

AVON PRODUCTS INC
Form DEF 14A
April 02, 2019

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

SCHEDULE 14A

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934
(Amendment No.)

Filed by the Registrant
Check the appropriate box:

Filed by a Party other than the Registrant

Preliminary Proxy Statement.

Confidential, for use of the Commission Only (as permitted by Rule 14a-6(e)(2)).

Definitive Proxy Statement.

Definitive Additional Materials.

Soliciting Material Pursuant to §240.14a-12.

Avon Products, Inc.

(Name of Registrant as Specified In Its Charter)

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(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

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AVON

April 2, 2019

Dear Shareholders:

It is my pleasure to invite you to join me, the Board of Directors, senior leaders, and current and former employees at the 2019 Annual Meeting of Shareholders in New York, New York. Details regarding admission to the meeting and the business to be conducted are more fully described in the accompanying Notice of Annual Meeting of Shareholders and Proxy Statement.

We hope that you will join us in person, but whether or not you plan to attend the Annual Meeting, your vote is important. I encourage you to vote by telephone, by internet or by signing, dating, and returning your proxy card by mail. Voting instructions are found on page 6 of the Proxy Statement.

On behalf of the Board of Directors and Avon management, thank you for your investment and interest in Avon.

Sincerely yours,

Jan Zijderveld
Chief Executive Officer

AVON PRODUCTS, INC.

Building 6, Chiswick Park

London W4 5HR

United Kingdom

YOUR VOTE IS IMPORTANT YOU CAN VOTE IN ONE OF FOUR WAYS:

VIA THE INTERNET	BY TELEPHONE	BY MAIL	IN PERSON
Visit the website listed on your proxy card	Call the telephone number on your proxy card	Sign, date and return your proxy card in the enclosed envelope	Attend the Annual Meeting

If your shares are held in a stock brokerage account or by a bank or other record holder, follow the voting instructions on the form that you receive from them. The availability of telephone and internet voting will depend on their voting process.

Meeting Agenda

1 Elect as directors the eight nominees named in the Proxy Statement;

2 Hold a non-binding, advisory vote to approve compensation of our named executive officers;

3 Approve the Amended and Restated 2016 Omnibus Incentive Plan;

4 Ratify the appointment of PricewaterhouseCoopers LLP, United Kingdom, as our independent registered public accounting firm for 2019; and

5 Transact such other business as may properly come before the meeting.

**NOTICE OF ANNUAL
MEETING OF
SHAREHOLDERS**

Thursday, May 16, 2019

9:00 a.m.

Convene

810 Seventh Ave

22nd Floor

New York, NY 10019

How to Attend the Meeting

If you plan to attend the meeting in person, please see page 6 for admission requirements.

The record date for the meeting is March 27, 2019. This means that you are entitled to receive notice of meeting and vote your shares at the meeting if you were a shareholder of record as of the close of business on March 27, 2019.

By order of the Board of Directors,

Ginny Edwards

Vice President & Corporate Secretary

April 2, 2019

Important notice regarding the availability of proxy materials for the shareholder meeting to be held on May 16, 2019:

Our Proxy Statement and Annual Report to Shareholders are available at www.edocumentview.com/avp.

TABLE OF CONTENTS

<u>PROXY SUMMARY</u>	1
<u>VOTING AND MEETING INFORMATION</u>	6
<u>PROPOSAL 1 ELECTION OF DIRECTORS</u>	10
<u>INFORMATION CONCERNING THE BOARD OF DIRECTORS</u>	16
<u>2018 Board Meetings</u>	16
<u>Board Leadership Structure</u>	16
<u>Risk Oversight</u>	16
<u>Board Committees</u>	17
<u>Director Independence</u>	18
<u>Board Policy Regarding Voting for Directors</u>	19
<u>Board & Committee Self-Evaluations</u>	19
<u>Director Nomination Process &</u>	
<u>Shareholder Nominations</u>	19
<u>Communications with Directors</u>	20
<u>Certain Legal Proceedings</u>	20
<u>Compensation and Management Development Committee Interlocks and Insider Participation</u>	20
<u>DIRECTOR COMPENSATION</u>	21
<u>EXECUTIVE OFFICERS</u>	23
<u>OWNERSHIP OF SHARES</u>	25
<u>TRANSACTIONS WITH RELATED PERSONS</u>	27
<u>SECTION 16(a) BENEFICIAL OWNERSHIP</u>	29
<u>EXECUTIVE COMPENSATION</u>	30
<u>Letter from the Committee Chair</u>	31
<u>Compensation Discussion and Analysis</u>	33
<u>Compensation and Risk Management</u>	55
<u>Compensation and Management Development Committee Report</u>	56
<u>Executive Compensation Tables</u>	57

