

Beyond Sustainability

How Regeneration
Creates Competitive
Advantage

A P5™ and PRiSM™
executive playbook
using Natura and the
Amazon as a living
laboratory written by
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Executive Summary

For much of the last two decades, sustainability has been discussed as if it were separate from business performance.

Companies were encouraged to reduce emissions, source responsibly, to guarantee labor practices and minimize environmental impacts. These initiatives undoubtedly generated progress. They helped organizations become more transparent, more accountable and more aware of the broader consequences of their actions.

Yet something curious happened along the way.

The more sustainability became institutionalized, the more it became isolated.

Dedicated sustainability departments emerged. Sustainability reports became thicker. ESG metrics multiplied. New disclosure requirements appeared. Meanwhile, the fundamental engines of value creation inside organizations, innovation, procurement, supply chain, finance and strategy, often continued operating much as they always had.

Sustainability became something organizations did alongside business rather than through business.

This playbook starts from a different premise.

The organizations most likely to thrive over the next decade will not be those that treat sustainability as an obligation. They will be those that transform sustainability into a capability.

The difference is more than semantic.

Obligations consume resources.
Capabilities create value.

A company that reduces waste is behaving responsibly. A company that transforms circularity into a source of innovation is building a capability. A company that sources ingredients responsibly is meeting expectations. A company that transforms its sourcing ecosystem into a source of resilience, trust and differentiation is creating competitive advantage.

Regeneration offers a fundamentally different answer.

Regeneration represents more than an evolution of sustainability. It represents a different way of thinking about value creation itself. Rather than asking how organizations can reduce negative impacts, regeneration asks how organizations can strengthen the systems upon which future value depends.

That shift reshapes the way organizations create value.

It changes how innovation is evaluated.
It changes how suppliers are selected.
It changes how risk is understood.
It changes how governance operates.

Most importantly, it changes how competitive advantage is built.

Using Natura and its relationship with the Amazon as a living laboratory, this playbook explores how organizations can move beyond sustainability and begin building regenerative capabilities that competitors struggle to replicate.

The Amazon is not the advantage

At first glance, the source of Natura's advantage appears obvious.

For more than twenty-five years, the company has invested in building relationships throughout the Amazon. It has developed socio-biodiversity supply chains, worked alongside more than 45 local communities, supported conservation initiatives and incorporated biodiversity into product innovation. Today, Natura's ecosystem reaches more than ten thousand families and influences millions of hectares of forest. Few organizations in the world can point to a comparable combination of scientific expertise, biodiversity knowledge, community relationships and commercial application.

From a sustainability perspective, these achievements are impressive.

From a strategic perspective, however, they reveal something even more important.

and economic performance existed in tension with one another. Organizations could choose growth or responsibility, profitability or sustainability, but rarely both. Sustainability was often framed as a cost of doing business rather than a source of advantage.

Natura helped challenge that assumption.

Over time, the company demonstrated that biodiversity could become a source of product innovation. It showed that deep relationships with communities could strengthen trust and authenticity. It proved that environmental stewardship could reinforce brand value rather than diminish it. Most importantly, it showed that sustainability could move beyond risk management and become a driver of growth.

In doing so, Natura became one of the earliest examples of a company that successfully transformed sustainability from a responsibility into a source of value creation.

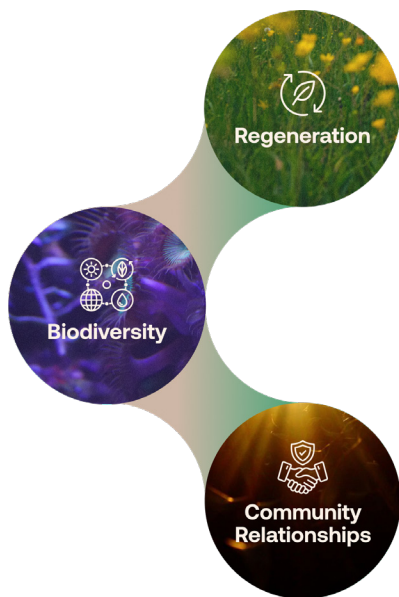
They demonstrate that **regeneration can create value.**

This may sound self-evident today, but it was far from obvious when Natura first began building its presence in the Amazon. At the time, the prevailing assumption across much of the business world was that environmental stewardship



That achievement matters because it fundamentally changes the nature of the challenge.

For many organizations, the central question remains whether sustainability can create value. Natura largely moved beyond that debate years ago. The evidence is visible not only in its business model, but also in the way biodiversity, regeneration, and community relationships have become inseparable from the company's identity. Increasingly, it is also reflected in the company's management systems, which seek to measure environmental and social value alongside financial performance.



The more interesting question today is what comes next.

This is a question that every successful organization eventually faces.

The greatest challenge in strategy is rarely creating an advantage. The greatest challenge is sustaining one.

History is full of companies that built powerful positions only to discover that success attracts imitation. Competitors observe what works. Best practices spread. Technologies become accessible. Consumer expectations evolve. Over time, the very capabilities that once differentiated an organization become increasingly common.

What was once unique gradually becomes expected. The same dynamic is beginning to emerge within sustainability.

Practices that once distinguished leaders are steadily becoming mainstream. Responsible sourcing is increasingly expected by consumers and regulators alike. Traceability is becoming more sophisticated and more widespread. Carbon reduction commitments are now more common across industries. Sustainability reporting has evolved from a differentiator into a requirement.

This is a sign of progress. It is also a strategic challenge.

As sustainability becomes table stakes, organizations can no longer rely on sustainability alone as a source of distinction. The question is no longer whether sustainability creates value. It is how organizations continue expanding that value through innovation, regeneration and new ways of creating meaningful benefits for consumers, communities, society and the business itself.

This is where Natura's story becomes particularly relevant.

The company's relationship with the Amazon is often interpreted through the lens of sustainability. While understandable, that perspective risks overlooking the deeper strategic significance of what has been built.

The forest itself is not the advantage. The biodiversity itself is not the advantage. Even the ingredients themselves are not the advantage. **These are assets.**

And assets, by themselves, rarely create enduring competitive advantage.

A patent is an asset.
A factory is an asset.
A brand is an asset.
Data is an asset.

History provides countless examples of organizations that possessed extraordinary assets yet failed to translate them into lasting success. Assets matter, but their value depends entirely on what organizations are capable of doing with them.

This idea sits at the heart of modern strategic thinking.

Long-term advantage emerges not from resources alone, but from capabilities. More specifically, it emerges from the unique combinations of knowledge, processes, relationships, culture, and expertise that enable organizations to continuously create new forms of value.

Viewed through this lens, the Amazon becomes far more interesting.

The true source of Natura's advantage is not the forest itself, but the capability system that has been built around it.

It is the accumulated knowledge generated through decades of working with biodiversity. It is the trust established with communities. It is the scientific expertise developed around natural ingredients. It is the sourcing infrastructure required to operate across complex ecosystems. It is the ability to translate biodiversity into meaningful consumer benefits. It is the governance model capable of balancing environmental, social, and commercial objectives simultaneously.

