

AVON

the company for women



THE NATIONAL PACKAGING COVENANT
NOVEMBER 2005

Avon has been operating in Australian since 1963 and is a wholly owned subsidiary of Avon Products Inc. Avon is the world's leading direct seller of beauty and related products. Our primary distribution channel is direct sales through our independent Avon Sales Representatives.

Avon has built a world-class portfolio of trusted brands all backed by our money back guarantee. In Australia we develop more than 300 new products every year to meet continually changing customer tastes and to maintain our position as a leading marketer of beauty and related products.

Beauty products include Avon Colour, Avon Naturals, Avon Beyond Colour, Anew, Avon Solutions, Skin-So-Soft and Advanced Techniques Hair Care.

Beauty Plus products include Fashion Jewellery, Watches, Apparel and Accessories.

Beyond Beauty products include Home Products, Gift and Decorative Products.

PREVIOUS INITIATIVES AND ACHIEVEMENTS

Since becoming a signatory to the National Packaging Covenant in 2003, Avon has continued to search for areas of improvement in minimising its impact on the environment.

We have over the past two (2) years concentrated on the reduction of waste by reuse and recycling of our packaging material and will continue over the next years to increase our efforts to bring about further change.

As stated as part of our Previous Action Plan Avon has always been environmentally aware with some of our early achievements being:

- ◆ We only use shippers manufactured from 100% recycled material – use approximately 1,000,000 shippers per year.
- ◆ Ink used on shippers is water based and not manufactured using heavy metal material.
- ◆ Avon has minimised packaging waste by re-using shippers, eliminating the use of layer pads and reducing the amount of void fill newsprint used to pack each Representatives order.
- ◆ All unusable cardboard is crushed on our premises and sent to Amcor to be pulped and recycled.
- ◆ New Product Development Group are required to work at reducing unnecessary packaging and use recyclable material when and where applicable.
- ◆ Avon has reduced paper usage by educating Representatives in the use of on-line options available for placing orders e.g. e.mail and telephone.

- ◆ Paper recycling is currently encouraged in all office areas with the installation of recycling bins.

- ◆ It is standard Purchasing procedure to buy recycled paper whenever applicable.

- ◆ Avon controls the use of all pallets – to and from Manufacturers. Stock levels are managed by Avon to ensure no wastage.

EXECUTIVE SUMMARY

Avon Products Pty Ltd (Avon Australia) is a wholly owned subsidiary of Avon Products Inc. the worlds leading direct seller of beauty and related products.

Avon Australia currently sources approximately 85% of all SKU's offered for sale in Australia from suppliers located predominantly in China.

Avon Australia has an ongoing commitment to the N.P.C. and Management will continue to ensure that all SKU's planned for introduction in the Australian market are subjected to a stringent review during the product development process as we strive to achieve the following objectives:-

- All packaging will be branded with the appropriate re-cycling symbol
- Packages will be designed to eliminate excess packaging and ensure compliance with deceptive packaging guidelines
- We will work to minimise the incidence of packaging being manufactured from raw materials that are unsuitable for re-cycling
- We will continue to maximise the re-cycling of all unusable cardboard
- We will implement an education and awareness program ensuring that our independent Sales Representatives and all Avon Associates are advised of Avon's commitment to the N.P.C. This will be achieved through our Internet Web-Site
- Customer Service Consultants located in our Brookvale, N.S.W. Call Centre will be provided with details of all recyclable packages and will be able to highlight this when speaking with Sales Representatives and Customers

