

AVON PRODUCTS INC
Form DEF 14A
March 25, 2004

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

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

Filed by the Registrant Filed by a Party other than the Registrant

Check the appropriate box:

- 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)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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(3) Filing Party:

(4) Date Filed:

March 25, 2004

Dear Shareholder:

You are cordially invited to attend the 2004 Annual Meeting of Shareholders, which will be held at 10:00 a.m. on Thursday, May 6, 2004 in the Ballroom at the W New York Hotel, 541 Lexington Avenue, New York City.

The business and operations of Avon will be reviewed at the Annual Meeting. We hope that you will be able to attend.

Whether or not you plan to attend the Annual Meeting, your vote is important. You can vote via the Internet, by telephone or by completing the enclosed proxy card. Instructions for voting via the Internet or telephone are given on the enclosed proxy card.

Sincerely yours,

Andrea Jung
Chairman of the Board and

Chief Executive Officer

AVON PRODUCTS, INC.

1345 Avenue of the Americas

New York, NY 10105

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

The 2004 Annual Meeting of Shareholders of Avon Products, Inc. will be held in the Ballroom at the W New York Hotel, 541 Lexington Avenue, New York, New York 10022, on Thursday, May 6, 2004 at 10:00 a.m. for the following purposes:

- (1) To elect three (3) directors to three-year terms expiring in 2007;
- (2) To act upon a proposal to ratify the appointment of PricewaterhouseCoopers LLP as our independent accountants for 2004;
- (3) To act upon a proposal to amend our Restated Certificate of Incorporation to increase the number of authorized shares of our Common Stock;
- (4) If presented, to consider and vote on a shareholder proposal requesting the elimination of the classification of the Board of Directors;
- (5) If presented, to consider and vote on a shareholder proposal requesting a report on the removal of parabens from the Company's products;
- (6) If presented, to consider and vote on a shareholder proposal requesting a report on the removal of dibutyl phthalate from the Company's products; and
- (7) To transact such other business as properly may come before the meeting.

The Board of Directors has fixed the close of business on March 15, 2004 as the record date for the purpose of determining the shareholders who are entitled to notice of, and to vote at, the Annual Meeting and any adjournment or postponement thereof.

THE BOARD OF DIRECTORS URGES YOU

TO MARK, SIGN AND RETURN THE ENCLOSED PROXY CARD

IN THE POSTAGE-PREPAID ENVELOPE PROVIDED

OR TO VOTE BY THE INTERNET OR BY TELEPHONE.

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Gilbert L. Klemann, II

Senior Vice President,

General Counsel and Secretary

March 25, 2004

New York, New York

AVON PRODUCTS, INC.

1345 Avenue of the Americas

New York, NY 10105

PROXY STATEMENT

What is the purpose of the Annual Meeting?

At our Annual Meeting, shareholders will act upon the matters set forth in the Notice of Annual Meeting of Shareholders, which are described in this Proxy Statement. In addition, we will review the business and operations of the Company and respond to questions from shareholders.

Who may attend the Annual Meeting?

Anyone who was a shareholder as of the close of business on March 15, 2004 may attend the Annual Meeting if you have an admission ticket and photo identification. For shareholders of record, an admission ticket is attached to the proxy card sent with this Proxy Statement. If you plan to attend the Annual Meeting, please vote your proxy but keep the admission ticket and bring it with you to the Annual Meeting. Shareholders holding their shares in a bank or brokerage account can obtain an admission ticket in advance by sending a written request, along with proof of ownership (such as a brokerage statement) to our Investor Relations Department, Avon Products, Inc., 1345 Avenue of the Americas, New York, NY 10105, by mail or by fax (fax: 212-282-6035). We must receive your request at least one week prior to the Annual Meeting to have time to process your request and mail the admission ticket to you. Anyone who arrives without an admission ticket will not be admitted to the Annual Meeting unless it can be verified that the individual was a shareholder of the Company as of March 15, 2004.

What is the purpose of this Proxy Statement?

This Proxy Statement describes the matters proposed to be voted on at the Annual Meeting, including the election of directors, ratification of the appointment of our independent accountants, amendment of our Restated Certificate of Incorporation to increase the number of authorized shares of our Common Stock, and, if presented, three proposals by shareholders. The Proxy Statement and accompanying proxy card are being mailed on or about March 25, 2004.

Who is entitled to vote?

Only holders of record of Avon common stock at the close of business on March 15, 2004 (Shareholders) are entitled to vote. There were 235,992,610 shares of common stock (Common Stock or Shares) outstanding on March 15, 2004. Shareholders are entitled to vote cumulatively for the election of directors and to cast one vote per Share on all other matters. For more information on cumulative voting, see the description on page 4 under Proposal 1 Election of Directors.

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How do I vote?

You can vote by filling out the accompanying proxy card and returning it in the return envelope that we have enclosed for you. Also, Shareholders can vote by telephone or via the Internet unless you want to cumulate your votes, in which case you must vote by using the proxy card. Voting information is provided on the enclosed proxy card.

What if my Shares are held in street name ?

If your Shares are held in the name of a bank or broker or other nominee, follow the voting instructions on the form that you receive from them. The availability of telephone and Internet voting will depend on the bank's

or broker's voting process. Your broker or nominee may not be permitted to exercise voting discretion as to some of the matters to be acted upon. Therefore, please give voting instructions to your broker or nominee.

How will my proxy be voted?

Your proxy, when properly signed and returned to us, or processed by telephone or via the Internet, and not revoked, will be voted in accordance with your instructions relating to the election of directors, ratification of the appointment of our independent accountants, amendment of our Restated Certificate of Incorporation to increase the number of authorized shares of our Common Stock, and, if presented, the individual shareholder proposals. We are not aware of any other matter that may be properly presented at the meeting. If any other matter is properly presented, the persons named as proxies on the proxy card will have discretion to vote in their best judgment.