Taken individually, each of these elements has value. Taken together, they form something far more powerful.

They form a **capability system.**

And capability systems possess a characteristic that individual assets do not.

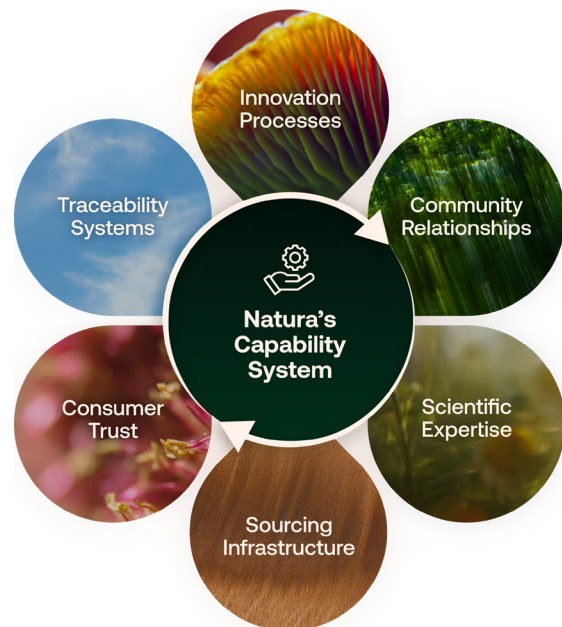
They **compound.**

The more they are used, the more valuable they become. Knowledge deepens. Relationships strengthen. Data accumulates. Expertise grows. New opportunities emerge. What begins as a collection of assets gradually evolves into an interconnected system capable of generating increasingly differentiated forms of value.

This is why the Amazon should not be viewed primarily as a sourcing region.

It should be viewed as an **innovation platform.**

An ecosystem of capabilities. A source of future possibilities.



This perspective also helps explain why regeneration represents such an important evolution in strategic thinking.

Traditional sustainability is often concerned with reducing negative impacts. It asks how organizations can consume fewer resources, generate less waste and create less harm.

Regeneration starts from a different premise. Rather than asking how organizations can become less negative, it asks how organizations can strengthen the systems upon which future value depends. At its core, regeneration is based on a simple but powerful principle: the systems an organization depends upon should leave healthier, stronger and more capable than they were before. In other words, a regenerative system seeks to give back more than it takes.

The distinction is subtle. The implications are profound.

A sustainable forest remains healthy. A regenerative forest becomes healthier.

A sustainable community remains viable. A regenerative community becomes stronger.

A sustainable business minimizes negative impacts. A regenerative business creates net positive outcomes by restoring and strengthening the environmental, social and economic systems upon which its future success depends.

Viewed this way, regeneration is not simply an environmental ambition. **It is a business model.**

One that creates value by strengthening the very assets and relationships upon which future value creation depends.

This brings us back to Natura.

The strategic challenge facing the company today is not whether regeneration works. In many respects, Natura has already demonstrated that it does. The company has shown that biodiversity can create innovation, that community relationships can generate trust and that environmental stewardship can support growth.

The challenge is how to continue extending that advantage.

How does a company continue creating differentiation when the practices it pioneered become increasingly widespread? How does it transform decades of accumulated knowledge into the next generation of consumer superiority? How does it use emerging technologies such as artificial intelligence, biotechnology, advanced traceability systems and impact measurement to unlock opportunities that were previously invisible?

These are not questions about sustainability. They are questions about strategy.

The next frontier for Natura is therefore not becoming more sustainable. With this objective in mind, in 2025 Natura launched **Vision 2050: Pathways to Regeneration**, adopting even more ambitious goals to generate positive impact and committing to becoming a 100% regenerative company by 2050. It is using the unique capabilities it has already built to create new forms of innovation, resilience and growth faster.



Seen through this lens, regeneration stops being an environmental initiative and becomes something much more powerful. It becomes a mechanism for continuously renewing competitive advantage.

And that is the journey explored throughout the remainder of this playbook.

Innovation: When organizations see products instead of platforms

One of the great paradoxes of business is that success often makes it more difficult to see the future.

At first glance, this seems counterintuitive. Successful organizations have more resources, more talent, more data and more experience than their competitors. They understand their consumers better. They have stronger brands, deeper capabilities and more sophisticated processes. Logic would suggest that these advantages should make them better at identifying the next wave of opportunity.

Yet history repeatedly tells a different story.

The organizations that become exceptionally good at serving today's market often struggle to recognize tomorrows. The systems that drive current success gradually shape how opportunities are evaluated, how investments are prioritized and how decisions are made. Over time, organizations become increasingly skilled at optimizing the business they already have. The challenge is that transformative opportunities rarely look attractive when viewed through the assumptions of the existing business.

This is one of the central lessons that Clayton Christensen explored in [The Innovator's Dilemma](#). Disruptive innovations rarely fail because established organizations lack intelligence or resources. They fail because organizations evaluate them using the wrong lens. Opportunities that eventually redefine industries often appear smaller, riskier or less attractive than the opportunities that already exist. By the time their true value becomes visible, the advantage has frequently shifted elsewhere.

A similar dynamic is beginning to emerge in sustainability and regeneration.

For many years, sustainability innovation was largely focused on replacement. The objective was straightforward: find a more sustainable version of what already exists. Replace a fossil-derived ingredient with a renewable one. Replace virgin plastic with recycled content. Replace a resource-intensive process with a more efficient alternative.



These efforts have generated important progress. Many have reduced environmental impact while maintaining product performance. Yet replacement, by its very nature, is constrained by the boundaries of the existing system. It asks how we can do the same thing in a better way.

Reinvention asks a different question. It asks whether entirely new forms of value become possible when we rethink the system itself.

The difference may appear subtle, but it has profound implications.

Replacement improves the status quo. **Reinvention creates new sources of advantage.**

This is where Natura's relationship with the Amazon becomes particularly instructive.

The most obvious way to think about biodiversity is as a source of ingredients. From that perspective, the forest becomes a vast catalogue of oils, extracts, fragrances, butters and bioactives waiting to be discovered and commercialized. The innovation challenge becomes one of identifying promising materials, validating their efficacy, securing reliable supply and transforming them into products that consumers will value.

Many companies stop there.

The problem is that this perspective dramatically underestimates the nature of the opportunity.