PACKAGING COVENANT

	Total Weight by SKU (Kg)		Total Wt (Kg) incl No 4 Shipper (500 g)		Total Component Weight Excl Shipper (Kg)		Percentage Comp to Total Weight
	Local	Imported	Local	Imported	Local	Imported	
	Aluminium Cans - Aerosols	377,384.3	-	406,988.0	-	114,747.5	
HDPE Bottle/P.P. Cap - Bubble Bath	3,603.6	92,734.5	3,741.5	97,430.4	625.4	13,531.1	14.7%
Glass Bottles - Colognes	21,985.8	362,109.6	23,501.3	387,318.2	12,362.0	208,867.2	57.6%
HDPE Bottle / P.P. Cap - Conditioners	-	209,287.6	-	218,495.9	-	30,280.0	14.5%
Glass Jars - Creams	56,871.8	473,118.5	59,299.4	502,333.8	42,465.3	272,122.0	59.4%
P.P. Cases - Lip Balms	1,093.3	14,446.1	1,471.5	19,434.1	652.6	8,961.1	61.9%
PP Case Lipstick Samples	-	14,442.6	-	20,174.2	-	14,442.6	100.0%
P.P. Case - Lipstick	-	40,229.5	-	52,906.6	-	33,507.8	83.3%
Glass Bottles - M/Up	-	51,922.2	-	56,122.8	-	40,928.4	78.8%
HDPE Bottles - Liquids	42,558.6	168,469.4	45,939.3	179,159.0	16,256.6	44,919.3	29.0%
P.P. Cases - Loose Powder	-	6,834.6	-	7,994.1	-	4,586.6	67.1%
HDPE Bottles / P.P. Caps - Lotions	24,748.5	174,647.6	26,082.8	185,215.4	3,687.8	29,593.3	16.7%
P.P. Bottle - Mascara	-	16,591.5	-	18,756.3	-	11,942.7	72.0%
Glass Bottle - Nail Enamel	-	90,689.2	-	100,474.4	-	70,828.3	78.1%
Pencils	-	9,039.9	-	9,612.2	-	9,039.9	100.0%
P.P. Case - Blush	-	1,143.3	-	1,476.6	-	686.0	60.0%
P.P. Case - Eyeshadow	-	4,051.9	-	5,511.3	-	3,319.0	81.9%
P.P. Case Face Powder	-	25,947.8	-	29,303.2	-	18,505.1	71.3%
HDPE Bottle / P.P. Cap - Roll On	354,854.5	46,528.3	377,532.5	49,951.5	104,543.3	22,503.8	31.7%
Sachet Samples	1,010.7	63,465.8	1,094.6	69,167.1	1,010.7	63,465.8	100.0%
HDPE Bottles / P.P. Cap - Shampoo	5,616.0	354,628.1	5,796.0	369,020.6	936.0	61,344.7	17.3%
HDPE Bottle - Shower Gel	-	415,021.6	-	438,948.1	-	85,374.7	20.6%
P.P. Case - Solid M/Up	-	33,900.8	-	39,662.5	-	25,563.4	75.4%
Tablets	3,990.0	3,728.6	4,112.8	3,924.2	1,090.4	1,547.9	34.2%
P.P. Talc Canisters	-	180,421.4	-	194,602.4	-	68,177.8	37.8%
Plastic Tubes	12,918.8	587,479.7	13,645.8	634,576.1	1,666.5	101,967.7	17.3%
Glass Vial / PP Cap	-	22,243.8	-	43,288.1	-	14,077.3	63.3%
Non Cosmetic Items	371,406.3	2,730,822.2	395,306.6	3,097,733.1	-	-	0.0%
Total	1,278,042.3	6,193,946.5	1,364,512.0	6,832,592.3	300,044.1	1,260,083.7	

ACTION PLAN

KPI	INFORMATION SOURCE	ACTION / TIMING
<p>1. Total weight of consumer packaging (domestic & imported) sold per annum into the Australian market and the total weight of products packaged - local 299.0 tonnes / imported 1173.1 tonnes</p> <p>1A. Report tonnes of packaging by material type by source (local or imported) - see previous spreadsheet</p> <p>1B. Report tonnes of packaged product sold - local 1278.0 tonnes / imported 6193.9 tonnes</p> <p>1C. Report ratio of product to packaging (by weight) - see previous spreadsheet</p> <p>* Unable to obtain data on non-cosmetic items at this time</p>	<p>Breakdown of sales by packaging type is not available at this time. Calculation is based on units acquired for sales.</p> <p>Calculations as follows:-</p> <ul style="list-style-type: none"> - Total receipts from 1st Nov. 2004 – 31st Oct. 2005 - Receipts broken down by family I.D. code (marketing category by source) - Weight and fill calculated by data extracted by our MRP System (MacPac) - Weight of shipper based on most commonly used sized 4 Avon shipper - Total component weight calculated by deducting total fill from total product weight 	<p>Need to develop a system to calculate the required packaging data by sales per annum utilizing packaging type and source codes already available in MRP System.</p> <p>Estimated time of completion of new system – October 2006</p> <p>Need to develop ways to calculate amount of packaging used on non-cosmetic items.</p> <p>Estimated time of completion – July 2006</p>
<p>3. Improvements in design, manufacture, marketing and distribution to minimise the environmental impact of packaging</p>	<p>All our cosmetic, fragrance and toiletry products are developed overseas. We will work with our global and regional development teams to ensure packaging is kept to a minimum whilst still ensuring safety to customers.</p>	<p>Formal review on entire product line to look for opportunities to further reduce packaging. Prioritise review by categories with high packaging to product ratio.</p> <p>Aim at reducing packaging of non-cosmetic items by 5% - July 2007</p>

KPI	INFORMATION SOURCE	ACTION / TIMING
4. Changes to protection, safety, hygiene, shelf life or supply chain considerations affecting amount and type of packaging used.	<ul style="list-style-type: none"> - Currently in the process of tamper proofing all skin care products to reduce waste and increase salvage - Reviewing other categories for further opportunities - We have developed an expiry date warning report to advise marketing of products approaching their expiry date - Marketing plans are then developed to quit these items prior to them having to be destroyed 	<p>Tamper proofing will increase our salvage rate 2006 vs 2005</p> <p>Will report on progress – September 2006</p> <p>Expiry date report will reduce number of items destroyed</p> <p>Review results 2006 vs 2005 – July 2007</p>
6. Total weight, by type, of “non-recyclable” consumer packaging sold per annum into the Australian market	Currently we are unable to calculate total weight of non-recyclable consumer packaging. Use of plastic shrink-wraps is minimal so we will begin by reviewing the possibility of using cartons in place of poly bags where appropriate.	At product development stage items will be costed packaged in both poly bags and cartons. Move to carton will occur when and if cost allows.

CONTACT DETAILS

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BY

Signature: _____

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Position: VICE PRESIDENT – OPERATIONS

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