AVON PRODUCTS INC
Form DEF 14A
March 27, 2009
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION WASHINGTON, DC 20549

SCHEDULE 14A

(RULE 14a-101)

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a)

of the Securities Exchange Act of 1934

(Amendment No.)

Filed by the Registrant x 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)).**

x 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)

Payment of Filing Fee (Check the appropriate box):

x No fee required.

¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

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(2) Aggregate number of securities to which transaction applies:

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(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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(4) Proposed maximum aggregate value of transaction:

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(5) Total fee paid:

¨ Fee paid previously with preliminary materials.

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¨ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.

(1) Amount Previously Paid:

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(2) Form, Schedule or Registration Statement No.:

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(3) Filing Party:

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(4) Date Filed:

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March 27, 2009

Dear Shareholder:

You are cordially invited to attend the 2009 Annual Meeting of Shareholders, which will be held at 10:00 A.M. on Thursday, May 7, 2009, at the Lila Acheson Wallace Auditorium, Asia Society and Museum, 725 Park Avenue at 70th Street, New York City.

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 be able to attend.

We are pleased to take advantage of the Securities and Exchange Commission rule allowing companies to furnish proxy materials to their shareholders over the Internet. We believe that this e-proxy process will expedite shareholders   receipt of proxy materials, while also lowering the costs and reducing the environmental impact of our Annual Meeting. If you received a Notice of Internet Availability of Proxy Materials (Notice) by mail, you will not receive a printed copy of the proxy materials, unless you request one.

Whether or not you plan to attend the Annual Meeting, your vote is important. The Notice contains instructions on how to access our Proxy Statement and Annual Report and vote online. If you received a paper copy of the proxy card, you may also sign, date and mail the proxy card in the envelope provided or vote by telephone.

On behalf of the Board of Directors and the management of Avon, I extend our appreciation for your continued support and interest in Avon.

Sincerely yours,
Andrea Jung

Chairman of the Board and

Chief Executive Officer

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AVON PRODUCTS, INC.

1345 Avenue of the Americas

New York, NY 10105

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

The 2009 Annual Meeting of Shareholders of Avon Products, Inc. will be held at the Lila Acheson Wallace Auditorium, Asia Society and Museum, 725 Park Avenue at 70th Street, New York, New York on Thursday, May 7, 2009, at 10:00 A.M. for the following purposes:

(1) To elect directors to one-year terms expiring in 2010;

(2) To act upon a proposal to ratify the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for 2009;

(3) If presented, to consider and vote on a shareholder proposal requesting the Board to publish a nanomaterial report to shareholders by November 1, 2009; and

(4) To transact such other business as properly may come before the meeting.

The Board of Directors has fixed the close of business on March 18, 2009, 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.

Kim K. W. Rucker
Senior Vice President, General Counsel and Corporate Secretary

March 27, 2009

New York, New York

YOUR VOTE IS IMPORTANT.

YOU MAY VOTE BY THE INTERNET OR,

IF YOU RECEIVED A PAPER COPY OF THE PROXY CARD BY MAIL,

YOU MAY ALSO VOTE BY MARKING, SIGNING AND RETURNING

THE PROXY CARD IN THE POSTAGE-PREPAID ENVELOPE PROVIDED

OR VOTE BY TELEPHONE.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR

THE 2009 ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON MAY 7, 2009.

Our Proxy Statement for the 2009 Annual Meeting of Shareholders and the Annual Report to Shareholders for the fiscal year ended December 31, 2008 are available at *www.edocumentview.com/avp*

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INFORMATION ABOUT THIS PROXY STATEMENT AND THE ANNUAL MEETING

Why am I receiving these materials?

We are providing these proxy materials in connection with the solicitation by the Board of Directors of Avon Products, Inc. (Avon, the Company, we, us, or our) of proxies to be voted at our Annual Meeting of Shareholders, which will take place on Thursday, May 7, 2009. As a shareholder, you are invited to attend the Annual Meeting and you are entitled and requested to vote on the matters set forth in the Notice of Annual Meeting of Shareholders, which are described in this Proxy Statement. In addition, at the Annual Meeting, we will review our business and operations and respond to questions from shareholders.

As permitted by Securities and Exchange Commission rules, we are making this Proxy Statement, form of proxy and our Annual Report (collectively, the proxy materials) available to our shareholders electronically via the Internet on March 27, 2009. On the same date, we mailed to our shareholders a Notice of Internet Availability of Proxy Materials (Notice) containing instructions on how to access our proxy materials and vote online. We mailed a copy of the proxy materials to participants in our Avon Personal Savings Account Plan and the Avon Puerto Rico Associates Savings Plan.

If you received the Notice by mail, you will not receive a printed copy of our proxy materials, unless you request one. The Notice contains instructions on how to access our proxy materials and vote online. If you received the Notice by mail and would like to receive a printed copy of our proxy materials, you should follow the instructions for requesting such materials contained in the Notice.

What is the difference between holding shares as a shareholder of record and as a beneficial owner?

If your shares are registered directly in your name with our transfer agent, Computershare Trust Company, N.A., you are considered, with respect to those shares, the shareholder of record. If your shares are held in a stock brokerage account or by a bank or other record holder, you are considered the beneficial owner of shares held in street name. As the beneficial owner, you have the right to direct your broker, bank or other record holder on how to vote and you are also invited to attend the Annual Meeting. Your broker, bank or other record holder should have enclosed or provided voting instructions for you to use in directing the voting of your shares.

Who may attend the Annual Meeting?

Anyone who was a shareholder as of the close of business on March 18, 2009, may attend the Annual Meeting if you have an admission ticket or are pre-registered by the means set forth below and have photo identification. Anyone who arrives without an admission ticket or pre-registration will not be admitted to the Annual Meeting unless it can be verified that the individual was a shareholder as of March 18, 2009.

Shareholders of Record

If you received the Notice by mail, an admission ticket is attached to the Notice.

If you received your proxy materials by mail, an admission ticket is attached to your proxy card.

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.

Beneficial Owners

For beneficial owners holding shares in a bank or brokerage account, you can register to attend the meeting 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,

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NY 10105, by mail or by fax to 212-282-6035. We must receive your request at least one week prior to the Annual Meeting to have time to process your request. If you register by this means, you will not be mailed a ticket.

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, the ratification of the appointment of our independent registered public accounting firm, and, if presented, a proposal by shareholders, and this Proxy Statement also contains other required information.

Who is entitled to vote?

Only holders of record of our common stock at the close of business on March 18, 2009, are entitled to vote. There were approximately 433,167,962 shares of common stock outstanding on March 18, 2009. Shareholders are currently entitled to cast one vote per share on all matters.

How do I vote my shares in person at the Annual Meeting?

Shares held in your name as the shareholder of record may be voted in person at the Annual Meeting. Shares held beneficially in street name may be voted in person at the Annual Meeting only if you obtain a legal proxy from the broker, bank or other record holder that holds your shares giving you the right to vote the shares. Even if you plan to attend the Annual Meeting, we recommend that you also submit your proxy or voting instructions as described below so that your vote will be counted if you later decide not to attend the Annual Meeting.

How do I vote my shares without attending the Annual Meeting?

There are three ways to vote by proxy:

By Internet You can vote over the Internet by following the instructions on the Notice or proxy card.

By Mail If you received your proxy materials by mail, you can vote by filling out the accompanying proxy card and returning it in the return envelope that we have enclosed for you; or

By Telephone You can vote by telephone by following the instructions on the proxy card.

If you received a proxy card in the mail but choose to vote by Internet, you do not need to return your proxy card.

If your shares are held in the name of a bank, broker 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 the bank s or other record holder s voting process. Your bank, broker or other record holder 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 bank, broker or other record holder.

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, the ratification of the appointment of our independent registered public accounting firm, and, if presented, a proposal by shareholders. 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.

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

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recommendations of the Board of Directors as follows: for the election of directors and the ratification of the appointment of our independent registered public accounting firm, and against the shareholder proposal.

May I revoke or change my vote?

If you are a shareholder of record, you may revoke your proxy at any time before it is actually voted by giving written notice of revocation to our Secretary, by delivering a proxy bearing a later date (including by telephone or by Internet) or by attending and voting in person at the Annual Meeting. Attendance at the Annual Meeting will not cause your previously granted proxy to be revoked unless you specifically make that request. If you are a beneficial owner of shares, you may submit new voting instructions by contacting your bank, broker or other record holder, or, if you have obtained a legal proxy from your bank, broker or other record holder giving you the right to vote your shares, by attending the meeting and voting in person.

Will my vote be made public?

All proxies, ballots and voting materials that identify the votes of specific shareholders will generally be kept confidential, except as necessary to meet applicable legal requirements and to allow for the tabulation of votes and certification of the vote.

What constitutes a quorum, permitting the meeting to conduct its business?

The presence at the meeting, in person or by proxy, of the holders of a majority of the outstanding shares entitled to vote at the Annual Meeting will constitute a quorum, permitting the meeting to conduct its business. Abstentions and broker non-votes are counted as present and entitled to vote for purposes of determining a quorum. A broker non-vote occurs when a bank, broker or other record holder holding shares for a beneficial owner does not vote on a particular proposal because that holder does not have discretionary voting power for that particular item and has not received instructions from the beneficial owner. If you do not give instructions to the bank, broker or other record holder holding your shares, it will not have discretionary voting power to vote your shares with respect to Proposal 3.

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. Under Proposal 1, each of the 11 nominees for director who receives at least a majority of the votes cast for such nominee will be elected. For purposes of Proposal 1, votes cast include votes to withhold authority but do not include abstentions with respect to that nominee s election. The approvals of Proposals 2 and 3 require the affirmative vote of a majority of the votes cast at the Annual Meeting.

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

We are mailing our proxy materials 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 vote is received by 11:59 P.M. (New York time) on May 1, 2009 and unless you have specified your instructions, your shares cannot be voted by the trustees.

What is the deadline for voting my shares?

If you are a shareholder of record, received your proxy materials by mail and do not prefer to vote by telephone or Internet, you should complete and return the proxy card as soon as possible, but no later than the

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closing of the polls at the Annual Meeting. If you vote by telephone or the Internet, your vote must be received by 1:00 A.M. (New York time) on May 7, 2009. If you hold shares in the Avon Personal Savings Account Plan or the Avon Puerto Rico Associates Savings Plan, as indicated above, your voting instructions must be received by 11:59 P.M. (New York time) on May 1, 2009. If your shares are held in street name, you should return your voting instructions in accordance with the instructions provided by the bank, broker or other record holder who holds the shares on your behalf.

Who will count the vote?

Representatives of our transfer agent, Computershare Trust Company, N.A., will tabulate the votes and act as inspectors of election.

How can I find the voting results of the Annual Meeting?

We intend to announce preliminary voting results at the Annual Meeting and to publish final results in our quarterly report on Form 10-Q for the second quarter of 2009.

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PROPOSAL 1 ELECTION OF DIRECTORS

The Board of Directors has fixed the number of directors at 11. The Board of Directors has nominated W. Don Cornwell, Edward T. Fogarty, V. Ann Hailey, Fred Hassan, Andrea Jung, Maria Elena Lagomasino, Ann S. Moore, Paul S. Pressler, Gary M. Rodkin, Paula Stern and Lawrence A. Weinbach for election as directors. All nominees are current members of our Board. Each nominee elected as a director will hold office until the next succeeding Annual Meeting or until his or her successor is elected and qualified.

