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About this report

This report is a summary of our progress on responsible business in 2016. We published our last full report, on 2015 responsible business performance, in 2016. The next full report will be published in 2018, which will report on Avon's 2017 responsible business performance. We periodically update the online content on avoncompany.com as needed, but we assume no obligation to update any of the information or statements in this report or on our website. Certain statements contained in this report about future developments and past occurrences are based on information and assumptions available as of the date of this report.

We conducted an internal review of all data and assertions contained in this report to ensure accuracy of the content. This report has not been reviewed, verified or assured by an independent third party.

Find out more about Avon's responsible business strategy and efforts online at avoncompany.com/corporate-responsibility/

This is an interactive PDF that is best viewed in Adobe.

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This is the company that puts mascara on lashes and food on tables. That fights wrinkles with one hand and breast cancer with the other. That knows the value of a perfect lip, but still opens its mouth and speaks out against gender-based violence and for women’s financial independence. We’re the company that not only brings beauty to doors, but also opens them. The company that supports approximately six million independent Avon Representatives worldwide. This is Avon. The company that for more than 130 years has stood for beauty, innovation, optimism and, above all, for women.



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A message from our CEO

2016 was an important year for Avon Products, Inc. (“Avon”) as it marked the 130th anniversary of our iconic beauty company. It was also a year of significant change as we embarked on the first year of our three-year Transformation Plan. As part of this plan, we successfully separated Avon’s North American business in March 2016 into a privately held company operating as New Avon LLC.

Our commitment to operating our business responsibly centers around three main pillars: to inspire and create a world with more empowered women through our direct selling business model, to manage our impact on the environment and to operate as a responsible company that makes and sells quality, responsibly sourced products. This year we have continued to review and assess our responsible business commitments against the Sustainable Development Goals to understand where we are best placed to have the most impact in addressing some of the world’s largest challenges.

Despite 2016 being a year of change at Avon, we have made progress in each of our three pillars. Our priority remains to support women around the world as they strive to get ahead in life by offering them a flexible earnings opportunity through our direct selling model. We also remain committed to the development of our Associates and remain an equal pay employer. We continue our long-standing support for and advocacy of causes that matter most to women and, Avon and the Avon Foundation for Women have donated more than \$1 billion globally to drive progress to date. Our focus is on educating about breast health, increasing access to breast health care and working to end violence against women.

We also made progress in 2016 towards achieving our 2020 environmental goals that were established in 2005. We chose not to change our environmental targets when we separated the North American business from Avon Products, Inc., opting instead to work harder to meet our goals, such as reducing our emissions target by 20 percent from baseline. We are continuing our progress towards reaching our goal of purchasing 100 percent of our brochure paper from certified and/or post-consumer recycled content sources by 2020. The Avon brochure has among the widest distribution of any periodic publication in the world and, as a direct sales company, our network of approximately six million Avon Independent Sales Representatives (“Representatives”) relies heavily on it to conduct everyday business. By the end of 2016, 86 percent of our brochure paper met this important target. This is a slight decrease from 2015 due to the separation of the North American business, but as we continue to work on paper sourcing, I remain confident we will reach our goal.

Finally, our third pillar is focused on the way we operate as a responsible company. We take this commitment seriously in all that we do, from the ingredients we use in our products to the health, safety and development of our Associates, Representatives and the workers in our supply chain.

After five years leading Avon, and in line with my commitments to the Board to transform the business, I announced in August 2017 that I will be stepping down as CEO and as a director of the Board on March 31, 2018. Following the successful completion of the first half of our Transformation

Plan, the Board and I have agreed that now is the right time for a new leader to drive Avon’s journey forward to become the world’s leading social beauty company.

Avon has been purpose-driven since David H. McConnell founded the company in 1886. I have proudly built upon that legacy during my tenure and I am confident my successor will lead Avon into the future with the same dedication to improving the lives of women and helping to create a healthier, safer and more inclusive world.



Sheri McCoy

Sheri McCoy
Chief Executive Officer
Avon Products, Inc.

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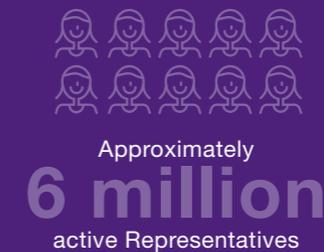
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Avon is an iconic and well-loved global beauty brand with a proud heritage of enabling generations of women to be more confident – through business, beauty and wellbeing. We provide economic opportunities to women through our direct selling business model, which offers an exclusive range of award-winning, ethically sourced and environmentally friendly make-up, skincare, perfume and more. In 2016, we celebrated our 130th anniversary, but our focus is on the future. We are committed to creating the world’s leading social beauty company, in partnership with millions of women of all ages. Our business model is uniquely designed to attract, develop and support our Representatives and the thousands of lives they touch every day.

2016 HIGHLIGHTS:

- Completed a strategic partnership with Cerberus Capital Management, L.P. (“Cerberus”) in March 2016, successfully separating Avon’s North America business into a privately held company operating as New Avon LLC under the management of Cerberus with Avon Products, Inc., retaining an approximate 20 percent interest.
- Embarked on the first year of our three-year Transformation Plan comprising three strategic pillars: Invest in Growth, Drive out Cost and Improve Financial Resilience.
- Rolled out our Beauty for a Purpose positioning to all markets around the world, bringing to life our core social purpose of economically empowering women, underpinned by demonstrable product and value.

AS OF 31 DECEMBER 2016:



This report focuses on Avon Products, Inc. and does not include North American information or initiatives in either 2016 or historic data, unless otherwise stated.

Sales operations in
57 countries and territories

Products distributed in
17 countries and territories

[View Avon's list of worldwide markets here](#)

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Our responsible business commitment

In thinking about the impact that Avon, as a global beauty company, has on the world, we have organised our commitment to operating as a responsible business into three main pillars. We aim to be the company for women by inspiring and creating a world with more empowered women, whilst managing our environmental impact and operating as a company that makes and sells quality, responsibly sourced products.