<u>PROPOSAL 2 ANNUAL ADVISORY VOTE TO APPROVE EXECUTIVE COMPENSATION</u>	71
<u>PROPOSAL 3 APPROVAL OF THE AMENDED AND RESTATED 2016 OMNIBUS INCENTIVE PLAN</u>	73
<u>EQUITY COMPENSATION PLAN INFORMATION</u>	83
<u>AUDIT COMMITTEE REPORT</u>	84
<u>PROPOSAL 4 RATIFICATION OF THE APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM</u>	86
<u>SOLICITING MATERIAL</u>	88
<u>SOLICITATION OF PROXIES</u>	88
<u>SHAREHOLDER PROPOSALS FOR</u>	
<u>2020 ANNUAL MEETING</u>	88
<u>INFORMATION REQUESTS</u>	88
<u>Appendix A</u>	A-1

PROXY SUMMARY

This summary highlights information contained elsewhere in the Proxy Statement and in Avon Products, Inc.'s (Avon, the Company, we, us, or our) Annual Report on Form 10-K for the year ended December 31, 2018. This summary is not a complete description and you should read the entire Proxy Statement carefully before voting. Proxy materials were first sent to shareholders on or about April 2, 2019.

Meeting Agenda

Matter	Board Vote Recommendation	Page Reference (for more detail)
PROPOSAL 1 <u>Election of the eight Director Nominees named in this Proxy Statement</u>	FOR EACH NOMINEE	10
PROPOSAL 2 <u>Annual Non-Binding, Advisory Vote to Approve Compensation of our Named Executive Officers</u>	FOR	71
PROPOSAL 3 <u>Approval of the Amended and Restated 2016 Omnibus Incentive Plan</u>	FOR	73
PROPOSAL 4 <u>Ratification of PricewaterhouseCoopers LLP, United Kingdom, as Independent Registered Public Accounting Firm for 2019</u>	FOR	86

Board and Governance Highlights

The Company has adopted many leading governance practices that establish strong independent leadership in our boardroom and provide our shareholders with meaningful rights. Highlights include:

Since 2016, over 60% Board member refreshment including new Chief Executive Officer (CEO) in 2018

Annual election of directors

TENURE AVERAGE: 4 Years

Non-executive Chairman of the Board and Lead
Independent Director

AVERAGE AGE: 61

All directors are independent other than CEO

Proxy Access

Majority vote standard with resignation policy for election
of directors in uncontested elections

Directors may serve on limited number of other public
boards

Regular Executive Sessions of independent directors

Annual board and committee evaluations

No supermajority voting with respect to common stock,
except as provided under New York Business Corporation
law

Compensation: Many compensation best practices,
including double-trigger change-in-control benefits, no
excise tax reimbursements for change-in-control payments,
prohibition against hedging and pledging common stock,
claw-back policy, stock ownership guidelines and certain
holding period requirements

Board Nominees and Designees

The following table provides summary information about each director nominated for election by our Board of Directors (the Board) to the Board at the 2019 Annual Meeting (collectively, the Director Nominees) and each director elected to the Board by holders of our Series C Preferred Stock (collectively, the Series C Designees). Director Nominees are elected annually by a majority of the votes cast by our shareholders, voting together as a single class. The Series C Designees have been elected by the holders of our Series C Preferred Stock, voting separately as a class.

Nominees and Designees

Committee Membership

Names	Director Since	Independent ¹	Other Public Boards	Compensation and			Nominating
				Audit Committee	Management Development Committee	Finance Committee	Corporate Governance Committee
Jose Armario	2016	I	1				
W. Don Cornwell ²	2002	I	2				
Chan W. Galbato ^{3,4}	2016	I	2				
Nancy Killefer	2013	I	2				
Susan J. Kropf	2015	I	3				

Helen McCluskey	2014	I	3
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Andrew G. McMaster, Jr.	2018	I	0
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James A. Mitarotonda	2018	I	2
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Michael F. Sanford ⁴	2016	I	0
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Lenard B. Tessler ⁴	2018	I	1
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Jan Zijderveld ⁵	2018		0
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¹ **Independent in accordance with NYSE listing standards, SEC regulations, and our Corporate Governance Guidelines**

- Committee Chair

- Member

² **Lead Independent Director**

³ **Non-executive Chairman of the Board**

- Financial Expert

⁴ **Series C Designee**

- Non-Voting Observer

⁵ **CEO Attendance**

Each Director Nominee and each Series C Designee on the Board in 2018 attended at least 75% of the aggregate

number of 2018 meetings of the Board and each Board Committee on which he or she served.