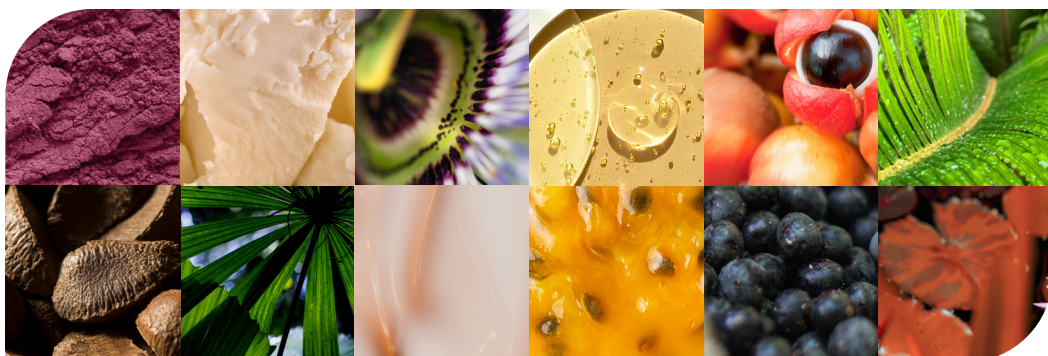
The most valuable contribution of biodiversity may not be any individual ingredient. In fact, focusing exclusively on ingredients risks missing the very thing that makes biodiversity strategically interesting.

The true opportunity lies in the platform that biodiversity creates.

Throughout business history, some of the most valuable innovations have not been products but platforms. A product generates value directly. A platform generates value repeatedly by enabling future innovations that could not have been anticipated at the outset. The smartphone became valuable not because it was a better mobile phone, but because it became a foundation upon which entirely new ecosystems of applications, services, and business models could emerge. Cloud computing transformed industries not because it reduced infrastructure costs, but because it unlocked new possibilities for experimentation and scale. Artificial intelligence is unlikely to create value simply because it automates existing activities. Its greatest value will come from enabling organizations to do things that were previously impossible.

The same logic applies to biodiversity.

The greatest value of the Amazon is unlikely to be found in a single breakthrough ingredient. Its real value lies in the extraordinary combination



of biological diversity, accumulated knowledge, scientific insight, community expertise and innovation potential that exists within the ecosystem. Every ingredient is therefore more than a commercial opportunity. It is a signal of a much larger landscape of possibilities.

Seen differently, biodiversity begins to resemble an innovation platform rather than a sourcing strategy.



Its significance lies in the fact that innovation systems are often designed to evaluate products rather than platforms. Products fit neatly into traditional business cases. Organizations can estimate volumes, forecast revenues, calculate margins and model returns. The value is visible and relatively easy to quantify.

Platforms behave differently.

Their greatest value often emerges over time. They create options rather than immediate outcomes. They enable future innovations whose precise nature may not yet be visible. As a result, traditional decision-making processes frequently underestimate their strategic significance.

This is one of the reasons why organizations often struggle to fully capture the value of regenerative innovation. The challenge is

rarely a lack of opportunity. More often, it is a failure of perspective. Transformational opportunities are evaluated using tools designed for incremental improvements. The future is judged according to the logic of the present.

Natura's journey offers a compelling alternative.

Over time, the company has progressively built a capability system around biodiversity itself. Scientific expertise, community relationships, sourcing infrastructure, traceability systems, consumer trust and innovation processes have become interconnected elements of a larger engine for value creation. Biodiversity is no longer simply an input into product development. It has become part of the company's innovation architecture, to the point where more than half of Natura's portfolio now incorporates bio-ingredients.

What began as a sourcing model has evolved into one of the company's **defining innovation capabilities.**

This distinction matters because capabilities compound.



An ingredient delivers value in a particular product. A capability creates the conditions for continuously generating new products, new knowledge and new opportunities. As relationships deepen, scientific understanding expands, data accumulates and experience grows, the capability itself becomes stronger. Over time, value no longer resides primarily in any individual ingredient, but in the organization's increasing ability to transform biodiversity into innovation.

The reason organizations see products where platforms exist is that a standard business case can price only two of the five dimensions P5 makes visible: **Product and Prosperity** — the ingredient and its margin.

The platform lives in the other three. The **People** (community knowledge, scientific expertise), the **Process** (sourcing infrastructure, traceability, the innovation system itself) and the **Planet** (the biodiversity that seeds the next discovery) are exactly what a volume-and-margin model discards — and exactly where the compounding capability sits. P5 is therefore not a sustainability overlay on the innovation decision. It is the lens that reveals the platform the product-only view is structurally unable to see. PRISM's contribution is timing: it brings that fuller evaluation into the stage-gate, before the opportunity has already been sized as a product.

This may sound philosophical, but its implications are deeply practical.

Organizations that view sustainability primarily through the lens of replacement will continue finding incremental improvements. Organizations that view regeneration as a platform for reinvention

gain access to a fundamentally different set of opportunities. They begin to see possibilities where others see constraints. They identify value where others see cost. Most importantly, they expand their capacity to create value in ways that were previously unimaginable.

In many respects, this is the next frontier facing Natura.

The company has already demonstrated that biodiversity can create value. The challenge now is not simply discovering the next ingredient. It is continuously expanding the innovation platform that biodiversity makes possible. It is finding new ways to transform ecological knowledge into consumer superiority, community relationships into innovation capability and regeneration into entirely new forms of growth.

Ultimately, the organizations that win in the future are unlikely to be those with the best products alone. They will be those that build the strongest platforms for creating the next generation of products and solutions derived from biodiversity.

And that is precisely where regeneration begins to move beyond sustainability and become a source of enduring competitive advantage.



Procurement: When organizations see suppliers instead of ecosystems

One of the great achievements of modern business has been the extraordinary sophistication of procurement.

Over the last several decades, organizations learned how to source globally, leverage scale, consolidate suppliers, reduce costs, improve reliability and optimize increasingly complex networks of partners. Entire industries benefited from procurement becoming more disciplined, more analytical and more strategic. Margins improved, supply chains expanded and organizations gained access to capabilities that would have been impossible to develop internally. In many respects, procurement became one of the hidden engines of competitive advantage.

Yet the success of this model created an interesting paradox.

The more effective organizations became at managing transactions, the easier it became to overlook the systems that made those transactions possible.

For many years this was not a significant problem. Natural resources appeared abundant, ecosystems were largely invisible within economic models and supply chains operated with a level of predictability that encouraged

organizations to focus on efficiency above all else. Procurement teams were rewarded for reducing costs, improving service levels and increasing reliability. Relationships mattered, but they were often viewed through the lens of commercial performance.

The world that emerged over the last decade has exposed the limitations of this perspective. Climate volatility, biodiversity loss, geopolitical instability, water scarcity and changing stakeholder expectations have revealed something that was always true but rarely visible: **organizations do not operate independently from the systems that support them.** Every supply chain depends on ecosystems. Every product depends on resources. Every supplier depends on communities, infrastructure, environmental stability and social legitimacy. The challenge is that these dependencies often remain invisible until they are disrupted.



This dynamic is remarkably similar to what Rita McGrath describes when discussing transient advantage. Organizations become highly effective at optimizing existing systems precisely because those systems appear stable. Over time, however, the assumptions upon which success was built begin to change. The advantage does not disappear because organizations become less capable. It disappears because the environment around them evolves faster than the systems through which they make decisions.

