

# FINANCE FOR THE FUTURE

10 YEAR ANNIVERSARY

Sustainability | Leadership | Innovation



**Natura:** Creating an integrated profit and loss account

**Highly Commended:** Embedding an integrated approach (listed companies)

## What?

Brazilian cosmetics, fragrances and toiletries company Natura has a long history of embedding sustainability into its business model. The company became carbon neutral in 2007. The current 2030 'Commitment to Life' strategy groups Natura's sustainability targets into three pillars: to address the climate crisis and protect the Amazon, to defend human rights and be human-kind, and to embrace circularity and regeneration.

Natura's work on understanding and reporting on its environmental and social impact started with evaluating the use of palm oil in its supply chain in 2010. Building on this, the company then developed environmental and social profit and loss accounts.

In 2020, the finance and sustainability teams started work to develop a methodology for producing the first integrated profit and loss (IP&L) statement for the Natura Latin America (LatAm) region, focusing on natural, human and social capital.

The 2021 IP&L was published in 2022 and monetises environmental and social impacts. It showed that for each US\$1 in revenue, Natura generated US\$1.5 in positive environmental and social impact. Presenting the impacts in monetary terms has made it easier for Natura – led by the finance team – to incorporate sustainability factors into decision making and performance management across the business.

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We were impressed with the way Natura has developed their IP&L, which measures their non-financial impacts and allows them to make more informed, holistic business decisions. We were inspired by their overall approach and the impact they aim to achieve in the market.

Finance for the Future Awards judges

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## Why?

Environmental and social commitments were already part of Natura’s business model and brand positioning. While it was clear to Natura that its organisational value went beyond the financial value used in traditional financial management and reporting, it lacked the tools to capture this in a quantitative way.

Natura was aware, too, that to achieve its sustainability commitments it needed to be able to measure its environmental and social impacts – and use this information in decision making at every level of the organisation. It was important to the company to focus on impacts and be able to monetise the IP&L results. This approach would mean that decision makers could compare activities, making choices with a more complete picture of trade-offs. Monetisation also helps Natura to use the IP&L in day-to-day operational management, risk management and performance management.



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The role of the organisation is to make the best possible decisions – to leverage the benefits generated for the environment and for society, as well as to mitigate negative impacts. We are responsible for all the impacts we generate.

Silvia Vilas Boas, LatAm CFO, Natura & Co

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## How?

Natura built a five-step IP&L methodology and now champions an integrated approach to decision making both internally and externally:

- › For the environmental profit and loss account, developed between 2014 and 2016, Natura drew on the Natural Capital Protocol and guidance from the World Business Council for Sustainable Development – as well as the company’s early analysis of palm oil – to quantify costs and environmental benefits in the supply chain. The social profit and loss account followed, focusing on Natura’s work with its consultants and supplier communities.
- › In the first step of the IP&L methodology, Natura maps its activities along the whole value chain, for all stages of the company’s products. The next step examines the drivers of Natura’s environmental, social and human impacts, including water use, social infrastructure and the skills and knowledge of the company’s staff.
- › Bringing the first two steps together, Natura can then evaluate the different ways it can drive changes in environmental, social and human capital. The evaluation includes both direct effects that the company can have on people’s health and quality of life as well as ways in which Natura can influence the environment and social institutions.
- › In the fourth step, Natura calculates its impacts in monetary terms. To get a monetary value, the company identifies and measures the externalities of its activities then multiplies them by a valuation factor. The valuation factors are drawn from recognised global standards and institutions. An example is health utility income, which comes from the World Health Organization. Natura uses this factor to assess the change in the quality of life of its beauty consultants from working with the company.
- › The last step in the process is to use the IP&L in decision making. Finance calculates the IP&L once a year and disseminates it throughout Natura LatAm. The drivers and results of the IP&L are then used in strategic planning and in managing performance and operations across the supply chain.
- › Currently, the IP&L is applied in Natura LatAm. The company is now looking at expanding the approach to other Natura brands.
- › Natura is committed to sharing what it has learned from developing the IP&L with other companies. The goal is to support other companies to operate more sustainably, by understanding their own environmental and social impacts. Discussing the methodology with other companies also provides useful challenge and ideas that help Natura to improve its IP&L approach.

[www.naturaeco.com](http://www.naturaeco.com)



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