BE THE COMPANY FOR WOMEN

We want women around the world to be financially independent and to live productive, safe and happy lives. We do this through the earnings opportunity we provide and through our work to end breast cancer and violence against women.

- EMPOWERING WOMEN TO ACHIEVE
- WOMEN IN OUR WORKFORCE
- OUR SUPPORT FOR WOMEN'S CAUSES



WHILST MANAGING OUR ENVIRONMENTAL IMPACT

We work to reduce our environmental footprint within our global operations, and we are committed to tackling deforestation through the work we do on paper and palm oil.

- REDUCING CARBON EMISSIONS
- WATER STEWARDSHIP
- WASTE AND RECOVERY
- TACKLING DEFORESTATION



AND OPERATING RESPONSIBLY

We maintain a high level of ethical conduct and integrity in our activities, through greater transparency and accountability in our supply chain, the ingredients we use in our products, and the health, safety and development of our colleagues.

- ETHICS AND COMPLIANCE
- RESPONSIBLE SUPPLIERS
- PRODUCT INTEGRITY
- HEALTH AND SAFETY

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Supporting the Sustainable Development Goals

In January 2016, the 17 Sustainable Development Goals (SDGs) of the 2030 Agenda for Sustainable Development officially came into effect. The SDG goals, also known as the Global Goals, were adopted by world leaders at a United Nations Summit in 2015. The SDGs serve as a mobilising guide for countries and businesses to end poverty, fight inequalities and tackle climate change.

In reviewing our responsible business commitments against the SDGs, we aimed to understand where we are best placed to have the most impact in addressing some of the world's biggest challenges. Through an analysis, we have determined that, by the nature of Avon's business, our responsible business commitments are aligned with many of the SDGs as outlined below. Going forward, as we evolve and grow our business, we aspire to further integrate the goals into our responsible business planning and further align our reporting to them.

	BE THE COMPANY FOR WOMEN		WHILST MANAGING OUR ENVIRONMENTAL IMPACT		AND OPERATING RESPONSIBLY
<p>8 DECENT WORK AND ECONOMIC GROWTH</p> 	<p>Through the earning opportunity our business model is based on</p>	<p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p> 	<p>Through our efforts to reduce waste, energy consumption and water usage</p>	<p>16 PEACE, JUSTICE AND STRONG INSTITUTIONS</p> 	<p>By being committed to a culture with strong ethics and compliance</p>
<p>5 GENDER EQUALITY</p> 	<p>By empowering women to achieve and promoting diversity</p>	<p>13 CLIMATE ACTION</p> 	<p>Through our efforts to reduce waste, energy consumption and water usage</p>	<p>8 DECENT WORK AND ECONOMIC GROWTH</p> 	<p>By protecting labour rights and providing a safe and secure working environment</p>
<p>3 GOOD HEALTH AND WELL-BEING</p> 	<p>Through the work we do to end breast cancer, a non-communicable disease</p>	<p>15 LIFE ON LAND</p> 	<p>Through our paper and palm oil promises, we are committed to reducing deforestation</p>		
<p>16 PEACE, JUSTICE AND STRONG INSTITUTIONS</p> 	<p>By championing domestic violence as a cause to reduce violence everywhere</p>				

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Avon's direct-selling model provides an earnings opportunity for women around the world, offering a flexible alternative to traditional employment. Our Representatives and Sales Leaders are self-employed and manage their own businesses on their own terms. They choose how many hours they wish to spend on their Avon business, and when and where they want to work.

Becoming an Avon Representative is free or requires a small one-time appointment fee, depending on the country.

Avon offers a flexible earning opportunity where people are in business for themselves, but not by themselves. Avon offers management support, direct selling tools and a range of training and development opportunities to support Representatives in growing their businesses. The trainings, which are segmented by the level and experience of the Representative, cover a range of topics such as on-boarding for new Representatives, beauty product knowledge, make-up application tips, sales techniques, interpersonal skills, online business management and the power of networking.

Recommended training / TRAININGS RECOMMENDED BY YOUR AVON AND COORDINATOR



Recommendation: Avon

Product switching in everyday life

★★★★★

If you would like to increase your order, product switching is the technique that you learn and practice in practice, you have a good chance ...



Recommendation: Avon

Live with the opportunity!

★★★★★

AVON offers you many opportunities for you, which are summarized in the following material. Learn how to make money ...



Recommendation: Avon

Online Makeup Academy Part 1

★★★★★

We're launching a super 5-step video sequence. Useful tips for detailed steps. Own the most popular tricks, apply ...



Show me more

Avon Poland online Representative training portal.

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As well as providing economic opportunities for our Representatives, we are equally committed to recognising and advancing women in our global employee population.

WOMEN ASSOCIATES BY LEVEL OF EMPLOYMENT

Empowering women is at the heart of our organisation and we are proud of our efforts to create a flexible work environment where women can thrive. In 2016, women comprised 60 percent of our workforce, more than 40 percent of senior leaders (director and above) were female and 36 percent of the executive team was female, including the CEO.

IN 2016



PROVIDING WOMEN WITH OPPORTUNITIES



ANDISWA NKOSI, a divisional sales manager at Avon Justine in South Africa, began her career in food and packaging technology and, whilst she hadn't considered sales as a natural career path, she aspired to progress into management. Avon South Africa gave her the opportunity to join its Management Associate programme and she is now a divisional manager in South Africa leading a team. "Working in the field with sales managers and interacting with people from all levels of life, affording them the opportunity to generate an income for themselves is the most rewarding aspect of the job," says Andiswa, who was also encouraged by her HR director to study part-time for a bachelor of commerce degree from the University of South Africa, which Avon sponsors.

"At Avon if you ask for an opportunity they will give it to you."

ANDISWA NKOSI

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GLOBAL WOMEN'S STRATEGY

Avon's Global Women's Strategy, which launched in 2014, identifies key action areas in support of Avon's female Associates: talent development, flexible working, benefits and pay equity.

