data and analyses of the productive processes of packaging materials, such as aluminum, steel, cardboard, plastic and glass, considering, in the phases of the life cycle of each one of those materials, environmental aspects such as emissions to air and water, generation of wastes, energy consumption, transportation and use of the land.

Additionally, the application of the packaging LCA contributes to the gathering of data used to check the work of the Group related to the legal issues, such as the National Policy for Solid Wastes (Law nº12.305/2010), as well as to other post-consumption legislations.



Besides monitoring the environmental impact of the packaging, Grupo Boticário has initiatives implemented and in development for its reduction, such as to offer refills in its products, which also makes the product more accessible to the consumer. The refills presented an average reduction of 54% in the environmental impact and 24% price reduction compared to the complete product. In 2012, this purchasing option was offered in the make-up, skin care and deodorant categories.

Other fronts are the utilization of certified paper in the packages, what guarantees the origin of wood with adequate practices in the value chain, and the incorporation of materials coming from recycling in their productive process. Recycled materials are used in the composition of the trays – packaging used to accommodate products for transportation and protection and exhibit – of O Boticário unit and in the boxes used to send all the Group products to its sales channels.

Also in 2012, we consolidated the criteria defined in 2010 for the management of social and environmental risks/impacts in the preparation of products, as well as mapped and monitored those risks and impacts for all the new raw materials, according to Policy of Introduction of Raw Materials of Grupo Boticário.

To analyze the portfolio we selected raw materials that, together, represent approximately 60% of the procurement volume, also considering doing this prioritization the perception of technical areas on the possible risks related to the origin of raw material and/or its productive chain, besides the diversification of suppliers. With the prioritization of Raw Materials and Packaging in its strategy, Grupo Boticário will focus in deepening and qualification of those processes in the whole life cycle of the product.

“Sustainability is a process of learning, an evolution. It is necessary, once more, to embed it in the internal processes and in the productive chain of Grupo Boticário.”

Richard Schwarzer, director of Research and Development of the Grupo Boticário



Optimization of packages

In the conception of the brand quem disse, berenice?, concepts as practicality, spontaneity and breaking of paradigms were the foundations that allowed us go beyond the conventional, not only in the preparation of products and in the choice of colors, but mainly in the designing of the packaging.

To present the products, we opted for lighter packaging, easy to transport and handle. The choice for a compact design, of thin, straight and flat walls, reduced the weight and the plastic material used in the containers. The bags were also prepared in compact dimensions, reducing the use of paper. We also preferred not to use special finishes that would complicate or prevent the recycling process. Some items of the traditional make-up kits were removed – such as the mirror and the appliers, which are sold separately at the stores –, providing savings in the unitary cost and reduction of the environmental impact, due to the reduction of components of the final product. In addition, this initiative induces a new behavior in the consumer because the same mirror and applier can be used with different types of make-up.

Another innovation of the brand was the introduction of the air-less system in the liquid products, such as foundations and primers. This system stops the input of air in the filling process and helps the full exit of the packaging content, helping the consumer to use all the product.

Work with suppliers

The intention of Grupo Boticário is to contribute to the qualification of its suppliers, offering training courses, methodology and technology for them to grow together and reach shared goals, besides keeping themselves updated on the market tendencies, multiplying the social and environmental benefits to the whole value chain.

Because they are shared, the processes of obtaining and manufacturing of raw materials and packaging material require that the companies and suppliers maintain a constant dialogue, mutual commitment and co-responsibility, opening to learning and attention to their production processes.

The analysis of impacts and risks caused by the suppliers' benefitting activities, as well as the definition of development actions for the main identified points, is one of the results of the Sustainability Management for Suppliers, program developed since 2005 with the supply chain. More detailed information on this work can be seen in the chapter "Shared Responsibility".

Efficacy and safety of the product

In all the business units of the Group, the commercialized products are submitted to detailed studies, according to their characteristics, finalities and target public. The concern with safety starts in the first phases of the product development, through the evaluation of the toxicological data of raw materials. Before going to the market, the products go through several clinical necessary studies to verify its safety and efficiency.

After the commercialization, the company monitors the development of the products in the market through the Cosmetovigilance system. Thus, the impacts on health and safety are evaluated during the whole process. The intention is to check the safety and the efficiency of the product according to the international guidelines and current legislation.

It is important to remember that for more than ten years we haven't performed tests in animals for finished products. This internal determination is part of our policy, which is proven by the protocols submitted to and

accepted by the strictest government control agencies, and conceived within the strict national and international standards. Our products go through in vitro and instrumental evaluations that use some of the most modern techniques in the market. And, finally, they go through clinical studies with human volunteers, according to the current ethical norms. These tests are performed through partnerships with renowned institutes in Brazil and abroad.

Repeating the achievement of 2011, in 2012 the Group didn't register serious complaints that justified the recall of commercialized products. There were no registered cases of inadequacy with regulations or labeling information either.



Reverse logistics

The adequate discard of residues of post-consumption packaging occupies a core position in the sustainability strategy of Grupo Boticário. Besides evaluate the environmental impact of the packaging used and stimulate the use of refills of its products, the O Boticário brand stores participate in the Packaging Recycling Program, launched in 2006. With this initiative, the franchiser seeks to raise the awareness and align the different publics (franchisees, consultants, employees and consumers) to join efforts for the reduction of the environmental post-consumption impacts.

To boost the initiative, O Boticário's consultants inform to the consumer the existence of the Program at the moment of the sales and the stores have materials to communicate and divulge the action. Among these materials, we highlight the collector for discard, in which the

consumers can place the empty packaging of products from our business units.

Later, those collected packages go to the units of processing and management of residues.

The Packaging Recycling Program has the potential to collect 100% of the packaging from our business units that go to the market. "Our strategy benefits society because it has the objective to stimulate the correct destination of the final product, after the use, and benefit the groups that receive the residues", explains Miguel Letenski, Supply Chain director. "In addition, our plan includes the business partners, covering all the links of the value chain, without transferring the costs to the consumer, and training him in the exercise of citizenship", he reinforces.

When the subject is related to the correct destination for residues, Grupo Boticário has a long history of actions. Besides having

participated in the national and regional public audiences of the approval process of the National Policy of Solid Waste, the organization also works with ABIHPEC.

Through this partnership, Grupo Boticário promotes actions for the adequate management of solid waste, through the program "Give a hand to the Future", and contributes to the discussions of the Thematic Work Group of Packaging.

Give a hand to the future Program is focus on the training and the technical follow up of the collectors' cooperatives, which receive financial resources for infrastructure and acquisition of equipment, in addition to making the population aware of the importance of selective collection.



collectively building the beauty of the future

We work to have a better environmental, social and economic performance in the life cycle of our products: from the design to the post-consumption, from the strategy to the operation. For this reason, in addition to investing in the improvement of internal processes, we have engaged partners and consumers in favor of the same values and practices.

As we have seen, implementing sustainability is an ongoing action for Grupo Boticário. However, the incorporation of the theme in the technical and operational daily activities faces some challenges. "There is a complexity matching the specific necessities of each area and business unit of the Group, when we talk about sustainability", explains Richard Schwarzer, director of Research and Development. "The first step of the process is to guarantee that all people have the same level of understanding of the subject".

Later, as the executive analyzes, the biggest challenge is related to the external sphere: understanding the different market in which the Group works and motivating the final consumer. "Even though all the business units of Grupo Boticário have the same sustainability model, it is necessary to understand the consumer of each one and prepare a specific communication for each profile", he completes.

In the near future, the strategy is to increase the understanding of life cycle of products in all the involved areas and defining the internal and external means of expression that enable benchmarking. In parallel, we will contribute to the proposition of parameters compatible with the local reality, together with other publics of interest.

The following steps include to insert life cycle concepts in the decisions related to the products and to develop metrics of the financial perspective measurement. Throughout the next decade, the objective is to have performance indicators in life cycle of products, which will keep the balance between the values of the Group and the financial results.

We also plan on revising the current program of post-consumption reverse logistics, using pilot projects to correct deviations, stabilize metrics and improve results.

Thus, we understand that it will be possible to have a model that can be repeated in all the sales channels from all business units.

The intention is creating a strategy to increase the participation of the consumers in the process of returning packages, according to the program already executed by the O Boticário business unit. The Group wants to improve the post-consumption recovery indexes through the engagement of consumers.

“Our strategy benefits society because it has the objective of stimulating the correct destination of the final product after the use and benefitting the waste recipients.”