What if I don't mark the boxes on my proxy?

Unless you give other instructions on your proxy card, or unless you give other instructions when you cast your vote by telephone or via the Internet, the persons named as proxies will vote in accordance with the recommendations of the Board of Directors. The Board's recommendation is set forth with the description of each Proposal in this Proxy Statement. In summary, the Board recommends a vote for the election of directors, the ratification of the appointment of our independent accountants and the amendment to our Restated Certificate of Incorporation to increase the number of authorized shares of our Common Stock, and against the individual shareholder proposals.

Can I still attend the Annual Meeting if I return my proxy?

Yes. Attending the meeting does not revoke the proxy. However, you may revoke your proxy at any time before it is actually voted by giving written notice of revocation to the Secretary of Avon, by delivering a proxy bearing a later date or by attending and voting in person at the Annual Meeting.

Will my vote be made public?

All proxies, ballots and voting materials that identify the votes of specific Shareholders will be kept permanently confidential, except as may be required by law, for all matters other than contested elections. All proxy cards and other voting materials will be returned by Shareholders to an independent vote tabulator, and the tabulation process and results of Shareholder votes will be inspected by independent inspectors of election.

What constitutes a quorum?

The presence at the meeting, in person or by proxy, of the holders of a majority of the outstanding Shares will constitute a quorum, permitting the meeting to conduct its business.

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How many votes are needed to approve a Proposal?

Under New York law, corporate action taken at a shareholders' meeting is generally based on the votes cast. Votes cast means the votes actually cast for or against a particular proposal, whether in person or by proxy. Therefore, abstentions and broker non-votes generally have no effect in determining whether a proposal is approved by Shareholders. Directors are elected by a plurality of the votes cast, while approval of Proposals 2, 4, 5 and 6 requires the affirmative vote of a majority of the votes cast at the Annual Meeting. Approval of Proposal 3, to amend our Restated Certificate of Incorporation to increase the number of authorized shares of our Common Stock, however, requires the affirmative vote of a majority of all of our outstanding shares, not merely of the votes cast. Abstentions and broker non-votes in connection with Proposal 3 will have the same effect as a vote against the Proposal.

What if I am a participant in the Avon Personal Savings Account Plan or the Avon Puerto Rico Associates Savings Plan?

We are also mailing this Proxy Statement and proxy card to participants in the Avon Personal Savings Account Plan and the Avon Puerto Rico Associates Savings Plan. The trustees of the Plans, as record holders of the Shares held in the Plans, will vote the Shares allocated to your account under the Plans in accordance with your instructions. Unless your proxy card is received by May 4, 2004 and unless you have specified your instructions, your Shares cannot be voted by the Trustees.

PROPOSAL 1 ELECTION OF DIRECTORS

Effective from and after the date of the 2004 Annual Meeting, the Board of Directors has fixed the number of directors at 11. The Board is divided into three classes as nearly equal in number as possible, as follows:

Three incumbent directors whose term expires in 2004 and who are nominated for the class of 2007 (Class of 2007); four incumbent directors in the class whose term expires in 2005 (Class of 2005); and four incumbent directors in the class whose term expires in 2006 (Class of 2006).

PROPOSAL 1: The Board of Directors has nominated Edward T. Fogarty, Susan J. Kropf, and Maria Elena Lagomasino for election to the Class of 2007, each to serve for a three-year term to expire at the Annual Meeting in 2007.

All Shares duly voted will be voted for the election of directors as specified by the Shareholders. Unless otherwise specified, it is the intention of the persons named on the enclosed proxy card to vote **FOR** the election of Edward T. Fogarty, Susan J. Kropf, and Maria Elena Lagomasino, to the Class of 2007. Each of the nominees has consented to serve as a director of the Company if elected. We have no reason to believe that any of the nominees will be unable or decline to serve as a director.

You may withhold your votes from the entire slate of nominees by so indicating in the space provided on the enclosed proxy card or by following the instructions for voting by telephone or via the Internet. You may withhold your votes from any particular nominee by writing that nominee's name in the space provided for that purpose on the enclosed proxy card or so indicating by telephone or via the Internet.

In voting for the election of directors, you are entitled to vote cumulatively. Each Shareholder is entitled to cast in each election the number of votes equal to the number of Shares held of record by the Shareholder, multiplied by the number of directors to be elected in the election. In the election of three directors to the Class of 2007, you will be entitled, under cumulative voting, to a total of three votes per Share held of record by you, and you may cast all of such votes in this election for a single nominee, or distribute them among any two or more nominees, as you see fit. You may (but need not) cumulate your votes in the election of directors for the Class of 2007 by indicating the distribution of your votes among the nominees in the space provided on the enclosed proxy card. If you wish to cumulate your votes, you must vote by using the proxy card; cumulative voting by telephone or via the Internet is not possible. If votes are not so distributed on the proxy card, the persons named as proxies may exercise the right to vote your Shares represented by such proxy cumulatively in the Class of 2007 election and may distribute the votes represented by such proxy among one or more of the nominees for the Class of 2007 listed below in any manner they see fit.

Set forth below is certain information furnished to the Company by each nominee and each director continuing in office after the Annual Meeting.

Your Board of Directors recommends that you vote FOR the election as directors of the nominees listed below.