We extended the Global Women's Strategy framework from an initial six countries to an additional five geographies, representing approximately 70 percent of our workforce. We have made good progress during 2016 helping us identify areas where we can increase our efforts to attract, promote and retain more women, ensure we have female and family-friendly policies and benefits, and continue to focus on ensuring that we have established fair and equitable pay practices.

2016 HIGHLIGHTS INCLUDE:

- **Increased participation in flexible working following a 2015 roll-out of a flexible work framework:** In 2016, Avon Philippines implemented full flexible working arrangements supported by a local policy for all office-based Associates, becoming one of the few organisations operating in the Philippines to offer such a policy. In Argentina, more than 70 percent of Associates now work from home one day per week.

- **Improving benefits so our employees can better balance family and work commitments:** In the United Kingdom, we have enhanced our maternity leave policy in terms of pay and duration and improved practical support for women expecting a baby by launching a "What to Expect When You're Expecting" coaching programme. For our corporate employees based in the United States, we have extended maternity leave from 10 to 16 weeks, which is 10 weeks more than the market standard. Our U.S. health benefits also include enhanced benefits for infertility treatments and support programmes for expectant mothers.

OUR COMMITMENT TO PAY EQUITY

As the company for women, Avon has a responsibility to drive progress toward the global elimination of pay disparities based on gender. We are proud of our commitment to have fair and equitable pay practices globally. Our pay equity commitment includes a regular and robust analytic methodology and independent review of our pay practices, and draws on our heritage of empowering women.

SUPPORTING WOMEN IN ADVANCING TO LEADERSHIP POSITIONS

Avon strives to continuously improve our position as an employer of choice for women, with a focus on bringing women into traditionally male-dominated roles. In 2016, our Latin America Region Women in Leadership Programme completed its first full programme. This two-year self-development programme aims to help women in Avon's Latin American operations feel more confident and prepared to achieve senior leadership positions. Eleven high-potential female Avon Associates from Chile, Colombia, Mexico and Brazil participated in a comprehensive set of learning activities focused on education, mentoring and networking to enhance their leadership profile. They also gained exposure to top leaders through meetings and mentoring; developed knowledge and skills through job assignments and career planning; and built a legacy programme of new Avon initiatives to develop, empower and inspire other women in Avon's workplaces. In the two-year programme, 45 percent of the participants changed positions within the company, with 20 percent promoted from manager to director level.

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Our support for women's causes

Avon has the unique ability to educate and mobilise people worldwide on issues that are of vital importance to women. That's why supporting women's causes globally is at our core as a company.

Our focus areas are breast cancer education and ending violence against women. In these areas, we aim to accelerate progress, accountability and discovery, while also reducing the social stigma that sometimes keeps these issues hidden. We take a woman-centric approach on projects to break traditional barriers and empower women to build a better future by taking control of their well-being. We do this, in conjunction with the Avon Foundation for Women ("Avon Foundation"), through Avon fundraising events and sales of special products in our markets around the world, educational programming and making grants to NGOs and medical institutions.

AVON
FOUNDATION
for WOMEN

Avon Products Foundation, Inc. – referred to as the Avon Foundation for Women – is a U.S. - based 501(c)(3) public charity and one of the world's largest corporate-affiliated

foundations focused on issues that matter most to women. Since its inception in 1955, the Avon Foundation has promoted or aided charitable, scientific, educational, and humanitarian activities with a special emphasis on those that improve the lives of women and their families. The Avon Foundation administers programmes in the United States and works in partnership with affiliate Avon Foundations and Avon markets around the world. In the United States, the Avon Breast Cancer Crusade LLC manages the Avon Foundation's breast cancer work. In 2016, the Avon Foundation and the Avon Breast Cancer Crusade LLC donated more than \$18 million to breast cancer and violence against women causes.

Avon Products, Inc. provides funding to the Avon Foundation, which administers programmes in the United States. Therefore, we have included some U.S. case studies and programmes.

Breast Cancer

Avon donated **\$7.1M** in 2016 to the breast cancer cause outside North America

244,093 women received free screenings in 2016

15.5M women helped through 2016

26 countries participated in Avon Walk Around the World for Breast Cancer events in 2016

 AVON
BREAST CANCER
CRUSADE

The Avon Breast Cancer Crusade, which launched in 1992, has placed Avon and the Avon Foundation

at the forefront of the fight against breast cancer. Over the last 25 years, with the support of our approximately six million Representatives worldwide, our Associates and our customers, Avon and the Avon Foundation have donated more than \$800 million to breast cancer causes, educated 180 million women about this disease, and funded breast health screenings for nearly 20 million women.

In 2016, Avon's markets around the world brought together hundreds of thousands of people to raise funds and build awareness for breast cancer through walks, runs and other fundraising events. For example, in South Africa more than 29,000 people participated in the 11th annual Avon Justine iThemba Walkathon.

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GLOBAL BREAST CANCER SCHOLARS



The Avon Global Breast Cancer Clinical Scholars programme identifies promising doctors who are making a significant impact worldwide and offers them clinically-focused scholarships to study at leading cancer institutions in the United States. The programme provides advanced training to doctors so they can bring new skills and information to their home countries that will improve the treatment and care of breast cancer patients. The 2016 Global Scholars represented the third class of scholars and included 20 doctors, researchers and scientists from 14 different countries. The 47 Global Scholars who studied in the U.S. in 2012 and 2014 are now back at home applying and sharing new advanced skills to improve the quality of breast cancer care around the world.

AVON GLOBAL BREAST CANCER ACTIVITIES: HIGHLIGHTS FROM OUR MARKETS



TURKEY

Avon Turkey created a social media campaign, the Pink Hair Movement, where participants shared photos of themselves with pink hair and the hashtag #kafayataktik (“we put it on our heads”) to raise awareness and money. The campaign broke records with 80,000 shares and 229 million impressions and has become the country’s new symbol for Breast Cancer Awareness Month.



