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CASE STUDY

Latin America & the Caribbean • Brazil

Natura's Ekos: Perfume Essences Produce Sustainable Development in Brazil

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Sector • Cosmetics
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Summary

Natura is a Brazilian cosmetics company whose overarching philosophy was to simultaneously maximize benefits for the natural environment, communities and the company, through business pursuits. It has achieved consistent rates of growth since its inception in 1969, building a network of 600,000 direct selling consultants and expanding its market abroad. In 2000, Natura implemented a strategy of using raw materials extracted from the Brazilian botanical biodiversity as a platform for its products. These plants were the basis for Natura's Ekos, a line of successful cosmetic products. In order to scale up local production while guaranteeing sustainable extraction, the company built a new business model. It involved small communities, NGOs, and governments promoting local sustainable development in a process in which Natura participated and also differentiated itself by in the market.

As a part of Natura's commitment to social responsibility, and the Ekos strategy, it established relationships with poor communities that extracted raw material from Brazilian vegetal biodiversity as suppliers. In Pará, three communities (Campo Limpo, Boa Vista and Cotijuba) were contracted in 2003 to produce priprioaca, a kind of grass whose roots yield a rare, delicate fragrance. Sales of the Ekos line have been so successful that in 2006 Natura built a new industrial plant to produce soap in the remote region from which most of the vegetal biodiversity is extracted.

Introduction

Introduction

“Our Reason-for-Being is to create and sell products and services that promote well-being/being well. Well-being is the harmonious, pleasant relationship of a person with oneself, with one's body. Being well is the empathetic, successful, and gratifying relationship of a person with others, with nature and with the whole.”

Natura's 2005 Annual Report

Ever since its beginnings, as a laboratory and small store in the city of São Paulo, Brazil, in 1969, Natura has been driven by two great passions: cosmetics, as a means of self-knowledge and transforming power in people's lives; and human relations, which allow the expression of life. These seminal ideas have guided Natura over the years.

Antônio Luiz da Cunha Seabra, Natura's founder, was first introduced to the cosmetics world when working for a multinational company at the age of 16. With some knowledge, a small capital investment (US\$9,000) and a garage as its headquarters, he started Natura. Three ideas were innovative at the time: incorporation of therapeutic treatments in the production of cosmetics, a personalized selling approach and products customized for Brazil's humid climate and local skin types. These ideas were well received in the market.



Natura has achieved consistent rates of growth. Table 1 shows its annual gross and net revenues since 2002. Approximately 40 percent of the revenue is generated from cosmetics and the rest from personal hygiene products.

Table 1: Natura Revenue from 2002-2005 (in R\$1000¹)

Years	2002	2003	2004	2005
Net revenue	993.1	1,328.9	1,769.7	2,282.2
Gross revenue	1,411.2	1,910.2	2,539.6	3,243.6

The direct selling approach was a key factor for the company's impressive growth. In 1974, the company adopted this model and trained the first Natura Consultants. By the end of 2006, there were approximately 600,000 Natura Consultants, ten percent of whom were based outside of Brazil.

The company also invested in research and development. It housed a large and integrated research, manufacturing and logistics center at its headquarters in Cajamar, São Paulo. In 2005, more than 200 million items were sold to 50 million consumers in over 5,000 Brazilian cities through direct sales. By the end of 2005, it had 4,128 employees in Brazil and the other countries in which it operates.

Natura expanded to Chile in 1982 and Argentina and Peru in 1994. In 2004, Natura went public, listing stock on the São Paulo Stock Exchange (Bovespa) Novo Mercado. And in 2005, Maison Natura opened its doors to the public in Paris, France and operations began in Mexico. The geographical expansion of operations will reach the United States and Russia in 2007.

Vision and Strategies

Natura aimed to be an international brand, identified with a strong set of corporate values and behavior, as well as quality products. Since the late 1990s, its strategy has been anchored to the belief that a business can be a powerful engine for social transformation. The business strategy was rooted in four pillars:

- Commitment to sustainability
- Quality of stakeholder relations
- Concept and product development
- Natura's brand strength

In its socio-environmental strategy, Natura planned to continue investing in the sustainable use of biodiversity and aiding its conservation. Two ongoing challenges for the company

¹ US\$1 = R2.1 at February 2007



were aligning these principles with daily business practices, as well as developing and improving organizational structures that supported current expansion and future growth. One example of this, in practice, is Natura's supply chain.