Nominees for the Board of Directors for a Three-Year Term Expiring 2007

EDWARD T. FOGARTY

Director since 1995 Age: 67

Mr. Fogarty was the Chairman, President and Chief Executive Officer of Tambrands, Inc., a major global consumer products company, from September 1996 to July 1997. Prior to assuming that position, Mr. Fogarty was President and Chief Executive Officer of Tambrands from May 1994 to September 1996. Previously, he was President-USA/Canada/Puerto Rico for the Colgate Palmolive Company from 1989 to 1994. From 1983 to 1989, he was President, Worldwide Consumer Products, at Corning Inc. Mr. Fogarty is a director of UST, Inc.

SUSAN J. KROPF

Director since 1998 Age: 55

Mrs. Kropf was elected President and Chief Operating Officer of the Company in January 2001, previously having been Executive Vice President and Chief Operating Officer, North America and Global Business Operations, since November 1999. She had been Executive Vice President and President, North America, since March 1997 and a member of the Board of Directors of the Company effective January 5, 1998. Prior to that, she had been President-Avon U.S. and President, New and Emerging Markets. Mrs. Kropf joined the Company in 1970 and held various positions in manufacturing, marketing and product development. Mrs. Kropf is a director of MeadWestvaco Corporation, the Sherwin-Williams Company and the Wallace Foundation.

MARIA ELENA LAGOMASINO

Director since 2000 Age: 55

Ms. Lagomasino is Chairman and Chief Executive Officer of J.P. Morgan Private Bank, a division of J.P. Morgan Chase & Co. Prior to assuming this position in September 2001, Ms. Lagomasino was Managing Director at The Chase Manhattan Bank in charge of its Global Private Banking Group. Ms. Lagomasino had been with Chase Manhattan since 1983 in various positions in private banking. Prior to 1983 she was a Vice President at Citibank. She is a director of the Coca-Cola Company and a trustee of the Synergos Institute.

Members of the Board of Directors Term Expiring 2006

W. DON CORNWELL

Director since January 2002 Age: 56

Mr. Cornwell is Chairman and Chief Executive Officer of Granite Broadcasting Corp., a group broadcasting company that owns and operates television stations across the U.S., which he founded in 1988. Previously, Mr. Cornwell was Chief Operating Officer for the Corporate Finance Department at Goldman, Sachs & Co. from 1980 to 1988 and Vice President of the Investment Banking Division of Goldman, Sachs from 1976 to 1980. Mr. Cornwell is a director of Granite Broadcasting Corp., CVS, Inc. and Pfizer, Inc. He is also a director of the Wallace Foundation and serves as chairman of the Telecommunications Development Fund.

STANLEY C. GAULT

Director since 1985 Age: 78

Mr. Gault was elected Chairman of the Board of Directors in a non-executive capacity, effective November 4, 1999 and served as Chairman until September 6, 2001. Mr. Gault was the Chairman of the Board of The Goodyear Tire & Rubber Company from June 1991 to June 1996, a manufacturer of tires, chemicals, polymers, plastic film and other rubber products. Mr. Gault was Chief Executive Officer of that Company from June 1991 to December 1995. Previously, he was Chairman of the Board and Chief Executive Officer of Rubbermaid Incorporated from May 1980 to May 1991. He also is a director of The Timken Company and Wal-Mart Stores, Inc. He is Chairman Emeritus of the Board of The College of Wooster and a director of the National Association of Manufacturers.

ANDREA JUNG

Director since 1998 Age: 45

Ms. Jung was elected Chairman of the Board of Directors and Chief Executive Officer of the Company effective September 6, 2001, having previously served as Chief Executive Officer since November 4, 1999. Ms. Jung had been a member of the Board of Directors since January 5, 1998 and President from January 5, 1998 to January 2001 and Chief Operating Officer from July 1, 1998 to November 4, 1999. She had been elected an Executive Vice President of the Company in March 1997 concurrently continuing as President, Global Marketing, a position she held from July 1996 to the end of 1997. Ms. Jung joined the Company in January 1994 as President, Product Marketing for Avon U.S. Previously, she was Executive Vice President for Neiman Marcus and a Senior Vice President for I. Magnin. Ms. Jung is a director of the General Electric Company. She is a member of the N.Y. Presbyterian Hospital Board of Trustees, Chairman of the Board of Directors of the Cosmetic, Toiletry and Fragrance Association (CTFA) and a director of Catalyst.

PAULA STERN, Ph.D

Director since 1997 Age: 58

Dr. Stern is Chairwoman of The Stern Group, Inc., an economic analysis and trade advisory firm established in 1988. She was Commissioner of the U.S. International Trade Commission from 1978 to 1986, and was its Chairwoman from 1984 to 1986. Dr. Stern is a director of The Neiman Marcus Group, Inc., Hasbro, Inc. and Avaya, Inc. She serves on the boards of a number of academic and international organizations.

Members of the Board of Directors Continuing in Office Term Expiring 2005

BRENDA C. BARNES

Director since 1994 Age: 50

Ms. Barnes was an Adjunct Professor at the Kellogg Graduate School of Management and Guest Lecturer at North Central College in 2002. Prior to 2002, Ms. Barnes served as interim President of Starwood Hotels from November 1999 through March 2000. Prior to 1998, she served as President and Chief Executive Officer of Pepsi-Cola North America. She is a director of Sears, Roebuck & Co., The New York Times Co., PepsiAmericas, Inc. and Staples, Inc. Ms. Barnes is also a director of Lucas Film, LTD, and is Chair of the Board of Trustees for Augustana College.