PHILIPPINES

To mark Avon’s 130th anniversary, Avon Philippines launched a mission to take 130 million steps to fight breast cancer. The Avon 130 Million Steps pedometer app encouraged people to share their daily steps on Facebook to start conversations, reminding others to do regular breast exams and letting patients and survivors know they are not alone in the fight. Participation surpassed the goal with 154 million steps registered through the app.



ARGENTINA

Through the Avon “Label Yourself” campaign in Argentina, Avon’s new Body Illusions bras come complete with a label to remind wearers how to be breast health aware, from information on self-exams to reminders about mammograms.

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Ending violence against women

Avon donated \$2.8M in 2016 to the domestic violence cause outside North America	6.6M women received free domestic violence services in 2016
6.9M women helped through 2016	327,322 people actively participated in Avon events to raise awareness for the domestic violence cause in 2016



As part of Avon's dedication to the empowerment of women globally,

ending violence against women is a cause that's integral to our philanthropy. Our Speak Out Against Domestic Violence initiative focuses on education, prevention and victim support services. Avon markets around the world and the Avon Foundation raise funds and awareness to support programmes aimed at ending violence against women.

JUSTICE INSTITUTES ON GENDER-BASED VIOLENCE



L TO R: PRITI PATKAR, CO-FOUNDER AND DIRECTOR, PRERANA; RICHA CHADA, BOLLYWOOD ACTRESS AND AVON INDIA GLOBAL AMBASSADOR; AND GIGI SCOLES, HUMAN RIGHTS DIRECTOR, VITAL VOICES, AT THE 2016 MUMBAI, INDIA JUSTICE CENTRE LAUNCH.

In 2016, Avon and the Avon Foundation for Women funded new Justice Institutes on Gender-Based Violence in five Avon markets: Argentina, Colombia, India, Philippines and South Africa. The Avon Foundation collaborates on the Institutes with Vital Voices Global Partnership – an NGO founded by former U.S. Secretary of State Hillary Clinton in 1997 – and has invested more than \$2.5 million to launch ten Institutes in eight countries over the past two years.

The Institutes are multi-day programmes where prosecutors, judges, members of law enforcement and NGOs gather to discuss the country's domestic violence laws and how they are implemented. The programmes focus on keeping the perspective of the victim at the core of the discussions to ensure her needs are met and to prevent further victimisation during the judicial process.

CHANGING THE NARRATIVE ON CAMPUS GENDER-BASED VIOLENCE

In October 2016, the Avon Foundation for Women announced its partnership with Futures Without Violence, a U.S.-based health and social justice non-profit, to launch the first National Leadership Institute: Changing the Narrative on Campus Gender-Based Violence with 20 U.S. colleges and universities.

Through a \$200,000 grant from the Avon Foundation, this comprehensive, action-oriented leadership programme enables participating schools to develop and implement action plans to prevent and respond to sexual assault on campus. Together, these schools form a growing learning community focused on ending gender-based violence on school campuses.

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AVON GLOBAL SPEAK OUT AGAINST DOMESTIC VIOLENCE ACTIVITIES: HIGHLIGHTS FROM OUR MARKETS



SOUTH AFRICA

The annual Light Up to Speak Out candle lighting ceremony is an event, held in conjunction with the South African women's advocacy organisation, People Opposing Women Abuse (POWA), to commemorate women who have faced physical and sexual abuse. Abuse is all too common in South Africa, with one in four women in the country being in an abusive relationship. At the event, participants lit candles as an illustration of solidarity and a light of hope for abuse victims, sending out the message that violence against women cannot be tolerated and to mobilise the community to stand united to root out this form of violence in South Africa's society.



ARGENTINA

Avon Argentina reached more than 55 million people through the S.O.S. Ella virtual reality campaign built on the insight that sometimes it is necessary to put ourselves in the place of the victim to truly understand her experience. Avon built a [website](#) that told a story using dialogue taken from actual cases of victims of violence against women. Using a virtual reality headset, anyone can walk in the shoes of the woman who experienced abuse. In Argentina, the Avon Foundation is leading workshops with judges, prosecutors, social workers and the public in general, using the S.O.S. Ella campaign to discuss violence against women.



ROMANIA

Avon Romania launched an awareness campaign, "The Other Side of the Perfect Couple", to help people recognise the early signs of domestic abuse. Through a [video](#) depicting a 'perfect couple', viewers learn there are often hidden signs of abuse in a seemingly healthy relationship. An accompanying [website](#) provided guidance on recognising the signs of an abusive relationship and how to safely intervene. Also in Romania, where in rural areas domestic abuse can be pervasive, Avon held a mentoring program for young women to help educate them with the goal of breaking the cycle of abuse.