As a critical part of Natura's business network, its suppliers must demonstrate compatible beliefs, values, social responsibility and sustainability policies through a certification process. The criteria used in the certification process examine the supplier's current record and also its potential for sustainable production, local development, logistics, supply and institutional, regulatory and legal matters. The process also considers whether characteristics of the area and local population are aligned with the marketing strategy for the product line that is being developed. In order to increase the social benefits of the business, the company sought to select suppliers from cooperative enterprises or income distribution projects. It had difficulties finding suppliers that met the sustainability criteria, particularly in the traditional Northern region and neighboring communities.

To address the supplier challenge, the company undertook the following initiatives:

- Established a policy defining criteria for the selection of suppliers, as well as Natura's responsibilities regarding its suppliers.
- Established, together with the communities that supply botanical raw materials and the primary processors, as well as a programme to oversee the relationship through regular visits from Natura staff.
- Monitored the supply areas of botanical raw materials through the adoption of socio-environmental principles and criteria in the certification process.
- Promoted, with communities, the development of local, sustainable development projects.

To Natura, products represented much more than cosmetics or personal hygiene; they were seen to connect on many levels (physical, emotional, intellectual and spiritual), while aligning with the corporate strategy, principles and beliefs. Three product lines were designed to capture this concept.

CHRONOS

The first line, Chronos, included anti-aging skin care products. When launched in 1986, it used the Truly Beautiful Woman campaign to convey a message that it is possible to feel well and beautiful regardless of age.

MAMÃE E BEBÊ

The Mamãe e Bebê line launched in 1994 was inspired by the mother/child bond, offering a range of products for new mothers and their babies.



EKOS

The third line was Ekos, launched in 2000, and described in detail below. By 2006, Natura's product portfolio consisted of approximately 600 products, including make-up, facial and body treatments, personal hygiene, fragrances, hair care, solar protection and a children's line.

Natura Ekos: A Product Line Using Brazilian Biodiversity and Traditional Knowledge

The Natura Ekos line was launched in 2000 and based on the sustainable use of materials utilizing Brazilian biodiversity. Although Natura's philosophy was underpinned by a commitment to sustainable development, the Ekos line was the first to focus on the use of natural ingredients used by traditional communities. Natura took the traditional ingredients and combined them with scientifically proven components to develop the products for the Ekos line.

Some of the Ekos line's key objectives were to preserve and disseminate cultural heritage and to raise the awareness of each customer to the Brazilian wealth of biodiversity. Since the company expanded the use of active ingredients from the Brazilian biodiversity with Ekos line, it applied economic, social and environmental management systems into its commercial relationships with local communities (the suppliers) with the support of nongovernmental organizations. Extracted from forests, fields and savannahs, the line's ingredients come from cultivation areas and extractive reserves registered at IBAMA².

In order to ensure that the Brazilian flora inputs were extracted according to rigorous social and environmental standards, Natura developed the Active Ingredient Certification Program. The certification process had three phases: identification of areas for potential suppliers, devising a certification strategy and certification inspections. Fifteen ingredients were certified through this programme by 2006. In addition to certification of the extractive products, the programme also encouraged the formalization of associations and cooperatives in the supplier communities, enabling access to commercial opportunities.

Open Value Chain: The Business Model

Ricardo Martello was the negotiator of biodiversity assets at Natura since August 2006, after more than one year as coordinator of sustainable development of supply communities. He remarked, *"I believe the concept was there before the line was. First we got to what we sought to achieve, what we wanted to say with the product. After defining this, we looked for raw materials, communities and companies to set up our supply chain."*