FRED HASSAN

Director since 1999 Age: 58

Mr. Hassan is the Chairman and Chief Executive Officer of Schering-Plough Corporation, a research-based global pharmaceutical company. Prior to assuming this position in April 2003, Mr. Hassan had been Chairman and Chief Executive Officer of Pharmacia Corporation since February 2001. Prior to that time, he served as President and Chief Executive Officer of Pharmacia after its creation in March 2000 from the merger of Pharmacia & Upjohn, Inc. with Monsanto Company. Before that he served as President and CEO of Pharmacia & Upjohn since May 1997. Mr. Hassan previously held senior positions with Wyeth, including that of Executive Vice President and Board member. Mr. Hassan is a director of Schering-Plough Corporation. He is also the immediate past Chairman of PhRMA (Pharmaceutical Research and Manufacturers Association).

ANN S. MOORE

Director since 1993 Age: 53

Mrs. Moore is Chairman and Chief Executive Officer of Time, Inc. Prior to assuming this position in July 2002, Mrs. Moore had been Executive Vice President of Time, Inc. since September 2001, where she had executive responsibilities for a portfolio of magazines including *Time*, *The Parenting Group*, *People*, *InStyle*, *Teen People*, *People en Espanol* and *Real Simple*. Mrs. Moore joined Time, Inc. in 1978 in Corporate Finance. Since then, she has held consumer marketing positions at *Sports Illustrated*, *Fortune*, *Money* and *Discover*, moving to general management of *Sports Illustrated* in 1983. She is also a director of the Wallace Foundation.

LAWRENCE A. WEINBACH

Director since 1999 Age: 64

Mr. Weinbach is Chairman of the Board, President and Chief Executive Officer of Unisys Corporation, a worldwide information services and technology company. He was elected to that position in September 1997. He previously was Managing Partner Chief Executive of Andersen Worldwide, a global professional services organization from 1989 to 1997 and had held various senior executive positions with Andersen for a number of years prior thereto. Mr. Weinbach is a director of Unisys Corporation and UBS, AG.

INFORMATION CONCERNING THE BOARD OF DIRECTORS

The Company's Board of Directors held eight meetings in 2003. The Board has the following regular standing committees: Audit Committee, Compensation Committee, Nominating and Corporate Governance Committee, and Finance and Strategic Planning Committee. Directors are expected to attend all meetings of the Board of Directors and the Board Committees on which they serve and to attend the Annual Meeting of Shareholders. No director attended less than 75% of the aggregate number of meetings of the Board and of each Board Committee on which he or she served. All directors attended the 2003 Annual Meeting. In addition to participation at Board and Committee meetings and the Annual Meeting of Shareholders, our directors discharge their duties throughout the year through communications with senior management regarding issues relating to the Company.

The non-management directors meet regularly in executive session, as needed, without the management directors or other members of management. The Board, based on the recommendation of the Nominating and Corporate Governance Committee, has appointed Stanley Gault to preside at all executive sessions of the Board and will review this appointment at least annually. In the absence of the presiding director from any executive session, the non-management directors will choose from among themselves one director to preside at such executive session. A security holder who wishes to communicate with the Board, the non-management directors as a group, the presiding director or any other individual director may do so by addressing the correspondence to that individual or group, c/o Corporate Secretary, Avon Products, Inc., 1345 Avenue of the Americas, New York, NY 10105. All correspondence addressed to a director will be forwarded to that director.

The Committee memberships listed below are effective as of January 1, 2004.

Audit Committee

Current Members	Messrs. Weinbach (Chair), Ms. Barnes, and Messrs. Cornwell and Fogarty
Number of Meetings in 2003	Ten
Primary Responsibilities	The responsibilities of the Audit Committee are set forth in the Committee's Charter, which is attached as Appendix A to this Proxy Statement and is available on the Company's website (www.avoninvestor.com). This Charter was most recently revised on January 30, 2003; any future revisions will be posted to the same location on our website. In addition, a separate report of the Audit Committee is set forth below.

Compensation Committee

Current Members	Mrs. Moore (Chair), Messrs. Gault and Hassan and Ms. Lagomasino
Number of Meetings in 2003	Six
Primary Responsibilities	The responsibilities of the Compensation Committee are set forth in the Committee's Charter, which is attached as Appendix B to this Proxy Statement and is available on the Company's website (www.avoninvestor.com). This Charter was most recently revised on January 30, 2003; any future revisions will be posted to the same location on our website. In addition, a separate report of the Compensation Committee is set forth below.

Nominating and Corporate Governance Committee

Current Members	Mr. Gault (Chair), Mr. Hassan, Ms. Lagomasino, Mrs. Moore and Dr. Stern
Number of Meetings in 2003	Five
Primary Responsibilities	The responsibilities of the Nominating and Corporate Governance Committee are set forth in the Committee's Charter, which is attached as Appendix C to this Proxy Statement and is available on the Company's website (www.avoninvestor.com). This Charter was most recently revised on January 30, 2003; any future revisions will be posted to the same location on our website.

Finance and Strategic Planning Committee

Current Members	Mr. Fogarty (Chair), Ms. Barnes, Mr. Cornwell and Dr. Stern
Number of Meetings in 2003	Five
Primary Responsibilities	The responsibilities of the Finance and Strategic Planning Committee are set forth in the Committee's Charter, which is attached as Appendix D to this Proxy Statement and is available on the Company's website (www.avoninvestor.com). This Charter was most recently revised on January 30, 2003; any future revisions will be posted to the same location on our website.