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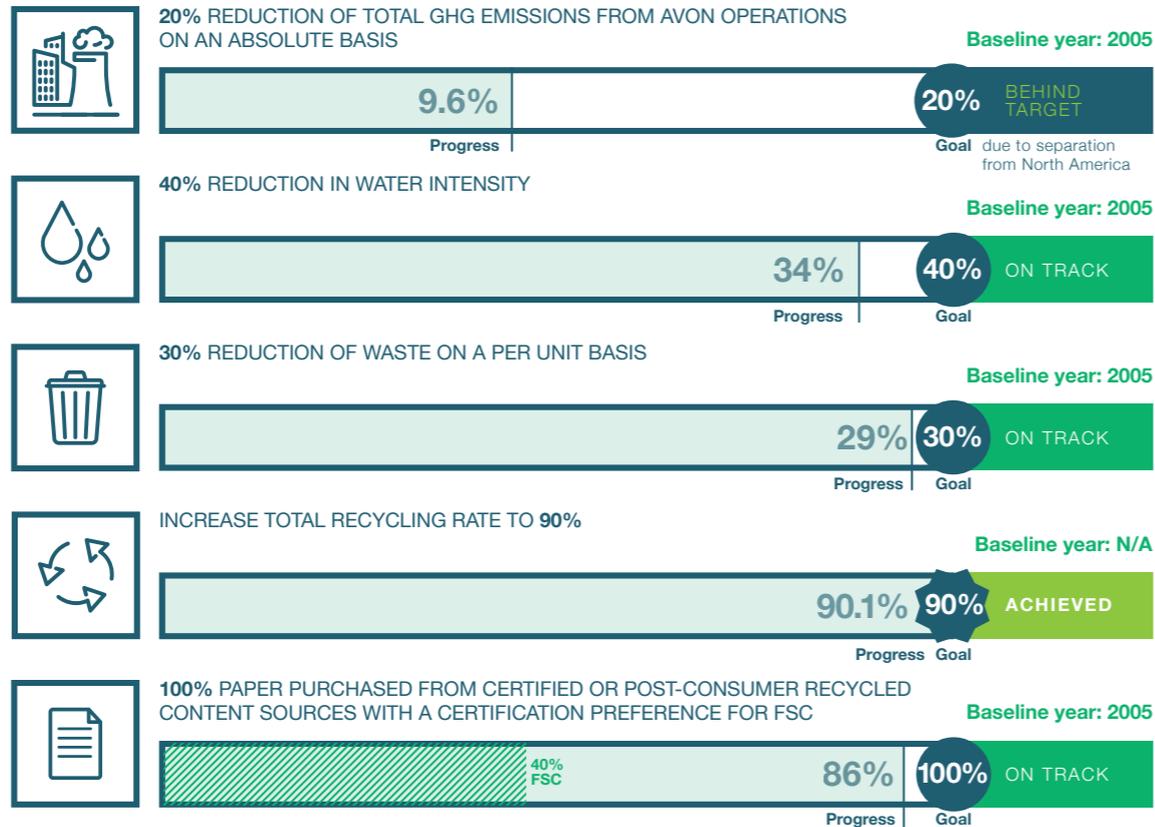
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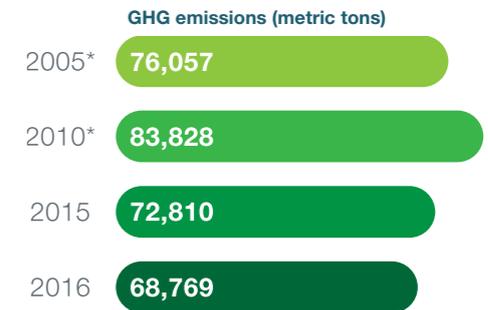


Reducing carbon emissions

Progress towards goal: 9.6%

Our separation from the North American business has affected our target for reducing emissions due to a significant number of our zero carbon emissions credit contracts being in North America. However, we are increasing our efforts in 2017 and beyond to meet this 2020 target.

In 2016 we continued to focus on energy efficiency and retrofitting our facilities with new energy-saving LED lighting where economically feasible. We continue to pursue on-site renewable energy-generating projects, such as solar investments, to further reduce our carbon footprint and deliver cost savings throughout our global operations.



* Baseline figures have been restated to exclude North America

For instance, at our Interlagos, Brazil manufacturing facility, we reduced overall power supply consumption by 7.6 percent, resulting in annual cost savings of more than US\$150,000 by replacing the existing fluorescents and sodium vapour lamps with LED lamps.

Note: Baseline figures have been restated to exclude North America, to achieve like-for-like comparison following the changes to Avon's structure and operating model during the year.

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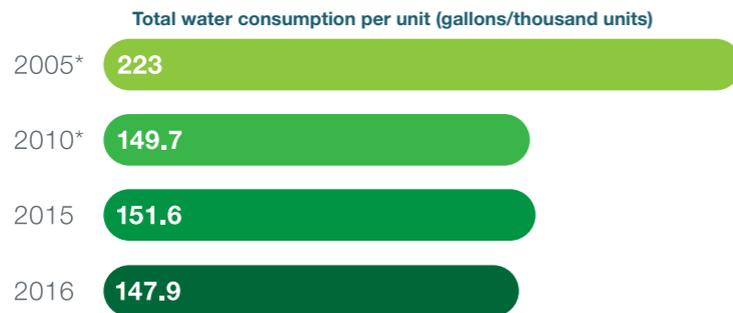
Tackling deforestation

Operate responsibly



Water stewardship

Progress towards goal: **34%**



* Baseline figures have been restated to exclude North America

We are on track to meet our water consumption target and have made good progress, achieving a 34 percent per unit reduction since 2005, mainly from significant savings at our manufacturing plants. We plan to continue our focus on water reduction in manufacturing, including further optimisation of cleaning processes and production planning.

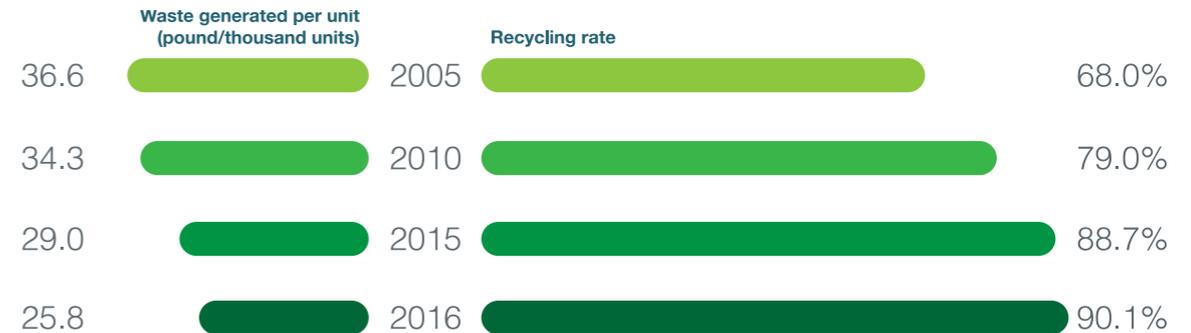
In addition, we will be looking to expand installation of tertiary treatment of our wastewater effluent with the return to be used as non-contact water in mechanical equipment at our locations. We complete water risk assessments at our locations with emphasis on sites or regions where water scarcity assessments are highest. Our locations in China and India have achieved and maintained zero wastewater discharge, resulting in significant water savings.