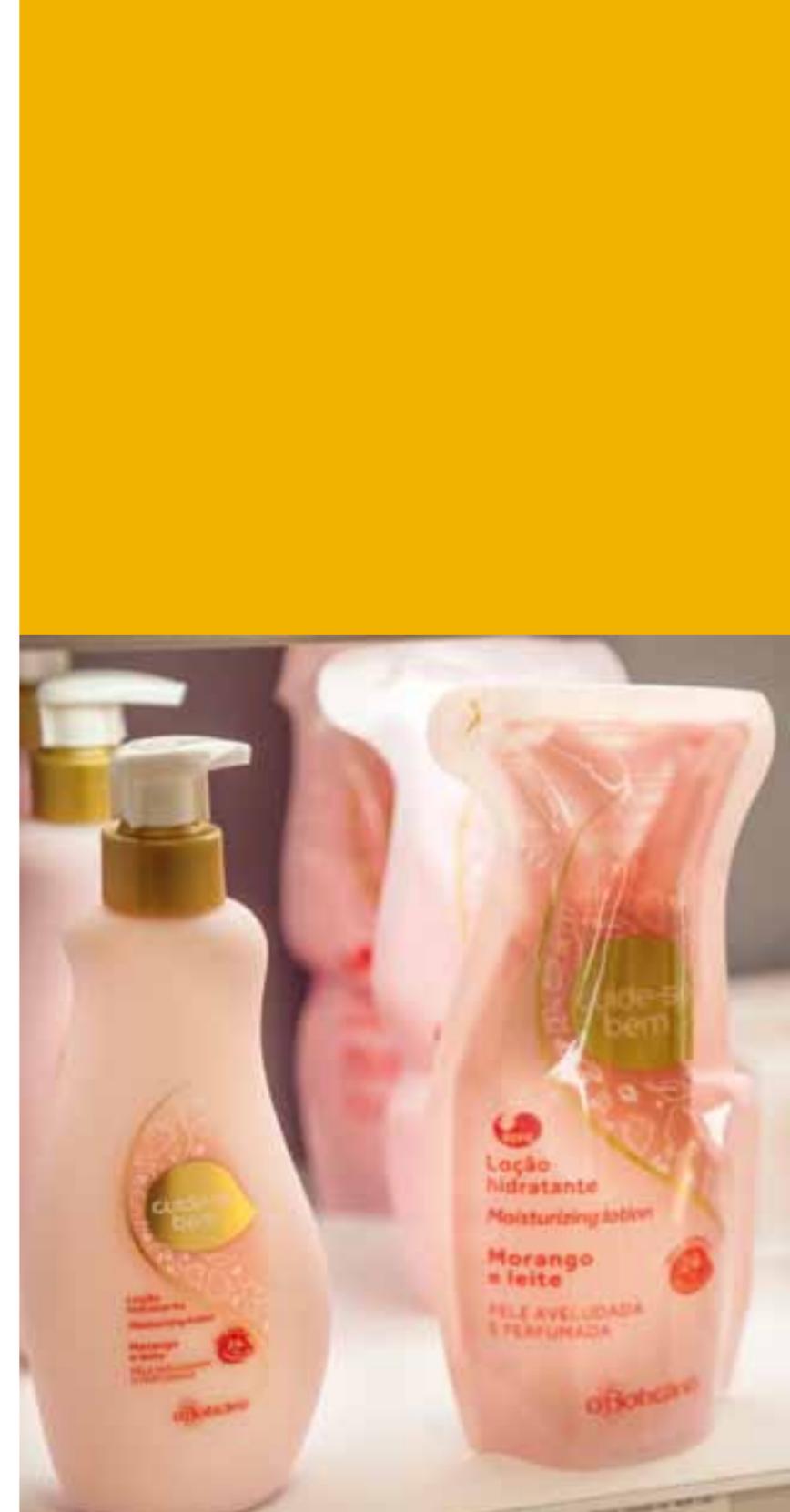
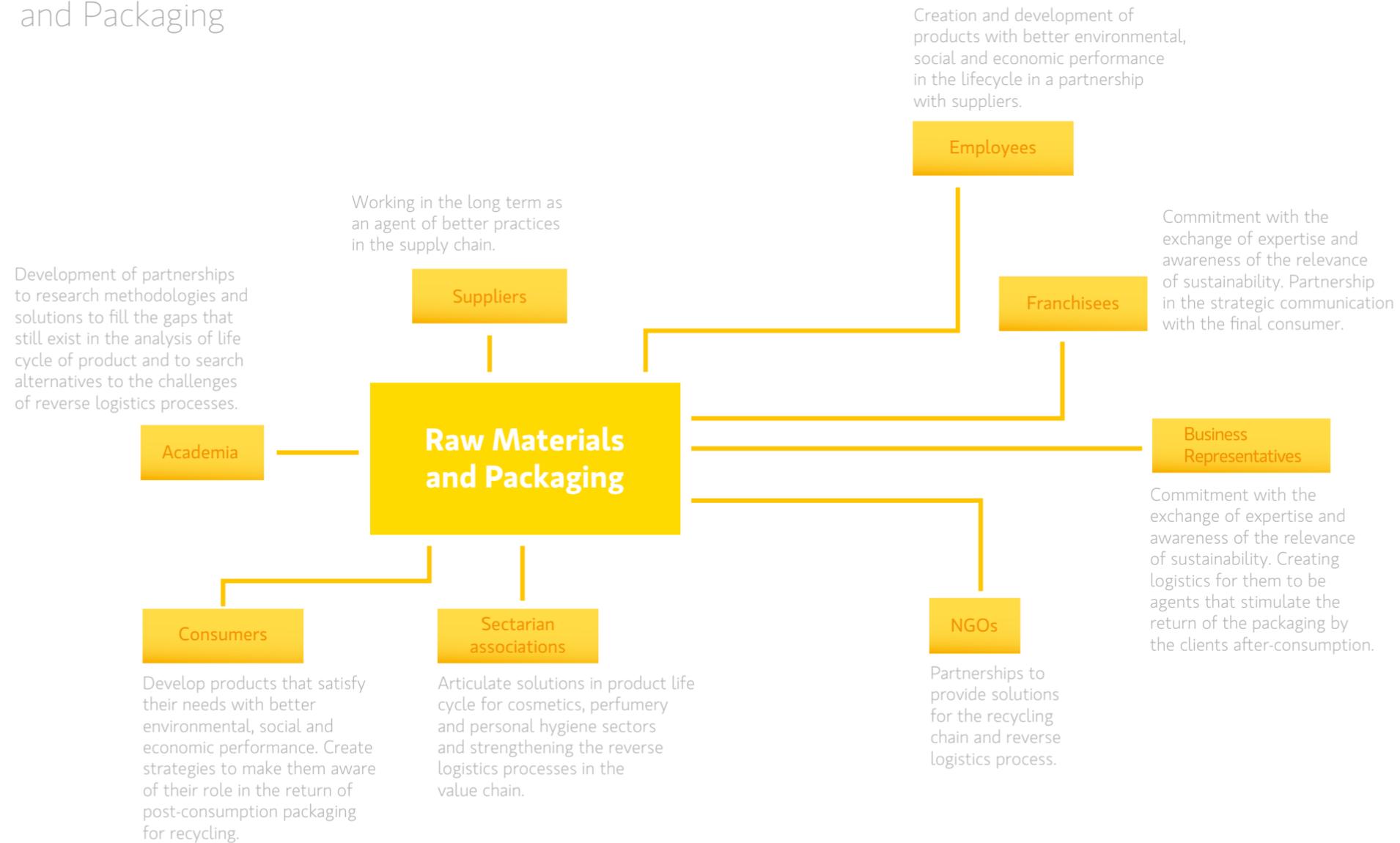
Miguel Letenski, director of the Supply Chain of Grupo Boticário

Connection with all the publics

To ensure the greater efficiency in product life cycle, including management of the post-consumption waste, it is necessary that each one of Grupo Boticário stakeholders acknowledges its responsibilities and work to guarantee the sustainability throughout the whole chain. For this reason, it is part of the Group's strategy stimulating and consolidating good practices from the actors involved in each one of the phases of its production and after sales. We want to increasingly involve our partners, strengthen the links of our value chain and expand the benefits that the sustainable practices may bring to our business and our relationships.

See in the diagram on the right how the Group intends to work with partners, suppliers, employees, franchisees, resellers, sectorial associations, academia, NGOs and consumers regarding Raw Materials and Packaging.

Relationship with stakeholders regarding Raw Materials and Packaging





Sales channels

Beauty materializes in the consumer's eye



In line with our sustainability strategy, the sales channels will have an important multiplying role in our actions to the great public. Because of this, we have been working so that the stores and kiosks adopt increasingly sustainable standards.

The consumers need to feel that the sustainable attitude originates in the store environment, through the people who work there. "The points of sales are a great opportunity for the communication of sustainability with the consumer, because they have the power of reflect our beliefs, mobilize the consumers and commit them with the objective of construction a more beautiful world", evaluates the director of Development of Channels and Franchising of O Boticário, Osvaldo Moscon, who is also sponsor of the work team "sustainability at the Points Of Sales" to Grupo Boticário. "We believe that a consumer well prepared by the point of sale changes his behavior, embraces our causes", he completes.

We understand that besides the investment in renewable raw materials, intelligent packaging, and efficient processes a sustainable business presupposes attention to social and human aspects. For this reason we want to train the professionals of the sales channels even more in order to help them to aggregate value to the business and raise their awareness to sustainability.