Director Independence

The Board of Directors assesses the independence of its members at least annually in accordance with the listing standards of the New York Stock Exchange, the Sarbanes-Oxley Act of 2002 and the regulations of the Securities and Exchange Commission, as well as the Company's Corporate Governance Guidelines. As part of its assessment of the independence of the non-management directors, the Board determines whether or not any such director has a material relationship with Avon, either directly or indirectly as a partner, shareholder or officer of an organization that has a relationship with Avon. In making this determination, the Board broadly considers all relevant facts and circumstances, including (i) the nature of the relationship; (ii) the significance of the relationship to Avon, the other organization and the individual director; (iii) whether or not the relationship is solely a business relationship in the ordinary course of Avon's and the other organization's businesses and does not afford the director any special benefits; and (iv) any commercial, banking, consulting, legal, accounting, charitable and familial relationships; *provided*, that ownership of a significant amount of Avon stock is not, by itself, a bar to independence. In assessing the significance of the relationship to Avon and the other organization, the Board has determined that a relationship in the ordinary course of business involving the sale, purchase or leasing of goods or services will not be deemed material if the amounts involved, on an annual basis, represent less than one percent (1%) of Avon's revenues and of the revenues of the other organization involved.

Maria Elena Lagomasino is Chairman and Chief Executive Officer of J.P. Morgan Private Bank, a division of J.P. Morgan Chase & Co., an investment banking firm that will perform services for the Company during the course of 2004, a substantial portion of which would be a continuation of the banking, risk management and administrative services regularly provided during 2003. The Company conducts no business with J.P. Morgan Private Bank.

The Company, as is common for major global consumer products companies, regularly advertises through various media, including television and magazines. Some of these advertisements may appear from time to time on television stations owned by or associated with Granite Broadcasting Corp., of which Mr. Cornwell is

Chairman and Chief Executive Officer, or in magazines owned by Time, Inc., of which Mrs. Moore is Chairman and Chief Executive Officer. In 2003, the aggregate cost of advertisements appearing on such television stations or in such magazines was not material to Avon nor was the associated revenue material to either Granite Broadcasting Corp. or Time, Inc.

Based on the materiality standard described above, none of the relationships between the Company and Ms. Lagomasino, Mrs. Moore or Mr. Cornwell, respectively, or any of the other non-management directors was material during 2003. The Board of Directors has concluded that each non-management director is independent of the Company.

Director Nomination Process & Shareholder Nominations

As noted above, the Board of Directors has determined that each member of the Nominating and Corporate Governance Committee is independent as defined by the listing standards of the New York Stock Exchange and the Company's Corporate Governance Guidelines.

The Committee's process for considering all candidates for election as directors, including stockholder-recommended candidates, is designed to ensure that the Committee fulfills its responsibility to recommend candidates that are properly qualified and are not serving any special interest groups, but rather the best interest of all of the shareholders.

Our Corporate Governance Guidelines and the charter of the Nominating and Corporate Governance Committee require that our directors possess the highest standards of personal and professional ethics, character and integrity and meet the standards set forth in our Corporate Governance Guidelines. In identifying candidates for membership on the Board, the Committee takes into account all factors it considers appropriate, which may include professional experience, knowledge, independence, diversity of backgrounds and the extent to which the candidate would fill a present or evolving need on the Board.

If there is a need for a new director because of an open position on the Board or because the Board has determined to increase the total number of directors, the Committee may retain a third-party search firm to locate candidates that meet the needs of the Board at that time. When a search firm is used, the firm typically provides information on a number of candidates, for review and discussion by the Committee. If appropriate, the Committee chair and some or all of the members of the Committee may interview potential candidates. If in these circumstances, in the Committee's judgment, the Committee determines that a potential candidate meets the needs of the Board, has the relevant qualifications, and meets the standards set forth in the Company's Corporate Governance Guidelines, the Committee will vote to recommend to the Board the election of the candidate as a director.

The Committee will consider director candidates recommended by shareholders if properly submitted to the Committee. Shareholders wishing to recommend persons for consideration by the Committee as nominees for election to the Board of Directors can do so by writing to the Nominating and Corporate Governance Committee, c/o Corporate Secretary, Avon Products, Inc., 1345 Avenue of the Americas, New York, New York, 10105. Recommendations must include the proposed nominee's name, detailed biographical data, work history, qualifications and corporate and charitable affiliations, as well as a written statement from the proposed nominee consenting to be named as a nominee and, if nominated and elected, to serve as a director. The Committee will then consider the candidate and the candidate's qualifications using the criteria as set forth above. The Committee may discuss with the stockholder making the nomination the reasons for making the nomination and the qualifications of the candidate. The Committee may then interview the candidate and may also use the services of a search firm to provide additional information about the candidate prior to making a recommendation to the Board.

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In addition, shareholders of record may nominate candidates for election to the Board by following the procedures set forth in our By-laws. Information regarding these procedures for nominations by shareholders will be provided upon request to the Corporate Secretary of the Company.

Director Compensation

Directors who are officers or employees of the Company or any subsidiary of the Company receive no remuneration for services as a director. Each non-management director receives an annual retainer consisting of \$35,000 plus an annual grant of shares of the Company's Common Stock having a market value as of the date of grant of approximately \$35,000, based on the average mean price of Common Stock as reported on the New York Stock Exchange for the preceding ten trading days. Such grants are made immediately after the Annual Meeting. All shares so granted to a non-management director are restricted as to transfer until he or she retires from the Board, but will immediately be entitled to regular dividends and the same voting rights as all other outstanding shares of Common Stock.

In addition to the annual retainer, each non-management director receives a retainer of \$10,000 for membership on the Audit Committee and \$5,000 for membership on each other Committee of the Board of Directors on which he or she serves. Non-management directors appointed to chair a Committee are paid an additional fee of \$10,000 for the Audit Committee and \$5,000 for all other Committees. The Company has adopted a compensation plan for its non-management directors permitting them by individual election to defer all or a portion of their fees. The value of such deferred fees, depending upon elections made by such director, may increase or decrease proportionately with the price of the Common Stock or earn interest at a rate based on the prime rate.