Procurement is increasingly facing this challenge.

The traditional question was relatively straightforward: how do we secure the best possible input at the lowest possible total cost?

The emerging question is far more complex:
how do we ensure continued access to the capabilities, relationships, resources and ecosystems upon which future value creation depends?

The shift is not simply in what procurement buys, but in what it is expected to protect and strengthen.

A supplier delivers an input. An ecosystem creates the conditions through which value can continue to emerge. A supplier relationship can secure access to a material. An ecosystem relationship can provide access to knowledge, trust, resilience, legitimacy, innovation and future opportunity. One facilitates a transaction. The other strengthens the system that makes future transactions possible.

This is where Natura's experience in the Amazon becomes particularly instructive.

From a traditional sourcing perspective, the Amazon can easily be viewed as a region from which ingredients are obtained. The objective is to ensure quality, reliability, consistency and economic efficiency. Natura's experience suggests a broader perspective. Beyond securing high-quality ingredients, the company has sought to build sourcing systems that also strengthen local livelihoods, create shared prosperity and reinforce the long-term health of the ecosystems upon which those communities depend.

Over more than two decades, the company has built relationships that extend well beyond conventional procurement. Communities contribute not only ingredients but knowledge. Biodiversity contributes not only raw materials but inspiration for future innovation. Conservation contributes not only environmental outcomes but long-term access to biological assets and the trust required to operate within complex ecosystems. The result is a system in which economic, environmental and social value reinforce one another rather than compete against one another.



What emerges is not simply a supply chain. It is an ecosystem of capabilities. That ecosystem did not emerge by accident. Over more than twenty-five years, Natura has built relationships with more than 13,000 families across the Amazon, supported by systems that ensure traceability, responsible sourcing and long-term partnership. At the heart of this effort is the **Gerência de Relacionamento e Abastecimento da Sociobiodiversidade (GRAS)**, a dedicated function responsible

for managing relationships with partner communities and coordinating the sourcing of sociobiodiversity ingredients. Its role extends well beyond procurement. By combining on-the-ground relationship management, technical support, traceability and commercial coordination, GRAS helps ensure that biodiversity conservation, community development and business growth reinforce one another. In many respects, it exemplifies one of the central ideas of this playbook: regenerative ecosystems do not manage themselves; they require deliberate capabilities designed to strengthen the systems upon which future value depends.

Building relationships, however, is only part of the challenge. Organizations must also develop a far deeper understanding of the ecosystems upon which those relationships depend. That realization led Natura to develop one of the most ambitious digital initiatives in its regenerative journey: **the Amazon Greenventory**. If GRAS represents Natura's capability to build relationships across the Amazon, Greenventory represents its capability to understand the forest itself. Together, they illustrate an important evolution in regenerative procurement: organizations must invest not only in managing ecosystems, but also in generating the intelligence required to understand them.



At first glance, Greenventory may appear to be a digital platform designed to map biodiversity and environmental assets. In reality, it represents something much more profound. Greenventory is an attempt to change the economic logic of the forest itself. Developed by Natura in partnership with the startup Bioverse, the

initiative combines artificial intelligence, satellite imagery, drones and field data to map biodiversity at unprecedented speed. In just six months, Greenventory surveyed more than 60,000 hectares of forest in Pará, an area equivalent to approximately 100,000 football fields. Using conventional methods, the same inventory would have taken more than two decades.

The real innovation is not the speed at which the forest can be mapped. **It is the ability to make the living forest visible as an economic asset.**

Historically, economic systems have struggled to recognize the value of living ecosystems. Timber has a price. Agricultural land has a price. Extracted resources have a price. The standing forest, despite providing carbon storage, biodiversity, water regulation, climate resilience and countless ecological services, often appears economically invisible. As a consequence, destruction frequently generates more immediate financial value than preservation.



Greenventory begins to challenge this assumption by translating biodiversity, carbon stocks, ecological services and regenerative production systems into information that can influence economic decisions. Rather than treating conservation as a cost or a philanthropic activity, it helps demonstrate that preserved ecosystems are productive assets capable of generating recurring value over time. More importantly, it enables organizations to understand the forest not simply as a source of raw materials, but as a living system whose health directly influences future innovation, resilience and prosperity.

This fundamentally changes what procurement is optimizing for. The supplier is no longer simply the community providing an ingredient. The supplier ecosystem includes the forest itself, the biodiversity embedded within it, the agroforestry systems that regenerate degraded land, the ecological services that sustain productivity, the local knowledge accumulated over generations and the economic mechanisms that allow communities to prosper through conservation rather than destruction.



The distinction is important because procurement is no longer optimizing for the most efficient transaction alone. It is increasingly optimizing for the long-term health of the system that makes future transactions possible.

A traditional procurement model seeks the most efficient transaction.

A regenerative procurement model seeks the healthiest ecosystem.

The difference is not philosophical. It is strategic.

Healthy ecosystems are often more resilient ecosystems. More resilient ecosystems are often more reliable sources of supply. Reliable sources of supply create stability. Stability creates long-term value. What begins as an environmental consideration ultimately becomes a commercial one.

This perspective helps explain why Natura's work in the Amazon should not be viewed primarily as a sourcing strategy. It is better understood as an ecosystem strategy. The objective is not simply to obtain ingredients. The objective is to strengthen the environmental, social and economic systems that make future innovation and value creation possible.

This is one of the reasons why regeneration represents such an important evolution in business thinking.

Traditional procurement asks how resources can be acquired more efficiently.

Regenerative procurement asks how the systems that produce those resources can become stronger over time.

The implications extend far beyond sustainability. A healthier ecosystem is often a more resilient ecosystem. A more resilient ecosystem is often a more innovative ecosystem. A more innovative ecosystem frequently creates superior economic outcomes. The relationship between sustainability and business performance begins to look very different when viewed through this lens. Rather than appearing as competing objectives, they start reinforcing one another.



This is precisely the shift P5 is built to force. A conventional sourcing decision is scored on two dimensions only — **Product and Prosperity**, the input and its cost. Run the same decision through P5 and three more dimensions appear that the financial lens cannot price. These include the **People** who hold the knowledge and grant the legitimacy to operate; the **Planet** whose biodiversity and ecological services decide whether supply even continues; and the **Process** — Greeninventory, traceability, regenerative sourcing — through which those dependencies are actually governed. A supplier does not become an ecosystem through insight or goodwill. It becomes one the moment all five Ps sit inside the same decision.



P5 is what makes the wider system visible; **PRiSM** is what moves that view to the point where the choice is made rather than reviewed afterwards.

In many respects, this is the next frontier not only for Natura, but for business more broadly.

The challenge for organizations is no longer proving that ecosystems matter. Increasingly, the evidence is all around us. The challenge is learning how to manage ecosystems with the same rigor, sophistication and intentionality that organizations once applied only to transactions.

The companies that master this transition will discover something important.