The focus of the Sale Channels front is to stimulate the training of the sales teams from the business units to attitudes increasingly more aligned to the Group's strategic positioning of sustainability.

We know that it is at the moment of purchasing that visions and principles of Grupo Boticário become real to the final public. The franchisees and the consultants of the stores O Boticário and quem disse, berenice?, as well as the Eudora representatives, consultants of The Beauty Box and other employees that have contact with the consuming public at the stores form the sale force of products of Grupo Boticário business units. It is there, at the final point of our value chain, that the success of the products is consolidated. Thus, it is the people who work at the sales channels and are in direct contact with the client who strengthen the relationships between the consumers and our brands.

From now on, the company will also invest in the ongoing development of the sales force, among them the Eudora representatives, men and women who work daily with direct sales. Besides, they will be trained in relation to the concepts and values of the Group, so that they will multiply them adequately to their clients.

"We believe that these autonomous professional, who form the universe of the Group, have big relevance in the lasting and sustainable construction of our businesses", evaluates the director of Eudora Sales Channels, Ivon Neves. "For this reason, we want to implement a modern commercialization model to autonomous representatives, to provide a quantitative jump in the relationship with them and quantitative in relation to a win-win situation, in the long term", he concludes.



Points of Sales: information and interaction of sustainability with the consumer

Grupo Boticário fosters the sustainability culture among the management teams of all its business units, as well as the ongoing investment in the points of sales, so that they contribute with the evolution of the theme within the structure of the organization as a whole, especially in the awareness of consumers. For this, it shares technologies of sustainable construction and differentiated design, and promotes training sessions to the sales teams.

In the O Boticário business unit, one of the cultures that is being developed among the consumers is the one of returning of post-consumption packaging through the Program of Packaging Recycling (read more about the subject in Raw Materials and Packaging, on page 24 of this Report). "The objective is to contribute to the knowledge and commitment of the consumer towards our sustainability process. It is at the moment of purchasing that this relationship is established", affirms Moscon, justifying the necessity of investing in the training of the sales teams.

As the biggest net of perfumery and cosmetics franchises in the world, through which pass, every year, 48 million people – equivalent to almost

25% of the Brazilian population -, O Boticário represents a large potential to promote the collection of packaging and its delivery to the recycling processes. The O Boticário experience is also being used as internal benchmarking in the Group for the implementation of equivalent processes in the other units, in the future.

The action plans of Grupo Boticário business units for their points of sales also have as their focus the identification of opportunities and the search for solutions in the formatting of the stores, as well as the utilization of more efficient materials, with lower impact on the environment. With this, the Group materializes its plans and gradually strengthens sustainability concepts, which are largely being adopted by the company.

The application of eco-efficiency criteria in the stores and franchising will include differentiated measures, since the construction processes. The intention is to decrease the residues generated in the construction or in reforms and use renewable materials, respecting the health and safety of employees who work in the stores and the civil construction workers involved in the works.

“The objective is to contribute to the knowledge and commitment of consumer towards our sustainability process. It is at the moment of the purchase that this relationship will happen.”

Oswaldo Moscon, director of Development of Channels and Franchising of the O Boticário business unit

Alternative technologies and methods in the construction and operation of the points of sales will be increasingly observed in the stores and kiosks of the Group brands. An example of an action that has already been performed as part of this line of action is the adoption of a new system for the lights in the O Boticário franchise network. Until the end of 2012, 2,804 stores had already replaced the traditional acrylic box with the logo for a LED lettering. This change allied aesthetic resources to the energy savings and decreasing of the need for maintenance. To strengthen its role of agent of good practices, Grupo Boticário will continue promoting the increasing of communication strategies. This way, we expect to stimulate the consumption with low environmental and social impact, stimulating new consumer's behaviors, so that the consumer becomes an agent of social transformation. For this reason, investing in the personal training is paramount for the sales people and consultants to become a reflection of the sustainability of the organization. It is an objective that has materialized through training sessions, periodic meetings and communication channels.

sustainability in the *quem disse, berenice?* stores

The sustainability concepts of the Group guided the standardization of the ten points of sales of the unit *quem disse, berenice?*, inaugurated in the last semester of 2012.

The concern with energy consumption motivated the use of 9W LED lamps, which last ten times more than the 35W dichroic halogen lamps, normally used in the main lighting of the stores. The decision contributed to decrease the consumption and the frequent discard of used lamps.

Another positive reflex of this initiative is in the reduction of the need for an air conditioning unit for the cooling of the environment, as the LED lamps issue less heat.

The stores also count on mirrors that are retro-illuminated by 15W fluorescent lamps, capable of generating the same reproduction of color as a common 75W lamp.

The furniture is composed by FSC certified pieces and the furniture is made of MDF, a panel with reconstituted wood fiber, renewable or originated from reforestation.



Direct sales: high potential for the entrepreneurship

Despite being recent in the structure of Grupo Boticário, the "direct sales" channel is one of the priorities of the organization, especially for Eudora, inaugurated in 2011. The representatives of the brand symbolize the increase of the possibility of close and lasting relationships with the consumers and may carry the sustainability values of the Group.

"The direct sales channel is recent in the Group. In a little less than a year, besides the gain of experience in a commercial model until then unknown in the organization, Eudora already has a solid history, based on relationships signed with thousands of representatives", tells the director of Sales Channels of the unit. "However, we want to better understand the real needs of this public and also of the consumers of our products, thinking of future alternatives that may perpetuate this commercial relationship", informs Neves.

The positive economic and social moment of the country, with higher social inclusion and access to consumption, leverages the practice of direct sales. Aware of these

factors, the Eudora brand already offers to its representatives voluntary training sessions on basic commercial techniques and products (skin care and make-up). It also promotes periodical meetings (the so-called *Premières*) to update the representatives on the brand portfolio. "The adherence, representativeness, and capillarity of this sales force in Brazil is already known, but it is still necessary evolve in the professionalization of these people", evaluates the director. "It is at this point that we see the real win-win opportunities", he concludes.

Considering that the resale is an autonomous activity of entrepreneurial characteristics, it is important to stimulate this channel to the important mission within this strategy of sustainability of the Group. The company will invest in actions to narrow the relationship with the representatives, looking for the crescent development of its business.

“However, we need to better understand the real needs of this public and also of the consumers of our products, thinking of future alternatives that may perpetuate this business relationship.”

Ivon Neves, director of the Sales Channels of the Eudora business unit



Projecting the future for our sales channels

Our long term objective is to create the necessary conditions for all the sales channels of our business units to be the expression of sustainability of Grupo Boticário. Besides, we want to strengthen the ongoing development of the representatives in the field of professional entrepreneurship.

In the former case, the intention is of conceiving ideal points of sales projects, which include technologies in the construction, differentiated design, formatting and atmosphere, with

innovating operational measures, so that the stores are more efficient. The intention is also to align the communication strategies, to maximize the perception of the consumers related to the positioning of the Group towards the sustainability issues.

In the case of direct sales, we want to improve the individual conditions for the business representation activity. We plan on writing stories of entrepreneurship, sustainability and success with them.

challenges ahead

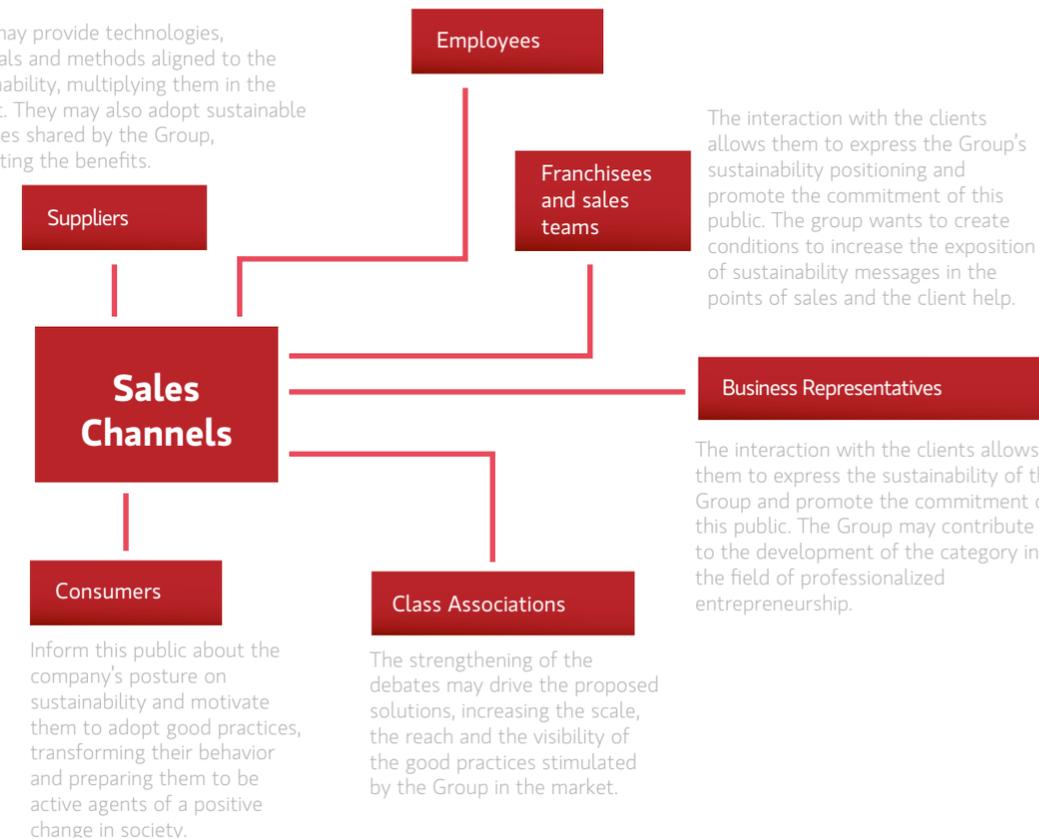


The outlined strategies make it clear that there will be a lot of work and challenges ahead. One of the first actions will be to prepare a map to know what the needs and requirements of the sustainability program in the points of sales are. We also want to improve the building Technologies and the communication strategies, to increase sustainability and divulge the solutions adopted for the suppliers, multiplying the benefits for society.