Each non-management director receives an annual grant of options to purchase 4,000 shares of the Company's Common Stock, at an exercise price based on the price of a share of Common Stock as reported on the New York Stock Exchange on the date of grant. Grants are made coincident with the annual grant of options to employees of the Company. Each grant of options will become fully exercisable one year after the date of such grant and will expire at the end of ten years.

In September 2001, the Board of Directors adopted a stock ownership guideline that non-management directors should own Common Stock of the Company having a value equal to or greater than five times the annual retainer for directors within five years or, in the case of new directors, within five years from the date of their election to the Board.

OWNERSHIP OF SHARES

The following table sets forth certain information as of March 15, 2004 regarding the amount of Common Stock beneficially owned by each director and director nominee of Avon, each named executive officer (as defined in the introduction to the Summary Compensation Table), and all directors and executive officers of Avon as a group. The table also shows information for holders of more than five percent of the outstanding shares of Common Stock as of January 1, 2004, as set forth in recent filings with the Securities and Exchange Commission. All shares shown in the table reflect sole voting and investment power except as otherwise noted.

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
FMR Corp. (1)	26,520,164	11.2%
AXA Financial, Inc. and affiliated entities (2)	23,894,412	10.1%
Capital Research and Management Company (3)	22,921,200	9.7%
Brenda C. Barnes (4) (5) (6)	46,447	*
W. Don Cornwell (4) (5) (7)	9,261	*
Robert J. Corti (8)	183,046	*
Edward T. Fogarty (4) (5)	47,983	*
Stanley C. Gault (4) (5)	298,551	*
Fred Hassan (4) (5) (6)	32,819	*
Andrea Jung (7) (9) (10)	930,889	*
Gilbert L. Klemann, II (10) (11)	73,151	*
Susan J. Kropf (10) (12)	439,892	*
Maria Elena Lagomasino (4) (5)	17,039	*
Ann S. Moore (4) (5) (6) (7)	41,391	*
Paula Stern (4) (5)	20,279	*
Robert Toth (10) (13)	124,414	*
Lawrence A. Weinbach (4) (5)	23,319	*
All 17 directors and executive officers as a group (10) (14)	2,509,169	1.1%

- * Indicates less than 1% of the outstanding shares, inclusive of shares that may be acquired within 60 days of March 15, 2004 through the exercise of stock options.
- (1) Based on information in a Schedule 13G filed on or about February 17, 2004 with the Securities and Exchange Commission by FMR Corp. FMR Corp. had sole voting power with respect to 1,173,113 shares, shared voting power with respect to no shares, sole dispositive power with respect to 26,520,164 shares and shared dispositive power with respect to no shares. Most shares are held by its subsidiary, Fidelity Management & Research Company, which acts as investment advisor to various investment companies. One investment company, Fidelity Contrafund, owned 13,469,022 shares or 5.7% of the outstanding shares, which shares are included in the amount of shares beneficially owned by FMR Corp. in the table above. The address of FMR Corp. is 82 Devonshire Street, Boston, Massachusetts 02109.
- (2) Based on information in a Schedule 13G filed on or about February 10, 2004 with the Securities and Exchange Commission by AXA Financial, Inc. and certain of its affiliated entities (collectively, AXA). AXA had sole voting power with respect to 11,710,326 shares, shared voting power with respect to 6,239,572 shares, sole dispositive power with respect to 22,720,614 shares and shared dispositive power with respect to 1,173,798 shares. Most shares are held by AXA's subsidiary, Alliance Capital Management L.P. The address for AXA is 1290 Avenue of the Americas, New York, NY 10104.
- (3) Based on information in a Schedule 13G filed on or about February 13, 2004 with the Securities and Exchange Commission by Capital Research and Management Company. Capital Research and Management Company had sole voting power with respect to no shares, shared voting power with respect to no shares, sole dispositive power with respect to 22,921,200 shares and shared dispositive power with respect to no shares. The address of Capital Research and Management Company is 333 South Hope Street, Los Angeles, California 90071.
- (4) Includes, for each indicated non-management director, restricted shares that have been granted as part of his or her Annual Retainer compensation, as follows: Ms. Barnes, 4,279 shares; Mr. Cornwell, 1,061 shares; Mr. Fogarty, 4,279 shares; Mr. Gault, 4,279 shares; Mr. Hassan, 2,819 shares; Ms. Lagomasino, 1,689 shares; Mrs. Moore, 9,091 shares; Dr. Stern, 4,279 shares; and Mr. Weinbach, 2,819 shares. Also includes additional restricted shares granted to certain