² Brazilian Environment and Natural Resources Institute

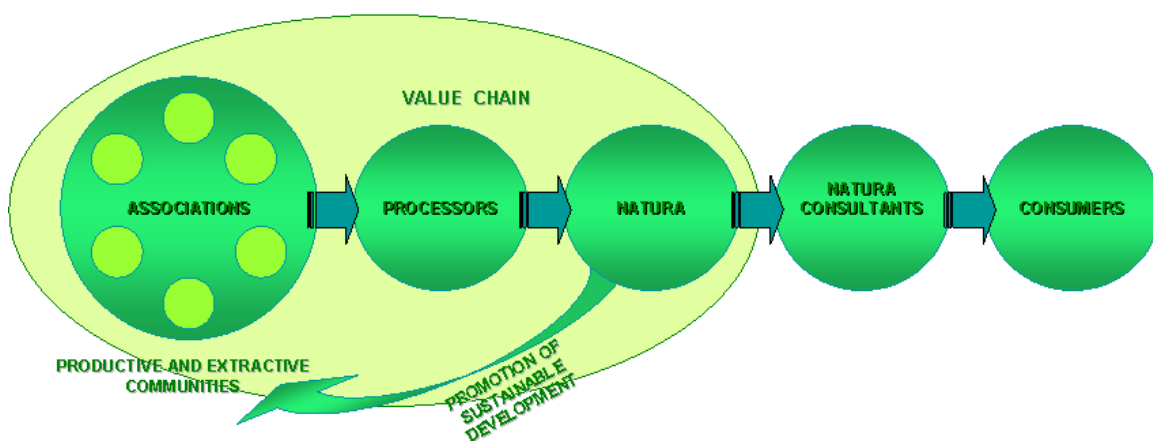


Since the line's raw materials were extracted from nature, local community relations were critical. The company had to attract enough small suppliers to gather and/or grow the desired raw materials. To do this, Natura established partnerships with rural suppliers (traditional communities and family farm groups) in various regions of Brazil and crafted a network comprised of processors, government bodies, NGOs, producer associations and cooperatives, to promote research and development, and to identify new natural product ingredients.

In order to establish a legal and stable supply chain, the supplying communities had to be organized into formal associations. Supply contracts had to be negotiated, signed and followed up with an entity that could formally represent the community. It would provide receipts and hold a bank account for financial transactions. However, formality, in this sense, was not enough. It also had to reasonably represent the community with established governance such as legal registration, accountability, member registration, transparent decision-making, and organizational structure. Natura helped some communities to form such associations with training and orientation to first support the formalization and later in their operations.

Ricardo explained that, *“there is a quality standard for the cosmetics industry that does not allow us to incorporate this raw material directly into production.”* There must be at least one intermediary processor; therefore Natura did not establish a direct commercial relationship with communities. The processor is responsible for performing primary processing, usually oil extraction and filtering. In the case of fragrant essences it is also necessary to use a second processor to refine the oil further. It is at that stage that Natura processes and packages the product for distribution and sale.

Figure 1: Relationships in the Supply Chain of Ekos line



The principles of the Ekos line imposed two important guidelines for Natura. Ricardo Martello explained the first: *“one of the basic concepts of Ekos is offering economic gains for all the parties involved.”* Initially, Natura tried to use the concept of *“fair price,”* in which the trading prices along the supply chain were based on sharing value proportionally to the value added by each one. However, when too high or too low, the prices paid to local



producers could cause an imbalance in the local market value for the raw material. This could result in the instability of local prices, damaging other value chains that use the same raw material. As an alternative, Natura decided to propose the open value chain concept. In the open value chain, costs and profits were transparent to all parties with a profit margin agreed amongst all parties. The profit margins varied between 15 and 30 percent.

The second guideline was that the whole supply chain should be sustainable. Although the direct commercial relationship with communities was with the first processor, Natura acted as guardian of the overall supply chain. All negotiations between the many parties were monitored and influenced by Natura. The company created many ways to help communities' sustainable development, as exemplified by the experiences of the priprioca value chain.

Building a Productive Value Chain within the Priprioca Communities

Priprioca is a common Brazilian plant with a long thin stem and bulbous roots that spread out underneath the soil like a web in a radius of up to 50cm. The bulb releases the perfume that attracted the researchers when the bulbs are cut or pressed. Priprioca would be an essential ingredient for the Ekos line, so Natura set out to build an open value chain for its sustainable extraction and supply.