In a world of increasing complexity, ecosystems may become one of the most valuable strategic assets an organization can possess.

And unlike commodities, technologies or individual products, they become stronger the more they are cultivated.

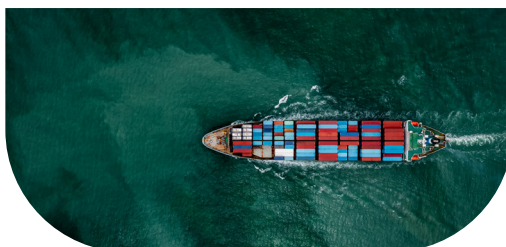
Supply chains: When efficiency creates fragility

Few ideas have shaped modern management more profoundly than efficiency.

For more than half a century, organizations have relentlessly pursued ways to eliminate waste, reduce complexity, optimize assets and increase productivity. Entire operating models have been built around the principle that the most competitive organizations are those capable of producing more with less. Lean manufacturing, just-in-time inventory, global sourcing, network optimization and digital planning systems all emerged from the same underlying belief: efficiency creates advantage.

For a long time, this assumption appeared unquestionably true.

Companies that mastered efficiency reduced costs, improved margins, accelerated growth and created remarkable gains in productivity. Supply chains became longer, more specialized and increasingly interconnected. Organizations learned how to access resources, capabilities and manufacturing capacity from almost anywhere in the world. Complexity increased, but so did performance.



Then something interesting happened.

The same systems that had been optimized for efficiency began revealing an unexpected weakness.

They had become fragile.

The realization emerged gradually at first. A flood disrupted a supplier. A drought affected agricultural yields. A geopolitical conflict interrupted logistics routes. A pandemic halted manufacturing. Each event appeared isolated, yet together they revealed a deeper truth. Many supply chains had been designed to perform exceptionally well under expected conditions, but they struggled when those conditions changed.



The problem was not that organizations had optimized incorrectly. The problem was that they had optimized for a world that no longer existed.

For decades, managers treated efficiency and resilience as if they were closely related concepts. In reality, they are

fundamentally different objectives. Efficiency seeks to remove redundancy. Resilience often depends upon it. Efficiency reduces buffers. Resilience frequently requires them. Efficiency assumes stability. Resilience assumes uncertainty.

The distinction becomes increasingly important in a world shaped by climate volatility, biodiversity loss, geopolitical disruption, resource constraints and rapidly shifting consumer expectations.

Suddenly, the question is no longer whether a supply chain is efficient. **The question is whether it can adapt.**

This shift in perspective has profound implications for how organizations think about regeneration.

For many years, sustainability initiatives within supply chains focused primarily on reducing negative impacts. Organizations sought to reduce emissions, improve traceability, eliminate waste and strengthen compliance. These efforts remain essential. Yet they often address the consequences of a system rather than the nature of the system itself.



Regeneration asks a different question.

Rather than asking how supply chains can become less harmful, it asks how they can become more resilient, more adaptive and more capable of generating value over time.

This is where Natura's experience becomes particularly relevant.



Viewed superficially, the Amazon presents many of the characteristics that traditional supply-chain thinking tends to avoid. Geographic dispersion. Seasonal variation. Infrastructure limitations. Environmental uncertainty. Complex stakeholder networks. From a purely efficiency-oriented perspective, these characteristics can appear problematic. They introduce variability where managers typically seek predictability.

Yet looking at the Amazon through the lens of efficiency alone misses something important.

The very characteristics that create complexity can also create resilience.

Diversity, for example, is often viewed as an ecological concept. It is equally relevant as a business concept. Ecosystems become resilient because they do not depend on a single species, a single pathway or a single source of value. Diversity creates adaptability. When conditions change, the system retains the capacity to respond.

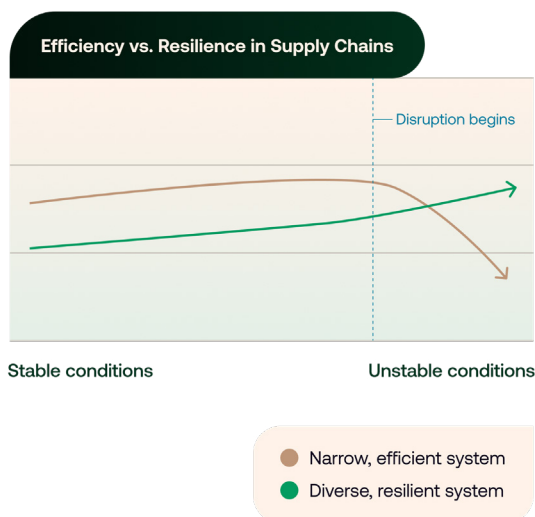
The same principle increasingly applies to supply chains.

Organizations that depend heavily on a limited number of suppliers, regions, technologies or resources often appear highly efficient. Under stable conditions, they frequently outperform more diversified alternatives. The challenge emerges when conditions become unstable. What previously looked efficient begins to reveal hidden vulnerabilities.

Nature solved this problem long ago.

Forests do not optimize for maximum short-term productivity. They optimize for survival. They create redundancy, diversity, interdependence and adaptability. These characteristics may appear inefficient when viewed through a narrow operational lens, yet they are precisely what allow ecosystems to endure disruption over long periods of time.

Regenerative supply chains begin applying similar principles.



The objective is not simply to move materials from one location to another at the lowest possible cost. The objective is to build systems capable of sustaining value creation under changing conditions. This requires a broader understanding of performance. Cost remains important. Efficiency remains important. But resilience becomes equally important.

Natura's relationship with the Amazon provides an interesting example of this shift.

Over time, the company has built systems that depend not only on materials, but on relationships, knowledge and ecosystem health. The long-term viability of those systems depends upon maintaining the resilience of the communities and ecosystems that support them. In this context, environmental stewardship is not separate from operational performance. It becomes one of the conditions that makes future performance possible.

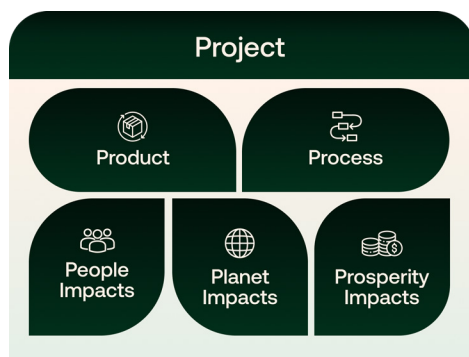
This perspective fundamentally changes how leaders evaluate supply chains.

Rather than asking whether a system is operating at maximum efficiency, they begin asking whether it is becoming more resilient over time. Rather than viewing sustainability as an additional constraint, they begin recognizing it as a

mechanism through which resilience can be strengthened. The conversation shifts from optimization to adaptation.

This is one of the reasons why the P5 framework becomes particularly useful.