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 proxy card to vote **FOR** the election of all of the nominees, each of whom has consented to serve as a director if elected. We have no reason to believe that any of the nominees will be unable or decline to serve as a director.

Each of the eleven nominees for director who receives at least a majority of the votes cast for such nominee will be elected. Votes cast include votes to withhold authority but do not include abstentions with respect to that nominee s election. At the 2007 Annual Meeting, our shareholders approved a proposal to amend our Restated Certificate of Incorporation and By-Laws in order to eliminate plurality voting in uncontested elections of directors and to require that a nominee for director in an uncontested election receive a majority of the votes cast with respect to such director s election in order to be elected to the Board. Furthermore, our shareholders approved the elimination of cumulative voting. These amendments became effective as of May 3, 2007 and apply to all director elections following the 2007 Annual Meeting of Shareholders.

If a nominee receives a greater number of votes withheld from his or her election than votes for such election, he or she is required to tender his or her resignation to the Chairman of the Board for consideration by the Nominating and Corporate Governance Committee in accordance with the Company s Corporate Governance Guidelines, as described under Information Concerning The Board Of Directors Board Policy Regarding Voting for Directors on page 13.

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Set forth below is certain information furnished to the Company by each nominee.

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

W. DON CORNWELL

Director since 2002 Age: 61

Mr. Cornwell is Chairman and Chief Executive Officer of Granite Broadcasting Corporation, a group broadcasting company that owns and operates television stations across the U.S., which he founded in 1988. On December 11, 2006, Granite Broadcasting Corporation filed for voluntary reorganization under Chapter 11 of the U.S. Bankruptcy Code and emerged from its restructuring on June 4, 2007. 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. He is a director of Pfizer, Inc. He is also a director of the Wallace Foundation and is a trustee of Big Brothers Big Sisters of New York.

EDWARD T. FOGARTY

Director since 1995 Age: 72

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.

V. ANN HAILEY

Director since 2008 Age: 58

Ms. Hailey is the Chief Financial Officer of Gilt Groupe, Inc., an Internet retailer of discount luxury goods. Prior to assuming this position in January 2008, she was the Executive Vice President, Corporate Development of Limited Brands, Inc. from 2006 to 2007, and prior to that, its Executive Vice President and Chief Financial Officer from 1997 to 2006. She also served on the Limited Brands, Inc. Board of Directors from 2001 to 2006. Before joining Limited Brands, Inc. in 1997, Ms. Hailey held management positions at The Pillsbury Company, RJR Nabisco Holdings Inc. and PepsiCo, Inc. Ms. Hailey is a director of W.W. Grainger, Inc. and Realogy Corporation.

FRED HASSAN

Director since 1999 Age: 63

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.

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ANDREA JUNG

Director since 1998 Age: 50

Ms. Jung was elected Chairman of the Board of Directors and Chief Executive Officer of the Company effective September 2001, having previously served as Chief Executive Officer since November 1999. Ms. Jung has been a member of the Board of Directors since January 1998 and was President from January 1998 to January 2001 and Chief Operating Officer from July 1998 to November 1999. She was 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 Apple Inc. and the General Electric Company. She is a member of the N.Y. Presbyterian Hospital Board of Trustees, a director of Catalyst and Chairman of the World Federation of Direct Selling Associations.

MARIA ELENA LAGOMASINO

Director since 2000 Age: 60

Ms. Lagomasino is the Chief Executive Officer of GenSpring Family Offices, an affiliate of Sun Trust Banks Inc. Prior to assuming this position in November 2005, Ms. Lagomasino was Chairman and Chief Executive Officer of JP Morgan Private Bank, a division of JP Morgan Chase & Co. from September 2001 to March 2005. Prior to assuming this position, 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 has previously served as Trustee of the Synergos Institute. Currently, she is a Board member of the Coca-Cola Company and Lincoln Center Theater and a Trustee of the National Geographic Society.

ANN S. MOORE

Director since 1993 Age: 58

Ms. Moore is Chairman and Chief Executive Officer of Time Inc. Prior to assuming this position in July 2002, Ms. Moore was Executive Vice President of Time Inc. since September 2001, where she had executive responsibilities for a portfolio of magazines including Time, People, InStyle, Teen People, People en Español and Real Simple. Ms. 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 and to publisher of People in 1991. She is also a director of the Wallace Foundation.

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PAUL S. PRESSLER

Director since 2005 Age: 52

Mr. Pressler was President and Chief Executive Officer of Gap, Inc. from September 2002 to January 2007. He also served on Gap, Inc. s Board of Directors from October 2002 until January 2007. Prior to joining Gap, Inc., Mr. Pressler spent fifteen years with The Walt Disney Company where he was Chairman of the company s Global Theme Park and Resorts Division. Mr. Pressler previously served as President of Disneyland, President of The Disney Stores and Senior Vice President of Consumer Products. Prior to Disney, he was Vice President of Marketing and Design for Kenner-Parker Toys. Mr. Pressler is a director of Overture Acquisition Corp. and OpenTable, Inc.

GARY M. RODKIN

Director since 2007 Age: 56

Mr. Rodkin is the Chief Executive Officer of ConAgra Foods, Inc. Prior to assuming this position in October 2005, he was Chairman and Chief Executive Officer of PepsiCo Beverages and Foods North America (consumer products and manufacturing) from 2002 to 2005. Mr. Rodkin also served as President and Chief Executive Officer of Pepsi-Cola North America from 1999 to 2002, and President of Tropicana from 1995 to 1998. He held various management positions at General Mills from 1979 to 1995, including President of Yoplait Yogurt. He serves on the Boards of the Grocery Manufacturers of America and Boys Town.

PAULA STERN, Ph.D.

Director since 1997 Age: 63

The Honorable Paula Stern is Chairwoman of The Stern Group, Inc., an international advisory firm in areas of business and government strategy established in 1988. She was Commissioner of the U.S. International Trade Commission from 1978 to 1987 and Chairwoman from 1984 to 1986. Dr. Stern is a director of Hasbro, Inc. and Rent-A-Center, Inc. She is Vice-Chair of the Atlantic Council of the United States and serves on the Board of Trustees of the Committee for Economic Development and on the Advisory Council of Columbia University School of Social Work. She is also a member of Council on Foreign Relations, Inter-American Dialogue, Bretton Woods Committee, and the High Level Advisory Group for the Global Subsidies Initiative of the International Institute for Sustainable Development.

LAWRENCE A. WEINBACH

Director since 1999 Age: 69

Mr. Weinbach is a partner in Yankee Hill Capital Management LLC, a private equity firm. On January 31, 2006, he retired as Chairman of the Board of Unisys Corporation, a worldwide information services and technology company. Mr. Weinbach joined Unisys in September 1997 as Chairman, President and Chief Executive Officer. In January 2004, his title changed to Chairman and Chief Executive Officer and he held the position of Chairman from January 2005 until his retirement. 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 Discover Financial Services and Chairman of Great Western Products Holdings LLC, a private company.

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INFORMATION CONCERNING THE BOARD OF DIRECTORS

Our Board of Directors held eleven meetings in 2008. The Board has the following regular standing committees: Audit Committee, Compensation Committee, Nominating and Corporate Governance Committee, and Finance Committee. The charters of each Committee, our Corporate Governance Guidelines and our Code of Business Conduct and Ethics (which applies to the Company s directors, officers and employees) are available on our investor website (*www.avoninvestor.com*) and in print to any shareholder upon request. 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 2008 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.

The non-management directors meet in regularly scheduled executive sessions, as needed, without the management director or other members of management. On February 5, 2009, the Board appointed Fred Hassan as the lead director to preside at all executive sessions of the Board and will review this appointment periodically. In the absence of the lead director from any executive session, the non-management directors will choose from among themselves one director to preside at such executive session. A shareholder or other interested party who wishes to communicate with the Board, the non-management directors as a group, the lead 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 were effective as of December 31, 2008.

Audit Committee

Current Members	Messrs. Weinbach (Chair), Cornwell, Fogarty and Pressler, and Ms. Hailey
Number of Meetings in 2008	Ten (10)
Primary Responsibilities	We have a separately designated standing Audit Committee established in accordance with the Securities Exchange Act of 1934. The Board has determined that Lawrence A. Weinbach, the Committee s Chair, and V. Ann Hailey are both qualified to be audit committee financial experts, under the rules of the Securities and Exchange Commission and that both are independent as defined by the listing standards of the New York Stock Exchange. The Audit Committee assists the Board in fulfilling its responsibility to oversee the integrity of our financial statements, controls and disclosures, our compliance with legal and regulatory requirements, the qualifications and independence of our independent accountants and the performance of our internal audit function and independent accountants. The Committee has the authority to conduct any investigation appropriate to fulfilling its purpose and responsibilities. The responsibilities of the Committee are set forth in the Committee s charter and include, among other things: reviewing major issues regarding accounting principles and financial statement presentations; reviewing with management and the independent accountants our annual audited and quarterly financial statements; discussing generally with management the types of information to be disclosed in earnings press releases; the appointment, compensation,

retention and oversight of the independent accountants; approving all audit services and all permitted non-audit services; and reviewing with management and the independent accountants our disclosure controls and procedures and our internal controls. The Committee s charter is available on our investor website (*www.avoninvestor.com*) and was most recently revised as of February 5, 2009 and is attached hereto as Annex A; 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 on page 53.

Compensation Committee

Current Members	Ms. Lagomasino (Chair), Ms. Moore, Messrs. Hassan and Rodkin
Number of Meetings in 2008	Seven (7)
Primary Responsibilities	The Compensation Committee is appointed by the Board to discharge the responsibilities of the Board relating to compensation of our executives. The responsibilities of the Compensation Committee are set forth in the Committee s charter and include, among other things: reviewing and establishing our overall executive compensation and benefits philosophy; reviewing and approving the goals and objectives relevant to the compensation of the Chief Executive Officer, and, in consultation with the independent members of the Board, determining and approving the compensation of the Chief Executive Officer; determining and approving the compensation of all senior officers; approving grants of equity compensation awards under our stock plans; reviewing, approving and, as appropriate, recommending for independent director or shareholder approval all incentive compensation plans and equity-based plans; approving the adoption or amendment of certain employee benefit plans; and approving agreements with senior officers. The Committee is also charged with the responsibility of reviewing and discussing with management the Compensation Discussion and Analysis to be included in our proxy statement and, based on that review and discussion, determining whether to recommend to our Board of Directors inclusion of the Compensation Discussion and Analysis in the proxy statement.

The Committee may delegate responsibilities to a subcommittee comprised of one or more members of the Committee, provided that any action taken shall be reported to the full Committee as soon as practicable, but in no event later than at the Committee s next meeting. In addition, the Committee may delegate certain other responsibilities, as described in the Committee charter. Also, as described on page 28 under Compensation Discussion and Analysis Elements of Compensation Equity-Based Long-Term Incentives, the Committee has delegated to Ms. Jung as a director the authority to approve annual and off-cycle stock option and stock-based grants to employees who are not senior officers. The full Committee, however, determines the aggregate amount, as well as the terms and conditions, of these annual and off-cycle grants. A description of the role of the compensation consultant engaged by the Committee, scope of authority of the Committee and the role of executive officers in determining executive compensation is set forth on pages 23 and 24 under Compensation Discussion and Analysis External Compensation Consulting Firm and Compensation Discussion and Analysis The Role of the Committee and Management. The Committee s charter is also available on our investor website (*www.avoninvestor.com*) and was most recently revised as of February 5, 2009 and is attached hereto as Annex B; any future revisions will be posted to the same location on our website.