There is a tale that is told in local culture: Piripiri was the name of a warrior whose hair released a perfume that seduced women. However, after spending one night with them, Piripiri would disappear and leave only the scent of his perfume. Disappointed, the women asked the tribe's medicine man, Supi, what they could do to hold the warrior. He told them that they should cut off a lock of Piripiri's hair and bury it. One night, while he was sleeping, they did just that. When they woke up, Piripiri had disappeared, and he never came back. But a plant grew on the spot where they had buried his lock of hair, and it carried the warrior's perfume. This plant was named Piripiri-Oca (priprioca), Piripiri's home, in the Tupi language.

Ver-o-Peso Market, a cultural heritage of Amazonas

When Natura researchers looked for raw materials that could fulfil the Ekos line concepts, the Amazon region was an obvious place to start. Priprioca was identified by Natura, based on bibliographic research and visits to street markets in the northern region. The Ver-o-Peso market (pictured at right) in Belém, capital of the state of Pará, was the place where they first came into contact with priprioca.





Ver-o-Peso was created in 1688 for tax reasons, and it is always hustling and bustling. It encompasses 26,500 square meters and you can find 2,000 stalls and vendors. The market is Belém's trading center, where boats arrive at the docks bringing products from the river and from the forest.

Source: Municipality of Belém do Pará

Growing priprioca is not especially difficult. After it is planted, occasional weeding is the only maintenance necessary. It can be harvested after nine months to one year, and the roots are then cut off from the plant. But priprioca production for cosmetic purposes requires the oil to be extracted on the same day that the plant is harvested to preserve the unique fragrance. For Natura, this meant that the planting areas had to be close to the primary processing plant. Natura chose a company from Belém, Brasmazon Beraca, to perform the first processing step. Brasmazon Beraca then sold the oil to Givaudan, a large transnational perfume company for secondary processing. Finally, Natura bought the refined essences from Givaudan.

In the beginning, Natura focused on developing the priprioca suppliers. A project was immediately carried out to get the communities that produced and supplied priprioca closer to the Ver-o-Peso stalls. Natura discovered that one individual sold the herbs to Ver-o-Peso by buying small amounts from small producers. Their production scale was small, approximately four tons per year, which was enough to supply the local market. Natura needed 40 tons per year.

The Communities of Priprioca

In 2003, the Boa Vista community was the first to be included in the project. When they learned about the volume of herbs that was needed by Natura, community representatives said they were unsure about their capacity to supply so much. They committed themselves to supplying part of it and agreed that Natura should look for other groups to supply the rest. Boa Vista even supported technology transfers for planting priprioca and supplied both the shoots and knowledge to the other producers. Based on research carried out by a professor from a local university, other communities whose formal structure and operational profile would be a good fit for the supply chain were identified. Two other communities were then brought into the project in the same year: the island of Cotijuba and the community of Campo Limpo. Both of these communities were located in Greater Belém. A total of 49 families were producing priprioca for Natura: 23 in Boa Vista, 16 in Campo Limpo and 10 in Cotijuba.

The three communities were each unique. The main commonality was family-based agriculture. Boa Vista supplied small amounts of aromatic herbs to Ver-o-Peso, but it also harvested açaí.³ Cotijuba carried out other activities such as ecotourism, and several families involved in the priprioca project also performed other activities linked to tourism. Many of the small farmers in Campo Limpo also worked with other plants, mainly garden vegetables.



When the pripioca project was presented to the three communities, some groups were reluctant to participate, due to their frustrating previous experiences with other companies. But Natura identified enough enthusiastic families (49 in total) for the required 40-ton annual production. After the first few months, some other families wished to join in after seeing the benefits and the seriousness of the proposal, but only those who accepted the challenge from the start could participate. At the time, the planting techniques were too new, and Natura was not confident enough about its overall outcome to let more families enter into the arrangement. More families may join in the future.

Every negotiation dealing with price and demand involved the four parties in the chain: Natura, Beraca, Givaudan and the communities. Natura insisted that the community interests were respected but did not face any difficulty to convince the other partners. The communities were represented by their respective associations; however, there was no collective negotiation among the three communities.