Traditional operational metrics tend to focus on outputs. P5 encourages organizations to consider the broader systems through which those outputs are generated. People, Planet, Prosperity, Product and Process become interconnected dimensions of performance rather than separate objectives competing for attention. Decisions are no longer evaluated solely according to what they deliver today, but according to how they influence the organization's ability to create value tomorrow.



PRISM reinforces this perspective by embedding systems thinking into project delivery itself. Instead of treating sustainability as a downstream consideration, it encourages teams to examine the long-term implications of operational decisions from the outset. This creates a different type of conversation. Managers begin considering not only how systems perform under expected conditions, but how they respond when those conditions inevitably change.

The significance of this shift extends far beyond supply chains.

For much of modern business history, organizations created value by optimizing existing systems. Increasingly, however, the greatest opportunities may come from strengthening the capacity of those systems to adapt, evolve and remain resilient under changing conditions.

Adaptability.

The companies that thrive over the next several decades may not be those with the most optimized systems. They may be those with systems capable of learning, evolving and responding to disruption more effectively than others.

In this sense, regeneration is not simply an environmental concept. It is an operational one.

It offers a framework for designing systems that become stronger because they are connected to healthy ecosystems, resilient communities and diverse sources of value. The goal is not merely to reduce harm. The goal is to create the conditions through which value can continue to emerge, even as the world around the organization changes.

This is ultimately the lesson hidden within Natura's experience in the Amazon.

The most important outcome is not a more sustainable supply chain. **It is a more resilient one.**

And in an increasingly uncertain world, resilience may prove to be one of the most valuable forms of competitive advantage an organization can build.



Governance: When value exists but cannot be seen

One of the greatest challenges facing modern organizations is not creating value. It is recognizing value when it appears.

At first glance, this may seem like an unusual statement. Businesses are designed to identify opportunities, allocate resources and generate returns. Entire management systems exist to evaluate investments, measure performance and guide decision-making. Yet many of the assets that increasingly determine long-term success remain surprisingly difficult to see through the lenses most organizations use to govern themselves. Trust rarely appears on a balance sheet. Ecosystem health does not appear in a profit-and-loss statement. Community relationships are not reflected in quarterly earnings. The resilience created by a diversified sourcing model often remains invisible until disruption occurs. The innovation potential embedded within biodiversity cannot easily be translated into a conventional business case. And yet each of these factors can materially influence an organization's future performance.

The paradox is that many of the variables most critical to long-term value creation remain largely absent from the systems through which value is measured today. This is not because leaders fail to understand their importance. Most executives intuitively recognize that climate, biodiversity, social legitimacy, ecosystem resilience and stakeholder trust matter.

The difficulty lies elsewhere. Governance systems were largely designed for a world in which value creation was dominated by tangible assets. Factories, machinery, inventory, financial capital and operational efficiency sat at the center of managerial attention for most of the twentieth century. Organizations became exceptionally good at measuring and managing these assets because they were the assets that mattered most.



The challenge is that the nature of value creation has changed far more quickly than the systems used to govern it.

Today, some of the most important drivers of competitive advantage are intangible, systemic and interconnected. They emerge through relationships rather than transactions. They accumulate over years rather than quarters. Their effects are often indirect and therefore difficult to isolate. They behave less like assets and

more like ecosystems. The result is that organizations frequently find themselves in a curious situation. They know these factors matter, but they struggle to consistently incorporate them into investment decisions, innovation priorities, risk assessments and performance management. In practice, leaders often continue allocating resources according to what is easiest to measure rather than according to what is most likely to create long-term value.



This tension sits at the heart of the challenge facing regeneration.

For years, sustainability was framed as a trade-off because governance systems struggled to recognize the value it created. Environmental and social initiatives often appeared to generate immediate costs while many of their benefits remained invisible. Ecosystem resilience, community trust, biodiversity protection and future resource availability rarely appeared within traditional business cases despite influencing the long-term viability of the enterprise. The debate was therefore never simply about whether sustainability created value. More often, it was about whether organizations possessed the tools required to recognize that value when it appeared.

This is one of the reasons Natura's experience is particularly instructive. While much attention is understandably given to the company's work in biodiversity, regenerative sourcing and community partnerships, an equally important story has unfolded in parallel. Over time, Natura has progressively invested in governance mechanisms designed to make previously invisible forms of value visible.

The objective has not simply been to improve sustainability reporting. The objective has been to improve decision-making.

Double Materiality provides an excellent example of this shift. Traditional materiality assessments focus primarily on understanding how external forces influence the company. Climate change may affect costs. Regulation may affect growth. Resource scarcity may affect supply. The organization evaluates the world through the lens of business impact.

Double Materiality introduces a second perspective by asking how the company itself affects society and the environment.

This may initially appear to be a reporting requirement, but its implications are much broader. Once organizations begin examining both dependencies and impacts simultaneously, they gain a more complete understanding of the systems within which they operate. Biodiversity becomes more than an environmental topic. It becomes a strategic dependency. Community wellbeing becomes more than a social objective. It becomes part of the infrastructure that supports future growth. What emerges is not merely better disclosure. It is better strategic visibility.



A similar evolution can be observed in **Enterprise Risk Management** more broadly. For many years, environmental and social issues were often managed outside core enterprise risk frameworks. Financial, operational and market risks received greater attention because their implications were more immediate and easier to quantify. Biodiversity loss, ecosystem degradation, water scarcity and social instability were often treated as specialist concerns rather than enterprise-wide risks. Increasingly, however, the boundaries between these categories are disappearing. The degradation of ecosystems can disrupt supply chains. Water scarcity can constrain production. Biodiversity loss can affect access to natural resources. Shifts in societal expectations can influence reputation, regulation, talent attraction and growth. These are not environmental issues with business implications. They are business issues. Integrating these dimensions into Enterprise Risk Management creates a more complete understanding of the uncertainties and opportunities that shape long-term performance, enabling organizations to make decisions that are not only more resilient, but also better aligned with the realities of an increasingly interconnected world.



Perhaps the most ambitious example of this evolution is Natura's exploration of **Integrated Profit and Loss**. Traditional profit-and-loss statements remain among the most powerful management innovations ever created because they translate complexity into a language that leaders can act upon. Yet they remain largely silent on many of the systems that support long-term value creation. A forest may become healthier or more degraded. A watershed may become more resilient or more vulnerable. Community relationships may strengthen or weaken. Natural capital may increase or decline. None of these developments are adequately reflected within conventional financial reporting despite their ability to influence future business performance. Integrated Profit and Loss seeks to address this gap. The objective is not to replace financial metrics, but to enrich them by making visible the environmental and social systems that underpin future value creation. In many respects, it represents an attempt to govern multiple forms of capital with the same discipline that organizations already apply to financial capital.



Viewed collectively, these initiatives reveal something important. They are not fundamentally measurement tools. They are visibility tools. Their purpose is not merely to quantify impacts but to improve the quality of strategic decisions. Every governance system creates a particular view of reality. It determines which signals receive attention, which opportunities appear attractive, and which risks remain invisible. By expanding what can be

seen, governance changes what can be managed. By changing what can be managed, governance changes where organizations invest. And by changing where organizations invest, governance ultimately shapes the future they create.