At our Interlagos, Brazil site, we reduced our potable water consumption by 15 percent by reusing wastewater from reverse osmosis and biological treatment plants for toilets, cleaning and garden utilisation. This reduction was significant for a country most recently facing a water crisis.



Waste and recovery

Progress towards waste goal: **29%** | Recycling goal: **90%**



* Baseline figures have been restated to exclude North America

Avon has reduced waste and increased recycling rates at our manufacturing facilities through programmes that convert waste to energy, reuse wastewater sludge and educate global manufacturing Associates on environmental initiatives, resulting in significant cost savings.

In 2016 we increased our recycling rate to over 90 percent as a company and recycled approximately 103 million pounds or 46,720 metric tonnes of material. While our company has an excellent recycling rate of more than 90 percent across global operations, our ultimate goal is to achieve zero waste to landfill.

Our Corby, UK, distribution centre has achieved zero waste to landfill, and several Avon locations have achieved zero operational waste to landfill.

We are also focused on source reduction and reducing the amount of waste generated per unit produced. In 2016, we reduced total waste per unit (lb/thousand units produced) by 11 percent from 2015 levels and 29 percent from baseline levels.

Finally, in terms of packaging, in 2016 we made further progress against our goal to eliminate the use of polyvinyl chloride (PVC) in our beauty packaging. We are continuing our efforts to reach this goal.

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Tackling deforestation
Progress towards goal: **86%**

As a direct seller with virtually no brick and mortar stores, our 'store' is our brochure and printed materials. The issue of deforestation is especially important to Avon given our substantial paper use. On a much smaller scale than paper and like most personal care companies, we also use palm oil – mainly in the form of derivatives – in our cosmetics and personal care products. Palm oil production can cause tropical deforestation and peatland depletion, which can result in the loss of natural habitats for endangered species, and also has known human rights issues. We tackle deforestation through our efforts and policies, including the Avon Paper Promise and Avon Palm Oil Promise and our reforestation fundraising initiative, Healthy Forests, Beautiful World.

AVON PAPER PROMISE



Launched in 2010, the [Avon Paper Promise](#) is a comprehensive policy for promoting responsible forest use and protecting forests, recognising that Avon can influence both supply and demand in the market.

We work to optimise our overall use of paper in every area of our business, including distribution methodologies, basis weight reductions, reductions in brochure size, and increasing the use of electronic media as a replacement for paper-based products.

Our goal is to purchase 100 percent of our brochure and literature paper from certified and/or post-consumer

recycled content sources by 2020 with a certification preference of Forest Stewardship Council (FSC).

As of 2016, nearly 86 percent of Avon's brochure paper met the Avon Paper Promise commitments (2015: nearly 94 percent) and approximately 40 percent of paper used in Avon's product brochures is sourced from FSC certified forests (2015: approximately 37 percent). This is a slight decrease from 2015 due to the separation of the North American business. We are continuing to work in conjunction with WWF's Global Forest and Trade Network on our sustainable paper sourcing to ensure we reach our 2020 goal.

HEALTHY FORESTS, BEAUTIFUL WORLD



Healthy Forests
Beautiful World
AVON

Through Healthy Forests, Beautiful World, Avon's reforestation fundraising initiative, we have raised millions of dollars to help restore some of the world's most endangered rainforests. Avon Representatives around the world raise funds through the sale of special fundraising products. Avon donates a portion of the proceeds of the sale of these products, through the Avon Foundation for Women, to The Nature Conservancy (TNC) and World Wildlife Fund (WWF). Since the programme's launch in 2010, we have donated more than \$7.5 million to TNC and WWF to support reforestation efforts in the Atlantic Forest in Argentina and Brazil, as well as the Indonesian islands of Borneo, Sumatra, Java and Lombok. Beginning in 2016, Avon's funding also began supporting reforestation efforts managed by TFT in China and the United States.

OUR FUNDS IN ACTION



LOCAL WOMEN PRIMARILY WORK IN THE FIELD TENDING THE TREES, PARTICIPATE IN SEED PLANTINGS, AND JOIN TRAININGS AND FACILITATIONS PROVIDED BY WWF INDONESIA.

Twenty-seven families in the Ngaung Keruh village on the Indonesian island of Borneo are helping to restore the forests near their community through World Wildlife Fund's Labian-Laboyan Corridor Restoration Project, funded in part by the Avon Healthy Forests, Beautiful World programme. The project primarily focuses on the restoration of a wildlife corridor between two national parks in West Kalimantan, in partnership with local communities like the Ngaung Keruh villagers, many of whom are women. Avon's funding has enabled the restoration of 68 Ha of the area around the village, including the planting of seedlings of native trees that produce fruit favoured by orangutans, hard wood seedlings to create a buffer zone between the wildlife corridor and villages, and rubber tree seedlings to benefit the local community. In November 2016, a four-kilometre water pipe to Ngaung Keruh was installed to provide clean water to the local community.

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AVON PALM OIL PROMISE



Although Avon is not a significant user of palm oil or palm kernel oil (PKO) and predominantly uses ingredients that are derivatives of palm oil and PKO, we recognise the environmental and human rights issues within the palm oil industry. We are a company committed to protecting the environment and respecting and upholding the human rights of the communities and workers affected by our operations and supply chain.

That is why Avon adopted its first Palm Oil Promise in 2011, which outlines our guidelines for purchasing sustainably sourced palm oil. That same year we joined the Roundtable on Sustainable Palm Oil (RSPO) to help continue the development, implementation and verification of credible global standards for sustainable palm oil.

Avon issued a more comprehensive [Avon Palm Oil Promise](#) in 2015 to ensure greater traceability and responsible sourcing in our palm oil supply chain. These newer guidelines are designed to hold our suppliers accountable to specific sourcing principles.