2

AVON 2019 Proxy Statement

Business and Strategy Highlights

Few companies have the brand recognition, extensive global reach or market-leading positions in beauty and direct selling that Avon has. In a world where trust in companies is becoming a scarcer commodity, a Representative's strong relationship with her consumers continues to be highly relevant.

Avon is an organization with a clear and compelling purpose, operating in the beauty and personal care categories across the globe with a focus on developing and growing markets. Through our millions of direct selling Representatives, we empower micro-entrepreneurs across the globe. Avon's core purpose to provide part-time earnings to families and offer amazing products at great prices is as relevant today, if not more, than it was 130 years ago at the Company's founding. Avon's ongoing progress to unlock e-commerce, make Avon available to anyone, anywhere and enable our Representatives to be more competitive is powerful, and is at the heart of Avon's value proposition. In 2018, Avon introduced digital mobile brochures in 60 countries, on-line stores for Representatives in 20 markets and relaunched our e-commerce positioning in China thereby driving significant early growth in the e-commerce channel.

Overall 2018 operating results were disappointing, total revenue from reportable segments was down 2% compared to the prior year, driven by declines in Brazil, Russia and the United Kingdom. The 2018 full year results reinforced the urgent need to execute Avon's new strategic direction and we have made good progress.

In 2018 we made critical progress in addressing the key concerns of leadership and strategic direction. Throughout the year we continued to strengthen Avon's leadership team, further recruiting seasoned and skilled senior executives. The process of putting in place a leadership team to accelerate change and to increase sustainable profit continued with the recruitment by the Board of a new CEO, Jan Zijderveld, who joined Avon in February 2018. Before joining Avon, Mr. Zijderveld was a senior executive and 30-year veteran of Unilever N.V./PLC with a track record as a proven global leader driving profitable growth in large, multi-channel, complex consumer businesses across emerging, developing and developed markets. We also made other critical appointments in key markets resulting in Avon now having new leadership in markets that account for more than 50% of total revenue. We are confident that Avon has an energized, highly motivated leadership team in place with the skillset required to deliver our new Open Up Strategy and the experience needed to restore Avon to growth in key emerging and developing markets.

Avon is operating in a dramatically changing and competitive environment, where business as usual is not an option for Avon. A year ago, the Board gave Mr. Zijderveld a clear mandate to lead a deep and comprehensive strategic and operating review of all facets of the business and evaluate ways to significantly accelerate Avon's path to profitable growth. This review led to the development and launch of Avon's new Open Up Strategy, which was communicated to shareholders in September 2018. Our Open Up Strategy is simple and clear, and we made important progress during Q3 and Q4 of 2018, including in the following areas: Reboot Direct Selling; Open Up Mindset; Deliver Fuel for Growth; Refresh and Strengthen the Brand. (See page 34 for a more detailed discussion.)

In 2018, we faced the reality of our situation and acted with focus and intent to launch a comprehensive corporate turn-around strategy, addressing all key areas of our business and achieved good early-stage progress. We laid the groundwork, strengthened the executive leadership team and put the right plan in place. We've started to fix the core and we're moving in the right direction, but we need to do more. In 2019 we need to execute our Open Up Strategy with pace and drive, build momentum to see our financial results grow quarter over quarter and start delivering key strategic milestones necessary to achieve our business plan and implementing our strategy.

Shareholder Engagement & 2018 Compensation Highlights

At our 2018 annual meeting, shareholders representing approximately 85% of votes cast approved our say-on-pay proposal in support of our executive compensation program. While the vast majority of our shareholders are in favor of our executive compensation programs, we remain committed to shareholder engagement and value insights

provided from our fellow shareholders.

During 2018, we continued our practice of engaging with our shareholders and soliciting feedback. Having received strong support for our 2018 say-on-pay proposal, in 2018 our shareholder engagement focused particularly on gaining feedback and input from shareholders who did not support our say-on-pay proposal in 2018. As in recent years, the Chair of the Compensation and Management Development Committee (the Committee) conducted shareholder outreach to ensure shareholder perspectives and concerns were heard and well understood. Shareholder outreach meetings were conducted as the 2019 incentive programs design was developing, which enabled the Committee to directly incorporate feedback and suggestions into the 2019 program design. The feedback received from our shareholders continues to be tremendously valuable. While shareholders raised different challenges and concerns, they consistently agreed that the performance metrics for both the short and long-term programs should be directly tied to Avon's strategy. This feedback has been incorporated into our program design.