In a context of business expansion, the main objective is to attract new consumers, replicating sustainability. We also want to maintain the current consumers, captivate the sales force and strengthen Grupo Boticário as a reference in the market. To reach these objectives it is necessary to evolve collectively and to contribute in order for the processes to be increasingly intelligent and re-applicable, and the relationships more and more transparent and focused in the collective construction of the more beautiful world we wish for.

Sales Channels: relationship with the interest groups

They may provide technologies, materials and methods aligned to the sustainability, multiplying them in the market. They may also adopt sustainable practices shared by the Group, replicating the benefits.





Eco-efficiency



Our starting point for beauty

The sustainability strategy of Grupo Boticário strengthens the eco-efficiency concept in the productive chain and promotes the long term planning of business. We work to avoid the waste of natural resources, investing in methodologies and techniques that take to the reduction of the consumption of energy and water, as well as the emission of greenhouse gases and the generation of solid waste, besides the increasing of recyclability of these materials. We want, through these actions, to evolve in eco-efficient practices and technologies, considering internal productive processes and of the value chain, specifically in the processes of suppliers and in logistic processes.

“Historically, we work with the eco-efficiency subject in our internal processes, but we want to give it a long term strategic direction” analyzes Silvio La Rocca, Industrial Director of the Grupo Boticário. “Focusing in suppliers and in logistic processes means increasing our influence and responsibility, besides minimizing the environmental footprint in a comprehensive manner”, he stresses.

In practice, Eco-efficiency front anticipates sharing with partners the advancements, the discoveries, the technologies and successful initiatives – internally and in the market – with the objective of engaging the chain. For this, the organization invests, continually, in research and innovation. “Our commitment is with society as a whole. Productive processes with waste are not coherent with the concept of beauty”, says the director.

“Focusing in suppliers and in logistic processes means increasing our influence and responsibility, besides minimizing the environmental footprint in a comprehensive manner.”

Silvio La Rocca, Industrial director of Grupo Boticário



The eco-efficiency context

The understanding that the natural resources are finite, and that its indiscriminate and predatory use may cause serious consequences related to the balance of the eco-systems, has motivated the articulation of different actors that require a responsible action of companies.

The governments – with the help of laws and regulatory measures, which deal more and more with the current sustainability challenges – and the civil society – which becomes more aware and active – are attentive to the critical issues such as consumption of water and energy, generation of waste and greenhouse emissions caused by the productive activities.

Identifying new opportunities to embed the sustainability into the processes is a permanent demand in Grupo Boticário, strengthened by the strategic and operational planning, what makes that all the productive activities are constantly monitored by specialists of different areas – Quality, Engineering, Industrial Processes, Products Development, Logistics, Environment. These specialists look for more satisfactory conditions in the manufacturing and quality of the final product. The combination of state-of-the-art technology with highly qualified professional insures that the objectives of the Group, of generating natural resources in an optimized manner, are reached in the short, medium or long term.

Change in the infrastructure: good productivity practices

From 2008 to 2012, we made changes in the factory infrastructure of São José dos Pinhais (PR) plant. Some of the actions are described below:

- Treatment of effluents, performed through our modern Effluent Treatment Station. With the replacement of the aeration system, the Station provides higher amount of reusable water.
- Modernization of the boiler burner, allowing the replacement of the LPG (liquefied petroleum gas) for NG (natural gas), with a reduction of 95% of the emissions of pollutants and 21% of the emissions of GHG (greenhouse gases) related to the fixed sources.
- Replacement of the conventional compressor by the ones with an oil free technology and modulation of the pressure, what represents a reduction of energy consumption in up to 20% and elimination of the generation of residues.
- Modernization of the group of generators (previously diesel fuelled), allowing the replacement of the respective energy matrix by NG. This represented the reduction of the NOx emission (number of oxidation) and of the relative emissions of GHGs of fixed sources, lower volume of residues and cost reduction (due to the competitive rate of the NG), besides the energy savings.
- Utilization of vacuum pumps to fill our products, which don't use water in the cooling and have more efficient engines, resulting in savings of water of 230m³/month and less than 30% in energy consumption.
- Adoption of low energy emulsification systems – LEE (*Low-Energy Emulsification*), o better use our own resources in the formulation. Replacing the prior process, which included the heating and then cooling of 100% of the water used in the formulation, the current process adds water in different moments. This allows the more rational use of the thermal energy in the phases that actually need differentiated temperatures.
- Adoption of the CIP system (*Cleaning in Place*) in the cream factory. Through water pressurization, it reduces the consumption in the cleaning of equipment after the manufacturing of cosmetics. In addition, the CIP consists on several washing cycles with recirculation of water in the reactors, tanks, pumps, valves and other pieces of equipment in the productive flow. So, the last washing water of the product is reused in the first washing cycle of the next product, instead of being discarded.
- The *FreePacking* Project, worked in a partnership with *Wheaton*, one of the main suppliers of glass jars to Grupo Boticário, allows the reutilization of eight to ten times the boxes and packaging that involve the jars, expanding its lifespan.
- The replacement of the lamps in the administrative and factory areas also contributed to the reduction of energy consumption of the plant-SJP. More than 2,000 units were replaced in lighting circuits of specific sectors, allowing their use only where necessary.

Some results of the 2012 practices in São José dos Pinhais (PR) plant

Water preservation



Drinking water savings

- Savings of 75% of potable water (43m³/month).
- With the CIP, the manufacturing of creams had a relative reduction in the water consumption of 56% compared to November 2009, as well as a decrease in the use of detergents.
- We kept at 99% the efficiency level in the removal of BOD (Biochemical Oxygen Demand) of the treated effluent, even with an increase in production.
- Reuse of 11% of all the water supplied by the local network, corresponding to approximately 590m³/month.



Emission reduction

Lower emission of polluting gases

- Reduction of 65% of relative emissions of GHGs by the fixed sources, compared to 2007, due to the changes of fuel in the boilers and generator.
- Elimination of the soot generation and reduction of 80% of NOx in the first year of implementation, as a consequence of the change of the diesel fueled energy generation by NG.
- Reduction of the emission of pollutants in 95% in the first year of replacement of LPG by NG in the boilers.



NOx reduction

Reduction of the energy consumption



Reduction of the energy consumption

- Savings of 30% to 50% of energy with the replacement of the diesel fueled energy generation system by NG.
- With the new air compressor system we reduced between 15% and 20% the consumption of energy through the engines with inverter (demand X consumption).
- With the new model of vacuum pumps, we saved more than 30% in the energy consumption, due to the inverters existing in that equipment.
- 10% gain in the total execution time of the process of emulsion manufacturing with the adoption of LEE, with lower energy demand to heat the water and consequent reduction of CO2 emissions.



Savings with use of the new model of vacuum pumps

Correct destination for the waste

- Reutilization of 12,057,283 boxes in a partnership with Wheaton.

Water, source of beauty

Water gets special attention at Grupo Boticário. After all, it is one of the natural resourced indispensable to life and fundamental raw material of the beauty industry, including the daily processes of the Group.

A system that combines zonation, ultraviolet system, deionization, water cooling, and heating is used for the purification of the water. The result is water with pharmaceutical quality standard, much higher than the one required for the cosmetics production, surpassing the USP (U.S. Pharmacopeial) and ANVISA (National Agency of Sanitary Vigilance) parameters.

To increase the water quality and the safety in the purification process, we improve the compressed air system, now free of oil and humidity.

Besides being part of the composition of the products in our business units, the purified water is used in the sanitization of the tanks, while the common water is used for cooling, generation of steam and general cleaning.

These improvements in the sanitization system save drinkable water, what contributes with our efforts to prioritize the reduction of the hydric consumption in all the phases of the product life cycle.