Nominating and Corporate Governance Committee

Current Members	Mr. Hassan (Chair), Ms. Lagomasino, Ms. Moore and Dr. Stern
Number of Meetings in 2008	Three (3)
Primary Responsibilities	The Nominating and Corporate Governance Committee identifies individuals qualified to become Board members, consistent with criteria approved by the Board; recommends to the Board the candidates for directorships to be filled by the Board and director nominees to be proposed for election at the Annual Meeting of Shareholders; develops and recommends to the Board a set of corporate governance principles applicable to the Company; monitors developments in corporate governance and makes recommendations to the Board regarding changes in governance policies and practices; reviews our management succession plans and oversees the evaluation of management; and oversees the evaluation of the Board, including conducting an annual evaluation of the performance of the Board and Board committees. The responsibilities of the Committee are set forth in the Committee s charter and include, among other things: reviewing and recommending to the Board policies regarding the size and composition of the Board, qualifications and criteria for Board and committee membership, and the compensation of non-management directors. The Committee s charter is available on our investor website (*www.avoninvestor.com*) and was most recently revised as of February 5, 2009 and is attached hereto as Annex C; any future revisions will be posted to the same location on our website.

Finance Committee

Current Members	Messrs. Pressler (Chair), Cornwell, Fogarty and Rodkin and Dr. Stern
Number of Meetings in 2008	Six (6)
Primary Responsibilities	The Finance Committee assists the Board in fulfilling its responsibilities to oversee our financial management, including oversight of our capital structure and financial strategies, investment strategies, banking relationships and funding of the employee benefit plans. The Committee is also responsible for the oversight of the deployment and management of our capital, including the oversight of certain key business initiatives. The responsibilities of the Committee are set forth in the Committee s charter and include, among other things, reviewing with management on a timely basis significant financial matters of the Company, including matters relating to our capitalization, dividend policy and practices, credit ratings, cash flows, borrowing activities, debt management and

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investment of surplus funds. The Committee s charter is available on our investor website (*www.avoninvestor.com*) and was most recently revised as of February 5, 2009 and is attached hereto as Annex D; any future revisions will be posted to the same location on our website.

Director Independence

The Board of Directors assesses the independence of its non-management 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 our Corporate Governance Guidelines available on our investor website (*www.avoninvestor.com*). 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 and will consider this issue not merely from the standpoint of the director, but also from that of persons or organizations with which the director has an affiliation. This consideration will include: (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, industrial, banking, consulting, legal, accounting, charitable, familial and other relationships; *provided*, that ownership of a significant amount of our stock is not, by itself, a bar to independence. In assessing the independence of directors and the materiality of any relationship with 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 property or services will not be deemed material if the amounts involved, on an annual basis, do not exceed the greater of (i) $1,000,000 or (ii) one percent (1%) of Avon s revenues or one percent (1%) of the revenues of the other organization involved.

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 in magazines owned by Time Inc., of which Ms. Moore is Chairman and Chief Executive Officer. In 2008, the aggregate cost of advertisements appearing in such magazines was not material to us nor was the associated revenue material to Time Inc.

Based on the materiality standard described above, none of the relationships between the Company and Ms. Moore, or any of the other non-management directors was material during 2008. The Board of Directors has concluded that each non-management director is independent.

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 our Corporate Governance Guidelines.

The Committee s process for considering all candidates for election as directors, including shareholder-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, consistent

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with criteria approved by the Board, 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 the Committee determines that a potential candidate meets the needs of the Board, has the relevant qualifications, and meets the standards set forth in our Corporate Governance Guidelines, the Committee will vote to recommend to the Board the election of the candidate as a director. In connection with a third-party search firm candidate recommendation, the Committee reviewed the candidacy of, and the Board elected, V. Ann Hailey to the Board of Directors in December 2008. The Board has also nominated Ms. Hailey for election as director, as set forth on page 5 under Proposal 1 Election of Directors.

The Nominating and Corporate Governance Committee will consider director candidates recommended by shareholders if properly submitted to the Committee in accordance with our Corporate Governance Guidelines. 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 shareholder 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.

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 our Corporate Secretary.

Board Policy Regarding Voting for Directors

Our Corporate Governance Guidelines provide that any nominee for director who receives a greater number of votes withheld than votes for his or her election in an uncontested election of directors will promptly tender his or her resignation to the Board for consideration by the Nominating and Corporate Governance Committee. The Nominating and Corporate Governance Committee will recommend to the Board whether to accept or reject the tendered resignation, or whether other action should be taken. The Nominating and Corporate Governance Committee will consider any factors or other information that it considers appropriate or relevant. The Board will act on the tendered resignation, taking into account the Nominating and Corporate Governance Committee s recommendation and publicly disclose (in a press release, a filing with the Securities and Exchange Commission or other broadly disseminated means of communication) its decision regarding the tendered resignation and the rationale behind the decision within 90 days from the date of the certification of the election results. The above is set forth in our Corporate Governance Guidelines, which are available on our investor website (*www.avoninvestor.com*).

Director Compensation

Information regarding director compensation is set forth on page 51 under Director Compensation.

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Certain Legal Proceedings

In August 2005, a shareholder derivative complaint was filed in the United States District Court for the Southern District of New York, purportedly brought on behalf of Avon entitled *Robert L. Garber, derivatively on behalf of Avon Products, Inc. v. Andrea Jung et al. as defendants, and Avon Products, Inc. as nominal defendant*. An amended complaint was filed in this action in December 2005 in the United States District Court for the Southern District of New York (Master File Number 05-CV-06803) under the caption *In re Avon Products, Inc. Securities Litigation* naming certain of our officers and directors. The amended complaint alleges that defendants violations of state law, including breaches of fiduciary duties, abuse of control, gross mismanagement, waste of corporate assets and unjust enrichment, between February 2004 and the present, have caused losses to Avon. In February 2006, we filed a motion to dismiss the amended complaint and the plaintiff opposed that motion. In February 2009, plaintiff *Garber* filed an unopposed motion for voluntary dismissal of the action, which the court granted by orders dated February 13, 2009 and March 16, 2009. On March 3, 2009, the magistrate judge assigned to this action recommended that the court deny defendants motion to dismiss on mootness grounds given the court s February 13, 2009 order.

Compensation Committee Interlocks and Insider Participation

No member of our Board s Compensation Committee, each of whom is listed under Compensation Committee Report on page 22, plus Mr. Pressler who served during a portion of 2008, has served as one of our officers or employees at any time. None of our executive officers served during 2008 as a member of the board of directors or as a member of a compensation committee of any other company that has an executive officer serving as a member of our Board of Directors or Compensation Committee.

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EXECUTIVE OFFICERS

The executive officers of the Company as of the date hereof are listed below. Executive officers are generally designated by the Board of Directors at its first meeting following the Annual Meeting of Shareholders. Each executive officer holds office until the first meeting of the Board of Directors following the next Annual Meeting of Shareholders at which directors are elected, or until his or her successor is elected, except in the event of death, resignation, removal or the earlier termination of his or her term of office.

Name	Title	Age	Year Designated Executive Officer
Andrea Jung	Chairman and Chief Executive Officer	50	1997
Elizabeth Smith	President	45	2005
Charles W. Cramb	Vice Chairman, Chief Finance and Strategy Officer	62	2005
Charles M. Herington	Executive Vice President, Latin America	49	2006
Lucien Alziari	Senior Vice President, Human Resources	49	2004
Geralyn Breig	Senior Vice President and President, North America	46	2008
Bennett R. Gallina	Senior Vice President, Western Europe, Middle East & Africa; Asia Pacific and China	54	2006
John P. Higson	Senior Vice President, Central and Eastern Europe	50	2006
Kim K. W. Rucker	Senior Vice President, General Counsel and Corporate Secretary	42	2008
James C. Wei	Senior Vice President, Special Projects	51	2006
Simon N. R. Harford	Group Vice President and Corporate Controller	48	2008

Andrea Jung was elected as Avon s Chairman of the Board of Directors and Chief Executive Officer effective September 2001, having previously served as Chief Executive Officer since November 1999. Ms. Jung has been a member of the Board of Directors since January 1998 and was President from January 1998 to January 2001 and Chief Operating Officer from July 1998 to November 1999. She was elected an Executive Vice President of Avon in March 1997 concurrently continuing as President, Global Marketing, a position she held from July 1996 to the end of 1997. Ms. Jung joined Avon 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 Apple Inc. and the General Electric Company. She is a member of the N.Y. Presbyterian Hospital Board of Trustees, a director of Catalyst and Chairman of the World Federation of Direct Selling Associations.

Elizabeth Smith has been Avon s President since September 2007, and, prior to that, served as Avon s Executive Vice President, President North America and Global Marketing from September 2005 to September 2007, as well as Avon s Executive Vice President and Brand President from January 2005 to September 2005. Prior to joining Avon, she was with Kraft Foods Inc. as Group Vice President and President U.S. Beverages and Grocery Sectors from January 2004 to November 2004. Before that she was Group Vice President, Kraft Foods Inc. and President, U.S. Beverage, Desserts and Cereal from October 2002 to January 2004, and Executive Vice President and General Manager of the Beverage Division from September 2000 to October 2002. Prior to that,

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she was with Kraft Foods Inc. as Vice President, Beverage and Desserts Division, from February 2000 to September 2000, and Director of Strategy and New Business Development, Beverage and Desserts Division, from February 1999 to February 2000. Ms. Smith is a director of Staples, Inc.

Charles W. Cramb has been Avon s Vice Chairman, Chief Finance and Strategy Officer since September 2007 and, prior to that, served as Executive Vice President, Finance and Technology, and Chief Financial Officer since joining Avon in November 2005. Prior to that, Mr. Cramb was Senior Vice President, Finance and Chief Financial Officer of The Gillette Company from 1997 to 2005. Previously, he was with The Gillette Company as Vice President and Corporate Controller from 1995 to 1997 and, prior to that, he held various positions within finance of ascending responsibility during his 35 years at the company. Mr. Cramb is a director of Idenix Pharmaceuticals, Inc. and Tenneco Inc.

Charles M. Herington has been Avon s Executive Vice President, Latin America since March 2008 and, prior to that, Senior Vice President, Latin America since March 2006. Prior to joining Avon, Mr. Herington was President and Chief Executive Officer of America Online Latin America from 1999 to February 2006. On June 23, 2005, America Online Latin America filed for voluntary reorganization under Chapter 11 of the U.S. Bankruptcy Code. Prior to joining America Online Latin America, Mr. Herington served as President of Revlon Latin America. From 1990 to 1997, Mr. Herington held executive positions with PepsiCo Restaurants International, serving most recently from 1995 to 1997 as Division President of Kentucky Fried Chicken, Pizza Hut and Taco Bell of South America, Central America and the Caribbean. He also held several positions in management and marketing with Procter & Gamble in Canada, Puerto Rico and Mexico during the 10 years prior to his association with PepsiCo. Mr. Herington is a director of NII Holdings, Inc. (formerly Nextel International) and Molson-Coors.