In 2003, the first year, due to the limited knowledge of cultivating pripioca, the area for planting was defined by what was known about the productivity achieved with *coivara*⁴. There were only a few people in Boa Vista who had worked with pripioca, and even these people had only worked within the small stalls in Ver-o-Peso. There was no market price for large-scale production. Initial contracts with each community established a price based on the area planted and was valid for three years. The price suggested by the producers was agreed on by all parties; it was higher than that paid by the market stalls at the time.

Natura supplied the shoots for free, and offered advice on sustainable farming practices. Due to unexpectedly high productivity, production of pripioca was much greater than expected during the first and second years. Thus, Beraca and Givaudan had to carry excess stock. While Beraca contracted smaller amounts from the communities, Natura tried to incorporate larger amounts of raw materials by launching new products containing pripioca.

The combination of a high initial price for raw materials, contracts based on the area planted and an unexpected increase in productivity all led to an undesirable effect: the reduction in demand for pripioca. But reduced demand had to be balanced with minimal impact on the income standards set for the communities in the first year. At first, the initial price was maintained, but the planting areas were reduced. Adjustments were made as time went on, and these were always transparent: Natura would show the evolution of sales and of the market, and the communities would share their production scenarios.

⁴ *Coivara* is a traditional agricultural practice, involving cutting and burning the forest to plant crops by turns. In a few years the soil becomes infertile, and new areas for planting are cut and burned. On a small scale, this does not significantly damage the forest, but *coivara* is not sustainable on industrial scales. Natura did not employ this method, but it was used to estimate the expected productivity per plot of land.



In 2005, the two-year experiences with the new planting techniques made it possible to set a price per kilogram. Purchasing volumes, instead of planted areas, were fixed. Finally, in 2006 the communities demanded an increase in price to meet a minimum amount of total revenue closer to the one received in the first year. Having achieved a balance between production and demand, the company forecasted that production would grow for the first time in 2007.

Campo Limpo, a special case

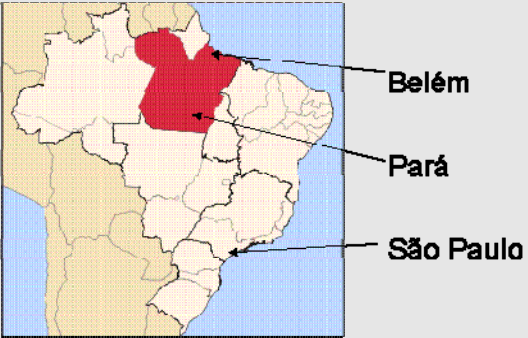
The state of Pará is located in northern Brazil, where Natura sources many of the raw materials for Ekos line.

Productive communities are a rather broad concept in Pará and include the following: forest product harvesters in conservation units or natural reserves, family farmers or small groups of them, co-operatives and small businesspeople. A study carried out by the government of Pará⁵ identified some specific difficulties faced by the communities in that region:

- A low level of organization within communities
- Inexperience in environmental, social and economic management
- A lack of mechanisms to distribute information
- Conflicts among leaders
- High levels of dependency on individual leaders, which becomes a problem when, for any reason, the leader is removed

The State of Pará

The Amazon region encompasses an area of approximately 5.1 million square kilometres (about 60 percent of the Brazilian territory) and covers nine States. It has the lowest population density in the country with approximately 25 million inhabitants distributed over this huge area.



At 1.25 million square kilometres, Pará is the second-largest State in the region. Its capital is Belém and its economy is based on mineral (iron, bauxite, manganese, lime, gold, tin) and vegetal (wood) extraction, agriculture, cattle-raising and animal husbandry, and furniture industry.

⁵ “Program to Reduce Poverty and Manage Natural resources in the State of Pará – Pará Rural – A Landmark for Environmental Assessment”.



Table 2: Some Economic and Poverty Indices of Pará

GDP (2004)	R\$ 34,2 billion
Per capita GDP (2004)	R\$ 4,992
Annual GDP growth (2004)	6.6%
Total population (2004)	6.695.940 people
Poor population (2004)	1,140,000 people
Rural poverty (2000)	58%
Urban poverty (2000)	38%
GINI index (2004)	0.70

Source: Instituto Brasileiro de Geografia e Estatística

The main problems in Pará are related to environmental and land management issues. It has one of the most important environmental reserves in the world but also broad socio-economic disparities that result in innumerable, and at times violent, conflicts over land ownership.