At São José dos Pinhais (PR) plant, all the water is collected by public water supply, coming from the Airport reservoir, which is supplied by Miringuava System. The consumed water corresponds to 0.13% of the local supply capacity, a very satisfactory index, because it indicates that Grupo Boticário does not interfere in the hydric balance and supply of the region.

We stimulate our suppliers to also adopt measures such as registration and monitoring of the consumed water to obtain gains in hydric efficiency. Applying self-evaluation questionnaires to them, we got answers that are helping us preparing actions plans for value chain. This work in terms of eco-efficiency has been strengthening, incipient process that promises good results.

Hydric Efficiency

In 2012, we invested in improvements to increase the capacity of the water treatment station in São José dos Pinhais. Due to the works, from February to November, the reutilization of the water was done temporarily by the old system and the main station, which is more efficient, was only reconnected in December.

The Registro system operation of rain water utilization started in September of 2012. Due to the mentioned actions, the reutilization of water during the year was 52% higher than in the prior year.



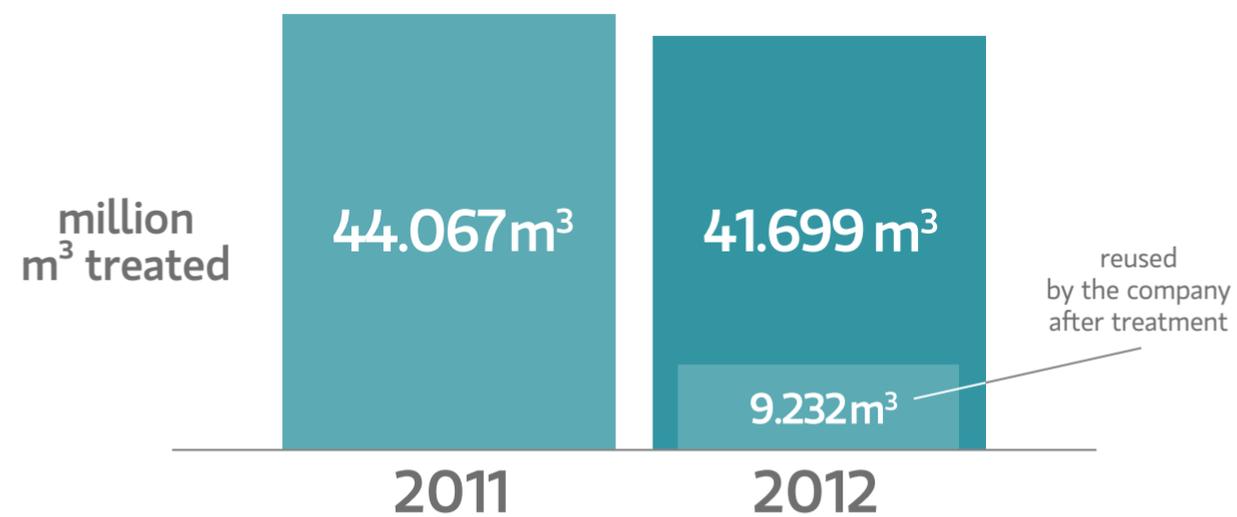
Reutilization of water in 2012, compared to the prior year, in Registro

Check and compare the increase in the total volume of reutilized water

Volume of reutilized water in m ³		
2011	2012	2011 X 2012
7.241	11.440	58%

Do better

Comparative Graph - São José dos Pinhais Plant



The 5% reduction in the volume of treated effluents, observed in the prior graph, may not be real. During 2012 we identified some flaws in the equipment that measures the flow, what generated some uncertainties related to the information. Due to this, we adopted a parallel system for the control of this volume in February 2013, through a parschall gutter.

In Registro distribution center, with domestic effluents, the volume of discharged water goes through a compact ETS (Effluent Treatment Station), before going to an effluent of Ribeirão Vermelho river.

Energy efficiency

Even though the use of electric energy is not intensive in the cosmetics industry, compared to other markets, the reduction of consumption is a goal that includes all the links of the value chain of Grupo Boticário. For this reason, we invest in technologies that result in the energy conservation and efficiency, and in the replacement of the non-renewable energy sources by renewable and clean energy matrixes.

In the new areas of São José dos Pinhais plant, ongoing actions have the objective of decreasing the energy consumption, with simple attitudes, such as adapting the air conditioning to the work shifts, using more efficient lamps with individualized lighting circuits, and replacing external sodium vapor lamps by LED, more sustainable, due to its durability and efficiency.



Consumption of direct energy, broken down by source of primary energy

2011			2012			2011 X 2012			
plant-SJP	DC-Registro	Total	plant-SJP	DC-Registro	Total	plant-SJP	DC-Registro	Total	
Non Renewable									
LPG	1.840 GJ	274 GJ	2.114 GJ	1.559 GJ	418 GJ	1.977 GJ	-15%	53%	-6%
Diesel	903 GJ	3.647 GJ	4.550 GJ	294 GJ	4.451 GJ	4.745 GJ	-67%	22%	4%
Gasoline*	Inventory of GHGs	Inventory of GHGs	Inventory of GHGs	Inventory of GHGs	Inventory of GHGs	Inventory of GHGs	Inventory of GHGs	Inventory of GHGs	Inventory of GHGs
NG	5.693 GJ	-	5.693 GJ	7.911 GJ	-	7.911 GJ	39%	-	39%
Renewable									
Ethanol*	Inventory of GHGs	Inventory of GHGs	Inventory of GHGs	Inventory of GHGs	Inventory of GHGs	Inventory of GHGs	Inventory of GHGs	Inventory of GHGs	Inventory of GHGs
Biodiesel	48 GJ	190 GJ	238 GJ	13,92 GJ	210,39 GJ	224 GJ	-71%	11%	-6%
Total (partial**)	8.484 GJ	4.111 GJ	12.595 GJ	9.777,92 GJ	5.079,39 GJ	14.857 GJ	15%	24%	18%

*The information on the gasoline and ethanol consumption is part of the scope of the GHGs inventory of GHGs (Greenhouse Gas) of Grupo Boticário.

** Partial total because it does not contain the information of Gasoline and Ethanol, which are part of the GHGs Inventory.

An analysis of the consumption of primary energy, in 2012, shows we had variations in the consumption compared to 2011.

The NG consumption at São José dos Pinhais plant had a 39% increase due to the operation of new boilers. The diesel consumption was reduced in 67% due to the non-utilization of the generators. There was a significant reduction of consumption of LPG, because it is used only for the preparation of employees' meals and not in the boilers any more.

In Registro distribution center the absolute consumption has increased due to the growth of expedition volume and consequent practice of extended shifts and operation of the third shift. Besides the larger number of meals that increases the utilization of LPG, the increase in diesel consumption happens, mainly, due to the necessity of using the generator to cover failures in the energy distribution by the energy company.

There was a consumption of 1,977 GJ of in Grupo Boticário, which represented a reduction of 6% compared to 2011, year in which the consumption of 2,114 GJ.

Consumption of indirect energy, broken down by source of primary energy

	2011	2012	2011 X 2012
Electric energy per site in GJ (Giga Joules)			
plant-SJP	36.427	41.265	13%
DC-Registro	9.602	11.724	22%
Aerofarma	304	307	1%
Eudora	629	707	12%
Electric energy/thousand units produced at the plant-SJP and supplied at DC-Registro			
plant-SJP	0,148	0,139	-6%
DC-Registro	0,019	0,018	-5%



We verified that, even though the electricity consumption increased in 2012, due to the expansion of our activities, the Group performance in the indirect consumption of energy was positive, because there was a reduction compared to 2011. Comparing to the 2007 data, base year of the eco-efficiency initiative the reduction in São José dos Pinhais plant was of 37%.

In the year, 76% of the productive processes of São José dos Pinhais plant were covered by the Project of mapping of the productive methods. This project, started based on clean production guidelines, was concluded in the make-up and cream areas of the factory.

Another measure that brought good results was the implementation of the SMAS (Work Safety, Environment and Services). Based on these parameters, 100% of the Group companies were audited in terms of the legal and subscribed requirements, which include conscious consumption and plans for energy reduction.

At the same time, the old chillers and air compressors were replaced by more efficient models, allowing a consumption reduction of 15% and 10%, respectively.

Greenhouse gas emissions

Among the measures adopted to report and follow the reduction of GHGs emissions, we can mention the publication of the inventory of emission of greenhouse gases, prepared since 2008. With this action, Grupo Boticário founding member of the Brazilian Program GHG Protocol (*Green House Gas Protocol*), has as its objective administer the emissions related to its activities, as well as the ones indirectly influenced by it.

At the same time, the Group maintained its active participation at the EPC (Companies for Climate), of which is also a founding member. In addition, since 2011, the organization is a signatory of

The Carbon Price Communiqué, responsible for the articulation of the business leaders for the reduction of emissions in the whole planet.

In an action with the service providers' logistics companies, the diesel consumption during the transportation of products and raw materials was followed. Then, with this information, we defined actions to stimulate the decreasing of the emissions. In addition, there was the installation of our own energy generation plant, for the peak consumption, with NG, with reduction of GHG emission. This kind of generation plant is the first one in Paraná.