Lucien Alziari joined Avon as Senior Vice President, Human Resources in September 2004. Prior to joining Avon, he was Chief Human Resources Officer for PepsiCo s Corporate Division from 2003 to 2004. Prior to that, Mr. Alziari was Vice President, Staffing and Executive Development from 2000 to 2003, Vice President, Corporate Human Resources from 1998 to 2000, and Vice President, Human Resources for the Middle East, Pakistan and Africa from 1994 to 1997.

Geralyn Breig has been Avon s Senior Vice President and President, North America since October 2008 and, prior to that, was the Senior Vice President and Global Brand President from December 2005 to September 2008. Prior to joining Avon, Ms. Breig was the President, Godiva International from 2002 to 2005. Prior to that, Ms. Breig was Vice President of Marketing for Pepperidge Farm, Inc. from 1999 to 2002. She joined Pepperidge Farm, a division of the Campbell Soup Company, in 1995 as VP Strategy. Previously, Ms. Breig held various positions in marketing of ascending responsibility at Kraft Foods Inc. from 1986 to 1995. Ms. Breig began her career in the Beauty Care Division of Procter & Gamble in 1984. She is a director of the Personal Care Products Council.

Bennett R. Gallina has been Avon s Senior Vice President, Western Europe, Middle East & Africa; Asia Pacific and China since January 2009 and, prior to that, was Senior Vice President, Western Europe, Middle East & Africa and China from November 2005 to December 2008 as well as Senior Vice President and President, Asia Pacific from 2004 to 2005, Senior Vice President, Global Operations from 2000 to 2004, President of Avon Canada from 1998 to 2000 and other various positions in finance since joining Avon in 1977.

John P. Higson has been Avon s Senior Vice President, Central and Eastern Europe since December 2005 and, prior to that, was Area Vice President, Central and Eastern Europe from 2002 to 2005 and, additionally during that period, was General Manager, Avon Poland from 2003 to 2005 and head of Global Sales Development from 1999 to 2002. Before that, he held various positions since joining Avon in 1985.

Kim K. W. Rucker has been Avon s Senior Vice President and General Counsel since March 2008 and Corporate Secretary since February 2009. Prior to joining Avon, Ms. Rucker was the Senior Vice President,

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Secretary and Chief Governance Officer of Energy Future Holdings Corp. (formerly TXU Corp.) from 2004 to 2008. Ms. Rucker was Counsel, Corporate Affairs at Kimberly-Clark Corporation from 2001 to 2004 and previously was a partner at the Chicago law firm of Sidley Austin LLP.

James C. Wei has been Avon s Senior Vice President, Special Projects since January 2009 and, prior to that, was Senior Vice President, Asia Pacific from November 2005 to December 2008 as well as our Vice President, New Markets and Strategic Planning, Asia Pacific from 2004 to 2005 and Regional Vice President, Strategic Planning, Asia Pacific from 2003 to 2004. Before joining Avon in 2003, Mr. Wei was the Vice President and General Manager of Procter & Gamble Health and Beauty Care, GBU, Greater China from 1999 to 2003 and, before that, held various positions in general management and marketing with Procter & Gamble in his 19 years there. He is a director of Li Ning Company Limited.

Simon N. R. Harford has been Avon s Group Vice President and Corporate Controller since August 2008. Before joining Avon, Mr. Harford was the Vice President and Controller of Eli Lilly and Company since May 2006. Prior to that, he had been Executive Director and Chief Financial Officer for Europe, Middle East and Africa since July 2004 and the Executive Director of Investor Relations from January 2003 to July 2004. Mr. Harford served in various other positions with Eli Lilly and Company since he joined the company in 1988.

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OWNERSHIP OF SHARES

The following table sets forth certain information as of March 13, 2009 regarding the beneficial ownership of our common stock by each director and director nominee, each named executive officer (as defined in the introduction to the Summary Compensation Table on page 31), and all of our directors and executive officers as a group. The table also shows information for holders of more than five percent of the outstanding shares of common stock, 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 and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
Capital Research Global Investors (1)	44,776,510	10.5%
Capital World Investors (2)	43,490,600	10.2%
W. Don Cornwell (3) (4) (5) (7)	36,963	*
Charles W. Cramb (6) (7) (9)	291,111	*
Edward T. Fogarty (3) (4) (5) (7)	104,907	*
Bennett R. Gallina (6) (7) (9)	344,515	*
V. Ann Hailey	0	*
Fred Hassan (3) (4) (7) (8)	89,079	*
Charles M. Herington (6) (7) (9)	88,883	*
Andrea Jung (6) (7) (9)	3,579,356	*
Maria Elena Lagomasino (3) (4) (7)	60,419	*
Ann S. Moore (3) (4) (5) (7) (8)	90,223	*
Paul S. Pressler (3) (4) (7)	19,635	*
Gary M. Rodkin (3) (5) (7)	4,669	*
Elizabeth Smith (6) (7) (9)	295,276	*
Paula Stern (3) (4) (7)	31,999	*
Lawrence A. Weinbach (3) (4) (7)	54,079	*
All 21 directors and executive officers as a group (7) (10)	5,606,251	1.3%

* Indicates less than 1% of the outstanding shares, inclusive of shares that may be acquired within 60 days of March 13, 2009 through the exercise of stock options.

(1) In its Schedule 13G/A filed on January 9, 2009 with the Securities and Exchange Commission, Capital Research Global Investors, an investment advisor registered under Section 203 of the Investment Advisors Act of 1940 and a division of Capital Research and Management Company (CRMC), reported the beneficial ownership of 44,776,510 shares as a result of CRMC acting as investment adviser to various investment companies registered under Section 8 of the Investment Company Act of 1940. Capital Research Global Investors reported that it had sole voting power with respect to 17,750,610 shares, shared voting power with respect to no shares, sole dispositive power with respect to 44,776,510 shares and shared dispositive power with respect to no shares. The address of Capital Research Global Investors is 333 South Hope Street, Los Angeles, California 90071.

(2) In its Schedule 13G/A filed on March 10, 2009 with the Securities and Exchange Commission, Capital World Investors, an investment advisor registered under Section 203 of the Investment Advisors Act of 1940 and a division of Capital Research and Management Company (CRMC), reported the beneficial ownership of 43,490,600 shares as a result of CRMC acting as investment adviser to various investment companies registered under Section 8 of the Investment Company Act of 1940. Capital World Investors reported that it had sole voting power with respect to 11,780,200 shares, shared voting power with respect to no shares, sole dispositive power with respect to 43,490,600 shares and shared dispositive power with respect to no shares. The address of Capital World Investors is 333 South Hope Street, Los Angeles, California 90071.

(3)

Includes, for each indicated non-management director, restricted shares that have been granted in previous years as part of his or her annual retainer compensation, as follows: Mr. Cornwell, 9,563 shares; Mr. Fogarty, 15,999 shares; Mr. Hassan, 13,079 shares; Ms. Lagomasino, 10,819 shares; Ms. Moore, 15,999 shares; Mr. Pressler, 6,635 shares; Mr. Rodkin, 2,519 shares; Dr. Stern, 15,999 shares; and Mr. Weinbach, 13,079 shares. Also includes additional restricted shares granted to certain non-management directors upon the discontinuance in 1997 of the Directors Retirement Plan, as follows: Mr. Fogarty, 4,408 shares; and Ms. Moore, 9,624 shares. For all such restricted shares, the director has sole voting but no investment power.

(4) Includes, for each indicated non-management director, shares which he or she has the right to acquire within 60 days of March 13, 2009 through the exercise of stock options, as follows: Mr. Cornwell, 27,000 shares; Mr. Fogarty, 56,000 shares; Mr. Hassan, 56,000 shares; Ms. Lagomasino, 44,000 shares; Ms. Moore, 56,000 shares; Mr. Pressler, 8,000 shares; Dr. Stern, 16,000 shares; and Mr. Weinbach, 40,000 shares.

(5) Includes, as to Mr. Cornwell, 200 shares held in the name of a family member as to which he disclaims beneficial ownership. Includes, as to Mr. Fogarty, 28,500 shares held in the name of a family member. Includes, as to Ms. Moore, 400 shares held in the names of family members as to which she disclaims beneficial ownership. Includes, as to Mr. Rodkin, 250 shares held in the name of a family member.

(6) Includes, for each named executive officer, shares which he or she has the right to acquire within 60 days of March 13, 2009 through the exercise of stock options, as follows: Mr. Cramb, 277,506 shares; Mr. Gallina, 333,392 shares; Mr. Herington, 83,054 shares; Ms. Jung, 3,257,461 shares; and Ms. Smith, 254,387 shares. Includes, for Ms. Jung, 84,862 shares pledged as security.

(7) The table above excludes, for each director and named executive officer, as well as 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 13, 2009, each director in the table above other than Ms. Hailey held 2,595 restricted stock units. As of March 13, 2009, Mr. Cramb held 133,991 restricted stock units, Mr. Gallina held 41,088 restricted stock units, Mr. Herington held 96,643 restricted stock units, Ms. Jung held 166,920 restricted stock units, Ms. Smith held 69,630 restricted stock units, and the directors and executive officers as a group held 685,262 restricted stock units. In addition, the table above excludes, for each named executive officer, and the directors and officers as a group, deferred stock units because deferred stock units do not afford the holder of such units voting or investment power. As of March 13, 2009, Mr. Gallina held 8,000 deferred stock units, Ms. Jung held 140,000 deferred stock units, Ms. Smith held 64,885 deferred stock units, and the directors and executive officers as a group held 236,885 deferred stock units.

(8) Mr. Hassan shares voting and investment power with his spouse as to 20,000 of his shares. Ms. Moore shares voting and investment power with her spouse as to 8,200 of her shares.

(9) Includes, for each named executive officer, shares held in the Avon Personal Savings Account Plan (401(k) Plan), as follows: Mr. Cramb, 5,605 shares; Mr. Gallina, 7,063 shares; Mr. Herington, 434 shares; Ms. Jung, 5,894 shares; and Ms. Smith, 3,547 shares. The trustee of the 401(k) Plan will vote the shares in accordance with the instructions provided to the trustee.

(10) The table above provides beneficial ownership information as a group for all of our directors and executive officers as of March 13, 2009. Includes 600 shares as to which such directors and executive officers as a group disclaim beneficial ownership. Includes 28,200 shares as to which beneficial ownership was shared with others and 5,011,723 shares which such directors and executive officers as a group have a right to acquire within 60 days of March 13, 2009 through the exercise of stock options. Includes 24,829 shares held by executive officers in the 401(k) Plan as to which the trustee of the 401(k) Plan will vote in accordance with the instructions provided to the trustee.

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TRANSACTIONS WITH RELATED PERSONS

We have policies and procedures for the review, approval and ratification of related person transactions as defined under the rules and regulations of the Securities Exchange Act of 1934.

Our Code of Business Conduct and Ethics, which is available on our investor website (*www.avoninvestor.com*), prohibits all conflicts of interest. Under the Code, conflicts of interest occur when personal, private or family interests interfere in any way, or even appear to interfere, with the interests of the Company.