In 2016, our efforts were focused on developing an [action plan](#) (launched in March 2017) that outlines the implementation of our revised Promise. The action plan follows four general steps:

1. Communicate sourcing commitments to our direct suppliers;
2. Trace supply to a point in the supply chain where suppliers can demonstrate that the palm oil meets our sourcing principles;
3. Support transformation activities on the ground within our supply chain; and
4. Track supplier progress towards achieving compliance with our commitment.

Avon has pledged to trace the supply from our top ten suppliers (representing more than 70 percent of our overall palm-based purchases by volume) to the level of first importer by the end of March 2018 and to identify the first refiners supplying our top ten suppliers and will have traced the supply to the mill level by the end of July 2018.



In 2016, Avon began working with The Forest Trust (TFT) to begin the process of mapping our palm derivatives supply chain to various key milestones outlined in our action plan. In 2017, Avon became a TFT member and began mapping the supply chains of Avon's top ten suppliers to the level of first importer—companies that are generally the link between countries of palm oil production (e.g. Indonesia or Malaysia) and countries of manufacturing. With TFT's support, Avon is working to ensure that Avon's values of sourcing palm oil free from deforestation and exploitation are shared upstream at the level of production.

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Operate responsibly

We maintain a high level of ethical conduct and integrity in our activities, through greater transparency and accountability in our supply chain, the ingredients we use in our products, and the health, safety and development of our colleagues.

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Ethics and compliance

Maintaining the highest standards of [ethics and compliance](#) in our relationships with all stakeholders is the cornerstone of how we do business at Avon. We do this through mechanisms such as our [Code of Conduct](#), which applies our values to our business, setting out our principles for ethical behaviour, professionalism and good business practices that are expected of everyone at Avon. Our Global Anti-Corruption Programme provides guidance and practical direction to Associates to ensure no bribery or corruption is present at Avon. We foster an open and honest 'speak up' culture that encourages candid communication and permits Associates to report misconduct and raise ethical concerns without fear of retaliation.

TRAINING AND ENGAGEMENT

Avon has a robust Ethics & Compliance training programme and we require Associates to complete online training and Code Certification, among other requirements, to meet a mandatory Ethics & Compliance goal in their annual performance reviews. We regularly communicate with Associates to reinforce our Ethics & Compliance policies, trainings and other requirements. In 2016, we achieved an almost 100 percent completion rate for Ethics & Compliance trainings, including Code of Conduct and anti-corruption courses, offered in 20 languages through online courses. Avon also conducted its fourth annual global Ethics & Compliance survey in 2016 to measure progress in continually improving our Ethics & Compliance programme and identifying future action plans. We had a participation rate of 83 percent, up 6 percent from 2015, underscoring our Associates' engagement in promoting a culture of integrity.

Read more about Ethics & Compliance at Avon at avoncompany.com.

*integrity at
OUR CORE*



AVON

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Our supplier responsibility programme exists to protect the health, safety and employment conditions of the workers in our factories and our third-party supply chain worldwide. We expect our factories, third-party manufacturers, vendors and agents (defined as ‘our suppliers’) to act responsibly in all respects, and to do their utmost to ensure that no abusive, exploitative or illegal conditions exist at their workplaces. Any factory producing finished goods for Avon or components bearing Avon’s name falls within the scope of this programme.

SUPPLIER CODE OF CONDUCT

Our [Supplier Code of Conduct](#) (“the Code”), available in eleven languages, sets out our expectations of our suppliers, and is used to promote best practices and improvements throughout facilities where Avon products are manufactured. The Code helps to ensure compliance with applicable local laws and regulations, as well as alignment with our internal standards regarding product safety and quality, environmental performance and human rights.

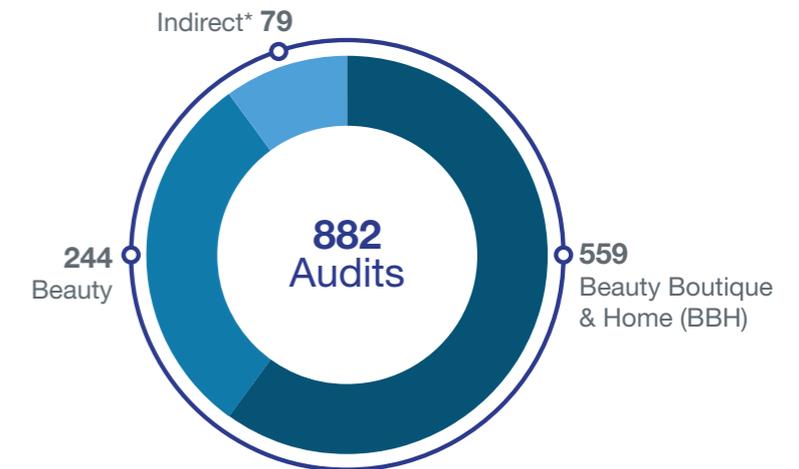
In addition to the Code, Avon provides our in-scope suppliers with a [Social Responsibility Guidebook](#) and [e-learning modules](#), available in seven languages. These resources provide additional information on Avon’s social responsibility programme and related sourcing policies, enabling suppliers to assess their policies and practices and make improvements as needed.

SUPPLIER ENGAGEMENT

We conduct audits to support, manage and improve our supply chain. Our coordinated audit programme starts with initial reviews and proceeds with targeted follow-up visits. We rank the severity of issues identified in audits and prioritise corrective action plans.

In 2016, Avon conducted 882 audits on suppliers’ factories (2015: 980¹) representing approximately 40 percent of the active in-scope factories in our supply chain. Our aim is to audit each in-scope factory – those producing an Avon finished good or Avon-branded components – every two years.

AUDITS CONDUCTED IN 2016



Audits per category

*Indirect includes printed materials that carry the Avon name (e.g., brochures, shopping bags, etc.)

¹The year-over-year difference in number of factories audited is mainly due to the 2015 data including North American factory audits that have been stripped out of 2016 data following the North American business separation.

