

# AVON

the company for women

September 12, 2014

To our U.S. direct selling colleagues,

At Avon, we strongly believe in the power of direct selling to enhance people's lives. Our entire business model is based on our commitment to helping women build better lives for themselves and their families. And we know that multi-level marketing, in some markets and with the appropriate guardrails, is a robust and effective channel for distributing products to consumers.

As you may be aware, this week Avon made the decision to exit the U.S. DSA. This decision came after careful consideration and more than a year of thoughtful discussion. This decision was driven by two key issues:

- We believe the association's agenda in the U.S. is overly focused on the issues of a few specific brands rather than industry-wide challenges.
- We believe that the U.S. DSA Code of Ethics requires updating to better reflect the current state of the industry in the U.S.

As the U.S. DSA is currently operating, we do not believe that either of these issues will be addressed.

Like any industry, direct selling and multi-level marketing evolve and the associations that support the direct selling industry need to evolve as well. As one of the largest direct selling companies in the world, we at Avon feel that it is our duty and responsibility to protect those just starting out in the industry, as well as those who have made careers as independent direct sellers.

In the U.S., we believe there is a need to enhance the DSA Code of Ethics to better ensure that individuals entering direct selling have the benefit of adequate safeguards. If and when these issues are better addressed by the U.S. DSA in a way that is supportive of the industry as a whole, we would re-consider our membership.

Avon is not exiting the World Federation of Direct Selling Associations (WFDSA), local market DSAs, or other direct selling trade organizations outside of the United States. We continue to believe that industry associations play an important role for Avon and you, our direct selling peers.

As it relates to Direct Selling Associations (DSAs) around the world, Avon has a long history of involvement. In fact, we were a founding member of many of these organizations. The Direct Selling Code of Ethics, as administered by the DSAs, is a key component of the industry's self-regulation.

Accordingly, Avon abides by the World Federation of Direct Sellers "Code of Ethics." There are three major aspects of our business model that we believe further safeguard our Representatives and consumers.

**1. The Avon business model does not rely on nor does it encourage sales of inventory, training or business support materials between Representatives.**

The core of our business model is Representatives selling our products to an end consumer.

**2. Avon has reasonable return policies.**

Representatives are not left holding excess inventory.

**3. Avon limits earnings to three generations.**

We do not promise commissions on infinite sales. Rather, we primarily promote and incentivize Representatives based on their sales to Customers.

By adhering to these principles in every market where we operate, we protect our Representatives and help ensure new recruits have a positive experience with direct selling.

It is also important to consider how consumers view direct selling.

Avon's message to consumers is:

At its best, direct selling is "I tried the product. I liked the product. I recommended it to a friend." If you are considering entering direct sales (or 'social selling') here are three tips to remember:

1. Like the product! Make sure it's a product you use and enjoy yourself. You will be selling to your friends, family, neighbors and co-workers.
2. Understand the product. All good direct selling/social selling companies will provide training and mentoring support. But you should not need to invest heavily in start-up training and marketing materials.
3. Know who you are buying from and who is paying you. When ordering product for your customers, make sure you will be purchasing from the Company, not the individual who recruited you into selling, and that your earnings will be paid by the Company.

With over \$32 billion in sales in 2013, direct sales continues to be a vibrant and growing industry in the United States. Every day, people across the country looking to earn extra money are signing up to become direct sellers. These women and men are hoping to build a business, unlock additional earnings, start a college fund for their children, buy a new car or simply supplement their current income

For well over a century, Avon has been committed to assuring that direct selling remains a viable option for individuals looking for financial empowerment. Our commitment to our Representatives today and in the future will not waiver.



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