- non-management directors upon the discontinuance in 1997 of the Directors Retirement Plan, as follows: Ms. Barnes, 4,060 shares; Mr. Fogarty, 2,204 shares; Mr. Gault, 11,272 shares; and Mrs. Moore, 4,812 shares. For all such restricted shares, the director has sole voting but no investment power.
- (5) Includes, for each indicated non-management director, shares which he or she has the right to acquire within 60 days of March 15, 2004 through the exercise of stock options, as follows: Ms. Barnes, 28,000 shares; Mr. Cornwell, 8,000 shares; Mr. Fogarty, 28,000 shares; Mr. Gault, 220,000 shares; Mr. Hassan, 20,000 shares; Ms. Lagomasino, 14,000 shares; Mrs. Moore, 28,000 shares; Dr. Stern, 16,000 shares; and Mr. Weinbach, 20,000 shares.
 - (6) Ms. Barnes shares voting and investment power with her spouse as to 10,108 of her shares. Mr. Hassan shares voting and investment power with his spouse as to 10,000 of his shares. Mrs. Moore shares voting and investment power with her spouse as to 4,100 of her shares.
 - (7) Includes, with respect to Mr. Cornwell, 100 shares held in the name of a family member as to which he disclaims beneficial ownership. Includes, as to Ms. Jung, 5,200 shares held in the name of a family member as to which she disclaims beneficial ownership. Includes, as to Mrs. Moore, 200 shares held in the names of family members as to which she disclaims beneficial ownership.
 - (8) Includes 5,000 shares as to which Mr. Corti has sole voting but no investment power, 154,214 shares which Mr. Corti has the right to acquire within 60 days of March 15, 2004 through the exercise of stock options and approximately 21,027 shares as to which Mr. Corti shares voting and investment power with his spouse.
 - (9) Includes 858,614 shares which Ms. Jung has the right to acquire within 60 days of March 15, 2004 through the exercise of stock options.
 - (10) The table above excludes, for each named executive officer, and the directors and executive officers as a group, restricted stock units because restricted stock units do not afford the holder of such units voting or investment power. As of March 15, 2004, Ms. Jung held 180,000 restricted stock units, Mr. Klemann held 5,000 restricted stock units, Ms. Kropf held 65,000 restricted stock units, Mr. Toth held 10,000 restricted stock units, and the directors and executive officers as a group held 270,000 restricted stock units.
 - (11) Includes 72,640 shares which Mr. Klemann has the right to acquire within 60 days of March 15, 2004 through the exercise of stock options.
 - (12) Includes 355,483 shares which Ms. Kropf has the right to acquire within 60 days of March 15, 2004 through the exercise of stock options.
 - (13) Includes 5,000 shares as to which Mr. Toth has sole voting but no investment power, 114,136 shares which Mr. Toth has the right to acquire within 60 days of March 15, 2004 through the exercise of stock options and 3,257 shares as to which Mr. Toth shares voting and investment power with his spouse.
 - (14) Includes 5,500 shares as to which the directors and executive officers as a group disclaim beneficial ownership. Includes approximately 69,152 shares as to which beneficial ownership was shared with others and 2,129,039 shares which the directors and executive officers as a group have a right to acquire within 60 days of March 15, 2004 through the exercise of stock options.

Equity Compensation Plan Information

The following table provides information as of December 31, 2003 regarding the Company's equity compensation plans.

<u>Plan category</u>	<u>Number of securities to be issued upon exercise of outstanding options, warrants and rights</u>	<u>Weighted-average exercise price of outstanding options, warrants and rights</u>	<u>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))</u>
	(a)	(b)	(c)
Equity compensation plans approved by security holders (1)	10,607,974 (2)	\$ 45.04 (2)	7,208,135 (3)
Equity compensation plans not approved by security holders	0	NA	0
Total	10,607,974	\$ 45.04	7,208,135

- (1) These plans are the Company's 1993 Stock Incentive Plan and the Year 2000 Stock Incentive Plan. The stock options and restricted stock issued to the Company's directors, pursuant to the terms of the Non-Employee Directors' Compensation Plan, are issued under the Year 2000 Stock Incentive Plan. The stock awards that may be granted pursuant to the Executive Incentive Plan, which was approved by the shareholders at the 2003 Annual Meeting of Shareholders, would be issued under the Year 2000 Stock Incentive Plan.
- (2) Excludes stock appreciation rights (SARs) of which 43,637 were outstanding as of December 31, 2003.
- (3) 6,668,066 shares remain available for issuance under the Company's Year 2000 Stock Incentive Plan, which permits grants of stock options, shares of restricted stock, restricted stock units, performance and other stock units, and SARs. Although 540,069 shares remain available for issuance under the 1993 Stock Incentive Plan, no additional stock options or other stock awards will be granted under that Plan.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's executive officers, directors and greater than 10% shareholders (Reporting Persons) to file certain reports (Section 16 Reports) with respect to beneficial ownership of the Company's equity securities. Based solely on its review of the Section 16 Reports furnished to the Company by its Reporting Persons and, where applicable, any written representations by any of them that no Form 5 was required, all Section 16(a) filing requirements applicable to the Company's Reporting Persons during and with respect to 2003 have been complied with on a timely basis, except that Mr. Toth filed a Form 4 four days late to report a transfer of assets within a deferred compensation plan as a result of delay in communication involving a third party vendor.

EXECUTIVE COMPENSATION

COMPENSATION COMMITTEE REPORT

The Compensation Committee is made up of non-management independent members of the Board of Directors whose names are listed at the end of this report. The Committee reviews compensation levels of the Chief Executive Officer (CEO) and officers who are direct reports to the CEO and Chief Operating Officer (COO), evaluates the performance of the CEO, and approves the policies that govern the compensation programs of the Company's senior management.

Executive Compensation Guiding Principles

The Company's executive compensation program is designed to attract, retain, motivate and reward the key talent responsible for the Company's long-term success, to reward executives for achieving both financial and strategic Company goals and to support the Company's overall business strategy. The guiding principles used in the design of the program are:

Total compensation levels must be competitive with the compensation practices of other leading beauty, direct selling and consumer products companies and commensurate with relative shareholder returns and financial performance.

Compensation philosophy is pay-for-performance such that individual compensation awards are tied to Company, operating business unit and individual performance.

Compensation programs must be designed to balance short-term and long-term financial and strategic objectives that build shareholder value and reward for team and overall Company performance.

Compensation programs should focus executives on key performance indicators (financial and strategic) that directly translate into increased long-term shareholder value.

Working with an independent compensation consulting firm, the Committee annually evaluates the compensation of key executives against general industry surveys plus a Compensation Peer Group consisting of 13 beauty and consumer goods companies to ensure that the total compensation program is competitive. For select positions, the Committee evaluates compensation against companies that better represent the market for the executive talent in specialty functions in which the Company competes. For the CEO, COO and Chief Financial Officer (CFO), a proxy analysis of the Compensation Peer Group is conducted to determine the competitiveness of their compensation packages. The total target compensation of executive officers is positioned at the median rate of the Compensation Peer Group, with a target close to the 75th percentile of the Peer Group for consistent top performers. The three components of total compensation include base salary, annual incentive and long-term incentive compensation.