Emission of CO₂ equivalents

São José dos Pinhais plant	4,19 t CO ₂ e/MM Produced units/ fixes sources
Registro Distribution Center	2,09 t CO ₂ e/MM issued units/ fixed sources

The São José dos Pinhais plant had a reduction of 76% (compared to the reference year 2007) of emissions of CO₂ equivalents, result of actions such as the replacement of the energy matrix of the boiler burner (LPG replaced by NG) and of the generator (diesel replaced by natural gas).

Due to differences in the assurance calendar and publication of the data, the information related to the total direct and indirect emission of GHGs will be reported in the corresponding inventory, in the scope of the *GHG Protocol*.

Following the guidelines established in the Montreal Protocol, Grupo Boticário does not use products or substances that cause the ozone layer depletion. The NO_x emissions and other important atmospheric emissions, per type and weight, are monitored biannually.

In 2012 we registered the emission of 48kg of NO_x – volume 34% lower than in 2011, when we registered emission of 72.38kg.

Production waste

Grupo Boticário invests, regularly, in innovation, research and development to discard its residues correctly. Recycling, treatment and correct destination have reduced to almost zero the delivery of residues generated in the productive processes to sanitary landfills or incinerators.

Inside company, in 2012, the recyclability index of the residues of productive processes and the administrative areas was 97%. The maintenance of the indicator is due, among other factors, to the *freepacking* project of reutilization of the master boxes, already mentioned in this chapter.

In the same year, the volume of residues not reused or sent for recycling was of 254.19t, 65% higher than in 2011. This increase is not justified by the production growth at São José dos Pinhais plant and the activities at the Registro distribution center.



Total investimentos and expenses with environmental protection, by category

Structure for the Packaging Recycling Program	R\$ 72,280.00
Analysis of the Life Cycle	R\$ 39,000.00
Maintenance	R\$ 136,193.00
Infrastructure	R\$ 1,570,000.00
Audits, SGI (System of Integrated Management), Environmental Education and Monitoring: São José dos Pinhais (PR) plant	R\$ 123,289.50
Environmental Education and Monitoring: Registro (SP) distribution center	R\$ 36,847.07
Residue Treatment Center and Effluent Treatment Station: São José dos Pinhais (PR) plant	R\$ 988,753.44
Residue Treatment Center and Effluent Treatment Station: Registro (SP) distribution center	R\$ 449,352.05
Growth of 16% compared to 2011	Total: R\$ 3,415,715.00

Guaranteeing the continuity in new buildings

As they were discovered, tested, and approved, the eco-efficiency practices were incorporated, gradually, into São José dos Pinhais plant. All this knowledge, accumulated over the years in the industrial plant and the distribution center, will be shared with the new factory and DC, in construction in the cities of Camaçari and São Gonçalo dos Campos (BA), respectively. The works in Bahia State have the objective of supplying the needs of the LEED (*Leadership in Energy and Environmental Design*), to certify the architectural projects of the new installations as "green enterprises".



LEED is a set of classification systems for architectural projects, construction and operation of green buildings. Created in 1998 by the American association USGBC (US Green Building Council), its objective is to promote the design and construction of buildings responsible with the environment, besides healthy to live and work in.

Evolve together

“We want to influence the chain, monitor its indicators and establish strong partnerships.”

Silvio La Rocca, Industrial Director of Grupo Boticário

The hydric and energetic inventories of GHGs and residues must be aligned to the market indicators in all the relevant links of the value chain, such as suppliers, packaging, fleet and sales. “We want to influence the chain, monitor its indicators and establish strong partnerships”, explains Silvio La Rocca, Industrial Director of the Group. “We propose a model that requires a new behavior form everyone.”

Between 2013 and 2015, Grupo Boticário will deepen its research to indicate the best practices in the Eco-efficiency issue, mapping technologies and successful processes. The

intention is to promote the improvement in all the processes and strengthen the synergy of our value chain with the market.

In the medium term, the Group will analyze the benchmarking results, using the information to structure a large plan for the standardization of the practices and share knowledge, learning and expertise. “We want to spread the sustainability DNA, be an inspiration and reference in the issue not only to our suppliers, but also to all the companies of the sector, generating value for the beauty market as a whole”, says Rocca.

New factory and new DC in Bahia

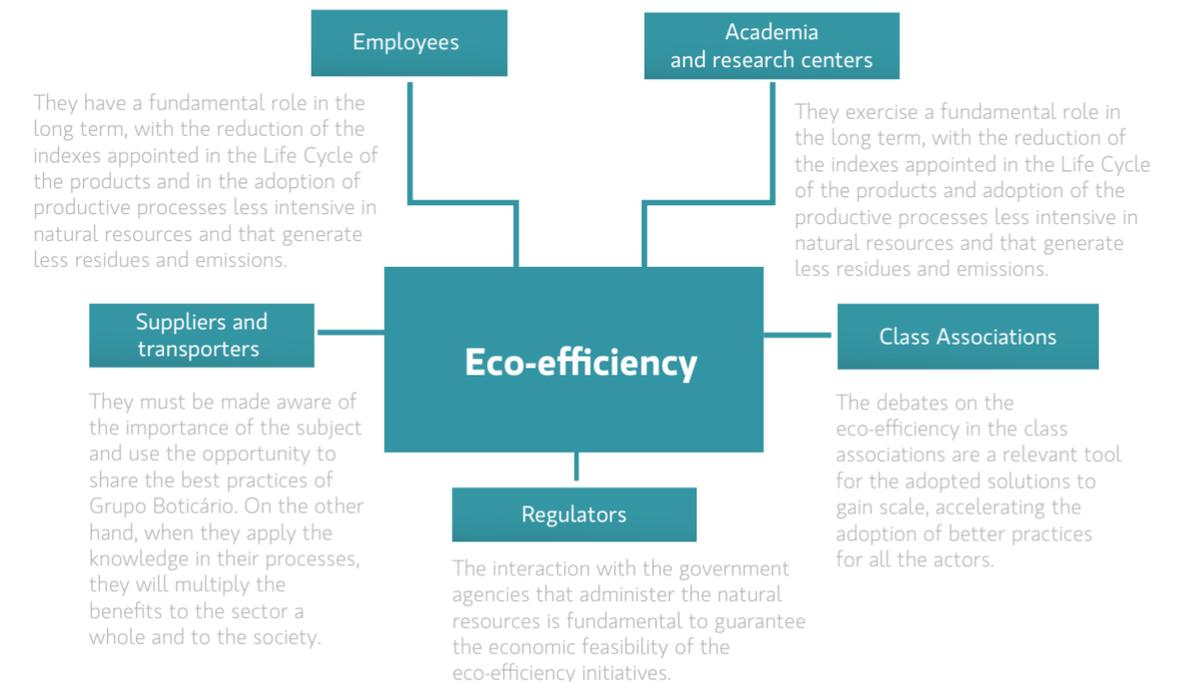
Guaranteeing the building of “green enterprises” to contribute to a more sustainable Brazil. This is the objective of Grupo Boticário when it works to obey the requirements of the LEED (*Leadership in Energy and Environmental Design*) certification.

The intention of the Boticário Group is to get, in the future, the LEED certification for the architectural projects of the factory and distribution center which are being built in the cities of Camaçari and São Gonçalo dos Campos, respectively. Due to this, the organization is paying special attention to some attributes. Among them are the prioritization of resources that allow the reutilization of the rain water, the efficient landscaping and white roofs for the thermal comfort and energy savings.



Trying to hire regional suppliers, the Group also expects to bring other benefits to the local population and economy, obeying the LEED requirement that gives preference to the suppliers located, at the most, within 800 km of the enterprises.

check, below, how each interest group may contribute to the Eco-efficiency issue





Shared responsibility

Beauty is the result of everybody's work

The concern and the strengthening of the relationship with our public are present in the history of Grupo Boticário. Since 2005, when the business was still restricted to the O Boticário brand, the company has expanded the focus of the relationship with their main business partners, in relation to the sustainability. The company has also ripened the necessity of working together with its value chain, defining shared subjects, actions, and objectives. For this reason, it has established a management model that is integrated and aligned with business strategy of the organization, defining new criteria, concepts and guidelines for its actions, prioritizing, more and more, the effective practice of social and environmental issues to its partners.

"Sustainability is an ongoing evolution. The actions and commitments related to our value chain are the result of the ripening of a series of virtuous experiences, started years ago", evaluates Malu Nunes, Sustainability manager of Grupo Boticário.

The three action fronts of the sustainability positioning are strongly centered in the joint action of the value chain. For Grupo Boticário, all the links of this chain are interdependent and become stronger when acting in an aligned manner. "We have large responsibility with our external partners, for all must advance if we want to promote changes", Malu completes.

Grupo Boticário places as a priority the sharing of technical knowledge, methods and work plans, to give tools to its partners and support the continuity and execution of the actions for the next years.