At first glance, Campo Limpo can be seen as a typical rural community of Pará. Campo Limpo had never produced pirioca before Natura. Manioc and garden vegetables were the traditional crops there. Productivity was very low, and planting was carried out with no specific techniques. But Luciana Roncolleta, from Natura says, *"I believe this to be the community that has been most enthusiastic about the idea. Although they had never produced pirioca before, this community is the one that best follows planning and that has the best production."*

The community's decision-making is illustrative. For instance, when the producers of Campo Limpo received their first paycheck from Natura, the members of the community sat down to discuss what to do with the money. Nazareno Mateus, president of the local association, explained that each producer received his or her share of the money in proportion to the level of their production. Each family had received an order for 20 beds of pirioca and production had been much more plentiful than expected so there was a fair amount of money. The houses were made of taipa⁶ and most of the group decided to build new homes. Each family had its own project drawn up and hired the builders. Now, the houses are made of brick.

The Campo Limpo association was quite organized, and this was also a key success factor. All the money was transparently accounted for and reported by the directors. Meetings were registered in minutes.

⁶ *Taipa*: Construction made of stakes, lathes and sticks and filled with clay



Two Examples of how the Community Builds its Success

One day Natura advised that there was some money deposited for the local association in the bank. It was the share that was due to Campo Limpo for image rights of those images used in films to promote priprioca. As always, the members were called out to the "meeting room" under the mango trees. Together, they decided to buy a bus. *"It would be used to transport our crops, to take people on trips and to rent to other communities,"* Nazareno explained. They bought the bus, and as time went by, they realized that it was difficult to manage the use of the vehicle. It has now been rented to the local City Hall instead and supplies the local association with an income.

Electricity is also a new arrival at the community. Ney and Rosilene, his sister, made a great effort to convince the local mayor to extend power lines up to the community. The posts have already been laid down along the way. Ney now intends to convince the power company to run the cables up to the planting area, so that the diesel-powered water pump may be eliminated.

External help was also welcome. Aílson Ney worked for Emater⁷ as an expert in rural development. He has added a lot of value to the community. When he first visited Campo Limpo, he was worried about the lack of crop diversity. It was a great risk for the future because there were no guarantees that Natura would remain and work with the community over the long term or that the priprioca business would ultimately be successful. It was not difficult for Ney to convince the local Banco do Brasil manager to finance garden vegetable production in Campo Limpo and aid their agricultural diversification. The structure of the families, the organization of the community and the history of business with Natura helped. For the first year, the loan amounted to approximately R\$12,000, with a two-year grace period. The loan was fully paid before the deadline and the bank refinanced the community's loan to R\$13,200. The community now produces garden vegetables, manioc and fruit (papaya and lemon), as well as priprioca.

Campo Limpo next took on organic production. Ney took members of the community to visit an Emater experimental laboratory to learn about organic farming. In 2006, the community was getting ready to have its organic production certified. Luciana reflects on what she has seen in the community: *"They don't keep waiting for Natura. They looked up the local Emater office and managed to schedule the visit and a course."*

⁷ Empresa de Assistência Técnica e Extensão Rural (Emater) is an official, public and government-run agency that carries out specialized services in the fields of human and agrarian sciences while disseminating qualified technological knowledge and information in the rural areas of the state of Pará.



The Influence of Women

A clear influence of women in Campo Limpo noticeably impacted the entire community's behavior and success. Women were always caring for the children and very active in their education. For example, Rosilene went to school with her children every morning, to help their teacher.

Women were also very politically active. Rosilene and Maria de Lurdes, Nazareno's wife, explained why they voted for their chosen candidates in the last election. They know what they want from the new state government and insist that they will find a way to make their plans happen.

During a two-kilometre walk to the planting area, Maria de Lurdes said, *"if you arrive at the community and can't find us, just walk over to the planting area and you will find us working there."* The men usually leave home very early in the morning and return at lunchtime. In the afternoon, the women will usually accompany them back to work to take care of their own plants. It is absolutely clear that they will not allow the men to lose heart or inspiration.