Our compliance committee, which was established by the Board of Directors and includes members of senior management, initially reviews all actual or apparent conflicts of interest, or potential conflicts of interest, under the Code. Under the written charter of the committee, any conflicts of interest that are deemed related person transactions must be forwarded, with a recommendation of how to proceed, to the Board of Directors for review, approval or ratification of the transaction. The Board of Directors shall consider any such related person transactions, including the recommendation from the compliance committee, in a manner that best serves the interests of the Company and the interests of our shareholders. Any approval or ratification of a related person transaction that requires a waiver of the Code by the Board of Directors shall be disclosed as required.

We have multiple processes for reporting conflicts of interests, including related person transactions, to the compliance committee. Under the Code, all employees are required to report any actual or apparent conflict of interest, or potential conflict of interest, to the compliance committee. We also annually distribute a questionnaire to our executive officers and members of the Board of Directors requesting certain information regarding, among other things, their immediate family members and employment and beneficial ownership interests, which information is then reviewed for any conflicts of interest under the Code. In addition, our global internal audit function has processes in place, under its written procedure policies, to identify potential conflicts of interest and report them to the compliance committee. One process is its periodic survey of employees, including executive officers, which asks specific questions regarding potential conflicts of interest under the Code, and requires certification of compliance with the Code. The global internal audit function also periodically surveys our global finance function, including accounts payable, for any amounts paid to any of our directors, executive officers or 5% shareholders, and certain of such persons affiliates.

We also have other policies and procedures to prevent conflicts of interest, including related person transactions. For example, our Corporate Governance Guidelines, which are available on our investor website (*www.avoninvestor.com*), require that the Board of Directors assess the independence of its non-management directors at least annually, including a requirement that it determine whether or not any such directors have a material relationship with us, either directly or indirectly, as defined therein and as further described under Information Concerning the Board of Directors Director Independence on page 12. In addition, we maintain a number of controls and procedures, including a written global policy, for the proper review and approval of contracts and other financial commitments. There have been no related person transactions required to be reported since the beginning of 2008.

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EQUITY COMPENSATION PLAN INFORMATION

The following table provides information as of December 31, 2008 regarding our equity compensation plans.

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders (1)	29,836,476(2)	$ 34.85(2)	19,703,583(3)
Equity compensation plans not approved by security holders	0	N/A	0
Total	29,836,476	$ 34.85	19,703,583

(1) These plans are the 1993 Stock Incentive Plan, the 2000 Stock Incentive Plan and the 2005 Stock Incentive Plan.

(2) Excludes stock appreciation rights (SARs) of which 143,954 were outstanding as of December 31, 2008. Column (b) represents the weighted average exercise price of outstanding options; outstanding restricted stock units (RSUs) are not included in column (b) as RSUs do not have an exercise price.

(3) As of December 31, 2008, 17,291,823 shares remained available for issuance under the 2005 Stock Incentive Plan, which permits grants of stock options, shares of restricted stock, restricted stock units, performance and other stock units, and SARs. Of the 17,291,823 shares, 4,507,244 shares remained available for awards of stock and stock units as of December 31, 2008. Although 1,327,592 and 1,084,168 shares remain available for issuance under the 2000 Stock Incentive Plan and 1993 Stock Incentive Plan, respectively, no additional stock options or other stock awards will be granted under those plans.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 requires our executive officers, directors and greater than 10% shareholders to file certain reports with respect to beneficial ownership of our equity securities. Based solely on a review of copies of reports furnished to us, or written representations that no reports were required, we believe that during 2008 all Section 16 reports that were required to be filed were filed on a timely basis, except that a Form 4 reporting grants of performance-based and time-based stock options was filed two days late for Ms. Jung.

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EXECUTIVE COMPENSATION

Compensation Committee Report

The Compensation Committee has reviewed and discussed with management the Compensation Discussion and Analysis for the year ended December 31, 2008. Based upon such review and discussion, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis section be included in this Proxy Statement and be incorporated by reference into our Annual Report on Form 10-K for the year ended December 31, 2008.

Members of the Compensation Committee

Maria Elena Lagomasino, Chair

Fred Hassan

Ann S. Moore

Gary M. Rodkin

March 5, 2009

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Compensation Discussion and Analysis

Compensation Philosophy and Objectives

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

Target total compensation levels must be competitive with the compensation practices of other leading beauty and consumer products companies and actual compensation levels commensurate with relative shareholder returns and financial performance.

Overall executive compensation levels (base salary and annual and long-term incentive compensation) are targeted at the median of the market. Compensation levels for sustained top performers, typically including our named executive officers, are targeted at the 75^{th} percentile of the market. Consistent with this philosophy, the total targeted 2008 salary and annual and long-term incentive compensation for the named executive officers was, on average, between the median and the 75th percentile of the market.

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

Compensation programs must be designed to balance short-term and long-term financial and strategic objectives that reward both team and overall company performance on an annual basis as well as reward for building shareholder value over a multi-year period.

External Compensation Consulting Firm

The Compensation Committee has engaged an external executive compensation consulting firm, Semler Brossy Consulting Group, LLC, to advise it on executive compensation issues for Senior Officers, including, but not limited to, our overall executive compensation strategy, annual adjustments to pay levels, incentive plan design, equity awards, executive retirement and other benefit programs, and employment contracts. Senior Officers include all named executive officers as well as other officers at or above the level of Senior Vice President and, for 2008, an additional officer covered by Rule 16a-1(f) under the Securities Exchange Act of 1934. Semler Brossy reports to the Committee and consults directly with the Chair and typically attends all Committee meetings, including executive sessions without any members of management present. The Committee has the sole authority to continue or terminate its relationship with Semler Brossy.

The Committee has amended its charter to require that any compensation consultant retained by the Committee shall be independent, and such independence shall be reviewed on at least an annual basis. A compensation consultant will not be considered independent if the consulting firm provides significant services to the Company apart from work performed for the Committee. Services are considered significant if they are worth in excess of $50,000 (or, if lesser, 1% of the consulting firm s gross revenues for the most recent fiscal year), and under no circumstances shall the amount of payments to a consultant be larger for management services than for Committee services. The Committee has determined that Semler Brossy is independent.

Prior to Semler Brossy s engagement in October 2008, Mercer HR Consulting had served as the Committee s consulting firm on executive compensation. Thus, the Committee consulted with Mercer regarding 2008 salary and annual incentive and cash and equity long-term incentive awards and performance measures. Although Mercer no longer serves as the consultant to the Committee, it continues to provide general compensation consulting advice and services to us on matters other than Senior Officer compensation, including working with us throughout the world on various compensation and benefits issues. Mercer personnel previously involved in compensation matters for the Committee did not participate in any other services provided by Mercer to us.

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The Role of the Committee and Management

The Compensation Committee approves all compensation decisions which affect our Senior Officers. The Committee works closely with our senior human resource executives and its compensation consultant to, among other things, review competitive practices and pay ranges that impact the Senior Officer group and adjust compensation as appropriate; to review and make changes to compensation and benefits plans and agreements for executives, as appropriate; and to review policies and procedures including those related to equity awards, perquisites as well as general compensation and benefits philosophy. For each Senior Officer, the Committee also reviews retirement and savings accounts and deferred compensation account balances as part of its annual total compensation review.

In addition, the CEO makes individual compensation recommendations for Senior Officers, including the named executive officers, to the Committee for its review and approval, after considering market data and relative internal contributions. These individual compensation recommendations include merit increases, annual incentive and long-term incentive awards and composition of such awards, and other compensation awards as they may arise.

The Committee also consults with the independent members of the Board of Directors in establishing performance objectives for the CEO each year. The attainment of these performance objectives is then evaluated by the Committee, in consultation with the independent members of the Board of Directors, in part to determine the CEO s annual incentive compensation payout.

The Committee at all times has direct access to any of our officers or employees. Executives do not recommend or determine any element of their own compensation packages.

Annual Executive Compensation Review

Compensation levels and practices for the CEO, the Vice Chairman, Chief Finance & Strategy Officer (CFO), and the President are assessed each year primarily against a peer group of 12 beauty and consumer goods companies. This group of peer companies was selected based on the fact that we compete with these organizations for employees, customers and shareholders. These companies are comparable to Avon in terms of their consumer products orientation, size and global scale. This group differs from the Industry Composite Group included in the Stock Performance Graph in our annual report on Form 10-K, as the Compensation Committee believes that these peers better represent the market with which we compete for executive talent. Our compensation peer group for 2008 remained the same as for 2007 and was comprised of: Campbell Soup, Clorox, Colgate-Palmolive, Estee Lauder, General Mills, H.J. Heinz, Hershey Foods, Kellogg, Kimberly-Clark, Procter & Gamble, Revlon and Sara Lee.

Although there is typically sufficient data available from peer group information for the CEO, CFO and President positions, there is typically insufficient data available solely from the peer group of 12 companies for the other named executive officer positions. For this reason we used a broader group in 2008 to obtain data for the other named executive officers. The broader group consisted of 22 companies from Mercer s Consumer Goods Industry Composite. In addition to the 12 companies contained in our peer group, the following 10 additional companies were included in the Composite: Anheuser Busch, Chiquita Brands, ConAgra Foods, Energizer, Mattel, Miller Brewing Company, Reckitt Benckiser, Reynolds American, U.S. Foodservice, and Wrigley. Median revenues for this group was $10.6 billion.

We also use data from this group of 22 companies for the CEO, the CFO and the President when a sufficient amount of comparative data is not available from the peer group data for which the Committee is seeking relevant information. When we refer to market, we mean the peer group of 12 companies where available data exists, and otherwise Mercer s Consumer Goods Industry Composite.

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Although we typically do not target each element of compensation to be at a specific competitive level, we target total compensation at the median of the market but at the 75th percentile of the market for sustained top performers. Consistent with this philosophy, the actual total 2007 salary and annual and long term incentive compensation (which is the latest data available) for the named executive officers for whom we have market data was, on average, between the median and the 75th percentile of the market. In addition, we provide a competitive benefits and perquisites program as outlined below.

A goal of the Committee is to provide total compensation packages that are competitive with prevailing practices within our peer group and market. The use of comparisons against the peer group and market is only one of the elements in the Committee s determination process, as the Committee retains flexibility within the compensation program in order to respond to and adjust for specific circumstances, personal achievement and the evolving business environment.

Elements of Compensation

Our executive compensation program is composed of the following elements:

Base salary is paid to the named executive officers to compensate them for their contributions based on job responsibilities and individual performance and in order to retain them in our employ;

Annual incentive compensation awards are made to the named executive officers to motivate and reward them for meeting or exceeding our annual financial goals and their personal contributions towards such goals during the year;

Long-term incentive compensation awards are designed to encourage long-term focus and reward increases in shareholder returns while encouraging executives to remain in our employ. Awards for the named executive officers for 2008 included stock options as well as the commencement of a three-year long-term incentive cash plan as described below under Long-Term Incentive Compensation Long-Term Cash Plan ;

Retirement benefits, including tax qualified and supplemental defined benefit plans, the 401(k) plan and nonqualified deferred compensation arrangements, support our objectives to attract and retain and motivate key talent; and

Other benefits and perquisites generally include a supplemental life insurance benefit, welfare plans and perquisites.