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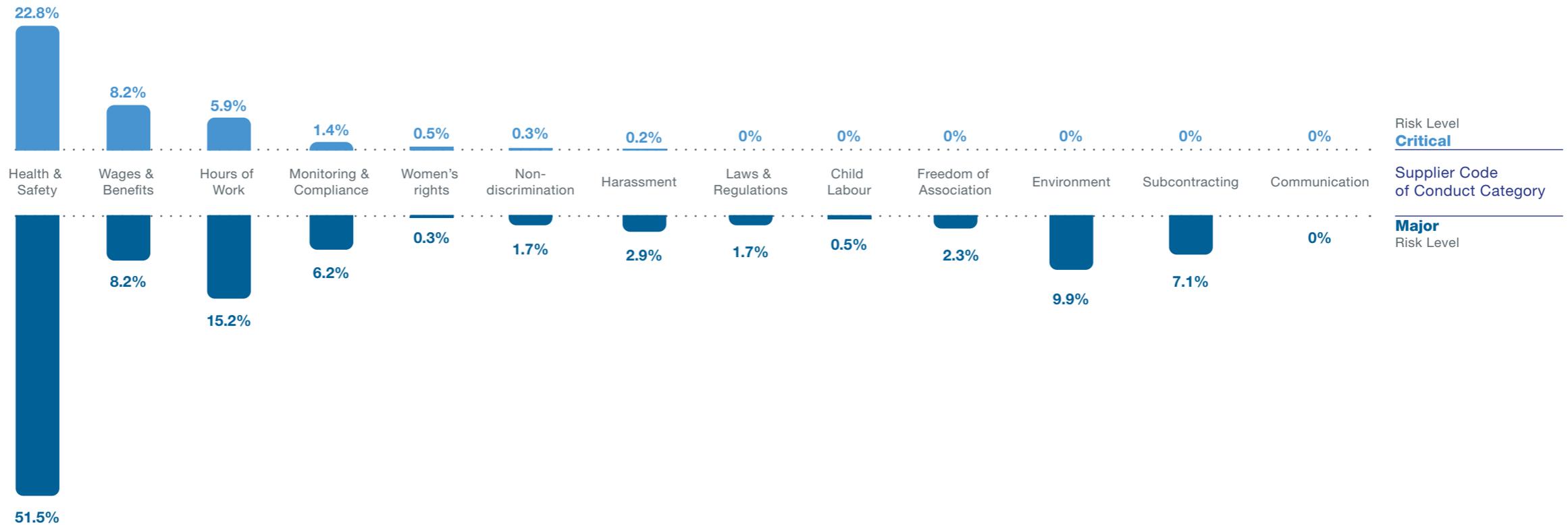
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During the audit process, we verify that our suppliers have communicated the provisions of Avon’s Code with factory management and workers. Once the audit is complete, the factory is assigned a risk level of ‘compliant’, ‘low risk’, ‘major risk’, or ‘critical risk’ based on the non-compliances found. Consistent with prior years, health and safety, wages and benefits, and hours of work were the top three areas of critical risk identified during audits in 2016.

When an audit reveals non-compliance with Avon’s Code, our suppliers work with the factories to develop corrective action plans, which are reviewed by Avon. Suppliers with critical risks are closely monitored. In select cases, Avon requires non-compliant suppliers to develop long-term continual improvement strategies, including conducting a systems gap analysis, facilitating the development of an implementation plan and setting goals for timing and implementation of corrective action against the gaps.

Where possible, we aim to achieve remediation of issues rather than termination of supplier arrangements. We believe this approach delivers improved conditions that offer a longer-term benefit to the supplier and the community. However, we may discontinue a relationship with any supplier who fails to address critical issues or make the necessary corrections requested within a specified, reasonable time period.

AUDIT RESULTS BY CODE OF CONDUCT CATEGORIES



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As a global beauty company, product safety and quality and the environmental impact of our products is of utmost importance. To ensure that our customers worldwide can rely on the same high level of quality and efficacy, we carefully develop, test and manufacture our products to stringent standards.

Avon is proud of our 130-year safety record and consumers can be confident that all Avon products have undergone a thorough evaluation to ensure they are in full compliance with regulations. With differing regulations around the world, at a minimum we adhere to those regulations but often choose to go beyond them.

Respect for the environment is key to our product safety philosophy, and our management approach in these areas reflects this commitment.

MICROBEADS

Avon will no longer manufacture synthetic plastic microbeads as exfoliants and cleansers after 2017 and we are on target to achieve that commitment. The reformulated products include Footworks scrubs, Clearskin facial scrubs, and the mark body exfoliator and have been replaced with the following microbeads alternatives: precipitated silica, hydrogenated vegetable oil beads, and various ground seeds and shells.

Read more about Avon's commitment to product integrity and specific policies on ingredients on avoncompany.com.

Health and safety

Providing a safe and healthy workplace for our employees to enjoy is key to being a responsible business. We track workplace accident information across Avon-owned manufacturing plants and distribution centres¹ and recognise excellent performance and identify areas for improvement.

48 (2015: 68)

Avon Recordable Cases (ARC)

The number of incidents considered to be serious enough to be recorded, including lost time² plus medical treatment beyond first-aid.

0.3 (compared to target of 0.5)

Total Recordable Case (TRC)

The total number of ARCs per 100 full-time Associates in Avon-owned global manufacturing plants and distribution centres.

0 **Fatalities** among full-time Avon Associates in supply chain operations in 2016.

Annual TRC by region

0.2 LATAM **0.4** EMEA **0.3** APAC

¹Avon's Health and Safety data reflects data from Avon-owned global manufacturing and distribution centres and Avon Associates within Supply Chain operations only. It does not include third-party manufacturers, contract workers or Avon Associates in non-Supply Chain operations.

²Avon's lost time-related data includes incidents of 'lost work' and 'lost days'. 'Lost work' is defined as a work-related injury or illness resulting in the person not being able to perform normal work. 'Lost days' are defined as the calendar days on which the injured person is away from work. It does not include the day the incident occurred or the day the person returns to normal work duty.

