



## **Action Plan**

### **March 2017**

Since releasing Avon's updated Palm Oil Promise in July 2015, Avon has worked to complete a detailed analysis of palm oil, palm kernel oil, and palm derivatives in Avon's ingredient codes. With this analysis complete, Avon has a strong understanding of the volume of products containing palm oil we source, and from which suppliers. As a result of the analysis, Avon has identified:

- Oleochemicals as the primary sourcing category with ingredients containing palm oil, palm kernel oil or derivatives
  - o 10 of these ingredient codes comprise >82% of Avon's palm-based ingredient purchases
- 140 manufacturers that provide ingredients containing palm oil
  - o Currently, 10 of Avon's key direct suppliers provide >70% of Avon's palm-based ingredient supply by ingredient volume

Implementation of Avon's July 2015 Palm Oil Promise will follow 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;
4. Track supplier progress towards achieving compliance with our commitment.

#### **1. Communicate sourcing commitments to our direct suppliers**

Avon has discussed our sourcing commitments with several of our top suppliers. We will continue to socialize our requirements with all of our top suppliers explaining the key points and definitions. We will also use this interaction to request traceability information from these suppliers.

**By the end of April 2017:** Avon will engage with all 10 of our key suppliers in order to introduce our policy and make an initial request for traceability information.

**By the end of June 2017:** Complete initial evaluation of the palm oil sourcing policies or plans for our 10 key suppliers and identify priority next steps with each one.

#### **2. Trace supply to a point in the supply chain where suppliers can demonstrate that the palm oil meets our sourcing principles**

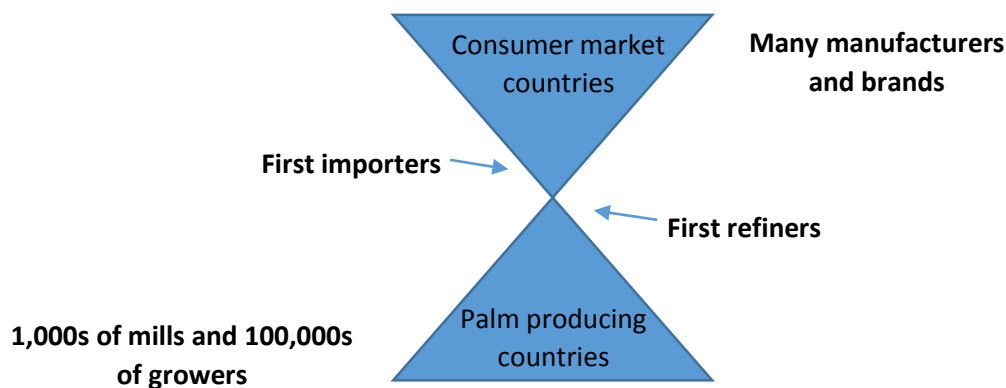
Avon recognizes that many of our suppliers have had limited exposure to sustainability initiatives related to palm oil. Based on consultation with industry experts and our experience thus far, we anticipate devoting significant time to educating and building trust with our suppliers in order for them to provide the level of traceability information our

commitments require. As a result, we will have staggered timelines for achieving traceability to various stages of our supply chain.

There are four key points within the palm oil supply chain that will serve as milestones along the way to tracing our supply back to origin. These supply chain points are as follows:

- First importer: the company (usually a refiner/trader) that is responsible for importing palm oil from a producing country to the country of ingredient manufacturing;
- First refiner: Refiner in the country of production that sources crude palm oil or palm kernel oil directly from mills or from aggregators like traders/dealers;
- Mill: the first major aggregation point for fresh fruit bunches (FFBs) after having been harvested;
- Farm: the plantations, estates, smallholder operations, etc. where the oil palm is planted and FFBs are harvested.

The first importer and first refiner are important leverage points in Avon’s supply chain. Compared to the number of ingredient and product manufacturers on one end of the supply chain, and mills and growers on the other end, there are relatively few first importers and refiners. This means that although the oil comes from many different sources and ends up in many different ingredients, all of it is funneled through a few major actors in the middle of the chain (the center of the hourglass). The first importers in Avon’s supply in many cases will be able to provide Avon information on the country of origin of the supply. The first refiners will have visibility on the mills in Avon’s supply base and have the leverage to require its supplying mills to reach compliance with policy standards. Avon will therefore focus its efforts on working with these key supply chain actors, through its direct suppliers, in order to most efficiently and effectively drive change in our supply chain.



**By the end of March 2018:** Avon will seek to have traced the supply from our top 10 suppliers (representing >70% of our overall palm-based purchases by volume) to the level of first importer.

**By the end of July 2018:** Avon will strive to identify the first refiners supplying our top 10 suppliers and will have traced the supply to the mill level.

Targets for traceability work with the rest of our suppliers will depend on our success with the above goals, as well as progress within the industry itself. Although some of our suppliers will be relatively unfamiliar with traceability requests at first, we anticipate that our peers will make similar requests as they begin to implement similar palm oil sourcing commitments. Given the likely overlap of suppliers between Avon and our peer companies, we expect that requests for traceability will become less time and resource intensive as our work goes on.

### **3. Partner with key suppliers to contribute to transformation work on the ground within our supply chain**

Once we have reached full traceability of our top 10 suppliers to the level of first importer, with some visibility to the mill level, Avon will be able to identify key points of leverage and risk within our supply chain. Avon recognizes that many stakeholders within our supply chain are already working to transform practices on the ground, and Avon is eager to partner with these actors to support their efforts. Through discussions with significant first importers and first refiners (as determined by their overall volume contribution to Avon's supply), Avon will be able to identify where we can best leverage our support to affect change on the ground. Recognizing that our suppliers will be in various stages of transformation work, we will look to support the type of activity most necessary for the situation, be it supplier assessments, educational workshops or trainings, or follow up work on existing Corrective Action Plans.

Through active engagement with suppliers on the ground, we will also seek to obtain information on traceability down to the farm level.

### **4. Track supplier progress towards achieving compliance with our commitment**

Avon cannot tackle our entire supply chain on our own. Given the small volumes that we purchase and being so far removed from the actual production, more than anything we will need our suppliers to be active on this journey with us. We expect that our suppliers will develop their own commitments for responsible palm sourcing (if not already established), or commit in writing to meet our requirements. Subsequently, we will meet regularly with our top direct suppliers to track their actions taken to comply with our commitment.