We target a pay mix for our named executive officers which is market competitive. For our named executive officers other than the CEO, the targeted pay mix is approximately 20-25% in base salary, 20-25% in annual incentive and 55% in long-term incentives, on average. For the CEO, we target a pay mix of approximately 15% in base salary, 20% in annual incentive and 65% in long-term incentives, as we believe this mix is competitive and the Committee believes it is important for the CEO, as the officer setting the long-term strategic vision of the Company, to have the greatest percentage of total compensation linked to the long-term success of the Company.

The Committee applies the same compensation philosophies and guiding principles when determining total compensation for all named executive officers, including Ms. Jung. The total compensation level for Ms. Jung differs from the other named executive officers for several reasons: (i) as CEO, Ms. Jung has ultimate management responsibility and the key company leadership role and has greater decision making authority and responsibility than the other named executive officers; (ii) the CEO has the primary responsibility of carrying out the strategic plans and policies and is the officer with ultimate accountability; and (iii) it is customary and consistent with the market for CEOs to be compensated at a multiple of the compensation of other named executive officers.

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Base Salary

Annual salary increases, normally effective around April 1, are based on our overall salary increase budget, individual performance and market comparison. Ms. Jung s base salary has not been increased since March 2004. Mr. Cramb and Ms. Smith also did not receive salary increases during 2008 because we believed that their base pay levels, like Ms. Jung s, were appropriately aligned with the market. Mr. Herington received an 18% salary increase in conjunction with his promotion to Executive Vice President, and Mr. Gallina received a 6% salary increase in order to keep his pay appropriately positioned against market. Avon s named executive officers will not receive annual merit-based salary increases in 2009.

Annual Incentive Compensation

Under the annual incentive program of our Executive Incentive Plan, the Compensation Committee establishes at the beginning of the year performance goals which, if met, allow for the funding of a maximum bonus opportunity of 200% of the target award. This program is designed to comply with Section 162(m) of the Internal Revenue Code so that we can take a tax deduction for executive compensation paid to certain officers earning in excess of $1 million. Each of our named executive officers participated in this annual incentive program for 2008. The target awards for each of the named executive officers for 2008 were as follows: 175% of salary for Ms. Jung; 100% of salary for Mr. Cramb and Ms. Smith; 80% of salary for Mr. Herington; and 65% of salary for Mr. Gallina.

Funding. For 2008, the Committee established a global operating profit target of $1.136 billion that must be met in order for the bonus opportunity to be funded at 200% of the target award. Under the terms of the program approved by the Compensation Committee, the target excludes the impact of currency fluctuations, restructuring costs, and certain pension expenses or contributions. As our actual 2008 global operating profit, as calculated under these terms, exceeded the target, funding of up to 200% of the target awards was authorized for our named executive officers. (See Individual Payouts below for more detail.)

Individual Payouts. Under Section 162(m), the Committee is permitted to adjust the awards downward, and for 2008, the Committee determined to pay awards in a reduced amount for each named executive officer. In making a determination of the actual amount of the payouts, the Committee started its analysis with a potential payout of 100% of the target award and then reviewed whether to adjust this amount upward or downward based on the achievement of revenue and operating margin goals and also based on individual contributions of each named executive officer (but in no case more than the authorized percentage set forth above under Funding). The ultimate payout was based on the following:

	Global Revenue	Global Operating Margin	Regional Revenue	Regional Operating Margin	Individual Contribution
Ms. Jung, Mr. Cramb and Ms. Smith	35%	35%			30%
Messrs. Herington and Gallina	15%	15%	20%	20%	30%

As shown in the above table, 70% of the actual payout for each named executive officer was based on our financial results. For payout purposes for the global financial component, the Committee considered the following global revenue and operating margin goals and payout levels:

	30% of Target	**100% of Target**	**200% of Target**
		($ in billions)	
Revenue	$ 9.863	$ 10.617	$ 10.936
Operating Margin	11.6%	13.7%	14.1%

The Company was required to meet or exceed its 2007 operating profit results (excluding the impact of restructuring charges) before any payment would be made under the annual incentive program. As a result, threshold operating profit of $1.136 billion for 2008 was required for any payment under the annual incentive

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program. In 2008, for purposes of payout, the revenue targets above exclude the impact of currency fluctuations. On this basis, global revenue of $10.379 billion and global operating margin of 12.5% were achieved.

The measures of global revenue and operating margin were selected in order to encourage and reward executives for profitable growth. Operating profit was selected as a funding mechanism in order to ensure an appropriate level of cash was generated before management bonuses were paid.

The remaining 30% of the actual payout for each named executive officer was based on the Committee s subjective assessment of the performance of each named executive officer in fulfilling his or her role and responsibilities in light of our strategic objectives. The Committee also considered the CEO s recommendation regarding the other named executive officers as part of this assessment.

The Committee established this 70/30 split to strike an appropriate balance between aligning the executive s incentives with our overall corporate objectives and with individual accountability for each executive s personal contributions. Based on the achievement of the financial results described above (and Latin America regional results for Mr. Herington and a combination of the China and Western Europe, Middle East & Africa regional results for Mr. Gallina) and the Committee s subjective assessment described above, the Committee approved payments for the named executive officers that ranged from 70% to 108% of their target amounts. The payouts are quantified in the Summary Compensation Table. We do not disclose the regional targets for Mr. Herington and Mr. Gallina as we believe that such disclosure would result in competitive harm. Based on our experience in the regions and the pay-for-performance history under the annual incentive program, we believe that these targets were set sufficiently high to provide incentive to achieve a high level of performance. Over the past five years, the payout tied to regional revenue and operating profit for Latin America has ranged between 57% and 136% of the participant s target award opportunity with an average approximate payout of 78%. Over the past five years, the payout tied to regional revenue and operating profit for China has ranged between 0% and 155%, with an average approximate payout of 96%. Beginning in 2006, the Company began reporting Western Europe, Middle East & Africa as a separate segment. Over the past two years, the payout tied to regional revenue and operating profit for Western Europe, Middle East & Africa averaged 125%, reflecting strong financial performance in the region over this time period.

Long-Term Incentive Compensation

In late 2007, as the prior cash-based long-term incentive program, the Turnaround Incentive Plan, was coming to a close, the Committee reevaluated the entire long-term incentive program for executives. When reviewing the appropriate mix of long-term incentives, the Committee reaffirmed its desire to maintain annual grants of long-term incentives for the named executive officers which are 100% performance based. The Committee also believed it was important to grant the majority of the annual long-term incentive award in stock options in order to enhance the alignment of the interests of the named executive officers with that of shareholders. As a result, the annual long-term incentive grant for named executive officers is generally comprised of 60% stock options and 40% cash opportunity under a new 2008 2010 long-term cash plan. The 2008-2010 cash plan is designed to encourage and reward executives for meeting the business objectives associated with the next phase of our strategic plan, sustainable profitable growth. The Committee chose economic profit (as defined under Long-Term Cash Plan below) as the key performance measure in the plan, as the Committee believes it is reflective of shareholder value creation and encourages and rewards management for profitability as well as efficient capital management. See Long-Term Cash Plan below for more detail.

When determining stock option award sizes for each named executive officer, the Committee considers the grantee s individual performance and potential individual contribution to our growth and development. Opportunities under the long-term cash incentive plan, denoted as a percentage of salary, are fixed by pay grade level.

In addition, from time to time, certain of the named executive officers who are sustained top performers may receive a special grant of equity as additional incentive to remain in our employ. These grants generally are

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provided in the form of restricted stock units that only vest after a period of continued service in order to encourage retention. In 2008, Mr. Gallina received a grant of 20,000 time-based restricted stock units which vests 100% after two years of service.

On March 5, 2008, the Committee approved a special grant of stock options to the CEO to purchase 1,200,000 shares of our common stock. In order to encourage her retention and condition part of the grant on a significant increase in shareholder value, the stock options vest 50% on the third anniversary of the grant date, and the remaining 50% vest thereafter only if and when the closing price of our common stock is $50 per share for 30 consecutive days between March 5, 2011 and March 5, 2018.

Equity-Based Long-Term Incentives

As previously described, during 2008, the Compensation Committee granted stock options to each of the named executive officers as part of our annual equity award program. The 2008 grant of stock options represents the following target percentage of salary for each of the named executive officers: Ms. Jung, 300%; Mr. Cramb, 160%; Ms. Smith, 180%; Mr. Herington, 150%; and Mr. Gallina, 140%.

In past years, we have historically used primarily stock options under our annual equity award program, and in certain years, we also used restricted stock, time-based restricted stock units and performance-based restricted stock units (PRSUs). For instance, in order to incentivize the CEO to achieve the goals of our turnaround plan and to place a significant portion of her compensation at risk based on company performance, the CEO was awarded 90,604 PRSUs as part of the 2006 annual equity award program. These PRSUs will vest and settle in March 2009 because the cumulative revenue goal of $26.560 billion and the cumulative operating profit goal of $2.866 billion, over the three-year performance period, were achieved (both, as adjusted, for currency fluctuations).

It is the policy of the Committee to approve annual equity grants to Senior Officers at its regularly pre-scheduled meeting in March of each year, as well as off-cycle equity grants that may be made to Senior Officers from time to time (for example, to new hires or for promotions). In the case of employees who are not Senior Officers, the Committee establishes the aggregate number of shares that may be subject to annual and off-cycle equity grants and the terms and conditions of such awards, but has delegated to Ms. Jung as a director the authority to determine the grantees of the awards and the number of shares subject to each award. These grants are made on pre-established dates established by the Committee. We do not time the release of non-public information for the purpose of affecting the value of equity awards.

Long-Term Cash Plan

In the first quarter of 2008, the Compensation Committee approved the 2008-2010 long-term incentive program under our Executive Incentive Plan, which was designed to focus key executives on sustainable, profitable growth over the performance period from January 1, 2008 through December 31, 2010. This program is designed to comply with Section 162(m) of the Internal Revenue Code so that we can take a tax deduction for executive compensation paid to certain officers earning in excess of $1 million. The Committee designated key executives as participants, including the named executive officers. The Committee also approved a cumulative economic profit goal over the 2008 to 2010 period (as adjusted for currency fluctuations, certain pension expenses and contributions, and restructuring costs). Economic profit is operating profit minus the product of a capital charge and capital employed. Capital employed means net fixed assets plus accounts receivable plus inventory. If this goal is met, the program provides for funding of a maximum bonus opportunity of 200% of the target award. If the goal is not met, no award is payable. The Committee established target awards for the named executive officers as a percentage of average annual earned base salary over the three-year performance period, as follows: 600% for Ms. Jung; 300% for Mr. Cramb; 300% for Ms. Smith; 270% for Mr. Herington; and 240% for Mr. Gallina. The Committee has the discretion to reduce, but not increase, the amount of a participant s bonus under the program.

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Retirement Benefits

The retirement benefits for our named executive officers are designed to provide benefits upon retirement or termination.

Pension Plans. The Avon Products, Inc. Personal Retirement Account Plan (PRA), a defined benefit pension plan that is qualified under the Internal Revenue Code, is generally available to all employees after one year of service. In addition, we maintain a supplemental retirement plan, which allows those employees whose compensation exceeds limits established by the Internal Revenue Code for covered compensation and benefit levels to receive the same benefits they would have earned under the PRA but for these limitations. We provide these benefits to our named executive officers other than Ms. Jung under the Benefit Restoration Pension Plan of Avon Products, Inc. (BRP), a nonqualified defined benefit plan. We believe that plan participants should be entitled to the retirement benefits provided by the plan formula notwithstanding Internal Revenue Code limitations, and we have found that these types of supplemental plans are common in our peer group and market. Ms. Jung is covered under another nonqualified defined benefit plan, the Supplemental Executive Retirement Plan of Avon Products, Inc. (SERP), which provides retirement benefits in excess of those which would be provided under the BRP. The SERP, which is closed to new participants, was established in 1982 to provide additional retirement benefits for certain senior high-performing officers. Coverage under the SERP is required by the terms of Ms. Jung s employment agreement. We believe that these plans assist us in attracting and retaining key executive talent.