Key Success Factors and Lessons Learned

The Ekos line's concept required a strong commitment to communities. Priprioca was just one of 17 natural ingredients sourced from local communities to build the Ekos line, but it exemplifies the process, lessons and innovations developed along the way. Lessons that Natura has learned from the relationships with supply communities in the creation and implementation of Ekos line are discussed below:

TRANSPARENCY

A solid relationship with communities required high levels of trust. Talking about the Ekos line supply chain, Ricardo Martello said, *"there has always been a lot of transparency about what was involved in this chain, who the stakeholders were, and how responsibility and work were shared for the job."*

Transparency was also fundamental for establishing prices. The open value chain concept required that all partners involved knew the costs throughout the product development stages, and fair payment for work must be assured. Ricardo Martello pointed out *"transparency even helps in renegotiating adjustments."* Communities incur costs, such as labor, raw materials and natural fertilizers. When the weight of each cost component was clear, it was possible to recalculate the total cost and renegotiate a new value distribution among the parties.



DEPENDENCY AND SUSTAINABLE DEVELOPMENT

Natura's principles and values include a strong commitment to communities' sustainable development. It has been encouraged by the partner communities' discussion about local sustainable development models and, likewise, Natura has tried to contribute to the communities' social organization, going beyond business interests. Natura wanted to understand the local reality. It hired local NGOs to better understand the people, their needs and demands. The main conclusion was that the complexity of the relationship, the diversity of situations and their importance as raw material suppliers required a specific department inside the company to deal with the communities. Another conclusion was that it was necessary to create partnerships in order to implement the action plan built after this process of understanding.

Natura's Sustainable Development Program with Supplier Communities, created in 2005, had the objective to promote sustainable development in supplier communities (in Brazil's northern region) aiming for local, social and environmental reinforcement that surpass trading activity with Natura. Local diagnostics were performed for the supplier communities to monitor progress on sustainable development. Multiple stakeholders were consulted to determine appropriate metrics according to each region, including the following: local communities, public entities, NGOs, private sector businesses and universities. In 2005, the Participative Local Diagnosis and Iratapuru Sustainable Development Plan (PDCI) were concluded. Natura contracted an outside consulting company in order to jointly develop both programmes with the community. PDCI presented critical actions to be completed in the short- and medium-term, as well as implementation strategies. In 2005, the Peabiru Institute, a local NGO for Boa Vista, Cotijuba and Campo Limpo communities, completed a similar process.

A community development fund was also created from a percentage of the revenue generated from the raw material produced by each community. The money will be used to finance local, sustainable development projects, subject to the approval from all value chain partners.

MANAGEMENT PRACTICES

The Corporate Responsibility Management System evaluated risks, ethical behavior, transparency, open dialogue with the public, and adoption of corporate sustainability goals. This management tool helped to identify areas for improvement. Based on the feedback, priorities were established and plans of actions put into effect. A Corporate Responsibility Investment Matrix helped monitor the most crucial activities of socially responsible management. The Environmental Management System (based on the ISO 14001 norms) monitored the environmental goals and indicators. These two systems fed the planning cycle and the strategic map on which socio-environmental goals had the same importance as financial goals. In 2005, the company started implementing the Corporate Responsibility Management System in its international operations.

In terms of internal structure, Natura created the Communities Relations Management Group. The Group is in charge of identifying and working with the supplier communities. This



multifunctional team has helped develop a strategy for identification and development of the Materials Supply Communities of Biodiversity, based on criteria that enable a commercial partnership and mutual benefits relationship for all stakeholders involved.

PLANTING TECHNIQUES

The traditional slash and burn agricultural practice of the Indians in the Amazon region was not sustainable on industrial scales. Natura taught pripioca communities a new production technique: planting in beds and using natural fertilizers. This process involved more work, but adequate labour was accounted for in the negotiations to establish prices.

BENEFIT SHARING

Pharmaceutical and cosmetic companies, along with other industries, have been exploiting indigenous knowledge of local biodiversity for medicinal and other purposes for a long time, with little benefit to the indigenous people. Brazil signed legislation in 2001 to support conservation and the sustainable use of biodiversity. The sharing of benefits was a major component of the commitment, but there was a lack of practical procedures or conditions to make it work on the ground and little experience in practice.