Base Salary

The midpoints of salary ranges for executives are set at the median of the Compensation Peer Group companies. With the Company's pay-for-performance philosophy, sustained exceptional performers receive salaries above the median of the Peer Group whereas salaries for

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those who meet performance expectations are targeted at the median of the Peer Group companies. Annual salary increases are based on individual performance, job responsibilities, competitive data of the Compensation Peer Group, and the Company's overall salary budget guidelines. Base salaries of senior executives are reviewed annually by the Committee. In 2003, salaries for executives overall were slightly ahead of the median of the Peer Group for similar positions.

Annual Incentive Plans

In 2003, the shareholders approved an Executive Incentive Plan (EIP) intended to comply with Section 162(m) of the Internal Revenue Code, which allows the Company to take a tax deduction for incentive bonus

payments made pursuant to the EIP to certain officers earning in excess of \$1 million. The CEO and each other employee who is considered a Section 16 Officer for purposes of the Securities Exchange Act of 1934, as amended, whom the Committee selects for participation, is eligible to participate under the Plan. For 2003, the CEO, COO, CFO, General Counsel (GC) and two Executive Vice Presidents (EVPs) were participants of the Plan.

The Company also has a Management Incentive Plan (MIP) for all other officers and key employees. Both the EIP and MIP provide incentive compensation aligned with the annual performance of the Company. Target awards under each of the two plans are set as a percentage of base salary by management level. Incentives under the EIP may be paid in cash, restricted stock or restricted stock units, whereas incentives under the MIP may be paid in cash, restricted stock, restricted stock units or stock options. Incentives under both plans are payable based on the degree of attainment of pre-established performance measures set by the Compensation Committee.

For 2003, performance measures for the EIP were the achievement of Global Net Sales, Earnings Per Share (EPS), Cash Flow and Gross Margin objectives established by the Compensation Committee. The Compensation Committee established the same performance measures for the EIP and MIP. However, awards under the EIP are calculated differently than under the MIP and certain factors impacting performance are disregarded when evaluating the attainment of performance measures pursuant to the EIP. In addition, under the EIP the Committee has discretion to adjust awards downward only, whereas under the MIP the Committee may grant above-target bonuses. For 2003, based on the Compensation Committee's view of the Company's overall operating performance, the Compensation Committee used its discretion to reduce the awards under the EIP from those that would have otherwise been payable in order to have those amounts correspond with awards paid out under the MIP.

The chart below illustrates the weighting of performance objectives for EIP participants in 2003:

<u>Executive Incentive Plan</u>	<u>Global EPS & Net Sales (Local Currency (LC))</u>	<u>Global EPS & Net Sales (LC), Cash Flow & Gross Margin</u>	<u>Operating Business Unit (OBU) Operating Profit (US\$) & Net Sales (LC)</u>	<u>Local Cash Flow & Gross Margin</u>
Global Executives (CEO, COO, CFO, GC)	70%			30%
Regional Executives (EVPs)		40%	30%	30%

For 2003, pre-established performance measures and weighting of such measures for the MIP were the same as for the EIP. For 2003, based on the Compensation Committee's view of the Company's overall operating performance, the Compensation Committee granted awards under the MIP at 90% of the individuals' targeted awards for Global Executives with awards for the Regional Executives ranging from 52% to 127% of the individuals' targeted awards.

Long-Term Incentive Compensation

Pursuant to the shareholder-approved Year 2000 Stock Incentive Plan, awards may be made in the form of non-qualified stock options, incentive stock options, stock appreciation rights, performance units, restricted stock units, and shares of restricted stock.

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The principal purpose of the Plan is to provide competitive incentive compensation to management of the Company that is linked to increases in shareholder value derived from appreciation in the Company's stock price.

Under the Year 2000 Stock Incentive Plan, non-qualified stock options are granted annually for a term of ten years at 100% of the market price on the date of grant. Generally, a grant of options under the Year 2000 Stock Incentive Plan vests in equal one-third portions over three years, with the first third becoming exercisable on the first anniversary of the grant date. Restricted stock and restricted stock units are also granted under the Plan and vest in one or more installments over two to three years after the grant date. Dividend

equivalents on these shares and units are paid to the same extent as those paid on the Company's unrestricted stock.

In May 2002, the Committee approved a Transformation Long-Term Incentive Plan (TLTIP). This new plan was designed to provide additional long-term compensation to key executives driving the Company's business transformation initiatives. Under the TLTIP, cash awards are payable at the end of a three-year period (February 2005), provided the Company has achieved certain financial objectives tied to the transformation objectives.

Senior Executive Pay-for-Performance Compensation Programs

As indicated above, the performance-based senior executive compensation system principally consists of the Annual Incentive Plans (EIP & MIP) and long-term incentive plans, which are made up of the Year 2000 Stock Incentive Plan (paid mainly in stock options and restricted stock units) and the TLTIP. The EIP performance objectives for the Company's five highest paid executive officers are weighted according to the EIP chart above under Annual Incentive Plans. The Company has announced long-term growth objectives of double-digit sales growth in local currency and double-digit EPS growth. Most securities analysts who follow the Company's performance place a high degree of importance on the Company's achievement of such objectives. The Committee believes that substantial attainment of these objectives during 2003 contributed towards increasing the Company's stock price in 2003 as illustrated by the Performance Graph on page 19 of this Proxy St