The amount of an employee s compensation and the number of years of service are integral components in determining the retirement benefits provided under our plans, and thus an employee s performance and service over time will influence the level of his or her retirement benefits. Amounts earned under our long-term incentive compensation program such as gains from stock option or other equity grants or long-term cash plans are not credited in the determination of these retirement benefits.

401(k) Plan. We also maintain a 401(k) plan that is qualified under the Internal Revenue Code, under which employees can defer a portion of their compensation. During 2008, we made matching contributions to our employees, including each of our named executive officers, up to a maximum of 4.5% of compensation. We permit certain employees, including our named executive officers, to defer contributions that are in excess of limits imposed by the Internal Revenue Code under the 401(k) plan to the Avon Products, Inc. Deferred Compensation Plan (DCP), which is described below. We provide the same matching contributions under the DCP that would have been made to the 401(k) plan had participant contributions in excess of Internal Revenue Code limits been permitted. We permit such excess deferrals and provide matching contributions because we believe that employees should be entitled to benefits similar to those provided by our 401(k) plan formula notwithstanding limits imposed by the Internal Revenue Code.

Deferred Compensation Plan (DCP). In 2008, all of our named executive officers were eligible to participate in the DCP. We believe that, by offering an alternative savings opportunity, the DCP supports our objectives to attract, retain and motivate key talent. In addition to their 401(k) contributions, participants in the DCP may also defer part of their salary, awards under annual incentive and long-term cash incentive programs, and awarded restricted stock units. We permit certain employees to defer compensation in excess of Internal Revenue Code limits to the DCP and we contribute an amount equal to the match we would have made to the
401(k) plan if such participant contributions had been permitted. Amounts deferred under the DCP are deemed to be invested, at the election of the participant, in hypothetical investments of a fixed interest rate fund, an S&P 500 index fund or the Avon Stock Fund. We retain use of the amounts deferred until payout, but on the payout date distribute to the participant the amount deferred as increased or decreased by the deemed investment return.

For a further description of these arrangements, please refer to Pension Benefits beginning on page 38 and Nonqualified Deferred Compensation beginning on page 42.

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Other Benefits and Perquisites

Our named executive officers are eligible to participate in the benefit plans generally available to all of our employees, including health, dental, life insurance, vision, and disability plans. In addition, we also provide a supplemental life insurance benefit for certain Senior Officers, including the named executive officers.

As part of our overall compensation program, we provide some perquisites to executives that are not available to employees generally. The perquisites for the named executive officers are described in Footnote 5 to the Summary Compensation Table beginning on page 32 and are generally limited to the provision of financial planning and tax preparation services, transportation allowance, personal automobile and excess liability insurance, home security systems and services, and executive health exams. From time to time, we also provide certain executives, including our named executive officers, with complimentary Avon products, such as samples of new product launches. In addition, during 2008, pursuant to our expatriate policy and the terms of Mr. Gallina s expatriate agreement, Mr. Gallina received certain expatriate benefits in connection with his assignment in the United Kingdom, which are described in Footnotes 5 and 6 to the Summary Compensation Table on page 33.

We believe that continuing these perquisites is consistent with our overall objectives of assisting us in attracting and retaining key executive talent.

Post-Termination Payments

We have individual agreements with Ms. Jung, Ms. Smith and Messrs. Cramb and Herington, which provide for payments and other severance benefits upon termination of employment under certain circumstances. These agreements were based on competitive practice at the time we entered into them and served as an inducement for these executives to join our employ. The agreements for Ms. Smith and Messrs. Cramb and Herington provide substantially similar post-termination benefits. The termination benefits for Ms. Jung are higher in order to keep her benefits competitive with other CEOs. For a further description of our post-termination payments, please refer to Potential Payments Upon Termination of Employment or Change-in-Control beginning on page 44.

Generally, the change of control provisions, where they exist, have been included in order to help ensure that, if a question of a change of control occurs, the members of senior management can act in the best interests of all the shareholders without concern for the uncertainty and without the distraction that would result from the obvious effects a change of control could have on their personal situations. See Potential Payments Upon Termination of Employment or Change-in-Control beginning on page 44 for additional information.

We have designed the individual post-termination benefits based on competitive practice, with the objective of attracting and retaining senior level executives during a time of uncertainty. We periodically review the level of post-termination benefits that we offer and believe that it continues to be competitive and necessary for the attraction and retention of superior executive talent.

Impact of Tax Treatment

Section 162(m) of the Internal Revenue Code places a limit of $1 million on the amount of compensation that we may deduct in any one year with respect to each of our most highly paid executive officers. Certain performance-based compensation approved by shareholders is not subject to the deduction limit. For example, annual or long-term incentive awards granted under our shareholder-approved Executive Incentive Plan may constitute performance-based compensation not subject to the Section 162(m) limit. In addition, our stock options are also exempt from the Section 162(m) limit. Although the Compensation Committee gives great weight to whether or not a compensation program would be subject to the Section 162(m) limit, in order to maintain flexibility in compensating executive officers in a manner designed to promote corporate goals, the

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Committee has not adopted a policy that all compensation must be tax deductible. For example, the Committee in past years has approved the use of restricted stock units, including PRSUs, even though payments under these awards would not be exempt from Section 162(m), in order to focus executives on long-term goals and aid retention over the long term.

Executive Stock Ownership Guidelines

To further support our goal of achieving a strong link between shareholder and executive interests, we maintain stock ownership guidelines for our senior executives to underscore and encourage executive share ownership. Senior executives are required to own Avon stock equal to one to five times their base salary, with ownership targets increasing with the level of responsibility. Ownership requirements for our named executive officers are five times base salary for our CEO and three times base salary for the others. Executives are allowed five years to achieve their ownership targets. Stock options are not counted for purposes of meeting the ownership guidelines. All named executive officers were in compliance with the guidelines in 2008.

Summary Compensation Table

The following table discloses compensation of our CEO, CFO, and the three officers who were the other most highly compensated executive officers during 2008 (together, these persons are sometimes referred to as the named executive officers).

Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards ($)(1)(2)	Option Awards ($)(1)	Non-Equity Incentive Plan Compensation ($)(3)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)(4)	All Other Compensation ($)(5)	Total ($)
Andrea Jung	2008	1,375,000		(556,454)	6,221,875	1,689,428	2,154,662	170,501	11,055,012
Chairman & Chief Executive Officer	2007	1,375,000		3,727,410	3,023,340	4,317,500	1,087,853	166,129	13,697,232
	2006	1,375,000		4,236,741	3,971,599	3,300,000	289,232	147,993	13,320,565
Charles W. Cramb	2008	750,000		1,475,343	660,953	526,575	116,631	72,527	3,602,029
Vice Chairman, Chief Finance & Strategy Officer	2007	714,110		1,364,499	602,845	1,441,948	98,032	50,498	4,271,932
	2006	700,000		143,896	633,285	785,400	44,669	50,010	2,357,260
Elizabeth Smith	2008	750,000		1,305,570	657,470	526,575	81,109	28,763	3,349,487
President	2007	680,959		1,994,253	579,178	1,335,181	58,516	55,698	4,703,785
	2006	650,000		1,256,845	563,653	758,925	31,365	39,102	3,299,890
Charles M. Herington	2008	627,322		1,114,713	389,187	529,955	62,781	56,556	2,780,514

Executive Vice President, Latin America									
Bennett R. Gallina	2008	533,197	42,500(6)	423,621	554,504	372,398	205,592	416,173	2,547,985
Senior Vice President, Western Europe, Middle East & Africa and China									

(1) Stock awards consist of time-based restricted stock units (RSUs) and performance-based restricted stock units (PRSUs). Stock awards and option awards are calculated in the same manner as the expense of these awards that is recognized in our consolidated financial statements. Stock awards and option awards are valued under FAS 123R and then amortized to expense during the vesting period of the award. See Note 9 to the Notes to Consolidated Financial Statements contained in our Form 10-K for 2008 for a description of the assumptions used in valuing stock awards and stock options. For this purpose, the estimate of forfeitures relating to vesting conditions is disregarded. The full amount of the FAS 123R value of the 2008 stock awards and stock options is reported under Grants of Plan-Based Awards on page 34. We have also included in the table above the amount recognized as an expense in our 2008 financial statements

for stock awards and stock options granted prior to the effective date of FAS 123R as calculated under the modified prospective transition method under which a proportionate share of the grant date fair value determined under FAS 123 will be recognized in the financial statements over the remaining vesting period of those awards, if any. The following assumptions were used in valuing stock option awards prior to 2006: 2005 expected volatility between 21.5% and 26.7%, expected dividends between 1.57% and 2.43%, risk-free rate between 3.95% and 4.34%, and expected term between three and five years.

(2) When adjusting outstanding PRSU awards to fair value, the total expense to be incurred decreased from prior years due to the decline in Avon s stock price. For some awards, this resulted in Avon recording income in 2008.

(3) The Non-Equity Incentive Plan Compensation column for 2008 includes the amounts earned under the 2008 annual incentive program under the Executive Incentive Plan (EIP).

(4) The change in pension value reported under this column is the aggregate change in the actuarial present value of the named executive officers accumulated benefit under our Personal Retirement Account Plan, Benefit Restoration Pension Plan and Supplemental Executive Retirement Plan. See Pension Benefits on page 38.

Nonqualified deferred compensation earnings reported under this column are only earnings on the deferred compensation balances invested in the fixed rate fund of our Deferred Compensation Plan (DCP) for 2008 for the named executive officers that exceed 120% of the applicable federal long-term interest rate published by the Treasury Department at the time the interest rate was set (which was 4.11%). The interest rate on the fixed rate fund in our DCP for 2008 was 6.75%. The amounts attributable to the named executive officers for change in pension value and above-market earnings on nonqualified deferred compensation for 2008 are set forth in the table below:

Name	Change in Pension Value ($)	Above-Market Earnings on Nonqualified Deferred Compensation ($)
Ms. Jung	2,034,137	120,525
Mr. Cramb	111,779	4,852
Ms. Smith	78,923	2,186
Mr. Herington	61,407	1,374
Mr. Gallina	194,137	11,455

(5) All Other Compensation includes perquisites, 401(k) match, excess 401(k) match, supplemental life insurance premiums, and tax gross-ups, which are set forth in the table below for 2008:

Name	Perquisites ($)(a)	401(k) Match($)	Excess 401(k) Match($)	Insurance Premiums($)	Tax Gross-Ups ($)
Ms. Jung	104,854(b)	10,350	51,356	3,941	
Mr. Cramb	27,056(c)	10,350	20,988	14,133	
Ms. Smith	16,187(d)	7,462	0	5,114	
Mr. Herington	22,538(e)	5,848	17,784	10,386	
Mr. Gallina	18,623(f)	10,350	13,469	2,867	370,864(g)

(a) The perquisite amounts disclosed are the actual costs incurred by us: (i) for payment of reimbursements to the executive for allowable expenses actually incurred for financial planning and tax preparation, and for home security systems and services; (ii) for a fixed annual transportation allowance (intended to offset costs associated with transportation); (iii) through direct billing to us by vendors managing our auto lease program, personal auto and excess liability premiums and executive health exams; and (iv) for a $20,000 cash perquisite allowance payable directly to Mr. Cramb pursuant to the terms of his employment agreement. The actual and incremental cost for the complimentary Avon products is nominal.