Read this way, P5 is not one more framework sitting beside Double Materiality, Enterprise Risk Management, and Integrated P&L. It is the common logic beneath all three. Each makes one of P5's dimensions legible to decision-makers: ERM pulls Planet and People into the risk register; Double Materiality forces Prosperity and Planet to be read in both directions; IP&L gives People and Planet a place in the same statement as financial Product value. What this chapter calls a "system of perception" is exactly what P5 institutionalizes — a standing instruction to evaluate every decision across all five dimensions, so that trust, ecosystem health and community resilience stop being invisible and start being managed. Natura's governance innovations are not adjacent to P5. They are P5 in operation.



The significance of this shift extends far beyond sustainability. Every source of competitive advantage begins with perception. Organizations can only act upon opportunities they recognize. They can only invest in capabilities they understand. They can only build advantage around value they

are capable of seeing. Seen through this lens, governance is not simply a system of oversight. It is a system of perception.

And the organizations that **develop a richer understanding of value** are likely to **make better decisions** long before that value becomes obvious to everyone else.

That may ultimately be one of the most important lessons from Natura's journey. The future of regeneration is not simply about creating new forms of value. It is about learning how to see them.

Risk: When organizations prepare for the past instead of the future

The greatest risks rarely arrive as surprises. More often, they arrive as ignored signals.

This may sound counterintuitive because business history is often written as though disruption happens overnight. In reality, profound change usually begins quietly. New technologies emerge at the margins. Consumer expectations shift gradually. Scientific discoveries accumulate over years. Environmental pressures build incrementally before reaching visible tipping points. By the time change appears obvious, it has often been unfolding for far longer than organizations realize. The challenge is rarely visibility. The challenge is interpretation.



The future rarely arrives fully formed. It emerges gradually through weak signals,

small shifts, changing expectations, technological advances and evolving behaviors that initially appear peripheral to the core business. Because these signals are often ambiguous, organizations naturally prioritize the issues that feel more immediate and more certain. Quarterly targets demand attention. Operational challenges require action. Existing customers generate revenue. The future, by contrast, is uncertain. As a result, many organizations become exceptionally skilled at managing the present while gradually losing sight of the forces that will shape what comes next.

This tendency is deeply embedded within traditional approaches to risk management. Historically, risk has been understood as the probability of something undesirable occurring. Organizations identify threats, estimate likelihoods, assess impacts and develop mitigation plans. The methodology is logical and effective when risks can be inferred from historical experience. If a supplier has failed before, future failure can be modelled. If a currency has fluctuated historically, future volatility can be estimated. If equipment has broken down in the past, maintenance schedules can be optimized.

The challenge is that some of the most significant risks facing organizations today do not behave this way. Climate instability cannot be understood solely through historical averages. Biodiversity loss does not follow quarterly reporting cycles. Changes in societal expectations

emerge gradually before reaching tipping points. Technological disruptions often appear insignificant until they suddenly become unavoidable. The risks that matter most increasingly originate not from what has happened before, but from what is beginning to happen now.

This creates an important distinction between risk management and future preparedness.

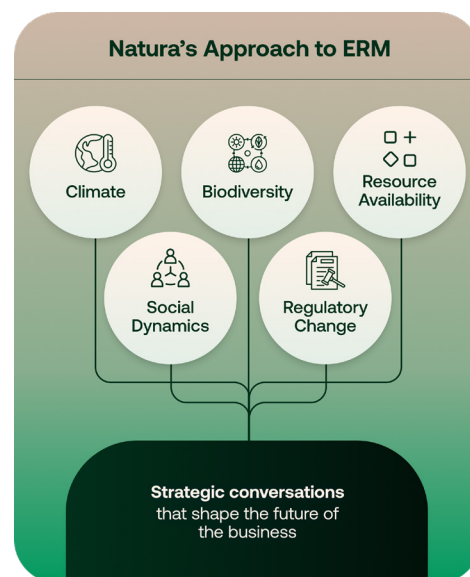
Risk management seeks to protect existing value. **Future preparedness** seeks to create future resilience.

Although closely related, they lead leaders to think about uncertainty in fundamentally different ways. A traditional risk lens asks, “What could threaten the business we have today?” A future preparedness lens asks, “What could make our current business model less relevant tomorrow?” The first question protects performance. The second protects relevance.

For organizations pursuing regeneration, this distinction becomes critically important. The greatest risks facing regenerative business models are rarely operational in nature. They emerge from the systems upon which future value depends. Ecosystem degradation can reduce access to biodiversity. Climate volatility can reshape agricultural productivity. Water scarcity can constrain manufacturing. Shifting societal expectations can redefine what consumers value. New regulations can transform entire categories. The challenge is that these changes often unfold over years, sometimes decades, making them easy to acknowledge but difficult to prioritize.

This is one of the reasons Natura’s journey is particularly instructive. The company’s relationship with the Amazon is frequently discussed through the lens of biodiversity, innovation and regeneration. Equally important, however, is the way this relationship has influenced how the company thinks about risk itself. Natura’s future is deeply connected to the health of ecosystems, communities, natural resources and social trust. The risks associated with these systems cannot be understood solely through traditional financial or operational frameworks. They require a broader perspective—one capable of recognizing that environmental and social trends are not externalities, but strategic variables capable of shaping the future of the business.

This thinking is increasingly reflected in Natura’s approach to **Enterprise Risk Management**, where climate, biodiversity, resource availability, social dynamics and regulatory developments are incorporated into broader strategic conversations. The significance of this shift extends beyond risk mitigation. It reflects an understanding that long-term competitiveness depends on understanding how environmental and societal systems evolve over time. The objective is no longer simply to protect the business from shocks, but to ensure the business remains relevant as the world around it changes.



Yet even this may not be enough.

Managing risk is important. **Anticipating change is even more important.**

The organizations best prepared for the future do not simply monitor risks; they cultivate foresight. Rather than waiting for trends to become obvious, they actively search for signals that reveal how the future may be unfolding. They explore scenarios rather than forecasts. They examine emerging technologies before they become mainstream. They pay attention to developments that initially appear unrelated to their business because they understand that disruption often emerges at the intersection of multiple forces occurring simultaneously.

The distinction matters because the future cannot be predicted with certainty. Markets evolve unexpectedly. Technologies develop in non-linear ways. Consumer expectations shift faster than anticipated. Ecological systems respond to pressures that are often difficult to foresee. Under these conditions, the goal is not prediction. The goal is preparedness.



Organizations that explore multiple possible futures frequently make better decisions in the present. They become more aware of the assumptions underpinning their current strategies. They identify opportunities earlier. They recognize vulnerabilities sooner. Most importantly, they become less dependent on a single view of how the future will unfold.