Natura pioneered benefit sharing from genetic assets during the development of the Ekos line, whose legal basis is a little clearer than the other aspects of the benefit sharing (such as traditional knowledge). *"Natura is being a pioneer in sharing these benefits and, in a way, in establishing procedures to abide by the law. There is still much that is uncertain and vague. It is worth mentioning that we took the initiative to recognize such benefits formally,"* Ricardo Martello adds.

Negotiations for genetic assets were carried out based on a proposal made by the company to the groups, with the assistance of an anthropologist (as required by the Environment Ministry). When an agreement was reached, approval was sought from the Genetic Assets Management Council (the official government department) and, also, from NGOs and industries (pharmaceutical and biotechnology sectors). By 2006, Natura had approved Breu Banco and Cupuaçu, with benefits calculated as a percentage of the net revenue of product sales.

GOVERNMENT RELATIONS

The experience with Emater in Campo Limpo highlighted the importance of bringing government bodies to the efforts of building sustainable development into supplier communities. Emater provided valuable technical assistance to the producers, as well as capabilities to easily relate to the communities. Natura looked for partnerships within the government of Pará and discovered synergies with state development programmes, such as the Pará Rural.

At the same time, the experience with benefit sharing showed the importance of cooperating with other institutions, besides the government, to help in the improvement and application of



legislation. The use of Brazilian biodiversity is still subject to an immature institutional system.

The soap mill: new horizons for scaling up

While the pripioca products and Ekos line follow their growth path as regular cosmetics in Natura's portfolio, the company is looking to further contribute to the sustainable development of Pará and neighboring states. In 2006, Natura inaugurated a new soap mill near Belém, in Benevides County.

Benevides is a typical example of deforested land. Its vegetation is predominantly represented by secondary forests that have replaced the original forests removed for timber, subsistence farming and grazing grounds. The original vegetation cover was altered in over 95.75 percent of its area, but some preserved forests and woods can still be found along the banks of the rivers, such as ciliar woods, white-water forests and the mangrove forests along the lower Tauá River stream.

Similar situations prevail throughout the region where the forest has been cut down in the last 40 years. For the communities that previously lived a subsistence lifestyle in the Amazon jungle, a new livelihood had to be found. At first, a different way of life seemed incomprehensible to the forest communities. But little by little, new social networks were set up around subsistence farming and cattle ranching. The open physical space allowed new agricultural frontiers that could supply the towns that have sprouted up in the wake of the destroyed forest.

For Natura, the process of developing new networks and livelihoods had the potential for applying traditional knowledge and vegetation that grew in the secondary forest. It seemed natural to begin to create productive networks based on family farming, associations and cooperatives. New processing and commercial companies would complete the chain.

Palm oil is an essential ingredient for soap without animal-based materials, which is one of Natura's guidelines. Initially the Natura soap factory bought 14,000 tons of palm oil per year from Agropalma (a large, local company).

The idea was to slowly substitute Natura's current supply of palm oil, for raw materials bought directly from Benevides producers by using the successful model established with the Ekos line. *"We are creating conditions to innovate processing technologies for several other species besides palm. Thus, we will create new conditions for agriculture and, mainly, for the sustainable handling of the primary and secondary forests that remain,"* says José Renato Cagnon, the soap factory manager. A broad study to catalogue the forest within a radius of 200 kilometres from the factory will contribute to the knowledge needed to establish the stable production of palm oil that is needed for large-scale industrial production based on current unstable natural and social conditions.



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No family was directly engaged as supplier, but the project has the potential to eventually include 5,000 families.

Conclusion

Natura's experience with the Ekos line illustrates the possibilities around community partnerships and sustainable development in northern Brazil. Natura has recognized this possibility and is trying to create and nourish a business that builds on existing social networks and contributes to sustainable livelihoods derived from sustainable extraction of non-timber forest products. In this way, the consumption of its products shares benefits throughout the supply chain and the natural environment from which the materials are extracted.



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The information presented in this case study has been reviewed and signed-off by the company to ensure its accuracy. The views expressed in the case study are the ones of the author and do not necessarily reflect those of the UN, UNDP or their Member States.

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