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(b) For Ms. Jung, includes financial planning and tax preparation, auto lease, personal auto and excess liability insurance, home security, executive health exam and a car service allowance of $57,612.

(c) For Mr. Cramb, includes a $20,000 cash perquisite allowance and personal auto and excess liability insurance.

(d) For Ms. Smith, includes a transportation allowance, personal auto and excess liability insurance and executive health exam.

(e) For Mr. Herington, includes financial planning and tax preparation, auto lease, personal auto and excess liability insurance, home security and executive health exam.

(f) For Mr. Gallina, includes financial planning and tax preparation, auto lease, personal auto and excess liability insurance and home security.

(g) Tax payments totaling $673,673 were made in 2008 to the United States on behalf of Mr. Gallina in connection with his multiple-year expatriate assignment in the United Kingdom plus a gross-up for taxes related to these payments in the amount of $9,912. Tax payments totaling $68,396 were made in 2008 to the United Kingdom on behalf of Mr. Gallina in connection with his multiple-year expatriate assignment in the United Kingdom plus a gross-up for taxes related to these payments in the amount of $1,006. Hypothetical tax amounts totaling $382,755 were deducted from Mr. Gallina s pay in 2008 as an estimate of the tax liability Mr. Gallina would owe if he had not been subject to additional taxation as a result of his expatriate assignment and this net amount is included herein. In consideration of tax preparation services he received in the United Kingdom, Mr. Gallina was charged imputed income of $500 and received an additional $7 as a gross-up for taxes on this amount. In addition, $625 was paid as a gross-up for taxes in connection with his assignment completion bonus described in Footnote 6 below.

(6) During 2008, pursuant to our expatriate policy and the terms of Mr. Gallina s expatriate agreement, Mr. Gallina received a completion bonus equal to one month s salary upon the completion of his expatriate assignment in the United Kingdom.

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Grants of Plan-Based Awards

The following table presents information regarding grants of equity and non-equity plan-based awards to our named executive officers during 2008, as described under Compensation Discussion and Analysis Elements of Compensation beginning on page 25.

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards (1)			Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares of Stock or Units (#)	All Other Option Awards: Number of Securities Underlying Options (#)(4)	Exercise or Base Price of Option Awards ($/sh)	Grant Date Fair Value of Stock and Option Awards ($)
		Threshold ($)	Target ($)	Maximum ($)	Threshold (#)	Target (#)(2)	Maximum (#)				
Ms. Jung			2,406,250	4,812,500							
			8,250,000	16,500,000							
	3/5/2008					600,000				38.80	8,754,000
	3/5/2008								903,756	38.80	7,478,860
Mr. Cramb			750,000	1,500,000							
			2,250,000	4,500,000							
	3/5/2008								88,365	38.80	702,502
Ms. Smith			750,000	1,500,000							
			2,250,000	4,500,000							
	3/5/2008								99,411	38.80	790,317
Mr. Herington			489,385	978,770							
			1,734,590	3,469,180							
	3/5/2008								60,751	38.80	482,970
Mr. Gallina			346,578	693,156							
			1,426,557	2,853,115							
	3/5/2008							20,000(3)			776,000
	3/5/2008								52,577	38.80	417,987

(1) The first range of amounts under this column for each named executive officer represents the possible payout under the 2008 annual incentive program under our Executive Incentive Plan (EIP). The amount under the Target column represents the target award opportunity for the named executive officer, which is set as a percentage of base salary. The Compensation Committee determined to pay annual incentive compensation awards for 2008 based on the attainment of performance goals, although it exercised its discretion to adjust potential awards downward. For the amounts actually paid, see the Non-Equity Incentive Plan Compensation column under Summary Compensation Table on page 31.

The second range of amounts under this column for each named executive officer represents the future payouts under the 2008-2010 long-term incentive program under our EIP. The amount under the Target column represents the target award opportunity for the named executive officer, which is set as a percentage of average annual earned base salary over the three-year plan period. See Compensation Discussion and Analysis Elements of Compensation Long-Term Incentive Compensation beginning on page 27.

(2) This column shows the number of performance-based stock options granted in 2008 to Ms. Jung under the Avon Products, Inc. 2005 Stock Incentive Plan, as amended. These options vest upon our common stock achieving a price of $50 per share for 30 consecutive days between March 5, 2011 and March 5, 2018. See Compensation Discussion and Analysis Elements of Compensation Long-Term Incentive

Compensation on page 28.

(3) These RSUs vest 100% after two years. Dividend equivalents are paid in cash on these RSUs annually.

(4) This column shows the number of stock options granted in 2008 under the Avon Products, Inc. 2005 Stock Incentive Plan, as amended. Other than 600,000 stock options granted to Ms. Jung which vest 100% on March 5, 2011, all of the named executive officers stock options listed above vest one-third per year over a three-year period.

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The material factors necessary for an understanding of the compensation detailed in the above two tables for our named executive officers are described under the Compensation Discussion and Analysis section above and the corresponding footnotes to the tables. In addition, each of Ms. Jung, Mr. Cramb, Ms. Smith and Mr. Herington has entered into an individual agreement with us that identifies his or her position and generally provides, among other things, for (i) his or her at-will employment, (ii) the payment to him or her of an annual base salary (which in the case of Ms. Jung may be increased, but not decreased, periodically), (iii) an annual bonus under our EIP based on an annual target bonus opportunity of a percentage of base salary (which in the case of Ms. Jung may be increased but not decreased except for annual reductions of up to 10% that apply to all of our officers) and (iv) his or her eligibility to receive equity-based awards and perquisites and to participate in benefit plans generally available to our senior executives. We have also entered into an agreement with Mr. Gallina regarding his expatriate benefits while on assignment in the United Kingdom. The agreement generally provides, among other things, for (i) his overseas compensation (including his assignment incentive bonus) and tax equalization adjustments, (ii) a goods and services differential and housing allowance and (iii) certain foreign service employee assistance, which includes benefits such as medical and pension coverage and perquisites. He has completed his expatriate assignment and tax equalization adjustments are the only benefits that remain due to him under his agreement. See Footnotes 5 and 6 to the Summary Compensation Table above for a further description of the benefits pursuant to Mr. Gallina s agreement.

The individual agreements with Ms. Jung, Mr. Cramb, Ms. Smith and Mr. Herington and certain of our plans provide for certain payments and benefits to our named executive officers, as well as the acceleration or continued vesting of outstanding equity awards, upon termination of employment or a change of control, as described below under Potential Payments Upon Termination of Employment or Change-in-Control beginning on page 44.

Outstanding Equity Awards at Fiscal Year-End

The following table presents information regarding outstanding equity awards at the end of 2008 for the named executive officers. All dollar values are based on $24.03, the closing price of our common stock on the New York Stock Exchange as of December 31, 2008 (the last trading day in 2008).

	Option Awards					Stock Awards			
Name	**Number of Securities Underlying Unexercised Options (#) Exercisable**	**Number of Securities Underlying Unexercised Options (#) Unexercisable**	**Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)**	**Option Exercise Price ($)**	**Option Expiration Date**	**Number of Shares or Units of Stock That Have Not Vested (#)**	**Market Value of Shares or Units of Stock That Have Not Vested ($)**	**Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)**	**Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)**
Ms. Jung	200,000	0		19.65	2/4/2009	90,604(1)	2,177,214	76,316(2)	1,833,873
	486,026	0		20.91	2/1/2011				
	500,000	0		26.55	3/14/2012				
	500,000	0		26.40	3/13/2013				
	500,000	0		36.42	3/11/2014				
	675,000	0		41.95	3/10/2015				
	211,409	105,704(3)		30.97	3/31/2016				
	89,035	178,070(4)		36.77	3/7/2017				
		903,756(5)		38.80	3/5/2018				
			600,000(6)	38.80	3/5/2018				
Mr. Cramb	147,213	0		27.18	11/1/2015	118,450(8)(12)	2,846,354	15,541(2)	373,450
	43,051	21,525(3)		30.97	3/31/2016				
	18,131	36,261(4)		36.77	3/7/2017				
	0	88,365(7)		38.80	3/5/2018				
Ms. Smith	113,570	0		41.95	3/10/2015	73,035(9)(12)	1,755,031	16,595(2)	398,778
	45,972	22,986(3)		30.97	3/31/2016				
	19,361	38,722(4)		36.77	3/7/2017				
	0	99,411(7)		38.80	3/5/2018				
Mr. Herington	24,601	12,300(3)		30.97	3/31/2016	93,043(10)(12)	2,235,823	11,100(2)	266,733
	12,951	25,901(4)		36.77	3/7/2017				
	0	60,751(7)		38.80	3/5/2018				
Mr. Gallina	60,732	0		26.55	3/14/2012	30,543(11)(12)	733,948	10,545(2)	253,396
	54,150	0		26.40	3/13/2013				
	60,472	0		36.42	3/11/2014				
	79,005	0		41.95	3/10/2015				
	24,601	12,300(3)		30.97	3/31/2016				
	12,303	24,606(4)		36.77	3/7/2017				
	0	52,577(7)		38.80	3/5/2018				

(1) 90,604 performance-based restricted stock units (PRSUs) will vest on March 31, 2009, as a result of performance goals having been satisfied. Dividend equivalents will also be paid upon vesting. See Compensation Discussion and Analysis Elements of Compensation Long-Term Incentive Compensation Equity-Based Long-Term Incentives on page 28.

(2) PRSUs vest at a rate of 100% after 36 months, subject to the satisfaction of performance goals, with a potential vesting date of March 7, 2010. Dividend equivalents will also be paid upon vesting.

(3) Stock options vest at the rate of one-third each year, of which one-third vested on March 31, 2007, an additional one-third vested on March 31, 2008 and the remainder will vest on March 31, 2009.

(4) Stock options vest at the rate of one-third each year, of which one-third vested on March 7, 2008, an additional one-third will vest on March 7, 2009 and the remainder will vest on March 7, 2010.

(5) 600,000 of these stock options vest 100% on March 5, 2011; 303,756 vest at a rate of one-third each year, with vesting dates of March 5, 2009, March 5, 2010 and March 5, 2011.

(6) Stock options vest upon our common stock achieving a price of $50 per share for 30 consecutive days between March 5, 2011 and March 5, 2018. See Compensation Discussion and Analysis Elements of Compensation Long-Term Incentive Compensation on page 28.

(7) Stock options vest at the rate of one-third each year, with vesting dates of March 5, 2009, March 5, 2010 and March 5, 2011.

(8) RSUs vest at a rate of 100% after 36 months. 18,450 RSUs have a vesting date of March 31, 2009 and 100,000 RSUs have a vesting date of March 7, 2010.

(9) 20,000 RSUs vest at a rate of 100% after 36 months, with a vesting date of February 28, 2