The more we improve and expand our processes, guidelines, communication and capacitation, the better we contribute to the advances and achievements with the society. "Sustainability cannot be done by us alone. For this reason, we have to expand the commitment and the work of the public with which we have a relationship, besides being open to the knowledge and solutions brought by them", the Sustainability manager finalizes.

The sustainability strategy for the value chain includes three levels of commitment: communication, development and partnership work. Check, below, how these actions have been developed with the main audiences.

"Sustainability cannot be done by us alone. For this reason, we have to expand the commitment and the work of the public with which we have a relationship, besides being open to the knowledge and solutions brought by them."

Malu Nunes, Sustainability Manager of Grupo Boticário

Suppliers

We invest constantly in different actions. We aim the qualification and evolution of the sustainability practices in the supply chain, working in a targeted manner in the different sectors of suppliers: of inputs and direct and indirect services. This way, we contribute to the risk management, optimization of opportunities, as well as the differentiation of Grupo Boticário in the strategic focus in sustainability.

In the 2011/2012 work cycle, the main issues worked in the communication actions and development with the suppliers was the following:



Communication

Guides and educates for the practice of sustainability in the business of the suppliers, aligned by the strategy of Grupo Boticário.

Development

Stimulates and capacitates the suppliers for the implementation of sustainable actions in the integral management of their business. It follows and monitors the effective application of the agreed guidelines.

Partnership work: promotes joint projects that generate sustainable results and reciprocal benefits.

- Labor issues.
- Rights of children and adolescents.
- Promotion of the diversity.
- Health and safety.
- Risk management/social and environmental impacts in the development of products and services.
- Eco-efficiency actions.
- Climate changes.
- Sustainability in the relationship with business partners (selection and evaluation).

Sustainability management for suppliers

For each work cycle in the development of suppliers, prioritizes sectors are defined, considering the analysis of the suppliers based on their development in sustainability in the prior cycle, in the criticality in the segmentation of risks and in priority actions in the strategic initiative of products.

For the 2012 cycle, the self-evaluation questionnaire was applied to the suppliers for the measuring of the percentage of adaptation of those partners to the global sustainability strategy of the company. The results show the effect of the actions performed in this period, since the performance in the sustainability item showed an evolution of 11.7%, compared to 2011.



Communication with suppliers in 2012

Three issues of the E-news were sent to suppliers of Grupo Boticário in a mailing with almost 3,000 names, dealing with institutional issues, development actions in sustainability, market trends and orientations.



Open dialogue with suppliers: mutual growth

The evaluation of the suppliers related to their technical development, delivery, quality, and sustainability issues is being done currently through the PADP and PADFS (Evaluation Process of the Performance of Suppliers and Service Providers, respectively). The evaluation is done by the Supply area, together with the other interface technical areas. The sustainability items of this annual evaluation represent 6% of the final grade, and take into consideration the performance in the self-evaluation online questionnaire, which includes social and environmental criteria, the participation of the suppliers in the sustainability workshops and the signature of the consent form annexed to the Management Guide of Sustainability for Suppliers.

The guide was developed by Grupo Boticário with the objective of organizing and sharing the information with this public, through practical guidelines for the work in sustainability. Annexed to the document, the supplier receives a consent form that establishes some conditions for the partnership, in which each company agrees that:

- The procurement procedures must include sustainability guidelines.
- The selection and evaluation of suppliers consider social and environmental items.
- The licenses required for the operations of the supplying company must be in force.
- The company must implement and monitor actions to guarantee the fulfillment of the labor legislation to annul the possibility of child labor, forced labor our analogous to slave labor in its installations and in its value chain.
- The company cannot perform tests in animals to develop products for Grupo Boticário.



Besides the consent form, a clause was also included to the purchase order of raw materials and direct and indirect services, through which the supplier commits himself to follow all the applicable legal norms and regulations, as well as the policies and norms of the purchaser, especially the ones mentioned in the guide of Sustainability Management for Suppliers.

Based on the analyses of the developed actions, on the results of the suppliers, and considering the specificities of work of the different sectors of the supply chain, Grupo Boticário started to guide its actions in the prioritized segments and prepared, in 2012, two sectorial guides: civil construction and transporters. Both give instructions on the better practices of sustainability in each sector and are available in the printed version and in the Group site.

Increasing work and improving attitudes

In 2012, the self-evaluation of suppliers was reviewed and received significant improvements in the criteria and indicators of the sustainability module. The objective was to bring the self-evaluation closer to the initiatives and strategies of sustainability of Grupo Boticário.

The in loco evaluations of the suppliers were also intensified, totaling 89 visits,

56 of them done by the Technical Management of Suppliers, and 33 done by the sustainability area. The objective of these actions is to verify, in person, the scope considered priority for each sector, including the integrated management system (quality, environment, health and safety, among others), the practices related to the sustainability, as well as broader knowledge of the work of each segment of suppliers.

For the first time, these management tools started to be applied also in non-strategic suppliers of the Group, selected according to its risks and opportunities in social and environmental issues. In the 2012 cycle, 68 strategic suppliers and 15 non-strategic filled out the self-evaluation. 37 strategic and 52 non-strategic suppliers were visited.

The quality of the collected information is of large contribution to the assertive work directed to all the involved people. The consolidated results of the visits and of the self-evaluation questionnaire supply important subsidies for the decision making and definition of the work plan, with the suppliers.



Workshops are also part of the development

In 2012, Grupo Boticário developed specific workshops for the suppliers of the civil construction sector, of finished products and transporters. The objective was to engage them in sustainable subjects and practices, clarify doubts and share information. The events had the participation of 95.13% of the invited suppliers, meeting the expectations of 89.77% in the satisfaction survey.

In the workshops for the civil construction suppliers, the main subjects worked were health and safety, eco-efficiency and trends of the sustainable construction. The meeting also served to explain the strategy of sustainability management of the Group to the suppliers, as well as the dynamics of the self-evaluation questionnaire and the in loco visits of the sustainability area.

With the suppliers of finished products, the systematic was the same, and the training

session worked subjects such as shared responsibility in the value chain, strengthening of the relationships and sustainability practices in the whole productive process of the supplier.

For the transporters, the workshop dealt with the social relationships, especially the labor issues and sexual exploration of children and adolescents on the roads. Other subjects are covered, such as the scenery of transportation in Brazil, with information on a new law that regulates the driving profession. The joining of Grupo Boticário into the Business Pact for the Confronting of the Sexual Exploration of Children and Adolescents, an initiative of Childhood Brazil. This pact aims the mobilization of governments, companies and organizations of the third sector to face the sexual exploration of children and adolescents in the Brazilian roads.

Employees

Grupo Boticário involves the workers in communication and capacitation actions to insure that they are aware of the sustainable practices of the organization and may contribute to them.

Communication

Strengthen the perception and the understanding of the workers of the value generated by the insertion of the sustainability in the business segment of Grupo Boticário.

Development

Subsidize the interface areas for the insertion of the sustainability in their processes;
Subsidize the leaderships on the strategy of sustainability of Grupo Boticário, with a perspective of implementation of actions until 2024; consolidate values of the Group, offering responsive actions to possible risks and explaining guidelines of the Code of Conduct.



Communicating the sustainability

The Practical Sustainability Guide was published in 2012, as one more means of communicating sustainability to the Group employees. Distributed to the internal public, the material shows how sustainability is inserted in the strategy of the company and can be practiced by everyone. The guide, also available in the Group's intranet, was launched in an event that had the presence of the cartoonist Mauricio de Sousa. Among other subjects, the creator of Turma da Mônica told the employees how sustainability subjects have also been gaining strength in cartoons.

Another important information tool was the 2011/2012 Sustainability Report, distributed to the employees, inserted in the Revista Essência, internal communication channel which is also available in the company site.

The internal communication channels also brought a series of articles on the subject.

Capacitation for the ongoing development

Actions on sustainability capacitation were promoted for different areas of the company, with pertinent subjects to each one, supplying subsidies for the appropriation of the subject by the employees and insertion in their processes. Among them, we can highlight the sustainability module for employees of the Research and Development area, in the Operations School of the Corporate University of Grupo Boticário.

The capacitation approached sustainability concepts in practical situations, with presentation of scenarios and works of companies, and had a great evaluation by the participants.

With the objective of aligning the employees directly involved in the strategic focus with the sustainability goals, positioning and work fronts defined by the Group, starting meetings happened with the work teams defined for the three fronts presented on pages 24, 34 and 40 of this Report.

Sustainability was also the subject of the Leadership School throughout the year, training the new leaders of Grupo Boticário.

Franchisees

The sustainability management model for the franchise network of the O Boticário business unit has as its main objective to engage the public for the incorporation of the practice of the subject in the administration of the business. This way, we expect that the franchisees to amplify their vision of future and strengthen their results and relationships with the different publics of the net.

Communication

Provide contents and instructions to the franchise network on the sustainability issues and their application for the administration of their business.

Development

Mobilize and promote actions for the development of sustainability in the management of the franchise network.

Joint action

Develop initiatives, together with the franchisees, that generate shared practices and mutual benefits.