Seen through this lens, regeneration and foresight become deeply connected. Regeneration is fundamentally concerned with strengthening the systems that support future value creation. Foresight is fundamentally concerned with understanding how those systems may evolve.

Together, they create a powerful framework for **navigating uncertainty**. One focuses on **building resilience**. The other focuses on **directing it**.

This perspective also reveals an important contribution of P5 and PRISM. Traditionally, project management has been concerned with delivering outcomes successfully. Increasingly, however, organizations are recognizing that success cannot be defined solely by immediate delivery. Projects shape future systems. They create dependencies, opportunities, capabilities

and consequences that often extend far beyond the project itself.

P5 encourages leaders to broaden their understanding of impact by considering effects across People, Planet, Prosperity, Product and Process. PRiSM reinforces this perspective by embedding long-term thinking into project design and governance. Together, they encourage organizations to move beyond short-term optimization and toward decisions that strengthen resilience across multiple dimensions.

In this sense, risk management begins to evolve. It stops being primarily about preventing negative outcomes and becomes a mechanism for building adaptive capacity. The organizations that thrive in the coming decades are unlikely to be those that avoid uncertainty altogether. Uncertainty is becoming a permanent feature of the business landscape. Instead, success will increasingly belong to organizations capable of learning faster, adapting earlier and recognizing change before it becomes obvious.

This may ultimately be one of the most important lessons from Natura's regenerative journey. The future cannot be controlled. But organizations can become better prepared for it. And in a world where disruption is increasingly the norm rather than the exception, preparedness may prove to be one of the most valuable capabilities of all.



The regenerative advantage

Throughout most of the modern history of business, sustainability has been framed as a constraint.

Organizations were encouraged to reduce emissions, minimize waste, source responsibly, improve labor practices and mitigate environmental impacts. These efforts undoubtedly created important progress. They improved transparency, strengthened accountability and reduced harm. Yet they were often discussed through the language of sacrifice. Sustainability was portrayed as something organizations needed to incorporate into their business models, even when doing so appeared to increase complexity, require investment or reduce short-term profitability.

The underlying assumption was clear.

Business created value. Sustainability protected value.

The two could coexist, but they remained fundamentally separate conversations.

This playbook has argued for a different perspective.

The organizations most likely to succeed in the coming decades will not be those that treat sustainability as a responsibility sitting alongside business performance. They will be those that transform sustainability into a capability that strengthens business performance itself.

This distinction is subtle but profound.

Responsibilities consume resources.
Capabilities create value.



A company that reduces waste is behaving responsibly. A company that transforms circularity into a source of innovation is building a capability. A company that sources ingredients responsibly is meeting expectations. A company that transforms its sourcing ecosystem into a source of resilience, trust and differentiation is creating advantage.

The difference is not what the organization does.

The difference is what the organization becomes capable of doing as a result.

This is where regeneration enters the conversation.

Regeneration is often described as the next evolution of sustainability. While true, this description understates its significance. Regeneration is not simply a more ambitious environmental agenda. It is a fundamentally different way of thinking about value creation.

Traditional sustainability asks how organizations can reduce negative impacts and promote positive impacts instead.

Regeneration asks how organizations can **strengthen the systems upon which future value depends.**

The distinction changes everything.

Innovation is no longer focused solely on replacing existing materials with more sustainable alternatives. It becomes a search for entirely new forms of value. Procurement is no longer focused exclusively on transactions. It becomes focused on cultivating ecosystems. Supply chains are no longer optimized only for efficiency. They are designed for resilience. Governance expands beyond financial metrics to include the broader systems that shape future performance. Risk management evolves from protecting today's business toward preparing for multiple possible futures.

Viewed independently, each of these shifts appears incremental. Viewed together, they represent a new operating model.

The common thread connecting them is the recognition that competitive advantage increasingly emerges from systems rather than assets.

This is one of the most important strategic lessons from Natura's journey.



At first glance, Natura's relationship with the Amazon appears to be built around biodiversity. Yet biodiversity alone is not the advantage. The true advantage lies in the capabilities that have been built around biodiversity over decades. Scientific expertise. Community relationships. Trust. Regenerative sourcing models. Innovation platforms. Governance mechanisms. Risk frameworks. These capabilities reinforce one another, creating a system that becomes increasingly difficult to replicate.

The forest matters. But the capability system built around the forest matters more.

This distinction is critical because assets can be copied. Capabilities are far harder to reproduce.

Competitors can access ingredients. They can adopt technologies. They can launch similar products. What they struggle to replicate are the relationships, learning systems, governance models, ecosystem partnerships and accumulated knowledge that allow an organization to continuously generate new forms of value.

This is ultimately why regeneration should be viewed as a strategic discipline rather than a sustainability initiative.

The most valuable outcome of regeneration is not reduced impact. **It is increased capability.**

The organization becomes more innovative because it learns from broader ecosystems. It becomes more resilient because it depends upon stronger systems. It becomes more adaptive because it develops a deeper understanding of long-term change. It becomes more trusted because it creates value across multiple stakeholders simultaneously.

Over time, these capabilities begin reinforcing one another.

Innovation improves resilience. **Resilience** improves adaptability. **Adaptability** improves performance. **Performance** creates resources that can be reinvested into innovation.

The system compounds. This compounding effect may ultimately be the most important difference between sustainability and regeneration.

Sustainability often focuses on minimizing harm. Regeneration focuses on increasing capacity.

A healthy forest becomes more resilient over time. A healthy ecosystem becomes more productive over time. A healthy community becomes more prosperous over time.

Likewise, a regenerative organization strengthens the systems that support its future success. Rather than extracting value from those systems, it increases their ability to continue creating value.

This idea sits at the heart of both P5 and PRISM.

Neither framework asks organizations to choose between performance and sustainability. Instead, they encourage leaders to recognize the interconnected nature of value creation itself. People, Planet, Prosperity, Product and Process are not competing priorities. They are components of the same system. Long-term success emerges when these dimensions strengthen one another rather than undermine one another.

This perspective becomes increasingly important as organizations confront a future defined by uncertainty. Climate change,

resource constraints, technological disruption, demographic shifts and changing societal expectations are not isolated trends. They are interconnected forces reshaping the conditions under which value will be created. Organizations that continue optimizing for a world that no longer exists will struggle. Organizations that strengthen their capacity to adapt will thrive.

In this context, regeneration ceases to be an environmental ambition.

It becomes a strategic one.

The companies that lead the next era of business will not necessarily be those with the most resources, the most advanced technologies or the largest market shares. They will be those that become most effective at strengthening the systems upon which future value depends.



That is the real lesson from Natura's experience.

The Amazon is not simply a source of ingredients.

It is a living demonstration of how long-term advantage is built.

Not through extraction.

Not through optimization alone.

But through the deliberate cultivation of capabilities that become stronger over time.

And in a world increasingly defined by uncertainty, that may prove to be the most durable competitive advantage of all.