The 2018 executive compensation program was highly performance-based and provided incentive opportunities that align with our shareholders' interests and our strategic and financial goals. Performance goals were selected to fully align with our commitment to our shareholders. The Committee took the following specific actions with respect to the compensation of the NEOs for 2018:

Base Salary: No increase to base salaries

Annual Cash Incentive: Even though our Open Up Strategy resulted in important progress during Q3 and Q4 of 2018, we were unable to achieve annual incentive plan threshold performance given the challenging macro environment and the robust nature of our goal setting process. Consistent with the formulaic nature of the program and the avoidance of positive discretion, there were no annual cash incentive award payouts to the NEOs with respect to 2018 performance (other than to Mr. Zijderveld, who was guaranteed a minimum annual incentive payout of 50% of target in his employment contract, solely for 2018; the rationale for this was to balance the following considerations: (1) recruiting a high-quality CEO, (2) recognition that some new CEOs receive a first-year minimum of 100% of target and (3) given his date of hire, his impact on the 2018 budget process was limited).

Long-Term Incentive Awards:

Our CEO's 2018 long-term incentive award has a target value of \$3.25 million and is 100% performance-based with the following mix:

40% premium-priced stock options (Premium Options) with exercise price equal to 125% of the closing price of a share of Avon stock as of the grant date, and

60% performance-based restricted stock units (Performance RSUs) with a three-year performance period.

Additionally, our CEO received one-time sign-on inducement awards in 2018, 50% of which were performance-based and in the form of Performance RSUs and the other 50% were service-based restricted stock units (Service-based RSUs). These performance-based inducement awards have three separate tranches, all of which are eligible to vest only after completion of the 2020 performance year. The Committee will establish at the beginning of each year (i.e., 2018, 2019 and 2020) the performance objectives required to earn the award ensuring that the Committee can tailor the measures and their rigor to the business circumstances. The non-performance based restricted stock units were granted as a replacement of a portion of his prior employer forfeited equity awards, and to promote shareholder alignment and retention over the three-year vesting period. These inducement awards cliff vest after three years.

For other NEOs, 2018 long-term incentive awards consisted of Performance RSUs, Service-based RSUs, and Premium Options, each representing one-third of the overall target award.

Our Say on Pay Proposal is found on page 71 and our Board recommends that our shareholders vote **For** this proposal. The following factors support this recommendation:

Our programs are designed to support and *drive short- and long-term, externally communicated business objectives*. Further, an analysis of our programs demonstrates a *strong and direct link between realizable pay and performance*.

Our *program design incorporates shareholder feedback* received during outreach campaigns.

Our long-term incentive plan design is *aligned with shareholder value, requiring significant stock price appreciation* before target awards are realized. As a result, we have delivered long-term incentive compensation for our NEOs well below target.

We have also maintained a focus on *limiting shareholder dilution*.

We benchmark our executives' pay against a *peer group that better reflects Avon's business following the separation of our North America business*.

2019 Compensation Highlights

We are committed to ensuring that Avon's pay framework, particularly our incentive programs, are aligned with and reflect the most important task of our executive team—returning our business to profitable growth. Following the introduction of the Open Up Strategy the Committee undertook a detailed, thorough and holistic review of Avon's incentive arrangements (fixed, short and long-term) to determine if our pay arrangements are aligned with Avon's new strategic direction, key priorities and timelines.

Following this thorough review, the Committee believes that many elements of the current incentive program remain appropriate, as it has strong performance elements that support our externally communicated business goals and requires significant stock price appreciation for executives to realize target compensation. However, for 2019 the Committee made a number of adjustments to the incentive arrangements, to further strengthen their alignment with Avon's strategic direction and focus on delivering the turnaround strategy with urgency. For example, the 2019 long-term incentive program places a greater focus on one-year performance than our historical practice in order to explicitly reflect our shareholders' feedback, which stressed the urgency of delivering the turnaround strategy as well as enabling the retention of critical staff needed to deliver the turnaround.

Governance and Related Materials

The Company has established strong policies, practices and procedures which provide a framework for effective governance. Our Corporate Governance Guidelines describe our Board