Sustainability Booklets

Based on sustainability issues prioritized for work in the franchise network, a series of Sustainability Booklets was developed, with detailed instructions for the insertion of sustainability in the management of the franchises.

Booklet "Concepts and Principles"

- **Subject:** sustainability in O Boticário and our values.

Booklets "Eco-efficiency Actions" and "Packaging Recycling Program"

- **Subject:** waste management; emission and reduction of carbon; National Policy on Solid Waste and reserve logistics.

Booklets "Health and Safety", "Promotion of Diversity" and "Human Relations in the Business Management"

- **Subject:** health and safety of the employees; promotion of the diversity in the franchises; business management applied to the human relations and labor issues, highlighting the fight against labor analogous to slavery; and rights of children, adolescents and women.

Video "What is sustainability?" – involving and practical explanation of the sustainability concept.

Besides the booklets, it is important to mention the publishing of sustainability contents and news in the channels directed to the franchise network: Extranet, Passion for Retail program, magazines Sell Well (directed to sales consultants of the stores) and O Boticário with You (directed to sales professionals of the external sales channel), and training sessions for the network, which were also part of the strategy of communication of sustainability for the franchise network.



Close relation with the network: ongoing improvement

The dynamics of development of the franchise network included, in 2012, an agenda of meetings every four months with field consultants, quarterly meetings with franchisee teams and sustainability workshops.

In the four-monthly meetings with the field consultants, we present the long term strategy of the Group and the importance of the consultant in the process and support of the development of the sustainability management in the franchises. In the quarterly meetings with franchisees teams, performed in twelve capitals, we presented the scenarios, the trends and the movements of the market, tuning the discourse and aligning the common policy of sustainability actions in the franchise network.

The franchisees also participated, in large number, in the sustainability workshops promoted in eight states. "Approaching the Human Relations subject, the workshops are unique opportunities to capacitate, in a guided manner, and deal with specific contents, case studies, dynamics and instructions for the practice in the administration of the franchise", explains Malu Nunes, Sustainability Manager of Grupo Boticário.

In 2012, the Sustainability Workshops involved 256 franchisees. According to a satisfaction survey, 80% of the expectations of this public were fulfilled.

Quantification of results

The results of these actions are quantified, annually, through the IAF (Franchise Analysis Tool). Used to follow the evolution of the franchise business, the tool has as its objective to improve the management, as well as analyze the processes and standards formatted by the franchiser and let the franchisee identify the points of improvement of the business. Applied once a year in all the stores of the O Boticário chain, the IAF indicates which franchises distinguish them regional and nationally.

One of the benefits of the IAF is the spreading of the best management practices of the network, contribution to the evolution of the business, bigger commitment of the franchisees and identification of services for the network.



Results of the perception surveys

Sales consultants

The sustainability actions developed by Grupo Boticário are widely acknowledged by the net consultants, who participated in the survey in 2012. 95.9% of the respondents know or have heard of the sustainable practices of the Group, and 95.8% of the consultants evaluated such practices as excellent or good. 89.4% of them declared they believe acting with sustainability is a relevant difference in the work market.

Franchisees

The franchisees feel they have influence power on the directions of the sustainable work of Grupo Boticário. In the survey done in 2012, 97% of them said they understood that the organization takes into consideration the suggestions of their public of interest. In relation to the sustainability work of the Group, the franchisees gave it the grade 80. In addition, 100% agreed that Grupo Boticário communicates honestly and truly its sustainability strategies and 78% of them also consider easy the contact with this information in the stores.

Working in partnership

The meetings with the franchisees were important to better understand which sustainability actions are perceived by them as opportunities of insertion in the business. Among them, we highlight:

- Actions related to the shop windows and environment of the stores.
- Packaging Recycling Program.
- Reduction of the electric energy consumption.
- Reduction of the waste generation through the non-utilization of boxes, bags and ribbons, among other items.



Community

The sustainability strategy of Grupo Boticário in the communities has as its focus the education, employability and income generation. It considers the particularities and demands of the regions in which it keeps operational and administrative bases. The objective is to continue strengthening the relationship of the local communities with the organization. “Even though the community is not seen as part of the productive chain, it is fundamental in the agenda of shared value”, Malu analyzes.

In 2012, 258 people were benefitted with educational actions of Grupo Boticário, in the cities of São José dos Pinhais (PR) and Registro (SP). In a partnership with city halls, Sistema S and learning institutions of the benefitted cities, professional education courses were offered in the areas of General Industrial Education (117 graduated students), Forklift Operation (102 students) and Digital Inclusion courses (39 students graduated). In 2012, the satisfaction evaluation of all the participants in the São José dos Pinhais and Registro courses corresponded to 94.58%.

With this work, Grupo Boticário built and strengthens partnerships with internal and external interfaces, increasing the reach of its results and contributing to the creation of shared value in the regions in which it is inserted. In Registro, the students of the Forklift Operator Courses filled 55.56% of the temporary vacancies opened in the distribution center of the Group during 2012 and, in São José dos Pinhais, among the students of the General Industrial Education called for the selection dynamics, 61% became temporary employees of the company.



The contribution to diversity was also expressive. In São José dos Pinhais, women occupied 88.8% of the total vacancies in the General Industrial Education, and 77.5% of the Digital Inclusion course. In Registro, the Forklift Operator course, despite being predominantly sought after by the male public, had 16% of female participation.

In addition to these educational actions, other projects and partnerships were developed with the community:

- In a partnership with the Corporate Matters and Press team, we performed actions for the strengthening of the relationship between Grupo Boticário and the inhabitants close to the São José dos Pinhais plant.

- The young apprentices now have a program for education and citizenship performed in a partnership with the Curitiba Center of Voluntary Action, and with the Training and Development team of Grupo Boticário.

- Projects for the inclusion and capacitation of handicapped professional (PCDs) were developed by through these specialized organizations, contributing to the working strategy of the Recruiting and Selection team with this public.

- The Pregnant Women Program, guided by the Medicine and Life Quality team of Grupo Boticário, received instructions and support to expand the benefits offered to the companies and community even more.



Annual Publication of the Sustainability Report of Grupo Boticário.

Grupo Boticário is formed by the **O Boticário, Eudora, quem disse, berenice?**, and **The Beauty Box** business unites, represented, formally, by the set of companies formed by G&K Holding Ltda., Botica Comercial Farmacêutica Ltda., Cálamo Distribuidora de Produtos de Beleza S/A, O Boticário Franchising S/A, Haganá Fomento Mercantil Ltda., KGMA Empreendimentos Imobiliários Ltda., LADECOM - Laboratório de Pesquisa e Desenvolvimento de Cosméticos Ltda. and Interbelle Comércio de Produtos de Beleza Ltda. Based on this structure, the organization publishes its 2012 Sustainability Report.

The document has an annual cycle of consolidation and revision of the performance analysis of projects, initiatives and practices directed to the entrepreneurial sustainability.

This issue corresponds to the period of January 1st, 2012 to December 31st, 2012.

In 2010, year Grupo Boticário was constituted, and in 2011, the Yearly Sustainability Reports related to 2009 and 2010 were published, including only the companies G&K Holding Ltda., Botica Comercial Farmacêutica Ltda., Embralog – Empresa Brasileira de Logística Ltda., Cálamo Distribuidora de Produtos de Beleza S/A and O Boticário Franchising S/A. In these two periods, the companies represented only the O Boticário brand. From 2011 on, new business units started to appear in the Report of Grupo Boticário.

It is important to remember that Boticário Group Foundation for Nature Protection, maintained by the Group, figured in all the Reports, since the 2009/2010 issue, and is also part of the document in this issue. More information can be found in the Foundation's site.

Period of the prior Report:

January 1st, 2011 to December 31st, 2011.

Limits of the Report:

The information contained in this document concretize the management and performance of Grupo Boticário, its business units **O Boticário, Eudora, quem disse, berenice?**, **The Beauty Box**, Skingen Inteligência Genética, and the Boticário Group Foundation for Nature Protection.

Changes during the covered period:

There were no important changes compared to the prior years in relation to the scope, limit our measuring methods. There was no reworking of information supplied in prior reports, related to fusions and acquisitions, changes in the period or base-year or in the nature of the business. The alterations in measuring methods, due to the improvement of the internal controls, are shown in the answers of the applicable indicators.

Responsible teams in Grupo Boticário:

Sustainability and Corporate Affairs teams.

GRI consultancy and technical editing:

Gestão Origami

Text revisions:

Tujalê Comunicação Digital

Images:

Guilherme Pupo, Chico de Deus, Adrian Moss and FGuerra Arquitetura/Design.

Graphic Project:

Doma Design

Reporting team:

Directors of Grupo Boticário, business units and Boticário Group Foundation for Nature Protection.

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This Report was submitted to the GRI evaluation and follows the requirements of the Application Level B – standard 3.1. The full table of the indicators, as well as this publication, may be checked in the *hotsite*: grupoboticario.com.br/relatoriosustentabilidade





grupo boticário

beleza é o que a gente faz

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